

LOEWE.

Report of the Executive Board pursuant to Section 203 (2) sentence 2 of the German Stock Corporation Act in conjunction with Section 186 (4) sentence 2 of the German Stock Corporation Act concerning the exclusion of the subscription right in agenda item 8

In agenda item 8, the Supervisory Board and Executive Board have proposed to the Annual Shareholders' Meeting that new authorized capital of up to EUR 6,504,614 be created. This is intended to afford the Company the greatest possible latitude in adjusting the Company's equity base to the business and legal requirements. The shareholders have in principle a subscription right in the utilization of the authorized capital. However, it is proposed to authorize the Executive Board, with the consent of the Supervisory Board, to exclude the shareholders' subscription right,

- if a capital increase in exchange for cash contributions does not exceed 10% of the share capital and the issue amount of the new shares is not significantly lower than the stock exchange price (Section 186 (3) sentence 4 of the German Stock Corporation Act).

This authorization to exclude the subscription right in capital increases provides the Executive Board the possibility to exclude the subscription right of the shareholders in accordance with Section 186 (3) sentence 4 of the German Stock Corporation Act, with the consent of the Supervisory Board. The proposal is thus within the scope of the legal regulations. The volume of the authorization corresponds to 10% of the Company's share capital. This authorization enables a short-term placement of shares with flexible utilization of favorable market circumstances and generally leads to significantly higher proceeds than in the case of a placement of shares with a subscription right. This is the case because it is not necessary to take into account a price change risk for the subscription period in determining the placement fee. This form of capital increase should enable the Executive Board to perform the strengthening of the equity base needed for the future business development under optimal conditions. The fact that the issue amount of the share is not substantially lower than the stock exchange price takes into account the interest of the shareholders in protection against dilution in value. As the new shares are placed close to the stock exchange price, each shareholder can acquire shares in the market to maintain his or her interest at roughly the same conditions as provided by the issue. The Executive Board will set the issue amount as close to the then current stock exchange price as is possible while taking into account the situation in the capital market and will endeavor to achieve a placement with minimum impact on the market.

- if the shares are issued in exchange for non-cash contributions for the purpose of acquiring companies or equity interests in companies or business units or for the purpose of acquiring claims against the Company.

This authorization to exclude the subscription right in capital increases from authorized capital is intended to enable the Company, in suitable cases, to acquire companies, equity interests in companies or business units as well as claims against the Company in exchange for transfer of shares of the Company or to merge with other companies. The Company thus has an instrument for implementing possible acquisitions with the aid of flexible possibilities for financing without tapping into the Company's cash resources. The possibility of being able to respond rapidly and successfully to such

LOEWE.

advantageous offers or opportunities also serves to preserve and increase the Company's competitiveness. The authorization extends in particular to the acquisition of equity interests, i.e. the takeover of a company or a business unit by acquisition of the assets, rights, contractual positions and the like that are determinative for them. The possibility of redeeming claims against the Company in an individual case by being able to issue shares of the Company also has the advantage of avoiding a burdening of liquidity. As a capital increase in the aforementioned cases must frequently be carried out on short notice, the capital increase can usually not be directly adopted by the Annual Shareholders' Meeting. Convening an extraordinary shareholders' meeting for each acquisition would, however not be practical in such cases because of the costs and time constraints involved. To also be capable of acting in such cases, it is in the interest of the Company to increase the share capital through the issue of new shares in exchange for non-cash contributions while excluding the subscription right of the shareholders.

- for fractional amounts;

Only technical reasons apply to the authorization to exclude the subscription right in the case of fractional amounts. In the individual case, this is intended to enable the Executive Board to establish an even subscription ratio. This facilitates the settlement of subscription rights and saves additional expense. The possible dilution effect is low due to the limitation to fractional amounts.

The sum total of shares issued in exchange for cash or non-cash contributions in accordance with this authorization, subject to exclusion of the subscription right, shall not exceed a proportionate amount of 20% of the share capital existing on the date this authorization takes effect and – if this value is lower – on the date this authorization is used. This restriction ensures a corresponding limitation of exclusions of subscription rights in an upward direction and limits the possible dilution of the shareholders excluded from the subscription right.

In each individual case, the Executive Board will review whether it will make use of the authorization to exclude the subscription right. This option will only be used if the Executive Board and Supervisory Board feel it is in the interest of the Company and accordingly its shareholders. The Executive Board will, with the consent of the Supervisory Board, determine the issue amount for the new shares while safeguarding the interests of the Company and its shareholders.

Kronach, April 2010

Loewe AG
The Executive Board