

# 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