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*Airlines: Economic Monitor*



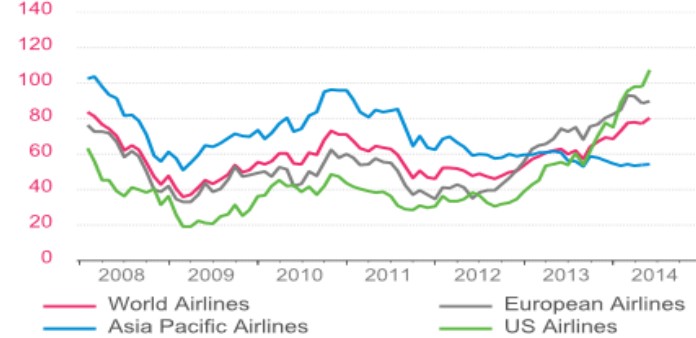
On June 6<sup>th</sup>, 2014, The International Air Transport Association (IATA) released its airline financial monitor. According to this airline share prices rose 5% in May compared to April, a fact that must be largely attributed to the US airlines performance. This performance is stronger than the broader market which gained 2% for the same period. Additionally, it is worth mentioning that financial results for the first quarter of the year show

strong gains in US airlines' performance, but weakness in Asia Pacific.

As it is already mentioned, worldwide airline shares picked up in May, rising 5% compared to April, reaching a 17% increase since the beginning of the year. US airlines' shares increased by 10% in May compared to April as the airlines of the region post significant profitability improvements. Share prices on other regions, namely Europe and Asia Pacific remained broadly stable.

**Airline Share Prices**

US\$ based index (100 = 2007)



Source: Thomson Reuters Datastream

Regarding the financial results of the first quarter it must be stressed that airlines continue to improve their financial performance. More specifically, from the sample of 52 airlines that were taken into consideration shows a significant increase in operating profits. North American airlines were on the forefront of this development whereas these in Asia Pacific continue to show weakness.

In US \$ Million		Q1 2013		Q1 2014	
# Airlines	Regions	Operating profit	Net post-tax profit	Operating profit	Net post-tax profit
13	North America	418	-715	1497	91
17	Asia-Pacific	498	416	-557	-276
13	Europe	-1768	-2679	-1732	-2100
5	Latin America	316	104	353	31
4	Others	507	395	890	830
<b>52</b>	<b>Sample total</b>	<b>-29</b>	<b>-2479</b>	<b>451</b>	<b>-1424</b>

Economic performance of airlines is relatively good despite the fact that there are several negative developments that could affect it. One of these is that jet fuel prices are still on high levels, around \$120/bbl, mainly due to the rising tensions in Ukraine and Russia.

Kyriazis Vasileios,  
Epicos Newsletter Head Editor

**Airlines: Passenger and Air freight growth**



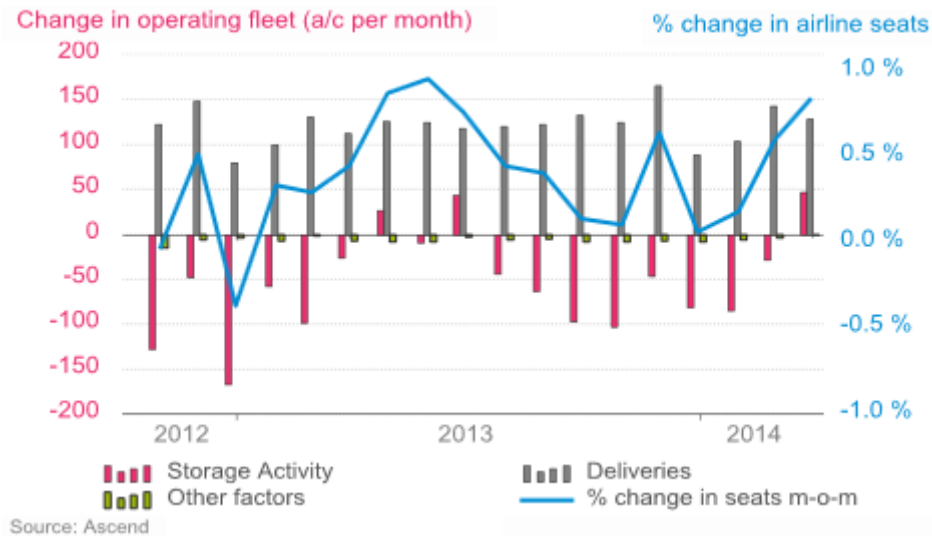
According to IATA's estimations Passenger loads improved slightly on the back of rising demand, but air freight load factors have made little progress in 2014 overall. More on that air travel picked up in April, whereas air freight demand weakens, mainly due to the moderated trade growth. Finally, available seats (capacity) expanded for the same month as new deliveries of aircraft were concluded

