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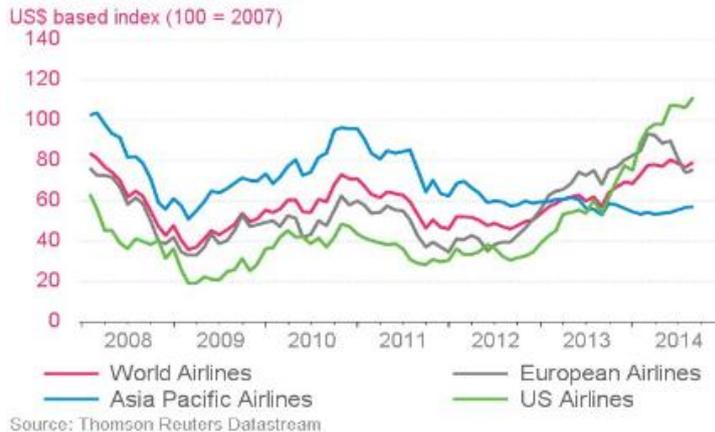
Airlines: Economic Monitor for August 2014



due to cargo revenue weakness and depreciating Yuan.

On September 4<sup>th</sup>, 2014, the International Air Transport Association (IATA) released its airline financial monitor. According to this airline share prices rose 3% in August compared to July, slightly ahead of the broader share market. The main reason was the further easing in fuel prices. Additionally, it is worth mentioning that the initial Q2 financial results show strong gains for US airlines' performance, but declines in Asia Pacific

Airline Share Prices



As it is already mentioned, worldwide airline shares picked up in August, rising 3% compared to July increasing slightly over the broader market as the FTSE Global All Cap up experienced a percentage increase of 2% over the month. All regions experienced a rise in airline share prices, with airlines in the US experienced the strongest rise (5%).

In US \$ Million

# Airlines	Regions	Q2 2013		Q2 2014	
		Operating profit	Net post-tax profit	Operating profit	Net post-tax profit
14	North America	3686	1932	5994	3724
16	Asia-Pacific	245	-349	-21	234
11	Europe	1617	469	2030	1136
6	Latin America	236	-138	204	25
3	Others	38	22	26	47
50	Sample total	5822	1936	8233	5166

Regarding the financial results of the second quarter it must be stressed that the majority of airlines were also able to improve financial performance for the year ago period, at both the operating and the net profit levels. The improvement has been driven by the performance of

North American airlines. By contrast in Asia Pacific, a combination of weakness in cargo revenues as well as rising cost pressures for Chinese carriers due to a depreciating local currency have had negative impacts on regional financial performance.

Kyriazis Vasileios,

Epicos Newsletter Head Editor

## Airlines: Global Traffic Results for July



On September 3rd, 2014 the International Air Transport Association (IATA) announced global traffic results for July. According to this report the total passenger demand rose by 5.3% compared to the same month's last year. The capacity rose by 5.3% resulting in a global load factor of 82.3%, unchanged from last year. Regarding the results Mr. Tony Tyler, IATA Director General and CEO stated: "July was another strong month of growth for air travel. People are connecting by air in ever greater numbers. That's true across all regions. Despite the various economic challenges, the outlook for passenger travel remains broadly positive. The overall sluggishness at the beginning of the year appears to be behind us with growth in China and other emerging economies offsetting recent deterioration in the Eurozone".

European carriers region recorded a year-on-year increase of 5.3% in July. Capacity expanded slightly more aggressively at 5.6%, but the region still reported a very high load factor of 85.1%. Nevertheless, it must be said that future assessments for European carriers is not optimistic as the indicators show a weakening in key European economies associated with the ongoing Russia-Ukraine confrontation.



The results for Asia-pacific airlines are positive as they are largely benefited from the regional economic environment. Demand growth was slightly above the global average at 5.6% which lagged a capacity increase of 6.8%. Load factor fell 0.9 percentage points to 78.9%.

April 2011	Passengers' Demand	Capacity Expansion	Load Factor
Europe	5.3%	5.6%	85.1%
Middle East	9.2%	8.2%	78.0%
North America	2.9%	5.6%	85.1%
South America	6.7%	6.6%	82.5%
Asia Pacific	5.6%	6.8%	78.9%
Africa	4.9%	4.5%	70.2%

An international demand growth by 2.9% was recorded for the North American airlines, while capacity expansion reached 5.6%. Load factor stood at 85.1%. Middle East airlines recorded the strongest growth at 9.2%, ahead of a capacity expansion of 8.2%. Load factor rose 0.7 percentage points to 78.0%.

