

Six Months' Financial Report

as of June 30, 2011



LOEWE.

More Individual.
The Loewe Individual



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Gerhard Schaas
Engineer, Chief Technology Officer

Oliver Seidl
Graduate in business administration,
Chief Executive Officer

Manfred L. Fitzgerald
Chief Marketing Officer

Dear Shareholders,

Unfortunately, the aggressive competitor pricing and the noticeable consumer buying restraint for consumer electronics products compared to the previous year have intensified in the last few months. The absence of major sporting events in the second quarter of 2011 alone contributed to a 25% decline in the value of the market for LCD TVs in Europe compared to the second quarter of 2010.

Another result of this was that Loewe Group sales in the second quarter of 2011 at EUR 57.2 million were 23% lower than the 2010 figure of EUR 74.0 million. In the first six months of 2011, Group sales declined by 19% from EUR 147.4 million in H1 2010 to EUR 118.7 million. The decreased sales and production volume caused Loewe to post negative EBIT of EUR –4.9 million in the second quarter of 2011 after negative EBIT of EUR –4.9 million in the same period in 2010. The EBIT loss in the first six months of 2011 came to EUR –7.8 million compared to EUR –4.1 million in the first six months of 2010.

Against this backdrop, Loewe's target of achieving moderate growth in sales and positive EBIT for 2011 is no longer realistic. We will nonetheless benefit (as will the entire industry, by the way) from the positive market trend for the normal seasonal business in the third and especially the fourth quarter of 2011 as well as the launch of new, innovative products. However, the disappointing business development in the first six months of 2011 leads us to expect that total sales in 2011 will fall short of the previous year's figure, thereby making it impossible to achieve positive EBIT from the present perspective.

Due to the business development in the first six months of 2011, we will press ahead with our "Fast Forward" future strategy program with a clear focus on measures for safeguarding sales and cost discipline in the upcoming quarters. After having successfully reorganized product development and further optimizing the internal processes in recent months, we launched all our new products on the market in good time. Loewe now offers a large number of top-quality 3D sets with optimum LED backlight, furthering Loewe's series of impressive test results. "Far more than a television," was how the magazine HD+TV characterized the Individual 46 Compose 3D in its April 2011 issue. And the magazine "Heimkino" (Home Cinema) published an individual test of a complete 3D set from Loewe under the title "Cinema Complete" in its current issue. The Loewe Sound Projector received an "outstanding" mark of 1.2 as did the Loewe Individual 46 Compose 3D with a mark of 1.3. The editorial staff's summation was, "A 3D cinema for connoisseurs. The Loewe set comes at a price but it is well worth it." These are outstanding results for us that underscore the excellent quality of our attractive and individual home entertainment systems.

Loewe has a unique position in the market. It is the special blend of technology and emotion that makes our brand and our products so unique. However, only strong products will make us able to expand this strong market position even further. For that reason, we will in the future gear our product line even more to the needs and desires of customers in the European premium market and strategically expand our current product portfolio to include a new audio segment. For the 2011 holiday shopping season, Loewe speakers and audio visual source devices will be complemented by a broad range of individualizable, innovative standalone audio solutions. Moreover, Loewe will further reduce the technical complexity of its products. We will in the future follow a new, economically and technically sensible platform strategy, which will also contribute to reducing production costs.

Another focus of "Fast Forward" is the systematic expansion of the premium-based marketing of Loewe products within and outside of Germany. Specific agreements with and deliveries of Loewe sets to the retail chains FNAC in France, John Lewis in the United Kingdom and the Euronics retail cooperative in Italy now represent the first successes. Furthermore, we will also strengthen the direct path to the customer through communication. We are currently running a number of campaigns with ads in large daily newspapers and target group-oriented, regional radio advertising. Measures for improving Loewe's brand awareness even further in the second half of 2011 will include TV spots with target group-specific broadcasters.

The market offers good opportunities for Loewe in the medium term. In addition to the continued replacement demand and the increasing ownership of more than one LCD TV in Europe, new technologies like 3D television and HbbTV (the connection of television and the Internet) offer stimuli that will last beyond the current fiscal year. And by systematically implementing our "Fast Forward" future strategy program, we have made preparations for a successful future.

Sincerely yours



Oliver Seidl

Chief Executive Officer of Loewe AG

More Networked. The Loewe Connect



First Six Months of Fiscal 2011

Interim Group Management Report

1st half 2011:

- **Market declines significantly** due to absence of major sporting events
- **Sales down** by 19% to EUR 118.7 million
- **EBIT loss** of EUR –7.8 million
- **Product offensive** proceeds **according to plan**

Fiscal year 2011:

- **Positive market performance expected** in the second half of 2011
- **New Loewe audio segment** to be ready for 2011 holiday shopping season
- **Systematic expansion** of premium-based marketing
- **Communication offensive** to increase brand awareness

First Six Months of Fiscal 2011 Interim Group Management Report

The Loewe Group at a Glance*

EUR million						
	2 nd quarter 2011	2 nd quarter 2010	± in %	1 st half 2011	1 st half 2010	± in %
Sales	57.2	74.0	-23	118.7	147.4	-19
EBIT	-4.9	-4.9		-7.8	-4.1	
Net income for the period	-5.3	-4.0		-7.8	-3.8	
Earnings per share in euros**	-0.40	-0.31		-0.59	-0.29	
Free cash flow	-6.5	-15.0		12.8	1.1	
Number of employees (average)	1,020	1,060	-4	1,020	1,040	-2

* The percentage amounts are based on the unrounded quarterly figures.
** Relating to a total of 13,009,229 shares (previous year: 13,009,229 shares).