and several others came out of storage.

As it is already mentioned air freight markets weakened in April both compared to a year ago and relative to the previous month. On the other hand air travel picked up slightly a trend that may be averted as flattening business confidence and world trade may negatively affect it.

Furthermore, growth in available seats (capacity) picked up further in April compared to the previous month. As it is already mentioned increased capacity was mainly due to new aircraft deliveries and some other aircraft coming out of storage, as for April, there were 128 new aircraft delivered and a net of 47 aircraft coming out of storage (compared to 29 aircraft returning to storage in March).

**Airline Fleet Development**



Finally, it is worth mentioning that load factors increased slightly in April in comparison to the previous month, remaining at high levels, close to 80% on a seasonally adjusted basis.

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](#)

**Installation of an Integrated Data Link System on Unmanned platforms for military and civil applications**

A company with extensive experience in providing advanced wireless communication and data link solutions for various applications is proposing collaboration in the frame of an offset program, for the installation of an Integrated Data Link System (IDLS) on Unmanned Airborne, Ground or Surface Platforms (vehicles) for military and/or civilian applications. The proposed installation will be based on an existing Integrated Data Link System for Bi-Directional Air-to-Ground or Ground-to-Ground Wireless Data Link System turnkey solutions, already developed

by the company.

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

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**Training services to Governmental Authorities and Homeland Security Forces for Explosives, Improvised Explosive Devices (IED) and associated Detection and Security Technologies**

A company with long standing experience in the testing and evaluation of Explosives Detection Systems and the associated operators training, is proposing, in the frame of an offset program, collaboration with interested Governmental Authorities and/or Homeland Security (HLS) forces, for the provision of training services in these directions. Specifically, training will be offered as far as Explosives, Improvised Explosive Devices (IED) and corresponding Detection and Security Technologies, with direct relevance to airport and border security, including Homeland Security (HLS) systems, check points for carry-on luggage and security procedures.

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

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**Embraer Executive Jets reaches milestone of 500th Phenom family jet**

Embraer Executive Jets celebrated today the delivery of the 500th Phenom family jet, a significant achievement only five-and-a-half years after entry into service of the first aircraft.

Winners of various innovation and design awards, the Phenom 100E and the Phenom 300 are best-in-class jets, having redefined the entry-level and light jet segments with the latest generation technology, a new style concept, premium comfort, performance and reliability.

The commemorative aircraft, a Phenom 300, was delivered to Prime Fraction Club, a fractional ownership company that sells, manages, and coordinates the utilization of assets among its members in Brazil. Prime Fraction Club operates three other Phenom jets, in addition to helicopters, boats, and sports cars.

“The delivery of 500 Phenom jets in just over five years of operation validates our commitment to offer the market differentiating products and excellence in services,” said Marco Túlio Pellegrini, President and CEO, Embraer Executive Jets. “The Phenom family was designed to exceed all expectations from our customers, and we are privileged to deliver this commemorative aircraft to Prime Fraction Club.”

Phenom jets are flown in 37 countries by 400 customers, ranging from corporations, authorities, charter and fractional companies to aviation schools, medevac transportation, and owner pilots. The entire fleet in operation has accrued over 370,000 flight hours.

