



The Essential.
Annual Report 2008

LOEWE.



Vision

Sophisticated customers in Europe and in selected global metropolises see Loewe as the leading premium brand in home entertainment systems.

Mission

We attract our customers with products whose aesthetic appeal is timeless, with exclusive individuality, sensible technology and easy operation.

Brief profile of Loewe AG

Outstanding design, innovative technology and superior quality are features of all products sold under the Loewe premium brand. Technological highlights include: home entertainment systems with high-resolution picture quality, an integrated hard disk recorder and a digital TV receiver. The Company was founded in Berlin in 1923. Today, Loewe is a listed Group with approximately 1,000 employees. In fiscal 2008, Loewe achieved sales of EUR 374 million and EBIT of EUR 28.5 million; about half of total sales are recorded internationally. Loewe produces and distributes televisions, DVD recorders and audio components with a workforce of approximately 1,000 persons.

Key Figures (IFRS)

The Loewe Group in Numbers*

EUR million

	2008	2007	2006	2005	2004	2003	2002
Sales	374.0	372.5	341.9	319.1	273.0	288.9	385.6
EBIT	28.5	21.1	13.2	2.1	-33.8	-33.3	20.6
Net income/loss	18.9	7.2	6.5	-1.9	-29.4	-29.7	10.9
Earnings per share (EUR)	1.45	0.55	0.50	-0.15	-3.74	-4.14	1.52
Dividends per share (EUR)	0.50**	0.27	0.00	0.00	0.00	0.00	0.85
Non-current assets	49.6	46.4	42.5	41.6	51.2	62.9	67.4
Shareholders' equity	88.4	71.6	64.4	57.9	19.4	44.7	80.5
Net bank liabilities (+)/deposits (-)	-33.9	1.7	3.5	-3.5	34.1	29.2	11.1
Factoring	0.1	0.9	0.0	2.8	27.4	14.0	0.0
Capital expenditure	23.9	23.2	18.5	11.8	15.3	20.8	26.4
Depreciation and amortization	20.4	19.1	17.6	21.4	25.5	25.2	21.1
Free cash flow	39.9	1.8	-4.2	21.7	-8.8	-4.2	-1.3
Development costs	15.6	14.4	13.0	12.5	12.9	14.0	13.3
Interest expense, net	1.0	2.2	2.7	4.0	6.4	2.6	1.8
Number of employees	1,007	997	965	945	1,063	1,245	1,261

* Continuing and discontinued divisions

** Proposal to the Annual Shareholders' Meeting on May 26, 2009

A Clear Strategy.
Reducing to the essential.



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Gerhard Schaas
Engineer, Chief Technology Officer

Frieder C. Löhner
Engineer, Chief Executive Officer

Oliver Seidl
Graduate in business administration,
Chief Financial Officer

Dear Shareholders,

By systematically adhering to its premium strategy, your company produced the best result in its 86-year history in 2008. With its attractive and individual home cinema solutions, Loewe has now achieved European market leadership in the premium segment. Especially in the second quarter of 2008, we benefited significantly from the positive impact on demand of the UEFA Euro 2008 European Football Championship in Austria and Switzerland. Furthermore, despite the increasingly negative repercussions of the financial markets crisis, we benefited in the second half from the above-average market growth of large-screen LCD TVs in Europe, consumers' increased brand awareness and the fascination with high-definition TV.

We significantly improved earnings before interest and taxes (EBIT) to EUR 28.5 million, clearly surpassing the 2007 figure of EUR 21.1 million by 35%. This corresponds to an EBIT margin of 7.6% after 5.7% the year before. The further improvement in earnings is primarily due to the value-oriented marketing of products at stable prices, the further improvement of the product mix and lower procurement costs which are partly attributable to the weakness of the U.S. dollar. Accordingly, Loewe is one of the few companies at all to succeed in significantly improving its already good financial performance under the current macroeconomic conditions.

Due to the very positive earnings trend in 2008, we have decided to propose to the Annual Shareholder's Meeting on May 26, 2009 to pay a dividend of EUR 0.50 per bearer share.

Loewe Group sales grew slightly from EUR 372.5 million to EUR 374 million in the reporting period, although fiscal year 2007 still included sales of plasma TVs totaling EUR 11.9 million. The principal cause was the 5% increase in sales of LCD TVs. Furthermore, the outstanding growth in audio components – speakers, for example – had a positive impact on sales. We at times deliberately passed up increases in sales in 2008 in order to sustainably realize Loewe's premium positioning and the associated increase of the margin. We will continue this very successful strategy of value-based marketing in the current fiscal year.

The highlight of fiscal year 2008 was the Company's notably successful presence at the International Consumer Electronics Fair in Berlin. With the motto "Perfectly simple. Simply perfect," we presented innovative home cinema solutions to retailers from within and outside of Germany as well as national and international media representatives. The focal point was the new Loewe Reference home cinema system. The high-definition television, the audio system with super thin electrostatic speakers and the media center as a central switchpoint for digital home entertainment are setting new standards for technology and design. With the new line, Loewe is forcefully underscoring the brand's premium character. At its exhibition stand which exemplified stately and simultaneously pure design, Loewe also introduced its new Art SL television family, the Individual Mediacenter, new compact televisions from the Connect line and a special, high-gloss, all-white edition of the Loewe Compose home cinema system.

We have also set ambitious goals for the current fiscal year. The possibility of a global recession will especially make it necessary to enhance the brand's premium character even more while at the same time increasing our Company's international orientation, all serving the goal of profitable growth. We are convinced that Loewe will in the medium term play the prominent role in all significant European markets that it currently plays in Germany, Austria, Switzerland and in the Benelux countries. Moreover, we will establish flagship stores in each country that will optimally present the brand to the end customer. In addition, we will open up international centers outside of the core European countries to gradually establish Loewe as the premium brand in those areas as well. We also intend to take greater advantage of opportunities in the international project business in future. A possible example would be to acquaint discriminating hotel guests with our brand in order to develop additional sales potential. In the future we will also gear our product portfolio even more closely to the individual desires and needs of our customers. This summer we will set a new industry standard with our unique Loewe Reference home entertainment system.

The financial markets crisis has significantly heightened the risk of a global recession in recent months. Consequently, the economic and early indicators for the exporting countries in particular have also considerably worsened, which can 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 linked with great 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 dampened economic fundamental data, we expect the European LCD TV market to continue to develop positively in the current fiscal year as well 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.

Sincerely yours,



Frieder C. Löhner
Chief Executive Officer of Loewe AG



Reference

A Perfect System.

Loewe sets standards for
aesthetics and technology.



The Loewe Reference System

+ 4 %

The “cocooning” trend: Despite negative general economic conditions, the European high-end segment in the classic retail trade grew by 4% to EUR 1.4 billion last year.¹

¹Source: GfK, December, 2008



Our Company

- Lasting success from a **premium strategy**
 - **International expansion** planned
 - **Cooperation with retailers** intensified
 - **Share price decline** in difficult market environment
 - **Coverage by analysts** extended
 - Relisting in the **SDAX**
-

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The Loewe Premium Strategy

Our everyday work is rooted in Loewe brand values

Value-based management ensures lasting success

Over the past years, we have come much closer to achieving our vision of making Loewe the most significant international premium brand in home entertainment systems. Loewe inspires its customers with products that are characterized by timeless elegance, the most advanced technology, and intuitive use. The Loewe premium brand is based on minimalist design, meaningful innovation and exclusive individuality. Loewe creates a fascinating world of brand experience that, in addition to the attractive and individual products themselves, primarily includes brand communication and premium service. Our customers should experience the Loewe brand unambiguously and uniquely in all areas.

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 the often-conflicting interests into balance and feel this is the only way to achieve profitable and sustained growth. In light of the current negative economic conditions in Europe, Loewe's primary task in the next few years will be to continue to enhance the brand's premium character while at the same time increasing the Company's international orientation, in order to attain profitable growth. In the medium term, Loewe will play the prominent role in all significant European countries that we currently occupy in Germany, Austria and Switzerland as well as the Benelux countries.

International growth

Expansion of distribution in the core European markets and selected international growth regions

Loewe is continuing to pursue a clear strategy and will expand its position in the key European markets by continuously upgrading the points of sale – in particular in Italy, France, the United Kingdom but also in the Scandinavian countries, Eastern Europe and Russia. This is where we currently see the greatest potential. Furthermore, by following its urban strategy, Loewe will establish flagship stores that will optimally present the brand to the end customer in selected growth regions. The first Metropolitan Galleries in Hong Kong and Riyadh were opened already in 2008. Loewe will continue on this path in future years as an appropriate addition to its comprehensive activities in the key European markets. We will continue to consistently present the Loewe brand in a unique and uniform fashion wherever customers come into contact with it. Moreover, Loewe will in the future take greater advantage of opportunities in the international hotel business to acquaint discriminating hotel guests with the brand and also open up additional sales potential.

Close cooperation with retailers will be further expanded

Loewe intensifies its presence among retailers

Another crucial factor for Loewe's success is the close and trusting cooperation with qualified retailers in Europe. Loewe will go one step further and expand premium marketing jointly with its retail partners. This unites two objectives: enhancing the brand-appropriate presentation at the point of sale and also rooting it in the market situation in order to approach customers even more actively. To that end, Loewe will systematically intensify its presence in galleries, Partner-Plus dealers and partners. We will approach customers in the best possible way with customer relation concepts suitable for Loewe because in the future, both retailers and Loewe itself will need to have a more accurate picture of what customers want. The better we know the customers and their individual needs and systematically maintain this information in a database, the more specific will be our service to them. As a premium brand, Loewe has a strategically critical potential for development in this area, as our clientele in particular expects a personal approach and excellent service.

Despite the negative impact of the financial markets crisis on the European economies, the conditions for Loewe remain favorable. Consumers' increased brand awareness, new digital products, the continued positive market development for large-screen LCD TVs and the fascination with high-definition television will have a positive impact on demand in 2009. For that reason, Loewe will increasingly focus on premium-based, value-oriented marketing of its top-quality home cinema solutions in the coming quarters. This could limit the Company's growth in sales; however, it will support the premium character and sustained profitability of the Loewe brand.

Loewe in the Capital Market

The far-reaching turmoil in the international financial markets has increasingly dampened global economic development since the beginning of the second half of 2008. In the meantime, the effects of the financial crisis have reached the real economy and have accelerated the economic downturn. The situation in the consumer electronics industry is no different; some purchases of durable consumer goods are being postponed.

Despite the current difficult market environment, the Loewe Group has maintained its position against all competitors and has continued to grow. The long-term positive development of business is primarily due to the value-oriented marketing of products, the further improvement of the product mix, and lower procurement costs which are partly attributable to the weakness of the U.S. dollar. Moreover, Loewe benefited from the above-average market acceptance in Europe of large-screen categories in the LCD TV growth market, which are particularly important for the Company. Loewe's capital markets communications in 2008 were thus focused on the significantly improved earnings from the consistent value-based and profit-oriented marketing of Loewe products, and the differentiation from the other market participants.

Focus of capital market communication on substantially improved earnings

Key data for Loewe stock

ISIN		DE 0006494107
WKN		649410
Frankfurt Stock Exchange		LOE
Reuters	Xetra trading	LOEG.DE
	Frankfurt Stock Exchange	LOEG.F
Bloomberg	Xetra trading	LOE GY
	Frankfurt Stock Exchange	LOE GF

Price decline of Loewe stock in difficult market environment

The stock market treated most of its participants poorly in 2008. After a positive start, the markets came under pressure worldwide as early as the end of January and hardly recovered from their lows in the following months. The trigger was the U.S. real estate crisis, with claims from real estate debts burdening bank balance sheets dating back to mid-2007. The positive beginning of 2008 only briefly concealed the fact that the real estate bubble in the U.S. was gradually expanding and that it would finally lead to the current financial crisis whose actual extent was still not foreseeable at that time.

Profit warnings from a direct competitor lead to a price decline at the beginning of the year

Due in particular to profit warnings from a direct competitor, Loewe stock lost ground during this time and could not hold up against the weak market environment. In mid-March, the financial crisis claimed the insolvent U.S. investment bank Bear Stearns as its first victim. At that time, Loewe stock reached a temporary low of EUR 9.10; however, it rapidly recovered in the following weeks. A significant reason for this recovery was the announcement of Loewe's 2007 results, showing continued very good development of the operating business in the previous fiscal year, in conjunction with positive commentaries in the financial press and several buy recommendations.

The following months were marked by the sharp increase in the price of oil which repeatedly climbed to new records and reached an all-time high in July at over \$147 per barrel. The rising prices for oil and commodities increasingly kindled inflation worries and exerted downward pressure on stock prices worldwide. Our share also lost its previously won gains and was quoted at around EUR 11 in July. Despite the persistently negative news, Loewe stock proved to be relatively robust in August and again approached the 14 euro mark in the run-up to IFA Berlin.

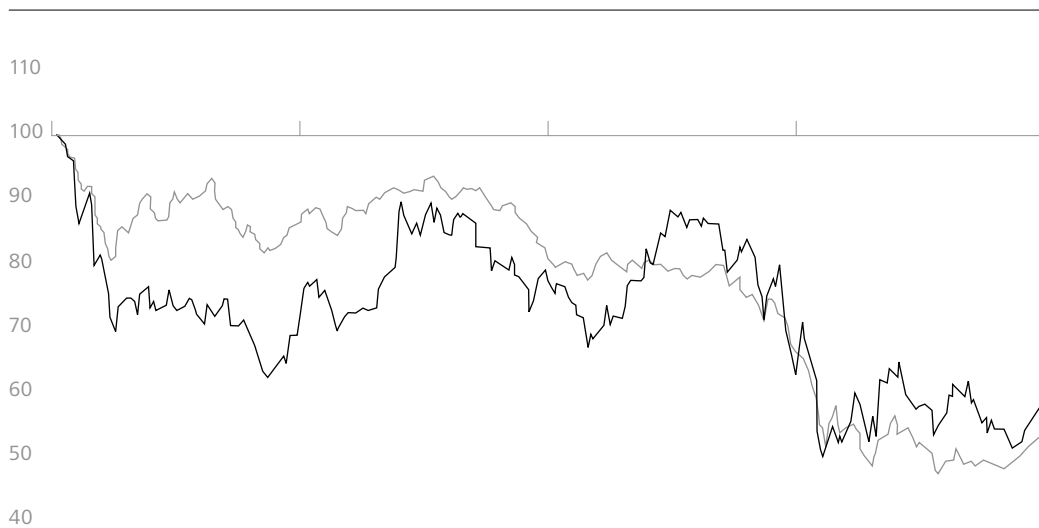
In August, after the impending insolvency of the two largest mortgage banks in the U.S. was prevented only by a government bailout, the first financial securities began to presage the scenario that followed. The reasons were the persistently high need for write-downs in the industry and the worsening situation in the money market due to increasing liquidity bottlenecks. On September 15, the insolvency of the renowned U.S. investment bank Lehman Brothers triggered a genuine panic in the financial markets and sent stock prices worldwide into a tailspin. However, other large investment banks also had problems, resulting in additional extreme liquidity bottlenecks. The widespread loss of trust in the financial system partly brought the interbank money market to a standstill, making it necessary for the large central banks to intervene in order to prevent a total collapse of the system.

Despite good news reports, even Loewe stock could not buck this negative trend and experienced its most turbulent period of the year. It marked its low for the year on October 10 at a price of EUR 7.37, although the business development of the Loewe Group continued to be positive. The extent of the crises unnerved the market participants to such a degree that panic selling of corporate stocks ensued worldwide. Fluctuations of 10% and more were the order of the day in the largest global stock indices. Market events were exclusively determined by recession anxieties and an associated global economic crisis and the indicators still confirm this scenario. Global economic stimulus programs rising into the billions were intended to restore confidence to the markets; however, their impact was only temporary.

Not until the end of the year did the equity markets recover somewhat, although the situation still did not improve fundamentally. After Loewe stock had experienced its all-time lows, the positive business figures of the first nine months of 2008 reduced selling pressure and the price rose again above the EUR 9 level. In addition, the decision of Deutsche Börse AG to reinstate Loewe stock in the SDAX had a positive impact on the stock price trend. On an annual basis, the loss came to 45%; however, at 46% the SDAX lost somewhat more and reflects one of the most catastrophic years in stock market history.

Loewe stock performance from January 1, 2008 to December 31, 2008

indicated with SDAX (Frankfurt), — Loewe AG, — SDAX



Loewe back in the SDAX

Despite the definite decline in the price of Loewe stock, our share proved to be relatively robust compared to many SDAX securities. In light of this, the Management Board of Deutsche Börse decided on December 3, 2008 to reinstate Loewe stock in the German selection index SDAX with effect from December 22, 2008. Loewe has continuously met the stringent criteria of Deutsche Börse with regard to market capitalization and trading volume since mid-2008. Its reinstatement to the SDAX will again bring our stock to the attention of potential domestic and foreign investors, index-focused analysts and the public.

**Relisting in the SDAX
on December 22, 2008**

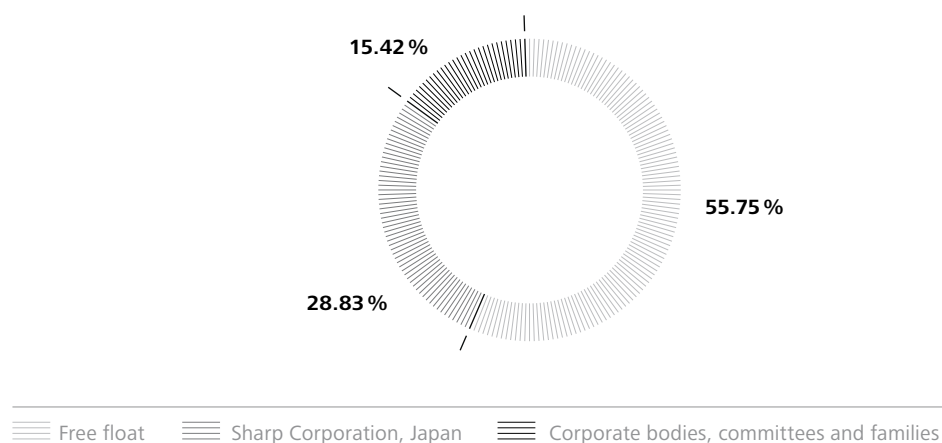
Stable and broad shareholder structure

In its tenth year as a publicly traded company, the shareholder structure of Loewe AG continues to be characterized by a free float of 55.8% of the share capital. Approximately 15,500 securities accounts with Loewe shares were registered for the Annual Shareholders' Meeting in the ArabellaSheraton Grand Hotel in Munich on June 9, 2008, and all seven items on the agenda were adopted with only a few opposing votes. As of the conclusion of the Annual Shareholders' Meeting, the former Chairman of the Executive Board, Dr. Rainer Hecker turned the chairmanship over to Frieder C. Löhner. A total of 320 shareholders and guests attended the Annual Shareholders' Meeting.

Since the last capital increase in 2005, Sharp Corporation, Osaka, Japan, continues to hold its 28.8% stake in the Company, with Loewe corporate bodies, management members and their families holding another 15.4%. In addition, the London financial investor EQMC Fund (EQMC) has held 10.1%

of the share capital of Loewe since June 2007. EQMC is a longer term investor and plans to support Loewe in the execution of its premium strategy. Accordingly, the financial investor is a part of the stable and broad shareholder structure of Loewe and will participate in the future development of the Company.

Shareholder structure of Loewe AG



Continued rise in number of institutional investors from Germany and abroad

Loewe received no general reports of holdings of 3% or more in the fiscal year 2008. The percentage of Loewe shares held by domestic and foreign institutional investors increased further, compared to the previous year, in the wake of successful roadshows at the most important financial centers in Europe.

Key figures for Loewe stock

	2008	2007	2006	2005	2004
Year-end closing price (EUR)	8.61	15.65	14.65	12.50	6.61
Annual high (EUR)	15.65	18.86	20.45	13.92	9.04
Annual low (EUR)	7.37	14.03	10.35	6.30	4.06
Average daily trading in volume (Xetra + Frankfurt)	26,030	37,907	54,349	28,132	25,465
Number of shares as of December 31	13,009,229	13,009,229	13,009,229	13,009,229	7,876,600
Market capitalisation on December 31 (EUR million)	112.0	203.6	162.6	52.1	40.9
Earnings per share (EUR)	1.45	0.55	-0.15	-2.71	-3.25
Dividends per share (EUR)	0.50*	0.27	0.00	0.00	0.00

Source: Bloomberg

* Proposal to the Annual Shareholders' Meeting on May 26, 2009

Investor Relations activities

Transparent and dialog-based communication is intended to strengthen the confidence of our shareholders and investors as well as the interested public. For that reason, Loewe publishes regular and timely information on the Company's position as well as significant business changes. Our investor relations activities are chiefly aimed at maintaining and sustainably increasing the existing coverage of Loewe stock by prominent banks, thus nurturing investor interest.

**Comprehensible,
transparent and timely
information builds trust**

In addition to the annual DVFA analysts' conference at the close of the year and the Loewe "Investors' Day" at the IFA International Consumer Electronics Fair in Berlin, conference calls are held in English for analysts and financial journalists in connection with the 1st and 3rd quarter interim reporting and the six months' financial report. Furthermore, Loewe was represented at capital market conferences in Nuremberg, Hanover, Frankfurt/Main and London as well as a total of six international roadshows at all important financial markets in Europe in the past fiscal year. In addition, management participated in personal discussions with analysts, institutional investors as well as business and financial journalists at Loewe's headquarters in Kronach, Germany.

The Annual Shareholders' Meeting on June 9, 2008 in Munich was the most important investor relations event for the Company's private shareholders. As in previous years, it was possible to download details of the Annual Shareholders' Meeting after the event on the newly designed Loewe web pages at www.loewe.de. Furthermore, our web pages contain current information, details about Loewe stock, the IR schedule, analysts' estimates and presentations as well as a separate service area.

IR events for 2009 confirmed to date

Feb. 9, 2009	Roadshow	Frankfurt
Feb. 13, 2009	Roadshow	London
Mar. 25, 2009	DVFA Analysts' Conference	Frankfurt
Mar. 26, 2009	Roadshow	Frankfurt
Apr. 2/3, 2009	Roadshow	Scandinavia
May 6, 2009	1st quarter 2009	Kronach
May 7, 2009	Roadshow	Zurich
May 26, 2009	Annual Shareholders' Meeting	Munich
Aug. 5, 2009	1st half 2009	Kronach
Sep. 7, 2009	Investors' Conference at IFA	Berlin
Sep. 2009	Roadshow	Vienna
Nov. 4, 2009	1st – 3rd quarter 2009	Kronach
Nov. 9 – 11, 2009	German Equity Forum 2009	Frankfurt
Nov. 2009	Roadshow	Milan

Analyst coverage expanded

HSBC Trinkaus & Burkhardt AG initiates coverage

As in years before, a large number of analysts intently observed and comprehensively evaluated Loewe during the 2008 fiscal year. In addition, HSBC Trinkaus & Burkhardt AG initiated ongoing analysis of Loewe AG. In their current study, the analysts of this respected and historical private bank gave the Loewe stock an "overweight" rating. In addition to Berenberg Bank, Credit Suisse, Deutsche Bank, DZ Bank, Equinet, Goldman Sachs, Landesbank Baden-Württemberg and Sal. Oppenheim, HSBC is now the ninth prominent bank to perform comprehensive and regular analysis of Loewe AG.

The following table lists banks that have prepared research reports on Loewe in recent months. The table also provides information concerning significant key points of the analysts' assessment and lists them by name (revised: February 2, 2009):

Name	Date	Sales		EBIT		EPS		Target Price	Rating
		2009	2010	2009	2010	2009	2010		
equinet, I. Faust	Jan 29, 2009	355.0	340.0	24.0	22.5	1.24	1.21	10.0	BUY
Sal. Oppenheim, Dr. A. Gronski	Jan 28, 2009	374.0	392.7	22.9	24.1	1.17	1.23	10.6	NEUTRAL
DZ Bank, A. Rautenberg	Jan 27, 2009	374.0	380.0	28.1	28.5	1.47	1.53	12.0	BUY
HSBC, M. Haeckermann	Jan 27, 2009	375.9	380.3	25.9	25.9	1.32	1.35	8.0	OVERWEIGHT
Credit Suisse, M. Geiger	Jan 27, 2009	380.0	387.6	34.5	40.9	1.73	2.18	17.0	OUTPERFORM
LBBW, S. Wittwer	Jan 23, 2009	356.7	361.8	23.1	23.1	1.25	1.30	14.0	BUY
Goldman Sachs, R. Dreyer	Dec 12, 2008	335.9	338.5	17.8	16.9	0.90	0.87	10.0	NEUTRAL
Average		364.5	368.7	25.2	26.0	1.30	1.38		

Trading volume somewhat lower

Loewe stock is traded daily on all German stock exchanges and on the XETRA electronic trading platform. As in the previous years, the transaction levels are highest on XETRA and on the Frankfurt Stock Exchange. In the fiscal year 2008, an average number of approximately 26,000 shares were traded per day, somewhat lower than in the same period of 2007.