Loewe sales fall short of previous year

In the first six months of fiscal year 2011, the Loewe Group generated sales of EUR 118.7 million. This figure fell short of sales in the first half of 2010 by EUR 28.7 million or 19%. At EUR 57.2 million, sales were 23% lower in the second quarter of 2011 than the 2010 figure of EUR 74.0 million. Aggressive competitor pricing and the noticeable consumer buying restraint for consumer electronics products, particularly in a year-on-year comparison, intensified in the second quarter of 2011. The absence of major sporting events in the second quarter of 2011 contributed to a 25% decline in the value of the market for LCD TVs in Europe.

Negative EBIT (earnings before interest and taxes)

The reduced sales and production volume in the period under review made it impossible to repeat the positive earnings trend of the last few months of 2010. In addition to the persistent price pressure on the procurement markets and the noticeable consumer buying restraint for consumer electronics products compared to the previous year, the aggressive competitor pricing had a particularly negative impact on the gross margin. This made it necessary to grant price concessions in individual product lines within the context of targeted sales promotion measures. Despite countermeasures on the cost side, this also had an overall impact on earnings. As a consequence, EBIT dropped to a loss of EUR -7.8 million in the first six months of the current fiscal year, down from negative EBIT of EUR -4.1 million in H1 2010. Net income after taxes came to a negative figure of EUR -7.8 million in the first six months of 2011 and was lower than the comparable figure for 2010 by EUR -4.0 million.

Positive free cash flow

In the first six months of 2011, Loewe AG generated EUR 12.8 million in free cash flow, compared to EUR 1.1 million in the same period of 2010. The increase resulted primarily from reduced capital expenditure and a greater reduction of working capital, causing the negative impact on net income to be overcompensated. Liquidity increased by EUR 12.7 million to EUR 20.9 million since year-end 2010.

Number of employees lower

Cost cutting measures were promptly initiated within the context of the "Fast Forward" future strategy program. The reduction of the average number of employees from 1,040 to 1,020 persons in the first half of 2011 is in particular the result of the non-replacement of retiring employees and partial retirement measures.

As of the balance sheet date of June 30, 2011, the active workforce at 853 employees (excluding trainees, persons permanently absent and part-time retirees) was lower than in the year before by 58 persons. The reduction completed under "Fast Forward" was conceptually implemented using socially compatible measures such as the non-replacement of retiring employees, individual working hours agreements and the transition into the passive phase of partial retirement.

Market for LCD TVs significantly below previous year's level

In the first six months of 2011, the European market for consumer electronics declined by 14%¹ year-on-year. The market trend in televisions is particularly important for Loewe because television represents the highest percentage of sales volume. Flat-panel display sets now dominate the European TV market with LCD TVs increasingly replacing plasma TV technology.

For the period January to June 2011, the market for LCD TVs exhibited a clearly negative trend. Sales in Europe thus declined by 13% compared to the previous year. As of June, sales of plasma TVs were 27% lower year-on-year. The sales declines appear to be even more serious if the second quarter is considered alone. Year-on-year, the market for LCD TVs in Europe declined by 25%, and in the case of plasma TV by even 44%, due to the absence of major sporting events in the second quarter of 2011.

Except for Belgium (+4%), sales in the LCD TV market declined in all European countries as of June 2011. The sharpest declines were in Spain (-29%) and The Netherlands (-20%), although both countries exhibited the most robust growth in 2010. Sales were down in the other countries as well. The German propensity to purchase durable goods was still clearly above the European average in the period under review. For that reason, the trend in the second half of 2011 should be positive, especially in Germany. The indicators for Austria and Belgium are also positive. In contrast, the propensity to purchase continues to be low in the UK in particular but also in France.

¹ Source of market data: GfK

The average price per LCD set in Europe declined by 6% to EUR 477 as of June 2011. In the period under review, prices fell by at least 13% in the important 32 and 37 inch segments and by as much as 16% in the 40 inch segment. The stronger than expected decline in prices is due to the sales promotions of the large brands whose Christmas sales had failed to meet expectations.

At 3.0%, Loewe's value-based market share for flat-panel TVs among European retailers as of June 2011 was 0.6% below the 2010 figure of 3.6%. In the LCD TV segment, the value-based market share of high-end Loewe products declined to 3.3% during the period under review, down from 4.0% a year earlier. In its key German market, Loewe's market share fell by 1.9 percentage points from 9.4% to 7.5% in the period under review.

Loewe sales fall short of previous year

In the first six months of 2011, the sales of the Loewe Group fell by EUR 28.7 million to EUR 118.7 million year-on-year. This affected all product areas. Sales of LCD TV sets declined by 19% to EUR 96.3 million in the period under review. The Audio/DVD product group was unable to repeat the good performance of the prior-year period, which had been influenced by the market launch of the Loewe Mediacyber. Sales in this area declined by EUR 6.7 million to EUR 10.7 million in the period under review compared to the first six months of 2010. Only other sales reported a slight 4% improvement. The inclusion of MacroSystem Digital Video AG in the consolidation in June 2010 had a positive impact. The business with accessories such as speakers and placement solutions also declined compared to the same period of the previous year.

Aggressive competitor pricing and the noticeable consumer buying restraint for consumer electronics products in a year-on-year comparison intensified in the second quarter of 2011. In this context, the necessary streamlining of the TV product line prompted Loewe to reduce prices in selected TV categories. This secured strategically reasonable price premiums for the Company and simultaneously created additional incentives to buy high-quality Loewe products. Nonetheless, declines in unit sales and revenue could not be avoided. In the second quarter of 2011 in particular, important market participants stepped up their targeted sales campaigns in the retail market to compensate for the declining market trend. The market penetration of the new 3D LED product lines from Loewe, which was started in the second quarter of 2011, is expected to influence business development positively.

