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## Airlines: Global Traffic Results for April



On May 30<sup>th</sup>, 2012 the International Air Transport Association (IATA) announced global traffic results for April. According to this report the total passenger demand rose 6.1% while freight demand was down 4.2% compared with April 2011. It is important to notice that despite the economic downturn several regions of the world are currently experiencing, demand of air travel is still high and growing. The 6.1% overall growth is

above the 20-year trend. Additionally, limited capacity expansion, which have been noticed for April have pushed load factors to 79.3% which is actually a record high for an April load factor. Regarding the decline in air freight markets the 4.2% contraction noticed is somehow misleading as during 2012 we cannot record a steady trend. Air freight market may experienced a decline of 4.2% compared to April of 2011 but compared to November 2011 cargo levels stood at about 2% higher. The majority of this improvement (about 80%) has been captured by Middle Eastern airlines. Air freight for the Asia-Pacific, European and North American carriers continue to show weakness.

International air travel rose 7.4% in April compared to the year-ago period. Significant differentiations have been observed between different regions. For example European airlines experienced a 5.9% passenger demand growth whereas Middle East Airlines experienced a 16.0% gain in passenger demand.



The European airlines' figure of 5.9% growth is 7.4% global average and is significantly lower than the 8.7% growth recorded in March. Nevertheless, demand was stronger than the 3.4% capacity expansion something that pushed load factors to 80.7%.

April 2011	Passengers' Demand	Capacity Expansion	Load Factor
Europe	5.9%	3.4%	80.7%
Middle East	16%	12.7%	78.3%
North America	1.6%	-1.5%	80.8%
South America	9.0%	5.3%	78.6%
Asia Pacific	9.3%	4.6%	78.1%
Africa	7.0%	8.5%	65.9%

On the other hand Asia Pacific and Middle Eastern carriers recorded the strongest year-on-year growth at 9.3% and 16% respectively. For both regions capacity surpassed the growth in demand with the Asia Pacific carriers growing their capacity by 4.6% and Middle Eastern carriers by 12.7%. Load factors stood at 78.1% for the Asia-Pacific carriers and at 78.3% for

the Middle Eastern carriers. We most notice that the strong performance Asia Pacific carriers showcasing is somehow distorted as in April 2011 Asia-Pacific markets were particularly weak in the aftermath of the Japanese earthquake and tsunami. If we take this fact into consideration the “real” region’s growth is estimated to be about 6%.

In North America airlines saw international demand expand by 1.6% in April 2012 compared to the same month of the previous year. Additionally, North American airliners cut capacity by almost 1.5% a fact that allowed the region’s carriers to post the strongest load factors at 80.8%.

Latin American carriers experienced a 9.0% expansion in international demand in April compared to the same month in 2011, outpacing the capacity expansion of 5.3%. Load factors stood at 78.6%.

African airlines reported a 7.0% increase in demand. It was the only region where capacity expansion (8.5%) outpaced demand growth. Load factors were the weakest and stood at 65.9%.

Kyriazis Vasileios,  
Epicos Newsletter Head Editor

## China: Future Air Transport Industry Growth



China is the second largest economy of the world after the United States. Additionally, it is the fastest-growing major economy, with growth rates averaging 10% over the past 30 years. Finally, China is also the largest exporter and second largest importer of goods. As it is clearly understood air transport plays a vital role in the economic structure and development of

the country. Mr. Tony Tyler IATA's Director General and CEO said at the China Civil Aviation Development Forum 2012 in Beijing regarding this issue: "China is looking to increase its share of world trade from 10.4% to 15%. Aviation connectivity will be critical to making that happen. Already it is prioritizing investments in airport and air navigation infrastructure. The challenge is to keep pace with rapidly growing demand, based on the global standards which underpin safe and efficient global connectivity".

Today China already ranks high for the size of its air transport industry as it is the second in the world for domestic passengers, seventh for international and fourth for international cargo. The positive trend is expected to continue as according to Mr. Tony Tyler IATA's Director General and CEO the 877 million additional global air travelers expected to fly in 2015 compared to 2010 and from these more than 212 million will be on journeys within or connected to China.

The main reason is that today, despite the fact that the country has sufficient aviation infrastructure the people of china take just 0.2 trips per person per year, whereas in largest domestic aviation market in the world, the US citizens take on average nearly 2 trips per person per year. In the upcoming years increasing wealth will have as a result the increase of travels in the country. That is mainly the reason why the Airbus forecast predicts that the greatest demand for passenger aircraft will come from airlines in the United States and the People's Republic of China.



