

Interim Report

First Nine Months of Fiscal 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,

The third quarter of 2011 was characterized by the traditionally somewhat weaker summer months of July and August and the International Consumer Electronics Fair 2011, which was held in Berlin in September. For Loewe, the fair was a good start into the important holiday shopping season. Our high-quality Loewe Home Entertainment systems offering the best picture and individual sound contributed as much to the success of the IFA as the new appealing audio solutions. The orders from our retail partners exceeded those of the previous year and support our expectations for a good seasonal business 2011.

At EUR 67.4 million, Loewe Group sales in the third quarter of 2011 were 1% higher than the 2010 figure of EUR 66.5 million. The sales trend for LCD televisions, which are highly significant for Loewe, was very pleasing. Their sales rose by 4% from EUR 53.9 million in the previous year to EUR 55.9 million in the third quarter. Sales in the first nine months of 2011, at EUR 186.1 million, were 13% lower than the 2010 figure of EUR 213.9 million.

The slightly increased sales level compared to Q3 2010 and successful cost savings within the context of our "Fast Forward" future strategy program enabled us to reduce our losses in the third quarter of 2011. In this period, Loewe generated an EBIT loss of EUR 3.9 million, up from an EBIT loss of EUR 5.0 million in the comparable period of the previous year. EBIT amounted to a loss of EUR 11.7 million in the first nine months, down from an EBIT loss of EUR 9.1 million in the comparable period of the previous year.

After having successfully reorganized product development and further optimized the internal processes in recent months, we implemented all planned conversions of the TV products from 2D to 3D on schedule. Furthermore, we will expand our product portfolio to include a completely new segment of new audio standalone products in the next few weeks. Accordingly, Loewe will be able to offer a very up-to-date and attractive product portfolio in time for the important holiday shopping season.

The measures for reducing costs initiated through "Fast Forward" will continue to be carried out using a targeted approach. The potentials for cutting costs will be utilized systematically in particular in the area of cost of materials. Another focus is the expansion of the premium-based marketing of Loewe products within and outside of Germany. In addition to the two existing pilot projects with the retail chain FNAC in France, five additional points of sale are planned for year-end. In the case of John Lewis in the United Kingdom, four test branches were set up initially; another three went on-line in October.

Another key element of "Fast Forward" is the current communication offensive. A number of campaigns with ads in large daily newspapers and target group-oriented, regional radio advertising are underway at the present time. And Loewe is starting an eye-catching TV campaign just in time for the holiday shopping season. Its central focus will be our Loewe Individual product line and the multitude of configuration options offered by this line. The TV spots will be broadcast in the period November and December on the news channels n-tv and N24. With a total of 450 spots, we will reach the target groups for Loewe in an optimal way.

In the future, Loewe will continue to expand its position as the European premium brand in consumer electronics. We have made the preparations for this with "Fast Forward." Loewe's successful presence at this year's International Consumer Electronics Fair in Berlin leads us to expect a good seasonal business at the end of 2011. However, due to the business development in the first nine months of 2011, sales for 2011 as a whole will be lower than in the previous year. This will prevent us from achieving positive EBIT for fiscal 2011.

Despite the fact that the persistent difficult economic conditions in parts of Europe represent a strain for Loewe's export business in particular, the consumer electronics market offers good medium-term prospects in the premium segment. 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 positive stimuli that will last beyond the current fiscal year.

Sincerely yours,



Oliver Seidl

Chief Executive Officer of Loewe AG

More Networked. The Loewe Connect



First Nine Months of Fiscal 2011

Interim Group Management Report

3rd quarter 2011:

- **Sales increase** by 1% to EUR 67.4 million
- **Sales of LCD TVs** up 4% over previous year
- Slightly increased sales level and successful cost savings **reduce losses**
- **Successful presence** at the International Consumer Electronics Fair 2011 in Berlin

Fiscal year 2011:

- **New Loewe audio segment** to be ready for holiday shopping season
- **Expansion** of premium-based marketing
- **Eye-catching TV campaign** in time for the holiday shopping season
- **Good seasonal business** expected for the end of **2011**

First Nine Months of Fiscal 2011 Interim Group Management Report

The Loewe Group at a Glance *

EUR million						
	3 rd quarter 2011	3 rd quarter 2010	± in %	Q1–3 2011	Q1–3 2010	± in %
Sales	67.4	66.5	+1	186.1	213.9	–13
EBIT	–3.9	–5.0		–11.7	–9.1	
Net income for the period	–3.9	–4.1		–11.7	–7.9	
Earnings per share in euros**	–0.29	–0.31		–0.88	–0.60	
Free cash flow	5.4	–8.4		18.2	–8.4	
Number of employees (average)	1,025	1,085	–5	1,022	1,055	–3