Sales structure by product area

EUR million

	2nd quarter 2011	2 nd quarter 2010	± in %	1st half 2011	1 st half 2010	± in %
Televisions	46.5	60.0	-23	96.3	118.7	-19
Audio/DVD	5.1	7.7	-34	10.7	17.4	-39
Other	5.6	6.3	-11	11.7	11.3	+4
Total sales	57.2	74.0	-23	118.7	147.4	-19

Only LCD TVs in the screen size categories larger than 40 inches posted growth which, compared to the previous year, was favored in particular by the successful market penetration of the new 3D LED TVs in these screen sizes. In the other screen size categories, sales were in part significantly lower year-on-year. Sales of large-screen TV sets with screen sizes of 37 inches and larger increased further to 67% of total TV sales in the first six months of 2011, up from 66% a year earlier.

The weak unit sales and revenues in TV sets had a negative impact on sales of the attractive line of audio components for home cinema solutions and Blu-ray/DVD products. The decline was particularly noticeable for the Mediacenter audio/video systems which were launched in the first quarter of 2010. Compared to the first six months of 2010, sales in the audio/DVD product group declined by a total of 39%.

Other sales (accessories and technical support as well as video editing systems) slightly exceeded the previous year's level.

In Germany, sales of EUR 67.4 million in the first six months of 2011 were down by 20% from the comparable 2010 figure. Export sales declined by 19% to EUR 51.3 million.

Negative operating income

The significant reduction in sales and production volume caused Loewe to post negative EBIT of EUR -7.8 million in the first six months of 2011 compared to negative EBIT of -4.1 million in the same period of 2010.

The downward trend in sales and production caused the gross margin to be reduced by EUR 6.9 million to EUR 26.9 million in the period under review compared to the same period of 2010. Despite the streamlining of the product line completed according to plan and the necessary sales promotions to counteract the intense price competition, Loewe was able to achieve a gross margin of 22.7% in the first six months of 2011. It thus nearly equaled the figure of 22.9% in the first six months of 2010. Because of the persistent price pressure, there were no positive effects on procurements.

Selling expenses dropped year-on-year by EUR 2.5 million to EUR 30.4 million. In the first six months of 2011, there was essentially no reduction in the activities aimed at strengthening the brand position and which generated expenses associated with communications and the qualitative expansion of Loewe's presentation among retailers. Cost reductions were implemented as part of the "Fast Forward" restructuring program. Due to the reduced level of sales revenue, selling expenses as a percentage of sales came to 25.6% compared to 22.3% in the same period of the previous year.

At EUR 4.7 million, the administrative expenses were the same as in the previous year. As a percentage of the reduced sales, they came to 4.0% compared to 3.2% in the first six months of 2010. The other operating result in the period under review came to EUR 0.4 million compared to a negative figure of EUR –0.3 million in the period January to June 2010.

The interest result amounted to a net interest expense of EUR –0.9 million compared to a net interest expense of EUR –1.0 million in the first six months of 2010.

Capital expenditure

Capital expenditure/depreciation and amortization				
EUR million				
	1st half 2011		1 st half 2010	
	Capital expenditure	Depreciation/ amortization	Capital expenditure	Depreciation/ amortization
Intangible assets	3.4	3.6	3.8	3.8
Property, plant and equipment	2.3	6.3	5.2	6.5
Financial assets	0.0	0.0	0.8	0.0
Total	5.7	9.9	9.8	10.3

Compared to the previous year, capital expenditure in the first six months of 2011 was significantly reduced by EUR 4.1 million to EUR 5.7 million. Capital expenditure chiefly relates to retailer presentation systems, investment in tools in production and development costs subject to mandatory capitalization. The decline primarily resulted from lower investment in tools, as high investments in tools for the new LED technology, investments at the point of sale and project postponements in production were reported in the same period of the previous year.

Net current assets

Net current assets

EUR million

	June 30, 2011	Dec. 31, 2010	June 30, 2010
Inventories	59.1	67.1	51.6
Trade accounts receivable and other assets*	49.8	78.5	67.3
Other provisions	-34.9	-41.8	-34.6
Trade accounts payable and other liabilities*	-20.9	-30.4	-35.1
Total	53.1	73.4	49.2

* excluding income taxes and derivatives

Net current assets increased by EUR 3.9 million compared to June 30, 2010. In contrast, a slight decline was registered compared to December 31, 2010 which resulted primarily from the reduction in amounts owed to suppliers due to the lower sales volume and the reduced inventories.

Development and production

3D television

The first product line to be equipped with the innovative 3D electronic platform SL151 is Loewe Individual. In its new Individual Compose 3D sets in 32, 40, 46 and 55 inch screen sizes, Loewe is focusing on Full-HD technology with LED backlight and 400 Hz image performance. Of course, the televisions are also capable of displaying the customary 2D in top quality. They are furthermore even capable of converting two-dimensional programs into 3D. Complex algorithms guarantee an impressive picture. Magazines that publish test results indicate that Loewe sets have an outstanding 3D rendering.

The 3D product range was rounded out by the 100 Hz sets Individual 32 and Connect 32. The new 3D-capable Blu-ray player, Loewe BluTechVision 3D, serves as an additional signal source. The highly developed technology of the Loewe BluTechVision 3D plays every disc in brilliant definition and guarantees a vivid impression at all times.

Television and the Internet

Loewe is one of the first manufacturers to equip Loewe televisions with software for HbbTV reception. HbbTV (Hybrid Broadcast Broadband TV) is the new standard via which additional information going beyond the usual television programming can be received. A highlight is the new, forward-looking Loewe MediaText based on the HbbTV standard. A large number of program-related services are available for selection, for example, from ARD, ZDF and Arte via the Internet. Of course, the set can also download videos from the Internet. Video on demand is also supported.

New electronics platform

The work on the newest Loewe electronic platform (SL200) was continued and several laboratory series were constructed. SL200 will increase the performance of the televisions even further in the future and improve the response time. The new platform concept will also make it possible to lower the costs for the electronics significantly.

