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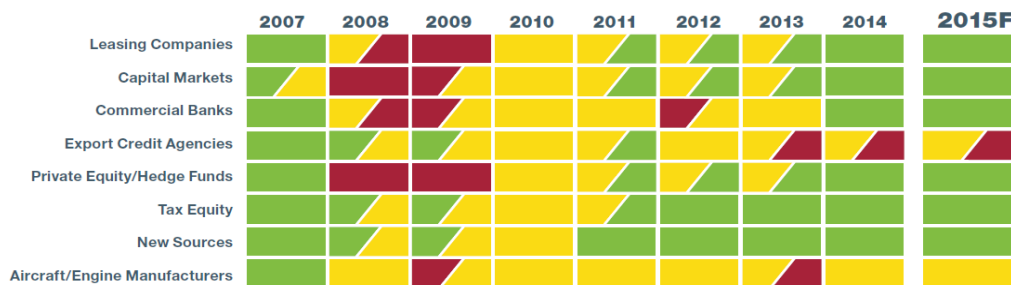
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Boeing: Current Aircraft Finance Market Outlook



On December 9, 2014 the seventh annual Boeing Current Aircraft Finance Market Outlook was published, forecasting the sources of financing for new commercial airplane deliveries in the coming year and the industry's overall delivery financing requirements for the next five years. According to the report a strong market demand for new, fuel-efficient airplanes is expecting resulting in about \$124 billion of commercial aircraft deliveries industry-wide in 2015, double the amount from 2010. According to Mr. Tim Myers, Vice President and general manager Aircraft Financial Services for Boeing Capital Corporation, "the strength we're seeing in aircraft finance is largely the result of a healthy and balanced global demand for new aircraft, which is being driven by anticipated growth in passenger traffic, record airline profitability and the continuation of a replacement cycle to improve the fuel and performance efficiency of the global fleet."

● SATISFACTORY ● CAUTIONARY ● MAJOR CONCERN



Source: Boeing

As it is already mentioned a strong demand for new, fuel-efficient airplanes will result in about 124 billion of commercial aircraft deliveries in 2015. Additionally, it is forecasted that the next 5 years a projected \$156 billion of delivery financing will be needed.

According to the reports the key elements of the 2015 finance market outlook include the following:

- Lessors should continue to drive innovation in aircraft finance, supporting about 40 percent of all deliveries.
- Funding for deliveries is expected to be balanced among cash, commercial bank debt and capital markets.
- Capital markets are expected to support nearly one third of new deliveries.
- Reflecting the current strength of commercial markets, export credit usage should continue at historically low levels.
- Investor demand and lessor portfolio sell-down initiatives should support continued interest and investment in the used aircraft market.

Kyriazis Vasileios,
Epicos Newsletter Head Editor

IATA: Cargo E-Chartbook



On December 9th, 2014 the International Air Transport Association (IATA) announced the latest quarterly Cargo Market Analysis. According to the report, air freight volumes continue to show solid gains from a year ago, supported by improving growth in trade in some regions. Such positive developments is the emerging Asia trade volumes that have seen continual increase over the past

6 months and in the US, optimism about the economic outlook is the highest it has been since the recession. Nevertheless, there are other regions that have not showcased any further increase in business confidence over recent months, casting doubts over the strength of the global economic upturn and further growth in trade. Europe is a prominent such example, as consumer confidence and trade activities in the region have weakened, due to the Russia-Ukraine crisis.

Route Area	% Growth in Freight Tonnes, year-on-year					
	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14
Africa - Middle East	14.2%	0.6%	3.4%	0.5%	11.3%	18.2%
Europe - Far East	2.2%	7.0%	0.2%	2.8%	2.9%	0.5%
Europe - Middle East	-3.1%	-4.3%	-10.8%	-4.0%	5.5%	8.8%
Within Far East	5.2%	6.0%	5.6%	7.2%	8.2%	4.7%
Within Middle East	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Within South America	-9.7%	-3.3%	-7.5%	2.5%	3.7%	-5.0%
Mid Atlantic	-5.2%	-1.9%	-8.3%	7.9%	-4.0%	-5.7%
Middle East - Far East	7.2%	5.5%	3.4%	3.9%	19.5%	15.8%
North Atlantic	6.9%	7.5%	1.9%	9.7%	5.9%	4.0%
North America-Central America	8.7%	-2.8%	-8.5%	-3.0%	3.8%	-5.2%
Europe - Africa	5.7%	8.8%	4.1%	2.0%	4.6%	0.9%
North America- South America	-3.2%	5.4%	-2.2%	4.3%	1.2%	-0.5%
Far East - Southwest Pacific	-6.9%	-3.8%	-3.8%	-2.7%	-8.1%	-0.9%
North and Mid Pacific	14.2%	9.8%	13.3%	19.8%	12.6%	13.8%
South Atlantic	18.3%	20.6%	21.4%	24.3%	12.7%	14.9%
Within Europe	-4.5%	1.2%	-4.7%	-4.4%	-0.4%	-0.5%