* 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 third quarter sales slightly higher year-on-year

Loewe's successful presence at the International Consumer Electronics Fair (IFA) in Berlin in September was followed by a slight increase of 1% in Loewe Group sales in the third quarter of 2011 from EUR 66.5 million in the third quarter of the previous year to EUR 67.4 million. The sales trend for LCD televisions, which are highly significant for Loewe, was pleasing. Their sales rose by 4% from EUR 53.9 million in the previous year to EUR 55.9 million in the third quarter.

While sales in our key German home market developed positively with a 13% growth in sales to EUR 45.9 million in the third quarter of 2011, the persistent difficult economic conditions in parts of Europe strained Loewe's export business. Export sales declined by 17% to EUR 21.5 million in the third quarter. At EUR 186.1 million, sales of the Loewe Group as a whole in the first three quarters of 2011 were 13% lower than the 2010 figure of EUR 213.9 million.

Losses slightly reduced in the third quarter

The slightly increased sales level and cost savings within the context of the "Fast Forward" future strategy program enabled Loewe to reduce its losses in the third quarter of 2011. In this period, the Company generated an EBIT loss of EUR 3.9 million, up from an EBIT loss of EUR 5.0 million in the comparable period of the previous year. EBIT amounted to a loss of EUR 11.7 million in the first nine months of 2011, down from an EBIT loss of EUR 9.1 million in the comparable period of the previous year. Net income after taxes came to a net loss of EUR 11.7 million in the period January to September of 2011. Apart from the persistent price pressure on the procurement markets, especially the intense competitive environment had a 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 negative impact on earnings.

Positive free cash flow

In the first nine months of 2011, Loewe AG generated EUR 18.2 million in free cash flow, compared to a net outflow of EUR 8.4 million in the same period of 2010. The increase resulted primarily from the targeted reduction of working capital, making it possible to overcompensate the negative impact on net income. Liquidity increased by EUR 18.1 million to EUR 26.3 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. As of the balance sheet date of September 30, 2011, the active workforce at 841 employees (excluding trainees, persons permanently absent and part-time retirees) was lower than in the year before by 84 persons. The reduction 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. This also reduced the average number of employees from 1,055 to 1,022 persons.

Market for LCD TVs below previous year's level

As of August 2011, the European market for consumer electronics declined by 14%¹ year-on-year in terms of value. 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 September 2011, the market for LCD TVs also exhibited a negative trend. Sales in Europe declined by 12% compared to the previous year. As of September, sales of plasma TVs were 25% lower year-on-year. If the third quarter is considered alone, the sales declines of 9% appear less severe than in the second quarter when sales declined by 25% due to the absence of major sporting events.

Except for Belgium (+4%), sales in the LCD TV market declined in all European countries as of September 2011. The sharpest declines were in Spain (-28%), Italy (-18%), the Netherlands (-16%), and the United Kingdom (-16%). Sales were down in the mid-single-digit range 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. Accordingly, sales in the third quarter have already increased by +2%. 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.

The average price per LCD set in Europe declined by 7% to EUR 473 as of September 2011. In the important 32 and 40 inch segments, prices were 15% and 16% lower. The stronger than expected decline in prices is due to the intensely competitive sales campaigns of the large brands whose sales in 2011 have so far significantly failed to meet expectations.

¹Source of market data: GfK

At 3.3%, Loewe's value-based market share for flat-panel TVs among European retailers as of September 2011 was 0.1% below the 2010 figure of 3.4%. In the LCD TV segment, the value-based market share of high-end Loewe products declined to 3.6% during the period under review, down from 3.9% a year earlier. In its key German market, Loewe's market share fell by 0.6 percentage points from 9.1% in 2010 to 8.5% as of September. However, Loewe has succeeded in significantly improving its position in Germany in the last few months and achieved a 10.6% market share in the third quarter of 2011 compared to 8.4% a year before.