Dividend

A resolution will be proposed to the Annual Shareholders' Meeting to be held in the "Alte Kongress-halle" in Munich on May 26, 2009 that a dividend be paid for fiscal 2008 in the amount of EUR 0.50 per share.

Loewe's IR team

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Individual Style.

Experience boundless
design freedom with Loewe.



The Loewe Individual System

1 million

Every combination is unique: With a broad range of materials, colors, set-up options and technology, the Individual alone offers more than a million possibilities.



Our Responsibility

- Dedication to the **Corporate Governance Code**
 - **Complete compliance** with all recommendations of the Code except one
 - Business risks handled **conscientiously**
 - **Active implementation** of all capital market regulations
 - **Value-based management** as a permanent responsibility
-

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Dr. Rainer Hecker
Chairman of the Supervisory Board

Report of the Supervisory Board of Loewe AG

Dear Shareholders,

The turmoil generated by the global financial markets crisis eventually impacted the real economy in the second half of 2008. Manufacturers of durable consumer goods in the premium segment in particular had to reduce their production or made preparations to do so. In this difficult market environment, Loewe is one of the few companies to have succeeded in improving on its already strong earnings situation. Consistent value-based marketing, the further improvement of the product mix and lower procurement costs made it possible to significantly increase EBIT by EUR 7.4 million to EUR 28.5 million.

In exercising the responsibilities incumbent upon it in accordance with statutory regulations and the Company's bylaws, as well as the principles of the German Corporate Governance Code, the Supervisory Board continuously oversaw the management of the Company and the Group, provided advice on basic policy issues and discussed all significant business transactions with it. The Supervisory Board was regularly informed and was involved in all decisions of central importance to the further development of the Company. Significant subjects of discussion were the operational and strategic measures for systematically implementing the Loewe strategy. The primary themes included in particular the sustained expansion of Loewe's positioning in key European markets and selected international growth regions, the 2007 financial statements, the development of business in 2008 and the budget for the fiscal year 2009. Please refer to page 127 et seq. of the Notes to the Consolidated Financial Statements for a detailed summary of the composition and competencies of the Supervisory Board, and of the personnel, audit and nominating committees.

Furthermore, the Supervisory Board intensively reviewed the development of the Corporate Governance Principles. All recommendations of the German Corporate Governance Code issued by the Government Commission and most recently updated on June 6, 2008 will be fully implemented except for sub-section 4.2.3 (4) sentence 1 of the Code. On November 28, 2008 the Executive Board and Supervisory Board published the new Declaration of Conformity which is included in the joint Corporate Governance Report on page 32 et seq.

Outside of the meetings, the Chairman of the Supervisory Board regularly exchanged information with the Executive Board, in particular regarding business strategy, corporate planning as well as important single events such as the appointment of senior executives.

The Supervisory Board met a total of five times in the period under review. The audit committee met twice and the newly constituted nominating committee met once. The current position and the anticipated business development of the Loewe Group and its subsidiaries were discussed in each meeting of the Supervisory Board. All members of the Supervisory Board participated in the Supervisory Board meetings except for the meeting on June 9, 2008. The members of the Supervisory Board who were absent from this meeting were provided information by the Executive Board separately and in a timely manner.

In preparation for the Supervisory Board's financial statements meeting, the audit committee of the Supervisory Board in its meeting of March 11, 2008 reviewed the accounting documents of Loewe AG and the Loewe Group as of December 31, 2007. The order of events, essential findings and the results of the audit were discussed with the auditor. According to the conclusive result of its own review, the audit committee approved the presented accounting documents.

The meeting on March 18, 2008 focused on the presentation, discussion and review of the financial statements and management report of Loewe AG as well as the consolidated financial statements and the Group management report for the year ended December 31, 2007. The auditors were also present at this meeting to report on the course of the audit and were available to answer additional questions by the Supervisory Board. The Supervisory Board approved the accounting documents and thus adopted the financial statements for the year ended December 31, 2007. Furthermore, the Supervisory Board adopted the recommendation for the agenda of the Annual Shareholders' Meeting held in Munich on June 9, 2008.

Prior to the Annual Shareholders' Meeting on the same day, the Supervisory Board meeting on June 9, 2008 focused on day-to-day reporting by the Executive Board as well as the state of risk management in the Loewe Group. Current changes in risk assessment were presented and discussed in detail.

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 Shareholders' Meeting then 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. The Supervisory Board emphatically thanks Professor Dr. Eberhard Scheffler and Mr. Helmut Ricke for their many years of sustained dedication and their extraordinarily successful service.

The meeting on September 18, 2008 focused on the key points of the Loewe Strategy 2012 and the results of the IFA International Consumer Electronics Fair in Berlin. In terms of strategy, the product line planning for product launches during the year 2008 and the significant strategic projects of customer relationship management (CRM) and supply chain management (SCM) were discussed. In addition, the Executive Board presented the progress and selective supplementation of the Balanced Scorecard (BSC) which is used as comprehensive control instrument for all strategic subject areas in the Company.

The Supervisory Board Meeting on December 9, 2008 focused on ongoing reporting, and the detailed discussion and adoption of the budget for 2008. This budget takes into consideration the current macroeconomic conditions arising from a declining gross domestic product and higher unemployment on the European level. Despite the presently dampened basic economic data, the European LCD TV market is expected to show positive development in 2009 due to high replacement demand. Loewe will continue to focus systematically on results rather than pure sales development.

The annual financial statements of Loewe AG for the year ended December 31, 2008 and the management report for fiscal 2008 were prepared in accordance with the principles of the German Commercial Code and the German Stock Corporation Act. Pursuant to Section 315a of the German Commercial Code, the consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and supplemented by a Group management report pursuant to Section 315 of the German Commercial Code. The auditor appointed by the Shareholders' Meeting on June 9, 2008 has reviewed these documents. The auditor issued an unqualified audit opinion on the annual financial statements and management report of Loewe AG and the consolidated financial statements and Group management report.

In its meeting of March 10, 2009, the Audit Committee of the Supervisory Board reviewed the accounting documents of Loewe AG and the Loewe Group as of December 31, 2008. The order of events, essential findings and the results of the audit were discussed with the auditor. The Audit Committee approved the accounting documents presented based on the conclusive results of its own review. In addition to questions concerning the audit, the Audit Committee also discussed matters relating to the internal control system and internal auditing.

The annual financial statements and management report of Loewe AG for the year ended December 31, 2008, the consolidated financial statements and Group management report for the year ended December 31, 2008 as well as the reports of the auditor were presented to all members of the Supervisory Board in due time. During the financial statements meeting of March 19, 2009, the financial statements were discussed in detail following a report by the auditor. The Audit Committee chairman also presented information on the committee's activities and the results of its review.

The Supervisory Board reviewed and approved the financial statements of Loewe AG for the year ended December 31, 2008 and the associated management report as well as the proposed appropriation of profits. The financial statements of Loewe AG for the year ended December 31, 2008 prepared by the Executive Board have thus been adopted.

The Supervisory Board agrees with the Executive Board's proposal to distribute a dividend in the amount of EUR 0.50 per bearer share from the unappropriated retained earnings of approximately EUR 10,007,209.86 million.

Pursuant to Section 289 (4) and 315 (4) of the German Commercial Code, Loewe must make disclosures concerning its rules on public offerings, the purchase of securities and company takeovers. In the year under review, the Supervisory Board of Loewe AG saw no reason to address questions of a takeover or to disclose any specific information under the Takeover Bids Directive Implementation Act.

The Supervisory Board would like to thank the members of the Executive Board, all employees and the employee representatives for their continued dedication and successful achievements. In this way Loewe has come much closer to achieving its vision of becoming the Company with the most significant international premium brand for home entertainment systems. Despite the currently dampened general economic conditions in Europe, the Supervisory Board is convinced that Loewe will continue to develop positively in the current year by following its clear premium strategy.

Kronach, March 19, 2009

A handwritten signature in black ink, appearing to read 'Dr. Hecker', written in a cursive style.

Dr. Rainer Hecker

Chairman of the Supervisory Board

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

Corporate Responsibility

As people who act conscientiously, we are not only responsible for our decisions and actions but also for what we leave undone. We must constantly make decisions – in our private life and in our business life.

The most important responsibility of the businessman is to achieve long-term success in the market and in competition and in so doing safeguard the Company's continued existence and profitability. This makes an important contribution to the health of the economy and the individual's standard of living.

Successful business decisions fulfill customer desires on the one hand and also safeguard and increase the number of jobs. These fundamental responsibilities of a businessman are therefore his most important social and ethical responsibility.

Value-based management as a permanent responsibility

Value-based management is a permanent responsibility for Loewe. Its objective is to balance the interests of employees, shareholders, customers and the public. Only on this basis is sustained, long-term growth of the Company's value possible. All strategic decisions have been based on this concept for many years. Acting in this quadrangle of interests really means acting in a businesslike, responsible manner, and it is the guiding principle for the relations with all of our stakeholders.

In a difficult time, our shareholders were forced to do without their dividends. In this way they made an equally substantial contribution to overcoming the crisis as our employees. Shareholders justifiably expect long-term growth in the value of their investments and reasonable interest on the capital invested. Open, trusting communication must accompany this important network of relationships.

Our employees – the second group within the quadrangle of interests – expect high involvement in obtaining and developing job positions. They expect participative management that recognizes responsibility jointly, adjusts to demographic change in good time, retains older employees in the Company for a longer time and stimulates excitement in younger persons about working for the Company. They expect a family orientation, including flexible working hours models, and they see the realization of their professional and private goals as a substantial challenge not only for each individual but also for the Company. An above-average training quotient, active connections with schools, colleges and universities and career planning for older employees are the two sides of the same coin.

Loewe customers – the third group of stakeholders in the quadrangle of interests – receive top-notch products with award-winning design and the products frequently achieve top marks in tests. For example, the magazine Home Vision has awarded our product family Loewe Connect the distinction "The world's most versatile television." Loewe Individual and Loewe Connect won the 2009 Readers' Choice of the trade publication Video. Journalists chose the Loewe Art television as the innovation of IFA 2008. Loewe products are very attractive because they offer added value, which is also something of value to the customer. Very recently, the GfK performed a representative random survey of retailers. The result showed that Loewe was selected as number one by a wide margin, with a further improvement in satisfaction values. Retailers see our Company as a preferred partner.

For us, responsibility to the public – the fourth group of stakeholders – means, for example, that we are a committed sponsor of the competition Jugend forscht (a German youth science competition) in the region surrounding our Company's headquarters. We are also committed to art and culture and are active in regional marketing. At Loewe's initiative, the city of Kronach received the internationally highly renowned video sculpture "Waterfire" by the Italian sculptor Fabrizio Plessi – the first of its kind to continuously stand in the open air. We do this out of awareness that the region lives from the strength of its economy but the economy also lives from the attractiveness of the region.

All of these interest groups must be served from the Company result. This is the distribution side. We are convinced that the Company result will also grow on a sustained basis if all stakeholders' interests are taken into account. Therefore, value-based management is not only a question of the rightful distribution of the Company's profits but is at least also a crucial prerequisite for sound, sustained and profitable growth.

Value-based decision making always has a personal component as well and always means taking personal responsibility, setting standards and acting as a model. People determine the corporate culture and are a deciding factor for the quality of the Company's values. Does a climate of trust and personal respect prevail? Is every employee, are the shareholders, the customers, the public well informed concerning important questions of the Company's development? Is every employee accepted and supported as an individual or as a team member? Successful companies support and foster their employees' personal development.

On this basis, Stiftung Warentest honored Loewe as a model of corporate social responsibility in summer 2008. In an elaborate procedure comparing 13 companies of the industry, Loewe came off the best in environmental orientation and social responsibility. And in fall 2008, the AARP Award represented a high distinction from Chicago in the U.S. The American Association of Retired Persons, America's largest organization representing the interests of the 50+ generation in the economy, paid tribute to Loewe's special commitment to older employees. In addition to winners from the United States, Denmark, the United Kingdom and Singapore, three companies from Germany won awards in 2008 for the first time – one of them being Loewe AG.

Stiftung Warentest sees Loewe as a model for corporate social responsibility



Digital Networking.

Loewe opens up an entirely
new dimension of entertainment.



The Loewe Connect

52 %

Digital media under one umbrella: In 2011, 52% of all consumer electronic devices will be networked.¹

¹Source: Strategy Analysis, July, 2008



Management Report

- **Financial market crisis** reaches real economy
 - **Highest growth rate** for LCD TVs
 - Loewe very well positioned in **Home Entertainment systems**
 - **Moderate growth** to EUR 374.0 million
 - **EBIT** noticeably increases by 35 % to EUR 28.5 million
 - **Solid** capital structure and **stable** financing
-

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Management Report

Financial crisis repercussions reach into new areas – growth slows down even more by year-end 2008

A very high level of skepticism and far-reaching pessimism clouded the global economic outlook in early 2009. The early indicators hit rock bottom in all key industrial countries at year-end 2008. The significant reduction in the price of oil in recent months has brought some relief for companies and consumers but the continuing global financial crisis still blocks hopes for an economic recovery. Until recently, the negative reports were mainly concentrated on the industrial nations; in the meantime, the emerging countries have also been drawn into the maelstrom. In China, the momentum for growth might slow to less than 7% this year from just under 12% in 2007 and an estimated 9% in 2008. Nearly all countries in Eastern Asia are experiencing huge export declines. At approximately 3.4%, the pace of global economic growth for 2008 is expected to have been significantly lower than in the year before.

In the United States, economic output dropped sharply in the second half of 2008 in particular. As a result, economic growth for all of 2008 is expected to be only 1.3% compared to 2.0% the year before. Banks currently report high losses; the housing market crisis has worsened even more and the U.S. auto industry will no longer survive without government support. Furthermore, industrial production is in steep decline. A visible economic turnaround, even with the support of economic stimulus programs, will presumably not be possible until the second half of 2009.

Economic slump intensifies in the eurozone by year-end 2008

The economic slump also intensified in the eurozone at year-end 2008. The economies of Germany, Italy and Spain contracted rapidly in the last months of the year. The rate of growth for real gross domestic product (GDP) of the eurozone countries is likely to be only 0.9% for 2008, down from 2.6% in 2007. At an annual rate of 3.3%, inflation in 2008 was significantly higher than the previous year's level. However, the recent sharp decline in oil prices and the global economic weakness will again soften the impact of inflation in the next few quarters. Inflation in the eurozone should not exceed 1% in the current 2009 fiscal year on an annual average.

Drastic worsening of the German economy

The German economy worsened drastically at year-end. Substantially reduced investments and continued weak consumer spending will significantly lower 2008 GDP to only 1.3%, compared to 2.5% in 2007. While private consumption is expected to remain weak in the coming months despite lower oil prices, and exporting companies will currently have to live with considerable risks and reduced sales, the financial crisis could also prompt German banks to impose more restrictive lending practices. According to forecasts, this situation is not expected to be overcome until later in the year and will thus stand in the way of a rapid economic recovery. Against this backdrop, GDP could drop to an all-time low of -2.5% in 2009.

Moderate growth of the European market for televisions

Compared to the previous year, the European market for televisions declined by 4% to EUR 31.7 billion in 2008. The market segments DVD players and stereo systems declined most heavily, by –20% and –6%, respectively. The most significant product group within the European consumer electronics market continued to be television, growing slightly by 1% compared to the year before.

European consumer electronics market

EUR billion

	2008	2007	± in %*
TV	22.1	21.9	+1
DVD players	2.3	2.9	–20
Video recorders	0.0	0.1	–56
Hi-Fi systems	2.7	2.9	–6
Subtotal	27.1	27.8	–3
Audio and video games	4.6	5.3	–13
Total	31.7	33.1	–4

* The percentage amounts are based on the unrounded market figures (Source: GfK, European market).

The market trend in televisions is particularly important for Loewe because television represents the highest percentage of sales volume. Spurred by the ongoing dynamic growth of LCD TVs, the television market in Europe grew by 8%. LCD is the dominant TV technology in Europe and now accounts for more than 84% of the total market. Despite the general trend toward large-screen and well featured flat-panel display sets, the average price per set declined from EUR 694 in 2007 to EUR 649 in 2008 due to the persistent drop in prices in all relevant screen categories.

Dynamic growth rate for LCD TVs

Television market in Europe by technology

EUR billion

	TV market in Europe			Loewe market share (%)		
	2008	2007	± in %*	2008	2007	Change
Picture-tube	0.4	1.2	–68			
LCD	18.6	17.2	+8	4.4	4.2	+0.2
Plasma	3.1	3.4	–11	0.3	1.0	–0.7
Projection (front and rear)	0.0	0.1	–89			
Total	22.1	21.9	+1	3.7	3.5	+0.2

* The percentage amounts are based on the unrounded market figures (Source: GfK, European market).

Only 2.7 million picture tube sets were sold in Europe in 2008, again 60% fewer than in the previous year. Due to aggressive pricing, the average price of a picture-tube set was only EUR 141 in 2008. On an annual average, the picture-tube market now represents only 1.8% of the total European market and in the future will no longer have a significant role.

Highest growth rate for LCD televisions

Maximum growth rates for large-screen LCD sets

LCD televisions continued to evidence the highest growth rate in 2008. 28.5 million LCD sets were sold in Europe in 2008, 28% more than in 2007. In the important 32 inch screen size segment, sales in Europe increased year on year by a significant 23% to approximately 9.3 million sets. Sales of large-screen LCD sets 37 inches and larger, which are highly significant for Loewe, showed very dynamic growth, rising from approximately 4.4 million units in 2007 to approximately 7.6 million in 2008. The percentage of LCD sets 37 inches and larger in the LCD total market expanded to just under 27% in 2008 compared to 20% in 2007. Due to the strong price declines in the individual screen size categories, the average price per LCD television at EUR 654 was approximately 15% lower than the previous year's level despite the sustained trend to large-screen and more well featured sets. The average price for a 32 inch set came to EUR 667, down from EUR 856 in 2007.

In the plasma TV segment, sales volume in the past fiscal year increased year on year by 16% to 2.8 million sets. In particular the strong competition in large-screen LCD TVs reinforced the steep decline in prices for plasma sets, with the average price dropping by just under 24% to EUR 1,082 in 2008.

The European television market grew by 1% in the year under review. Except for the United Kingdom and Spain, a solid increase was experienced in all major countries in Europe. The strongest growth was recorded in Germany, Loewe's most important market (+23%), Austria (+13%), Switzerland (+9%), and the Benelux countries (+6%).

Total television market in Europe by country

EUR million

	2008	2007	± in %*
United Kingdom	4,826.3	5,673.8	-15
Germany	4,874.3	3,973.3	+23
France	3,894.8	3,841.4	+1
Italy	2,389.7	2,346.0	+2
Spain	2,271.1	2,385.5	-5
Benelux countries	2,002.0	1,882.5	+6
Switzerland	606.2	554.4	+9
Austria	528.2	468.4	+13
Rest of Europe	711.9	787.7	-10
Total Europe	22,104.5	21,913.0	+1

* The percentage amounts are based on the unrounded market figures (Source: GfK, European market).

In Germany, the price per television set declined by 1 % to EUR 769 in 2008, but nonetheless it still clearly exceeded the European average of EUR 649 by about 18 %. Prices in France, the Benelux countries and Austria also exceeded the European average. As in the previous year, the by far highest price (EUR 981) was seen in Switzerland where demand has been high for very high-end and well featured flat-panel display sets for years. In contrast, televisions were sold for only about EUR 517 per set in Italy. This lowest average price in Europe is due in particular to a larger percentage of small-screen sets as well as more intense price competition.

At 3.7 %, Loewe's market share in terms of value across all technologies among European retailers in the period under review was 0.2 percentage points above the 2007 figure. As expected, the concentration of Loewe's business on LCD technology reduced the plasma TV market share from 1.0 % to 0.3 %.

At 4.4 %, Loewe's LCD market share in the European television market in 2008 slightly exceeded the previous year's level by 0.2 percentage points. We achieved our greatest progress in Austria and the Benelux countries in 2008 where we increased our retail market share to 7.2 % and 6.7 %, respectively. In contrast, structural changes and the definitely bleak business outlook in Spain resulted in declines in market share. In Germany, Loewe's most important market, the Company's market share for LCD TV at 10.1 % was 1.1 percentage points lower than the previous year's level. In this segment, Loewe deliberately did not increase volume on a temporary basis in order to avoid a possible negative impact on income.

Loewe's LCD market share in Europe increased to 4.4 %

Loewe share of the LCD television market in Europe (by country)

	2008	2007	Change
United Kingdom	0.4	0.3	+0.1
Germany	10.1	11.2	-1.1
France	1.8	1.9	-0.1
Italy	1.1	1.2	-0.1
Spain	4.4	4.9	-0.5
Benelux countries	6.7	6.2	+0.5
Switzerland	6.3	6.2	+0.1
Austria	7.2	6.5	+0.7
Europe	4.4	4.2	+0.2

(Source: GfK, European market)

Further strengthening of the earnings position

The Loewe Group's financial position again improved in fiscal year 2008. Sales increased slightly year on year to EUR 374.0 million. The robust growth in the European LCD market due to the high replacement demand for picture tube sets, the increased brand awareness of customers of high-value consumer goods and the innovative Loewe product line were enough to largely compensate for the impact of the financial markets crisis.

In line with the planned concentration on LCD technology, the plasma TV business had already been scaled back in 2007, making it possible to produce and distribute only televisions with LCD technology in 2008. LCD televisions are the primary source of sales for Loewe, representing the largest share

of total sales. The significantly increased sales of LCD televisions compared to the previous year, in particular in the large-screen segments of 37 inches and larger, clearly compensated for the elimination of the plasma business.

Systematic marketing at stable prices clearly improves financial position

Loewe has countered the substantial price decline in all key segments with an improved product mix, value-based marketing and a consistently stable pricing policy. Combined with an improvement of the gross margin, it was possible to improve EBIT to EUR 28.5 million in 2008, or 35 % year on year.

Better financing conditions and the increased investment of overnight money and term financial investments at higher interest rates improved the net interest expense by EUR 1.2 million to a net expense of EUR –1.0 million.

Key figures			
EUR million			
	2008	2007	± in %
Sales	374.0	372.5	±0
EBIT	28.5	21.1	+35
Interest expense, net	–1.0	–2.2	+55
Net income	18.9	7.2	+163
Capital expenditure	23.9	23.2	+3
Employees (annual average)	1,007	997	+1

Net income increased by EUR 11.7 million to EUR 18.9 million. The German business tax reform of 2008, under which lower income tax rates apply as of 2008, resulted in a nonrecurring tax expense of approximately EUR 4.7 million.

For the further expansion of the business, capital expenditure was increased by EUR 0.7 million to EUR 23.9 million, exceeding depreciation/amortization by EUR 3.5 million. On an annual average, the number of employees increased by 10 or 1 % compared to 2007 due to targeted hirings, particularly in development, marketing and sales.

Strong growth in the first half

As expected, sales in the first two quarters of the fiscal year were higher than the figures a year earlier. In addition to the sustained market growth of LCD TVs in Europe, Loewe benefited enormously from the positive stimulation of demand from the UEFA Euro 2008. Furthermore, the market launches of attractive new sets such as the Connect product line and the Individual series with 52 inch screen diagonals contributed in particular to the good development of business. The ongoing technical updates of existing models also met with a positive response.

16% growth in sales in the first half

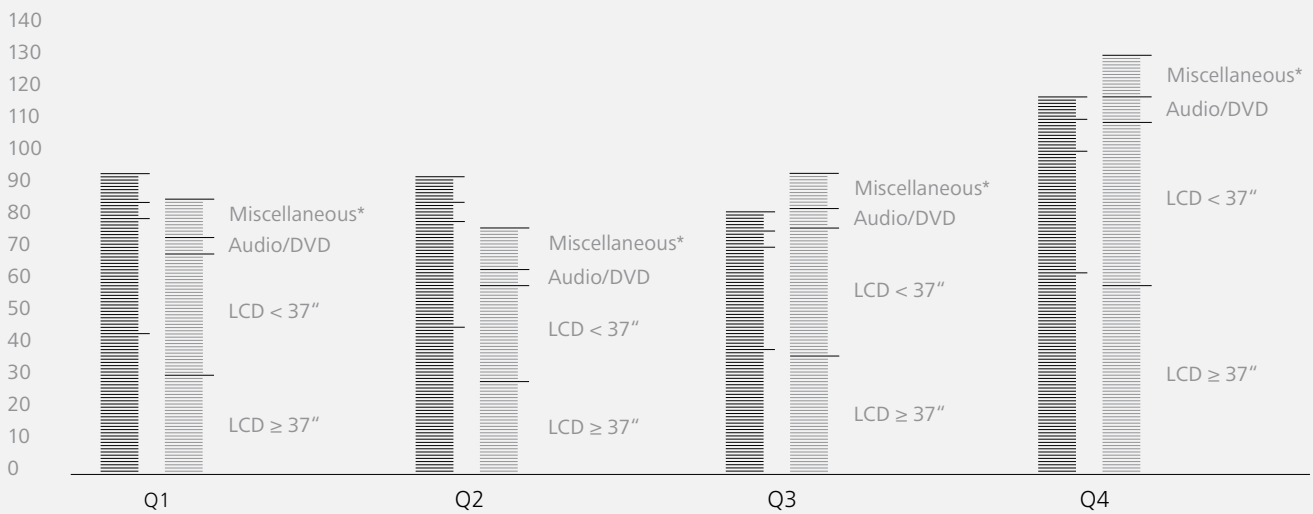
Sales of LCD TV in the first two quarters were substantially higher than in the previous year, making it possible to more than compensate for the elimination of the plasma TV business. Sales of audio/DVD were also positive. Overall, Loewe recorded 16 % growth in sales in the first half.

