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## South Africa: Future Defence Budget Allocation



In 2008 the total Military expenditure of South Africa was according to SIPRI 29,556 million Rands whereas in 2009, reached 33,235 million Rands. In 2010 the defence budget was slightly reduced to 32,922 million Rands, but this shrink was overwhelmed by the increase that took place in 2009. This can be largely explained by the increased need, due to the fact that the country organized the FIFA World Cup. Defence forces had to work together with the police forces in cross border operations and other internal law enforcement operations, something that significantly

increased their operational readiness and therefore their operating costs. This trend is expected to be continued throughout the first half of the second decade of 2010. According to the estimations of the South African ministry of Defence the military budget will continue to rise. In 2012/2013 the budget will reach 37,492 million Rands, whereas in 2014/2015 this number will be increased to 42,332 million Rands. In 2014/2015 defence budget will be augmented by 13% compared to 2012/2013.

### Defence Budget Allocation

Main Programme	2012/13	2013/14	2014/15
	R'000	R'000	R'000
Administration	3,730,776	4,040,659	4,262,656
Force Employment	2,670,902	2,959,205	3,200,673
Landward Defence	12,686,731	13,751,279	14,253,986
Air Defence	6,749,665	7,204,878	7,709,470
Maritime Defence	2,551,307	2,755,491	3,198,209
Military Health Support	3,316,507	3,515,105	3,692,513
Defence Intelligence	709,663	740,475	778,507
General Support	5,077,403	4,977,568	5,236,095
<b>TOTAL</b>	<b>37,492,954</b>	<b>39,944,660</b>	<b>42,332,109</b>

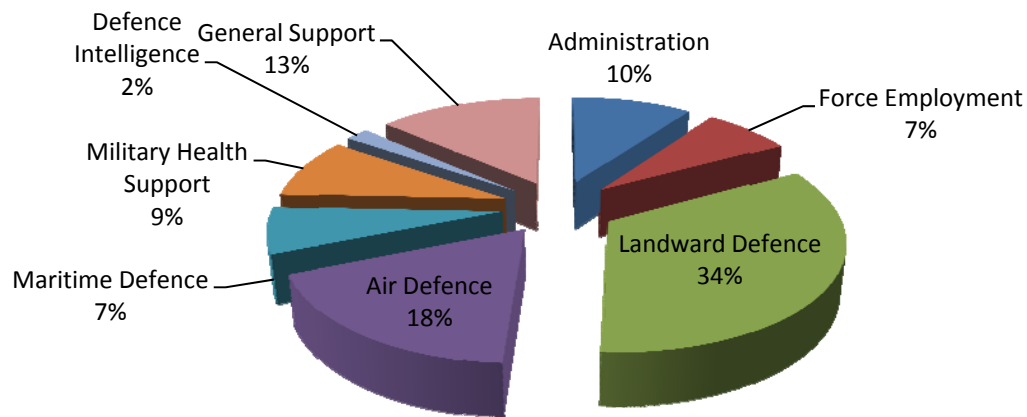
Source: <http://www.dod.mil.za/>

As it is clearly shown by the table below, for the fiscal year 2012/2013 the main amount of funds will be allocated to landward defence as it will receive 34% of the total funds. On the other hand defence intelligence will receive the smaller amount with 2% of the total funds.

The same trend will continue the next year as landward defence will be again the main receiver of funds. Nevertheless, this amount will be increased to 13,751 million Rands and to 14,253 million Rands in 2014/2015.

The enhancement of the Landward Defence Capabilities is essential, as they should be able to operate jointly with the Air Defence and Maritime Defence Capabilities. The Landward Defence Capability has not enjoyed the advantage of being part of the Strategic Defence Packages and is thus lacking technologically advanced Primary Mission Equipment.

### Financial Allocation of the Defence Programmes for 2012/13



South African armed forces are trying to provide, manage, prepare and employ defence capabilities that will match the needs of the country. The above is been provided through the proper management, provision, preparedness and employment of defence capabilities that are in line with the domestic and global needs of South Africa. This is illustrated by the fact that South African authorities are allocating a significant amount of money to defence and they will keep doing it.