Loewe sales in the first nine months lower than in the previous year

In the first nine months of 2011, the sales of the Loewe Group fell by EUR 27.8 million year-on-year to EUR 186.1 million. This affected all product areas. Sales of LCD TV sets declined by 12% to EUR 152.2 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 Mediacenter. Sales in this area declined by EUR 7.9 million to EUR 15.7 million in the period under review compared to the first nine months of 2010. Only other sales reported a slight 3% improvement. The inclusion of MacroSystem Digital Video AG in the consolidation in June 2010 had a positive impact.

The third quarter of 2011 was also characterized by intense price competition and the persistence of difficult economic conditions in parts of Europe. 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. In the third quarter of 2011, important market participants stepped up their targeted sales campaigns in the retail market to compensate for the declining market trend. Even so, Loewe increased its sales of LCD televisions by 4% to EUR 55.9 million due to its successful presence at IFA 2011. In particular, the market penetration of the new 3D LED product lines from Loewe, which were launched in the second quarter of 2011, was accompanied by positive stimuli for the development of business.

Sales structure by product area

EUR million

	3 rd quarter 2011	3 rd quarter 2010	± in %	Q1–3 2011	Q1–3 2010	± in %
Televisions	55.9	53.9	+4	152.2	172.6	-12
Audio/DVD	5.0	6.2	-19	15.7	23.6	-33
Other	6.5	6.4	+2	18.2	17.7	+3
Total sales	67.4	66.5	+1	186.1	213.9	-13

LCD TVs in the screen size categories larger than 40 inches posted growth. In a year-on-year comparison, they were favored in particular by the market success of the new Loewe 3D LED TVs in these screen diagonals. 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 68% of total TV sales in the first nine months of 2011, up from 65% a year earlier.

The decline in 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 system, which was launched in the first quarter of 2010. Compared to the first nine months of 2010, sales in the audio/DVD product group declined by a total of 33%.

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

In Germany, sales of EUR 113.4 million in the period from January to September 2011 were down by 9% from the comparable 2010 figure. Export sales declined by 19% to EUR 72.7 million. In contrast, sales in Germany grew by 13% to EUR 45.9 million year-on-year, while export sales decreased by 17% to EUR 21.5 million.

Lower sales and production volume weighs down operating result

The significant reduction in sales and production volume caused Loewe to post negative EBIT of EUR 11.7 million in the period from January to September 2011 compared to negative EBIT of EUR 9.1 million in the same period of 2010. Slightly increased sales caused the third quarter to close with an EBIT loss of EUR 3.9 million compared to an EBIT loss of EUR 5.0 million in the same quarter of 2010.

The downward trend in sales and production caused the gross margin to be reduced by EUR 6.7 million to EUR 41.2 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 22.1% in the first nine months of 2011. This nearly brought the gross margin to the level of the comparable period of 2010.

Selling expenses dropped year-on-year by EUR 3.2 million to EUR 46.4 million. In the first nine 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. Especially in light of the consolidation in the consumer electronics market, it is critically important for Loewe to persist in its efforts to systematically enhance the brand's premium character and increase the Company's international orientation. Cost reductions were implemented as part of the "Fast Forward" restructuring program. Due to the reduced level of sales revenue, marketing and selling expenses as a percentage of sales came to 24.9% compared to 23.2% in the same period of the previous year.

At EUR 6.5 million, the administrative expenses were EUR 0.5 million lower than in the comparable period of 2010. As a percentage of the reduced sales, they came to 3.5%, compared to 3.3% in the first nine months of 2010. The other operating result in the period under review showed a net operating loss of EUR 0.1 million, up from a net operating loss of EUR 0.4 million in the period January to September 2010.

The interest result amounted to a net interest expense of EUR 1.3 million compared to a net interest expense of EUR 1.5 million in the first nine months of 2010.

Capital expenditure

Capital expenditure/depreciation and amortization				
EUR million				
	Q1–3 2011		Q1–3 2010	
	Capital expenditure	Depreciation/ amortization	Capital expenditure	Depreciation/ amortization
Intangible assets	5.4	5.4	5.4	5.8
Property, plant and equipment	3.7	9.6	8.1	9.8
Financial assets	0.2	0.0	0.8	0.0
Total	9.3	15.0	14.3	15.6

At EUR 9.3 million, capital expenditure in the first nine months of 2011 was lower than a year earlier by the significant amount of EUR 5.0 million. Capital expenditure chiefly relates to retailer presentation systems, investment in tools in production, and development costs subject to mandatory capitalization. The decrease resulted primarily from lower investment in tools, as high investment in tools for the new products with LED technology were reported in the comparable period of the previous year.