Sales in the third and fourth quarters were lower than in the third and fourth quarters of 2007. Despite the successful market launch of the new product family Art SL in November and December 2008 and the continued positive business development in audio/DVD, the changed seasonal business due to the UEFA Europe 2008 and increasing buying restraint in general became noticeable after the middle of the year.

Sales by quarter

EUR million

2008 2007



* Miscellaneous, Plasma/CRT/Sharp TV, Electronic Components

On an annual basis, Loewe increased sales of LCD flat-panel display sets by 5% to EUR 323.6 million. The 37 inch and larger screen sizes accounted for most of the growth in sales. The percentage of these large-format TVs in total sales of LCD sets increased from 49% in 2007 to 58% in the whole of 2008, substantiating the sustained trend toward larger displays. The majority of sales continued to be generated with 32 inch LCD sets in 2008. Loewe has a strong position in this segment with a large number of models.

Loewe's sales of LCD TVs increased by 5%

Sales structure by product area

EUR million

	2008	2007	± in %
Flat screen	323.6	319.7	+1
– LCD	323.6	307.8	+5
– Plasma	0.0	11.9	–100
Total televisions, Loewe	323.6	319.7	+1
Audio/DVD	23.6	20.1	+17
Other	26.8	32.7	–18
Total sales	374.0	372.5	±0

Due to the concentration on LCD technology, no plasma TVs were sold in 2008. The discontinuance of this product line caused a reduction of sales of EUR 11.9 million compared to the previous year.

17% higher sales in audio

Both the attractive range of audio components for home cinema solutions and the new Blu-ray DVD products had a positive impact on sales of audio/DVD. Compared with 2007, this product group's sales were up by 17%.

Primarily as the result of the expiration of a supply agreement, other sales such as technical support and accessories as well as the supply of electronic components decreased by 18% to EUR 26.8 million in 2008.

In 2008, Loewe grew by 8% in Germany while sales outside of Germany declined by 7%. The foreign share of Loewe's total sales revenue decreased from 50.4% to 46.6%. The development of business in the export markets was uneven; with the greatest increases in Germany, Austria, the Benelux countries and Switzerland.

Germany records highest growth in absolute terms

Sales structure by region

EUR million

	2008	2007	± in %
Germany	199.6	184.8	+8
Spain	37.7	45.2	-17
Benelux countries	48.0	43.6	+10
France	19.5	21.1	-8
Italy	17.6	20.8	-15
Austria	14.8	14.1	+5
Switzerland	10.7	8.9	+20
United Kingdom	7.3	8.2	-11
Other European countries	11.7	15.4	-24
Europe (incl. Germany)	366.9	362.1	+1
CIS	3.0	4.8	-38
Australia	1.8	3.4	-47
Other non-European countries	2.3	2.2	+5
Countries outside Europe	7.1	10.4	-32
Total Sales	374.0	372.5	±0

In Germany, Loewe's most important market, sales grew by 8%. In the LCD TV segment, Loewe's retail market share was 10.1%, reflecting a decline of 1.1 percentage points. Loewe deliberately did not increase volume on a temporary basis in order to avoid a negative impact on income.

Outside of Germany, subsidiaries perform sales and service for Loewe in the Benelux countries, Italy, France, Austria, and since May 2007 also in the United Kingdom; in all other countries, this service is provided by external distribution partners.

Most important foreign markets: Benelux countries up 10% from 2007

In the Benelux countries, Loewe increased its sales by 10% to EUR 48.0 million in 2008. Development of business in Italy was partially influenced by aggressive competitor pricing. Loewe's sales of EUR 17.6 million were 15% lower than in the previous year. Sales of Loewe France dropped by 8% to EUR 19.5 million in 2008 while Loewe Austria increased sales by 5% to EUR 14.8 million in 2008.

In the United Kingdom, organizational adjustments related to the termination of the distribution agreement in 2007 led to a restructuring of the sales organization. Since May 2007, our subsidiary Loewe UK Ltd. has been responsible for sales activities in that country. Activities focused on building up an adequate dealer and distribution network to safeguard sustained growth. In its first full fiscal year, 2008, the company generated EUR 7.3 million in sales.

In the other countries, Loewe products are marketed by external distribution partners. Loewe's most important export market not served by a subsidiary is Spain, where EUR 37.7 million in sales revenues result from TV deliveries through our distribution partner and deliveries of components to the Sharp plant in Barcelona. Structural changes and the clear signs of economic slowdown reduced sales by 17%.

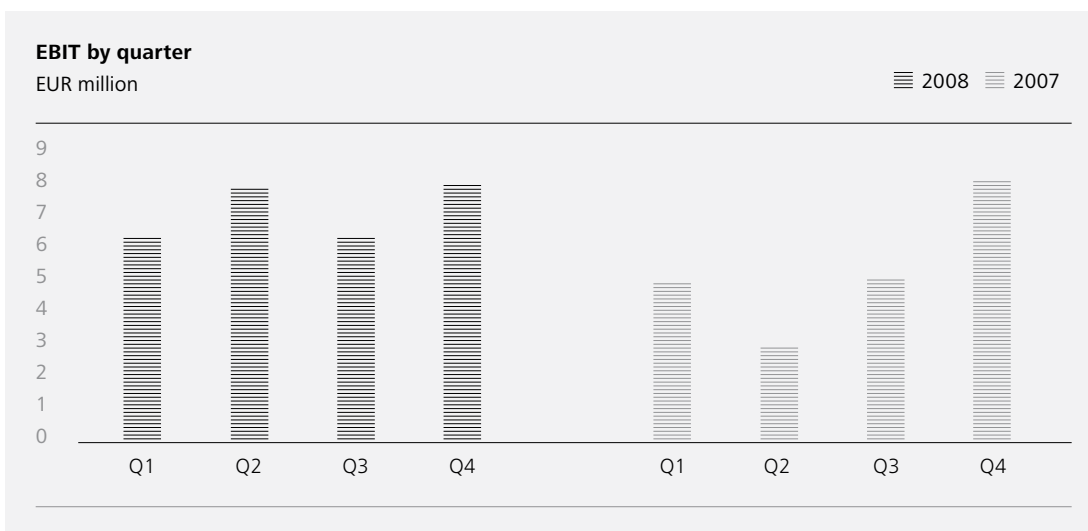
Despite its comparatively small size, the Swiss market is very attractive for high-end products. Loewe is well positioned in Switzerland and increased its sales by 20% to EUR 10.7 million.

Noticeably improved earnings in 2008

Another jump in earnings for Loewe

At EUR 28.5 million in 2008, EBIT exceeded the previous year's high figure by EUR 7.4 million, or 35%. The consistently stable pricing policy and the value-based marketing of Loewe products contributed in particular to strengthening the earnings situation. Compared with the competition, the selling prices of the Loewe product line have remained largely stable. Only the lower price segments saw moderate price adjustments as compared with the same period of the previous year. The improved product mix of TV sets and audio/DVD components as well as strong sales in Germany also supported the positive earnings trend, as did lower procurement costs due to the weakness of the US dollar. As a result, the gross margin increased significantly to 29.9% compared with 26.1% in 2007.

EBIT by quarter



With higher sales and largely stable selling prices, Loewe achieved EBIT of EUR 14.2 million in the first and second quarter of 2008, exceeding the 2007 figure by EUR 6.3 million. The third quarter closed with EBIT of EUR 6.3 million, also signifying a clear year on year improvement in earnings. Despite declining sales in the fourth quarter, a further optimization of the product mix made it possible for the earnings of EUR 8.0 million to nearly equal the high fourth quarter 2007 amount.

Reduced manufacturing costs

In the year under review, despite slightly higher sales, the manufacturing costs declined by 4.7% compared to the year before. This decline improved the cost-of-manufacturing ratio from 73.9% to 70.1% in 2008. The primary causes for this were lower procurement costs favored by the weakness of the U.S. dollar, increased efficiency in production and the generally optimized cost structure. As a result, the gross margin improved overall from EUR 97.2 million in 2007 to EUR 111.7 million in 2008. As a percentage of sales, the gross margin – supported by the improved product mix – improved from 26.1% to 29.9%.

Lower procurement costs and a generally optimized cost structure bring higher margins

Rise in selling expenses

Selling expenses rose by EUR 7.7 million in 2008 to EUR 75.9 million. Increased efforts at further expanding the brand position, which were associated with higher expenses for communications and the expansion of the shop-in-shop systems with retailers, contributed to this increase. Furthermore, higher warranty expenses and personnel expenses had an impact. As a percentage of sales, the selling expenses rose from 18.3% in 2007 to 20.3% in 2008.

Administrative expenses

Administrative expenses increased year on year only minimally by EUR 0.1 million. As a percentage of sales, administrative expenses were nearly at the level of the previous year at 2.6%.

Other operating income, net

At EUR 2.3 million in 2008, the balance of other operating income and expenses exceeded the previous year's figure by EUR 0.8 million.

Other operating income at EUR 9.0 million was unchanged from 2007.

Other operating expenses, which to a great degree correspond to other operating income, dropped by EUR 0.8 million to EUR 6.6 million in 2008.

Net interest expense improved

Net interest expense (balance of interest income and interest expenses) in 2008 came to EUR – 1.0 million, thus improving by EUR 1.2 million compared to the year before. In addition to improved financing conditions, the increased investment of overnight money and term financial investments at higher interest rates had a positive impact.

Higher capital expenditure

Capital expenditure and depreciation/amortization

EUR million

	2008		2007	
	Capital expenditure	Depreciation/amortization	Capital expenditure	Depreciation/amortization
Intangible assets	7.2	7.3	8.5	8.0
Property, plant and equipment	16.3	13.1	14.6	11.1
Financial assets	0.4	0.0	0.1	0.0
Total	23.9	20.4	23.2	19.1

Capital expenditure focuses on new products, market entry and streamlining measures

Capital expenditure rose by EUR 0.7 million to EUR 23.9 million year on year. Investment in property, plant, and equipment focused on tools for new products, presentation systems for retailers, streamlining measures in production and on intangible assets with capitalized development costs. The primary cause for the increase in property, plant and equipment was the commissioning of the new automated production line where large-screen TV sets with screens diagonals from 42 to 65 inches can be efficiently produced.

Depreciation and amortization in the amount of EUR 20.4 million in 2008 was EUR 1.3 million higher than in 2007. The increase in depreciation and amortization came principally from the higher investing activities in 2007.

Balance sheet ratios improved significantly – further increase in shareholders' equity

The net income for 2008 was mainly responsible for raising the shareholders' equity of the Loewe Group including minority interests from EUR 72.2 million to EUR 89.7 million. Total assets increased by EUR 22.9 million to EUR 242.8 million.

Significant increase in shareholders' equity to EUR 89.7 million

Key figures of the consolidated balance sheet

EUR million

	2008	2007*	± in %
Non-current assets	61.6	63.7	-3
Current assets	181.2	156.2	+16
Total assets	242.8	219.9	+10
Shareholders' equity incl. minority interests	89.7	72.2	+24
Non-current liabilities	60.3	57.9	+4
Current liabilities	92.8	89.8	+3
Total liabilities and shareholders' equity	242.8	219.9	+10

* Prior-year values have been adjusted minimally in response to changes in the fair value of currency hedges recognized directly in equity.

Non-current assets reduced

The decline in non-current assets resulted for the most part from the reduction in deferred taxes which declined primarily due to the utilization of the tax loss carryforwards. This more than compensated for the increase in property, plant and equipment.

Non-current assets

EUR million

	2008	2007	± in %
Property, plant and equipment	42.6	39.6	+8
Deferred tax assets	11.3	16.6	-32
Other non-current assets	7.7	7.5	+3
Total non-current assets	61.6	63.7	-3
as a percentage of total assets	25.4	29.0	

Property, plant, and equipment includes land and buildings, production facilities, and other factory and office equipment predominantly located in Kronach. The increase is mainly due to investments in more efficient production facilities, shop in shop systems for a brand-adequate presentation at retailers and modernization of the IT infrastructure. The intangible assets included in the miscellaneous non-current assets chiefly relate to development costs for new products to be recognized in accordance with IAS 38.

Increased current assets

Inventories were slightly lower than in the year before. Sales in the fourth quarter of 2008, which were lower year on year, had an impact on the reduction in trade accounts receivable by EUR 9.3 million. In contrast, miscellaneous current financial assets rose noticeably due to the significant increase in cash and cash equivalents.

Current assets			
EUR million			
	2008	2007	± in %
Inventories	51.1	52.3	-2
Trade accounts receivable after factoring	88.8	98.1	-9
Other current financial assets	41.3	5.8	+612
Total current assets	181.2	156.2	+16
as a percentage of total assets	74.6	71.0	

Inventories reduced

Inventories declined 2 % to EUR 51.1 million compared to the previous year. Inventories of finished goods remained at the 2007 level; overall factory inventories declined slightly. Service inventories were at the same level as in 2007.

Composition of inventories			
EUR million			
	2008	2007	± in %
Raw materials and supplies	15.4	16.0	-4
Work in progress	1.2	2.1	-43
Finished goods and merchandise	34.5	34.2	+1
Total	51.1	52.3	-2

Inventories are concentrated in the central warehouse in Germany because Loewe Opta Benelux is the only foreign company to maintain its own freight warehouse.

Lower trade accounts receivable

Adjusted for factoring, trade accounts receivable dropped by 9 % year on year to EUR 88.8 million. The reduction is primarily due to the lower sales volume in the fourth quarter of 2008 compared to the fourth quarter of 2007.

Trade accounts receivable

EUR million

	2008	2007	± in %
Trade accounts receivable before factoring	88.9	99.0	-10
Factoring	-0.1	-0.9	
Total trade accounts receivable	88.8	98.1	-9
as a percentage of total assets	36.6	44.6	

The utilization of factoring in the amount of EUR 0.1 million in 2008 was due to temporal posting differences.

Solid equity base

Due to the strong business performance in 2008, shareholders' equity including minority interests grew to EUR 89.7 million. The equity-to-assets ratio improved from 32.8 % to 36.9 %.

Equity ratio improves to 36.9 %

Non-current provisions increased, liabilities reduced

The higher share of non-current liabilities year on year results primarily from higher provisions and reduced financial liabilities.

Non-current liabilities

EUR million

	2008	2007	± in %
Pension provisions	41.0	39.4	+4
Other non-current provisions	17.0	15.2	+12
Non-current financial liabilities	2.3	3.3	-30
Total non-current liabilities	60.3	57.9	+4
as a percentage of total assets	24.8	26.3	

Slight increase in pension provisions

The EUR 1.6 million increase in pension provisions is mainly the result of adjustments for the rising trend in wages, salaries and pensions. Other non-current provisions increased for the most part in the areas of warranty obligations and non-current provisions for personnel. The decline in non-current financial liabilities relates to scheduled repayments of long-term bank debts.

Increase in current liabilities

Current liabilities			
EUR million			
	2008	2007	± in %
Trade accounts payable	29.0	29.9	-3
Other current provisions	49.1	45.7	+7
Other current liabilities	14.7	14.2	+4
Total current liabilities	92.8	89.8	+3
as a percentage of total assets	38.2	40.8	

The rise in other current provisions is due to increased provisions for warranties and higher personnel costs. Other current liabilities increased primarily because of taxes and social security charges due.

Secure financing

Net bank balances to EUR 33.9 million

Use of financing			
EUR million			
	2008	2007	± in %
Cash and cash equivalents	37.2	3.9	
Long-term liabilities to banks	-2.3	-3.3	-30
Short-term liabilities to banks	-1.0	-2.3	-57
Net bank balances	33.9	-1.7	
Use of factoring	-0.1	-0.9	

The robust increase in cash and cash equivalents as a consequence of the high cash flow caused the net bank balance of the Loewe Group to improve from EUR -1.7 million as of December 31, 2007 to EUR +33.9 million as of the 2008 balance sheet date. With a utilization of EUR 0.1 million, the possibilities for factoring were hardly utilized at year-end 2008 due to temporal posting differences.

The syndicate agreement renegotiated in 2007 in the amount of EUR 50 million was extended until mid-2012 with improved conditions. The factoring agreement of EUR 35 million which had existed since year-end 2003 was confirmed until mid-2010 with improved conditions. The solid capital structure and financing agreements will support Loewe's growth targets in the years to come.

Positive free cash flow

The free cash flow of EUR 39.9 million improved year on year by EUR 38.1 million. In particular the improved profit and the reduction in net current assets was a deciding factor.

Key figures of the consolidated cash flow statement

EUR million

	2008	2007
Cash flow before changes in net current assets	48.0	38.0
Change in net current assets not incl. factoring	15.7	-12.8
Net cash used for investing activities	-23.8	-23.1
Free cash flow of the continuing division	39.9	2.1
Free cash flow of the discontinued division	0.0	-0.3
Total free cash flow	39.9	1.8

The decrease in net current assets was predominantly caused by the reduced trade accounts receivable and the increase in other non-current and current provisions.

Current assets, net

EUR million

	2008	2007	Change
Inventories	51.1	52.3	-1.2
Trade accounts receivable not incl. factoring	88.9	99.0	-10.1
Other assets*	1.7	1.7	±0.0
Trade accounts payable	-29.0	-29.9	+0.9
Other provisions	-49.1	-45.7	-3.4
Other current liabilities*	-9.1	-7.2	-1.9
Total net current assets	54.5	70.2	-15.7

* excluding income taxes and derivatives

Marketing and sales

Loewe continued to use targeted marketing and sales activities in fiscal 2008 to expand its position as the leading premium brand. In all areas, Loewe focuses more than ever on its international orientation; the main goal of which is extremely effective and brand-adequate sales support of retailers for marketing at stable prices.

Qualitative expansion of distribution

Five galleries opened in United Kingdom

As part of the qualitative expansion of Loewe's distribution system, 56 new galleries were opened worldwide in 2008 compared to 35 in 2007. In international urban centers such as Athens, Hong Kong, Helsinki, Paris and Oslo, the brand now has a presence where Loewe target groups with high purchasing power spend their time. In the key UK market as well, Loewe reinforced its presence by simultaneously opening five galleries. With regard to communication, the relevant target group was reached by an open letter in high-circulation daily newspapers containing an invitation to an open weekend in the galleries.

Concrete measures were introduced to further upgrade and expand the position of Loewe as a premium brand. Using the motto "The best gift does not arrive until January," Loewe started the market launch with a large-format ad campaign following the introduction of the Connect product family. In parallel, "Connect Day" was held on January 24, 2008 at more than 100 dealers in Germany as a launch event. Around 6,000 registered guests were able to experience the unique versatility of the functions of this product family. In the second quarter, this concept was then taken to additional European countries including Italy and the United Kingdom. Accompanied by the end customer campaign "Curtain up for great cinema," Loewe launched its Connect 32 screen size segment in advance of the UEFA Europe 2008. This central message and a title page sleeve on the German newspapers "WELT", "WELT am SONNTAG", "WELT KOMPAKT" and "Financial Times Deutschland" in April was particularly effective in arousing a great deal of consumer interest. With the naming of selected galleries on the back, additional sales potential was generated even before the UEFA Europe 2008.

Another highlight in the first half of 2008 was the big Loewe dealer event in the southern Italian region of Apulia. More than 500 top international retail partners accepted our invitation and learned about Loewe's strategy first hand and gained detailed knowledge of our products and marketing activities in workshops. A key component in particular was the intense dialogue of the dealers among themselves and with Loewe management. The high point of the event was the first-time presentation of the new Loewe Reference home cinema system.

Respected awards and design prizes

Loewe wins marketing industry's highest award

The positive response to the Loewe Connect is reflected not only in the sales figures. It is also confirmed by awards and design prizes such as the "red dot: best of the best," the "if award" in gold as well as the "Design Prize of the Federal Republic of Germany" in gold. Moreover, the awards received such as the Design Prize Baden-Württemberg 2008 "Focus Green" commend the design and environmental achievements of Loewe products. Loewe is the industry model in particular in material efficiency and energy efficiency. In addition to numerous product awards, the Company received the highest award of the German marketing industry – the Brand Award in the category "Best Market Relaunch" this year. The systematic implementation of the premium strategy will continue to be the basis of our daily work in the future.

International Consumer Electronics Fair as a communication highlight

“Perfectly simple. Simply perfect” was Loewe’s motto at the International Consumer Electronics Fair (IFA) for 2008 in Berlin. The focal point was the spectacular presentation of the new Loewe Reference System in an illuminated glass cube. The new product line fulfills the most exacting demands in every respect and sets new standards for aesthetics, technology and design in a home entertainment system.

**Highlight of IFA 2008
was the Reference Home
Entertainment system**

Another central theme of the 2008 IFA was the announcement of the Loewe Art SL. SL stands for Slim Line. All products of the new line are not only slim but also intelligent. The Art SL integrates all of Loewe’s typical state-of-the-art technologies. Moreover, with the new energy efficiency settings, Loewe now offers an eco standard mode that uses 20% less electricity, in addition to the premium mode and dealer mode.

In audio as well, Loewe presented top-notch innovations at the IFA. The heart of the new multiroom solution is the Loewe Mediacenter. In addition to the award for best design accomplishment for the ART SL, more than 250 journalists selected Loewe to receive the IFA Preview Award for this innovation in the runup to the trade show. The Loewe Mediacenter serves as a central connection point for digital home entertainment and enables individual sound reception in every room. The Individual Sound multiroom receiver transmits sound to other rooms.

Loewe’s entire presentation at IFA 2008 met with a favorable response not only from the public but also from national and international media representatives, analysts and institutional investors as well as visitors from the retail trade at the start of the winter shopping season. Loewe’s support of its partnership with retailers is a tradition. The product innovations and their marketing concepts were presented to the retail partners in the dealer area and the close solidarity between Loewe and its retail partners was reconfirmed.

The first of the three IFA highlights was put on the market toward the end of the year and thus in time for the winter shopping season. The market launch of the Art SL took place in more than 70 selected galleries in Germany with an HDTV event on November 13, 2008. Under the event title “The Art of High Definition,” screen art compositions by the artist Winfried Wolk were presented on Loewe products equipped with full HD LCD technology.

Greater proximity to the customer with CRM

Loewe’s main focus remains on the customer; which is why we took the first steps toward designing an integrated customer relationship management system in fiscal year 2008. CRM makes it possible to maintain individual information concerning every customer which will enable Loewe to fulfill customers’ wishes and needs even better in the future. At the same time, it offers retailers the possibility to take even better advantage of marketing potentials. Loewe CRM sets the standard for long-lasting relationships with the customer through individual, customer value-oriented, partnership-based and integrated relationship management. Loewe will use CRM to support brand-adequate international growth.

**Integrated relationship
management supports
international growth**

Development and production

Comprehensive conversion of the product portfolio to high-definition 100Hz technology with integrated HDTV receiver

In 2008 Loewe development focused entirely on the conversion of the current product portfolio to innovative 100Hz picture quality with full HD reception (resolution of 1920 x 1080 pixels). A new 100Hz frame rate converter decidedly improves the picture quality of the television sets. This frame rate converter is an electronic module that doubles the frame repetition rate from 50Hz to 100Hz and in addition calculates interim images. It produces razorsharp images even when the camera is panned rapidly.

Loewe presented several forward-looking new developments at the International Consumer Electronics Fair in Berlin. These included sets of the Art line and the future Loewe flagship "Reference 52". The Internet-capable television that can be used to download video clips from various media libraries and play them back in television quality also stimulated a great deal of interest among industry specialists.

The development of the new chassis was completed in the fall as planned. This current electronic platform uses a new, more powerful chip for reception and playback of digital television and has an expanded number of digital HDMI interfaces for the connection of additional devices. The development work on the new universal speaker and the subwoofer Individual Highline was completed on schedule and the products have been launched on the market. In doing so, new directions were taken in service quality and workmanship, and performance values were also significantly enhanced.

Advance development work on the subsidized research projects is proceeding precisely according to plan. The projects are involved in the integration of the television set into a home network, new approaches for 3D TV and innovative approaches for set operation.

