

# First Nine Months of Fiscal 2009 Interim Report

## 1st–3rd quarter 2009

- Sales down by 15% to EUR 220.4 million
- Share of large-screen LCD TVs in total TV sales **surpass previous year's level**
- **Strong gross margin** due to value-oriented marketing
- **Targeted measures** have impact on earnings
- **Positive EBIT** of EUR 4.6 million

## 3rd quarter 2009

- Sales down by 3% to EUR 76.6 million
- Sales increase in Germany by 7% to EUR 50.5 million
- Economic crisis negatively impacts **exports**
- **Gross margin** continues to be **strong**
- Clearly **positive EBIT** of EUR 3.2 million
- **EBIT margin** of 4.2%



**LOEWE.**



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**Gerhard Schaas**  
Engineer, Chief Technology Officer

**Frieder C. Löhner**  
Engineer, Chief Executive Officer

**Oliver Seidl**  
Graduate in business administration,  
Chief Financial Officer

## Dear Shareholders,

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Our company has operated in the black in the first nine months of the current fiscal year – Loewe continues to be profitable despite the general trend of the industry. Nonetheless, we have experienced the ramifications of the global financial crisis in the period under review. While the development of business was very satisfactory in Germany; our most important market, the persisting difficult economic conditions in parts of Europe during the last nine months severely strained our export business. This applies especially to our important Spanish market. In addition, the significant delays in production of components by external cooperation partners are likely to postpone the production start of the Loewe “Mediacenter” audio-video center until the second quarter of 2010. These two factors can be expected to reduce our annual sales for 2009 by roughly EUR 25 million.

Against this backdrop, sales of the Loewe Group in the third quarter of 2009, at EUR 76.6 million, were 3% lower than the 2008 figure of EUR 79.3 million. In the first nine months, Group sales declined by 15% from EUR 259.0 million in the first nine months of 2008 to EUR 220.4 million. Business development in the different markets showed divergent trends. While sales in Germany rose 7% to EUR 50.4 million in the third quarter of 2009, export sales of EUR 26.2 million reflected a decline of 18%.

Despite the lower sales and production volume than in 2008 and the ongoing expenses for the premium positioning of the brand, Loewe succeeded in generating a clearly positive EBIT of EUR 3.2 million in the third quarter of 2009, compared to EUR 6.3 million in the same period of 2008. EBIT thus came to EUR 4.6 million in the first nine months of 2009, down from EUR 20.5 million in 2008. The positive contribution to earnings was caused primarily by the marketing of our attractive and individual home entertainment systems at more consistently stable prices than the competition. The increase by two percentage points in the share of large-screen TV sets in total TV sales and the relatively strong sales in Germany also supported earnings. More favorable procurement conditions compensated for some of the negative exchange rate effects.

The highlight of the third quarter of 2009 was the Company’s very successful presence at the International Consumer Electronics Fair in Berlin. With the motto “Home Entertainment in Perfection,” we presented innovative home entertainment solutions to numerous visitors, including retailers from within and outside of Germany as well as national and international media representatives. All of our innovations offer minimalist design, intelligent technology and exclusive individuality – a perfect combination in home entertainment. The new Loewe Reference home cinema system was the center of attention: The high-definition LCD set with an impressive 52 inch screen diagonal, 200Hz technology and overall depth of only 60 millimeters, the ultrathin electrostatic speakers, and the “Mediacenter” as the central switchpoint for digital home entertainment once again set standards for technology and design.

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As explained above, the repercussions of the global economic crisis severely strained our export business in the first nine months of 2009. The definite startup delay for the Loewe "Mediacenter" will further intensify this negative trend in the second half of 2009. These factors now make it unrealistic that we will achieve our previous target of at least matching the 2008 sales level in 2009. The Executive Board of Loewe AG now anticipates that sales will decline to approximately EUR 350 million in the current fiscal year. Despite the difficult economic situation in some European markets, Loewe continues to focus on marketing its high-value home entertainment systems at stable prices in line with the consistent application of its premium strategy and expects an EBIT for the whole of 2009 in the amount of approximately EUR 12 million. Moreover, Loewe's sound capital structure and long-term financing agreements position the Company very well for the future.

Sincerely yours,



**Frieder C. Löhner**

Chief Executive Officer of Loewe AG

**First Nine Months of Fiscal 2009**  
Interim Group Management Report

# First Nine Months of Fiscal 2009 Interim Group Management Report

## The Loewe Group at a Glance\*

EUR million						
	3 <sup>rd</sup> quarter 2009	3 <sup>rd</sup> quarter 2008	± in %	Q1–3 2009	Q1–3 2008	± in %
Sales	76.6	79.3	–3	220.4	259.0	–15
EBIT	3.2	6.3	–49	4.6	20.5	–78
Net income for the period	2.0	4.4	–55	2.3	14.1	–84
Earnings per share in euros**	0.15	0.34	–56	0.17	1.08	–84
Free cash flow	3.1	7.9	–61	18.1	50.7	–64
Number of employees (average)	1,034	1,022	+1	1,027	1,000	+3
Active workforce as of June 30	867	890	–3	867	890	–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 sales fall short of previous year

In the first three quarters of 2009, the Loewe Group achieved lower sales than in the comparable period of the previous year which had been favored by positive stimuli from the UEFA 2008 European Football Championship, initial inventory effects and the production of high-end electronic modules for automotive and consumer electronics products. The sales of EUR 220.4 million fell short of the comparable figure for 2008 by EUR 38.6 million or 15%. Sales for the third quarter alone were down by only 3% to EUR 76.6 million compared to the third quarter of 2008.