Research and subsidized projects

Loewe is participating in the SEDICMA (Service Enabled Devices for Intelligent Connected Media Assistance) with a hybrid television set. This set analyzes measurement data and controls the devices networked with it. In addition to increased ease of use, SEDICMA is also aimed at significantly saving energy in the networked house. The project receives support from the German Federal Ministry of Economics and Technology. Project partners include the Berlin Institute of Technology and Deutsche Telekom. Additional know-how is being built up in two additional research projects in order to be able to manage the future technology requirements successfully.

Marketing and sales

Product portfolio

In the period under review, Loewe again proved its technology leadership with new multimedia television functions. Loewe TV sets can now receive the new multimedia hybrid services according to the HbbTV standard (Hybrid Broadcast Broadband TV). International broadcasters have settled on this standard for the provision of multimedia TV supplementary services via the Internet. Many public broadcasters and several private broadcasters already offer interesting supplementary services. The spectrum ranges from news portals and news tickers to information accompanying television broadcasts and even media libraries for flexibly downloading missed shows. In collaboration with the industry leader in video on demand, Maxdome, Loewe plans to integrate an extensive range of blockbusters, series, shows and comedy in MediaNet in the second half of 2011. In addition to the content offered, the product line was continuously expanded in the first six months of 2011. Loewe is bringing the Individual 32 Compose Sound 3D and the Connect 32 3D to market as the first televisions with 3D in the important 32 inch screen size category. Numerous accolades in the German and international trade press for all new Loewe TVs are also proof of the high performance from the entry level to the top of the line model.

Premium points of sale

The quality of Loewe distribution was further improved. In the first six months of 2011, a total of nine galleries were opened, five international ones in the second quarter alone. The three best Loewe retailers of 2010 were also presented the Loewe Premium Award in May. In evaluating the winners, both the local product presentation as well as the customer service and advice provided by the candidates were taken into account. Galerie Kreil in Dornbirn, Austria received the Loewe Premium Award as the best Loewe gallery of last year. Loewe's consistent market presence is not only enhanced by the Loewe points of sale but also by trade show booths. In early May, Loewe was represented at the Foire de Paris with an impressive exhibition stand.

Sales support

In May 2011, Loewe started a large-scale marketing campaign in Germany entitled "Test the best of the best" which focused on the excellent test ratings that the entire product portfolio received in the recent weeks and months. The most prominent tester was Stiftung Warentest. In its April 2011 issue, the magazine "test" presented its highest distinction to three Loewe sets at the same time. Internationally, the marketing activities were more strongly focused on the market launch of the Individual 3D and the anniversary celebration "80 years of television." Both themes were placed in all European markets over multiple channels with a great amount of advertising exposure.

Opportunities and risks of future development

A prerequisite for sustained business success is Loewe's ability to position a competitive product range of high-quality flat panel display sets as well as home entertainment systems with innovative speaker and multiroom solutions in the premium segment and implement its price policy oriented to quality and stability of value. In an improved economic environment, technological innovations such as 3D TVs, televisions with energy-efficient LED backlight, and expanded Internet functionality will ensure that the value of the market will continue to grow moderately in the future. The increasing distribution of HDTV content and the new HbbTV standard will support this trend.

The market entry of new competitors and the opening of new business models in the TV segment have, however, also increased the competitive intensity in the consumer electronics environment. In this intensified competitive environment, the potential for sales and thus attainable contributions to margin could be limited for Loewe. In the future, it will be even more necessary for Loewe to set itself apart from the competition through unique selling points and technological differentiating features in order to ensure the value-based marketing at stable prices. Product design, individualized design and equipment features as well as the modular flexibility of Loewe products (HDD recording, DR+ streaming, connectivity, etc.) will be a differentiating criterion for purchasing. Based on the HbbTV standard, Loewe offers, for example, a new dimension of videotext, including direct access to media libraries of TV broadcasters available in the Internet. Furthermore, all network-compatible Loewe products include access to the Internet based on CE-HTML and accordingly direct access to additional content and information.

In an intense competitive environment with ever shorter development cycles, the risk exists that technical trends may not be recognized and implemented early enough. In the future, a company's innovative strength will become even more critical for its economic success. The establishment of strategic partnerships such as cooperative agreements with research institutions on subsidized projects and systematic technology scouting will make it possible to evaluate relevant technologies and specifically convert them into new products. Loewe concentrates in particular on areas of technology that offer customers added value and present opportunities for differentiation. To advance the comprehensive development of hardware and software for home entertainment systems in an integrative manner, the development area was reorganized within the framework of the "Fast Forward" future strategy program. Furthermore, the Company's competence in multimedia networking and Linux-based software

applications was shored up for implementing strategic product development projects. Diverse national specifications and standards will also make considerable development capacity necessary in the future. Through cooperation in committees, including on the European level, Loewe attempts to participate in the design of the standardization process.

Competitive procurement conditions and adequate availability of materials are of great significance, especially for higher priced LED panels and components. Our lower purchasing volume compared with the competition makes it more difficult to achieve attractive purchasing conditions. Loewe will therefore expand its involvement in cooperative purchasing arrangements and continuously coordinate demand directly with suppliers and their partner organizations. Loewe is furthermore generally open to operating partnerships and sensible alliances if they will be of aid in implementing the Loewe strategy and gradually expanding our premium position in the European core markets and selected international growth regions. Improved utilization of potentials in Asian procurement markets will lower the cost of purchased materials on an ongoing basis. Comprehensive supply chain management is critical for minimizing procurement risks and ensuring availability of materials.

To minimize the risk arising from purchasing in foreign currencies, especially in U.S. dollars, Loewe concludes currency hedges based on a Group guideline for a portion of the future purchasing volume in foreign currencies.

For all cost components and capital expenditure, Loewe constantly practices strict spending discipline; however, it will continue to invest specifically in key strategic areas, such as the qualitative and quantitative expansion of distribution and advanced research and development projects.

With respect to the principal opportunities and risks associated with future development, please also refer to the 2010 Annual Report.