Kyriazis Vasileios,  
Epicos Newsletter Head Editor

## South Africa: Procurement of Defence Equipment



**defence**

Department:  
Defence:  
**REPUBLIC OF SOUTH AFRICA**

REPUBLIC OF SOUTH AFRICA

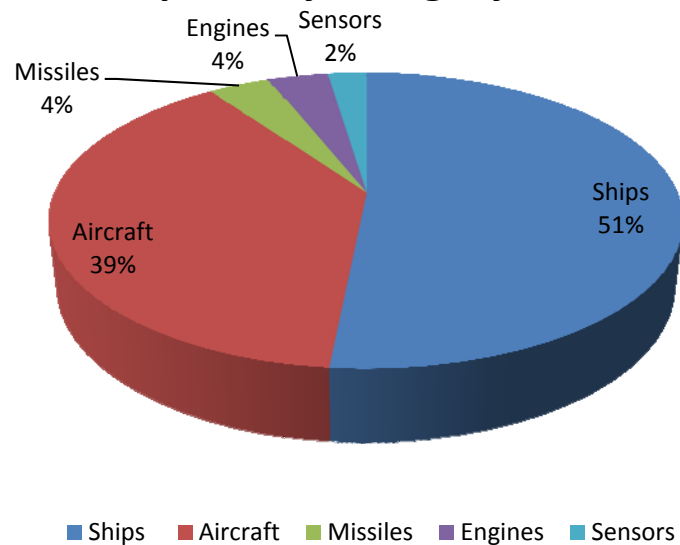


During the last years South Africa procured a variety of defence equipment. Actually, was the third importer of major conventional arms in Africa and the largest importer of arms in sub-Saharan Africa for the period 2007-11, as it accounted for the 41% of imports. This market was dominated

by Germany for the period 2007-11. The European country accounted for the 55% of supplies of major arms to the African country, and is followed by another European country, Sweden, which is accounting for the 30% of the imports. Apart from Germany and Sweden, other important countries that export arms to South Africa based on the amount of funds allocated are UK, USA, France and Italy.

From these countries South Africa mainly imports ships as this was the predominant area of imports for the period 2007-2011 with a total amount of 950 US\$ m. at constant (1990) prices. The 2nd most important sector is that of aircraft with 712 US\$ m. at constant (1990) prices whereas other areas such as missiles, engines and sensors follow.

### Arms Imports by Category, 2007-2011



In 2008 South Africa procured (170) MILAN anti-tank missiles from Germany. Deliveries were completed in 2010 and the total amount of the procurement was 11 million Euros. Additionally, the country procured (10) Litening Aircraft EO systems from Israel in 2009. The JAS-39 combat aircraft will be equipped with this system. Deliveries were completed in 2011. Furthermore, in 2008 the country procured (264) DI-12 diesel engines from Sweden in order to equip with them the (264) AMV APC/IFV procured from Finland. Finally, South

Africa procured (100) Paveway guided bombs from USA. This is an interim solution until South African Umbani is available.

Developments in the African continent and on the world necessitate that the South African armed forces should participate in different and divert missions. In order to be successful must try to adjust into this new environment. In order to facilitate this process the authorities of the African country procured a vast variety of arms in the period 2007-2011 mainly from European countries.

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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### Blue Force Tracking (BFT) System for Military Personnel and Military Vehicles



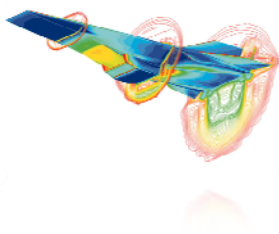
The network-centric ability to distinguish between friend and foe, a concept known as blue force tracking (BFT), is critical to conducting effective network-focused military operations. Within this frame, a company with extensive expertise in developing solutions for the aerospace industry is proposing the utilization of the existing know how -mainly in complicated space missions- in the development of advanced Blue Force Tracking (BFT) and situational

awareness capabilities into products and systems used to identify and track friendly forces.

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

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

### Testing, Modeling and Simulation Engineering Services provision for aerospace applications



An institute with significant experience in providing Research and Development services is proposing, in the frame of an offset project, the collaboration with Aerospace and Defense (A&D) prime contractor to undertake engineering services tasks in the area of testing, modeling and simulation for specific aerospace programs and/or applications.

