My Entertainment.

Annual Report 2011

LOEWE.

Mission

We provide customers with exciting products that feature timeless beauty, exclusive individuality, innovative technology and ease of use.

Vision

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

About Loewe

Award-winning design, innovative technology and superior quality are features of all products sold under the Loewe premium brand. Technology highlights include: home entertainment systems with high-definition picture quality, an integrated hard disk recorder and a perfect connection between Internet and television. In 2011, sales for the the publicly traded company founded in 1923 in Berlin totaled € 274.3 million. Loewe manufactures and distributes televisions, Blu-ray players, DVD recorders, Audiodesign products and multiroom solutions. The Company has around 1,000 employees and, on an international level, is represented in 50 countries.

Key Figures (IFRS)

The Loewe Group in Numbers *
EUR million

	2011	2010	2009	2008	2007	2006	2005
Sales	274.3	307.3	324.0	374.0	372.5	341.9	319.1
EBIT	– 10.5	– 5.3	13.5	28.5	21.1	13.2	2.1
Net income/loss	– 10.7	– 7.0	8.0	18.9	7.2	6.5	– 1.9
Earnings per share (EUR)	– 0.82	– 0.54	0.62	1.45	0.55	0.50	– 0.15
Dividends per share (EUR)	0.00**	0.00	0.25	0.50	0.27	0.00	0.00
Non-current assets	42.3	47.2	48.2	49.6	46.4	42.5	41.6
Equity (excl. minority interest)	72.0	79.5	87.6	88.4	71.6	64.4	57.9
Net bank deposits	27.0	13.1	35.1	33.9	– 1.7	– 3.5	3.5
Factoring	0.0	5.0	0.0	0.1	0.9	0.0	2.8
Capital expenditure	17.0	20.7	19.0	23.9	23.2	18.5	11.8
Depreciation and amortization	21.9	21.7	20.3	20.4	19.1	17.6	21.4
Free cash flow	18.9	– 23.1	7.8	39.9	1.8	– 4.2	21.7
Development costs	14.4	15.9	16.1	15.6	14.4	13.0	12.5
Interest expense, net	2.3	2.4	1.8	1.0	2.2	2.7	4.0
Number of employees	1,022	1,062	1,042	1,007	997	965	945

* Continuing and discontinued segments
** Proposal to the Annual Shareholders' Meeting on May 15, 2012