### Positive EBIT of EUR 4.6 million

Despite the significantly lower sales and production volume and the greater strength of the U.S. dollar year on year, the Loewe Group generated positive EBIT in the first three quarters of 2009 due to the value-based marketing of Loewe products at stable prices. However, at EUR 4.6 million, EBIT fell short of the comparable figure for the first nine months of 2008 by EUR 15.9 million. Accordingly, the EBIT margin fell significantly to 2.1%, after 7.9% in the first nine months of 2008. At EUR 2.3 million, net income after taxes in the first nine months of 2009 was EUR 11.8 million lower than in the same period of 2008. In the third quarter of 2009, Loewe generated clearly positive EBIT of EUR 3.2 million, down from EUR 6.3 million in Q3 2008, reflecting an EBIT margin of 4.2%, down from 7.9%.

## Positive free cash flow

In the first nine months of fiscal 2009, Loewe AG generated EUR 18.1 million in free cash flow compared to EUR 50.7 million in the same period of 2008. Significant changes resulted from the lower earnings and lower allocations to current provisions. Liquidity increased by EUR 9.6 million to EUR 46.7 million since year-end 2008.

## Active workforce down as of September 30, 2009

Compared to the first three quarters of 2008, the average number of employees increased from 1,000 to 1,027 persons. The production workforce again declined slightly. On the other hand, the specific recruitments in the second half of 2008 at the Kronach location and in the foreign subsidiaries, in particular in marketing and sales, continue to have an impact. In addition, the number of furloughs for part-time retirement and trainees increased.

As of the balance sheet date of September 30, 2009, the active workforce at 867 employees (excluding trainees, persons permanently absent and part-time retirees) was lower than in the year before by 23 persons. The decline resulted primarily from adjustments in production.

## Continued high market level for LCD TVs

In the first nine months of 2009, the value of the European consumer electronics market declined by 8%\* year on year.

TVs continue to be Loewe's most important product group. Exceptional increases in unit sales and revenue for TVs were achieved in the first three quarters of 2008 in the response to the UEFA Euro 2008. Due to the absence of a corresponding major sporting event in the first nine months of 2009, the slightly negative market trend for sales (down 5%) is in line with expectations. Nonetheless, the market for LCD TVs continues to be at a high level. In the first nine months of 2009, sales of LCD televisions in Europe (EUR 12.8 billion) were almost unchanged from the year before. As of September, sales of plasma TVs were 22% below the level achieved a year earlier. In the meantime, flat-panel display sets have conquered the entire European TV market with LCD TVs increasingly replacing plasma TV technology.

Except for Sweden, the United Kingdom, the Netherlands, Switzerland and Spain, the value of the market for LCD TVs grew in all major European countries in the first nine months of 2009. The strongest growth was recorded in Germany, Loewe's most important market (up 12%), Italy (up 12%), France (up 4%), Austria (up 4%) as well as Belgium (up 3%). In Sweden (down 17%) and the United Kingdom (down 12%), negative exchange rate effects of the local currency in relation to the euro had a negative impact on the markets. In Spain (down 5%), the market for LCD sets also declined, due in particular to the financial and economic crisis. Spanish retailers posted an even stronger decline of LCD sets of 12%.

Prices for LCD sets within the screen size categories declined at a faster rate than expected. LCD TVs with new backlighting technologies are currently being introduced to the market, giving rise to price pressure on the established technologies. Prices fell by approximately 25% in the important 32 and 42 inch segments and by 17% in the 37 inch segment in the period under review. Prices for plasma TVs which are in competition with LCD technology declined more sharply with prices being 28% lower than in the first nine months of 2008 for units with 42 inch screen diagonals.

\* Source of market data: GfK

Loewe's market share in terms of value across all technologies among European retailers after the end of the first three quarters of 2009 was 3.8%, slightly below the 2008 figure of 3.9%. In LCD TV, the market share of the high-value Loewe products declined slightly to 4.3% during the period under review, down from 4.5% a year earlier. In Germany, Loewe did not participate in the above-average market growth for LCD TV to avoid a negative impact on income. For that reason, the retail market share by value at 10.0% fell short of the previous year's figure by 0.5 percentage points.

## Loewe sales fall short of previous year

In the first nine months of the fiscal year, the sales of the Loewe Group fell by EUR 38.6 million to EUR 220.4 million year-on-year. The first half of 2008 was strongly favored by positive stimuli from the UEFA 2008 European Football Championship, initial inventory effects and the production of high-end electronic modules for automotive and consumer electronics products.