The development work for the new audio system was stepped up. The heart of the system is the Mediacyber – an audio/video playback device – that is also used as an audio server. The Mediacyber can transfer the audio content from the Mediacyber to multi-room receivers or TV sets in other rooms, even wirelessly if desired, and played back there. The new remote control Assist Media completes the system.

In 2008, we created an attractive product line with the most advanced technology that offers optimal conditions for expanding our market position in 2009.

New modular production line enables more flexibility

Construction of a new final assembly line was completed successfully. Large-screen LCD TV sets with screen diagonals of up to 65 inches can be produced efficiently on the newly constructed line. The production line has a modular design so that planned growth can be taken into account. The first sets built on this new line are the two super slim sets Art 47 SL Full-HD+ 100 and Art 42 SL Full-HD+ 100. They are fitted with the modern chassis. The new production line takes the ergonomic requirements for the production of large formats into account to the maximum degree and makes significantly higher flexibility possible.

Number of employees slightly higher

Loewe employed 1,007 people on an annual average, most of them at the Company's headquarters in Kronach. The average number of employees increased by 10 persons over the average for 2007. The reinforcements in marketing, sales and development in particular were necessary to support the continued market launch of new products and to further advance brand presence, especially in the key European markets and in selected international growth regions.

The proportion of trainees in the entire workforce at Kronach continued to develop positively. On an annual average, 8% of the workforce completed in-house training.

Employees by division

Annual average

	2008	2007	±
Marketing, sales, service, quality	261	255	+6
Development	140	129	+11
Production	380	395	-15
Administration and services	102	96	+6
Trainees	81	72	+9
Other (permanently absent, part-time retirement)	43	50	-7
Total employees	1,007	997	+10

Compared to the previous year, the average workforce in the foreign subsidiaries increased by only one person to 96 employees.

Employees by country

Annual average

	2008	2007	±
Germany	911	900	+11
Benelux countries	35	34	+1
France	19	19	±0
Italy	14	14	±0
Austria	9	9	±0
UK	19	21	-2
Total employees	1,007	997	+10

Strategic expansion of employee development

Strategy-based human resources policy for identification and long-term loyalty of qualified employees

The demographic change now occurring demands a strategy-oriented human resources policy and forward-looking personnel marketing activities to identify and retain qualified employees over the long term.

For that reason, Loewe stayed on course in 2008 and further strengthened its position in the labor market. Areas of focus included close cooperation with regional universities for the development of technical qualifications, increased networking activities between schools and business as well as participation in selected career fairs and university projects such as the Bavarian Elite Academy and Campus of Excellence.

Another fundamental priority is the support and qualification of the existing active workforce. This includes the "Strategic Competency Management" project, various measures to support sports and health activities in the Company with the participation of regional clubs and institutions as well as activities to avoid improper stresses at the workstation. The ergonomic design of workstations has been implemented particularly in connection with the installation of a new production line with height-adjustable and flexible workstations. The measures also received broad public recognition, for example through the granting of the BGF Award (for workplace health promotion) by the AOK health insurance company and the international AARP Award for a demographically compatible human resources policy.

Additional priorities were established for the continuous upgrading of qualifications or continuing and advanced training. Notable examples include company-wide telephone training and activities for improving intercultural skills as a contribution to the increased internationalization. Furthermore, software training programs for development, quality and metrology in close cooperation with the University of Hof remain of additional importance. An in-service trainee program for new employees was also begun: Called "Integrated Employee Development" it includes themes such as brand positioning, project management and presentation techniques as well as cross-departmental activities.

Negotiations for a joint pay framework agreement (ERA) for industrial workers and salaried employees started in 2007 were continued in 2008 and brought to a successful conclusion. The introduction took place as planned on January 1, 2009. It is worth mentioning that Loewe engaged in multi-employer bargaining in the design of the new collective agreement package and agreement was always reached on the plant level. In contrast to several other companies, there was no need for an arbitration committee.

The increase in personnel costs was in particular due to the catch up in wage and salary adjustments due to the previous supplemental collective agreement for holding down personnel expenses and additional new hires, specifically in marketing, sales and development.

Due to the very positive development of business in 2007 and in recognition of the wage and salary deferment in past years, a profit-related bonus totaling EUR 1.5 million was adopted. The bonus was paid in April 2008.

Sustained environmental orientation and quality management

Continuous reduction of the environmental impact of all corporate activities is an essential goal at Loewe. For that reason, we expect and promote environmental awareness and personal responsibility among all our employees. Beyond the legal requirements, Loewe participates in "Umweltpakt Bayern," a Bavarian government and industry initiative committed to continuous improvement of the environment, and has certified its environmental management system under DIN ISO 14001 and its quality management under DIN ISO 9001. Loewe has been a member of QuB (Quality Association of Environmentally Conscious Companies) since August 2008, thus reaffirming management's commitment to sustainability. Loewe employs specific annual safety and environmental improvement measures to actively increase its energy efficiency.

Several of the most important activities from this area are:

- Installation of a new central compressed air plant with heat recovery to minimize energy expenses
- Thermal insulation of buildings to minimize the consumption of energy for heating
- Initiation of a "Low Temperature Soldering" project to reduce energy consumption in production
- In-house workshops with outside energy consultants to discuss and implement more extensive energy saving potentials

Loewe's involvement in committees of the German Electrical and Electronic Manufacturers' Association (ZVEI) (national) and the EICTA (European) prepares it extremely well to implement the EU's environmental directives. In collaboration with Philips and Sharp, Loewe established the manufacturers' cooperative arrangement ProReturn back in February 2005. Its objective is to fulfill obligations arising from the Act Governing the Sale, Return and Environmentally Sound Disposal of Electrical and Electronic Equipment (ElectroG) of March 23, 2005 in a more efficient manner both in terms of economics and the environment. By year-end 2008, Loewe had taken back approximately 5,500 tons of used equipment and disposed of them in accordance with environmental standards.

Another focal point in the development of technically high quality and environmentally safe products was the early implementation of the Restriction of Hazardous Substances Directive (RoHS). By early 2006, all Loewe assemblies were already being soldered without lead and 100% of the components were in conformity with RoHS. Of course, Loewe uses no halogen-containing flame retardants in circuit boards and in plastic parts. Even in the design and development stage, it is considered very important for the products to contain no pollutants and be recycled as easily as possible. The REACH Ordinance (Registration, Evaluation, Approval and Restriction of Chemical Substances) governs among other things the handling of "particularly hazardous substances." Based on its environmental policy, Loewe strives to ensure that its products do not contain such substances.

Great progress was also achieved in making Loewe products more energy efficient. Standby consumption has been significantly reduced to less than one watt at the present time. Operating consumption was also reduced through the use of a light sensor that measures ambient brightness and adjusts the backlighting of the screen, making it possible to save as much as 50% compared to conventional sets. The high integration of additional functions such as the hard disk recorder or various DVB tuners also makes it possible for the Loewe TVs to save electricity compared to comparable single components. Not to be disregarded is the lower use of materials, which contributes to the protection of our environment's resources.

Continuous increase in energy efficiency

Responsibility for the Company and the environment

Suppliers are involved at an early stage in order to select suitable packaging materials to minimize waste. In this connection, a standard for reusable packaging will go into effect with several suppliers. Loewe has underscored its efforts to actively support new environmental technologies by installing an emergency power system based on fuel-cell technology in October 2005.

In the area of quality management, after the positive recertification in 2007, Loewe passed the follow-up audit in 2008, confirming Loewe's target-based and process-oriented quality management.

In the past fiscal year, thematic priorities remained the continuous improvement of product and process quality (CIP). This Continuous Improvement Process included 33 technical CIP groups in all areas concerned with the thematic priorities of product quality (production quality and field quality) as well as process quality of the value-added processes such as product creation, series production and service. A significant improvement of product quality both in the startup phase and in series production was a positive result of these efforts.

The introduction of the Balanced Scorecard (BSC) for the value-added areas improves the strategy process and accordingly the execution of the Company's strategy in the various divisions. Implementation of the BSC was extended to all areas of the Company in early 2009.

Continuous improvement process for lasting product quality

The best product quality will also be a priority for 2009. Moreover, it will be necessary to optimize production quality with regard to testing quality and product quality in production. The software component and the complexity of the products is increasing steadily so that the focus will continue to be on test automation in software qualification. Loewe's consistent premium brand strategy will thereby be in focus.

Annual Shareholders' Meeting on June 9, 2008

At the Shareholders' Meeting of Loewe AG held in Munich on June 9, 2008, all seven items on the agenda were adopted with only a few opposing votes.

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. The Shareholders' Meeting then 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.

Events after the balance sheet date

No events of significance occurred after the end of the fiscal year.

Explanatory report of the Executive Board on the disclosures pursuant to Section 315 (4) of the German Commercial Code (HGB)

Except for sub-section 7, last paragraph, the following information has not changed from fiscal year 2007.

1. On December 31, 2008, the Company's share capital amounted to EUR 13,009,229. It is divided into 13,009,229 no-par value bearer shares. All shares confer the same rights. Each share confers one vote in the Annual Shareholders' Meeting and the same participation in profits.
2. No voting rights restrictions exist. No restrictions relating to the transfer of shares are known.
3. The following "direct" or "indirect" interests in the share capital of Loewe AG which exceed 10% of the voting rights were reported to the Company:
 - a) Sharp Corporation, 22-22, Nagaike-Cho, Abeno-Ku, Osaka 545-8522, Japan ("Sharp") reported on February 3, 2005 that it directly and indirectly holds 28.83% of the voting rights in Loewe. Of that amount, pursuant to § 22 (1) sentence 1 No. 1 of the German Securities Trading Act (WpHG), 6.73% of the voting rights must be attributed to Sharp, which are held by its fully owned subsidiary Sharp International Finance (UK) Plc, Sherbourne House, The Croxley Centre, Watford, Hertfordshire WD18 8WT, United Kingdom.
 - b) Dr. Rainer Hecker, Joseph-Haydn-Straße 9, 96317 Kronach, reported on November 2, 2005 that he holds 13.95% of the voting rights in Loewe AG. This percentage includes 9.72% of the voting rights in Loewe AG which were attributable to him in accordance with § 22 (1) No. 1 of the German Securities Trading Act and that are held by J & A Vermögensverwaltung GmbH, Joseph-Haydn-Straße 9, 96317 Kronach.
 - c) In the name of Electra QMC Europe Development Capital Fund plc, Dublin, Ireland as well as in the name of and by order of the additional persons named, it was reported to the company on June 25, 2007 pursuant to Sections 21 (1) and 22 of the German Securities Trading Act, that the share in the voting rights in Loewe AG held by the persons named in the notification on June 20, 2007 exceeded the thresholds of 3%, 5% and 10% of the voting rights and subsequently amounts to 10.132% of the voting rights (corresponding to 1,318,050 voting rights from the same number of shares).
4. No shares with special rights exist, in particular such conferring supervisory powers.
5. No system of control of voting rights exists for the event that employees hold an interest in the capital and do not directly exercise their control rights.
6. The members of the Company's Executive Board are appointed and removed by the Supervisory Board pursuant to the provisions of Section 84 of the German Stock Corporation Act. The Articles of Incorporation of Loewe AG provide no further provisions in this regard.

The Shareholders' Meeting decides on amendments to the Articles of Incorporation using a simple majority of the votes cast and of the share capital represented, unless the law mandatorily requires other procedures.
7. Pursuant to Section 76 (1) of the German Stock Corporation Act, the Executive Board is required to manage the Company under its own responsibility and represents the Company judicially and extra-judicially pursuant to Section 78 (1) of the German Stock Corporation Act.

Pursuant to Section 5 of the Articles of Incorporation, authorized and conditional capital exists.

- a) By resolution of the Shareholders' Meeting on June 2, 2005, new authorized capital was created in the amount of EUR 5,200,000. This resolution authorized the Executive Board, with consent of the Supervisory Board, to increase the Company's share capital until no later than June 1, 2010. After the partial utilization through the capital increase in October 2005, the authorized capital still amounts to EUR 2,598,154. See page 109 et seq. of the Notes of Loewe AG for further details.
- b) Additional conditional capital of up to EUR 398,400, divided in up to 398,400 shares, exists for the implementation of a stock option plan. The option program expired on July 1, 2005. The option rights were forfeited without the Company being obligated to provide any form of compensation. See page 109 of the Notes for further details.

By resolution of the Annual Shareholders' Meeting on June 9, 2008, the Company was authorized, in the cases referred to in Section 71 of the German Stock Corporation Act, to acquire treasury shares for the Company of up to a total of 10% of its share capital via the stock exchange or via a public offer to buy addressed to all shareholders. The Executive Board was further authorized, with consent of the Supervisory Board, to offer the acquired shares to all shareholders, to sell them via the stock exchange, to offer them to or recall them from third parties in connection with business transactions without the necessity of another resolution of the Shareholders' Meeting being required for this. See page 110 of the Notes for details.

8. Public Offerings for the purchase of shares of the Company are governed solely by the Articles of Incorporation and the law, including the provisions of the German Securities Purchase and Takeover Act (WpÜG). The Shareholders' Meeting has not authorized the Executive Board to take any actions falling within the former's sphere of responsibility in order to thwart the success of potential takeovers.
9. No compensation agreements of the Company were entered into with the members of the Executive Board or employees.

Risks of future development

Risk management at Loewe

Intense global competition characterizes the market for consumer electronics. As a comparatively small company, it is all the more important for Loewe to identify risks that are inseparable from business activity and reduce them to an acceptable level. Anticipatory risk management contributes to Loewe's success in gaining additional market share and increasing its earning power.

Anticipatory risk management

By clearly defining risk areas and fields, Loewe is able to systematically identify, evaluate and document existing individual risks. At the same time, the system models their impacts on the Company's financial position and performance. The remaining residual risk is determined by evaluating existing safeguards and estimating probabilities of occurrence. It is the task every person responsible for risks to promptly develop measures for avoiding, reducing and hedging risk and to implement them promptly if necessary. In the subsequent risk monitoring process, the efficiency of the countermeasures is reviewed and their implementation is monitored. By incorporating risk management into a document-management system, we have integrated our IT, enabling those responsible for risks to process individual risks in a decentralized fashion. IT integration also provides for central reporting.

Loewe's risk management system is an integral component of the entire planning, controlling, and reporting process. A transparent reporting system of managerial accounting makes it possible to

detect discrepancies in key data early, so that actions can be initiated or operational changes implemented in time. Furthermore, as part of its auditing activity, Group Auditing regularly performs a test for plausibility of the risk management system of each division and risks reported in it. The auditing activity is based on the audit plan coordinated annually with the Audit Committee of the Supervisory Board.

Despite such measures, a functioning risk management system cannot guarantee that all risks are completely ruled out. The major risks are described below.

Premium positioning in the flat-panel display market

Loewe's core business is the marketing of high-quality televisions and home entertainment systems. In doing so, the price premiums achievable, the costs of manufacturing the products and the sales volumes possible must be kept in reasonable balance. Only if customers identify with Loewe products based on their quality and product characteristics will they also be willing to pay a higher price. This is the only way to compensate for the higher costs and generate an adequate contribution to margin.

In recent years, a premium segment has become established in the flat-panel display market. This opens up attractive opportunities for Loewe to differentiate itself through high-end, fully featured sets and generate attractive margins. In the meantime, however, several rivals have increased competition in Loewe's target segment in both design and features. In this scenario, the potential for sales and thus attainable contributions to margin could be limited for Loewe. In the future, it will be necessary for Loewe to set itself apart from the competition through unique selling points and differentiating features and increase earnings through value-based marketing of individual home cinema solutions at stable prices.

Product design as well as individual design and equipment features will continue to be an important differentiating and positioning criterion. Loewe must continue to use these differentiating features in the future to obtain a price premium. In particular, the modular flexibility of Loewe products (recording to hard disk, digital reception of high-definition media, connectivity to MP3 players and PC networks, etc.) will provide customers individual and customized solutions with added value. As part of a balanced product mix, the clear focus is on the high-definition digital media of the future.

However, sales and earnings risks can also arise if new products are not launched in time or if production of current products is started late due to unavailability of materials. Loewe precludes such risks by systematic project controlling. Constant monitoring of critical success factors makes it possible to detect discrepancies early so that appropriate countermeasures can be initiated. Ongoing review of sales forecasts using market analyses, intense market observation, etc. increases planning predictability in production.

Furthermore, the Loewe world of brand experience, which in addition to the attractive products, includes in particular the standardized, high-quality retail presentation, the brand communication and premium service, makes an important contribution to premium presentation and differentiation.

Impacts of the global financial markets crisis

The turmoil generated by the global financial markets crisis finally impacted the real economy, in the second half of 2008 in particular. Moreover, the current outlook for Europe is clouded by considerable uncertainty. The extent of the direct repercussions of the financial markets crisis on the real economy, the effect of the economic downturn on the export markets, and the resilience of private consumption are all contributing factors to this uncertainty. As purchases of durable consumer goods are increasingly being postponed, consumer electronics manufacturers have also already drastically cut back their production or are preparing to do so.

**Premium brand offers
Loewe opportunity for
clear differentiation in
the market**

**Repercussions of the
financial markets crisis
have reached the real
economy**

With its attractive and individual home cinema solutions, Loewe has continued to consolidate its position as the leading premium brand in the European consumer electronics market and will continue its successful strategy of value-based marketing in the future. Nonetheless, the dampened economic conditions could limit Loewe's potential for sales and the earnings forecast based on the expected level of sales in the next few quarters. Loewe will therefore continue to closely observe economic developments in Europe and act flexibly and proactively in response to changes.

Expansion of technological differentiation potentials

Sustainable and credible premium positioning requires that important product features of flat-panel display sets and home entertainment systems, such as picture and sound quality, user interfaces or system capability, are judged positively in direct competition. Should this not be convincingly possible over an extended period, there is the risk of a negative impact on the achievable price premiums and sales potentials. In development, there is a risk that insufficient resources will be available to develop technological differentiation opportunities.

Loewe therefore concentrates on areas of technology that offer customers added value and present opportunities for differentiation. To minimize the risks of increasing complexity of technical platforms and further increase the reliability of new product generations, new chip concepts, for example, are also selected by taking into account the provided software. Human resources were increased in software development and other areas, especially in order to be able to generate technical differentiation potentials on a lasting basis. Modules and components are outsourced if it is not possible to achieve a better result for the customer through our own efforts.

The establishment of strategic partnerships, e.g. cooperative agreements with research institutions on subsidized projects and constant observation of the activities of the technology leaders makes it possible to identify and select relevant technologies in good time.

Furthermore, we are attempting to exploit existing contacts with institutions, universities and research facilities of significant companies more intensively and also to expand them.

Attractive purchasing conditions and availability of materials

Our lower purchasing volume of flat panels and important components compared with the competition makes it more difficult to achieve attractive purchasing conditions. Supplier delays, delivery shortfalls or quality defects can also lead to temporary production disruptions and thereby negatively impact the earnings situation. Furthermore, there is a risk that future cost reductions on the purchasing side will not compensate for the negative impact of lower sales volumes and declining sales prices.

Loewe counteracts these problems by systematically bundling volume with key suppliers, reducing component diversity and qualifying alternative components and suppliers. Supplier selection, evaluation and control procedures are used to limit such risks. Such evaluation regularly includes criteria such as the performance of each supplier.

In addition, Loewe is technically capable of using LCD panels from alternative suppliers. Purchasing a portion of the LCD panels from leading manufacturers from different countries results in a certain decoupling from technologies.

Furthermore, we are systematically expanding existing agreements and continuously coordinating demand directly with suppliers and their partner organizations.

Product quality and liability risks

Successful and long-term implementation of the premium strategy presupposes a high level of quality. High standards apply to the reliability and safety of products. If these standards are fallen short of by a large margin, there is the risk of damage to the reputation of the Loewe brand with a long-term adverse impact on the Company's earning power. Technical problems can lead to time-intensive and expensive rework and repair measures. In addition, deteriorating product quality could result in higher warranty expenses and replacements as a gesture of goodwill.

It has become more difficult to achieve high quality goals in recent years because measures to increase performance led to greater stress on the assemblies used. The chief causes for defects in picture-tube sets in the past related to the picture-tubes used, line output transformers and soldering in 100Hz picture-tube sets of the production period March 1999 to October 2001. This prompted a number of rework and safety inspection campaigns. The now sole production of flat-panel display products should make a higher quality level possible.

In the production process, Loewe products are under constant quality monitoring. Intensive tests are performed on the pilot series. In addition, a repair detection, control and tracking system makes it possible to determine the need for spare parts and the failure rates of the products on the market at an early time. This enables us to initiate countermeasures early and avoid subsequent errors.

Because of the high material component in flat-panel display sets, the quality of our suppliers becomes increasingly important. In addition to detailed supplier evaluations, Loewe regularly performs product/system audits and on-site acceptance inspections.

Personnel risks

An aging and simultaneously shrinking population in Germany contains the risk that it will not be possible to recruit adequately qualified personnel in the future. Inadequate succession policies could result in locational disadvantages or loss of know-how.

Loewe made preparations early on for counteracting this demographic change. We continuously establish contacts with potential future employees by building up close relations with schools, vocational schools and regional universities. At the same time, Loewe regularly participates in vocational training and marketing events. Another important pillar is in-house training. Furthermore, the active workforce is supported by specific employee development and support of career growth.

**Intensive and permanent
quality assurance**

IT risks

In information technology, protection against unauthorized data access or data abuse is becoming more and more important; however, it cannot be completely guaranteed. Loewe counteracts these risks through, among other things, technical protective measures such as use of virus scanners, firewall systems and access controls at the company and user level.

Foreign subsidiaries

Loewe generates roughly 50% of its sales abroad. In Belgium, Italy, France, the Netherlands, Austria and the UK, marketing of Loewe's products is performed by subsidiaries. In all other countries, independent distributors perform this function.

The advantage of having its own subsidiaries is the more direct relationship with the customer, facilitating better implementation of Loewe's premium strategy and higher sales. This is associated with higher operational risk because the marketing organization's fixed costs are incurred independent of the sales revenue achieved.

To limit these risks, we have avoided costly decentralized warehousing by shipping directly to customers in Italy, France, Austria and the UK. Essential administrative functions are centrally located in Germany in order to keep fixed costs of Loewe's foreign companies at a minimum. In addition to the current reporting, quarterly meetings are held with the persons responsible for the countries in order to detect deviations early and to initiate countermeasures.

Financing risks

Loewe's medium-term financing secured

A syndicate agreement tied to compliance with covenants and concluded with the principal banks in the amount of EUR 50 million (term to maturity until June 30, 2012) and a factoring agreement (term to maturity until June 30, 2010) with an additional financing volume of EUR 35 million are available to ensure Loewe's medium-term financing.

Even in the current financial crisis, we assume that Loewe's solid capital structure and existing financing agreements should prevent Loewe's growth potential from being limited in the years to come.

Only small liabilities to banks existed as of December 31, 2008, and hardly any use has been made of factoring. Given the fact that Loewe's need for financing reaches its seasonal high in the fourth quarter, this provides clear proof of the existing financial latitude. Monthly Group liquidity planning is prepared for one year in advance for regular liquidity control.

Financial investment risk

The cash and cash equivalents available in accordance with our financial planning are invested in interest bearing overnight money and term financial investments with banks subject to the deposit protection fund. Through the described selection of investments, we seek the greatest possible risk minimization.

Currency risks

The currency risk for Loewe is essentially limited to the procurement of LCD panels that are predominantly settled in U.S dollars. To limit the associated exchange rate risk, guidelines were established that guarantee a proportional hedge of the price risk. To this end, the anticipated foreign currency volume is determined using a rolling 18 month projection and up to approximately 50 % is hedged by forward exchange transactions, call options and zero cost options. In addition, deliveries to the subsidiary Loewe UK Ltd., Glasgow, Scotland constitute a smaller risk.

Legal risks

Legal risks arise primarily from complaint and warranty claims, claims for compensatory damages and lawsuits. Recognizable legal risks are covered either by insurance or – if recognizable liabilities already exist – to an adequate degree by provisions. However, losses can arise that are not or are only inadequately insured or significantly exceed the provisions.

Overall estimation of the risk situation

The described risks have the potential of having a significant adverse impact on the financial position and financial performance of the Loewe Group. From the present perspective and considering all the known facts and circumstances, there are currently no risks that could endanger the continued existence of the Loewe Group in the foreseeable future.

Outlook

The global economic situation worsened at an accelerating pace in the fourth quarter of 2008. In the wake of the financial markets crisis and the consequences for the real economy, production was cut back significantly in many areas of industry and the impact on global trade was severe. Despite the increased efforts of economic policymakers worldwide to combat the crisis, it is assumed that global economic growth in 2009 will fall back to 0.5% and from the present perspective will not rise to around 3.0% until 2010.

