

# 1st quarter 2009: Continued profitability for Loewe despite decline in sales

- Sales of EUR 72.8 million are, as expected, down from the previous year
- Absence of major sporting events changes seasonal picture
- Large-screen LCD-TVs further increase their percentage of LCD-TV sales
- Strong gross margin due to value-based marketing
- Targeted measures for the premium positioning of the Loewe brand have impact on EBIT
- Positive EBIT of EUR 0.7 million

**Kronach, May 6, 2009** – "Even in the current economic crisis, we remain profitable, have very high liquidity and can therefore make targeted investments in Loewe as a premium brand. However, the first months of the year show us that we have to expect slower market growth in 2009," was how Frieder C. Löhner, Loewe CEO summed up the first quarter of 2009. In line with expectations, sales of the Loewe Group in the first three months of 2009 at EUR 72.8 million fell short of the high 2008 figure of EUR 90.2 million. The positive stimuli from the UEFA 2008 European Football Championship in Austria and Switzerland and initial inventory effects provided a strong boost in the first quarter of 2008. Despite the significantly lower sales and production volume, the greater strength of the U.S. dollar than in 2008 and continued measures for the premium positioning of the Loewe brand made it possible to achieve positive EBIT of EUR 0.7 million compared to EUR 6.3 million in the first quarter of 2008.

In addition to the absence of positive stimuli from major sporting events, the primary cause for the significant 19% decline in sales from EUR 90.2 million to EUR 72.8 million in the first quarter of 2009 was in particular the changed behavior among retailers with regard to ordering televisions. "The difficult economic conditions worldwide led to a significant reduction in retail inventories in January and February 2009. Not until early March were the first indications seen that the ordering behavior would normalize again. For this reason, Loewe started the new fiscal year with some restraint," continued Löhner. The Company also expected lower sales at this time because on an annual basis, Loewe expects

greater growth in the second half of 2009 – supported by significant product launches, the International Consumer Electronics Fair (IFA) in Berlin and the Christmas shopping season. The percentage of large-screen and high-margin LCD TVs of 37 inches and larger in Loewe's overall sales of LCDs continued to be pleasing, rising from 55% in the first three months of 2008 to 58% in same period of 2009.

Despite the clearly reduced sales and production volume and the greater strength of the U.S. dollar compared to the same period of 2008, Loewe achieved a gross margin of 26.4% in the first quarter of 2009 which is only 1.2 percentage points lower than the high 2008 figure of 27.6%. The value-based marketing of its sophisticated home entertainment systems at more consistently stable prices than the competition as well as more favorable procurement costs for the purchase of LCD panels in particular enabled Loewe to compensate partially for the negative exchange rate effects from the stronger U.S. dollar and achieve a gross profit of EUR 19.2 million. "Due to the strong gross profit, we have deliberately continued our targeted measures for the premium positioning of the Loewe brand in the first quarter of 2009. This does have a dampening effect on EBIT; however, it is the basis for Loewe's sustained and long-term growth," explained Oliver Seidl, CFO of Loewe AG. In the first three months of 2009, EBIT came to EUR 0.7 million, down from EUR 6.3 million a year earlier, reflecting an EBIT margin of 1.0% compared to 7.0% a year earlier.

Loewe has set ambitious goals for the next few quarters. "The first months of 2009 demonstrate to us that we will have to expect weaker market performance this year than in 2008," said Seidl. "We are systematically preparing for this by practicing strict cost discipline; however, on the other hand we are making targeted investments in key strategic areas with regard to products and the brand."

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 even more and further increase the company's international orientation. "In addition to the project business, our activities will focus on the qualitative expansion of Loewe's presentations among European retailers and in selected international urban centers as well as a renewed product

offensive," added Löhner. For instance, this summer the Company will launch the Loewe Reference, a home cinema system at the top of its class. The high-definition LCD set with 200 Hz technology, the audio system with extremely slim electrostatic speakers and the media center as the central switchpoint for digital home entertainment clearly underscore the brand's premium character.

The global recession has led to a further worsening of economic and early indicators for the industrial nations in Europe in particular in the last few days, which could result in the postponement of purchases of durable consumer goods. In light of this, specific forecasts concerning the development of business for Loewe in 2009 are at the present time characterized by a high degree of uncertainty. For that reason, the Company will continue to observe the economic development in Europe very closely in the coming quarters and act flexibly and proactively to changes.

Despite the currently poor fundamental economic data, Loewe expects the European LCD TV market to continue to develop positively in the current fiscal year due to the high replacement demand, technological innovations and consumers' increased brand awareness. For that reason, the Company expects sales to grow modestly in 2009. As a premium brand, Loewe continues to focus on results and an above-average margin. Moreover, Loewe's sound capital structure and long-term financing agreements position the Company very well for the future.

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