### Sales structure by product area

EUR million

	3 <sup>rd</sup> quarter 2009	3 <sup>rd</sup> quarter 2008	± in %	Q1–3 2009	Q1–3 2008	± in %
Televisions	66.1	69.4	–5	191.7	224.4	–15
Audio/DVD	5.9	4.4	+34	15.5	14.6	+6
Other	4.6	5.5	–16	13.2	20.0	–34
<b>Total sales</b>	<b>76.6</b>	<b>79.3</b>	<b>–3</b>	<b>220.4</b>	<b>259.0</b>	<b>–15</b>

Sales of LCD TV sets declined by 15% to EUR 191.7 million. In contrast, sales of audio/DVD increased by 6%. Other sales declined primarily due to the expiration of a supplier agreement for electronic components.

The only increase was in sales of LCD TVs in the 42 and 47 inch screen size category, on which the launch of the Art SL at year-end 2008 had a positive impact. In all other size categories, sales in the first three quarters of 2009 were in part significantly lower than those of the previous year. As a percentage of overall TV sales, sales of large-screen TV sets with screen diagonals of 37 inches and larger, at 58% in the first nine months of 2009, were two percentage points higher than the 2008 level. In the current fiscal year, Loewe has for the most part remained unaffected by the general market trend toward declining prices. The value-based marketing kept the sales prices of the Loewe product line consistently stable on the whole as compared to the competition.

The attractive range of audio components for home cinema solutions and Blu-ray DVD products had a positive impact on sales of audio/DVD. Sales rose year-on-year by 6% to EUR 15.5 million.

The high level of the previous year was not achieved in other sales (technical support and accessories) as well as in the supply of electronic components for automotive and consumer electronics products. This is primarily the result of the expiration of a supply agreement and the significant decline in demand from the automotive sector.

In Germany, sales of EUR 134.0 million were 4% lower in the period under review than in the first nine months of 2008; export sales declined by 27% to EUR 86.4 million. In the third quarter of 2009, Loewe increased sales in Germany by 7% to EUR 50.4 million while the persistently difficult economic conditions in parts of Europe caused export sales to decline by 18% to EUR 26.2 million.

## Positive operating income

Despite the reduced sales and production volume, the Loewe Group achieved clearly positive earnings in the first three quarters of 2009. Earnings before interest and taxes came to EUR 4.6 million after EUR 20.5 million in the comparable period of the previous year. The EBIT margin dropped to 2.1%.

Our consistently stable pricing policy and the continued good product mix have been instrumental in safeguarding our operating margin. Compared with the competition, the selling prices of the Loewe product line have remained nearly steady. Only selected price segments saw moderate price adjustments as compared with the same period of the previous year. The sustained high share of large-screen TV sets and the relatively strong sales in Germany contributed to the positive earnings, as did lower procurement costs. The gross margin was 28.4% for the first nine months of 2009, falling merely 1.7 percentage points year on year.

Selling expenses rose 2% to EUR 51.6 million. Especially in light of the global recession and consolidation in the consumer electronics market, it is critically important for Loewe to systematically enhance the brand's premium character and further increase the Company's international orientation. There was essentially no reduction in the activities aimed at further expanding the brand position which are associated with higher expenses for communications, targeted training of retailers and the expansion of shop systems at the points of sale. As a percentage of sales, selling expenses came to 23.4%.

Administrative expenses of EUR 6.8 million were below the previous year's level. As a percentage of sales, they came to 3.1%. The other operating income in the first nine months of 2009 was EUR 0.4 million, down from EUR 0.5 million a year before.

The interest result continued to be below the level of the previous year with a net interest expense of EUR 1.1 million, due to the lower interest rate for cash deposits.

## Capital expenditure

<b>Capital expenditure/depreciation and amortization</b>				
EUR million				
	<b>Q1–3 2009</b>		Q1–3 2008	
	Capital expenditure	Depreciation/ amortization	Capital expenditure	Depreciation/ amortization
Intangible assets	5.7	5.1	5.2	6.0
Property, plant and equipment	7.7	9.0	9.0	9.2
Financial assets	0.2	0.0	0.2	0.0
<b>Total</b>	<b>13.6</b>	<b>14.1</b>	14.4	15.2

At EUR 13.6 million, capital expenditure in the first nine months of 2009 was EUR 0.8 million lower than a year earlier and principally concerned presentation systems for retailers, investments in tools and production rationalization and development costs subject to mandatory capitalization.

## Net current assets

<b>Net current assets</b>			
EUR million			
	<b>Sep. 30, 2009</b>	Dec. 31, 2008	Sep. 30, 2008
Inventories	53.9	51.1	63.3
Trade accounts receivable and other assets *	65.4	90.6	67.8
Other provisions	–40.6	–49.1	–49.1
Trade accounts payable and other liabilities *	–38.7	–38.1	–42.8
<b>Total</b>	<b>40.0</b>	54.5	39.2

\* excluding income taxes and derivatives

At EUR 40.0 million, net current assets were nearly unchanged compared to September 30, 2008. The reduction in inventories and trade accounts receivable due to the lower business volume are nearly compensated by lower trade accounts payable and provisions.