The financial markets crisis and the housing construction recession are having a substantial impact on the U.S. economy in particular. Private households are currently reducing their consumer spending so drastically that the most important growth engine of the U.S. economy is currently near collapse. Furthermore, the structural crisis in the U.S. automobile industry is providing additional negative momentum. The recession will continue to be felt in the first half of this year. A clearly negative GDP change of -1.6% is expected for 2009 as a whole. A positive rate for the year as a whole cannot be expected until 2010; however, the approximately 1.6% GDP growth will fall significantly short of the momentum of recent years.

Modest recovery of the eurozone economy not expected until 2010

By year-end 2008, the economic slump had deepened in the eurozone as well, especially in the export-dependent countries. The economies of Germany, Italy and Spain contracted even more noticeably in the fall months. The government economic stimulus packages adopted in recent weeks may play a crucial role in further economic development. In addition to stabilizing private consumption through tax reductions, in many countries the packages are targeted at supporting the construction economy through increased infrastructure investments. Moreover, the increase in real wages and declining inflation rates could also improve the financial situation of private households. After a -2.0% decline in gross domestic product in 2009, expectations are that economic momentum in the eurozone could pick up again slightly in 2010 with projected GDP growth of about 0.2%.

The economic outlook for Germany also worsened significantly during the fourth quarter of 2008. In particular the steep decline in global trade has had a severe impact on German exports since fall of 2008. In view of the bleak international sentiment, it is unlikely that a turnaround will be seen in the next few months. Nonetheless, positive reports from individual sectors present a first glimmer of hope. GDP is likely to reach an all-time low of -2.5% in 2009. The stimulus package enacted by the German federal government in early January 2009 will not lead to a gradual improvement of the economic situation until the second half of 2009, supported by relatively steady private consumption. In 2010, GDP growth could then stabilize at approximately 0.1%.

The LCD TV market stands in contrast to the dampened economic outlook in Europe. Driven by high replacement demand and increasing ownership of more than one set, it will continue to grow modestly in the coming years. Due to the absence of major sporting events this year, growth of the European LCD market will slow down to +4%, but the market launch of HDTV in Germany and the FIFA World Cup in South Africa should spur growth by 13% in 2010. On this basis, Loewe's objective is to continue to grow profitably.

The turmoil caused by the financial markets crisis has reached the real economy and the risk of a global recession has definitely increased in recent months. Consequently, the economic and early indicators for the industrial nations in Europe in particular have also considerably worsened, which may 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 linked with great uncertainty. This applies even more to specific statements concerning development of business in 2010. 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 dampened fundamental data of the general economy, 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.

Modest growth in sales projected

Kronach, February 20, 2009

The Executive Board



Frieder C. Löhner



Gerhard Schaas



Oliver Seidl



Elegant Lightness.

Loewe encapsulates design
intelligently and uniquely.



The Loewe Art

50 %

Slim is gaining ground: In three years, slim LCD TVs will account for about 50 % of the market for large-screen TV in Europe.¹

¹Source: Loewe market research, February 2009



Consolidated Financial Statements, Notes

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Consolidated Income Statement for the Year ended 31 December, 2008

	Notes No.	2008		2007	
		EUR thousands	%	EUR thousands	%
Sales	1	374,010	100.0	372,534	100.0
Cost of sales	2	-262,348	-70.1	-275,316	-73.9
Gross margin		111,662	29.9	97,218	26.1
Selling expenses	3	-75,946	-20.3	-68,253	-18.3
General and administrative expenses	4	-9,534	-2.6	-9,441	-2.5
Other operating income	5	8,951	2.4	8,948	2.4
Other operating expenses	6	-6,638	-1.8	-7,418	-2.0
Income from investments		2	0.0	30	0.0
EBIT		28,497	7.6	21,084	5.7
Interest and similar income	7	1,800	0.5	508	0.1
Interest and similar expenses	8	-2,756	-0.7	-2,706	-0.7
Profit from ordinary activities (EBT)		27,541	7.4	18,886	5.1
Income tax expense	9	-8,510	-2.3	-11,514	-3.1
Net income before minority interests		19,031	5.1	7,372	2.0
Minority interests		-178	0.0	-202	-0.1
Net income	10	18,853	5.1	7,170	1.9
Profit carried forward		8,015		4,445	
Dividend payment		-3,513		0	
Allocation to retained earnings		-9,900		-3,600	
Distributable profit		13,455		8,015	
Earnings per share					
Basic*	10	1.45		0.55	
Diluted**		1.45		0.55	
* Number of shares issued as of December 31		13,009,229		13,009,229	
** Weighted average number of shares pursuant to IFRS		13,009,229		13,009,229	

Consolidated Balance Sheet as of 31 December, 2008

EUR thousands

	Notes No.	Dec. 31, 2008	Dec. 31, 2007*
Assets			
Non-current assets			
Intangible assets	11	5,890	5,964
Property, plant and equipment	12	42,559	39,642
Financial assets	13	1,140	787
Income tax assets	14	325	377
Miscellaneous non-current financial assets	15	327	368
Deferred taxes	16	11,322	16,566
		61,563	63,704
Current assets			
Inventories	17	51,106	52,274
Trade accounts receivable	18	88,819	98,115
Income tax assets	19	162	216
Miscellaneous current financial assets	20	3,914	1,690
Cash and cash equivalents	21	37,231	3,883
		181,232	156,178
Total assets		242,795	219,882
Liabilities and shareholders' equity			
Shareholders' equity			
Equity attributable to equity holders of the parent			
Subscribed capital (conditional capital EUR 398,400)	22	13,009	13,009
Capital reserve		46,986	46,986
Retained earnings		13,500	3,600
Other reserve		1,479	-484
Accumulated profit		13,455	8,015
		88,429	71,126
Minority interests	23	1,239	1,061
		89,668	72,187
Non-current liabilities			
Provisions for pensions and similar obligations	24	40,951	39,434
Other non-current provisions	25	17,024	15,182
Non-current financial liabilities	26	2,344	3,281
		60,319	57,897
Current liabilities			
Income tax provisions	27	4,417	4,084
Other current provisions	28	49,178	45,733
Current financial liabilities	29	952	2,258
Trade accounts payable	30	29,008	29,874
Miscellaneous current financial Liabilities	31	9,253	7,849
		92,808	89,798
Total liabilities and shareholders' equity		242,795	219,882

* Prior-year values have been adjusted minimally in response to changes in the fair value of currency hedges recognized directly in equity.

Consolidated Cash Flow Statement for the Year ended 31 December, 2008

EUR thousands

	2008	2007	
Operating activities			
EBIT	28,497	21,084	
Interest paid	-867	-998	
Interest payments received	1,800	508	
Depreciation and amortization of non-current assets	20,422	19,139	
Other non-cash items	-1,663	-1,692	
Decrease (+) of non-current receivables	41	223	
Increase (+) in pension provisions	1,517	1,528	
Increase (+) of other non-current provisions	1,842	2,130	
Income taxes paid	-3,572	-3,942	
Cash flow before changes in net current assets	48,017	37,980	
Change in net current assets			
Decrease (+) in inventories	1,168	7,663	
Decrease (+)/increase (-) in trade accounts receivable and other assets	9,986	-17,840	
Increase (+) in other current provisions	3,445	134	
Increase(+)/decrease(-) in trade accounts payable and other liabilities	1,079	-2,716	
Change in net current assets	15,678	-12,759	
Net cash from operating activities	63,695	25,221	
Investing activities			
Payments for purchases of intangible assets and property, plant and equipment	-23,567	-23,053	
Payments for purchases of financial assets	-368	-101	
Proceeds from disposals of intangible assets and property, plant and equipment	91	104	
Net cash from investing activities	-23,844	-23,050	
Free cash flow of the continuing division	39,851	2,171	
Free cash flow of the discontinued division*	0	-327	
Free cash flow, total	39,851	1,844	
Financing activities			
Decline in minority interest	0	-800	
Dividend payment	-3,513	0	
Repayment (-) of loans	-937	-938	
Net cash from financing activities	-4,450	-1,738	
Cash-effective change in liquidity	35,401	106	
Composition of liquidity:			
	Dec. 31, 2008	Dec. 31, 2007	Change
Cash and cash equivalents	37,231	3,883	33,348
Short-term bank loans	-15	-1,320	1,305
Use of factoring	-143	-891	748
Liquidity	37,073	1,672	35,401

* See page 126 of the Notes for disclosures

Statement of Changes in Equity

Group equity changed as follows in the years 2007 and 2008:

	Number of shares	Sub- scribed capital	Capital reserve	Retained earnings	Other reserve	Accu- mulated profit/loss	Equity at- tributable to equity holders of the parent	Minority interests	Total equity
	units	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands
Balance as of Dec. 31, 2006	13,009,229	13,009	46,986	0	0	4,445	64,440	1,653	66,093
Purchase of the remaining shares in Loewe France SAS								-794	-794
Fair value of hedging instruments					-484		-484		-484
Net income 2007						7,170	7,170	202	7,372
Allocation to retained earnings				3,600		-3,600			
Balance as of Dec. 31, 2007	13,009,229	13,009	46,986	3,600	-484	8,015	71,126	1,061	72,187
Dividend payment for 2007						-3,513	-3,513		-3,513
Fair value of hedging instruments					1,963		1,963		1,963
Net income 2008						18,853	18,853	178	19,031
Allocation to retained earnings				9,900		-9,900			
Balance as of Dec. 31, 2008	13,009,229	13,009	46,986	13,500	1,479	13,455	88,429	1,239	89,668

See Note (22) starting on page 109 for further details on shareholders' equity.

Notes to the Consolidated Financial Statements

About Loewe

The Loewe Group develops, produces and distributes electronic, electrotechnical and mechanical products and systems of every type as well as parts of the same, in particular in the field of consumer electronics and communications technology (home entertainment systems). The Company's main products are TV sets and home cinema solutions.

The parent company is recorded under the name of Loewe AG in the Commercial Register (HRB 3004) of the Local Court Coburg, Germany.

The Company's registered offices are located at Industriestrasse 11, 96317 Kronach, Germany.

The Executive Board prepared the final version of the consolidated financial statements on February 20, 2009 and they have been released for publication.

Basis of Presentation

As an exchange-listed parent company, Loewe AG participates in the Regulated Market as defined by Section 2 (5) of the German Securities Trading Act (WpHG) (listed in the Prime Standard and relisted in the German selection index SDAX as of December 22, 2008). Pursuant to Section 315a of the German Commercial Code (HGB), the consolidated financial statements were prepared (as in the previous year) in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union.

All International Financial Reporting Standards (IFRS, formerly IAS) whose application is mandatory for fiscal 2008 as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC, formerly SIC) were duly considered.

In recent years, the IASB has made various changes to the existing IFRSs and published new IFRSs and interpretations of the International Financial Reporting Interpretation Committee (IFRIC).

The standards or interpretations which are required to be applied for the first time in these financial statements (IFRIC 11 – Group and Treasury Share Transactions; IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction; amendments to IAS 39 – Financial Instruments: Recognition and Measurement und IFRS 7 – Financial Instruments: Disclosures) had no impact on the financial position and financial performance of the Loewe Group. They also did not lead to a change in the basis of presentation.

The interpretation IFRIC 12 – Service Concession Arrangements, which was required to be applied as of 2008, has not so far been adopted by the EU as applicable law and accordingly may not be applied in these financial statements. As the Group has no concessions subject to the provisions of IFRIC 12, the interpretation also had no impact on the financial position and financial performance of the Loewe Group.

Furthermore the IASB has published additional IFRSs and IFRICs which have already been partially endorsed by the EU; however, their application will not be obligatory until a later date. Selected standards and interpretations that may be of relevance to future financial statements are described below.

IAS 1, Presentation of Financial Statements (published in September 2007) replaces the 2005 version of IAS 1. The new standard applies to fiscal years beginning on or after January 1, 2009. The revision will result in a change of the presentation and structure of the financial statements.

IFRS 8, Operating Segments (published in November 2006) must be applied for the first time for fiscal years beginning on or after January 1, 2009. It requires the disclosure of information concerning the operating segments of an enterprise and replaces the obligation to determine primary and secondary segment reporting formats.

IFRS 3, Business Combinations (published in January 2008) must be applied for the first time for fiscal years beginning on or after July 1, 2009. Significant changes relate to options for the measurement of minority interests and measurements in successive acquisitions of enterprises.

IAS 27, Consolidated and Separate Financial Statements under IFRS (published in January 2008) must be applied for the first time for fiscal years beginning on or after July 1, 2009. The changes primarily relate to the recognition of minority interests, which in the future must participate in the losses of the Group in their full amount.

The obligations for the disposal of electrical and electronic equipment arising from the "Act Governing the Sale, Return and Environmentally Sound Disposal of Electrical and Electronic Equipment (ElectroG)" are accounted for in conformity with IFRIC Interpretation 6.

Since Loewe has opted for the pay-as-you-go financing model through participation in a collective disposal system, placing electrical and electronic equipment on the market does not give rise to an obligation to recognize a provision.

The presentation of financial position and financial performance in the consolidated financial statements is dependent on the recognition and measurement methods used as well as assumptions and estimations. Actual amounts may deviate from the estimations. However, no estimation uncertainties are known which could necessitate a significant change in reported assets and liabilities within the next fiscal year.

The consolidated financial statements have been prepared in euros. The figures in the consolidated balance sheet, the consolidated income statement, the notes and the consolidated cash flow statement as well as the consolidated statement of shareholders' equity have been rounded to thousands of euros (EUR thousands).

To improve the clarity and transparency of presentation, the balance sheet format was adjusted for several items. The changes to the balance sheet were consistently reflected in all other components of the financial statements.

The following editorial changes were made to the terminology of individual balance sheet items:

Miscellaneous non-current financial assets (formerly: Other receivables),
Deferred taxes (formerly: Deferred tax assets),
Miscellaneous current financial assets (formerly: Other current receivables),
Other non-current provisions (formerly: Other provisions),
Non-current financial liabilities (formerly: Financial liabilities),
Income tax provisions (formerly: Tax provisions),
Other current provisions (formerly: Other provisions),
Current financial liabilities (formerly: Financial liabilities),
Miscellaneous current financial liabilities (formerly: Other liabilities).

The income tax assets previously reported under Miscellaneous current financial assets and Miscellaneous non-current financial assets are now shown as separate items.

Due to the present materiality, the changes in currency hedges are recognized directly in equity (other reserves) until the gain or loss on the hedged item is recognized in profit or loss. The relevant prior-year figures (including deferred taxes) have been adjusted appropriately. As of the balance sheet date, all hedges were effective cash flow hedges.

Scope of Consolidation

The following companies were consolidated as of the reporting date of December 31, 2008.

	Subscribed capital	Interest 2008 (no change from 2007)
Parent company		
Loewe AG, Kronach	EUR 13,009,229.00	
Subsidiaries		
Loewe Opta GmbH, Kronach, Germany	EUR 23,010,000.00	99%
Loewe Opta Benelux N.V./S.A., Antwerp, Belgium	EUR 61,973.38	90%
Subsidiary of Loewe Opta Benelux N.V./S.A.: Loewe Opta Netherland B.V. Nieuwegein, Netherlands (uncalled capital EUR 72,604.83)	EUR 90,756.04	100%
Loewe France S.A.S., Strasbourg, France	EUR 150,000.00	100%
Loewe Italiana S.r.l., Bolzano, Verona, Italy	EUR 100,000.00	100%
Loewe Austria GmbH, Vienna, Austria	EUR 35,000.00	100%
Loewe UK Ltd., Irvine, United Kingdom	GBP 50,000.00	100%
Loewe Opta, Inc., City of Wilmington, County of New Castle, Delaware, USA	USD 1,000.00	100%
The subsidiary ceased business activities in 2004. By year-end 2007, the company had settled the remaining warranty obligations in the U.S. The company will now be maintained solely for the purpose of maintaining Loewe brand rights in the U.S.		

Principles of Consolidation

The financial statements of the consolidated Group companies were prepared in accordance with uniform accounting policies and included in the consolidated financial statements.

All companies were included in the scope of consolidation and were fully consolidated. The financial statements of the individual subsidiaries are included using the purchase method, with the costs of acquiring the investment offset against the value of the shareholders' equity at the time of acquisition.

Intercompany expenses and income, receivables and payables as well as profits and losses between the companies included in the consolidated financial statements have been eliminated. All currency translation differences are recognized in income.

Currency Translation

Each company within the group of companies represents an integrated unit. The functional currency is the reporting currency, the euro. The items presented in the annual financial statements of the group companies are measured using the functional currency. Any foreign currency transactions are initially translated using the spot rate of the day of the transaction. Assets and liabilities are translated from the foreign currency to the functional currency using the rate prevailing on the reporting date.

All consolidated companies except Loewe UK Ltd., Irvine, United Kingdom and Loewe Opta, Inc., USA are in the euro zone. In accordance with IAS 21 "The Effects of Changes in Foreign Currency Exchange Rates," currency translation in the balance sheet was based on the reference rate of the European Central Bank (ECB) as of the closing date and on the average rate for the year 2008 in the income statement.

Currency rates

Country	Currency	EUR	Closing rate		Average rate	
			2008	2007	2008	2007
United Kingdom	GBP	1 Euro	0.9525	0.7333	0.7965	0.6873
USA	USD	1 Euro	1.3917	1.4721	1.4706	1.3797

Accounting Policies

The accounting policies detailed below remain unchanged from those used in fiscal 2007.

The useful life of **intangible assets** is limited. They are recognized at cost and amortized on a straight-line basis over their estimated useful life.

The Group's development costs are capitalized insofar as they meet the criteria specified in IAS 38 "Intangible Assets." They are capitalized at the personnel and materials costs incurred for their specific projects. If capitalized development costs are no longer covered by future cash flows, write-downs are recognized under cost of sales.

Amortization is charged on a straight-line basis over the period during which the developed products are likely to be produced and sold.

The following useful lives and amortization rates are applied:

	Useful life		Amortization rates, p. a.	
	2008	2007	2008	2007
Software	2 – 6 years	1.5 – 6 years	17 – 50 %	17 – 66 %
Development costs	2 years	2 – 3 years	50 %	33 – 50 %

Property, plant and equipment

Loewe AG prepared its consolidated financial statements in accordance with IFRS/IAS for the first time as of December 31, 1997. At that time, hidden reserves in land and buildings uncovered as the result of a valuation survey were disclosed and recognized as an asset. There were no hidden reserves in other balance sheet items. Production facilities and machinery as well as other equipment, factory and office equipment are reported at cost less accumulated depreciation.

Additions during the fiscal year are reported at cost.

Buildings are depreciated on a straight-line basis over their estimated useful life. Production facilities, machinery, other equipment, factory and office equipment are depreciated over their useful life, in some cases on a straight-line basis and in other cases under the declining-balance method. Write-downs are recognized on product-related investments that cannot be expected to be fully used, or used at all, due to a shortening of the product lives or a reduction or phase-out of the production volumes.

For additions to depreciable non-current assets, depreciation is taken only pro rata temporis for the period between purchase or manufacture and year-end. Low-value assets costing less than EUR 150 are immediately written off in full.

The following depreciation rates are applied for straight-line depreciation (per annum):

Buildings	2 % to 10 %
Production facilities and machinery	10 % to 20 %
Other equipment, factory and office equipment	5 % to 33 %

Equity investments and investment securities recognized as **financial assets** are measured at cost or fair value. Other loans are reported at cost less principal payments and are individually written down to the extent necessary.

Non-current **income tax assets** for the current and earlier periods are recognized at the amount at which a reimbursement from the revenue authorities is expected.

Miscellaneous non-current financial assets are recognized at their nominal amount. Non-interest bearing receivables are recognized at present value. No valuation allowances were required.

Under IAS 12 "Income Taxes," **deferred taxes** are computed on the basis of the temporary differences between the consolidated financial statements and the tax accounts. Deferred tax claims from loss carryforwards are recognized if utilization is considered probable.

After the tax rate change due to the business tax reform of 2008, the tax rate uniformly applicable to the Group is approximately 27.5% (previous year: 37.0%). In consideration of this amended legislation, the deferred tax assets were already converted to the new tax rate as of December 31, 2007 and the resulting tax effects were reported separately in 2007.

As part of German tax legislation, the equity of a subsidiary (EK 02) that was previously untaxed under the old corporation tax law was taxed and a discounted tax provision was recognized for this purpose.

Inventories are shown at cost. In addition to direct materials and direct labor, costs of conversion also include the related indirect materials and indirect labor. Interest on debt capital is not included in the costs of conversion. Inventories that cannot be sold or those for which their likely selling price, after deduction of costs still to be incurred, would not cover their cost, are written down as necessary.

Trade accounts receivable are reported at their principal amount less specific valuation allowances for credit risks. Cash discounts, interest and processing costs are accounted for by general valuation allowances. Receivables in foreign currencies are measured at the rate prevailing on the reporting date.

The amount recognized for current **income tax assets** relates to the claim for payment of the corporation tax credit under Section 37 (5) of the Corporation Tax Act. The credit is recognized at fair value.

Miscellaneous current financial assets are reported at their nominal amount less specific valuation allowances.

Forward exchange transactions, spread options and call options are concluded as a proportional hedge of the currency risk for existing purchase contracts. They are measured at fair value using the marking-to-market method. The asset value of positive intrinsic values of the derivatives is recognized in miscellaneous current financial assets. Any negative net asset value of these financial derivatives is shown in miscellaneous current financial liabilities. The hedging transactions are recognized in accordance with IAS 39 and explained in accordance with IFRS 7. The effective portion of the change in value of hedging instruments that include cash flow hedges is recognized directly in equity (Other reserves) with no effect on income until the gain or loss on the hedged item is recognized – after recognition of deferred taxes.

Loewe fulfills the requirements for the use of hedge accounting as established by IAS 39. At the beginning of a hedging transaction, both the relationship between the financial instrument used as a hedging instrument and the hedged item as well as the goal and strategy of the hedge are documented. This includes both the specific assignment of the hedging instruments to the corresponding future transactions as well as the estimation of the degree of effectiveness of the hedging instruments used. Existing hedging transactions are constantly monitored for effectiveness.

Financial assets and financial liabilities are reported by applying IAS 39 “Financial Instruments: Recognition and Measurement.” As a general rule, these items are not set off against each other, but presented as separate items if a netting option exists with regard to the amounts at the time and the Company intends to settle on a net basis.

Cash and cash equivalents in the form of cash on hand, checks on hand and bank balances are shown at their nominal amounts. Foreign currency balances are reported at the ask price as of the reporting date.

Subscribed capital is reported at nominal value.

Minority interests relate to minority interests in subsidiaries. They are reported at their pro rata value in equity.

Provisions for pensions and similar obligations are calculated in accordance with IAS 19 “Employee Benefits” using the projected unit credit method and are substantiated by actuarial reports. Pursuant to Section 16 Employee Pension Act, pension adjustments to be rectified are also recognized in the pension provisions shown.

Other **non-current provisions** relate to economic obligations that will become due more than 12 months after the reporting date. They are recognized at the anticipated amounts to be payable.

Non-current financial liabilities reflect bank loans with a term to maturity longer than one year. They are shown in the balance sheet at the repayment amounts.

Income tax provisions contain taxes likely to be payable. It was not necessary to report deferred tax liabilities because it was possible to set them off against deferred tax assets in the countries concerned.

Other current provisions relate to economic obligations that will become due within one year. The level of the provisions is set at the amounts anticipated to be payable in 2009.

Current financial liabilities, trade accounts payable and all other current financial liabilities are also recognized at their repayment amounts.

Government grants are recognized if there is reasonable assurance that the associated conditions have been met. In both years under review, only expense-related grants from grants received for research and development costs were reported in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance." Expense-related grants are recognized as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis.

Notes to the Income Statement

The cost-of-sales method as set forth in IAS 1.92 is used.

Sales (1)*

Revenues from the sale of our products are realized only when delivered to the customer (dealer).

Sales represent net revenues from the sale of the Company's own products, merchandise, and related services after all sales deductions. Sales revenues are reported excluding value added tax.

Sales broken down by product group are as follows:

	2008		2007	
	EUR thousands	%	EUR thousands	%
LCD televisions, Loewe	323,577	86.5	307,814	82.7
Plasma televisions, Loewe	37	0.0	11,845	3.1
DVD players/recorders	8,866	2.4	7,152	1.9
Audio	14,727	3.9	13,035	3.5
Other revenues	26,803	7.2	32,688	8.8
Total	374,010	100.0	372,534	100.0

The decline in sales in other revenues is primarily due to the lower production of high-end electronic modules for OEM products.

* The numerals refer to the numbers indicated in the balance sheet and income statement.

Sales by region were as follows:

	2008		2007	
	EUR thousands	%	EUR thousands	%
Germany	199,575	53.3	184,836	49.6
Europe excluding Germany	167,381	44.8	177,297	47.6
Rest of world	7,054	1.9	10,401	2.8
Total	374,010	100.0	372,534	100.0

While sales increased by EUR 14,739 thousand or 8% in Germany, sales in Europe excluding Germany declined by EUR 9,916 thousand or 6%. This decline is primarily due to weaker demand in the Spanish and Italian markets.