Net current assets

Net current assets			
EUR million			
	Sep. 30, 2011	Dec. 31, 2010	Sep. 30, 2010
Inventories	49.3	67.1	78.5
Trade accounts receivable and other assets *	60.3	78.5	60.6
Other provisions	–37.6	–41.8	–38.0
Trade accounts payable and other liabilities *	–27.2	–30.4	–46.0
Total	44.8	73.4	55.1

* excluding income taxes and derivatives

Net current assets decreased by EUR 10.3 million compared to September 30, 2010. A still more significant decrease was reported compared to December 31, 2010. In addition to the reduction in the amounts owed to suppliers due to the lower sales volume, the targeted measures for working capital management had an impact on inventories.

Development and production

DR+ streaming

The convenient Loewe DR+ streaming from room to room has met with very good market acceptance. One option for using DR+ streaming is the Follow Me function that makes it possible to pause a television program at any time and then continue it conveniently on another television set. The first TV set acts as a server, streaming the program to another TV set via Powerline, LAN or W-LAN. For this unique innovation, Loewe received the EISA Award as well as the Innovation Prize of the trade journals Digital Fernsehen, HD+TV, Digital Tested, Blu-ray Magazin and Audio Test and the online portal digitalfernsehen.de.

DR+ streaming is augmented by the newly developed DLNA functionality. DLNA – Digital Living Network Alliance – is a standard supported by many well-known firms such as Microsoft. DLNA makes it possible to use the TV set to play media content of sets of any manufacturer or transfer the content to other sets. This makes the television a standards-based media server.

In addition, software was developed making it possible for the viewer to have direct access to Germany's largest video library Maxdome. In the future, the customer will be able to select a film directly via the Loewe television and view it immediately. With the control app for iPhone and iPad, Loewe demonstrated at the International Consumer Electronics Fair in Berlin how tablets and smart phones can be integrated practically in the use of the television set. This app makes it possible for the iPad to perform far more than the standard functions of a remote control (such as channel switching or volume control of a Loewe TV). For example, a station list is available to the user which immediately displays the stations' current programs. This first-class electronic program guide (EPG) provides detailed information about a film or a TV series.

Television and audio

A number of new television sets was again put in series production. These include the sets Connect 32 3D, Art 40 and 46 3D and Xelos 32 and 40 Media. Moreover, the development department worked on a large number of new and innovative audio products that will go into series production in time for the 2011 shopping season. For example, the compact audio system Loewe SoundVision offers Internet radio, playback from a USB stick and an iPod/iPhone dock. The system is controlled using an intuitive touch-screen, and the AirSpeaker makes Loewe one of the first manufacturers to implement the Airplay standard from Apple. With AirPlay, the music is transferred wirelessly from the iPhone, iPod, iPad or also from iTunes to the Loewe AirSpeaker. The speaker unit conforming to Loewe's typical design consists of two subwoofers and two tweeters and mid-range speakers for powerful sound.

New electronics platform

A fundamentally novel software architecture is being developed for the new powerful Loewe electronics platform. All functions of the set are now controlled by one main processor. Moreover, the platform is already equipped with a new interface which connects the electronics directly to the screen. The screen manufacturers will gradually launch this new interface as of mid-year 2012.

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. Loewe presented a functioning prototype to the industry specialists at the IFA. The project receives support from the German Federal Ministry of Economics and Technology. 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

Impressive trade fair presentations and new points of sale

The primary event of the third quarter of 2011 was the International Consumer Electronics Fair (IFA) in Berlin. Under the motto "Loewe. My Entertainment," Loewe presented the future of multimedia home entertainment. Three design studies were the central focus of the exhibition stand. Multimedia combined with unexpected effects and equipped with pioneering technology – a unique blend of minimalist design and new, individual applications.

The experience also included impressive product innovations from the audio segment: SoundVision, SoundBox and AirSpeaker are available as standalone audio systems. The SoundVision system can be operated with the utmost convenience using a 7.5 inch Multi Touch display or the Loewe Assist remote control, while the SoundBox is the ideal secondary device. Music is transmitted wirelessly from an iPhone, iPod, iPad or from iTunes to the Loewe AirSpeaker via the AirPlay standard, guaranteeing superior quality audio enjoyment.

Furthermore, many Loewe televisions containing MediaNet already offer a media portal that guarantees large format Internet access – just in time for the holiday shopping season. New content such as Maxdome and Napster, Facebook or Twitter is now also included. Connectivity now extends beyond the television set, as Loewe demonstrated at the IFA with its highly praised applications. They included the control application Loewe Assist Media app which transforms the iPad into a multifunctional remote control.