## Development and production

The key event in the third quarter of 2009 was the presentation of the new Loewe Reference home cinema system at the International Consumer Electronics Fair in Berlin. The focus was on the 200Hz television with a 52 inch screen diagonal and ultra-flat electrostatic speakers. The most striking features of Reference are excellent workmanship and top-quality materials. It offers outstanding image and sound reproduction; special emphasis should be given to its exceptional picture quality. Series production is taking place on a new production line that takes the ergonomic requirements for the production of the most advanced flat panel displays into account to a maximum degree, thus enabling significantly higher flexibility and efficiency.

Loewe once again offered retailers visiting the IFA exhibition stand a look at current technology projects. The 3D television with a picture frequency of 200Hz and a screen that can be easily switched between three-dimensional and two-dimensional image reproduction attracted great interest.

The fast webpage loading displayed by the prototype of a HbbTV-capable television made it appealing to industry specialists. HbbTV stands for Hybrid Broadcast Broadband TV. This new system makes it possible to transfer Internet pages specifically generated for television via DVB. If the TV is connected to a DSL line, further branching into the Internet can be done from these pages. In addition, audio and video content can be downloaded from the Net.

The CI Plus system is becoming established as a new module-based decryption system. Sets equipped with this system are expected to have a very high level of data security. Loewe has developed a special chassis (L2715) for this system that has now gone into full production. The sets of the "Art" and "Individual" product lines are already being converted to the new chassis.

Work on the new SL 150 electronics platform for slim TVs was pushed forward. The AV series – a first short run order in production – has already been built. The new platform will not only make it possible to design even thinner sets, it will also lead to new highly promising applications such as applications with an Internet connection.

The development of the new Loewe Audiovision audio system was completed in the period under review. In addition to the many functions ranging from DVD to FM radio and even playback of digital content via USB and iPod interfaces, the system contains a 5.1 preamplifier for the control of sound components. For the first time, it also includes a comprehensive system interface for perfect integration into Loewe home entertainment systems.

Predevelopment started work on the "VAMOS" (supply efficiency through assistive, modular technologies in need-based scenarios) project with the partners SOPHIA (consortium leader), University of Nuremberg, University of Erlangen and LAP Consult. The project's goal is to provide technical assistive devices and infrastructure for elderly persons with health challenges to enable them to remain in their own homes for as long as possible. As part of the project, Loewe is developing a television set that can be used to download patient data from home and make image communication possible with the care giving facility.

## Marketing and sales

Marketing and sales activities in the third quarter of 2009 were focused on the market launch of the Loewe Reference system. Reference further enhances Loewe's current product portfolio and once again sets standards for the industry.

- Outstanding design through exclusive and high-quality materials
- A perfect picture from the 52 inch television, full HD panel and 200Hz LCD technology with an overall depth of only 60 millimeters
- Optimum sound through high-quality electrostatic technology and Reference Sound subwoofers
- Maximum ease of use with the new Assist Media remote control with OLED display

In advance of the market launch of Loewe Reference, a target group-oriented campaign with coordinated activities was started. The activities directed to the end customer placed Reference at the focal point of Loewe's online presence. Potential new customers could register for product information in greater depth. The market launch was also accompanied by a media campaign with ads in appropriate magazines and journals. In addition, market launch events and PR events had already taken place in many large European cities. A comprehensive training program was carried out in the Reference retail shops of qualified retailers. The program also included a premium service which will enable our partners to better tailor their individual sales talks to the end customer and offer brand-adequate service in the future.

The market launch of the Loewe Reference system started concurrently with IFA 2009. With the motto "Home Entertainment in Perfection," Loewe showed other product highlights in addition to Reference, including the expansion of the "Art" product line to include the color version high-gloss white. The new Loewe Network Media Player which is integrated in the TV set was also introduced. In addition to Internet radio with more than 8,000 stations worldwide, the Network Media Player also makes it possible to interactively retrieve music, digital photos and videos from the home network. New features include access to the Aupeo music service and exclusive online access to audio books. Loewe also presented MovieVision DR+, a mobile video archive for storing and archiving videos in HDTV quality which is still unique to the market. In addition, Loewe presented the Individual Rack System for the first time. As a mounting solution, the new rack systems are perfectly matched to Loewe TV sets and devices and form the ideal complement to the home cinema system.

Loewe's complete trade show appearance met with an outstanding response from not only visitors to the fair and the numerous media representatives but in particular from retailers. It thus represented a good start into the important winter shopping season.

The qualitative expansion of Loewe distribution made speedy progress in the third quarter of 2009. Seventeen new galleries were built and opened throughout Europe including, for example the two galleries in Kensington, UK and Charlottenlund, Denmark. In the UK, distribution was thus expanded from five to eight galleries. By the end of 2009, the number will increase to eleven galleries. A total of 28 additional galleries are in preparation for the fourth quarter of 2009.

