

# LOEWE.

## Ad Hoc Announcement in Accordance with Section 15 of the German Securities Trading Act (WpHG)

Loewe AG, ISIN DE 0006494107, Prime Standard

### Loewe AG: Half-year figures for 2010 / Changes in the Executive Board

- **New forecast for 2010**
  - **Continued moderate growth in sales projected**
  - **Negative EBIT for 2010 not ruled out due to higher procurement costs**
- **Restructuring started**
- **Löhrer resigns on own volition**
- **Seidl assumes chairmanship of Executive Board**

**Kronach, July 29, 2010** - Sales of the Loewe Group in the second quarter of 2010, at EUR 74.0 million, were 4% higher than the 2009 figure of EUR 71.0 million. In the first six months of 2010, Group sales increased moderately by 3% from EUR 143.8 million to EUR 147.4 million. While first half sales in Germany at EUR 84.0 million equaled those of the previous year, export sales grew by 5% to EUR 63.4 million. Despite this moderate increase in sales volume, Loewe recorded an EBIT loss of EUR 4.9 million in the second quarter of 2010 compared to positive EBIT of EUR 0.7 million in the same period of 2009. For the first six months of 2010, EBIT amounts to a loss of EUR 4.1 million, down from positive EBIT of EUR 1.4 million in H1 2009. Price adjustments in the entry level TV segment and higher procurement costs (especially for the LCD panels highly in demand), enabled Loewe to achieve a gross margin of 22.9% in the first six months of 2010. This amount is accordingly 4.8 percentage points lower than the high level of 27.7% in the 2009 period. Furthermore, problems with suppliers prevented Loewe from launching the new Individual TV family in the key European markets until the FIFA World Cup had already started.

Generally, the business associated with the FIFA World Cup in South Africa fell short of Loewe's expectations. The departing Loewe CEO, Frieder C. Löhrer, has accepted responsibility for the current business development and requested the Supervisory Board to accept his resignation with immediate effect. Loewe is responding to the changed market and framework conditions with a restructuring program that has already been initiated in cooperation with an external partner in order to make the company more efficient for the future. Chief Financial Officer Oliver Seidl will assume responsibility for the complete restructuring as CEO and will provisionally be responsible for marketing and sales.

A purchasing offensive will result in improvements in earnings in the short term through a review of purchasing conditions. For the medium and long term, Loewe will use increased bundling of volume to key suppliers, the systematic use of platform concepts and improved utilization of potentials in Asian

procurement markets to reduce cost of materials on the procurement side on a sustained basis. Furthermore, the central divisions of development, marketing and sales are currently being restructured to ensure more rapid availability of the products in the market and more effective marketing of products. Generally, increased cost discipline is a priority for Loewe across all divisions. All investments not having product, distribution or brand relevance will come under scrutiny.

Loewe will intensify the LED product offensive already started by launching the Individual 55 and 32 inch LCD TVs and two TV product lines with the most advanced LED backlighting in the second half of 2010. Loewe will present 3D-capable televisions and the first BluRay player for 3D television at the most important trade show, IFA 2010. These two products will then be launched on the market in the first quarter of 2011. Loewe will also present user friendly solutions for connecting televisions to the Internet based on the new HbbTV standard at the IFA.

The possibility of sustained weakness of the euro could also result in future risks arising from the purchasing volume for flat panel displays, which are for the most part settled in U.S. dollars. Accordingly, an appreciation of the U.S. dollar in relation to the euro will lead to higher procurement costs. Hedging instruments are used to hedge a defined purchasing volume on a rolling basis for a period of about 18 months. From the present perspective, however, it cannot be ruled out that the weakness of the euro will have a negative impact on the gross margin in the future.

Loewe continues to expect sales to grow moderately in the current fiscal year 2010. Despite the positive stimuli expected from the International Consumer Electronics Fair in Berlin, the launch of new, innovative home entertainment solutions and the early initiation of the restructuring program, it is impossible to rule out negative EBIT for 2010 as a whole from the present perspective. This primarily results from currency and procurement risks. Loewe anticipates slight sales growth and a positive earnings trend for fiscal 2011. The company's sound capital structure and multiyear financing agreements make it well positioned for the future.

**Explanatory additional information:**

ATTENTION PLEASE: In this connection Loewe is announcing a conference call with Mr. Oliver Seidl, CEO, at 10:00h a.m. local time. Please register for this call by phone at +49 9261 99-984 or by mail to [ir@loewe.de](mailto:ir@loewe.de) to receive the dial in details.

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