

Dear Shareholders,

We did not accomplish everything we had planned for the first six months of 2010. The business associated with the FIFA World Cup in South Africa fell particularly short of our expectations. Although we increased sales moderately, the Loewe Group experienced an operating loss of EUR 4.1 million in the first half of 2010 due to price adjustments in the entry level TV segment and significantly higher procurement costs for LCD panels. Furthermore, problems with suppliers prevented us from launching our new Individual TV family in our key European markets until during the FIFA World Cup. As a consequence, our target of equaling our 2009 EBIT in fiscal 2010 is no longer realistic. We have initiated a comprehensive restructuring program to rapidly put our company back on track. However, before describing the specific restructuring measures in detail, I would first like to inform you about the development of business so far this year.

At EUR 74.0 million, Loewe Group sales in the second quarter of 2010 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 in H1 2009 to EUR 147.4 million. While first-half sales in Germany were on par with the previous year at EUR 84.0 million, export sales grew by 5% to EUR 63.4 million. The average market prices for LCD TVs in Europe continued to trend downwards in the first six months of 2010. In order to create additional incentives to buy high quality Loewe products, we have taken this market trend into account, in particular in the entry level TV segment, and have adjusted prices accordingly.

While sales and production volume increased moderately, Loewe posted negative EBIT of EUR 4.9 million in the second quarter of 2010 after positive EBIT of EUR 0.7 million in the same period in 2009. In the first six months of 2010, EBIT amounted to a loss of EUR 4.1 million, down from positive EBIT of EUR 1.4 million in the comparable period of the previous year. Price adjustments in the entry level TV segment and higher procurement costs (especially for the highly in demand LCD panels) enabled Loewe to achieve a gross margin of 22.9% in the first six months of 2010. This figure was 4.8 percentage points below the high level of 27.7% in H1 2009.

A sustained weakness of the euro could result in future risks arising from the purchasing volume for flat panel displays. Because these goods are mostly traded in U.S. dollars, an appreciation of the U.S. dollar in relation to the euro will lead to higher procurement costs. Loewe uses hedging instruments 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.

How exactly are we responding to these changed market and framework conditions? For one thing, we will launch a product offensive in the second half of 2010 introducing the Individual 32 and 55 and the new Connect LED and Art LED TV product lines, all featuring state-of-the-art backlighting. Furthermore, Loewe will present 3D-capable televisions and the first Blu-ray player for 3D television at the most important trade show, the IFA 2010. These two products will then be launched on the market in the first quarter of 2011. Additionally, we will display user-friendly solutions for connecting televisions to the Internet based on the new HbbTV standard.

We will also make our Company fit for the future with a restructuring program that we have already initiated. We have already introduced specific projects and measures in this context. 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 increasingly shift volume to key suppliers, make systematic use of platform concepts, and improve the utilization of potentials in Asian procurement markets to reduce the cost of materials on the procurement side on a sustained basis. Furthermore, the central divisions of development and marketing and sales are currently being restructured to ensure more rapid availability of the products in the market and more effective marketing.

Loewe acquired a majority interest in the multimedia company MacroSystem Digital Video AG in the period under review. In the future, MacroSystem Digital Video AG will primarily perform contract development in the software sector for Loewe. However, the company's own business activities will continue without interruption. The acquisition will enable us to strengthen our expertise in multimedia software and we will also take over production for MacroSystem.

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 extensive cost-cutting measures, from the present perspective it is impossible to rule out negative EBIT for 2010 as a whole. 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 financing agreements make it well positioned for the future.

In recent years, we have built up a strong brand position in the premium segment in Europe. The successful market launch of the Individual TV line and the product offensive in the second half of 2010 will further sharpen Loewe's profile as a system supplier for individual home entertainment solutions in the networked home. In addition to the continued high replacement demand and the increasing ownership of more than one LCD TV per household in Europe, new technologies like 3D television, HbbTV, and even more individual operating concepts offer Loewe growth opportunities that will last beyond the current fiscal year. I am convinced that we will take advantage of these specific opportunities and we hope very much that you will continue to accompany Loewe on this path.

Sincerely yours,



Frieder C. Löhner

Chief Executive Officer of Loewe AG