For retailers the IFA again represented an important point of contact with Loewe, and it was utilized successfully this year. The order volume and the frequency of retailer contacts were higher than in the previous year. Intelligent, networked home entertainment that fits into the user's individual living situation was also the central focus of the international Loewe trade fair presentations at the interior design fair Woonbeurs Amsterdam and the consumer electronics trade fairs Futura 2011 in Salzburg and the CE Expo in Zurich. In addition to impressive trade fair presentations that strengthen the international positioning of the Loewe brand, the permanent premium distribution was also expanded further.

Attractive product portfolio

In addition to the views at IFA of the product highlights of the future, the Loewe Connect 40 3D and the Loewe Art 40 3D and 46 3D represent two additional product lines to be converted to 3D technology in the third quarter. Thanks to the good sales of the 2D sets already in advance of the IFA, the market launch of the 3D products was successful. The new sets offer images of impressive spatial depth, natural, precise transitions and maximum viewing comfort.

In this area as well, Loewe proves its expertise in the area of networking, streaming and smart TV. Accolades in the trade press and the presentation of the international 'EISA-Award Best Product 2011-2012' for the Individual 46 Compose 3D in the category AV-streaming TV confirm this. And Loewe offers perfect, multimedia home entertainment for the entry into the premium segment. Thus, the new Loewe Xelos Media already offers MediaPortal, MediaNet, MediaText and DR+ streaming.

Active sales support

Activities in the third quarter of 2011 for the active sales support of retailers in the different markets were primarily focused on country-specific promotion activities. In Germany, these activities were focused on the shutdown of the analog satellite signal at the end of April 2012. A number of just under three million households to be converted represents a huge sales potential for retailers. Loewe will specifically support the exploitation of this potential through an exclusive price advantage on Loewe Connect, Art and Xelos LED as well as equipping them with appropriate communication media.

In the international markets the "Summer Sale Promotion" also communicated attractive offers for end customers. The offers were placed in various media and channels, for example, via billboards or inserts in nationwide daily newspapers.

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. 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 will increase the competitive intensity in the consumer electronics environment. 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 as well as the highest quality standards in order to ensure the value-based marketing at stable prices. Loewe will continue to emphasize user-friendly smart TVs with outstanding design. 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. Specific apps such as, for example, the Loewe Assist Media App and the VideoNet app can be used to transfer Internet content from the iPad to the television. With these apps, Loewe has provided a user interface concept since October 2011 that offers recognizable added value in terms of simplicity of use. Intelligent integration of smart phones and tablets, the interconnection of sets in different rooms and the possibility of being able to determine design elements individually will set Loewe off from the competition. Furthermore, innovative audio products should open up new target groups.

In an intense competitive environment with short 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. Loewe concentrates in particular on areas of technology that offer customers added value and present opportunities for differentiation. 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. To implement strategic product development projects, Loewe intensified its competence in multimedia networking and Linux-based software applications in the last few months. Increasing software requirements and 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. 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. Loewe has established comprehensive supply chain management and efficient quality management to minimize procurement risks and to ensure 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 business development in the first nine months of 2011, Loewe decided at the beginning of the third quarter to continue to intensify the “Fast Forward” future strategy program. In this connection the activities are focused on safeguarding sales and cost discipline. After having successfully reorganized product development and further optimizing the internal processes in recent months, the Company implemented all planned conversion of the TV products from 2D to 3D on schedule. Accordingly, Loewe will be able to offer a very up-to-date and attractive product portfolio in the core TV segment in time for the important holiday shopping season. Furthermore, Loewe will expand the Loewe product world to include a completely new segment of new audio standalone products in the next few weeks. The products, which are uniquely individualizable, will be available at the Loewe retail partners as of early November. Overall, the Company was successful in the third quarter in laying the foundation for a positive sales and income trend in the fourth quarter of 2011.

The measures for reducing costs initiated as part of “Fast Forward” will continue to be carried out using a targeted approach. The measures developed to cut costs will be implemented systematically in particular in the area of cost of materials.

Another focus of “Fast Forward” is the 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. In addition to the two existing pilot projects at FNAC, five additional points of sale are planned for year-end. In the case of John Lewis, four test branches were set up initially; another three went on-line in October. Furthermore, Loewe started the marketing of selected products through online shops of John Lewis in the United Kingdom. The nationwide presence of John Lewis enables us to offer the accustomed high service quality through this collaboration.