The decline in sales in the rest of the world is due to the lower sales volume in Australia and the CIS.

Cost of Sales (2)

The cost of sales comprises the cost of materials for the manufacture of Loewe products, the cost of purchased merchandise as well as the cost of labor and non-personnel costs needed to achieve these sales, unless these costs are shown under administrative and selling expenses, which are reported separately.

Cost of sales break down as follows:

EUR thousands		
	2008	2007
Raw materials and supplies	192,973	210,531
Merchandise	14,114	14,044
	207,087	224,575
Purchased services	1,569	1,513
Personnel and social security costs	37,989	33,510
Depreciation of property, plant and equipment and amortization of software	9,829	9,170
Amortization of capitalized development costs	6,663	7,116
Capitalized development costs	-6,047	-7,451
Other non-personnel costs	5,258	6,883
Total	262,348	275,316

The decline in value of the raw materials and supplies used is the result of more favorable purchasing conditions and positive exchange rate effects for purchases in USD in fiscal year 2008.

The increase in personnel costs is due to the higher wage and salary level compared to the year before and higher expenses in connection with the company pension plan, in particular part-time retirement.

Selling Expenses (3)

Selling expenses comprise the following:

EUR thousands		
	2008	2007
Advertising costs	21,750	20,080
Personnel and social security costs	19,398	16,978
Freight	9,106	8,124
Warranty expenses	7,997	6,128
Contributions, charges and fees	3,356	3,433
Depreciation of property, plant and equipment and amortization of software	3,311	2,210
Travel and hospitality expenses	2,391	2,097
Other non-personnel costs	8,637	9,203
Total	75,946	68,253

The rise in advertising costs is primarily due to increased efforts at further expanding the brand position. This was connected in particular to higher expenses for communication and the expansion of shop-in-shop systems at retail partners.

The increase in personnel costs resulted from an increased salary level, salary adjustments from previous years to be implemented and the targeted hiring of new employees, especially in marketing and sales.

The increase in warranty expenses is the result of increased costs of the service department and additional service and goodwill payments to sales partners outside of Germany.

The significant increase in depreciation and amortization is primarily due to higher investments in Loewe POS systems at retail partners.

General and Administrative Expenses (4)

The following expenses were incurred for administration:

EUR thousands		
	2008	2007
Personnel and social security costs	8,041	7,706
Depreciation of property, plant and equipment and amortization of software	667	628
Other non-personnel costs and overheads	826	1,107
Total	9,534	9,441

The following fees of the Group auditor are included as an expense within general and administrative expenses:

EUR thousands		
	2008	2007
Audits	216	216
Audit-related services (interim and special audits)	81	97
Tax consultancy services	0	7
Other services	3	4
Total	300	324

The fees of other auditors for the separate financial statements of the foreign subsidiaries are not shown here.

Other Operating Income (5)

Other operating income comprises the following:

EUR thousands		
	2008	2007
Income from the reversal of provisions	2,676	3,627
Billed goods and services	2,528	2,008
Grants to the Joint Development Center (jointly with Sharp)	2,415	1,033
Subsidies for development projects	378	603
Other income	954	1,677
Total	8,951	8,948

Income from the reversal of provisions mainly applies to provisions for licenses that are no longer needed and statute-barred known risks.

Miscellaneous other operating income is for the most part offset by corresponding other operating expenses.

Other Operating Expenses (6)

Other operating expenses relate to:

EUR thousands		
	2008	2007
Billed goods and services	2,528	2,008
Expenses for the Joint Development Center	2,415	1,033
Expenses for rework of company-manufactured products	389	1,882
Expenses for subsidies received for development projects	378	603
Costs for cancelled purchase contracts	83	13
Severance payments to employees	74	209
Miscellaneous operating expenses	771	1,670
Total	6,638	7,418

The expenses for rework of company-manufactured products primarily relate to the inspection campaign of 100Hz CRT sets from the production period between March 1999 and October 2001. The sets were inspected by authorized workshops to rule out any existing residual long-term risks from manufacturing-related weak points in specific soldered rivet joints.

Interest and Similar Income (7)

Interest and similar income results from:

EUR thousands		
	2008	2007
Overnight money and term money investments	807	222
Interest on current bank balances	941	250
Interest and bank charges passed on	52	36
Total	1,800	508

The increase in interest income is primarily due to reinvestment of the cash and cash equivalents made available as a result of the sharp increase in operating cash flow. These funds were invested for the short term at attractive interest conditions.

Interest and Similar Expenses (8)

Interest and similar expenses comprise the following:

EUR thousands		
	2008	2007
Interest on amounts allocated to provisions for pensions, anniversary bonuses and death benefits	1,889	1,708
Interest, commitment fees and processing fees paid to banks	396	511
Factoring interest and fees	365	378
Other expenses equivalent to interest	106	109
Total	2,756	2,706

Interest on amounts allocated to provisions for pensions, anniversary bonuses and death benefits. The higher interest on amounts allocated to provisions for pensions, anniversary bonuses and death benefits is primarily due to the increase of the discount rate in accordance with IAS 19 from 4.75 % to 5.0 %.

Income Tax Expense (9)

Income taxes for Germany and outside of Germany are broken down as follows:

EUR thousands		
	2008	2007
Current taxes		
Germany	2,732	2,569
Outside of Germany	1,280	1,197
	4,012	3,766
Deferred taxes		
Germany	4,918	8,013
Outside of Germany	-420	-265
	4,498	7,748
Income tax expense	8,510	11,514

Income taxes include both the income taxes to be paid directly as well as deferred taxes. Deferred tax assets and liabilities are recognized for temporary differences between figures stated in the consolidated balance sheet and the tax accounts as well as for tax loss carryforwards.

The breakdown by tax expense is as follows:

EUR thousands		
	2008	2007
Effective tax expenses	4,053	3,616
Tax expenses (+) and income (-) unrelated to the accounting period	-41	150
Deferred tax expenses	4,498	3,007
Revaluation effect from the tax rate change due to the business tax reform	0	4,741
Total	8,510	11,514

The high deferred tax expense in the previous year was primarily due to effects from the tax rate change due to the business tax reform of 2008.

The applicable average tax rate for current taxation is determined as follows:

in %		
	2008	2007
Trade tax	11.7	14.4
Corporation tax	15.0	21.4
Solidarity surcharge	0.8	1.2
	27.5	37.0

The average effective tax rate is 30.9 % and is thus 3.4 percentage points higher than the applicable tax rate of 27.5 %. The higher effective corporation tax rate is primarily due to differing local tax rates (0.8 %) and the impairment of deferred tax assets on loss carryforwards of foreign subsidiaries (2.0 %).

Reconciliation of the applicable tax rate to the average effective tax rate:

in %		
	2008	2007
Applicable income tax rate	27.5	37.0
Tax effects from previous years	-0.1	0.8
Differing local tax rate	0.8	-0.7
Tax effects from tax rate changes due to the 2008 business tax reform	0.0	25.1
Effects from loss carryforwards	2.0	0.0
Other tax effects	0.7	-1.2
	30.9	61.0

Earnings Per Share (10)

To calculate earnings per share, the net income of EUR 18,853 thousand is divided by the 13,009,229 outstanding shares in Loewe. This results in earnings per share of EUR 1.45 in the year under review (previous year: EUR 0.55).

The weighted average number of shares in accordance with IAS 33 "Earnings per Share" results in the same earnings per share of EUR 1.45 (previous year EUR 0.55), as the number of Loewe shares did not change in the year under review.

Overview

	2008	2007
Net income (EUR thousands)	18,853	7,170
Basic/diluted earnings per share in EUR	1.45	0.55
Basic/diluted earnings per share (weighted average) determined according to IAS in EUR	1.45	0.55
Number of shares issued	13,009,229	13,009,229
Weighted average number of shares issued determined according to IAS	13,009,229	13,009,229
Number of shares issued and options	13,009,229	13,009,229
Authorized capital still available (2005 Authorized Capital)	2,598,154	2,598,154
Available capital from employee options (conditional capital)	398,400	398,400

Diluted earnings per share are not shown due to the fact that no rights of third parties to subscribe to the securities are associated with the available 2005 Authorized Capital or the conditional capital.

Notes to the Balance Sheet

Intangible Assets (11)

The changes in intangible assets were as follows:

EUR thousands	Software and similar assets	Development costs	Advance payments	Intangible assets
Carrying amounts on January 1, 2007	707	4,778	0	5,485
Cost (accumulated)	7,385	15,342	0	22,727
Additions	531	7,955	0	8,486
Disposals (at cost)	280	5,952	0	6,232
Current amortization/impairment				
– Amortization	457	6,951	0	7,408
– Impairment	200	398	0	598
Accumulated amortization/impairment	7,056	11,961	0	19,017
Carrying amounts on December 31, 2007	580	5,384	0	5,964
Cost (accumulated)	7,636	17,345	0	24,981
Additions	960	6,047	240	7,247
Disposals (at cost)	1,235	5,156	0	6,391
Reclassifications	–6	61	0	55
Current amortization/impairment				
– Amortization	657	5,945	0	6,602
– Impairment	0	718	0	718
Accumulated amortization/impairment	6,534	13,468	0	20,002
Carrying amounts on December 31, 2008	821	4,829	240	5,890

Intangible assets include product and IT software and development costs. Project expenses for in-house product developments recorded in detail are shown in the capitalized development expenses. The total cost of development in 2008 came to EUR 15,648 thousand (2007: EUR 14,435 thousand), not including development cost subsidies received and transferred costs.

Total amortization/impairment of intangible assets includes impairment losses of EUR 718 thousand (2007: EUR 598 thousand) due to capitalizable development costs no longer covered by future income.

Property, Plant and Equipment (12)

The changes in property, plant and equipment were as follows:

EUR thousands	Land and buildings	Production facilities and machinery	Other equipment, factory and office equipment	Property, plant and equipment
Carrying amounts on January 1, 2007	21,003	1,696	13,570	36,269
Cost (accumulated)	40,780	16,221	94,857	151,858
Additions	0	1,965	12,602	14,567
Disposals (at cost)	0	313	10,417	10,730
Reclassifications	0	7	-7	0
Current depreciation/impairment				
– Depreciation	973	845	8,446	10,264
– Impairment	0	0	854	854
Accumulated depreciation/impairment	20,750	15,054	80,249	116,053
Carrying amounts on December 31, 2007	20,030	2,826	16,786	39,642
Cost (accumulated)	40,780	17,880	97,035	155,695
Additions	8	3,060	13,252	16,320
Disposals (at cost)	0	2,205	4,786	6,991
Reclassifications	0	50	-105	-55
Current depreciation/impairment				
– Depreciation	967	1,011	9,822	11,800
– Impairment	0	500	797	1,297
Accumulated depreciation/impairment	21,717	14,360	86,333	122,410
Carrying amounts on December 31, 2008	19,071	4,425	19,063	42,559

Land and buildings as well as production facilities and machinery are mainly used for production in Kronach. Other equipment, factory and office equipment includes office furniture, factory and office equipment, high-quality presentation systems for sales as well as tools used by suppliers. EUR 1,612 thousand (2007: EUR 2,337 thousand) is recognized for advance payments and facilities under construction.

Total depreciation/impairment on property, plant and equipment includes impairment losses of EUR 1,297 thousand (2007: EUR 854 thousand) due to phase-outs of equipment and capitalized tools and production facilities no longer needed or no longer covered by future income.

Financial Assets (13)

The changes in financial assets were as follows:

EUR thousands	Equity investments	Investment securities	Other loans	Financial assets
Carrying amounts on January 1, 2007	25	651	52	728
Cost (accumulated)	25	655	61	741
Additions	0	99	2	101
Disposals (at cost)	0	2	34	36
Current amortization	0	15	0	15
Accumulated amortization	0	19	0	19
Carrying amounts on December 31, 2007	25	733	29	787
Cost (accumulated)	25	752	29	806
Additions	0	365	3	368
Disposals (at cost)	0	3	8	11
Current amortization	0	5	0	5
Accumulated amortization	0	23	0	23
Carrying amounts on December 31, 2008	25	1,091	24	1,140

Equity investments in sector-specific interest groups are between 7% and 10% of the share capital of the investees and refer to investments in poolings of interests for business purposes of the Group.

Most of the portfolio of securities and funds has been assigned as collateral (15% guarantee) for existing part-time retirement obligations and employee-financed pension benefits.

Income Tax Assets – Non-Current (14)

The amount recognized of EUR 325 thousand (2007: EUR 377 thousand) relates to the claim for payment of the corporation tax credit under Section 37 (5) of the Corporation Tax Act. The credit is recognized at fair value.

Miscellaneous Non-Current Financial Assets (15)

The following are reported as miscellaneous non-current financial assets with a residual maturity of more than one year:

EUR thousands		
	2008	2007
Receivables from investees	154	154
Pension plan cost insurance	173	214
Total	327	368

The income tax assets recognized in this item in the previous year are now shown separately.

Deferred Taxes (16)

The deferred tax assets reported in the Group primarily include income taxes on loss carry-forwards that are likely to be offsettable against a deferred tax claim of EUR 5,457 thousand (2007: EUR 12,159 thousand) as well as temporary differences between the amounts recognized in the consolidated financial statements and those reported in the tax accounts of EUR 5,865 thousand (2007: EUR 4,407 thousand).

The deferred taxes are apportioned to the following significant balance sheet items and loss carryforwards:

EUR thousands				
	2008		2007	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	4,575	1,331	4,935	1,357
Property, plant and equipment	33	1,203	0	1,258
Inventories	394	0	210	218
Other assets	126	674	184	1,780
Pension provisions	3,949	0	3,698	0
Other provisions	2,433	106	2,465	421
Liabilities	1,101	3,432	0	2,051
	12,611	6,746	11,492	7,085
Loss carryforwards	5,457	0	12,159	0
	18,068	6,746	23,651	7,085
Netting	-6,746	-6,746	-7,085	-7,085
Amount shown on the balance sheet	11,322	0	16,566	0

Due to the changed presentation of the fair values of hedged financial assets, it was necessary to adjust the previous year's figures slightly (EUR 184 thousand in other assets).

Deferred tax liabilities are set off against deferred tax assets since the requirements set forth in IAS 12.74 relating to taxation authorities have been met.

As of the reporting date, loss carryforwards of EUR 19.9 million still existed (2007: EUR 44.2 million). They are considered nettable.

As in 2007, no deferred tax assets are recognized on existing loss carryforwards of Loewe Opta Inc., USA in the amount of EUR 8.6 million (2007: EUR 8.1 million) due to the low probability of realization. Furthermore, the loss carryforwards were also measured according to their realizability at other foreign subsidiaries and allowances were created in the amount of EUR 1.2 million.

Inventories (17)

The inventories are broken down as follows:

EUR thousands		
	2008	2007
Raw materials and supplies	15,375	16,014
Work in progress	1,251	2,116
Finished goods and merchandise	34,480	34,144
Total	51,106	52,274

The costs of inventories include write-downs of EUR 6,478 thousand (2007: EUR 6,410 thousand) in order to ensure the loss-free valuation of finished goods and merchandise in accounting for obsolete inventories. Write-downs of EUR 1,770 thousand (2007: EUR 1,872 thousand) have been recognized on raw materials and supplies and on work in progress.

Trade Accounts Receivable (18)

Trade accounts receivable amounted to EUR 88,819 thousand (2007: EUR 98,115 thousand) and consisted entirely of accounts receivable from business operations. Factoring reduced the accounts receivable by a total of EUR 143 thousand (2007: EUR 891 thousand).

The amount reported for trade accounts receivable includes adequate allowances for insolvency risks, cash discount reductions, processing costs, and interest.

Allowances for potential insolvency risks are measured individually. Existing credit insurance is accordingly recognized, as are letters of credit, bank guarantees, and credit insurance that are additionally available for some international receivables. Moreover, the default risk is low due to the fact that the receivables portfolio is broadly diversified. In addition, credit limit checks contribute to limiting risk. Furthermore, the factoring company bears the default risk for assigned receivables.

The maximum remaining default risk for Loewe is equal to the carrying amount of the receivable.

The allowances changed as follows:

EUR thousands		
	2008	2007
Balance as of January 1	4,033	3,875
Allocations (expenses for allowances)	113	463
Utilization	-80	-94
Releases	-382	-211
Balance as of December 31	3,684	4,033

All trade accounts receivable are due within one year. The carrying amounts have the following maturity structure:

EUR thousands		
	2008	2007
Carrying amount of the trade accounts receivable	88,819	98,115
thereof neither impaired nor past due on the closing date	85,483	91,502
thereof not impaired and past due on the closing date in the following time ranges:		
– less than 30 days	2,717	5,945
– between 30 and 90 days	310	410
– between 91 and 180 days	101	78
– more than 180 days	208	180

Receivables past due for more than 90 days primarily refer to VAT amounts that can only be reclaimed from the tax authorities after final derecognition of the respective trade accounts receivable.

With regard to the trade accounts receivable that were neither impaired nor past due, as of the closing date there was no evidence to suggest that the debtors would not comply with their payment obligations.

Of the trade accounts receivable that had already been written off, EUR 80 thousand (2007: EUR 73 thousand) was collected in the fiscal year.

Income Tax Assets – Current (19)

In addition to tax reimbursement claims, current income tax receivables of EUR 162 thousand (2007: EUR 216 thousand) also include the current portion of the claim to payment of the corporation tax credit under Section 37 (5) of the Corporation Tax Act.

Miscellaneous Current Financial Assets (20)

The assets relate to:

EUR thousands		
	2008	2007
Positive value of financial derivatives	2,177	9
Assets arising from advance payments	458	621
Credit balances with suppliers	233	464
Advances for travel expenses and personnel	163	130
Claims on insurance companies/haulage contractors	120	311
Other current claims	763	155
Total	3,914	1,690

The increase in the positive intrinsic value of the financial derivatives is due to the more advantageous EUR/USD exchange rate on the date the Loewe purchase was hedged compared to the reporting date.

The income tax assets shown in this item in the previous year (EUR 216 thousand) are now recognized separately in Note 19. Moreover, it was necessary to adjust the previous year's figures due to the changed presentation of the fair values of hedged financial assets (EUR 677 thousand).

All miscellaneous current financial assets are due within one year.

Cash and Cash Equivalents (21)

The cash and cash equivalents consist of current deposits and time deposit investments with commercial banks of EUR 37,231 thousand (2007: EUR 3,883 thousand), which can be withdrawn on short notice.

Shareholders' Equity

Equity Attributable to Equity Holders of the Parent (22)

As of the reporting date, the Company's share capital of EUR 13,009,229 is fully paid in and has not changed from the previous year. It is divided into 13,009,229 no-par value bearer shares.

The capital reserve exclusively contains premium on the capital stock issued. The reporting of a separate legal reserve in accordance with Section 150 (1) and (2) of the German Stock Corporation Act is not necessary owing to the size of the existing capital reserve.

In the line "Fair value measurement of hedging instruments," other reserve includes changes in value of derivatives not recognized in income (minus deferred taxes of EUR 563 thousand [previous year plus EUR 184 thousand]) which are used as hedging instruments in the sense of a cash flow hedge and which can be proved to be effective for the purposes of IAS 39.

For the past fiscal year a dividend of EUR 0.27 per share or a total of EUR 3,513 thousand was distributed from the distributable profit.

Consistent with practice under German commercial law, EUR 9,900 thousand of the net income generated by Loewe AG in 2008 was allocated to retained earnings. Together with the group profit carried forward from the previous year and after deduction of the dividend payment for 2007, the remaining amount of EUR 8,953 thousand will be reported as group distributable profit of EUR 13,455 thousand as of December 31, 2008.

Loewe will propose to the Annual Shareholders' Meeting on May 26, 2009 to pay a dividend of EUR 0.50 per share. The total dividend payout will amount to EUR 6,505 thousand.

The statement of changes in equity is shown as a separate table.

Additional conditional capital of 398,400 shares exists for the implementation of a stock option plan. In accordance with the resolution of the Shareholders' Meeting, the conditional capital increase was used to grant pre-emptive rights to the members of the Executive Board, authorized signatories, and executives of the Company as well as managing directors, authorized signatories, and executives of affiliated companies. The option program expired on July 1, 2005. The option rights were forfeited without the Company being obligated to provide any form of compensation.

By resolution of the Shareholders' Meeting on June 2, 2005, new authorized capital was created in the amount of EUR 5,200,000. This resolution authorized the Executive Board, with the consent of the Supervisory Board, to increase the Company's share capital by up to a total of EUR 5,200,000 through the issue of up to 5,200,000 no-par value bearer shares in exchange for contributions in kind or cash contributions on one or more occasions until no later than June 1, 2010 (2005 Authorized Capital). The shareholders must be granted pre-emptive rights. However, the Executive Board is authorized, with the consent of the Supervisory Board, to exclude the pre-emptive rights of the shareholders for fractional amounts as well as to establish the further content of the rights inherent in shares and the conditions for the issue of shares.

After partial utilization, the authorized capital as of June 2, 2005 (2005 Authorized Capital) still amounted to EUR 2,598,154.

By resolution of the Shareholders' Meeting on June 9, 2008, the Company was authorized to acquire treasury shares under the following conditions:

1. The Company is authorized to acquire treasury shares. The authorization is limited to the acquisition of treasury shares with a notional portion of the share capital not exceeding 10%. The authorization may be exercised by the Company or by third parties for its account in entire or partial amounts and on one or several occasions. The authorization is valid until December 8, 2009.
2. The shares may be acquired via the stock exchange or via a public purchase offer addressed to all shareholders of the Company.
 - a. If the acquisition is made via the stock exchange, the consideration paid by the Company per share (not including transaction costs) may not be more than 10% higher or lower than the average closing prices (XETRA trading or comparable successor system) calculated on the Frankfurt Stock Exchange during the most recent five trading days before the shares were acquired for shares with the same terms.
 - b. If the acquisition is made via a public purchase offer addressed to all shareholders of the Company, the offered purchase price per share (not including transaction costs) may not be higher or lower than the average closing prices on the Frankfurt Stock Exchange on the five trading days preceding the date the offer is published. The purchase offer may include other conditions. If the purchase offer is oversubscribed, acceptance must be made proportionally. The Company may provide for a preferential acceptance of low share numbers of up to 100 shares per shareholder for the acquisition of offered shares.
3. In addition to sale by offer to all shareholders or sale via the stock exchange, the Executive Board is authorized, with the consent of the Supervisory Board,
 - a. to offer the shares acquired under this authorization to third parties in connection with business combinations, when acquiring companies, equity interests in companies or business units, and when acquiring claims against the Company as consideration;
 - b. to sell the shares to third parties. The price at which the shares of the Company are sold to third parties may not be substantially lower than the stock exchange price of the shares at the time of the sale.

If use is made of this authorization, the exclusion of the pre-emptive right based on other authorizations must be taken into account in accordance with Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG).
 - c. to recall the shares, without the share recall or its implementation requiring another resolution of the Annual Shareholders' Meeting.

The above authorizations relating to the use of acquired treasury shares may be exercised on one or several occasions, entirely or in parts, individually or collectively. The pre-emptive right of the shareholders to acquired treasury shares is excluded insofar as such shares are used in accordance with the above authorizations in letters a) and b). The Executive Board will in each case inform the Annual Shareholders' Meeting concerning the reasons for and the purpose of the acquisition of treasury shares, the number of shares acquired, and the amount of share capital attributed to them as well as the consideration paid for the shares.

Minority Interests (23)

Minority interests are held by Loewe Opta GmbH, Kronach (1 %), and at Loewe Opta Benelux N.V./S.A. (10 %). This item changed as follows:

EUR thousands		
	2008	2007
Balance at the beginning of the period	1,061	1,653
Additions	178	202
Acquisition of the remaining shares of Loewe France SAS	0	-794
Balance at the end of the period	1,239	1,061
thereof:		
Loewe Opta GmbH	272	272
Loewe Opta Benelux N.V./S.A.	967	789
	1,239	1,061

Under the terms of the profit transfer agreement between Loewe AG and Loewe Opta GmbH of April 21, 2001, the minority shareholder, who has held a 1 % interest in the share capital of Loewe Opta GmbH since 1997 receives an annual equalization payment in the amount of EUR 73.6 thousand pursuant to Section 304 of the German Stock Corporation Act.

Provisions for Pensions and Similar Obligations (24)

Pension provisions relate to individual and collective commitments to pay pensions to employees. The earned pension claims are basically salary-dependent (predominantly with a stipulated upper limit) and are based on the duration of employment of entitled employees. Provisions for pension obligations have been calculated in accordance with actuarial standards. The "Richttafeln 2005 G" (mortality tables) by Dr. Klaus Heubeck were used to determine mortality and invalidity.

To calculate pension obligations, the discount rate and the expected increases in wages, salaries and pensions were reassessed to reflect the long-term trend; the economic assumptions on which the calculation is based are therefore as follows:

in %		
	2008	2007
Discount rate	5.0	4.75
Anticipated annual increases in wages and salaries	3.5	3.0
Anticipated annual increases in pensions	2.5	2.0

The present value of the pension obligations of the Loewe Group was recognized as a provision in the amount of EUR 40,951 thousand (2007: EUR 39,434 thousand).