According to International Air Transport Association (IATA), China's authorities have to tackle with two main priorities in order to enable the country's aviation industry to further expand. The first one is to enhance the infrastructure capacity of the country as air navigation infrastructure must keep pace with demand and growing airport capacity. The second is that China should further align with international standards. IATA highlighted the fact that currently is in a dialogue with the Civil Aviation Administration of China (CAAC) to align China's charges for infrastructure with global standards, as China's air navigation service charges are among the highest in the world.

Kyriazis Vasileios,  
Epicos Newsletter Head Editor

## Epicos "Industrial Cooperation and Offset Projects"



Epicos "Industrial Cooperation and Offset Projects" provides a unique set of online tools enabling the structure, identification and implementation of comprehensive Offsets programs, through a searchable database. By introducing different offset projects and ideas proposed by local A&D industry it ensures the optimum cost for Prime Contractors and reassures that the priorities of local industry are fully met...

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### **Manufacturing of precision tools and moulds to be used in the production of composite parts for defense applications (aeronautical, ground vehicles, shipbuilding, etc.)**



A company with significant experience in the production of high quality tooling for plastic parts manufacturing for the automotive and consumer goods industries is proposing the collaboration for the production of precision tools and moulds for manufacturing of composite material articles. These articles will be subassemblies or lowest level parts of defense applications equipment (aeronautical, ground vehicles, naval etc).

[For Further Information Contact our ICO Department](#)

Mail at: [g-menexis@epicos.com](mailto:g-menexis@epicos.com)

### **Customised actuators for best possible control of movement for new generation all terrain UGV (Unmanned Ground Vehicle) systems and unattended sensors**



A company with extensive experience in designing and manufacturing precision actuators is proposing the implementation of the existing technology to new generation UGV systems and unattended sensors. The solution includes the initial customised design of automatic actuators, motor, sensor control electronics as well as field bus solutions for the UGV designs.

[For Further Information Contact our ICO Department](#)

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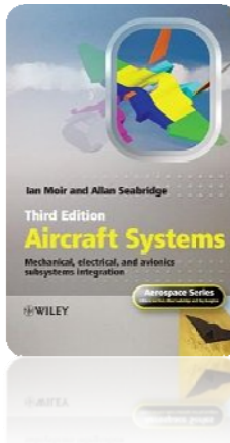


**Aircraft Noise: Assessment, Prediction and Control, by Oleksandr Zaporozhets, Vadim Tokarev, Keith Attenborough**



Aircraft noise has adverse impacts on passengers, airport staff and people living near airports, it thus limits the capacity of regional and international airports throughout the world. Reducing perceived noise of aircraft involves reduction of noise at source, along the propagation path and at the receiver. Effective noise control demands highly skilled and knowledgeable engineers. This book is for them. It shows you how accurate and reliable information about aircraft noise levels can be gained by calculations using appropriate generation and propagation models, or by measurements with effective monitoring systems. It also explains how to allow for atmospheric conditions, natural and artificial topography as well as detailing necessary measurement techniques.

**Aircraft Systems: Mechanical, Electrical and Avionics Subsystems Integration, by Ian Moir, Allan Seabridge**



This third edition of Aircraft Systems represents a timely update of the Aerospace Series' successful and widely acclaimed flagship title. Moir and Seabridge present an in-depth study of the general systems of an aircraft – electronics, hydraulics, pneumatics, emergency systems and flight control to name but a few - that transform an aircraft shell into a living, functioning and communicating flying machine. Advances in systems technology continue to alloy systems and avionics, with aircraft support and flight systems increasingly controlled and monitored by electronics; the authors handle the complexities of these overlaps and interactions in a straightforward and accessible manner that also enhances synergy with the book's two sister volumes, Civil Avionics Systems and Military Avionics Systems.



### Turbulence ahead for airlines despite oil price drop

Airlines are still in for financial turbulence despite a recent fall in oil prices, with many at risk of posting major losses as the cost of their top input remains historically high.

"If fuel prices remain at a reasonably low and stable level, of course it'll be favorable to operations of the company," Wang Jian, board secretary of China Eastern Airlines, told AFP.

But "despite the recent reduction in oil price, it remains at historically high levels and a significant challenge to the business," said Cathay Pacific Finance Director Martin Murray.

It "relieves the pressure a bit," acknowledged Air France-KLM's Philippe Calavia, finance director at Air France-KLM.