“A global market best-seller, the Phenom 300 leads its class and, last year, became the most delivered business aircraft in the industry,” said Marcus Matta, President, Prime Fraction Club. “With this investment, Prime expands its market share in business aviation and in fractional ownership. This is a significant moment for both companies.”

**About Prime Fraction Club**

Founded in May 2010, Prime Fraction Club manages fractional ownership programs of aircraft, helicopters, boats, and automobiles. In this model, an asset is acquired by multiple owners, in fractions, and is utilized by each customer at different times. The company also offers a management program for those who wish to outsource the administration of their assets, reducing costs, such as fuel, insurance, etc. Prime Fraction Club manages eleven assets, valued at approximately 117 million reais. The company is headquartered in São Paulo, Brazil, and will soon open new bases.

For more information about Embraer Executive Jets, see: [www.EmbraerExecutiveJets.com](http://www.EmbraerExecutiveJets.com)

## Elbit Systems Selected as Preferred Supplier for Swiss UAS program



Elbit Systems Ltd. announced today that it was selected by the Swiss Federal Department of Defence, Civil Protection and Sport ("DDPS"), as the preferred supplier for the UAS 15 new reconnaissance drone program.

Please see following official DDPS press release for further information about the selection and the program. <https://www.news.admin.ch/message/index.html?lang=en&msg-id=53246>

As indicated in the DDPS press release, implementation of the program is subject to further Swiss government approvals.

### 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, signal intelligence ("SIGINT") systems, data links and 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, including training and simulation systems.

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

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### US deploys 2 B-2 bombers to Europe for exercises

The US Air Force has deployed two nuclear-capable B-2 stealth bombers to a British air base for exercises with NATO allies, the Pentagon said Monday.

The deployment, which the Pentagon said was pre-planned and short-term, comes against a backdrop of tension with Russia over unrest in Ukraine.

"It certainly is yet another demonstration of America's ironclad commitment to the NATO alliance," said Colonel Steve Warren, a Pentagon spokesman.

US military deployments have increased in recent weeks as Washington seeks to reassure Eastern European allies worried about Moscow's moves in the region.

The two B-2 bombers arrived Sunday at RAF Fairford in Gloucestershire, England, where they joined three other B-52 strategic bombers that got there on June 4.

"These multi-role heavy bombers will conduct training flights in the US Eucom area of operation, providing opportunities for the air crews to sharpen their skills and increase interoperability," Warren said.

Overseas deployments of the B-2 are rare, as the United States jealously guards the costly aircraft's secrets. There are only 20 B-2s in existence.

A B-2 bomber overflew South Korea last year during an exercise amid tensions with the North.

Based at Whiteman Air Force Base in Missouri, the B-2 were designed to penetrate the world's most formidable air defenses and drop dozens of precision, conventional or nuclear bombs.

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



### Alitalia hopes for 560 mn euros from Etihad but may lose 2,200 jobs

Struggling Italian airline Alitalia will have to shed 2,200 jobs as part of its planned tie-up with Etihad Airways, which has promised to invest 560 million euros (\$760 million), the head of the Italian airline said Monday.

Negotiations have been running for months for the Emirati airline to take a 49 percent stake in Alitalia, which currently employs 12,800 people and is facing bankruptcy.

The Italian airline will have to go through a restructuring that is "complex, tiring and painful - there is no alternative," said Gabriele del Torchio, Alitalia's chief executive, on the sidelines of a conference in Rome.

It had previously said as many as 2,500 jobs were on the line.

The airline's management hopes to finalise a deal on the company's debt by Friday. Del Torchio said talks with banking creditors were "very advanced", and that they were demanding "a sacrifice".

"I think it will take only a few weeks to conclude the deals with Etihad," he said, adding that a successful deal would send "an important signal" about Italy to foreign investors.

AirFrance-KLM also owns a stake in Alitalia, but chose not to pursue taking over the Italian airline after it could not get similar guarantees on deep restructuring to make it profitable.