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

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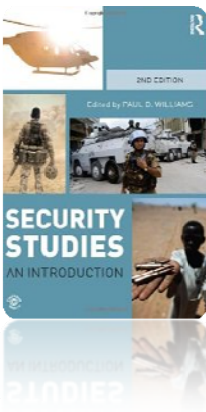


### Globalisation and Emerging Economies: Brazil, Russia, India, Indonesia, China and South Africa, by OECD Organisation for Economic Co-operation and Development



OECD is an international organization that 30 democracies work together to address the economic, social and environmental challenges of globalization. OECD is also at the forefront of efforts to help governments respond to the new development and concerns, such as corporate governance, the information economy and the challenges of an ageing population. OECD countries still dominate the world economy, but their share of world trade dropped from 73% in 1992 to 64% in 2005, and some of the world's most important economies are not members of the OECD. Foremost among these are the so-called BRIICS: Brazil, Russia, India, Indonesia, China and South Africa. This book analyses key elements of the trade performance of the BRIICS in relation to the rest of the world, focusing on trade and other policies influencing that performance.

### Security Studies: An Introduction, by Paul D. Williams



This book is comprehensively revised for the new edition including new chapters on Polarity, Culture, Intelligence, and the Academic and Policy Worlds; it continues to give a detailed overview of the major theoretical approaches, key themes and most significant issues within security studies. This book explores the main theoretical approaches currently used within the field from realism to international political sociology. Additionally, it explains the central concepts underpinning contemporary debates from the security dilemma to terrorism and presents an overview of the institutional security architecture currently influencing world politics using international, regional and global levels of analysis. Finally it examines some of the key contemporary challenges to global security from the arms trade to energy security and discusses the future of security.



### Pentagon chief in India amid US focus on Asia

US Defense Secretary Leon Panetta arrived in India on Tuesday for talks focusing on Washington's strategic shift towards Asia, as the United States eyes New Delhi as a potentially pivotal partner.

Security ties with India have steadily improved in recent years but US officials have yet to realise the goal of a game-changing alliance that could check China's role and empower the two countries' economies, analysts say.

During his two-day visit, Panetta is expected to discuss expanding defence ties, the NATO war effort in Afghanistan and China's increasing economic and military power in the region, US officials said.

Panetta is due to meet Prime Minister Manmohan Singh and National Security Adviser Shiv Shankar Menon on Tuesday afternoon, before giving a policy speech on Wednesday, officials said.

In President Barack Obama's new strategy blueprint unveiled in January, India is the only country mentioned by name as a vital partner.

US officials say the two countries share democratic traditions and similar concerns about China's stance as well as the threat posed by Islamic extremists in South Asia.

"Strategically, we see India as a partner with a lot of common interests," a senior defence official said on condition of anonymity.

But both countries have been disappointed about a lack of progress on defence trade and other fronts.

Although US arms sales to New Delhi have dramatically expanded over the past decade, India in 2011 rejected bids by US contractors for a \$12 billion fighter jet contract. France's Dassault is now in exclusive talks for the deal.

India, for its part, has expressed irritation over US export restrictions that prevent it from gaining access to some high-tech US weaponry.

On the war in Afghanistan, India worries that the departure of most US and NATO forces by the end of 2014 could empower Islamic extremists.

Last week, India called for greater coordination with the United States on Afghanistan.

Although India favours improving military relations with the United States, New Delhi has opted to place limits on the arrangement, giving it room to manoeuvre, analysts said.

"India is unwilling to tightly align with US objectives, and it is presently mired in political sclerosis and an economic slowdown," said Patrick Cronin, senior adviser for the Center for a New American Security, a Washington-based think-tank.



The US-India security relationship has generated increased cooperation between the two countries' navies, as well as more intelligence sharing.

"Naval cooperation (with the United States) is one of the chief tangible benefits, and the number of bilateral and trilateral exercises with India remain at a record high," Cronin told AFP.

