

Frieder C. Löhner

Chairman of the Executive Board
of Loewe AG

**Speech at the
Annual Shareholders' Meeting of Loewe AG,
Munich, May 26, 2009**

Blocking period: May 26, 2009, 11:00 a.m.

- Please check against delivery -

Ladies and gentlemen,

I bid you a warm welcome to the Loewe Annual Shareholders' Meeting for 2009.

After the record year of 2008, Loewe has felt the effects of the global economic crisis in the early months of this year. Owing to seasonal and market-related factors, Loewe had a slow start to fiscal 2009. However, the strength of our brand will bring us through even these far-reaching upheavals. In contrast to many other, including very large companies in our industry, Loewe continues to be profitable – even if much will be demanded of us to remain true to our path. However, before I go into detail regarding current developments, I would like to provide you a report concerning last year's events and explain the reasons for our success.

In the past year, we recorded the best profits in our 86-year history. Sales increased slightly to 374 million euros and our EBIT made a big leap forward, up 35 percent to 28.5 million euros. Thus, our consistent focus on the European premium market for consumer electronics has paid off. Loewe has strengthened its leading position in this market; therefore, we will propose paying a dividend of 50 euro cents per bearer share to today's annual shareholders' meeting. In this way, you as Loewe's shareholders will participate in the profit of your company.

The Loewe path received a host of awards and prizes in 2008; our products were rated "best" in numerous tests – excellent in technology, design, quality, and individuality.

The basis for our success in 2008 was the consistent premium strategy. Our products command prices far above average on the market, because we offer our customers an extremely attractive added value. Intelligent advances (technology), minimalistic form (design), and exclusive individuality characterize not only our entire product line as central brand values, but all areas of our company. We convince our dealers and our customers of the quality of the premium Loewe brand with premium communication. Step by step, we are expanding the brand-adequate presentations at all Loewe points of sale in Germany and abroad consistent with a premium distribution concept. Furthermore, we have the ambition of providing the best premium service in the industry together with our dealers. All of this together represents the value of the premium brand Loewe and makes Loewe unique and easily recognizable – an invaluable advantage in today's markets.

The second pillar supporting our strong market position is our concept of value-based management. We are convinced that sustained profitable growth is only possible when the interests of employees, shareholders, customers and the public are in balance. This has been the case at Loewe for many years and is more current than ever in a time of general discussion on values. You may remember our concept to overcome the crisis six years ago when all employees, including the Executive Board, forfeited 10 percent of their salaries and wages with the promise of receiving the money back with 25 percent interest in the course of future success. We kept this promise and made Loewe once again successful in the fair reconciliation of interests. As shareholders, you have also benefited from this.

Much more could be said about this orientation on values. Those of you who are interested can find more on this topic on pages 36 and 37 in our current annual report. Let me only mention this: Loewe received first place among 13 competitors in our industry in a large study conducted by Stiftung Warentest on Corporate Social Responsibility in 2008. The general public notices whether companies deal responsibly with all stakeholders and the environment, and this has an impact on a company's brand image.

In which market environment did we operate in 2008? The global recession worsened since the middle of last year – if not earlier. This didn't leave the European consumer electronics market untouched, which fell by 4 percent year-on-year to just below 32 billion euros. The segments DVD Players and Stereo Systems declined by 20 percent and 6 percent,

respectively. The most significant product group continued to be Television, growing slightly by 1 percent compared to the year before.

The market trend in televisions is particularly important for Loewe, because television accounts for the highest percentage of sales volume. The market for LCD TVs continued to grow dynamically at 8 percent. LCD is the dominant TV technology in Europe and now accounts for more than 84 percent of the total market. Despite the general trend toward large-screen, flat-panel display sets with many features, the average price per set declined from 694 euros in 2007 to 649 euros in 2008 as a result of the persistent decline in prices in all relevant screen categories. The average price of all of Loewe's screen sizes was 2,446 euros, which also demonstrates the strength of the Loewe brand and its products.

The television market grew especially robustly in 2008 with an increase of 23 percent in Germany, 13 percent in Austria, 8 percent in Switzerland, and 6 percent in the Benelux countries.

At 4.4 percent, Loewe's LCD market share in euro terms in the European television market in 2008 exceeded the previous year's level by 0.2 percentage points. We achieved our greatest progress in 2008 in Austria and the Benelux countries, where we increased our retail market share to 7.2 percent and 6.7 percent, respectively. In Germany, Loewe's most important market, our retail market share for LCD TV was 10 percent. In this segment, Loewe deliberately opted not to increase volume temporarily in order to protect margins.