Latin American carriers reported growth of 6.7% almost equal with a 6.6% capacity increase, while load factors stood at 82.5%. Finally, African airlines reported growth of 4.9%. Capacity rose to 4.5%, while load factor improved slightly to 70.2%.

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...

[For Further Information Press Here](#)

### Ballistic protected container field kitchen for peace keeping operations and catering services near the front line



A modern company with a long history in manufacturing high quality products for demanding customers in the fields of thermal technology and advanced use of stainless steel (e.g. modern field catering systems and equipment for rapid deployment troops, from refrigerated trailers to field kitchens) is proposing the sourcing of a ballistic protected container field kitchen for peace keeping operations and catering services near the front line. The proposed field kitchen will

be installed on a NATO standard container and it will be equipped with catering equipment presenting the best possible ergonomic and working conditions for the personnel.

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

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

### Development of composite twin smart container for the transport and storage of new generation missiles



A leading company in the development and manufacturing of composite products for ballistic protection and structural applications, is proposing the development of a smart composite twin container for transport and storage of new generation missiles.

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

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

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*News from our A&D Business Network***Embraer Engineering & Technology Center opens its doors in Melbourne, FL**

Melbourne, Florida, September 8, 2014 – Embraer celebrated the opening of its newly constructed Engineering & Technology Center here today. The 75,000 square-foot state-of-the-art facility is the first of its kind outside Brazil, where the Company is headquartered, and part of Embraer’s strategy to expand its global footprint.

The event was marked by a ribbon cutting ceremony attended by more than 250 State, community and elected officials, news media and distinguished guests.

The new Center will conduct engineering and development activities for both product and technology development across Embraer’s business lines with the first assignments primarily focused on executive jet interiors. It will include a laboratory for the development and testing of materials and interior components. Features include 3D Computer Aided Design, Computational Fluid Dynamics, Finite Element Modeling, 3D Virtual Reality Center, prototype capabilities and sophisticated laboratories and test equipment.

“As we celebrate the 35th anniversary of our North American presence this month, we are once again expanding our longstanding relationship with the State of Florida and the Brevard community with the opening of a cutting-edge Engineering & Technology Center,” said Frederico Fleury Curado, Embraer President and CEO. “With the highly qualified team of engineers that will work in these offices and laboratories, we will bring the most advanced solutions to our customers.”

The Center is located on General Aviation Drive at the Melbourne International Airport on 13 acres of land facing the existing Phenom 100 and Phenom 300 final assembly facility and the Embraer Executive Jets Customer Center, which were opened in 2009 and 2011, respectively.

Some 70 engineers have already been hired and have been operating in a temporary facility near the airport since 2012. Employment is scheduled to ramp up to a total of 200 by 2016.

According to the Company, one of the key drivers for choosing Melbourne was its skilled labor force. Additionally, the availability of land for a green field start-up was important, as were proximity to established operations and the pro-business climate in Florida, Brevard County and the City of Melbourne.

Florida Governor Rick Scott said, “Embraer’s commitment to Florida and their creation of 200 jobs will help more Florida families get back to work and live the American Dream. This project is great news for the Space Coast and I’m excited to see this company grow as they

open today. Since December 2010, we have created more than 620,000 private-sector jobs and we will continue working hard to create an opportunity where every Floridian who wants a job can get one.”

Florida Secretary of Commerce and President & CEO of Enterprise Florida, Gray Swoope, participated in this morning’s event and spoke about Embraer’s growing presence in Florida. “When Governor Scott and I visited Embraer’s R&D center in Brazil in 2011, we were able to see first-hand what having them here could do for Florida. Because of the strong partnerships between Enterprise Florida, the Space Coast EDC, Brevard County, the Melbourne International Airport and Space Florida, we can bring competitive, game-changing projects like this new Center of Excellence to Florida. Embraer could have located this new engineering facility anywhere in the world, but they chose Florida and we appreciate their continued commitment to the state.”

Space Florida President Frank DiBello said, "We've had the opportunity to serve as a close partner to Embraer over the years, as they've continued to expand and add high-tech, high wage jobs to the area. We were pleased to work with our banking partner - PNC Bank - and the State of Florida's Department of Economic Opportunity to make today's opening of this new, world-class aviation design center here in Florida possible. We look forward to continuing to partner with Embraer leadership to provide the tools they need to ensure their ongoing growth here in the century to come!"