## Opportunities and risks of future development

The most important opportunities are in the successful positioning of the Company as a premium provider in the growing market for flat-panel sets in Europe. In the next few years, many households will still be replacing their picture-tube units with flat-panel sets. Against this backdrop, technological innovations, the above-average market growth for large-screen LCD TVs in Europe and the increased brand awareness of consumers will provide momentum. This trend could be further intensified by the increasing availability of HD (high-definition) television content with considerably improved picture quality and upcoming major sporting events such as the FIFA World Cup 2010 in South Africa. For several years, Loewe has enjoyed a definite premium position in the flat-panel display market and the Company is confident that it will be able to gradually expand this position in a more mature market.

The economy continues to be in a severe recession. Like many other companies, Loewe has had to take this fact into account. It adjusted its production capacity early to the reduced demand by reducing weekly working hours in production. The downturn in the automotive industry has also resulted in the cancellation of contract manufacturing of tuners in automotive electronic systems. Loewe will continue to closely observe economic developments in Europe and act flexibly and proactively in response to changes.

Not only do we already practice strict cost discipline, we also make targeted investments in the positioning of Loewe as a premium brand. Significant risks are related to the successful positioning of a competitive flat-panel product range in the premium segment and the implementation of our product and price policy oriented to quality and stability of value. Product design as well as individual design and equipment features must continue to be an important differentiating and technological positioning criterion with regard to rival products. Furthermore, competitive procurement conditions and adequate availability of materials are of great significance for the higher priced, large-screen LCD panels. However, the general financial crisis has caused procurement risk to rise on the supplier side, which is apparent in, among other things, an increasing number of insolvencies. Loewe attempts to minimize such risks through systematic supply chain management. Another risk is represented by the lack of continuous standardization in Europe for the reception of high-definition television. In the premium segment, this may possibly lead to the postponement of planned purchases of TV sets.

With respect to the principal opportunities and risks associated with future development, please refer to the 2008 Annual Report. There were no significant changes from the previous year in the first nine months of 2009.

## Outlook for 2009 as a whole

The persistently difficult economic conditions in parts of Europe in particular have significantly strained Loewe's export business in the first nine months of 2009. This applies especially to the important Spanish market. In addition, the significant delays in production of components by external cooperation partners are likely to postpone the production start of the Loewe "Mediacenter" audio-video center, originally planned for the third and fourth quarter of 2009, until the second quarter of 2010. These two factors can be expected to reduce our originally projected annual sales for 2009 by roughly EUR 25 million.

In light of this, it is no longer realistic to expect that we will be able to achieve our previous target of at least matching the 2008 sales level in 2009. The Executive Board of Loewe AG therefore anticipates that sales will decline to approximately EUR 350 million in the current fiscal year. Despite the difficult economic situation in some European markets, Loewe continues to focus on marketing its high-value home entertainment systems at stable prices in line with the consistent application of its premium strategy and expects an EBIT for the whole of 2009 in the amount of approximately EUR 12 million. Moreover, Loewe's sound capital structure and long-term financing agreements position the Company very well for the future.

Kronach, October 28, 2009

The Executive Board



**Frieder C. Löhner**



**Gerhard Schaas**



**Oliver Seidl**

**First Nine Months of Fiscal 2009**  
Consolidated Interim Financial Statements

## Consolidated Income Statement

	July – Sep. 2009		July – Sep. 2008		Jan. – Sep. 2009		Jan. – Sep. 2008	
	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Sales	76.6	100.0	79.3	100.0	220.4	100.0	259.0	100.0
Cost of sales	-53.9	-70.4	-53.7	-67.7	-157.8	-71.6	-181.1	-69.9
<b>Gross margin</b>	<b>22.7</b>	<b>29.6</b>	<b>25.6</b>	<b>32.3</b>	<b>62.6</b>	<b>28.4</b>	<b>77.9</b>	<b>30.1</b>
Selling expenses	-17.7	-23.1	-16.7	-21.1	-51.6	-23.4	-50.6	-19.6
General and administrative expenses	-2.1	-2.7	-2.5	-3.2	-6.8	-3.1	-7.3	-2.8
Other operating income	0.3	0.4	-0.1	-0.1	0.4	0.2	0.5	0.2
<b>EBIT</b>	<b>3.2</b>	<b>4.2</b>	<b>6.3</b>	<b>7.9</b>	<b>4.6</b>	<b>2.1</b>	<b>20.5</b>	<b>7.9</b>
Interest income	0.3	0.4	0.7	0.9	1.0	0.4	1.2	0.5
Interest expenses	-0.8	-1.1	-0.8	-1.0	-2.1	-0.9	-1.8	-0.7
<b>Earnings before taxes</b>	<b>2.7</b>	<b>3.5</b>	<b>6.2</b>	<b>7.8</b>	<b>3.5</b>	<b>1.6</b>	<b>19.9</b>	<b>7.7</b>
Income taxes	-0.7	-0.9	-1.8	-2.3	-1.2	-0.6	-5.8	-2.2
<b>Net income for the period</b>	<b>2.0</b>	<b>2.6</b>	<b>4.4</b>	<b>5.5</b>	<b>2.3</b>	<b>1.0</b>	<b>14.1</b>	<b>5.5</b>
thereof:								
attributable to shareholders of Loewe AG	1.9		4.4		2.2		14.0	
Minority interests	0.1		0.0		0.1		0.1	
	<b>2.0</b>		<b>4.4</b>		<b>2.3</b>		<b>14.1</b>	
Basic earnings per share (in EUR)	0.15		0.34		0.17		1.08	
Diluted earnings per share (in EUR)	0.15		0.34		0.17		1.08	

