PRESS RELEASE

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Germany's Aerospace Industry in 2008 - Serious global challenges ahead after a satisfying year 2008

- **Stable increase in turnover by 12.4% to EUR 22.7 billion**
- **Economic crisis affects transportation demand**
- **Industry expects difficult market situation to last until 2011/2012**
- **Supply industry increasingly suffers from scarcity of capital**
- **Technological leadership essential for securing the competitiveness of the German aerospace industry**

2008 RETROSPECT

Berlin – Despite difficult economic conditions resulting from the dollar's rapid fall in the first half of 2008 and the outbreak of the global financial crisis in the second half of the year, the German aerospace industry performed successfully in 2008.

The sector's turnover rose by 12.4% to EUR 22.7 billion. The export share of the 170 companies organized in the BDLI remained stable at about 74% in 2008. Labor force grew by 5.4% to about 93,000 and thus neared the all-time high reached in 1990.

Despite such success the civil aviation industry already adjusted production planning at the end of 2008 in order to prepare for the spreading crisis. The BDLI does not expect growth and success of the past to continue in 2010 and 2011.

The International Air Transport Association, IATA, expects global air transport to experience a drop in passenger demand of up to 12% in 2009. Cargo demand is also expected to decline by double digits over the same period (IATA forecast).

According to the logic of all comparable crises in the past decades and due to the steadily growing demand for mobility in global markets of the future, the industry expects to recapture the growth track in the medium run. In this difficult phase, long-term defense and space programs, which are not directly dependent on economic factors, will have a stabilizing effect on the aerospace industry. Although capacity adjustments are already being made, no large-scale workforce reduction has been observed yet in the aerospace industry. Some sectors even suffer from a shortage of qualified technicians and engineers.

During today's press conference in Berlin, which was held to present the figures of the year 2008, Dr. Thomas Enders, President of the German Aerospace Industries Association (BDLI), said: "Despite the success achieved in 2008, we must be prepared for heavy turbulence in the years to come. All indications are that 2009 and 2010 will be difficult years - all the more so because it is not foreseeable how long the current economic crisis will last and reasonable forecasts are only possible within a limited time frame."

During and after a crisis, the aerospace sector will secure the innovative capabilities of Germany as a technology location, emphasized Thomas Enders. The full impact of the economic crisis has not yet been felt so far. However, it poses a definite threat particularly to the civil aviation sector. It would be essential to counteract this threat by maintaining a favorable cash position, enhancing efficiency and cutting costs rapidly in order to ensure sustained competiveness, continued Enders.

According to Rainer Ott, BDLI Vice President Equipment and Materials, the German equipment and supply industry is playing a central role in this context. "Our branch of the industry was able to increase its turnover by about 10.4 percent to EUR 5.4 billion in 2008," said Rainer Ott in Berlin.

However, due to historically developed structures, some sectors of the equipment and materials industry are in great difficulties caused by the current economic crisis. Further consolidation is required to concentrate essential technological competencies and to meet market requirements appropriately. "Fewer and fewer suppliers provide more and more services and thus take over competencies from the OEMs. Initiated by the BDLI Cabin Cargo working group, we set the course towards maintaining and strengthening German cabin competencies with the formation of Diehl Aircabin. Separation of Premium Aerotec from the EADS Group has been another decisive step on the path towards consolidating and strengthening Germany's equipment industry," emphasized Rainer Ott.

RESULTS BY SECTORS

CIVIL AVIATION
In 2008, the civil aviation sector was able to grow by 17.3 % and achieved a turnover of EUR 15.3 billion. Labor force grew by 8% to about 62,000 in the same period.

With a share of 66.7%, the civil aviation sector remained the sales mainstay of Germany's aerospace industry. Backed by a large number of new orders (orders for 777 Airbus aircraft and 457 civil Eurocopter helicopters), the civil aviation sector acted with caution and prepared early for the looming crisis, for example by adjusting production rates downward.

According to a survey carried out by the BDLI among its members in November 2008, a not inconsiderable number of medium-sized suppliers require additional financing certainty and capital in order to be able to invest in competitive next-generation technology and thus to get involved in future programs. BDLI Vice President Ott: "Recent analyses from February 2009 revealed that the situation is getting increasingly worse. Funds which, unexpectedly, are now tied up in delayed programs such as Airbus A380, A400M and Boeing 787 as well as A350 product development expenditure have caused significant financial strain. It cannot be excluded that already in 2009 some small companies of the equipment and supply industry, which would be difficult to replace within the supply chain, will not survive the financial crisis - all the more so as banks are not willing to increase credit lines."