Melbourne International Airport Executive Director Gregory Donovan said, “Forward thinking: that’s the distinctive operating environment at Melbourne International Airport. We applaud Embraer’s innovative strategy to expand; taking full advantage of our corporate campuses, abundant runways and expansive infrastructure. We are committed to Embraer’s long-term success by providing immediate accessibility to an international airport designed for an impressive future.”

“Embraer could have committed to this level of growth at any of their locations, but they chose to do so in Melbourne,” said City of Melbourne mayor Kathy Meehan. “There isn’t a greater compliment than repeat business and we’re thrilled to play host to Embraer’s third project in our aviation centric city. Long-term investment from a global leader and model corporate citizen doesn’t happen every day. As a community, we’re honored its happening here.”

"Today we celebrate another milestone in what has become a strong and thriving relationship between Embraer, a world class company, and Brevard County, a world class community," said Mary Bolin Lewis, District 4 commissioner and chairman of the Brevard County Board of County Commissioners. "The Space Coast is the place for engineering and technology. This innovation focused facility, and the 200 citizens it will employ, will foster next generation technological advancement for the company.”

“Embraer opened the door to the rapidly growing aviation sector in Brevard, and as a result, our community’s stock has risen,” said Lynda Weatherman, president and chief executive

officer, Economic Development Commission of Florida's Space Coast. "In a matter of years, the face of the Space Coast's business community has transformed into a hotbed of aviation activity because this dedicated community team was able to show Embraer what we had to offer, our workforce, our lifestyle, our aviation heritage and our forward vision. That message is translating into new opportunities for the Space Coast."

For the past three years, Embraer has been named One of Best Companies to Work for in Florida.

For Further Information Click [Here](#)

#### AAR's Nordisk Receives Orders for Nearly 400 ULDs for Xiamen Airlines' B787s



Hong Kong, September 9, 2014 — AAR's Nordisk Aviation Products announces it has received orders for nearly 400 lightweight air cargo containers and pallets from Xiamen Airlines for its first Boeing 787-8 aircraft. Nordisk ULDs are the lightest weight in the industry, and will save the airline, which is based in the Fujian Province of China, a minimum

350 tons of fuel a year and reduce CO2 emissions by more than 1,200 tons.

"We are excited to receive orders from Xiamen Airlines to support the operation of its first 787 Dreamliner by providing significant fuel savings and environmental benefits," said Boon Yang Sim, Nordisk's Vice President of Sales and Business Development, Asia Pacific and the People's Republic of China. "A critical component of Nordisk's success has been significant investments in research, design and product engineering. We have led the industry in designing the most technologically advanced, lightweight Unit Load Devices that provide operators with high-strength, lower-weight alternatives to traditional ULD products."

Nordisk's Lite product line includes the Nordisk UltraLite, the world's first certified LD3 container with a standard configuration weighing only 55 kg; the Nordisk TwinLite; and the Nordisk AluLite. All offer significant weight and fuel savings.

Nordisk is a global ULD brand focused on making cargo transport more safe and efficient. Nordisk offers products with excellent strength-to-weight performance, high reliability, and low total cost of ownership. With close to 700,000 ULDs sold in the global aviation markets, Nordisk ULDs are used by virtually every airline operating wide-bodied aircraft, enabling vast amounts of cargo and baggage to be transported safely and securely. Nordisk Aviation Products is a subsidiary of aviation industry leader AAR.

AAR, through its Telair and Nordisk subsidiaries, is the premier designer and manufacturer of advanced cargo loading systems, ULDs and aftermarket services for the world's airlines and OEMs.

#### About Nordisk Aviation Products

A subsidiary of aviation industry leader AAR CORP., Nordisk Aviation Products designs, manufactures and sells air cargo containers and pallets, also known as Unit Load Devices (ULD), to the global commercial aviation industry. Nordisk, established in Norway in 1970, has production facilities in Norway, China and the United States and has spare parts warehousing and sales offices across Europe, Asia and the United States. Nordisk containers and pallets are flown by nearly every airline operating wide-bodied aircraft in the world, enabling their valuable cargo and baggage to be transported safely and securely. For more information visit [www.nordisk-aviation.com](http://www.nordisk-aviation.com).