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. Starting in November 2011, measures for improving Loewe’s brand awareness even further 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 International Consumer Electronics Fair 2011 in Berlin was a good start for Loewe into the important holiday shopping season. The high-quality Loewe Home Entertainment systems offering the best picture and individual sound contributed as much to the success of the IFA as the new appealing audio solutions. The orders from our retail partners exceeded those of the previous year and support our expectations for a good seasonal business 2011. However, due to the business development in the first nine months of 2011, sales for 2011 as a whole will be lower than in the previous year. From the present perspective, this will prevent us from achieving positive EBIT for fiscal 2011.

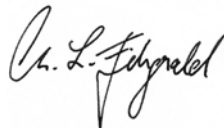
Despite the fact that the persistent difficult economic conditions in parts of Europe represent a strain for Loewe's export business in particular, the consumer electronics market offers good medium-term prospects. In addition to the continued replacement demand and the increasing ownership of more than 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, October 28, 2011


The Executive Board



Oliver Seidl



Manfred L. Fitzgerald



Gerhard Schaas

First Nine Months of Fiscal 2011 Condensed Consolidated Interim Financial Statements

Consolidated Income Statement

	July – Sep. 2011		July – Sep. 2010		Jan. – Sep. 2011		Jan. – Sep. 2010	
	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Sales	67.4	100.0	66.5	100.0	186.1	100.0	213.9	100.0
Cost of sales	-53.1	-78.8	-52.4	-78.8	-144.9	-77.9	-166.0	-77.6
Gross margin	14.3	21.2	14.1	21.2	41.2	22.1	47.9	22.4
Selling expenses	-16.0	-23.7	-16.7	-25.1	-46.4	-24.9	-49.6	-23.2
General and administrative expenses	-1.8	-2.7	-2.3	-3.4	-6.5	-3.5	-7.0	-3.3
Other operating income	-0.5	-0.7	-0.1	-0.2	-0.1	0.0	-0.4	-0.2
Income from equity investments	0.1	0.1	0.0	0.0	0.1	0.0	0.0	0.0
EBIT	-3.9	-5.8	-5.0	-7.5	-11.7	-6.3	-9.1	-4.3
Interest income	0.1	0.1	0.1	0.1	0.3	0.2	0.4	0.2
Interest expenses	-0.5	-0.7	-0.6	-0.9	-1.6	-0.9	-1.9	-0.9
Earnings before taxes	-4.3	-6.4	-5.5	-8.3	-13.0	-7.0	-10.6	-5.0
Income taxes	0.4	0.6	1.4	2.1	1.3	0.7	2.7	1.3
Profit after tax	-3.9	-5.8	-4.1	-6.2	-11.7	-6.3	-7.9	-3.7
thereof:								
attributable to shareholders of Loewe AG	-3.8		-4.0		-11.5		-7.8	
Minority interests	-0.1		-0.1		-0.2		-0.1	
	-3.9		-4.1		-11.7		-7.9	
Basic earnings per share (in EUR)	-0.29		-0.31		-0.88		-0.60	
Diluted earnings per share (in EUR)	-0.29		-0.31		-0.88		-0.60	

Consolidated Statement of Comprehensive Income EUR million	July – Sep. 2011	July – Sep. 2010	Jan. – Sep. 2011	Jan. – Sep. 2010
Profit after tax	-3.9	-4.1	-11.7	-7.9
Other comprehensive income				
Change in fair value of hedges	11.1	-7.4	-0.3	0.4
Tax effects	-3.1	2.1	0.1	-0.1
Gains and losses recognized directly in equity	8.0	-5.3	-0.2	0.3
Comprehensive income	4.1	-9.4	-11.9	-7.6
thereof:				
attributable to shareholders of Loewe AG	4.2	-9.3	-11.7	-7.5
Minority interests	-0.1	-0.1	-0.2	-0.1
	4.1	-9.4	-11.9	-7.6