International Freight Volume Growth by Route Area (Source: IATA ODS statistics)

The most important points of the report are the following:

Economic Situation – the global economic outlook for 2015 is for stronger growth than what is expected for 2014 overall, with notable improvements being anticipated in the US, Latin America and the Middle East/North Africa.

Traffic Growth – traffic volumes are up 4-5% since a year ago, supported by solid growth in trade in some regions. Further growth could be dampened by trends in production which continue to suggest a shift toward domestic activity.

Demand Environment – for air cargo is mixed. World trade volumes have shown solid gains in some regions. But there has been no further increase in business confidence over recent

months, casting doubts over the strength of the global economic upturn and further growth in trade.

Demand Drivers – are mostly positive but show regional divergence. In China, consumer confidence remains stable - and at post-recession highs in the US, but European consumers have become more pessimistic over recent months. Capital spending intentions of companies in the UK and Japan remain positive on balance, but have weakened slightly in Japan compared to Q2.

Capacity – load factors remain weak but aircraft utilization rates have improved, despite some increases in the freighter fleet. Looking ahead, however, aircraft deliveries are set to increase by 6% in 2015 compared to 2014, which could place downward pressure on aircraft utilization.

Competition – air freight rates are stable but show no improvement on a year ago. Sea freight rates are also flat on a year ago, despite strong growth in container shipping in most regions.

Revenue and Yields – air freight yields continue to decline slowly, consistent with persisting weakness in load factors, keeping downward pressure on cargo business financial performance.

Costs – jet fuel prices have fallen significantly over recent month, now down 36% compared to the mid-year peak. Nominal wage rates continue to fall in Europe and China, but have been on the rise in the US.

Profitability outlook – consistent with some improvement in demand conditions in Q4 compared to H1, heads of cargo surveyed in October expect stronger growth in traffic over the next 12 months, but no change in yields.

For Further Information please [click here](#).

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](#)

Military radio / Voice commands in noisy environment for extreme combat situation



A Research and Technology Development organization with long standing experience in the field of Electronics and Telecommunications providing turn-key solutions is proposing the development of a robust voice command recognition system for environments with high ambient noise. The system will be integrated into various Radio Communication Systems providing voice commands capability under stressed battle conditions.

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

Mail at: g-menexis@epicos.com

EMP/HPM protected system cabinets for Military and Homeland Security



A leading company in EMP protection, designing, building, and maintaining radio and telecommunication networks, in product development and electrical assembly, is proposing the design and development of EMP protected cabinets to house critical communications and other sensitive electrical equipment.

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

Mail at: g-menexis@epicos.com

News from our A&D Business Network**General Dynamics UK awarded contract to provide mission system equipment for UK AW101 Merlin Mk4/4a helicopter****GENERAL DYNAMICS**
United Kingdom Limited

General Dynamics UK has been awarded a contract by AgustaWestland to provide mission system equipment for UK AW101

Merlin Mk4/4a helicopters. This contract is part of the Merlin Life Sustainment Programme (MLSP), which was awarded to AgustaWestland by the UK Ministry of Defence in January 2014 to convert 25 AW101 Merlin helicopters for maritime operations. The mission system equipment that will be delivered by General Dynamics UK includes a Tactical Processing System and Secure Data Recorder, which will provide increased performance and capability onboard the helicopters.

General Dynamics UK is a world-leading provider of Tactical Processing Systems, which integrates a diverse range of sensor and application information for display in the cockpit, encrypted data storage and tactical datalink capability. The company's Tactical Processing System is currently installed on the UK and export variants of the AgustaWestland AW159 Lynx Wildcat helicopter.

