

Corporate Governance

Conscientious and transparent creation of added value

In the last few years, we have come much closer to achieving our vision of making Loewe the most significant international premium brand for home entertainment systems. Loewe inspires its customers with products that are characterized by timeless elegance, the most advanced technology, and intuitive use. When it comes to product quality, marketing and premium service, Loewe of course follows the most exacting standards. The corporate bodies of Loewe AG have set the same high standard with respect to the transparent management of our Company, which is characterized by responsible thinking and acting.

Value-based management brings profitable and sustained growth

Responsible creation of value has been of prominent importance for Loewe for years. Beginning in the 2001 Annual Report, we have consistently published the principles concerning cooperation based on trust between the Executive Board and the Supervisory Board. In the meantime, Loewe has successfully climbed to market leadership in the premium segment in Europe. This brings a corresponding rise in the expectations of all stakeholders including our customers, shareholders, employees and the public. We see the task of value-based management as bringing these sometimes conflicting interests into balance. We feel this is the only way to achieve profitable and sustained growth.

Effective corporate governance is an integral component of Loewe's corporate identity. We support the German Corporate Governance Code issued by the Government Commission and most recently updated on June 6, 2008 and will implement all recommendations with only one exception. The current declaration of conformity and previous versions are available for download on Loewe's web site.

Declaration of Conformity

Loewe fully conforms to the recommendations of the German Corporate Governance Code with one exception

Our principles conform to the recommendations of the Code with one exception. On November 28, 2008, the Executive Board and Supervisory Board issued their declaration of conformity pursuant to Section 161 of the German Stock Corporation Act. The following declaration of conformity was made permanently available to the shareholders at the proper time on the Company's web pages at www.loewe.de under Investor Relations.

"The Executive Board and Supervisory Board of Loewe AG hereby issue the following declaration of conformity in accordance with Section 161 of the German Stock Corporation Act regarding the recommendations of the Government Commission of the German Corporate Governance Code:

1. Loewe AG has fully complied with the recommendations of the German Corporate Governance Code as amended on June 14, 2007, published in the electronic Federal Gazette on July 20, 2007, since its last declaration of conformity of November 30, 2007.
2. Loewe AG will in future comply with the recommendations of the German Corporate Governance Code as amended on June 6, 2008, published in the electronic Federal Gazette on August 8, 2008, with the following exception:

In concluding or renewing Executive Board contracts with members of the Executive Board currently in office, no severance payment cap will be agreed for the protection of established rights (sub-section 4.2.3 (4) sentence 1 of the Code)."

Remuneration of the Executive Board of Loewe AG

In accordance with legal requirements, we publish the remuneration of the members of the Executive Board broken down into fixed and variable components. The remuneration of the Company's Executive Board for the fiscal year 2008 – which temporarily consisted of four members in connection with the change of chairmanship of the Executive Board – totaled EUR 2,694,626 (2007: EUR 2,059,469). The members of the Executive Board of Loewe AG are simultaneously managing directors of Loewe Opta GmbH. No separate remuneration was paid for this GmbH activity. The amount of the incentive compensation for the Executive Board is based on the targets defined by the personnel committee of the Supervisory Board for the fiscal year in question. In addition to strategic goals, these targets primarily include economic figures of the Loewe Group. The Chairman of the Supervisory Board provided a detailed presentation of the remuneration policy principles and structure in the last Shareholders' Meeting and such a presentation is also planned for the next one. See page 129 et seq. for comprehensive information on the individual remuneration of the Executive Board.

An age limit of 65 years generally applies to the three members of the Executive Board. Directors & officers insurance exists. A deductible has been stipulated to be a component of the fixed annual remuneration of each member of the Executive Board.

Remuneration of the Supervisory Board of Loewe AG

The remuneration of the Supervisory Board is governed by the relevant provisions of the Articles of Incorporation, the current version of which was adopted by the shareholders in the Shareholders' Meeting of June 5, 2007. Accordingly, the members of the Supervisory Board receive fixed and variable remuneration in addition to reimbursement of their expenses. In conformity with sub-section 5.4.7. of the German Corporate Governance Code, Loewe reports the compensation of the Supervisory Board individually and sub-divided according to components. The annual fixed remuneration for each member of the Supervisory Board is EUR 15,000; the variable remuneration is performance-related and depends on net income. Each member of the Supervisory Board receives an additional EUR 15,000 if earnings per share reach EUR 2.20. If earnings are lower or higher, the variable component is reduced or increased proportionally. This fixed and variable remuneration is doubled for the Chairman of the Supervisory Board, and the Deputy Chairman receives one and one-half times that amount. The total remuneration of the Supervisory Board for the fiscal year 2008 came to EUR 190,625 (2007: EUR 174,262). See page 127 et seq. of the Notes for detailed information on the individual remuneration of the Supervisory Board. The members of the Supervisory Board performed no consulting and mediation services or other services during the year under review. For that reason, no remuneration was granted in excess of the aforementioned components.