But he noted the Franco-Dutch group has based its financial plans on oil at an average of \$98 a barrel this year.

Oil prices are "still above over budget," he said.

The price of oil continued to fall this past week, with Brent North Sea crude for June at \$106.91 a barrel in late London afternoon trade, way off the \$128.40 it hit on March 1 and the record \$147.50 it set in July 2008.

Airlines in Asia and Europe have been struggling with the high price of fuel, the first or second largest cost in their budgets, which has pushed many deep into the red.

Singapore Airlines saw its full-year profit plunge 69 percent year-on-year to \$268 million due to high oil prices and global economic uncertainty.

Similarly Hong Kong-based Cathay Pacific saw its 2011 net profit slump 61 percent to \$708 million and recently announced a raft of cost-cutting measures in response to high fuel prices.

Australia's biggest airline Qantas, which has raised fares in recent months to partially offset higher fuel costs, said reduced oil prices were not yet helping its bottom line.

"Our fuel bill this year is going to be significantly higher than last year, so the outlook is still very challenging as far as we are concerned," a spokesman told AFP.

Jet fuel is Qantas' biggest operational cost and in February the carrier said it had hedged 86 percent of its remaining fuel requirement for the financial year at a worst-case price of \$121 per barrel.

Airlines, like many other companies, use financial instruments to protect themselves from possible rises in oil prices. But hedging can also trap them if oil prices fall below expectations.



"The main risk today is to rush to take advantage of current prices, which are still very high if falling, and finding yourself exposed to a loss on your hedges if prices continue to fall," said Air France-KLM's Calavia.

The airline which is looking at a fuel bill some 1.1 billion euros (\$1.4 billion) heavier than the 6.4 billion it spent in 2011, has hedged around 60 percent of its second-largest operational cost after wages.

German airline Lufthansa has hedged 76 percent of its fuel needs, and forecasts it will spend 7.5 billion euros this year compared to 6.3 billion in 2011.

Oil prices are now moving back to a level where airlines can make a profit, according to the industry group IATA, which represents 240 companies that carry 84 percent of global traffic.

"Our central forecast in March suggested that if oil averaged \$115, then as a whole the industry would still make a small profit of \$3 billion," said IATA spokesman Chris Goater.

"But if oil were to spike to an average of \$135, then we would see an industry loss of \$5.3 billion," he added.

European airlines are also not getting their hopes up too high too quickly as the slide in the euro has been eroding much of the gains in the drop of dollar-priced oil.

And until oil prices stabilise at a lower level airlines such as Cathay Pacific, Lufthansa and Air France-KLM intend to push forward with drastic cost-cutting plans.

**Source:** 2012 AFP, Agence France-Presse (AFP)

### **S. Korea says to pick weapons suppliers in October**

South Korea will select suppliers of military aircraft worth billions of dollars in October, a spokesman said Friday, despite calls from the main opposition party for further studies to be carried out.

The spokesman for the state Defence Acquisition Program Administration (DAPA) said purchases will include 60 stealth fighters, 36 attack helicopters and eight navy helicopters.

"We plan to announce the names of the suppliers in October," the spokesman told AFP, as tensions between the North and the South and its allies remain high over the North's nuclear and missile programmes.

The contract for the stealth fighters is worth eight trillion won (\$6.7 billion), he said. Lockheed Martin's F-35, Boeing's F-15 SE, the Eurofighter Typhoon and Russia's Sukhoi PAK-FA are reportedly competing for the deal.

Some 1.8 trillion won will be allocated to acquire 36 attack helicopters, with Boeing's Apache, Eurocopter's Tiger and Turkey's T129 in competition, the spokesman said.



The massive weapons acquisition plans being pushed through in the last year of President Lee Myung-Bak's presidency have sparked opposition criticism.

The Democratic United Party (DUP) urged the government not to rush through the programme.

"Further study and review are needed before the government goes ahead with the purchase of weapons. If necessary, this project should be handed over to next government," it said in a statement this week.

South Korea has already bought 60 of Boeing's non-stealth F-15 fighter jets since 2002 under the first two stages of a fighter modernisation programme.

The North and South are still technically at war. A peace treaty was never signed after the 1950-53 war ended in an armistice.

**Source:** 2012 AFP, Agence France-Presse (AFP)

### **India wants compensation before Dreamliner delivery**

Air India will not take delivery of any Boeing Dreamliner planes until the two sides agree on a compensation deal for a three-year delay in the multi-billion-dollar order, a minister said Tuesday.