Margin has a priority over sales: This principle also applied for Loewe in 2008. For a premium brand, price stability can take precedence over sales growth. Our central task continues to be expanding market positions internationally, while simultaneously strengthening the brand's premium character – yesterday, today, and for the years to come.

Considering this, what did we and Loewe achieve in 2008? Loewe took over as the industry leader in profitability. We enjoyed a special boom in the first half of 2008 owing to the effect of the European Football Championship. Overall for the year, we succeeded in generating record profits despite only slight sales growth.

We systematically expanded the premium distribution network in Germany, but above all in the core European markets.

In the United Kingdom, we founded a new subsidiary in 2007 to handle our marketing activities, which focus on the qualitative expansion of Loewe distribution in particular in the London metropolitan area, where Loewe increased its presence at the end of last year by simultaneously opening five galleries. In its first full fiscal year of 2008, the company generated 7.3 million euros in sales and sees sufficient potential for further growth.

Development of business in Italy was partially influenced by very aggressive competitor pricing. Loewe's sales of 17.6 million euros were down 15 percent year-on-year. Sales at Loewe France fell by 8 percent in 2008 to 19.5 million euros, whereas our business once again developed positively in Austria, where sales increased by 5 percent to 14.8 million euros. Our company in the Benelux countries was also once again highly profitable and increased its sales revenues by 10 percent to 48.0 million euros. The markets in the Benelux countries are Loewe's most important foreign markets.

In Germany, Loewe's largest and most important market overall, we succeeded in increasing sales by 8 percent to 199.6 million euros, after generating 184.8 million euros in 2007.

In all other countries, external distribution partners market Loewe premium products. Loewe's most important export market without a company-owned sales company is Spain. As a result of structural changes and the significant economic slowdown, sales declined in 2008 by 17 percent to 37.7 million euros. Despite its comparatively small size, the Swiss

market is very attractive for high-end products. We are very well-positioned in Switzerland and succeeded in increasing sales by 17 percent to 10.7 million euros.

Ladies and gentlemen, what progress have we made in terms of content and strategy?

We further distinguished the premium brand Loewe and strengthened the product range above all in the areas of home cinema systems and home networking. In January 2008, we presented the Loewe Connect which quickly established itself on the market as a new device category and won numerous tests (the magazine Home Vision praised it as “the most versatile television in the world”), and this spring it won the highest German design award – the design prize of the Federal Republic of Germany in gold. Connect separately received first place from the readers of Video / Home Vision, Audio and Stereoplay, as did our product line.

As a special highlight, in addition to the TV line Art, we also presented the high-end home cinema system Loewe Reference during the consumer electronics trade fair IFA 2008, which proved to be highly successful for Loewe. You can see this breath-taking system here in our exhibition. It will be introduced to the European market this summer. And the new Loewe Art already received the IFA PreView Award as the highlight before the IFA from 250 journalists.

And we were especially pleased about two awards that we received in 2008. The Chicago-based “American Association of Retired Persons” recognized Loewe as one of only three German companies as exemplary for its employment of older workers.

In addition, the German Marketing Association honored our repositioning of the Loewe brand by presenting us the German Brand Award, an exceptional distinction which is received by only one company each year.

In the area of research and development, we particularly invested in home cinema know-how, audio, and home networking. A few weeks ago, we concluded a research project that, among other things, explored new ways of wirelessly networking multimedia devices in the home, together with the Institute for Rundfunktechnik in Munich and with aid from the Federal Ministry for Economic Affairs.

We invested 2.5 million euros in a new production facility at which we can produce large screen LCD TVs especially ergonomically and with individual features – an investment in Germany and in the future success of our company.

Ladies and gentlemen, we would now like to take a look at Loewe’s economic and financial development in 2008 in greater detail.

In an increasingly difficult market environment, Loewe continued to invest in growth and quality in 2008. Capital expenditure increased by 0.7 million euros to 23.9 million euros and exceeded depreciation and amortization by 3.5 million euros. In addition to measures to improve production efficiency, we focused on investments in tools for new premium products and the international expansion of the Loewe brand’s adequate appearance at dealers.

With 1,007 employees on average in 2008, the average number of employees increased by 10 people year-on-year, whereby it was necessary in particular in the areas of marketing and development to hire additional personnel in order to support the continued product offensive and further promote the international brand appearance. The share of trainees in the total workforce also developed positively. On an annual average, 8 percent of the workforce completed in-house training. Thus, the training rate at Loewe significantly exceeds the current national German average of around 5 percent.