DEFENSE AND SECURITY

Turnover in the defense and security segment of the industry slightly increased by 0.7% to a total of EUR 5.8 billion. In 2008, some 20,300 people were employed in this sector, corresponding to a slight increase of 1.1% over the previous year. During the BDLI press conference, Thomas Enders said: "We are working flat out in numerous defense programs. In 2008, we had to resolve several program problems and thus were not able to perform in all sectors as agreed. Anyhow, as the most important segment of the defense industry, we make a very significant contribution to the operational capability of the Bundeswehr and to the protection of German soldiers."

SPACEFLIGHT

Turnover in the spaceflight sector rose by 15.3% to about 1.7 billion euros in 2008. Labor force grew by 10 % to about 6,100 in the same period.

The year 2008 was a very successful year for the space industry. The integration of the Columbus module into the International Space Station, handover of the strategic SAR-Lupe reconnaissance system to the Bundeswehr, the first mission of the European Jules Verne automated transfer vehicle and six Ariane missions largely contributed to this success. During the recent meeting of ESA ministers, the Federal Government was able to secure Germany's leading position in numerous future space programs.
Enders said: "The Federal Government is fully aware of the significance of spaceflight. We hope that it will continue down its chosen path consistently."

CHALLENGES AND FIELDS OF ACTION

EQUIPMENT AND SUPPLY INDUSTRY

It is essential that the German aerospace industry continues to increase efficiency and to cut costs consistently. Further consolidation of the equipment and supply industry to maintain and strengthen international competitiveness are playing an important role in this context. The acquisition of the former Airbus site in Laupheim by Diehl and Thales has been a first important step towards concentration of cabin competency in Germany.

"In addition to available, technology-supporting funds from aviation research programs and development loans, the equipment and supply industry must be given more financial leeway in the short run," according to Rainer Ott.

Hermes guarantees should be complemented by loans on the French model. Investment loans within the general scope of an economic recovery program should be made available to the equipment industry within a short time.

DEFENSE AND SECURITY
Military research and technology is a strategic field of competence, where Germany lags behind other countries in international comparison. The industry suggests the joint development of a national military aviation technology program. The military research and technology budget should be funded appropriately. Special importance is attached to the operation of aircraft for training and missions. The Bundeswehr and the industry cooperate in this field successfully. It is essential to continue and further develop this cooperation. "Funds for operation and material maintenance must be strengthened," continued Thomas Enders.

Enders said: "The European Commission is developing the framework for a single European defense and procurement market. The BDLI appreciates this initiative. Uniform parameters are also required when transposing directives into national law. The abolition of offset continues to be a long-term objective of the industry. Furthermore, the domestic market is not large enough to maintain core defense capabilities appropriately. Increased export support will be essential for maintaining the technological basis in Germany."

SPACEFLIGHT
The German space industry shall have to maintain and further extend its leading position in the European space sector. Consistent implementation of the ESA ministers' decisions is required to achieve this goal.

"The course taken by the Federal Government to strengthen the national space program should be continued consistently. In addition, however, we urgently need a new, long-term and inter-agency space strategy to cope with our leading role," explained Thomas Enders.

THE BDLI:
The German Aerospace Industries Association (Bundesverband der Deutschen Luft- und Raumfahrtindustrie e.V. - BDLI) and its more than 170 members represent the interests of an industrial sector, which owing to international technology leadership and worldwide success has become a significant driver of economic growth in Germany. Combining almost all strategic key technologies, the German aerospace industry achieves a turnover of currently 22,7 billion Euros with a directly employed labour force of around 93,000.

Communication with political institutions, authorities, associations, foreign representations in Germany is a major task of the BDLI. The association also offers its members a variety of services in Germany and abroad. The BDLI is responsible for organizing the ILA Berlin Air Show International Aerospace Exhibition.

The BDLI is officially accredited to the German Bundestag where it performs specific, legally embodied tasks. It is a member of the European umbrella organization ASD, Aerospace and Defence Industries Association of Europe, and the Federation of German Industries (Bundesverband der Deutschen Industrie - BDI).