“Fast Forward” future strategy program

Loewe responded early to the changed market and overall conditions and started the “Fast Forward” future strategy program in June 2010 with the objective of systematically enhancing Loewe’s particular strengths of fast action, flexibility and a competitive edge in innovation.

Based on the performance in the first six months of 2011, Loewe will systematically press ahead with the “Fast Forward” future strategy program with a clear focus on measures for safeguarding sales and cost discipline in the months to come. After having successfully reorganized product development and further optimizing the internal processes in recent months, the Company launched all its new products on the market in good time. Loewe now offers a large number of top-quality 3D sets with optimum LED backlight. The Company has thus laid the foundation for a positive sales trend in the second half.

In the future, the product line will be even more intensely aligned with the needs and desires of customers in the European premium market. That is why Loewe is continuing the strategic expansion of its current product portfolio to include a completely new audio segment. For the 2011 holiday shopping season, Loewe speakers and audio visual source devices will be complemented by a broad range of individualizable, innovative standalone audio solutions. Moreover, Loewe will further reduce the technical complexity of its products. We will in the future follow a new, economically sensible platform strategy, which will also contribute to reducing production costs further. The Company will continue to expand its leading position in the linkage of the Internet and television and display new approaches for the sensible networking of home entertainment and IT for the first time at IFA 2011.

Another focus of “Fast Forward” is the systematic expansion of the premium-based marketing of Loewe products within and outside of Germany. In this area as well, specific agreements with and deliveries of Loewe sets to the retail chains FNAC in France, John Lewis in the United Kingdom and the Euronics retail cooperative in Italy represent the first successes. Another key element of “Fast Forward” is a communication offensive. A number of campaigns with ads in large daily newspapers and target group-oriented, regional radio advertising are currently underway. Measures for improving Loewe’s brand awareness even further in the second half of 2011 will include TV spots with target group-specific broadcasters.

In the future, Loewe will put a stronger emphasis on demonstrating its position as the European premium brand in consumer electronics. We have made the preparations for this with “Fast Forward.”

Outlook for 2011 as a Whole

The aggressive competitor pricing and the noticeable consumer buying restraint for consumer electronics products, particularly in a year-on-year comparison, intensified in the second quarter of 2011. The absence of major sporting events in the second quarter of 2011 contributed to a 25% decline in the value of the market for LCD TVs in Europe.

Against this backdrop, Loewe's target of achieving moderate growth in sales and positive EBIT for 2011 is no longer realistic. The Loewe Group will benefit (as will the entire industry) from the positive market trend for the normal seasonal business in the third and especially the fourth quarter of 2011 as well as the launch of new, innovative products. However, the business development in the first six months of 2011 leads us to expect that total sales in 2011 will fall short of the previous year's figure, thereby making it impossible to achieve positive EBIT from the present perspective.

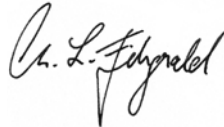
The market offers good opportunities for Loewe in the medium term. In addition to the continued replacement demand and the increasing ownership of more than one LCD TV in Europe, new technologies like 3D television and HbbTV (the connection of television and the Internet) offer stimuli that will last beyond the current fiscal year. For that reason, Loewe expects growth in sales and a positive earnings trend for fiscal year 2012.

Kronach, July 26, 2011

The Executive Board



Oliver Seidl



Manfred L. Fitzgerald



Gerhard Schaas

Condensed Consolidated Interim Financial Statements

Consolidated Income Statement

	April – June 2011		April – June 2010		Jan. – June 2011		Jan. – June 2010	
	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Sales	57.2	100.0	74.0	100.0	118.7	100.0	147.4	100.0
Cost of sales	-44.3	-77.5	-58.4	-78.9	-91.8	-77.3	-113.6	-77.1
Gross margin	12.9	22.5	15.6	21.1	26.9	22.7	33.8	22.9
Selling expenses	-15.8	-27.6	-18.0	-24.3	-30.4	-25.6	-32.9	-22.3
General and administrative expenses	-2.3	-4.0	-2.2	-3.0	-4.7	-4.0	-4.7	-3.2
Other operating income	0.3	0.5	-0.3	-0.4	0.4	0.3	-0.3	-0.2
EBIT	-4.9	-8.6	-4.9	-6.6	-7.8	-6.6	-4.1	-2.8
Interest income	0.1	0.2	0.2	0.3	0.2	0.2	0.3	0.2
Interest expenses	-0.6	-1.0	-0.7	-1.0	-1.1	-0.9	-1.3	-0.9
Earnings before taxes	-5.4	-9.4	-5.4	-7.3	-8.7	-7.3	-5.1	-3.5
Income taxes	0.1	0.2	1.4	1.9	0.9	0.8	1.3	0.9
Profit after tax	-5.3	-9.2	-4.0	-5.4	-7.8	-6.5	-3.8	-2.6
thereof:								
attributable to shareholders of Loewe AG	-5.2		-4.0		-7.7		-3.8	
Minority interests	-0.1		0.0		-0.1		0.0	
	-5.3		-4.0		-7.8		-3.8	
Basic earnings per share (in EUR)	-0.40		-0.31		-0.59		-0.29	
Diluted earnings per share (in EUR)	-0.40		-0.31		-0.59		-0.29	

Consolidated Statement of Comprehensive Income EUR million	April – June 2011	April – June 2010	Jan. – June 2011	Jan. – June 2010
Profit after tax	-5.3	-4.0	-7.8	-3.8
Other comprehensive income				
Change in fair value of hedges	-3.0	4.9	-11.4	7.8
Tax effects	0.8	-1.4	3.2	-2.2
Gains and losses recognized directly in equity	-2.2	3.5	-8.2	5.6
Comprehensive income	-7.5	-0.5	-16.0	1.8
thereof:				
attributable to shareholders of Loewe AG	-7.4	-0.5	-15.9	1.8
attributable to minority interests	-0.1	0.0	-0.1	0.0
	-7.5	-0.5	-16.0	1.8