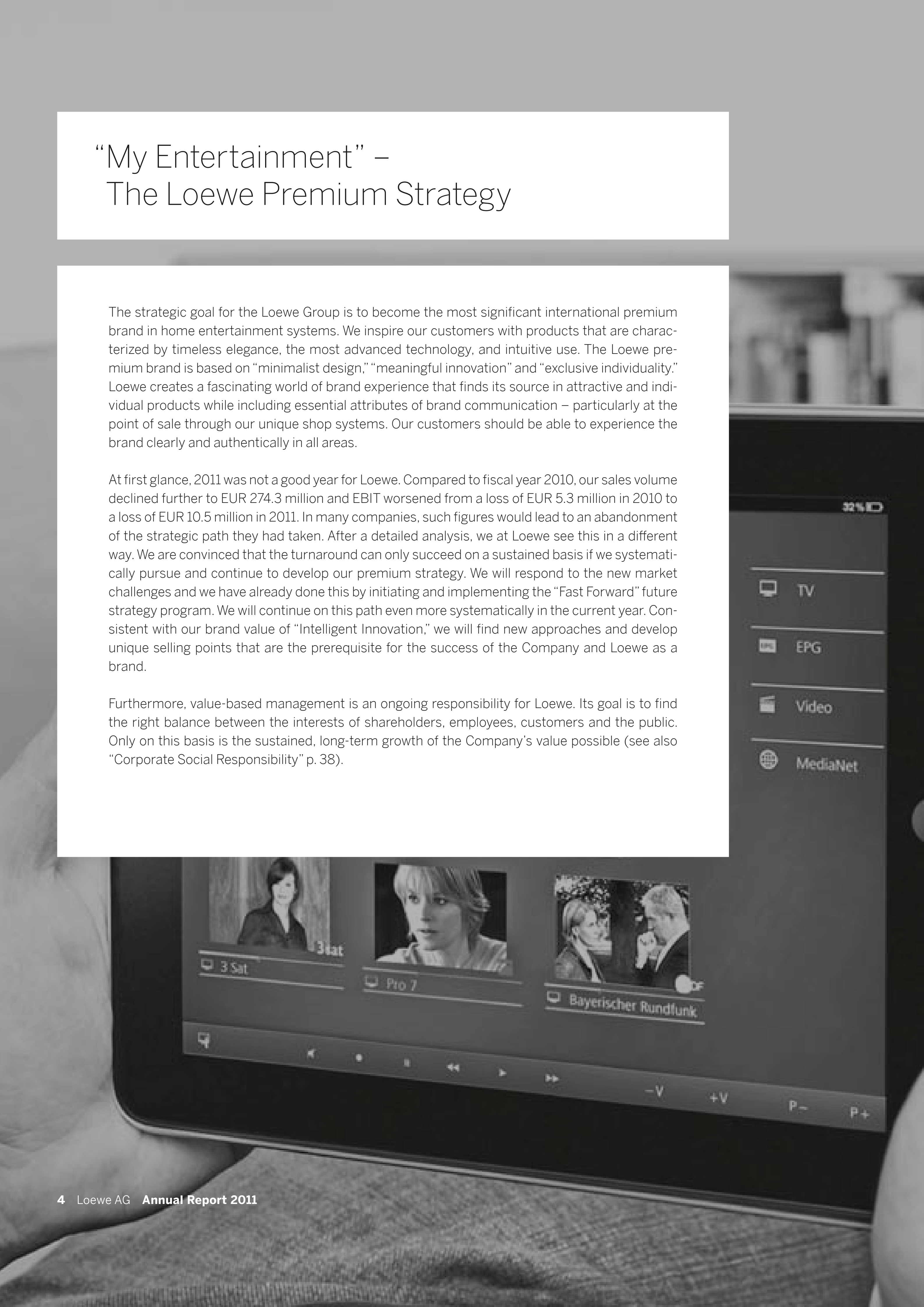
Contents

"My Entertainment" – The Loewe Premium Strategy

The strategic goal for the Loewe Group is to become the most significant international premium brand in home entertainment systems. We inspire our 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 finds its source in attractive and individual products while including essential attributes of brand communication – particularly at the point of sale through our unique shop systems. Our customers should be able to experience the brand clearly and authentically in all areas.

At first glance, 2011 was not a good year for Loewe. Compared to fiscal year 2010, our sales volume declined further to EUR 274.3 million and EBIT worsened from a loss of EUR 5.3 million in 2010 to a loss of EUR 10.5 million in 2011. In many companies, such figures would lead to an abandonment of the strategic path they had taken. After a detailed analysis, we at Loewe see this in a different way. We are convinced that the turnaround can only succeed on a sustained basis if we systematically pursue and continue to develop our premium strategy. We will respond to the new market challenges and we have already done this by initiating and implementing the "Fast Forward" future strategy program. We will continue on this path even more systematically in the current year. Consistent with our brand value of "Intelligent Innovation," we will find new approaches and develop unique selling points that are the prerequisite for the success of the Company and Loewe as a brand.