Ladies and Gentlemen, please allow me now to describe the most important key figures in detail.

Loewe Group sales grew slightly from 372.5 million euros to 374 million euros in the fiscal year just ended, although fiscal 2007 still included sales of plasma TVs totaling 11.9 million euros. In addition to the sustained market growth of LCD TVs in Europe, Loewe benefited enormously from the positive stimulation of demand from the 2008 UEFA European Football Championship in Austria and Switzerland. Compared to the previous year, sales of LCD TVs rose by 5 percent to 323.6 million euros. The 37-inch and larger screen sizes accounted for most of the growth in sales. The percentage of these large screen TVs to total sales of LCD sets increased from 49 percent in 2007 to 58 percent 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 is positioned excellently in particular in this segment, with many attractive and individual high definition televisions.

With respect to audio/DVD sales, in particular the new Loewe Blu-ray player and the attractive audio components for home cinema solutions developed positively. This product group recorded a 17 percent increase in sales year-on-year to 23.6 million euros.

In 2008, Loewe grew by 8 percent in Germany, while sales outside of Germany declined by 7 percent. As a result of the incongruous development of growth in the foreign markets, the international share of total sales declined from 50.4 percent to 46.6 percent.

Loewe once again significantly improved its EBIT by 35 percent to 28.5 million euros in the year under review. The EBIT margin rose from 5.7 percent in 2007 to 7.6 percent in 2008. 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 with respect to TVs and audio/DVD components, as well as lower procurement costs which are partly benefitting from the weakness of the U.S. dollar. The positive development of earnings was also supported by strong domestic sales.

In particular as a result of higher profits and the reduction of net current assets, the free cash flow totaling 39.9 million euros in 2008 increased by 38.1 million euros year-on-year. In total, cash and cash equivalents increased significantly by 35.4 million euros to 37.0 million euros.

Despite slightly higher sales, the manufacturing costs declined by 4.7% compared to the year before. This improved the cost-of-sales ratio from 73.9% to 70.1% in 2008. We were essentially able to compensate for the market price declines throughout the industry through an improved product mix, lower procurement costs and the generally optimized cost structure. In particular the weak US dollar helped us to realize our efficiency targets. The gross margin improved overall from 97.2 million euros in 2007 to 111.7 million euros. As a percentage of sales, the gross margin increased by 4 percentage points to 29.9 percent in 2008.

Selling expenses rose by 7.7 million euros in 2008 to 75.9 million euros. The increase was mainly the result of targeted efforts at further expanding the brand position, which were associated with higher expenses for communications and the expansion of the shop in shop systems at the point of sale. Furthermore, higher warranty expenses and personnel expenses had an impact. As a percentage of sales, selling expenses rose from 18.3 percent in 2007 to 20.3 percent in 2008. We have consciously invested portions of the windfall profits from dollar exchange rate effects in the further expansion of the company.

Administrative expenses increased only minimally, amounting to 2.6 percent of sales.

Improved financing conditions and the increased investment of overnight and term money at higher interest rates improved net interest expense by 1.2 million euros to 1.0 million euros. Net income increased by 11.7 million euros or 160 percent to 18.9 million euros. It should be noted that the financial statements in 2007 were impacted by a non-recurring tax expense totaling around 4.7 million euros resulting from the German business tax reform of 2008.

The net income of 2008 led to an increase in equity, including minority interests, from 72.2 million euros in 2007 to 89.7 million euros in 2008. The equity-to-assets ratio thus improved from 32.8 percent to 36.9 percent, illustrating our solid balance sheet structure. In addition, the syndicated loan agreement concluded at clearly improved terms until the middle of 2012 with a volume of 50 million euros and the factoring agreement confirmed until the middle of 2010 with a volume of 35 million euros support Loewe's growth targets in the next few years.

However, Loewe Group's positive economic development is not reflected in the current price level of the Loewe share, even if we have made progress in the last few weeks. In light of the global financial market crisis, there has been an out-and-out sell-off especially of small and mid cap stocks in recent quarters. In addition, the Loewe share had to accept significant losses in particular as a result of a direct competitor's profit warnings at the beginning of 2008 and was only able to assert itself with limited success in the weak stock market environment, although the forecast for the European LCD TV market continues to be positive. Despite the considerable price decline, our share proved to be relatively robust compared to many SDAX equities. In light of this, the Management Board of Deutsche Börse decided to reinstate the Loewe share in the German selection index SDAX effective December 22, 2008. Its reinstatement to the SDAX brings our stock once again back to the focus of potential investors within and outside of Germany, as well as index-focused analysts and the public. The general conditions for small-cap stocks in particular are very likely to improve. Therefore, we are convinced that the Loewe share represents a good investment now more than ever.