On reaching retirement age, Professor Dr. Eberhard Scheffler and Mr. Helmut Ricke resigned from their positions as members of the Supervisory Board as of the conclusion of the Annual Shareholders' Meeting on June 9, 2008. The Annual Shareholders' Meeting elected Dr. Rainer Hecker, former Chairman of the Executive Board of Loewe AG, and Dr. h.c. Axel Berger, Vice President of the German Financial Reporting Enforcement Panel, to the Supervisory Board of Loewe AG for the remaining term of office of the Supervisory Board members who had resigned. In the subsequent constituting meeting of the Supervisory Board, Dr. Rainer Hecker was elected Chairman of the Board. Directors & officers insurance also exists for the Supervisory Board. An appropriate deductible – geared to the Supervisory Board incentive compensation – has been stipulated.

Remuneration of the Executive Board and the Supervisory Board is published individually

Avoidance of conflicts of interest

Both the members of the Executive Board and the members of the Supervisory Board are bound by the best interests of the enterprise Loewe and may not pursue personal interests in their decisions. Members may not, in connection with their work, demand nor accept from third parties payments or other advantages for themselves or for any other person or grant third parties unlawful advantages. The members of the Executive Board shall disclose such transactions or sideline activities to the Supervisory Board without delay and they require the approval of the Supervisory Board. The Supervisory Board shall inform the Annual Shareholders' Meeting of any conflicts of interest which have occurred together with their treatment. No such conflicts of interests have occurred with members of the Executive Board or the Supervisory Board in the period under review.

Directors' dealings

Pursuant to Section 15a of the German Securities Trading Act, members of the Executive Board and of the Supervisory Board as well as persons in close association with them must disclose the purchase or sale of securities of Loewe AG if the value of the transactions equals or exceeds EUR 5,000 in a calendar year. A total of eleven transactions were reported to Loewe between November 30, 2007 and December 31, 2008. Loewe promptly reported the details concerning these transactions and displays them permanently at www.loewe.de under Investor Relations. It also properly informed the German Federal Financial Supervisory Authority.

Shareholdings of the Executive Board and Supervisory Board

As of December 31, 2008, the Executive Board held 158,476 (previous year: 622,718) shares in Loewe AG; all three members of the Executive Board hold Loewe shares. No options exist. One member of the Supervisory Board directly holds 550,000 Loewe shares (previous year: 0).

Compliance at Loewe

In addition to the implementation of the Corporate Governance Code, Loewe also of course fulfills the documentation and publication requirements of the Investor Protection Improvement Act (AnSVG). We implement appropriate measures to prevent insider dealings and we comply with regulations under corporation law as well as those relevant to stock exchanges and capital markets. In accordance with Section 15b of the German Securities Trading Act, Loewe maintains a list of persons who have access to insider information of our Company. We continuously inform corporate officers of their obligation to promptly report transactions with financial instruments of our Company. Furthermore, the relevant persons are regularly alerted to insider trading concerns, directors' dealings as well as ad hoc notifications. We proactively inform new employees about the possibility of coming into contact with insider information and the necessary course of conduct. Furthermore, Loewe publishes relevant information on the topic of insider trading for all employees on the Company's intranet pages.

Transparent and fair reporting

To ensure the greatest possible transparency, we regularly and promptly inform our shareholders, financial analysts, shareholder associations, media and the interested public about the Company's position and significant business changes, and in so doing we comply with the rules defined in the Code. Throughout the fiscal year, Loewe provides information to shareholders and third parties in the six months' financial report and in the interim reports for the first and third quarters. Furthermore, Loewe also announces its information via press conferences and analysts' conferences and uses the

**Mandatory disclosures
are published without
delay**

**Regular and timely
reporting of the
Company's position**

Internet. Following the principle of fair disclosure, we treat all shareholders and significant target groups equally and promptly publish information on important new situations. Concomitant with regular reporting, we use ad hoc notifications to disseminate information concerning circumstances that are not public knowledge that, if disclosed, would be capable of influencing the Loewe share price considerably.

Responsible handling of risks

For Loewe, the conscientious and consistent handling of business risks in particular is a key component of responsible corporate governance. The risk management system is an integral component of the entire planning, controlling, and reporting process. Transparent reporting makes it possible to detect discrepancies in key data at an early stage, thereby enabling management to identify risks earlier, control them and initiate measures for their timely elimination. See page 68 et seq. in the "Risk Report" section of the Group Management Report for further details.

Further information on corporate governance at Loewe

Additional information concerning the cooperation of the Supervisory Board and Executive Board, the activity of the Supervisory Board and its committees as well as the accounting and audit can be found in the Report of the Supervisory Board. Extensive information concerning offices held by the members of the Supervisory Board and Executive Board of Loewe AG can be found on page 130 et seq. of the Notes to the Consolidated Financial Statements in the section Corporate Boards and Offices Held. Loewe also publishes current company developments on the website www.loewe.de. Annual financial statements, interim reports, the financial calendar, press releases, ad hoc notifications and reportable securities transactions can also be found there.

Kronach, March 19, 2009

For the Executive Board



Frieder C. Löhner
Chief Executive Officer

For the Supervisory Board



Dr. Rainer Hecker
Chairman of the Supervisory Board