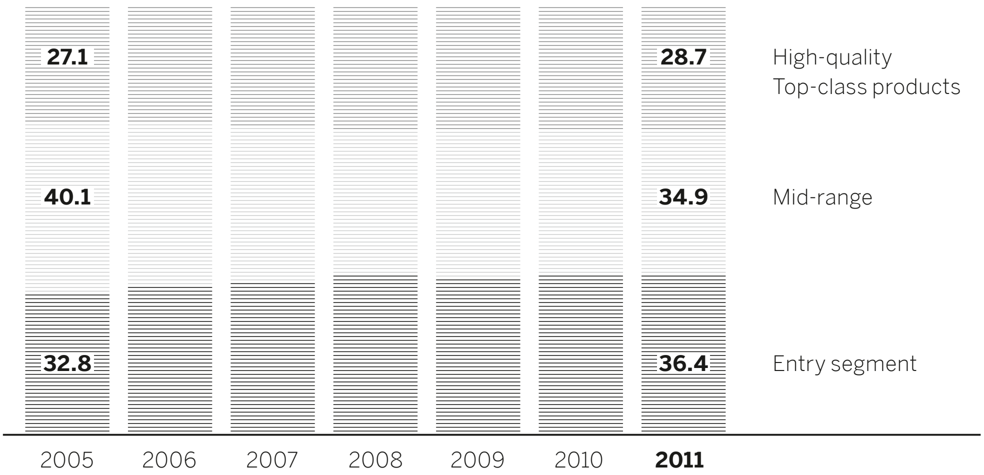
Furthermore, value-based management is an ongoing responsibility for Loewe. Its goal is to find the right balance between the interests of shareholders, employees, customers and the public. Only on this basis is the sustained, long-term growth of the Company's value possible (see also "Corporate Social Responsibility" p. 38).



The premium strategy is still the foundation

As part of “Fast Forward,” Loewe has also scrutinized and further developed its strategic direction. The premium strategy will continue to be the main pillar of Loewe’s future direction. We are convinced that Loewe will regain its old strength if the customers perceive our premium brand as unique and true to its image wherever they come into contact with it. For that reason, Loewe will continue to fine-tune its basic strategic direction and improve the systematic implementation in the international markets in particular.

Market share development (value) in %
Premium brands and market leaders continue to enjoy preferences.

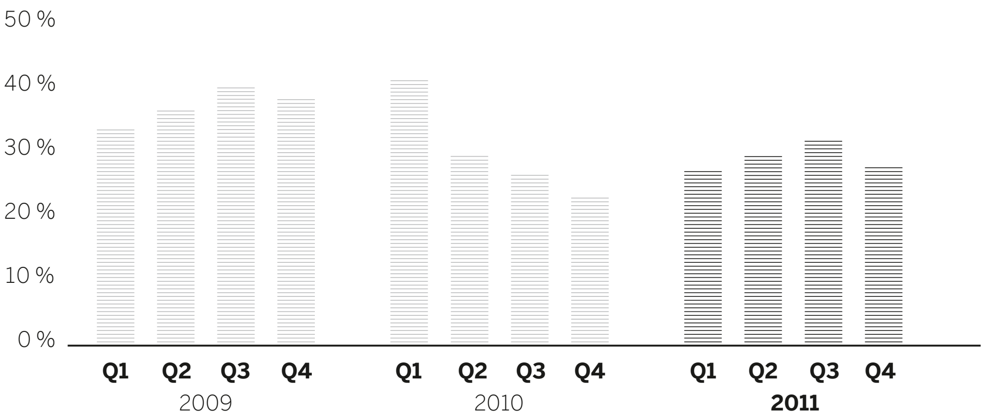


Strategic expansion of the product line

In Europe, Loewe is the leading premium brand in home entertainment. In the core LCD TV segment of home entertainment, Loewe achieved a retail market share of 29.3 % throughout Europe in the premium price category of EUR 2,000 and above in 2011. However, when combined with the disappointing sales in 2011, this pleasing figure shows that Loewe must also offer highly attractive sets in the price categories below EUR 2,000 in order to get itself back on track for growth. The Company will implement this in two steps in the core TV segment. One of these will be the launch of the uniquely individualizable TV line Connect ID and the other step will be the expansion of the Xelos family to include large screen diagonals. In their price class, both product lines will make it easier to enter the premium world of Loewe. To make itself competitive in this segment in particular and in small-screen 22 and 26 inch sets, Loewe has redefined its cooperation with ODM manufacturers, which has proved itself over the years on the periphery of the product line. In the future, we will cooperate with a well-known partner who will produce the sets according to Loewe designs and specifications in the utmost quality.