The India trip, part of a nine-day tour of Asia, follows stops in Vietnam and Singapore in which Panetta signalled US plans to bolster its naval presence in the face of a more assertive China.

In Vietnam, Panetta became the first Pentagon chief to set foot in Cam Ranh Bay, a major port and airfield for US forces during the Vietnam War.

Standing on the deck of a US naval supply ship undergoing repairs at Cam Ranh, Panetta described the deep-water harbour as a strategically valuable port that could support the US military's focus on the Pacific.

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

#### **Elbit Systems Awarded a Follow-On Contract by the IMOD Valued at Approximately \$30 Million to Integrate F-15 Training Capabilities into the Israel Air Force's Mission Training Center**

Haifa, Israel, May 30, 2012 – Elbit Systems Ltd. (NASDAQ and TASE: ESLT) ("Elbit Systems") announced today that it was awarded a follow-on contract by the Israel Ministry of Defense ("IMOD") Procurement Administration, valued at approximately \$30 million, to integrate the F-15 array into the Mission Training Center ("MTC") Elbit Systems is establishing for the Israeli Air Force ("IAF").

Elbit Systems was previously awarded a contract by the IMOD to establish the F-16 training center for the IAF, through a PFI (Private Finance Initiative) program. The new follow-on contract for the integration of the F-15 array will enable the IAF fighter aircraft array to perform joint mission training in operational flights and formation, as well as to perform joint training with other armed forces.

The MTC marks a significant breakthrough in the operational training sector as it enables training in various mission scenarios, in varying war zones and in the relevant threat environment of each war zone, providing a new training capability which has not yet been available to the IAF.

The "Mission Training System", the core of the training center, is a unique system that enables coordinated training between the various trainees, both within the IAF and at an interoperable level. The IAF teams will be able to train in formations of pairs, foursomes and octads, under full supervision of flight inspectors, who will take a central part in the training sessions. The system will enable integration with other training systems operated by the Israel Defense Forces ("IDF"), such as trainers for helicopter pilots, UAS operators and

ground forces. In addition, the new system will enable coordinated training of operational scenarios, even when the trainees are geographically distant from one another. The high quality of operational training that will be achieved by the MTC will allow the IAF to replace some of the operational training sorties that are executed by fighter aircraft with training onboard the trainers, thus allowing maximized use of existing resources.

Yoram Shmueli, Co-General Manager of Elbit Systems' Aerospace Division, noted: "The inclusion of the F-15 array in the MTC attests to the IMOD and the IAF's satisfaction with the significant progress achieved in the establishment of the center. The Mission Training System was developed based upon an understanding of the modern combat doctrines, operating multiple forces, therefore requiring joint-force training of the various forces. We are proud to have been selected by the IMOD and we trust that our extensive experience in the training field for air, land and sea, as well as our systemic understanding and vast experience in operating PFI projects, will provide the IMOD and IDF with the ultimate solution for training fighter pilots."

#### 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

### Qantas forecasts huge fall in full-year profit

Australian flag carrier Qantas warned Tuesday its full-year profit could dive by up to 90 percent on the back of steep losses in its international arm, sending its share price plunging to all-time lows.

The airline said it expected underlying profit before tax -- its preferred measure of financial performance -- to be Aus\$50-100 million (US\$49-98 million) in the year to June 30, compared with Aus\$552 million in the previous year.

In a statement to the stock market, the carrier blamed worsening global operating conditions driven by the European economic crisis and its highest ever fuel bill.

A soaring Australian dollar and a bitter battle with unions over wages and conditions that saw chief executive Alan Joyce ground the entire fleet for 48 hours in October also cost the airline dearly.

The warning saw the embattled company's shares plunge nearly 20 percent to an all-time low of Aus\$1.140 before closing down 18.6 percent at Aus\$1.155, on a day when the overall market ended higher.

Qantas's international business is expected to post a loss of over Aus\$450 million, more than double the loss of Aus\$216 million in the last financial year.

In contrast, its far healthier domestic unit and low-cost offshoot Jetstar are expected to book a combined profit exceeding Aus\$600 million.

"We remain focused on returning Qantas international to profitability in 2014 and for Qantas international and domestic combined to exceed their cost of capital on a sustainable basis within five years of August 2011," said Joyce.