The pension obligations were determined for both reporting dates on the basis of actuarial valuations under the projected unit credit method in accordance with IAS 19.

The changes in pension provisions were as follows:

EUR thousands		
Balance as of January 1, 2007		
		37,906
a. Changes not recognized in income		
Pension payments in 2007	-2,083	
Additions for employee-funded pension commitments	24	-2,059
		35,847
b. Changes recognized in income		
Reported under interest expenses		
- Interest expense for own commitments		1,646
Reported as personnel expenses under cost of sales, selling expenses and administrative expenses		
- Current service cost	424	
- Actuarial losses	1,517	1,941
Balance as of December 31, 2007		
		39,434
a. Changes not recognized in income		
Pension payments in 2008	-2,273	
Additions for employee-funded pension commitments	88	-2,185
		37,249
b. Changes recognized in income		
Reported under interest expenses		
- Interest expense for own commitments		1,818
Reported as personnel expenses under cost of sales, selling expenses and administrative expenses		
- Current service cost	518	
- Actuarial losses	1,366	1,884
Balance as of December 31, 2008		
		40,951

Actuarial gains and losses are recognized in income when incurred.

The following is anticipated for 2009:

EUR thousands

Pension payments	2,332
Interest expense for own commitments	1,957
Current service cost	438

Other Non-Current Provisions (25)

Other non-current provisions comprise the following:

EUR thousands

	2008	2007
Warranty obligations	6,291	4,448
Personnel costs	5,418	4,616
License fees	5,315	6,096
Miscellaneous provisions	0	22
Total other non-current provisions	17,024	15,182

Non-current provisions are recognized for warranties for services that must be provided 12 to 39 months, or in some cases 12 to 63 months, after the reporting date. They are recognized on the basis of a general warranty period of three or five years plus a three-month grace period. The increase in provisions resulted from the extension some warranty periods to up to five years as well as from increased costs of the service department and additional service and goodwill payments to sales partners outside of Germany.

Non-current provisions for personal costs are recognized primarily for part-time retirement contracts with employees (terms of 2 to 6 years) and obligations for future employment anniversary payments (terms of 2 to 25 years).

License fee provisions are recognized for risks resulting from infringements of industrial property rights and the probable payment of license fees that will be incurred in two to three years.

The change in other non-current provisions is shown together with other operating provisions in Note 28.

Non-Current Financial Liabilities (26)

Non-current financial liabilities amounted to EUR 2,344 thousand (2007: EUR 3,281 thousand) and relate exclusively to a bank loan received from Loewe Opta GmbH.

The change in non-current financial liabilities is shown together with current financial liabilities in Note 28.

Income Tax Provisions (27)

Income tax provisions amounted to EUR 4,417 thousand (2007: EUR 4,084 thousand) and resulted from the taxable income of Loewe AG and its foreign subsidiaries. One item is still in dispute based on the tax audit in Germany for the years 1996 to 2000, which has not yet been completed. This could result in a back payment including incurred interest in the amount of EUR 2,000 thousand (2007: EUR 1,900 thousand), which is fully included in the tax provisions.

Other Current Provisions (28)

Current provisions comprise the following:

EUR thousands		
	2008	2007
Provisions for:		
Annual sales compensation	22,009	21,458
Warranty obligations	8,567	7,268
Personnel costs	9,780	8,042
Rework of company-manufactured products	933	1,300
Other provisions	7,889	7,665
Total other current provisions	49,178	45,733

Provisions for annual sales compensation were determined based on the agreements covering bonuses and other compensation. They apply largely to Germany. The increase is in line with the normal development of business.

Provisions for warranties are calculated based on anticipated warranty costs in the future, allowing for a general warranty period of three years. The increase is the result of increased costs of the service department and additional service and goodwill payments to sales partners outside of Germany.

Provisions for personnel costs essentially comprise holiday pay and variable remuneration.

The provisions for rework of company-manufactured products are primarily recognized for the safety inspection campaign with respect to 100Hz CRT sets from the production period between March 1999 and October 2001. The sets were inspected by authorized workshops to rule out existing residual long-term risks from manufacturing-related weak points in specific soldered rivet joints. The inspection campaign is now being phased out.

The miscellaneous provisions include, among other things, items for cancellation costs, advertising costs, third-party product liability claims, and additional costs that may be incurred.

The total other provisions (non-current and current) changed as follows in 2008:

EUR thousands

	Annual sales compensation	Cost of warranties	Personnel costs	License fees	Miscellaneous provisions	Total other provisions
Balance as of January 1, 2007	23,513	9,607	12,609	4,985	7,914	58,628
Additions	21,437	7,990	8,522	3,542	8,529	50,020
Utilization	23,301	5,796	8,182	0	6,872	44,151
Reversals	191	85	291	2,431	584	3,582
Balance as of December 31, 2007	21,458	11,716	12,658	6,096	8,987	60,915
thereof: non-current	0	4,448	4,616	6,096	22	15,182
thereof: current	21,458	7,268	8,042	0	8,965	45,733
Balance as of January 1, 2008	21,458	11,716	12,658	6,096	8,987	60,915
Additions	22,009	9,412	10,249	1,453	6,577	49,700
Utilization	20,954	6,213	7,443	25	7,102	41,737
Reversals	504	57	266	1,334	515	2,676
Balance as of December 31, 2008	22,009	14,858	15,198	6,190	7,947	66,202
thereof: non-current	0	6,291	5,418	5,315	0	17,024
thereof: current	22,009	8,567	9,780	875	7,947	49,178

Current Financial Liabilities (29)

The table below shows the significant financial liabilities as of the reporting dates.

EUR thousands

	Total 2008	Residual maturity less than 1 year	Residual maturity more than 1 year	Total 2007	Residual maturity less than 1 year	Residual maturity more than 1 year
Drawing credits	15	15	0	1,320	1,320	0
Long-term loans	3,281	937	2,344	4,219	938	3,281
Total	3,296	952	2,344	5,539	2,258	3,281

The long-term loans from banks relate to a loan from a German bank.

The existing long-term loans and drawing credits are at market interest rates. Interest expense from the long-term loan is expected to be EUR 125 thousand for 2009 and EUR 137 thousand for the remaining time to maturity. With a comparable utilization of the lines, the interest from short-term drawing credits will not exceed the expense incurred in fiscal 2008.

Trade Accounts Payable (30)

The trade accounts payable of EUR 29,008 thousand (2007: EUR 29,874 thousand) result primarily from deliveries of materials, services, and deliveries of merchandise. They are all due within one year.

Miscellaneous Current Financial Liabilities (31)

Miscellaneous current financial liabilities are due in less than one year and can be broken down as follows:

EUR thousands		
	2008	2007
Taxes and social security charges due	4,411	2,869
Fair value of hedged financial assets	135	677
Customer credit balances	2,124	2,225
License fee liabilities	1,202	1,101
Liabilities to personnel	488	265
Sundry liabilities	893	712
Total	9,253	7,849

Due to the changed presentation of the fair values of hedged financial assets, it was necessary to adjust the previous year's figures slightly (EUR –9 thousand).

Additional disclosures on financial instruments in accordance with IFRS 7

The following table shows the carrying amounts and fair values of all financial instruments of the Group recognized in its financial statements.

Amount recognized in the balance sheet							
EUR thousands							
	Category in accordance with IAS 39	December 31, 2008			December 31, 2007		
		Carrying amount	Amortized cost	Fair value recognized in equity	Carrying amount	Amortized cost	Fair value recognized in equity
Assets							
Non-current assets							
Equity investments	(2)	25	25		25	25	
Investment securities	(1)	1,091	1,091		733	733	
Other loans	(3)	24	24		29	29	
Miscellaneous non-current financial assets	(3)	327	327		368	368	
Current assets							
Trade accounts receivable	(3)	88,819	88,819		98,115	98,115	
Miscellaneous current financial assets	(3)	1,737	1,737		1,681	1,681	
Derivative financial assets							
Positive value of financial derivatives in hedging relationships	n. a.	2,177		2,177	9		9
Cash and cash equivalents	(3)	37,231	37,231		3,883	3,883	
Liabilities and shareholders' equity							
Non-current liabilities							
Financial liabilities	(4)	-2,344	-2,344		-3,281	-3,281	
Current liabilities							
Financial liabilities	(4)	-952	-952		-2,258	-2,258	
Trade accounts payable	(4)	-29,008	-29,008		-29,874	-29,874	
Miscellaneous current financial liabilities	(4)	-9,118	-9,118		-7,172	-7,172	
Derivative financial liabilities							
Negative value of financial derivatives in hedging relationships	n. a.	-135		-135	-677		-677

(1) Held-to-Maturity Investments (HtM)

(2) Available-for-Sale Financial Assets (AfS)

(3) Loans and Receivables (LaR)

(4) Financial Liabilities Measured at Amortized Cost (FLAC)

Cash and cash equivalents, trade accounts receivable, and other receivables primarily have short residual maturities. For that reason, the carrying amounts as of the closing date correspond to the fair value.

The fair values of the non-current assets with residual maturities longer than one year correspond to the discounted repayment amounts.

Notes to the Cash Flow Statement

The cash flow statement was prepared in accordance with IAS 7 "Cash Flow Statements." The changes in cash and cash equivalents and the cash flows of significance to them are broken down by operating, investing, and financing activity. Cash flows from operating activities are reported using the indirect method.

The change and composition of the cash flows are shown in a cash flow statement as a separate component of the consolidated financial statements.

The individual items of the cash flow statement are as follows:

Net cash from operating activities

Net cash from operating activities increased by EUR 38,474 thousand to EUR 63,695 thousand. This significant increase primarily reflects the improved earnings situation (EUR 7,413 thousand) compared to the year before, the reduction in trade accounts receivable (EUR 9,296 thousand) and the increase in other current and non-current provisions (EUR 5,287 thousand). The presentation of the change in net current assets has been adjusted for the non-cash changes in the value of financial hedging instruments. The other non-cash effects result primarily from the interest expenditure on pension provisions.

Net cash from investing activities

The Loewe Group recognized intangible assets in the amount of EUR 7,247 thousand (2007: EUR 8,486 thousand) and property, plant and equipment in the amount of EUR 16,320 thousand (2007: EUR 14,567 thousand) in fiscal year 2008.

Net cash from financing activities

The cash-effective changes comprise the dividend payment for fiscal 2007 and the scheduled repayments of long-term loans.

Cash-effective change in liquidity

Cash and cash equivalents increased overall by EUR 35,401 thousand to EUR 37,073 thousand. The factoring agreement is handled like a bank overdraft facility and is therefore included in cash and cash equivalents.

Risk Management and Financial Derivatives

Risk management

Loewe AG has a centralized risk management approach for identifying, measuring and controlling risks. With respect to its assets, liabilities and planned transactions, Loewe AG is in particular subject to market and price risks as well as risks arising from interest rate and exchange rate changes. Currency risks arising from planned foreign-currency expenditures are largely hedged by forward exchange transactions, call options and zero cost options using a rolling 18 month projection. Approximately 50% of the expected foreign currency expenditures are currently covered in this manner.

The effectiveness of the risk control is reviewed on a regular basis. The goals, principles, responsibilities and competencies for the finance department are set down in Group internal guidelines with binding effect and following the principle of segregation of functions.

Derivative financial instruments (hedge accounting)

The hedging transactions used to hedge the currency risk for existing purchase contracts are based on the following figures:

	Hedge volume			Intrinsic value EUR thousands	
	USD million	EUR million	Longest residual maturity until	Positive	Negative
Forward exchange transactions	38.0	26.1	April 30, 2010	1,380	134
Spread options (zero cost options)	20.0	14.0	May 28, 2010	658	1
Call options	3.0	2.1	August 31, 2009	139	0
Total	61.0	42.2		2,177	135

The derivative financial instruments are used for hedging the risk of purchases in foreign currency. Their use is in compliance with relevant corporate guidelines which specify that derivative financial instruments may be used only for hedging existing hedged items.

The positive value of the forward exchange transactions and spread options is recognized in miscellaneous current financial assets, the negative value in miscellaneous current financial liabilities. Gains and losses from the currency hedging transactions are recognized directly in equity in other reserves.

Credit risks

Credit risks are generally low due to the broad diversification of the receivables portfolio and the fact that transactions are only entered into with business partners who have an excellent credit rating. In addition, risk is mitigated by a system of credit lines. In all cases, the maximum default risk is limited to the carrying amount of the receivable in question.

Specific valuation allowances are only recognized for customer receivables. With receivables before valuation allowances amounting to EUR 92,503 thousand (2007: EUR 102,148 thousand), specific and general valuation allowances were recognized in the amount of EUR 3,684 thousand (2006: EUR 4,033 thousand). The portfolio of receivables for which no specific valuation allowances were recognized contains no receivables with significant payment disruptions.

Market risks

Currency risks

The foreign currency risk for Loewe is essentially limited to the procurement of LCD panels and components that are settled in U.S dollars. The anticipated foreign currency volume is determined using a rolling 18-month projection with the objective of hedging approximately 50% with forward exchange transactions, call options and zero-cost options.

In addition, since the establishment of Loewe UK Ltd. in fiscal year 2007, currency translation gains and losses have resulted from the relationship of the EUR to the GBP.

Interest rate risks

Most of the Company's non-current financial liabilities carry fixed interest rates. The other interest-bearing receivables and liabilities bear variable interest rates.

Other price risks

Loewe held only insignificant shares in other listed companies as of both reporting dates. These consisted of fixed-interest securities and investment funds for hedging purposes in connection with part-time employment agreements and pension commitments.

Liquidity risks

To ensure long-range financing, a syndicate agreement tied to compliance with covenants with a total volume of EUR 50 million was concluded with a banking syndicate in 2007. This line of credit is intended to finance the business operations as well as the planned capital expenditure of the Loewe Group and has been committed until June 30, 2012.

The loans granted may be utilized either by Loewe Opta GmbH or Loewe AG.

The factoring agreement with Fortis Commercial Finance may be utilized for up to EUR 35 million and runs until June 30, 2010.

Furthermore, independent lines of credit totaling EUR 6.3 million were granted to foreign companies in the Group by their banks.

The size of the existing lines is sufficient to exclude any significant liquidity risks.

Financial investment risks

The cash and cash equivalents available in accordance with our financial planning are invested in interest-bearing overnight money and term financial investments with banks subject to the deposit protection fund. Through the described selection of investments, we seek the greatest possible risk minimization.

Contingent liabilities

Contingencies and other financial obligations

Contingencies and other financial obligations are broken down as follows:

EUR thousands		
	2008	2007
Total liabilities from tenancy and servicing agreements and leases		
– due in 2009 (previous year: 2008)	3,509	2,655
– due between 2010 and 2013 (previous year: between 2009 and 2012)	3,246	2,686
– due after 2013 (previous year: after 2012)	1,750	1,148

The Loewe Group has entered into various operating lease agreements for production facilities and motor vehicles. The terms range between two and three years. Most of the leases provide no renewal option.

Outstanding contributions for affiliated companies pursuant to Section 24 of the German Private Limited Companies Act amount to EUR 31 thousand (2007: EUR 31 thousand).

Transactions with shareholders

The business relations with companies of the Sharp Group extended to the following areas in fiscal year 2008:

- Deliveries of panels to Loewe.
- Deliveries of components to Sharp.
- Provision of joint development services in the Joint Development Center (JDC) in Kronach.

All agreements are concluded on an arm's length basis. As a shareholder, Sharp cannot be classified as a related party. Sharp has no influence over management, is not represented on the Supervisory Board and does not participate in any decision-making processes. Furthermore, all transactions and agreements are settled on an arm's length basis.

Other Disclosures

Staff and personnel costs

The average number of employees breaks down as follows:

Employees	2008	2007
Industrial workers	382	396
Salaried employees	544	529
Employees as defined by Section 314 (1) sub-section No.4 HGB	926	925
Trainees	81	72
Total employees	1,007	997

On December 31, 2008, the number of employees in the Group totaled 1,027.

The operating expenses incurred for personnel costs are broken down as follows:

EUR thousands	2008	2007
Wages and salaries	54,730	47,685
Social security contributions	8,833	8,325
Expenses for pensions and other employee benefits	1,865	2,184
Total	65,428	58,194

The increase in personnel costs is primarily due to higher standard wages and salaries, subsequent adjustments to wage and salaries from previous years, increased variable salary components due to improved earnings, newly hired employees and higher expenses for part-time employment.

Events after the reporting date

No events of significance occurred after the reporting date.

Information Pursuant to Section 160 (1) No. 8 of the German Stock Corporation Act

The Company published the following announcement in Börsen-Zeitung No. 28 of February 10, 2005:

“Notification pursuant to § 25 (1) WpHG (German Securities Trading Act)

In accordance with Section 21 (1) of the German Securities Trading Act, the Company has received a notification concerning shareholdings exceeding 10 % and 25 % of the voting rights.

Sharp Corporation, 22–22, Nagaike-Cho, Abeno-Ku, Osaka 545-8522, Japan (“Sharp”) has notified us that with the recording of the implementation of a capital increase of Loewe AG (“Loewe”) on February 3, 2005, it has exceeded the threshold of 10 % and 25 % of the voting rights in Loewe and now directly and indirectly holds 28.83 % of the voting rights in Loewe. Of that amount, pursuant to § 22 (1) sentence 1 No. 1 of the German Securities Trading Act, 6.73 % of the voting rights must be attributed to Sharp, which are held by its fully owned subsidiary Sharp International Finance (UK) Plc, Sherbourne House, The Croxley Centre, Watford Hertfordshire WD18 8WT, United Kingdom.”

The Company published the following announcement in Börsen-Zeitung No. 213 of November 4, 2005:

“Notification pursuant to § 25 (1) WpHG (German Securities Trading Act)

In accordance with Section 21 (1) of the German Securities Trading Act, the Company has received a notification concerning shareholdings not meeting 10 % of the voting rights.

J & A Vermögensverwaltung GmbH has notified us that it fell short of the threshold of 10 % of the voting rights in Loewe AG on November 2, 2005 and now holds 9.72 % of the voting rights in Loewe AG. These voting rights are attributable to Dr. Rainer Hecker in accordance with Section 22 (1) No. 1 of the German Securities Trading Act.”

The Company published the following announcement in Börsen-Zeitung No. 216 of November 9, 2005:

“Publication pursuant to Section 25 (1) of the German Securities Trading Act

The Company has received a voluntary notification pursuant to Section 21 of the German Securities Trading Act.

Dr. Rainer Hecker, Joseph-Haydn-Straße 9, 96317 Kronach, has notified us that with the recording of the capital increase of Loewe AG on February 3, 2005, he held 17.11 % of the voting rights in Loewe AG and with the recording of the capital increase of Loewe AG on November 2, 2005, he now holds 13.95 % of the voting rights in Loewe AG.

Of the voting rights in Loewe AG held by J & A Vermögensverwaltung GmbH, Joseph-Haydn-Straße 9, 96317 Kronach, 12.15 % were attributable to him on February 3, 2005 and 9.72 % on November 2, 2005 in accordance with § 22 (1) No. 1 of the German Securities Trading Act.”

The Company made the following notification to the German Financial Supervisory Authority (BaFin) on June 25, 2007 and simultaneously conveyed it to the Commercial Register:

Publication of a voting rights announcement pursuant to Section 26 (1) of the German Securities Trading Act (WpHG) with the goal of Europe-wide dissemination.

“In the name of Electra QMC Europe Development Capital Fund plc, Dublin, Ireland as well as in the name of and by order of the additional persons named below, the following was reported to the Company on June 25, 2007 pursuant to Sections 21 (1), 22 of the German Securities Trading Act:

The share of the voting rights in Loewe AG with registered offices in Kronach (address: Industriestr. 11, D-96317 Kronach) held by the persons named below on June 20, 2007 exceeded the thresholds of 3 %, 5 % and 10 % of the voting rights, following which they held 10.132 % of the voting rights (corresponding to 1,318,050 voting rights from the same number of shares):

1. Electra QMC Europe Development Capital Fund plc with registered offices in Dublin, Ireland (address: c/o RBC Europe Dexia Investor Services Ireland, Georges Quay House, 43 Townsend Street, Dublin 2, Ireland);
2. Electra Quoted Management Ltd. with registered offices in London, United Kingdom (address: Paternoster House, 65 St. Paul’s Churchyard, London EC4M 8AB, United Kingdom);
3. Electra Kingsway Holdings Ltd. with registered offices in London, United Kingdom (address: Paternoster House, 65 St. Paul’s Churchyard, London EC4M 8AB, United Kingdom);
4. Electra Partners Group Ltd. with registered offices in London, United Kingdom (address: Paternoster House, 65 St. Paul’s Churchyard, London EC4M 8AB, United Kingdom);
5. Nmas1 Agencia de Valores S.A. with registered offices in Madrid, Spain (address: Padilla 17, 28006 Madrid, Spain); and
6. Nmas Uno IBG S.A. with registered offices in Madrid, Spain (address: Padilla 17, 28006 Madrid, Spain).

All of the aforementioned 1,318,050 voting rights are directly held by Electra QMC Europe Development Capital Fund plc.

Pursuant to Section 22 (1) sentence 1 No. 1 in conjunction with sentence 3 of the German Securities Trading Act, each of the aforementioned 1,318,050 voting rights from the shares held by Electra QMC Europe Development Capital Fund plc are fully attributable to the persons named above in sub-sections 2 to 6.

These shares are held by the persons named above in sub-sections 2 to 6 as follows through Electra QMC Europe Development Capital Fund plc, a company directly or indirectly controlled by them:

- Electra QMC Europe Development Capital Fund plc is a company directly under the joint control of Electra Quoted Management Ltd. and Nmas1 Agencia de Valores S.A.
- For its part, Electra Quoted Management Ltd. is directly controlled by Electra Kingsway Holdings Ltd. and the latter is directly controlled by Electra Partners Group Ltd.
- Nmas1 Agencia de Valores S.A. is in turn directly controlled by Nmas Uno IBG S.A.”

Information Pursuant to Section 161 of the German Stock Corporation Act

Joint declaration by the Executive Board and Supervisory Board of Loewe AG pursuant to Section 161 of the German Stock Corporation Act regarding the recommendations of the "Government Commission of the German Corporate Governance Code"

The Executive Board and Supervisory Board of Loewe AG hereby issue the following declaration of conformity pursuant to 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).

This declaration of conformity has been continuously accessible to the shareholders on the Internet (www.loewe.de) since November 28, 2008.

Loewe also publishes the notifications concerning directors' dealings pursuant to Section 15a of the German Securities Trading Act as well as the annual document pursuant to Section 10 of the German Securities Prospectus Act on the Internet (www.loewe.de).

Segment reporting

The Home Entertainment Systems division is engaged in the sale of television sets manufactured internally and under cooperative agreements as well as DVD players/recorders, audio components and other consumer electronics products. This division is the only segment in terms of industries.

As there is only a single segment by industry and by region, we have refrained from presenting a detailed segment report.

For information on the mandatory disclosures for the single business segment, please refer to the relevant sections of the consolidated financial statements and notes.

Following the discontinuation of the U.S. business in 2004, the continuing Home Entertainment Systems division is exclusively organized in the European region as Loewe AG, Loewe Opta GmbH, the subgroups Loewe Opta Benelux N.V./S.A., Loewe France S.A.S., Loewe Austria GmbH, Loewe UK Ltd. and Loewe Italiana S.r.l..

Due to the decision taken in 2004 to cease marketing for the geographic territory of the U.S., these discontinued activities are reported separately as a discontinued division in accordance with IFRS 5 for the period from 2004 to 2007. For that reason, the cash flow statement still includes a reference to this earlier discontinued division in the previous year's column.

Corporate Bodies of the Parent Company Loewe AG

Supervisory Board

The following are members of the Supervisory Board:

Chairman

- **Professor Dr. Eberhard Scheffler** (until June 9, 2008),
Auditor,
Former President of the German Finance Reporting
Enforcement Panel, Berlin, residing in Hamburg
- **Dr. Rainer Hecker** (from June 9, 2008),
former Chief Executive Officer of Loewe AG, Kronach,
former Chairman of the Management Board of Loewe Opta GmbH, Kronach,
residing in Mannheim

Deputy Chairman

- **Dr. Mark Wössner**,
Former Chairman of the Executive Board and
former Chairman of the Supervisory Board of Bertelsmann AG, Munich,
residing in Munich

Additional members of the Supervisory Board

- **Dr. Axel Berger** (from June 9, 2008),
Vice-President of the German Finance Reporting Enforcement Panel, Berlin,
residing in Rösrath
- **Dr. Gerhard Heinrich**,
Partner and Managing Director of Heinrich & Cie.
Unternehmensberatungs GmbH, Frankfurt/Main,
residing in Frankfurt/Main
- **Dr. Sönke Mehrgardt**,
Managing Partner with MVP Munich Venture Partners and
former member of the Executive Board of Infineon Technologies AG, Munich,
residing in Deisenhofen
- **Helmut Ricke** (until June 9, 2008),
Businessman,
residing in Krefeld
- **Dr. Michael Witzel**,
Partner of Lovells Law Firm LLP, Munich
residing in Munich

In accordance with the German Corporate Governance guidelines, Professor Dr. Eberhard Scheffler and Mr. Helmut Ricke resigned from office on June 9, 2008 as they surpassed the age limit of 73 years in 2008.