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

### US gives BP first license to fly drone over land

Cautious US aviation regulators announced Tuesday they have given oil company BP the first commercial license to fly a drone aircraft over land.

The Federal Aviation Administration gave BP and unmanned aircraft system (UAS) builder AeroVironment permission to use a drone for surveys of oil exploration and pipeline areas in Alaska's Prudhoe Bay area.

The surveys began on Sunday, using AeroVironment's hand-launched, camera-equipped, four and a half foot (1.4 meter) long Puma AE aircraft.

"These surveys on Alaska's North Slope are another important step toward broader commercial use of unmanned aircraft," said Secretary of Transportation Anthony Foxx.

"The technology is quickly changing, and the opportunities are growing."

The FAA has placed very tight restrictions on the use of drones as it studies how to regulate them and maintain public safety.

Earlier it permitted oil companies to use them for surveys over Arctic waters. But with the cost of a UAS falling sharply, a number of companies, from mining companies to movie production and photography firms, are seeking licenses to operate drones on a commercial basis.

To get permission to fly, the companies must show their drones would not affect security and that they would be in the public interest.

A number of public agencies have already been authorized to fly drones for public service purposes, such as for security, rescue or weather forecasting.

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

### **China dismisses US report on defence budget**

China's defence ministry on Friday hit back at a US report which claimed Beijing underestimated its growing defence budget by nearly 20 percent, state-media said.

In an annual report required by Congress, the Pentagon said that China's defence budget for 2013 was likely nearing \$145 billion last year, higher than the officially announced \$119.5 billion.

But China's defence ministry said in a statement that it "resolutely opposes" the report, state-run Xinhua news agency said.

The report "makes pointless accusations, exaggerates the 'Chinese military threat' and is a completely wrong course of action," Xinhua cited the ministry's information office as saying.

The news agency's dispatch did not directly address the claims that Beijing underestimated its defence budget.

The United States and its allies, especially Japan, have repeatedly voiced concern about the Chinese military's lack of transparency amid growing tensions between Beijing and neighbouring countries over maritime disputes.

Leaders of the Group of Seven industrialised nations said Thursday that they were deeply concerned by tensions in the East and South China Sea, in comments which did not mention China by name but were widely thought to be aimed at the country.

In its previous annual report on China, the Pentagon said that Beijing's military spending was anywhere between \$135-215 billion.

China's military budget -- either the official figure or Pentagon estimate -- is significantly higher than the amount spent by its neighbours.

In 2013, Russia's defence budget was \$69.5 billion, Japan's was \$56.9 billion, with India at \$39.2 billion and South Korea at \$31 billion.

But China's budget is much lower than that of the United States, by far the world's largest military power, which has a \$495.5 billion defence budget in 2013 along with another \$82 billion allocated for the Afghanistan war.

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

### **NATO commander in Afghanistan to head US Marines**

US General Joseph Dunford, the commander of NATO forces in Afghanistan since February 2013, has been named the next commandant of the Marine Corps, the Pentagon said Thursday.

The 58-year-old Dunford, whose nomination must be approved by the Senate, would succeed General James Amos, who has been in the post since 2010.

He would likely assume his new duties later this year, meaning he would not preside over the end of the combat mission of US-led international forces in Afghanistan, which is expected on December 31.

Dunford currently commands 32,800 American troops and 17,700 Allied soldiers deployed in the country.

Under his command, the number of Afghan forces swelled, leading the NATO-led coalition to assume more of a training and advisory role.

Last month, President Barack Obama announced that the US presence would be scaled back to around 9,800 by the start of 2015.

Those forces would be halved by the end of 2015 before eventually being scaled back to a normal embassy presence with a security assistance component by the end of 2016.

"Joe is one of the most knowledgeable and talented leaders and thinkers in the military today. He has commanded and excelled at every level," Amos said in a statement.

Before taking over as commander of the International Security Assistance Force, the US-led NATO coalition in Afghanistan, Dunford was second-in-command of the Marines, a 192,000-strong force.

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