#### About AAR

AAR is a global aerospace and defense contractor that employs more than 6,000 people in 17 countries. Based in Wood Dale, Illinois, AAR supports commercial, government and defense customers through two operating segments: Aviation Services and Technology Products. AAR's services include inventory management and parts distribution; aircraft maintenance, repair and overhaul; and expeditionary airlift. AAR's products include cargo systems and containers; mobility systems and shelters; advanced aerostructures; and command and control systems. More information can be found at [www.aarcorp.com](http://www.aarcorp.com).

#### Contact:

Kathleen Cantillon at [Kathleen.Cantillon@aarcorp.com](mailto:Kathleen.Cantillon@aarcorp.com) | 630-227-2081 or email: [editor@aarcorp.com](mailto:editor@aarcorp.com)

## Epicos Newsroom



### French arms export orders up 43% in 2013

Export orders for French weapons rose by 43 percent last year, according to a new report by the defence minister, who insisted this "exceptional" result showed France was a reliable partner for arms sales.

"In 2013, the orders for arms exports rose 43 percent to 6.87 billion euros (\$8.84 billion)," said the defence ministry.

"This is a 30-percent increase over the average between 2002 and 2012," added the report, noting that "more than 40,000 jobs are generated by weapons exports.

In total, the French defence industry employs 165,000 people directly or indirectly, with a turnover of 17 billion euros.

These jobs are "vitally important" in a country that is "hit by unemployment and threatened with de-industrialisation," Defence Minister Jean-Yves Le Drian said on Tuesday.

The report came amid fears that France's reputation as a reliable weapons exporter could be damaged by its decision to freeze the delivery of a Mistral-class warship to Russia over the Ukraine crisis.

Paris agreed in 2011 to build and sell the two advanced helicopter assault ships to Russia for a total of 1.2 billion euros (\$1.6 billion), with the first scheduled for delivery in October or November and the second in 2015.

However, under fierce criticism from allies including Britain and the United States, France last week suspended the delivery of the first of the warships "until November."

Le Drian told Le Figaro daily that "France is a partner that is recognised as being reliable," the proof being the rise in arms exports seen last year.

**Source:** 2014 AFP, Agence France-Presse (AFP)

### Ryanair orders 100 Boeing 737 planes for \$11 bn

Irish budget airline Ryanair agreed to buy 100 aircraft from Boeing for \$11 billion, with an option to purchase another 100 planes from the aerospace giant, the companies announced Monday.

The order, potentially worth up to \$22 billion, unveiled the 737 Boeing MAX 200, a new version of Boeing's popular, fuel-efficient 737 model.

The latest design will accommodate up to 200 seats, up from the 160 in other single-aisle planes and more than other Boeing models, Boeing said.

Ryanair said the giant order will enable it to meet its growth targets, which calls for it to expand from 82 million customers in 2014 to more than 150 million in 2024, which marks the end of the delivery stream of the planes under Monday's order.

The first planes will be delivered in 2019.

"It's going to change the game for low-fare air travel," Ryanair chief executive Michael O'Leary said at a news conference. "It's also going to change the game in Europe."

O'Leary said Ryanair plans to use the jets to enter new markets in Europe and challenge incumbent carriers.

"I hope it will hasten a new era of price wars in Europe over the next 10 years," he said.

Ryanair plans to seat 197 customers in the 737 Boeing MAX 200, eight more seats than the biggest single-aisle planes in its fleet. The extra seats will net \$1 million more in annual revenues per plane in addition to savings from lower fuel costs, O'Leary said.

"The economics are compelling," he said.

The space for the additional seats comes from removing galley space in the front and rear of the plane. The companies said customers will gain leg room, an increasing flashpoint for customers who have complained of uncomfortable seating.

Ray Conner, chief of Boeing's commercial airplanes division, said the model unveiled Monday holds appeal for other low-cost carriers. Low-cost carriers are forecast to account for 35 percent of demand for single-aisle planes by 20133, Boeing said.

"It's a big deal for our operators and in particular it's a big deal for our low-cost operators," Conner said.

Boeing in July raised its 2014 profit forecast after second-quarter earnings jumped 52 percent to \$1.65 billion on the strength of a 7.1 percent increase in commercial aircraft deliveries.

In midday trade, Boeing shares gained 2.5 percent to \$127.84, while Ryanair fell 0.8 percent to \$57.22.

**Source:** 2014 AFP, Agence France-Presse (AFP)

### China to need more than 6,000 new planes by 2033: Boeing

China will need more than 6,000 new aircraft over the next 20 years, US manufacturer Boeing forecast Thursday -- an increase of almost 500 on its equivalent prediction last year.