Consolidated Balance Sheet

EUR million

	Sep. 30, 2011	Dec. 31, 2010	Sep. 30, 2010
Assets			
Non-current assets			
Intangible assets	7.7	7.9	7.4
Property, plant and equipment	31.5	37.2	38.4
Financial assets	2.3	2.1	1.9
Income tax assets	0.2	0.2	0.3
Miscellaneous non-current financial assets	0.2	0.2	0.2
Deferred taxes	12.3	11.0	13.5
	54.2	58.6	61.7
Current assets			
Inventories	49.3	67.1	78.5
Trade accounts receivable	58.4	70.5	59.3
Income tax assets	0.2	0.3	0.6
Miscellaneous current financial assets	4.7	6.0	2.5
Cash and cash equivalents	26.3	13.2	23.1
	138.9	157.1	164.0
Total assets	193.1	215.7	225.7
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	1.1	1.3	-0.5
Accumulated loss/profit	-9.5	2.0	1.2
	67.8	79.5	76.9
Minority interests	0.4	0.6	0.7
	68.2	80.1	77.6
Non-current liabilities			
Provisions for pensions and similar obligations	39.4	40.8	40.5
Other non-current provisions	17.2	17.5	17.3
	56.6	58.3	57.8
Current liabilities			
Income tax provisions	2.3	3.8	4.1
Other current provisions	37.6	41.8	38.0
Current financial liabilities	0.0	0.1	0.3
Trade accounts payable	18.8	22.2	40.0
Miscellaneous current financial liabilities	9.6	9.4	7.9
	68.3	77.3	90.3
Total liabilities and shareholders' equity	193.1	215.7	225.7

Consolidated Cash Flow Statement

EUR million

	January – September 2011	January – September 2010	
Operating activities			
EBIT	-11.7		-9.1
Interest paid	-0.2		-0.4
Interest payments received	0.3		0.4
Depreciation and amortization of non-current assets	15.0		15.6
Other non-cash items	-1.4		-1.5
Decrease(+) in non-current assets	0.0		0.1
Decrease(-)/Increase(+) in pension provisions	-1.4		0.2
Decrease(-)/Increase(+) in other non-current provisions	-0.3		0.2
Income taxes paid	-1.3		-0.6
Cash flow before changes in net current assets	-1.0		4.9
Change in net current assets			
Decrease(+)/Increase(-) in inventories	17.8		-27.8
Decrease(+) in trade accounts receivable and other assets	18.1		26.6
Decrease(-) in other current provisions	-4.2		-9.1
Decrease(-)/Increase(+) in trade accounts payable and other liabilities	-3.2		11.3
Change in net current assets	28.5		1.0
Net cash from operating activities	27.5		5.9
Investing activities			
Payments for purchases of intangible assets and property, plant and equipment	-9.1		-13.6
Payments for purchases of financial assets	-0.2		-0.3
Payment for investments in consolidated companies less cash and cash equivalents acquired	0.0		-0.4
Net cash from investing activities	-9.3		-14.3
Free cash flow, total	18.2		-8.4
Financing activities			
Decrease in minority interests	0.0		-0.6
Dividend payment	0.0		-3.3
Repayment(-) of loans	-0.1		-0.7
Net cash from financing activities	-0.1		-4.6
Cash-effective change in liquidity	18.1		-13.0
Composition of liquidity	Sep. 30, 2011	Dec. 31, 2010	Change
Cash and cash equivalents	26.3	13.2	13.1
Short-term bank loans	0.0	0.0	0.0
Use of factoring	0.0	-5.0	5.0
Liquidity	26.3	8.2	18.1

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					0.3		0.3		0.3
Net income for the period ended Sep. 30, 2010						-7.8	-7.8	-0.1	-7.9
Changes in scope of consolidation								0.1	0.1
Balance as of Sep. 30, 2010	13,009,229	13.0	47.0	16.2	-0.5	1.2	76.9	0.7	77.6
Fair value measurement of hedging instruments					1.8		1.8		1.8
Net income for the period July 1 to Dec. 31, 2010						0.8	0.8	-0.1	0.7
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					-0.2		-0.2		-0.2
Net income for the period ended Sep. 30, 2011						-11.5	-11.5	-0.2	-11.7
Balance as of Sep. 30, 2011	13,009,229	13.0	47.0	16.2	1.1	-9.5	67.8	0.4	68.2

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 third quarter of 2011 were released for publication by a management decision on October 28, 2011.

Basis of presentation and accounting policies

The condensed consolidated interim financial statements of Loewe AG as of September 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 September 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. 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 September 30, 2011; currency translation in the income statement was based on the average rate of the first three quarters of 2011 and 2010. All other consolidated companies are in the eurozone.