By resolution of the Annual Shareholders' Meeting on June 9, 2008, Dr. Rainer Hecker and Dr. Axel Berger were elected to the Supervisory Board of Loewe AG as new members.

In its constituting meeting on June 9, 2008, the Supervisory Board, following its rules of procedure, elected Dr. Rainer Hecker as Chairman of the Supervisory Board and refilled the three existing committees.

Members of the **Personnel Committee** are now Dr. Rainer Hecker, Dr. Mark Wössner and Dr. Michael Witzel. Dr. Rainer Hecker was appointed chairman of the committee.

The **Audit Committee** is made up of Dr. Axel Berger, Dr. Rainer Hecker and Dr. Sönke Mehrgardt. Dr. Axel Berger was appointed chairman of the committee.

Members of the **Nominating Committee** are Dr. Rainer Hecker, Dr. Axel Berger and Dr. Mark Wössner. Dr. Rainer Hecker was appointed chairman of the committee.

The other offices held by members of the Supervisory Board are shown on pages 130 and 131. Please refer to page 131 for an overview of the offices held by members of the Executive Board and for information on shares held by members of the Executive Board and Supervisory Board.

The total remuneration of the Supervisory Board was EUR 190,625 in 2008 and was made up of fixed remuneration and performance-linked payments.

Remuneration of the Company's Supervisory Board members is broken down as follows:

EUR			
	Total remuneration for 2008	Thereof: Fixed remuneration for 2008	Thereof: Performance-linked remuneration for 2008
Prof. Dr. Eberhard Scheffler (2007)	24,647 (50,093)	15,575 (36,610)	9,072 (13,483)
Dr. Rainer Hecker (2007)	32,104 (0)	20,341 (0)	11,763 (0)
Dr. Mark Wössner (2007)	38,126 (32,613)	22,500 (22,500)	15,626 (10,113)
Dr. Gerhard Heinrich (2007)	25,416 (21,743)	15,000 (15,000)	10,416 (6,743)
Dr. Sönke Mehrgardt (2007)	25,416 (21,743)	15,000 (15,000)	10,416 (6,743)
Helmut Ricke (2007)	12,777 (26,327)	8,242 (19,584)	4,535 (6,743)
Dr. Axel Berger (2007)	16,765 (0)	10,884 (0)	5,881 (0)
Dr. Michael Witzel (2007)	25,416 (21,743)	15,000 (15,000)	10,416 (6,743)
Total (2007)	200,667 (174,262)	122,542 (123,694)	78,125 (50,568)

Executive Board

The following were appointed as members of the Company's Executive Board in fiscal year 2008:

- **Dr. Rainer Hecker** (until June 9, 2008),
Industrial Engineer, Kronach
Chief Executive Officer
- **Frieder C. Löhner** (from April 1, 2008),
Engineer, Pullach,
Chief Executive Officer (from June 9, 2008)
- **Gerhard Schaas**,
Engineer, Rödental
- **Oliver Seidl**,
Graduate in business administration, Bad Boll

In a letter dated January 28, 2008, Dr. Rainer Hecker resigned from his office as Chairman of the Executive Board to take effect as of the close of the Annual Shareholders' Meeting on June 9, 2008. On the same date, Mr. Frieder C. Löhner succeeded to this office.

The members of the Executive Board are simultaneously managing directors of Loewe Opta GmbH. No remuneration is paid for these activities.

Remuneration of the Company's Executive Board members is broken down as follows:

EUR

	Total remuneration for 2008	Thereof: Fixed remuneration for 2008	Thereof: Variable remuneration for 2008	Additional remuneration through allocation to provisions for pensions
Dr. Rainer Hecker (2007)	508,618 (846,332)	213,118 (321,332)	295,500 (525,000)	– (195,039)
Frieder C. Löhner (2007)	723,247 (0)	258,747 (0)	464,500 (0)	54,495 (0)
Gerhard Schaas (2007)	741,186 (617,638)	291,186 (267,638)	450,000 (350,000)	257,553 (153,378)
Oliver Seidl (2007)	721,575 (595,499)	271,575 (245,499)	450,000 (350,000)	92,248 (76,084)
Total (2007)	2,694,626 (2,059,469)	1,034,626 (834,469)	1,660,000 (1,225,000)	404,296 (424,501)

The provision for pensions for the active Executive Board members comes to EUR 1,748 thousand (2007: EUR 3,395 thousand). The entitlement arising from the pension commitment is based on the general principles of company pension commitments.

Amounts totaling EUR 137 thousand (2007: EUR 77 thousand) were paid as pensions to former members of the Executive Board and to members who had resigned. The provisions set aside for these pensions come to EUR 3,732 thousand (2007: EUR 1,566 thousand).

Other offices held by members of the Supervisory Board of Loewe AG:

• **Dr. Rainer Hecker**

Loewe Opta GmbH, Kronach
(Chairman of the Supervisory Board)
Gesellschaft für Unterhaltungs- und Kommunikationselektronik
(gfu) mbH, Frankfurt/Main
(Chairman of the Supervisory Board)
Bayerische Landeszentrale für neue Medien (BLM), Munich
(Member of the Administrative Council)
Spectral Audio Möbel GmbH, Bietigheim-Bissingen
(Member of the Supervisory Board)

• **Dr. Mark Wössner**

Daimler AG, Stuttgart
(Member of the Supervisory Board)
Douglas Holding AG, Hagen
(Member of the Supervisory Board)
eCircle AG, Munich
(Chairman of the Supervisory Board)
Heidelberger Druckmaschinen AG, Heidelberg
(Chairman of the Supervisory Board)

• **Dr. Axel Berger**

Loewe Opta GmbH, Kronach
(Deputy Chairman of the Supervisory Board)
Berlin-Hannoversche Hypothekenbank AG, Berlin
(Member of the Supervisory Board)

• **Dr. Gerhard Heinrich**

Prevent AG, Hamburg
(Chairman of the Supervisory Board)

• **Dr. Sönke Mehrgardt**

Fludicon GmbH, Darmstadt
(Chairman of the Advisory Board)
Agnion Energy Inc., Pfaffenhofen
(Chairman of the Advisory Board)
Silicon Line GmbH, Munich
(Chairman of the Advisory Board)
CPM GmbH, Munich
(Member of the Advisory Board)

• **Dr. Michael Witzel**

Eramon AG, Gersthofen
(Chairman of the Supervisory Board)
AP-Stiftung gGmbH, Speyer
(Member of the Advisory Board)
Metallgesellschaft AG, Elsteraue
(Chairman of the Supervisory Board)
BMG Capital AG, Frankfurt/Main
(Member of the Supervisory Board)
Graphit Kropfmühl AG, Hauzenberg
(Deputy Chairman of the Supervisory Board)
PFW Aerospace AG, Speyer
(Member of the Supervisory Board)

Offices held by members of the Executive Board of Loewe AG:

• **Frieder C. Löhner**

Vistec AG, Vision Technologies, Olching
(Member of the Supervisory Board)
MAX.P AG, Strategische Immobilien-Beratung, Düsseldorf
(Member of the Supervisory Board)

• **Gerhard Schaas**

IGR Interessengemeinschaft für Rundfunkschutzrechte GmbH, Düsseldorf
(Chairman of the Supervisory Board)
IGR Interessengemeinschaft für Rundfunkschutzrechte e.V., Düsseldorf
(Chairman of the Board of Directors)

Shares held by the Executive Board and Supervisory Board on December 31, 2008:

As of December 31, 2008, the Executive Board held 158,476 (previous year: 622,718) shares in Loewe AG. No options have been granted. One member of the Supervisory Board directly holds 550,000 Loewe shares (previous year: 0).

Responsibility Statement

Responsibility statement pursuant to Section 37 y No. 1 WpHG and Sections 297 (2) sentence 4, 315 (1) sentence 6 HGB

“To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.”

Kronach, February 20, 2009

The Executive Board



Frieder C. Löhner



Gerhard Schaas



Oliver Seidl

Independent Auditor's Report

We have audited the consolidated financial statements prepared by Loewe AG, Kronach – consisting of the balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement, notes and the management report for the financial year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with the International Financial Reporting Standards (IFRS), as applicable in the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB) is the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit in accordance with Section 317 of the German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW/Institute of German Auditors). Those standards require that we plan and perform the audit in such a way that we can detect with reasonable assurance any misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply with the IFRSs as applicable in the EU, the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code and the IFRS in their entirety and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Mönchengladbach, February 20, 2009

Abstoß & Wolters OHG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Quacken
Auditor

Cramer
Auditor



Fascinating Sound.

Loewe's harmonic interplay
sets the tone at all levels.



The Loewe Audio System

4.2 %

Masterfully entertaining: Top quality Loewe speakers have captured a 4.2% market share.¹

¹Source: GfK, December, 2008



Service

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Technical Glossary

100Hz technology

In 100 Hz technology, the projected picture is built up at double the speed of classic 50 Hz technology. This is achieved by firstly saving the received picture in the device and then displaying it twice, one after the other, by predicting the sequence of images and pre-calculating them accordingly. The picture is perceived as being "steadier". In the classic European 50-Hz standard technology, a new picture is set up 50 times per second, resulting in a picture frequency of 50 Hz. The human eye can still perceive a picture change at this frequency as a flicker, which only disappears at a frequency of around 75 Hz.

24p cinema film display

Films are shot at 24 complete pictures per second; European PAL standard productions for television and DVD are shown on sets with 25 complete pictures per second. Until now, this difference has led to visible side-effects. Since the creation of high-definition media such as Blu-ray discs, it is now possible to experience the original cinema quality at home. In order to do so, the 24p play back format must be supported by the Blu-ray player and the television. Of course, all new Loewe TVs and the Loewe Blu-ray player feature 24p cinema film display. In order to avoid large-scale flickering at this relatively low picture repetition rate of 24 Hz, each image is shown four times, as it is in good cinemas, increasing the picture repetition rate to 96 Hz. And because the new Loewe TVs can calculate additional interpolated images when the optional digital movie mode is activated, they also avoid the jerkiness typical in cinemas during pan shots, for example. In any event, the result is an extremely realistic picture experience.

A – D

Assist+

Loewe televisions feature the newly developed intelligent Loewe operating system, Assist+. It has a clearly-structured, easy-to-use guide and a simple overall design. Navigation requires just a few buttons on the Assist remote control. With the new design, infrequently used sub-menus are faded out so the menu doesn't cover the whole TV screen. Settings such as volume and personal Videotext pages can be saved. With the HD+ technology, you can edit up to 6 favourites lists of 99 channels each – so everyone at home can find their favourite channel quickly.

Child Lock

Blocks selected channels or the whole TV set using a PIN code. This feature can be set for activation at a certain time of day or above a certain age.

Common Interface (CI-Slot)

Common Interface is a standard interface. Coded digital channels may be used by inserting the appropriate decoding module (Conditional Access Module) and an activated Smartcard.

Conditional Access Module (CA-Modul)

The CA module contains the decoding system and compares the transmitted code with that on the SmartCard. If the two match, the corresponding programmes are decoded. CA modules for commercially available decoding systems (e.g. Irdeto, Cryptoworks, Viaccess) are available from specialist retailers.

CRX®-Soundsystem

When speakers are flat, the CRX® Sound System (Coaxial Reflex Sound System) makes it possible to accommodate the necessary bass reflex pipe, providing rich bass playback on flat-screen TV sets without loss of sound.

Digital Link

Digital Link allows Equipment products to be operated, even if they are in concealed set-ups. Connection to a Loewe TV set with a fully wired Scart cable is required for this.

Digital Link Plus

The TV set and DVD recorder exchange data via Scart (e.g. analogue programme list or timer data). This allows the TV set to control recording.

Digital Link HD

TV set and external device exchange data via the HDMI interface and make the system easier to operate.

Dolby Digital

The digital standard for high-quality home cinema systems. With this standard individual channels are transmitted separately. The three front channels on the right, left and centre, the two surround channels on the right and left and the external subwoofer channel are also termed as a 5.1 signal.

Dolby Digital Plus

Dolby Digital Plus is a new, improved process for encrypting audio signals. It is compatible with modern home cinema systems and is supported by Loewe Blu-ray players, for example.

Dolby TrueHD

is a surround sound format with no loss of quality for up to 7.1 channels developed for high-definition media such as Blu-ray. The audio data is uncompromised and therefore identical to the original recording in the studio. A separate decoder is required for playback. Dolby TrueHD is read by the Loewe Blu-ray player, for example, and then released to the digital output.

dts – Digital Theatre Sound

Along with the well-known Dolby Digital 5.1 format, many films are now mixed in the dts Digital Surround format in order to achieve an effective 5.1 surround sound effect. Loewe DVD recorders, Blu-ray players and audio systems support dts surround sound.

dts HD

is a new sound format, in which highdefinition audio signals are encrypted with up to 7.1 channels. It is compatible with current 5.1 home cinema systems and is supported by Loewe Blu-ray players, for example. dts HD is available in two forms: as dts HD High Resolution (HR) Audio, where data is compromised, saving memory, and dts HD Master Audio, which is uncompromised and therefore identical to the original mix in the sound studio.

DR+

The integrated DR+ hard disk recorder is optionally available ex works for almost all Loewe TVs. This allows you to record television programmes very easily at the touch of a button, or interrupt the current programme by pressing the pause button on your Loewe remote control, and even rewind television with the backwards button. HDTV programmes can also be recorded this way.

DVB

DVB describes the standards currently established in Europe for broadcasting digital content (e. g. television, radio, multi-channel sound, EPG, Teletext and other additional services). The most important standards today are DVB-T, DVB-C and DVB-S/S 2.

• DVB-T

DVB-T describes the digital broadcast of content via the antenna (Terrestrial).

• DVB-C

DVB-C describes the digital broadcast of content via the cable network.

• DVB-S bzw. DVB-S 2

DVB-S describes the digital broadcast of programmes via satellite. DVB-S 2 is a further developed version of this standard and increases the transfer rate by up to 30% (through the use of improved codification, modulation and error correction processes). Today, the majority of HDTV content is broadcast in the DVB-S 2 standard.

Dynamic contrast ratio

Panel luminosity is adjusted when the picture features a high proportion of black. The so-called backlights are automatically dimmed and the contrast ratio is increased dynamically for this picture.

E – H

Electronic Programme Guide (EPG)

The EPG is updated daily to guide you through digital television programming directly on-screen. EPG provides an advance view of several days' programmes for individual stations. Service information/next view data reception is required for this. When marked accordingly, programmes can be recorded, the station changed or the TV even switched on from stand-by mode.

Favourites lists

With the help of 6 favourites lists, favourite channels can be easily saved and accessed quickly at any time. Each favourites list can be filled with up to 99 channels. Favourites lists can be put together according to individual requirements (for example, according to categories such as Film, Sport, Family or according to user). The favourites lists also have the advantage of storing channels from various signal sources in the desired order.

Full-HD 100Hz LCD technology

Full-HD-100 Hz LCD displays are suitable for processing the 100 Hz picture repetition rate. These LCD displays have a resolution of 1,920 x 1,080 pixels in 16:9 format.

HD ready

HD ready is used to describe sets that are able to display HDTV signals on screen. HD ready sets have a native resolution of at least 720 lines on a 16:9 screen format. Furthermore, at least one component port is available, such as a HDMI or DVI port with HDCP.

HDTV

HDTV stands for "high-definition television". Whereas TV pictures conforming to the current PAL standard consist of 625 lines, HDTV has 1,080 scan lines (European standard in full-screen mode). The advantages of this are a considerable improvement in sharpness and impressive depth. The HDTV logo marks sets which are capable of receiving and processing high-definition signals.

HDTV 1080p

This describes Full-HD flat-screen TVs that are suitable for receiving, processing and displaying high-definition programmes with 1080p (incl. 24p cinema film display support). Loewe sets with HD+ technology and Full-HD display meet the requirements for this logo.

Home Cinema

With an external loudspeaker system you can turn your television into your own home cinema. For a surround sound experience, a decoded Dolby Digital sound signal is normally divided between five speakers and a subwoofer. It's also possible to create the impression of surround sound with fewer speakers, e. g. with Virtual Dolby Speaker technology.

Home networking with RS 232

Many Loewe sets feature an integrated RS 232 interface, also available as an upgrade kit, which allows Loewe to be easily incorporated into existing and new home network systems such as those from AMX or Crestron. The operator panel of the network system acts as the control centre, meaning that the TV set can be controlled from any position in the house. The Loewe customer can, for example, switch their TV and radio on and off, change channel and mute. A DR+ recording can also be activated from the Touch Panel – even if the TV set isn't actually on at that moment.

Hybrid tuner

Receiver for both analogue and digital programmes. In addition to analog cable and antenna signals, Loewe's current hybrid tuner can receive DVB-T and DVB-C programmes. That means that digital television requires no additional tuner. The hybrid tuner is an integral part of the TV set.

I – L

Image+

Image+ is responsible for the unique image quality on a Loewe display. With Loewe Image+, pictures are so vivid, you'd think they were real. Loewe Image+ is the technological response to the digital HDTV future. Depending on the set model, various systems developed by Loewe work together with the display to create consistently brilliant and realistic images.

Image+ Active

Image+ Active encompasses a package of individual image enhancement technologies. Special technologies such as Image+ Contrast, Image Colour+ or Image+ Sharpness display individual pictures with even greater sharpness, contrast and colour fidelity. A contrast sensor in Image+ Contrast HD measures room brightness and adapts the television contrast accordingly. The Image+ Sharpness HD 3D comb filter ensures that fine structures and features are displayed in even greater detail. Image+ Colour HD eliminates what are known as cross colour effects that may occur with fine patterns, while Image+ Motion ensures exceptionally steady picture quality during camera movement. Image+ Active perfects picture optimisation, even for HD signals. Thanks to the individual modules, 100 Hz, 24p motion picture display and HD Motion dejudgering, additionally used on many Loewe TV sets, pictures flow beautifully, are extremely sharp and rich in detail, even when it comes to rapid movement.

iPIP

Advertising breaks can be shrunk into a little picture window using iPIP, while other channels are followed on a large window. Pressing the iPIP button again restores the first channel to full-screen mode.

LCD Technology

LCD screens consist of two backlit glass panels. Sandwiched between these two panels is a liquid (liquid crystal) stored in individual chambers whose molecules change their orientation when electrical voltage is applied. That is how the picture is created. The result is very compact construction, energy efficient displays and perfect picture quality.

L-Link

This feature is the intelligent system connection between Loewe TV sets and audio systems for exchanging information automatically. It makes operating the television and Loewe system components easier than ever.

M – P

Main Information

This is an electronic handbook containing general operating instructions and detailed descriptions of applications. Use keyword search for quick access.

MPEG 2

MPEG 2 video is a standard used for transmitting digital TV programmes. Thanks to data compression, the band width of available TV channels can be used efficiently.

MPEG 4

Data compression standard for HDTV transmission. Permits optimum use of the transmission band width in the individual distribution channels. MPEG 4 is established as the European HDTV standard.

MusicBox

Music files in MP3 format saved on a USB stick or a memory card in a card reader can easily be played with the MusicBox. The content of the storage media can be browsed and/or sorted according to certain criteria (file name, title, artist, album) using the coloured buttons and saved in the playback list in the common M3u format.

Network connections

LAN, WLAN and Powerline, are three different network options which allow you to access multimedia content on the home network directly, e. g. from a connected PC, or network hard drive. The TV set can be connected via LAN to the router using an Ethernet network cable, and thanks to the high data rate, even HD videos can be transferred to the television. The WLAN interface, additionally integrated on the Connect Media, enables the wireless exchange of data. With Powerline, you can transfer data via the mains using the optionally available dLAN 200 AV adapter. This method is also suitable for HD videos thanks to the high speed. Powerline uses the existing mains and is therefore particularly convenient to install.

Network Media Player

TV sets equipped with the Network Media Player allow you to play multimedia content (photos, music files, videos) saved on a storage medium in your home network and made available by a media server. The Network Media Player can access a variety of types of storage media in the network (e. g. PCs, Network Attached Storages (NAS)). The TV set can be connected to the home network using a cable (LAN, Powerline) and partially via a wireless connection (WLAN). The Network Media Player supports the UPnP AV standard. The Twonkyvision Media Server is available at www.loewe.de under the Support section.

Now&Next

Gives you a look at the next approx. 24 hours, and boasts the same functions as the Electronic Programme Guide (EPG).

Personalised Videotext

For quick and direct access to your favourite Videotext pages. Preferred pages are automatically updated when the TV set is switched on.

PhotoViewer

Picture files in jpg. format can be displayed on TV sets using the PhotoViewer. In order to achieve this, a USB stick, memory card in a card reading device or a digital camera must be connected to the set's USB interface. The photos can be shown in an automatic slideshow.

PIP (Full PIP)

The TV is equipped with a second receiver. This second receiver makes it possible to display a second channel as picture-in-picture via a cable TV connection, a terrestrial antenna or an integrated Twin Sat upgrade kit. Restricted DVB and HDTV reception may occur.

Power consumption when on (in watts)

In accordance with the standard EN 62087, the power is measured using a black and white test picture. The brightness of the white area is set to 80 cd/m², the black to 2 cd/m² and the sound output power to 50 mW.

Power consumption in stand-by mode (in watts)

In compliance with the relevant standard, Loewe TV sets have an "active standby mode, low stand-by" or "Stand-by active low", as it is possible to turn on the products not only using the remote control or timer, but also from the additional devices (e. g. from the Auro). The TV set can be completely disconnected from the mains with the power switch.

Power consumption when the device is turned off

Loewe TV sets have a two-pole disconnect switch which separates the device from the power network when it is off. In this state, no power is consumed. The TV set can be completely disconnected from the mains with the power switch.

R – Z

Response time

The time it takes liquid crystals to change from an inactive (blocks light) to an active (light passes through) state when an electrical charge is applied. The shorter the response time, the faster the picture is formed and the fewer picture artifacts. Black and white are not always assigned to the inactive to active range, switching times between grey values are also often stated.

SmartCard

The SmartCard is an electronic chip card issued by the respective broadcaster or registration-free pay TV operator. It contains the code that is decoded by the CA module.

Split Screen Display

TV/AV: On all Loewe televisions with a DVD recorder or audio system connected you can split the screen to view the TV programme and a DVD side by side in the same size. TV/TV: On some Loewe TVs with 16:9 displays the screen can be split equally so you can watch two programmes simultaneously. TV/Videotext: On all models size 26 and up you can split the screen to view the TV programme and Videotext side by side in the same size.

USB

The Universal Serial Bus (USB) system connects the TV set with external devices. Storage media or devices which feature USB can be connected with each other during operation. A card reader or a USB stick with digital photos can be connected to the USB port on the Loewe TV set. Images can then be viewed using the integrated PhotoViewer software. Some sets also feature Loewe MusicBox, which allows MP3 music files to be played. More details on individual product features can be found in Technical Information.

Zoom

This feature improves the proportionally correct presentation of widescreen films on the 16:9 screen when transmission is in the 4:3 PAL standard. With Zoom you can fade out the black bars at the upper and lower edges of the picture.

Financial Calendar

Publication of the 2008 Financial Statements of the Loewe Group

Wednesday, March 25, 2009, 9:30 a.m., Munich

DVFA Analysts' Conference

Wednesday, March 25, 2009, 4 p.m., Frankfurt/Main

Publication of the Q1 Report

(01/01 – 03/31/2009)

Conference call on Wednesday, May 6, 2009, 10:00 a.m.

Tenth Annual Shareholders' Meeting of Loewe AG

Tuesday, May 26, 11:00 a.m., Munich

Alte Kongresshalle, Theresienhöhe

Publication of the Q2 Report

(01/01 – 06/30/2009)

Conference call on Wednesday, August 5, 2009, 10:00 a.m.

Publication of the Q3 Report

(01/01 – 09/30/2009)

Conference call on Wednesday, November 4, 2009, 10:00 a.m.

Publication of the Key Figures for the 2009 financial year

Conference call on Thursday, January 28, 2010, 10:00 a.m.

Publications

The following publications can be requested from Loewe Investor Relations – in German and/or English:

- **Loewe annual report**
- **Loewe quarterly reports**
- **Loewe complete product range**

These publications can also be obtained via the Internet at www.loewe.de in the area Loewe AG Investor Relations or you can order them using our online contact form.

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In addition to the annual report, Loewe publishes interim reports on a quarterly basis that include the consolidated financial statements. The quarterly reports are complemented by conference calls with journalists and analysts.

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