Flight demand in the world's most populous country and second-largest economy is increasing and diversifying, Boeing said in its new Current Market Outlook for the country.

Chinese new aircraft demand will reach 6,020 planes worth \$870 billion during the 2014-2033 period, it said, compared to last year's 20-year demand forecast of 5,580 planes.

Underscoring the dramatic increase in passenger demand, Boeing said that a total of 6,930 passenger aircraft will be plying China's skies in 2033, three times the current 2,310.

"China's domestic market has been strong and resilient for many years, and continues to be strong," Randy Tinseth, vice president of marketing at Boeing Commercial Airplanes, told reporters in Beijing.

During the 20-year period Chinese carriers will take delivery of 16 percent of the world's airplane production, the company said.

Boeing, maker of the 737 MAX and 787 Dreamliner, competes with Europe's Airbus for global dominance in the aircraft market.

The US firm says it made more than half the current Chinese commercial fleet, while Airbus says it has an almost-50 percent share.

"The market is changing, evolving," Tinseth told reporters in Beijing, saying demand for more direct flights to more destinations was being driven by factors including low-cost carriers.

"It's good for passengers, and ultimately it will be good for the aviation market here."

Only 1,400 of China's new aircraft in the next 20 years will replace existing airplanes, Boeing said, while 4,620, or 77 percent, will be additions to the fleet.

In July, Boeing raised its forecast for global aircraft demand by 4.2 percent from last year's projection, saying it expected 36,770 planes to be delivered over the next two decades in deals worth \$5.2 trillion.

**Source:** 2014 AFP, Agence France-Presse (AFP)

### Turkey in talks with France over missile purchase

Turkey has resumed talks with France on purchasing a new missile system after negotiations on a controversial deal with a US-blacklisted Chinese company hit a rock, the Turkish president was reported Sunday as saying.

"Some disagreements have emerged with China on the issues of joint production and technology transfer during negotiations over missile defence system," President Recep Tayyip Erdogan told reporters as he returned from the NATO summit in Wales, according to private television NTV.

"Talks are continuing despite that, but France which is second on the list has come up with a new offer. Right now we are holding ongoing talks with France," he said.

"Here joint production is important to us."

Last September, Turkey reached a deal with China Precision Machinery Export-Import Corporation (CPMIEC) for its first long-range anti-missile system, but the contract has sparked concerns in Washington.

Turkish officials had since said the deal with China was not finalised and that Ankara was open to new offers from other bidders.

CPMIEC beat competition from a US partnership of Raytheon and Lockheed Martin, Russia's Rosoboronexport, and Italian-French consortium Eurosam for the deal, estimated at \$4 billion (2.9 billion euros).

The Chinese group, which makes the HQ-9 missile system, is under US sanctions for selling arms and missile technology to Iran and Syria.

The Turkish move also irritated its allies in NATO, which has said missile systems within the transatlantic military alliance must be compatible with each other.

**Source:** 2014 AFP, Agence France-Presse (AFP)

### US to build 'stronger military ties' with ex-Soviet Georgia

US Secretary of Defence Chuck Hagel pledged on Sunday to boost military ties with Georgia amid the unfolding crisis in Ukraine.

"Our shared goal is to build even stronger military ties in the future, particularly in the light of Russia's blatant aggression in Ukraine," Hagel told a press conference in Tbilisi.

Stronger ties between NATO and Georgia "are especially important given the dangerous and irresponsible actions" of the Russian President Vladimir Putin, he added.

"Russia's actions here and in Ukraine pose a long-term challenge that the United States and our allies take very seriously," he added.

Hagel pledged continued US "commitment" to Georgia's NATO membership bid and "ongoing defence modernisation efforts" adding that Georgia's possible role in a US coalition to fight the Islamic State was also discussed.

Georgia and Russia have long been at loggerheads over Tbilisi's pro-Western orientation and its bid for membership of NATO and the European Union.

Tensions culminated in a brief 2008 war over Georgia's separatist South Ossetia region in which Russian troops overwhelmed Georgia's small military.

The Kremlin subsequently recognised South Ossetia and another secessionist territory, Abkhazia, as independent states and stationed thousands of troops there.

Analysts said that Russia's strategy of partitioning Georgia is now being employed in Ukraine where -- the West says -- Russian forces are helping rebels fight the Kiev government.

**Source:** 2014 AFP, Agence France-Presse (AFP)