Financial position

EUR million

	Sep. 30, 2011	Dec. 31, 2010	Sep. 30, 2010
Non-current assets	54.2	58.6	61.7
Current assets	138.9	157.1	164.0
Total assets	193.1	215.7	225.7
Shareholders' equity including minority interests	68.2	80.1	77.6
Non-current liabilities	56.6	58.3	57.8
Current liabilities	68.3	77.3	90.3
Total liabilities and shareholders' equity	193.1	215.7	225.7

The decline in non-current assets compared to year-end 2010 by EUR 4.4 million is largely attributable to the reduction in property, plant and equipment (by EUR 5.7 million) due to depreciation and lower investments. The increase of deferred tax assets by EUR 1.3 million resulting from loss carryforwards had the opposite effect.

The decline in current assets compared to year-end 2010 resulted primarily from the reduction of inventories (down EUR 17.8 million) as well as the reduction in trade accounts receivable (down EUR 12.1 million).

The reduction of shareholders' equity of EUR 11.9 million is almost exclusively the result of the Group's net loss in the amount of EUR 11.7 million which occurred in the third quarter. The value of the forward exchange transactions recognized in other provisions amounted to EUR 1.1 million, which represents a decrease of EUR 0.2 million compared to year-end 2010.

The equity-to-assets ratio was 35.3% and thus 1.8 percentage points lower than the figure at year-end 2010.

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 –0.2 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 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 third quarter of 2011, basic earnings per share were EUR -0.88. 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.

The decrease of non-current liabilities primarily relates to pension provisions following a change of the underlying parameters.

Compared to year-end 2010, current liabilities were down by EUR 9.0 million. This decline is largely attributable to the decrease in other non-current provisions (down EUR 4.2 million) as a result of the payments of contractually fixed bonus entitlements to our contract dealers. In addition, trade accounts payable declined by EUR 3.4 million to EUR 18.8 million due to the lower purchasing volume, after EUR 22.2 million at year-end.

Cash flow and financing

Cash flow		
EUR million		
	Jan. – Sep. 2011	Jan. – Sep. 2010
Net cash from operating activities	27.5	5.9
Investing activities	–9.3	–14.3
Free cash flow	18.2	–8.4
Net cash from financing activities	–0.1	–4.6
Cash-effective change in liquidity	18.1	–13.0

In the third quarter of 2011, Loewe generated a much higher cash flow compared to the previous year. While more cash and cash equivalents were used in the previous year's third quarter due to the build-up of factory and finished goods inventories, both inventories and trade accounts receivables could be reduced significantly in the current year which resulted in the realization of higher cash inflows. In addition, the payment of annual bonuses was lower than in the previous year.

Further details related to the increase in liquidity by EUR 18.1 million can be seen in the cash flow statement.

Financing

EUR million

	Sep. 30, 2011	Dec. 31, 2010	Sep. 30, 2010
Cash and cash equivalents	26.3	13.2	23.1
Current financial liabilities	0.0	-0.1	-0.3
Balance	26.3	13.1	22.8

As of September 30, 2011, the Loewe Group has cash and cash equivalents in the amount of EUR 26.3 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 which exists for the financing of business operations and planned capital expenditure.

Income statement

Revenue by region is broken down as follows:

EUR million	3 rd quarter 2011	3 rd quarter 2010	1 st –3 rd quarter 2011	1st–3rd quarter 2010
Germany	45.9	40.6	113.4	124.6
Europe (excluding Germany)	20.3	24.5	68.7	85.4
Rest of the world	1.2	1.4	4.0	3.9
Total	67.4	66.5	186.1	213.9

The significant items of the income statement for the third quarter 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 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 third quarter of 2010, the average number of employees decreased by 33 from 1,055 to 1,022 persons.

As of the balance sheet date of September 30, 2011, the active workforce at 841 employees (excluding trainees, persons permanently absent and part-time retirees) was lower than in the year before by 84 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 September 30, 2011

As of September 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 September 30, 2011

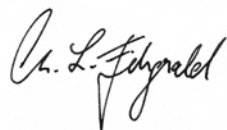
On October 13, 2011, Loewe announced in a press release that, effective December 1, 2011, Dr. Detlef Teichner will become the Executive Board member responsible for technology. Gerhard Schaas will retire at the end of the year.

Kronach, October 28, 2011

The Executive Board



Oliver Seidl



Manfred L. Fitzgerald



Gerhard Schaas

Financial Calendar

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,
4:00 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.

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Prime All share
CDAX®

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