As a result of the very positive development of earnings, we have decided to propose paying a dividend of 50 euro cents per bearer share to the annual shareholders' meeting today. The dividend, which is nearly twice that paid out in 2007, is based on the record profit which Loewe generated in 2008, as well as our solid cash position.

And how are things going to continue after the record year?

Ladies and gentlemen, due to the difficult macroeconomic situation, we noted a change in behavior among a large number of retailers in the first quarter of this year with respect to television inventory planning. After the highly successful sales during the Christmas season in December 2008, retail inventories were reduced considerably in January and February 2009. This is why Loewe also had a slow start to fiscal 2009.

As expected, based on sales, we are significantly below the previous year's high level, which benefited considerably from positive impulses resulting from the European Football Championship, as well as from the initial placement of the Loewe Connect product line on the market. In addition, the global recession worsened considerably in recent months. This can lead to postponing purchases of durable consumer goods. For that reason, we will continue to observe the economic development in Europe very closely in the coming months and act flexibly and proactively to changes.

As a result of the lower sales volume, we have also fallen significantly short of last year's very high first quarter EBIT. However, with EBIT of 0.7 million euros, Loewe continues to be in the black. Loewe's higher growth year-on-year will take place in the second half of 2009 – supported by Christmas sales in the last four months of the year. The economic development trend in April and May also confirms this trend.

How do we view the current and future development of the market? The global crisis has a tight grip on the world, Europe, and meanwhile also Germany. Consumers continue to take an active interest in consumer electronics. But we are poised to take appropriate action at any time as market conditions change. The first months of 2009 have demonstrated to us that we have to expect a weaker market trend this year than in 2008. We are preparing the company accordingly, paying special attention to cost discipline, but we also selectively

invest in strategically important areas. These include a renewed product offensive in the high-end sector, a brand offensive in partnership with qualified retailers, and focused internationalization efforts.

Keyword product offensive: In summer, we will introduce our new flagship product to the market – the high-end home cinema system Loewe Reference. In the coming weeks, we will also launch the Individual Media Center – you can see this control center for multimedia entertainment in the entire home in our exhibit. We are strengthening our audio line, which is highly successful. In the past year, we were able to increase significantly our market share in speakers in Germany from 6.5 percent to 10.2 percent and have moved to second place. In Europe, the market share has grown from 2.0 percent to 3.4 percent. And we will also offer other product lines with individual features, in addition to Loewe Individual.

Keyword brand offensive: Customer relationship management will help us to develop new potential with existing customers while attracting new long-term customers to our brand. The project started last year will first bear fruit in 2009. We will continue to invest in the brand-adequate expansion of our product presentations at the point of sale. In European urban centers such as Brussels and Copenhagen, the brand has a stronger presence where Loewe target groups with high purchasing power spend their time.

The goal in such flagship galleries is the ideal presentation of the brand both to consumers as well as other commercial partners. In selected metropolitan cities, we will increase brand recognition of Loewe and thus further substantiate the brand's international standard.

Our industry has a good chance of better overcoming the crisis than others. We presume that flat screen TVs are still attractive. The successive entry into high definition television HDTV will provide stimuli for our market, as will networking and audio. In the crisis, many people retreat behind their own four walls – a trend known as 'cocooning'. This trend benefits above all the furniture industry and consumer electronics. If the world outside has become inhospitable, then at least one can enjoy the beautiful side of life in the highest possible quality at home. Furthermore, studies show that brand awareness continues to increase in many product areas. We regard these all as reasons that will further increase demand for Loewe products – even if we won't have any major sporting events this year.

Ladies and gentlemen, I would now like to sum up: The premium segment of consumer electronics continues to present Loewe with good opportunities. We achieved much in 2008. We have become the leading European consumer electronics brand, having made targeted investments in the brand, products, and in internationalization. Our concept of value-based management provides the best foundation for further growth, just like the premium brand Loewe – even if the times are getting more difficult and hardly any expert will make a reliable forecast for 2009. Our goal for the next few months continues to be to achieve sales for 2009 as a whole that are at least on the level of the previous year as well as a margin exceeding the industry average – although it is becoming increasingly apparent to us that this is a very ambitious goal.

Loewe's sound capital structure and long-term financing agreements position the Company very well for the future. Following our motto for the year "Focus, internationalize and act decisively," we will guide your company through the global economic turbulence. Thank you so much for your commitment to Loewe.