

Corporate Governance

Conscientious and transparent management

Loewe is an independent company with a clear brand strategy. Even in 2009, which was a challenging financial year because of the financial and economic crisis, our attractive and individual home entertainment solutions enabled us to further consolidate our current brand position in Europe. Loewe is now considered one of the leading “made in Germany” premium brands in consumer electronics. We attract our customers with products whose aesthetic appeal is timeless, with exclusive individuality, sensible technology and easy operation. In doing so, Loewe consistently follows the most exacting standards. The corporate bodies of Loewe AG pursue the same high standards and sense an obligation to conscientious, transparent and sustained creation of value in managing the company.

Value-based management as an ongoing process

Loewe understands value-based management to be an ongoing process. Our objective is to balance the interests of employees, shareholders, customers and the public. Only on this basis is sustained and long-term growth of the Company’s value possible. All strategic decisions have been based on this concept for many years. With this in mind, we have been publishing the principles of cooperation based on trust between the Executive Board and the Supervisory Board since our 2001 annual report. Good corporate governance is of prominent importance for Loewe AG. For that reason, we support the German Corporate Governance Code issued by the Government Commission and most recently updated on June 18, 2009, and as in the previous year, we will implement all recommendations with only one exception. The current declaration of conformity and all previous versions are available for download on Loewe’s website.

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

Declaration of Conformity

Our principles continue to conform to the recommendations of the Code with one exception. On November 27, 2009, 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 will continue to comply with the recommendations of the German Corporate Governance Code as amended on June 18, 2009, published in the electronic Federal Gazette on August 5, 2009, 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 and for the prevention of unequal treatment of members of the Executive Board (sub-section 4.2.3 (4) sentence 1 of the Code).

2. Loewe AG has complied 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 since its last declaration of conformity of November 28, 2008 except for the recommendation set forth in sub-section 4.2.3 (4) sentence 1 (severance payment cap in concluding Executive Board contracts).”

Remuneration of the Executive Board of Loewe AG

Loewe AG complies with the recommendations of the German Corporate Governance Code to disclose the remuneration for the Executive Board and the Supervisory Board individualized and broken down into fixed and variable components. The members of the Executive Board of Loewe AG are simultaneously managing directors of Loewe Opta GmbH. The remuneration of the Company's Executive Board for fiscal year 2009 totaled EUR 1,971,360 (2008: EUR 2,694,626). No separate remuneration was paid for the 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 2009 Shareholders' Meeting and such a presentation is also planned for the next Shareholders' Meeting on May 20, 2010. See page 135 of the Notes 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

In conformity with sub-section 5.4.7. of the German Corporate Governance Code, Loewe reports the compensation of the Supervisory Board individually and subdivided according to components. The remuneration of the Supervisory Board is governed by the relevant provisions of the Articles of Incorporation, the currently valid version dated June 5, 2009 which was adopted by shareholders in the 2009 Shareholders' Meeting. 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 Group 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 fiscal 2009 came to EUR 154,482 (2008: EUR 200,667). See page 134 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.

Directors & officers insurance also exists for the Supervisory Board. An appropriate deductible – geared to the Supervisory Board incentive compensation – has been stipulated.

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 or 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.

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

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 and the sale of the Company's shares if the value of the transactions equals or exceeds EUR 5,000 in a calendar year. No transactions were reported to Loewe between November 28, 2008 and December 31, 2009.

Generally, Loewe promptly reports the details concerning these transactions and displays them permanently at www.loewe.de under Investor Relations. It also properly informs the German Federal Financial Supervisory Authority (BaFin).

Shareholdings of the Executive Board and Supervisory Board

As of December 31, 2009, the Executive Board held 158,458 (2008: 158,476) 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 (2008: 550,000).

Compliance at Loewe

As one of the leading brands in consumer electronics, sustainable economic, ecological and social action is an indispensable element of the corporate culture for Loewe. To meet the standards of a premium brand, we must exhibit perfect ethical conduct in our internal cooperation and in interaction with persons from the outside. This behavior includes compliance with laws, regulations and guidelines as well as obligations. Furthermore, Loewe drew up its own code of conduct in fiscal year 2009 and communicated it throughout the Company as a means to improve compliance standards. Based on the fundamental value of integrity, all requirements for the conduct of employees are described in detail in the code. In addition to compliance with all relevant laws, relations with business partners, the avoidance of conflicts of interest, the handling of information and insider rules as well as compliance with environmental protection and safety provisions are of particular importance for us.

Transparent and fair reporting

The requirement of making the same information available to our shareholders, financial analysts, shareholder associations, media and the interested public in both German and English regularly and simultaneously is of prominent importance for Loewe corporate communications. During the fiscal year, we provide information to the capital market in the six months' financial report and by means of the corresponding interim reports for the first and third quarters. Furthermore, Loewe also announces its information in press conferences and analysts' conferences and uses the Internet as an information platform. 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 provide information promptly concerning circumstances that are not public knowledge that, if disclosed, would be capable of influencing the Loewe share price considerably.

New code of conduct drawn up and communicated throughout the Company

Responsible handling of risks

Good corporate governance also includes responsible and consistent handling of business risks. By clearly defining risk areas, 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 risk management system is an integral component of Loewe's 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 69 et seq. in the Risk Report section of the Group Management Report for further details.

Systematic identification, assessment and documentation of existing individual risks

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 three 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 136 et seq. of the Notes to the Consolidated Financial Statements in the section Corporate Bodies/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 be found there.

Kronach, March 18, 2010

For the Executive Board



Frieder C. Löhner
Chief Executive Officer

For the Supervisory Board



Dr. Rainer Hecker
Chairman of the Supervisory Board