The Secure Data Recorder provides an accredited security solution that allows a user operating in unfriendly environments to safely record and store data for further use. Qualified for manned and unmanned platforms operating in the air, on land and in maritime environments, the Secure Data Recorder enables the transfer of data on and off all types of platforms using an easily inserted encrypted memory cartridge. Typical data transfers include the uploading of mission and digital map data, along with the extraction of recorded data such as radar and electro-optical sensors, voice and data communications and tactical mission data. Steve Rowbotham, chief operating officer at General Dynamics UK, said: "This contract continues the successful long-term collaborative relationship between General Dynamics UK and AgustaWestland. It is testament to the advanced mission systems provided by General Dynamics UK, which are currently installed on a range of fixed-wing and rotary platforms around the world."

General Dynamics UK is a key provider of technology onto Eurofighter Typhoon, Tornado and the UK AW159 Lynx Wildcat platforms. The company has more than 50 years of experience providing advanced electronic solutions for the air, maritime and land markets.

For Further Information [Click Here](#)

BAE Systems Joins Air Warfare Destroyer Program Reform Team



Today's announcement that BAE Systems has joined the Air Warfare Destroyer (AWD) reform project has been welcomed by the company as a "positive step" towards helping to turn the project around. Under the agreement, BAE Systems will be providing a team of highly experienced shipbuilders and executives from its Australian and global businesses to assist

with reform activities.

The company's recent delivery of Landing Helicopter Dock HMAS CANBERRA, Australia's largest and most complex warship to date, and the construction and delivery of high quality AWD hull blocks, demonstrates that BAE Systems has the necessary shipbuilding capability, skills and experience to make a major contribution.

BAE Systems Australia's Chief Executive, David Allott, said, "The Australian Government has made it clear that turning this program around is critical to the future of Australian naval shipbuilding.

"We look forward to supporting the Government by bringing our global complex shipbuilding capability to deliver this important goal, while standing ready to support any future needs the Commonwealth might have."

For Further Information [Click Here](#)

Epicos Newsroom



Japan budget carrier Skymark eyes joint support from ANA, JAL

Struggling Japanese budget carrier Skymark Airlines said Wednesday it was considering asking for help from domestic giant All Nippon Airways, even while eyeing a tie-up with ANA's rival Japan Airlines (JAL).

"We are considering asking for assistance" from ANA, Skymark spokesman Hiroyuki Sakata said.

Skymark could ask for code-sharing as the main pillar of that help as is the case with ongoing talks with JAL, he told AFP by telephone.

Selling flights under JAL or ANA's codes would help reduce vacant seats.

The news on possible support from the nation's two biggest carriers boosted Skymark shares by 8.65 percent to 251 yen on Wednesday morning.

The Nikkei economic daily had reported Skymark planned to get ANA on board because the transport ministry is reluctant to let JAL be the sole saviour.

But the Skymark spokesman said it was the company's own decision to seek assistance from ANA.

"We need to rehabilitate our management urgently and are considering every possible measure," Sakata said.

Skymark has struggled to offer the kind of heavily discounted fares of overseas no-frills carriers due to high operating costs, and has suffered from the plethora of new entrants into the sector. It is bracing for a net loss of 13.68 billion yen (\$114 million) for the year to March.

The airline was also sideswiped when Airbus cancelled a \$2.2-billion jet order in July, apparently over concerns it would not get paid.

A penalty for breaking the contract, which would fall on Skymark and could widen its net loss, is still under negotiation.

Skymark was born out of deregulation measures in the 1990s that were aimed at challenging ANA and JAL's control of the market.

It operates lucrative flights in and out of Haneda Airport just a short train ride from downtown Tokyo.

The Nikkei said Skymark would soon make a formal request to ANA.

But ANA wants to support Skymark on its own and is currently unenthusiastic about a joint tie-up that would help expand JAL's business, it said. ANA spokesman Ryosei Nomura said the carrier "is ready to consider it seriously" if Skymark makes a formal request for assistance of some form.

Japanese media said some lawmakers in the ruling Liberal Democratic Party were critical of JAL as it was revived by a government-led scheme when the main opposition Democratic Party of Japan was in power.