Consolidated Statement of Comprehensive Income	July–Sep. 2009	July–Sep. 2008	Jan.–Sep. 2009	Jan.–Sep. 2008
	EUR million	EUR million	EUR million	EUR million
Net income for the period	2.0	4.4	2.3	14.1
Other comprehensive income				
Change in fair value of hedges	-1.5	0.7	-5.1	2.1
Tax effect	0.4	-0.2	1.4	-0.6
Income recognized directly in equity	-1.1	0.5	-3.7	1.5
Comprehensive income	0.9	4.9	-1.4	15.6
thereof:				
attributable to shareholders of Loewe AG	0.8	4.9	-1.5	15.5
Minority interests	0.1	0.0	0.1	0.1
	0.9	4.9	-1.4	15.6

## Consolidated Balance Sheet

EUR million

	Sep. 30, 2009	Dec. 31, 2008	Sep. 30, 2008*
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	6.5	5.9	5.1
Property, plant and equipment	41.3	42.6	39.5
Financial assets	1.3	1.2	0.9
Income tax assets	0.3	0.3	0.4
Miscellaneous non-current financial assets	0.3	0.3	0.3
Deferred taxes	12.3	11.3	13.1
	<b>62.0</b>	<b>61.6</b>	<b>59.3</b>
<b>Current assets</b>			
Inventories	53.9	51.1	63.3
Trade accounts receivable	63.5	88.8	65.3
Income tax assets	1.1	0.2	1.3
Miscellaneous current financial assets	1.9	3.9	4.0
Cash and cash equivalents	46.8	37.2	48.6
	<b>167.2</b>	<b>181.2</b>	<b>182.5</b>
<b>Total assets</b>	<b>229.2</b>	<b>242.8</b>	<b>241.8</b>
<b>Liabilities and shareholders' equity</b>			
<b>Shareholders' equity</b>			
<b>Equity attributable to equity holders of the parent</b>			
Subscribed capital	13.0	13.0	13.0
Capital reserve	47.0	47.0	47.0
Retained earnings	13.5	13.5	3.6
Other reserve	-2.2	1.5	1.0
Accumulated profit	9.2	13.5	18.5
	<b>80.5</b>	<b>88.5</b>	<b>83.1</b>
<b>Minority interests</b>	1.3	1.2	1.2
	<b>81.8</b>	<b>89.7</b>	<b>84.3</b>
<b>Non-current liabilities</b>			
Provisions for pensions and similar obligations	42.0	41.0	39.7
Other non-current provisions	17.3	17.0	15.6
Non-current financial liabilities	0.3	2.3	2.5
	<b>59.6</b>	<b>60.3</b>	<b>57.8</b>
<b>Current liabilities</b>			
Income tax provisions	4.3	4.4	7.0
Other current provisions	40.6	49.2	49.1
Current financial liabilities	0.9	1.0	1.2
Trade accounts payable	30.8	29.0	35.3
Miscellaneous current financial liabilities	11.2	9.2	7.1
	<b>87.8</b>	<b>92.8</b>	<b>99.7</b>
<b>Total liabilities and shareholders' equity</b>	<b>229.2</b>	<b>242.8</b>	<b>241.8</b>

\* Prior-year values have been adjusted in response to changes in the fair value of currency hedges recognized directly in equity.

## Consolidated Cash Flow Statement

EUR million

	January – September 2009	January – September 2008	
<b>Operating activities</b>			
EBIT	4.6		20.5
Interest paid	-0.5		-0.5
Interest payments received	1.0		1.2
Depreciation and amortization of non-current assets	14.1		15.2
Other non-cash items	-1.5		0.1
Increase (+) in pension provisions	1.1		0.3
Increase (+) in other non-current provisions	0.2		0.4
Income taxes paid	-1.8		-1.0
<b>Cash flow before changes in net current assets</b>	<b>17.2</b>		<b>36.2</b>
<b>Change in net current assets</b>			
Increase (-) in inventories	-2.8		-11.0
Decrease (+) in trade accounts receivable and other assets	25.3		32.0
Decrease (-)/increase (+) in other current provisions	-8.6		3.4
Increase (+) in trade accounts payable and other liabilities	0.6		4.5
<b>Change in net current assets</b>	<b>14.5</b>		<b>28.9</b>
<b>Net cash from operating activities</b>	<b>31.7</b>		<b>65.1</b>
<b>Investing activities</b>			
Payments for purchases of intangible assets and property, plant and equipment	-13.4		-14.2
Payments for purchases of financial assets	-0.2		-0.2
<b>Net cash from investing activities</b>	<b>-13.6</b>		<b>-14.4</b>
<b>Free cash flow, total</b>	<b>18.1</b>		<b>50.7</b>
<b>Financing activities</b>			
Dividend payment	-6.5		-3.5
Repayment (-) of loans	-2.0		-0.7
<b>Net cash from financing activities</b>	<b>-8.5</b>		<b>-4.2</b>
<b>Cash-effective change in liquidity</b>	<b>9.6</b>		<b>46.5</b>
<b>Composition of liquidity</b>	<b>Sep. 30, 2009</b>	<b>Dec. 31, 2008</b>	<b>Change</b>
Cash and cash equivalents	46.8	37.2	9.6
Short-term bank loans	0.0	0.0	0.0
Use of factoring	-0.1	-0.1	0.0
<b>Liquidity</b>	<b>46.7</b>	<b>37.1</b>	<b>9.6</b>

