

# Dear Ladies and Gentlemen, Dear Shareholders,

Loewe's performance in the past nine months continued to be very positive. With our line of attractive and individual home cinema solutions, we have again come a great deal closer to our vision of making our company the most significant international premium brand for home entertainment systems. At the same time, we have profited from continued above-average market growth in large-screen and highly profitable LCD TVs in Europe, consumers' increased brand awareness and the fascination with high-definition television.

EBIT improved by EUR 7.5 million to EUR 20.5 million in the first nine months of 2008, clearly exceeding the prior-year figure of EUR 13.0 million by 58%. The value-based marketing of Loewe premium products at consistently stable prices and the further improved product mix made it possible to increase EBIT to EUR 6.3 million in the third quarter of 2008, well surpassing the figure of EUR 5.1 million in the same period in 2007. Lower procurement costs due to the weakness of the US dollar also had a positive impact. The EBIT margin increased significantly from 5.3% to 7.9% in the period under review.

In the first nine months of 2008, sales of the Loewe Group rose by 6% to EUR 259.0 million, up from EUR 244.5 million in the same period of 2007. The growth

in sales was primarily spurred by sales of LCD TVs which were 12% higher than in 2007. Sales for the third quarter alone were down by 11% to EUR 79.3 million compared to the third quarter of 2007. As we expected and already communicated in the Loewe six months financial report on August 6, the normally somewhat weaker summer months of July and August and the changed seasonal business due to the UEFA Euro 2008 in Austria and Switzerland had a dampening effect on the third quarter of 2008.

The highlight of the third quarter of 2008 was the Company's very successful presence at the International Electronics Fair in Berlin. With the motto "Perfectly simple. Simply perfect," we presented innovative home cinema solutions to numerous visitors, including retailers from within and outside of Germany as well as national and international media representatives. The focus was on the spectacular presentation of the new home cinema system Loewe Reference in an illuminated glass cube. The high-definition television, the audio system with ultrathin electrostatic speakers and the media center as the central switchpoint for digital home entertainment are setting new standards for technology and design. With the new Reference Line, Loewe is forcefully

underscoring the brand's premium character. Against the pure, elegant design of its exhibition stand, Loewe also impressed visitors with its new slimline Art SL television family. Thanks to Loewe, the television can now become a slimline, user-friendly entertainment solution. In contrast to the competition, the Art SL is not lacking in functionality despite its remarkable size; it includes an in-built HDTV tuner or integrated hard disk recorder, which enable a premium high-definition home cinema experience.

Loewe is pursuing a clear strategy: We will continue to sharpen the premium character of the brand and simultaneously enhance the company's international orientation in order to enable continued growth. To do this, Loewe will have to play the prominent role that it currently plays in Germany and several European core markets in all significant European markets – and in international urban centers. After a successful refurbishment, the relaunch of the Loewe Galerie at Harrods a few days ago was the kick-off event for the roll-out of a whole series of Loewe Galleries in the United Kingdom. Beyond that, we will open additional flagship stores in Germany, Italy, France and Belgium in the current year.

The International Consumer Electronics Fair gave us a good start into the important Christmas shopping season. However, in the next few quarters we will also have to keep a close watch on the effects of the financial markets crisis on economic trends in Europe, which may be accompanied by possible consumer buying restraint. Despite the currently somewhat dampened fundamental economic data in parts of the eurozone, we expect the European home cinema TV market to

continue to develop positively in the current 2008 fiscal year due to the high replacement demand, technological innovations and consumers' increased brand awareness.

The Company's very positive earnings trend has prompted the Executive Board of Loewe AG to raise its previous EBIT forecast of approximately EUR 24 million to now approximately EUR 28 million for the current fiscal year 2008. This is an improvement of 33% in comparison with EUR 21.1 million a year earlier. Due to the lowered economic prospects in parts of Europe in the wake of the current financial crisis and in order to systematically implement its premium strategy and the associated improvement of the margin, Loewe will in the future continue to focus on marketing its individual products at stable prices and now anticipates that sales will grow to EUR 380 million for 2008 as a whole.

Sincerely yours,



Frieder C. Löhner  
Chief Executive Officer of Loewe AG