Consolidated Balance Sheet

EUR million

	June 30, 2011	Dec. 31, 2010	June 30, 2010
Assets			
Non-current assets			
Intangible assets	7.7	7.9	7.8
Property, plant and equipment	33.2	37.2	38.8
Financial assets	2.1	2.1	1.9
Income tax assets	0.3	0.2	0.3
Miscellaneous non-current financial assets	0.2	0.2	0.3
Deferred taxes	14.9	11.0	10.1
	58.4	58.6	59.2
Current assets			
Inventories	59.1	67.1	51.6
Trade accounts receivable	47.6	70.5	65.4
Income tax assets	0.6	0.3	1.1
Miscellaneous current financial assets	2.2	6.0	8.7
Cash and cash equivalents	20.9	13.2	34.1
	130.4	157.1	160.9
Total assets	188.8	215.7	220.1
Liabilities and shareholders' equity			
Shareholders' equity			
Equity attributable to equity holders of the parent			
Subscribed capital	13.0	13.0	13.0
Capital reserve	47.0	47.0	47.0
Retained earnings	16.2	16.2	16.2
Other reserve	-6.9	1.3	4.8
Accumulated loss/profit	-5.7	2.0	5.2
	63.6	79.5	86.2
Minority interests	0.5	0.6	0.8
	64.1	80.1	87.0
Non-current liabilities			
Provisions for pensions and similar obligations	39.8	40.8	40.4
Other non-current provisions	17.2	17.5	17.4
Non-current financial liabilities	0.0	0.0	0.0
	57.0	58.3	57.8
Current liabilities			
Income tax provisions	2.2	3.8	3.7
Other current provisions	34.9	41.8	34.6
Current financial liabilities	0.0	0.1	1.8
Trade accounts payable	14.3	22.2	27.2
Miscellaneous current financial liabilities	16.3	9.4	8.0
	67.7	77.3	75.3
Total liabilities and shareholders' equity	188.8	215.7	220.1

Consolidated Cash Flow Statement

EUR million

	January – June 2011	January – June 2010	
Operating activities			
EBIT	-7.8		-4.1
Interest paid	-0.2		-0.3
Interest payments received	0.2		0.3
Depreciation and amortization of non-current assets	9.9		10.3
Other non-cash items	-0.8		-1.0
Decrease (-)/Increase (+) in pension provisions	-1.0		0.1
Decrease (-)/Increase (+) on other non-current provisions	-0.3		0.2
Income taxes paid	-1.8		-1.5
Cash flow before changes in net current assets	-1.8		4.0
Change in net current assets			
Decrease(+)/Increase (-) in inventories	8.0		-0.9
Decrease(+) in trade receivables and other assets	28.7		19.8
Decrease(-) in other current provisions	-6.9		-12.4
Decrease(-)/Increase in trade payables and other liabilities	-9.5		0.4
Change in net current assets	20.3		6.9
Net cash from operating activities	18.5		10.9
Investing activities			
Payments for purchases of intangible assets and property, plant and equipment	-5.7		-9.1
Payments for purchases of financial assets	0.0		-0.3
Payments for investments in consolidated companies less cash and cash equivalents acquired	0.0		-0.4
Net cash from investing activities	-5.7		-9.8
Free cash flow, total	12.8		1.1
Financing activities			
Decrease in minority interests	0.0		-0.6
Dividend payment	0.0		-3.3
Repayment (-) of loans	-0.1		-0.4
Net cash from financing activities	-0.1		-4.3
Cash-effective change in liquidity	12.7		-3.2
Composition of liquidity:	June 30, 2011	Dec. 31, 2010	Change
Cash and cash equivalents	20.9	13.2	7.7
Short-term bank loans	0.0	0.0	0.0
Use of factoring	0.0	-5.0	5.0
Liquidity	20.9	8.2	12.7

Consolidated Statement of Changes in Equity

	Number of shares	Sub- scribed capital	Capital reserve	Retained earnings	Other reserve	Accu- mulated profit/loss	Equity at- tributable to equity holders of the parent	Minority interests	Total equity
	units	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Balance as of Dec. 31, 2009	13,009,229	13.0	47.0	16.2	-0.8	12.3	87.7	1.3	89.0
Dividend payment for 2009						-3.3	-3.3	-0.6	-3.9
Fair value measurement of hedging instruments					5.6		5.6		5.6
Net income for the period ended June 30, 2010						-3.8	-3.8		-3.8
Change in scope of consolidation								0.1	0.1
Balance as of June 30, 2010	13,009,229	13.0	47.0	16.2	4.8	5.2	86.2	0.8	87.0
Fair value of hedging instruments					-3.5		-3.5		-3.5
Net income for the period July 1 to December 31, 2010						-3.2	-3.2	-0.2	-3.4
Allocation to retained earnings				0.0		0.0			
Balance as of Dec. 31, 2010	13,009,229	13.0	47.0	16.2	1.3	2.0	79.5	0.6	80.1
Fair value measurement of hedging instruments					-8.2		-8.2		-8.2
Net income for the period ended June 30, 2011						-7.7	-7.7	-0.1	-7.8
Balance as of June 30, 2011	13,009,229	13.0	47.0	16.2	-6.9	-5.7	63.6	0.5	64.1

Selected Explanatory Notes

About Loewe

The Loewe Group develops, produces and distributes electronic, electrotechnical and mechanical products and systems of every type as well as parts of the same, in particular in the field of consumer electronics and communications technology (home entertainment systems). The Company's main products are TV sets and home cinema solutions. The parent company is recorded under the name of Loewe AG in the Commercial Register (HRB 3004) of the Local Court in Coburg, Germany. The Company's registered offices are located at Industriestrasse 11, 96317 Kronach, Germany.