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

Dutch sell combat vehicles to Estonia for 100 mln euros

Estonia on Tuesday signed a deal to buy 44 infantry combat vehicles from the Netherlands in Tallinn's biggest-ever defence purchase.

The deal, reportedly worth around 100 million euros (\$120 million), comes with regional tensions running high over the conflict in Ukraine. Dutch defence ministry spokeswoman Lisa Hartog told AFP the contract was signed during a visit by Estonian Defence Minister Sven Mikser.

The Swedish-built CV90 infantry combat vehicles and six Leopard tanks included in the deal are to be delivered between 2016 and 2018.

Mikser said last month that the deal was "the largest procurement project ever" for Estonia's defence forces.

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

Saab Receives Order for A26 and Gotland-class Submarine Sensor Systems

Defence and security company Saab has received an order from the Swedish Defence Material Administration (FMV) to provide new sensor systems for two A26-type submarines and two Gotland-class submarines. The contract is valued at SEK 420 million. This order is one of the terms included in the Letter of Intent covering Swedish armed forces' underwater capabilities that was signed on 9 June 2014 and refers to the period 2015-2024. Neither a production order for A26-type nor a modification order for Gotland-class has been received for the submarines.

A submarine's sensor systems detect threats, identify other submarines and surface vessels, and provide support for navigation. These systems will be provided to Saab by other suppliers and there are lengthy lead-times for their delivery. Therefore, the sensors are being ordered in a timely fashion to allow the FMV to move forward on schedule with its plans for the A26 next-generation submarine programme.

For further information, please contact:

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Saab serves the global market with world-leading products, services and solutions ranging from military defence to civil security. Saab has operations and employees on all continents and constantly develops, adopts and improves new technology to meet customers' changing needs.

Source: Epicos, Saab

Air New Zealand orders two more Dreamliners

Air New Zealand said Monday it had taken up options on an additional two Boeing 787-9s, which will increase its Dreamliner fleet to 12 by the end of 2018.

The carrier this year became the first to operate the 787-9 -- which has a longer range and takes more passengers than the original 787-8 -- and chief executive Christopher Luxon said it was an important part of Air New Zealand's growth plans.

"As the airline's commercial performance continues to improve, we are focussed on reinvesting our profits directly back into the business... to ensure the business remains strong and competitive," he said in a statement.

"Air New Zealand is very committed to the Boeing 787-9. The aircraft is a key component in our growth strategy."

Air New Zealand is currently operating three 787-9s, with nine more on order, including the two announced Monday. The airline said it had options on six more of the aircraft.

Luxon said he was "incredibly pleased" with the performance of the Dreamliners since they entered service.

"The aircraft is a game-changer for the airline, with increased levels of fuel efficiency and passenger comfort through a raft of on-board technologies," he said..

Air New Zealand did not supply the cost of the extra two aircraft.

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

Boeing sees strong commercial aircraft demand in 2015

US aerospace giant Boeing on Tuesday forecast strong demand for new commercial airplanes next year as aviation financing remains exceptionally liquid in a low interest-rate environment.

"We expect strong market demand for new, fuel-efficient airplanes to result in about \$124 billion of commercial aircraft deliveries industry-wide in 2015, double the amount from 2010," Boeing said in its 2015 aircraft finance market outlook.

Funding for Boeing deliveries in 2015 is expected to reflect the broader industry, the Chicago-based company said. Funding would be roughly balanced between cash, commercial bank debt and capital markets amid an "unprecedented diversity of capital providers".

"The strength we're seeing in aircraft finance is largely the result of a healthy and balanced global demand for new aircraft, which is being driven by anticipated growth in passenger traffic, record airline profitability and the continuation of a replacement cycle to improve the fuel and performance efficiency of the global fleet," said Tim Myers, vice president and general manager Aircraft Financial Services for Boeing Capital Corporation.

Continued strength in the main commercial aircraft finance sectors in 2015 should lead to historically low levels of export credit usage, Boeing said.

Commercial bank debt and the capital markets would account for a combined 60 percent of airline deliveries.

Boeing forecast financing growth would moderate over the next few years, with more than \$120 billion expected to be needed for deliveries in 2016 and \$156 billion in 2019.

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