## Consolidated Statement of Changes in Equity

	Number of shares	Sub- scribed capital	Capital reserve	Retained earnings	Other reserve	Accu- mulated profit	Equity at- tributable to equity holders of the parent	Minority interests	Total equity
	units	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
Balance as of Dec. 31, 2007	13,009,229	13.0	47.0	3.6	-0.5	8.0	71.1	1.1	72.2
Dividend payment for 2007						-3.5	-3.5		-3.5
Change in fair value of hedges					1.5		1.5		1.5
Net income for the period Jan. 1 to Sep. 30, 2008						14.0	14.0	0.1	14.1
<b>Balance as of Sep. 30, 2008</b>	<b>13,009,229</b>	<b>13.0</b>	<b>47.0</b>	<b>3.6</b>	<b>1.0</b>	<b>18.5</b>	<b>83.1</b>	<b>1.2</b>	<b>84.3</b>
Change in fair value of hedges					0.5		0.5		0.5
Net income for the period Oct. 1 to Dec. 31, 2008						4.9	4.9		4.9
Allocation to retained earnings				9.9		-9.9			
<b>Balance as of Dec. 31, 2008</b>	<b>13,009,229</b>	<b>13.0</b>	<b>47.0</b>	<b>13.5</b>	<b>1.5</b>	<b>13.5</b>	<b>88.5</b>	<b>1.2</b>	<b>89.7</b>
Dividend payment for 2008						-6.5	-6.5		-6.5
Change in fair value of hedges					-3.7		-3.7		-3.7
Net income for the period Jan. 1 to Sep. 30, 2009						2.2	2.2	0.1	2.3
<b>Balance as of Sep. 30, 2009</b>	<b>13,009,229</b>	<b>13.0</b>	<b>47.0</b>	<b>13.5</b>	<b>-2.2</b>	<b>9.2</b>	<b>80.5</b>	<b>1.3</b>	<b>81.8</b>

# 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 media 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 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 2009 were released for publication by a management decision on October 28, 2009.

## **Basis of presentation and accounting policies**

The condensed consolidated interim financial statements of Loewe AG as of September 30, 2009 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 2008 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, 2009.

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, 2008 and the additional information contained in them. The income tax expense was recognized based on the currently valid tax rate, which is anticipated for the fiscal year as a whole.

## **Scope of consolidation**

The scope of consolidation has not changed in relation to the consolidated financial statements as of December 31, 2008.

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; currency translation in the income statement was based on the average rate of the first nine months of 2009. All other consolidated companies are in the eurozone.

## Financial position

EUR million

	Sep. 30, 2009	Dec. 31, 2008	Sep. 30, 2008
Non-current assets	62.0	61.6	59.3
Current assets	167.2	181.2	182.5
<b>Total assets</b>	<b>229.2</b>	<b>242.8</b>	<b>241.8</b>
Equity including minority interests	81.8	89.7	84.3
Non-current liabilities	59.6	60.3	57.8
Current liabilities	87.8	92.8	99.7
<b>Total liabilities and shareholders' equity</b>	<b>229.2</b>	<b>242.8</b>	<b>241.8</b>

The slight increase in non-current assets compared to year-end 2008 is primarily attributable to an increase in intangible assets due to higher investments in outsourced development costs and software modules. The reduction in property, plant and equipment due to scheduled depreciation and lower investments than in the previous year had the opposite effect. Investments made in property, plant and equipment primarily include presentation systems for retailers and investment in tools and modernization in production.

The decline in current assets compared to year-end 2008 resulted primarily from the reduction in trade accounts receivable (down EUR 25.3 million). The buildup of cash and cash equivalents (up EUR 9.6 million) and of inventories (up EUR 2.8 million) had the opposite effect.

Pursuant to the dividend resolution of the Annual Shareholders' Meeting of May 26, 2009, EUR 6.5 million was distributed to the shareholders on May 27, 2009, reflecting a dividend of EUR 0.50 per share.

Net income after taxes for the third quarter of 2009 came to EUR 2.3 million. Compared to the year-end 2008 figure, the equity-to-assets ratio of 35.7% declined slightly by 1.2%.

In addition to the income for the period, the Statement of Comprehensive Income shows income and expenses recognized directly in equity (other comprehensive income) attributable to changes in value of currency hedging instruments recognized with no effect on income and the related deferred tax effects.

The negative value of EUR 3.7 million shown for the first to third quarter reflects the tax-adjusted change in the market value of forward exchange transactions concluded by Loewe to hedge future purchases of merchandise. The decline is explained by the fact that the average hedged rate is below the EUR/USD rate prevailing on the reporting date due to the weakness of the dollar, resulting in a negative market value of the hedging instruments held by Loewe.