The condensed consolidated interim financial statements for the first six months of 2011 were released for publication by a management decision on July 26, 2011.

Basis of presentation and accounting policies

The condensed consolidated interim financial statements of Loewe AG as of June 30, 2011 were prepared in accordance with the International Financial Reporting Standards (IFRS) for interim reporting as adopted in the European Union (EU) and in accordance with the provisions of the German Securities Trading Act (WpHG) applicable to consolidated interim financial reports. These interim financial statements refer only to the Group and contain all information and disclosures in the Notes that are required by IFRS and WpHG for interim financial statements.

The same basis of presentation used for the consolidated financial statements for fiscal year 2010 was applied to the interim consolidated financial statements.

These interim consolidated financial statements contain all necessary information for a true and fair view of the financial position and financial performance as of June 30, 2011.

However, they do not include all the information and disclosures required in the consolidated annual financial statements and should therefore be read in conjunction with the consolidated annual financial statements for the year ended December 31, 2010 and the additional information contained in them.

In preparing the interim consolidated financial statements, management must make estimates and assumptions. These influence the level of the amounts indicated for the assets and liabilities as of the balance sheet date as well as the amount of reported income and expenses in the first six months of 2010. The actual amounts can deviate from these estimations.

Scope of consolidation

The scope of consolidation has not changed in relation to the consolidated financial statements as of December 31, 2010.

Currency translation

The currency translation for the subsidiary in the United Kingdom was based on the reference rate of the European Central Bank (ECB) as of June 30, 2011; currency translation in the income statement was based on the average rate of the first six months of 2011 and 2010. All other consolidated companies are in the eurozone.

Financial position

EUR million

	June 30, 2011	Dec. 31, 2010	June 30, 2010
Non-current assets	58.4	58.6	59.2
Current assets	130.4	157.1	160.9
Total assets	188.8	215.7	220.1
Equity including minority interests	64.1	80.1	87.0
Non-current liabilities	57.0	58.3	57.8
Current liabilities	67.7	77.3	75.3
Total liabilities and shareholders' equity	188.8	215.7	220.1

After declining by EUR 0.2 million compared to year-end 2010, non-current assets are roughly at the level of the previous year. The increase in deferred tax assets (EUR +3.9 million) due to increased loss carryforwards was offset by the reduction in property, plant and equipment (EUR –4.0 million) resulting from scheduled depreciation and lower capital expenditure.

The decline in current assets compared to year-end 2010 resulted substantially from the reduction in trade accounts receivable (down EUR –22.9 million) as well as inventories (down EUR –8.0 million).

In addition to the net loss of EUR –7.8 million, the negative intrinsic value of the forward exchange transactions in the amount of EUR –6.9 million (December 31, 2010: positive amount of EUR 1.3 million) caused equity to be reduced to EUR 64.1 million.

The equity-to-assets ratio is 34.0% and is thus 3.1 percentage points lower than the figure at year-end 2010.

The other comprehensive income, as presented in the statement of comprehensive income, includes income and expenses recognized directly in equity attributable to changes in value of currency hedging instruments as well as related deferred tax effects.

The negative value of other income of EUR –8.2 million shown for the reporting period reflects the tax-adjusted change in the market value of forward exchange transactions concluded by Loewe to hedge future purchases of merchandise. The significant decline resulted from the weakness of the U.S. dollar compared to December 31, 2010. In addition, the total volume of currency hedging transactions exceeds the level at year-end 2010 due to the fact that the long-term hedging volume was increased due to the persistent weakness of the U.S. dollar while taking the internal currency hedging guideline into account.

The forward exchange transactions were concluded in conformity with the underlying contractual purchase obligations. Every forward transaction is subject to a corresponding underlying transaction (hedged item). The relationship between the hedging transaction and the hedged item is continuously reviewed for effectiveness.

In the first six months of 2011, basic earnings per share were EUR –0.59. The number of shares is unchanged at 13,009,229. Diluted earnings per share are not calculated as no rights have been associated with the available 2010 authorized capital and the conditional capital.

Compared to year-end 2010, current liabilities were down by EUR 9.6 million. The decline is primarily due to the reduction of Other current provisions by EUR 6.9 million as a result of the payment of the annual bonus to contract dealers and other obligations set aside as provisions as of year-end 2010. The reporting of the negative intrinsic value of existing currency hedging transactions as a liability within Other current financial liabilities had the opposite effect.

Cash flow and financing

Cash flow		
EUR million		
	January – June 2011	January – June 2010
Net cash from operating activities	18.5	10.9
Investing activities	–5.7	–9.8
Free cash flow	12.8	1.1
Net cash from financing activities	–0.1	–4.3
Cash-effective change in liquidity	12.7	–3.2

Loewe generated EUR 15.9 million more cash flow in the first six months of 2011 than in 2010. Compared to the previous year, higher cash flow in particular was generated from the reduction of inventories and trade accounts receivable. In addition, the payment of annual bonuses was lower.

Further details related to the increase in liquidity by EUR 12.7 million can be seen in the cash flow statement.

Financing

EUR million

	June 30, 2011	Dec. 31, 2010	June 30, 2010
Cash and cash equivalents	20.9	13.2	34.1
Non-current financial liabilities	0.0	0.0	0.0
Current financial liabilities	0.0	-0.1	-1.8
Subtotal	20.9	13.1	32.3

As of June 30, 2011, the Loewe Group has cash and cash equivalents in the amount of EUR 20.9 million available to it on short notice. Neither current nor non-current financial liabilities nor loans exist. Freely available liquid funds are invested in interest-bearing overnight and term deposits at banks that are members of the German Deposit Protection Fund (Einlagensicherungsfonds).

Thus far in fiscal year 2011, the line of factoring, which had been granted in the amount of EUR 35 million, has been utilized to only a slight degree.

It was also not necessary to utilize the pooling agreement with a total volume of EUR 50 million existing for the longer term financing of business operations and planned capital expenditure.