"We will have to decide on a compensation mechanism before taking delivery," Civil Aviation Minister Ajit Singh told reporters in New Delhi, declining to specify the amount state-run Air India will seek from the US planemaker.

Two years ago, Air India told parliament it wanted compensation of \$710 million for the delay while Boeing had offered \$145 million but Indian officials have since said the sum sought by the airline may increase to near \$1 billion.

The civil aviation minister had earlier planned to visit the United States this month to take delivery of the first of the Dreamliners, which originally were due to be ready by late 2008 but were delayed by technical hitches.

Officials for Boeing in India were not responding to telephone calls.

Loss-making Air India has ordered 27 Dreamliner jets and has said it will lease some of the planes to leasing companies to raise cash.

Air India used to dominate India's skies but its market share has shrunk sharply in the face of fierce competition from private carriers.

The 27 Dreamliners are part of total 111 planes ordered by Air India from Boeing and Airbus for \$15 billion to rejuvenate its aging fleet.

Apart from the Dreamliners and three other Boeing planes, Air India has taken delivery of all the other aircraft in its 111-plane order

Air India has been posting massive losses since 2007 following its merger with the country's other national carrier, Indian Airlines, due to big wage costs for a bloated workforce and high fuel and debt costs.

The dispute with Boeing comes as several hundred Air India pilots remain on strike in a row over who should fly the Dreamliner.

The Air India pilots went on strike three weeks ago to protest against a decision to train former Indian Airlines pilots for the new planes.

**Source:** 2012 AFP, Agence France-Presse (AFP)

### **Elbit Systems Awarded Initial Contract to Supply Advanced Dismounted Soldier Systems to the Finnish Army**

Haifa, Israel, May 28, 2012 – Elbit Systems Ltd. (NASDAQ and TASE: ESLT) ("Elbit Systems") announced today that it was awarded a contract by the Finnish Army, to supply advanced dismounted soldier systems, in the first phase of a comprehensive ISTAR (Intelligence, Surveillance, Target Acquisition and Reconnaissance) program. The initial award is not in an amount that is material to Elbit Systems.

The solution offered by Elbit Systems includes enhanced observation soldier equipment (MARS), comprehensive situation awareness software, cutting edge combat soldier wearable radio (PNR1000) and computer systems intended to enhance the operational capabilities of the Finnish Army in the areas of reconnaissance, terrain dominance and dismounted soldiers. It will also support the Finnish Army in developing new combat doctrines, and as a basis for developing its future forward observation program.

Bezhael (Butzi) Machlis, General Manager of Elbit Systems' Land and C4I Division, commented: "We are proud that Finland, a NATO Partner of Peace, has selected our systems following a rigorous competition, including field testing in Lapland. This win affirms yet again our leadership as a supplier of advanced solutions for soldier systems."

#### **About Elbit Systems**

Elbit Systems Ltd. is an international defense electronics company engaged in a wide range of programs throughout the world. The Company, which includes Elbit Systems and its subsidiaries, operates in the areas of aerospace, land and naval systems, command, control, communications, computers, intelligence surveillance and reconnaissance ("C4ISR"), unmanned aircraft systems ("UAS"), advanced electro-optics, electro-optic space systems, EW suites, airborne warning systems, ELINT systems, data links and military communications systems and radios. The Company also focuses on the upgrading of existing military

platforms, developing new technologies for defense, homeland security and commercial aviation applications and providing a range of support services.

For additional information, visit: [www.elbitsystems.com](http://www.elbitsystems.com)

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**Source:** Elbit Systems Ltd

### **Turkish Airlines hit by strike, cancels 104 flights**

Turkish Airlines cancelled more than 100 flights on Tuesday after a large part of its workforce downed tools in protest at government plans to outlaw strikes in the aviation sector.

The airline announced that a total of 104 domestic and international flights had been cancelled as a result of what it termed the "illegal" industrial action.

Many other flights faced lengthy delays, according to Turkish television.

The aviation workers' union Hava-Is has been calling for the government to scrap a bill banning strikes.

They are also unhappy at what they regard as a hostile Turkish Airlines management whom they blame for the collapse of a collective bargaining agreement.

Transport Minister Binali Yildirim denounced the strike, saying authorities would "not hesitate to take necessary measures" to bring it to an end.

Turkish Airlines has a fleet of 178 planes and has another 55 on order. It serves 218 destinations worldwide.

**Source:** 2012 AFP, Agence France-Presse (AFP)