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. Based on the overall measurement of the forward exchange transactions as of September 30, 2009, the negative intrinsic value (after taxes) of EUR 2.2 million was recognized in Other reserves.

In the third quarter of 2009, basic earnings per share were EUR 0.17. 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 2005 authorized capital and the conditional capital.

Compared to year-end 2008, current liabilities declined by EUR 5.0 million which is primarily due to the payment of the 2008 annual bonuses to our sales partners. The increase in miscellaneous current financial liabilities by EUR 2.0 million had the opposite effect, being for the most part due to the recognition of the increased negative intrinsic value of existing forward exchange transactions.

## Cash flow and financing

<b>Cash flow</b>		
EUR million		
	<b>Jan. – Sep. 2009</b>	Jan. – Sep. 2008
Net cash from operating activities	31.7	65.1
Investing activities	-13.6	-14.4
<b>Free cash flow</b>	<b>18.1</b>	50.7
Net cash from financing activities	-8.5	-4.2
<b>Cash-effective change in liquidity</b>	<b>9.6</b>	46.5

Loewe generated significantly lower positive free cash flow compared to a year earlier. Significant changes resulted from the lower earnings before interest and taxes and lower allocations to current provisions. Liquidity increased by EUR 9.6 million to EUR 46.7 million since year-end 2008.

## Financing

EUR million

	Sep. 30, 2009	Dec. 31, 2008	Sep. 30, 2008
Cash and cash equivalents	46.8	37.2	48.6
Long-term liabilities to banks	-0.3	-2.3	-2.5
Short-term liabilities to banks	-0.9	-1.0	-1.2
<b>Subtotal</b>	<b>45.6</b>	<b>33.9</b>	<b>44.9</b>
Factoring	-0.1	-0.1	-0.2

As of September 30, 2009, cash and cash equivalents exceeded short-term and long-term liabilities to banks by EUR 45.6 million.

In addition to the regular payments on principal, the decline in non-current financial liabilities by EUR 2.0 million is due to a special payment on principal made to the lender in August in the amount of EUR 1.3 million.

Thus far in fiscal year 2009, it has been practically unnecessary to utilize the line of factoring, which had been granted in the amount of EUR 35 million.

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.

The significant items of the income statement for the first nine months of 2009 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, 2008.

## Related party transactions

The business relations with companies of the Sharp Group extended to the following areas in the third quarter of 2009:

- Deliveries of panels to Loewe
- Joint Development Center (JDC) in Kronach for the provision of joint development services

All agreements are concluded on an arm's length basis. Furthermore, as a shareholder, Sharp cannot be classified as a related party. 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.

## Other disclosures

### Number of employees

Compared to the first three quarters of 2008, the average number of employees increased from 1,000 to 1,027 persons. The production workforce again declined slightly. On the other hand, the specific recruitments in development, marketing and sales in the second half of 2008 continue to have an impact. In addition, the number of furloughs for part-time retirement and trainees increased.

As of the balance sheet date of September 30, 2009, the active workforce at 867 employees (excluding trainees, persons permanently absent and part-time retirees) was lower than in the year before by 23 persons. The decline resulted primarily from adjustments in production.

### Acquisition of treasury shares

At the Annual Shareholders' Meeting on May 26, 2009, the Company was authorized to acquire treasury shares in an amount of up to 10% of the share capital. The authorization is valid until November 25, 2010 and no such activities have been undertaken to date.

### Shares held by the Executive Board and Supervisory Board on September 30, 2009

As of September 30, 2009, the Executive Board held 158,476 shares (December 31, 2008: 158,476) in Loewe AG. One Supervisory Board member directly holds 550,000 shares (December 31, 2008: 550,000 shares).

### Events after the balance sheet date of September 30, 2009

No events of special significance occurred after September 30, 2009.

Kronach, October 28, 2009

The Executive Board



Frieder C. Löhner



Gerhard Schaas



Oliver Seidl

# Financial Calendar

## **Publication of the Key Figures for the 2009 financial year**

Conference call on Thursday, January 28, 2010, 10:00 a.m.

## **Publication of the Q1 Report 2010**

January 1 – March 31, 2010

Conference call on Wednesday, May 5, 2010, 10:00 a.m.

## **Eleventh Annual Shareholders' Meeting of Loewe AG**

Thursday, May 20, 2010, 11:00 a.m., Munich,

Alte Kongresshalle, Theresienhöhe 15

## **Publication of the Q2 Report 2010**

January 1 – June 30, 2010

Conference call on Wednesday, August 4, 2010, 10:00 a.m.

## **Publication of the Q3 Report 2010**

January 1 – September 30, 2010

Conference call on Wednesday November 3, 2010, 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

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Loewe AG, Kronach  
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96317 Kronach  
Germany

Loewe AG  
Industriestrasse 11  
96317 Kronach  
Germany  
[www.loewe.de](http://www.loewe.de)

Loewe Stock:  
Ticker symbol: LOE  
ISIN: DE 0006494107

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

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