Income statement

Revenue by region is broken down as follows:

EUR million	2 nd quarter 2011	2 nd quarter 2010	1 st half 2011	1 st half 2010
Germany	32.5	41.8	67.4	84.0
Europe excluding Germany	23.2	31.0	48.5	61.0
Rest of world	1.5	1.2	2.8	2.4
Total	57.2	74.0	118.7	147.4

The significant items of the income statement for the first six months of 2011 are explained in the interim group management report.

Contingent liabilities

The contingencies and other financial obligations have not changed substantially as compared with disclosures as of December 31, 2010.

Related party transactions

The business relations with companies of the Sharp Group in the first six months of 2011 were exclusively limited to the delivery of spare parts to Loewe.

All agreements are concluded on an arm's length basis. As a shareholder, Sharp has no influence over Loewe management, is not represented on the Loewe Supervisory Board and does not participate in any decision-making processes at Loewe. It should therefore not be classified as a related party.

Other disclosures

Number of employees

Compared to the first six months of 2010, the average number of employees decreased by 20 from 1,040 to 1,020 persons.

As of the balance sheet date of June 30, 2011, the active workforce at 853 employees (excluding trainees, persons permanently absent and part-time retirees) was lower than in the year before by 58 persons. The reduction completed under "Fast Forward" was conceptually implemented using socially compatible measures such as the non-replacement of retiring employees, individual working hours agreements and the transition into the passive phase of partial retirement.

Acquisition of treasury shares

At the Annual Meeting of Shareholders on May 20, 2010, the Company was authorized to acquire treasury shares in an amount of up to 10% of the share capital. The authorization is valid until May 19, 2015 and no such activities have been undertaken to date.

Shares held by the Executive Board and Supervisory Board on June 30, 2011

As of June 30, 2011, the Executive Board held 79,300 shares (December 31, 2010: 79,300) in Loewe AG. One Supervisory Board member directly holds 550,000 shares (December 31, 2010: 550,000 shares).

Events after the balance sheet date of June 30, 2011

No events of special significance occurred after June 30, 2011.

Responsibility Statement

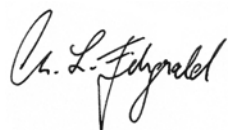
"To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements as of June 30, 2011 give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year."

Kronach, July 26, 2011

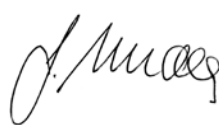
The Executive Board



Oliver Seidl



Manfred L. Fitzgerald



Gerhard Schaas

Review Report to Loewe AG, Kronach

We have reviewed the condensed interim consolidated financial statements – comprising the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and selected notes to the financial statements – and the interim group management report of Loewe AG for the period January 1 to June 30, 2011. These form part of the half-year financial report pursuant to section 37w of the German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with those International Financial Reporting Standards (IFRS) applicable to interim reporting, as adopted by the European Union (EU), and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report concerning the interim consolidated financial statements and the interim group management report based on our review.

We have conducted our review of the condensed interim consolidated financial statements (short form) and of the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the German Institute of Auditors (IDW). Those standards require that we plan and perform our review so that we can preclude through critical evaluation, with a certain level of assurance, that these condensed interim consolidated financial statements have in material respects not been prepared in accordance with IFRS for interim financial reporting, as adopted by the EU, and that the interim group management report has in material respects not been prepared in accordance with the applicable provisions of the German Securities Trading Act regarding interim group management reports. A review is essentially restricted to interviews of the company's staff and to analytical assessments and therefore does not afford the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to believe that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports.

Mönchengladbach, July 22, 2011

Abstoß & Wolters OHG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Quacken
Auditor

Straaten
Auditor

Financial Calendar

Publication of the Q3 Report

(01/01 – 9/30/2011)

Conference call on Thursday,
November 3, 2011, 10:00 a.m.

Publication of the Key Figures for the 2011 financial year

Conference call on Thursday,
January 26, 2012, 10:00 a.m.

Publication of the 2011 Financial Statements of the Loewe Group

Thursday, March 29, 2012,
9:30 a.m., Munich

DVFA Analysts' Conference

Thursday, March 29, 2012,
4 p.m., Frankfurt/Main

Publication of the Q1 Report

(01/01 – 3/31/2012)

Conference call on Thursday,
May 3, 2012, 10:00 a.m.

Annual Shareholders' Meeting of Loewe AG

Tuesday, May 15, 2012,
11:00 a.m., Munich

Publication of the Q2 Report

(01/01 – 6/30/2012)

Conference call on Thursday,
August 2, 2012, 10:00 a.m.

Publication of the Q3 Report

(01/01 – 9/30/2012)

Conference call on Wednesday,
November 7, 2012, 10:00 a.m.

Contacts/Publication Credits

Loewe AG

Industriestrasse 11
D-96317 Kronach
Germany

PO Box 1554
D-96305 Kronach
Germany

Ticker symbol: LOE
WKN: 649410
ISIN: DE 0006494107

Loewe shares are traded in the Prime Standard
segment of the German Stock Exchange.

Classic All share®
Prime All share
CDAX®

Investor Relations: +49 (0) 9261/99-984
Email: ir@loewe.de
Telefax: +49 (0) 9261/99-994

Public Relations: +49 (0) 9261/99-477
Email: presse@loewe.de

Customer Care Center: +49 (0) 1801/22256393
Email: ccc@loewe.de

Telephone switchboard: +49 (0) 9261/99-0
Internet: www.loewe.de

Published by
Loewe AG, Kronach
Industriestrasse 11
96317 Kronach
Germany



Loewe AG

Industriestrasse 11
96317 Kronach
Germany
www.loewe.de

Loewe Stock:
Ticker symbol: LOE
ISIN Code: DE 0006494107

Phone: +49 (0) 9261 99-984
Email: ir@loewe.de

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