Former Qantas chief economist Tony Webber told ABC radio it was the worst result he could remember for the airline.

"I've never seen a deterioration in Qantas international profitability that big as far as I'm aware," said Webber, now an associate professor at the University of Sydney. "That's quite an astonishing loss."

In a bid to halt the dramatic earnings slide, Joyce last month announced Qantas would split its international arm from its domestic operations.

Each of the two entities, currently combined as Qantas Airways, will run as separate businesses from July with their own chief executives and reporting of financial results.

The move came days after Joyce said 500 jobs would be axed in Qantas's heavy-maintenance and engineering operations.

"We have taken decisive action to mitigate losses in Qantas international by withdrawing from loss-making routes, reducing capital investment, and transforming Qantas engineering," Joyce said Tuesday.

"The introduction of a new Qantas Group structure with dedicated CEOs for Qantas international and Qantas domestic will bring further rigour to our business."

Joyce said the restructuring programme is expected to incur costs of up to Aus\$380 million in the 2011/12 financial year but would result in more than Aus\$300 million in annual benefits once in place.

He added that the carrier had a cash balance of more than Aus\$3 billion and "remains in a strong funding position".

The group has money in place for most of the new aircraft it plans to receive in 2012/13, and intends to fund the rest from a combination of cash and debt, he said.

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

#### **World ammunition trade tops \$4 billion a year: aid group**

The world trade in ammunition now tops \$4 billion a year and is growing at a faster rate than the global trade in firearms, the Oxfam aid agency said Wednesday.

Oxfam's report, released ahead of new talks on an arms trade treaty in New York, estimates that about 12 billion bullets are made each year. It is a figure "enough to kill nearly every man, woman and child on the planet twice."

The trade in ammunition for small arms is worth \$4.3 billion, while the trade in firearms and light weapons is worth \$2.68 billion, according to the report, "Stop a Bullet, Stop a War."

Oxfam released the report to call for greater regulation of the trade, including in the arms trade treaty which is being negotiated. The next round of talks is scheduled for July.

The agency says only a minority of countries report on ammunition exports and there is hardly any monitoring by intergovernmental agencies.

Oxfam researchers found some of the biggest information gaps covers undocumented ammunition transfers to war-torn countries, such as Somalia and Afghanistan. The report says many bullets are diverted to the armed groups who prolong conflicts.

Of only 34 states that have publicly reported on arms exports since 2006, 28 mentioned their ammunition exports, including Britain, France and the United States.

Countries including the United States, Syria and Egypt, have voiced opposition to including ammunition in the text of the treaty being negotiated, according to Oxfam.

The aid group said ammunition sales must be covered by the new agreement.

"Guns are useless without bullets; bullets are what turn guns into lethal weapons," said Anna Macdonald, head of arms control campaigning at Oxfam.

"It is absolutely essential that the sale of ammunition is included in the treaty and it is far better regulated," Macdonald said.

"There are no global controls on ammunition flows and no global reporting system to keep track on where the billions of bullets are ending up. That must change," she added.

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

### **Embraer drops plans to build mid-range planes**

Brazilian aircraft giant Embraer said Tuesday it would drop plans to build 130- to 160-seater planes and instead focus on smaller jets with 70 to 120 seats, a sector in which it is a market leader.

"We have carried out market studies, spoken to several clients... and we do not see any economic justification for this plan" of building such regional aircraft, said Paulo Cesar Silva, who heads the group's commercial aviation division.

Airbus and Boeing have already taken a large part of the short-haul and medium-haul markets with their A320 Neo and 737 Max respectively. Canada's Bombardier is also entering the market.

Embraer, the world's third biggest aircraft maker, will therefore concentrate instead on its line of smaller jets.

"We will re-engine our line of E-jets, in order to maintain our leading position on the 70 to 120 seat aircraft type," said Cesar Silva.

The first aircraft which are re-engined to consume less fuel are expected to enter into service in 2018, but their new motors have not yet been picked, he said.

Embraer estimates that it has 43 percent of the regional jet world market, ahead of Bombardier, which claims 28 percent.

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