Market share development

Sales revenues LCD-TV as of EUR 2,000 in total market Europe



Based on turnover total market in %

Furthermore, Loewe has already launched a completely new category of highly attractive Audiodesign products with success. For instance, the Loewe AirSpeaker, which was developed for the Apple world, transmits music wirelessly from any device with Apple AirPlay technology (iPhone, iPod, iPad, computer with iTunes software). The Loewe AirSpeaker features the best sound quality of its class with a nearly unlimited variety of colors and materials. The highlight of this new Loewe line is the top quality audio system SoundVision, which opens up all possibilities for a sophisticated audio experience. And the Loewe brand world starts with prices as low as EUR 499 for the highly versatile audio system Loewe SoundBox. By exceeding expectations, sales to end consumers confirm this strategic product line enhancement. More Audiodesign products will be launched in 2012.

A clear commitment to Kronach as a location

The strategic expansion of the product line changes nothing in our commitment to the Kronach site. As a manufacturer of individual, high-quality, customer-specific solutions in the home entertainment sector, we will continue to produce our core Loewe product line in Kronach. What is vital to all of Loewe's cooperative efforts is to compensate the relative cost disadvantage caused by the smaller number of units in partnership-based cooperation compared to the competition without affecting Loewe's clearly differentiated premium positioning. Loewe's answer is to have its development location in the heart of Europe and the many years of experience in the fragmented European TV market derived from this. This makes the Company of interest to possible cooperation partners. Loewe intends to use strategic cooperation to secure even faster access to new technologies. This is in particular of great significance for our product lines Individual and Reference that define our brand. Loewe will continue to offer its customers the best technology and solutions that are tailored to their needs, and it will do this even faster than in the past.

20:15
Misty Miller - Wild Thing
A Journey
Jazz unplugg
Misty Miller
minimal
02:30
04:25
SoundVision

Systematic further development of the sales strategy

The increase in the number of units sold in the core TV segment is vital for the strategic further development of the Company. Loewe has set ambitious goals for this for the future. Our first step is the already mentioned market launch of the Connect ID which will inspire enthusiasm in the existing target groups of EUR 1,500 and above and capture new target groups. In order to reach these target groups, we will rely on the qualified retailers in the future as well. Loewe has a strong footing in this area in the countries of Europe with German-speaking majorities (DACH region) and in the Benelux countries. However, there are also numerous markets with other structures in which qualified retailers play almost no role anymore. In this area as well Loewe must reach its target groups. For that reason, the Company will develop and implement individual distribution concepts for each market as part of the restructuring of the marketing strategy because Loewe must grow internationally. Due to the difficult general economic situation in the Southern European markets such as Spain and Italy, Loewe will increasingly examine and develop markets with a high future potential. Furthermore, the Company will dedicate considerable time and energy to the global growth markets.

In many international markets but also to a lesser degree in Germany, the percentage of warehouse stores and online retailing in the total sales of consumer electronics has developed positively in recent years. Loewe already took its first successful steps in online retailing in 2011 with a retail partner in the United Kingdom. With respect to all markets, it will be necessary in the future to find the right mix of qualified retailers, warehouse stores, online retailing, and possibly company-owned shops for the individual geographic market. In markets such as Germany and Austria, where Loewe has maintained a close and trusting cooperative relationship with qualified retailers for decades, Loewe will of course integrate its existing retail partners in new distribution concepts. In the future, one thing will apply to all Loewe markets across the board: we must present the Loewe premium products to our target groups where they look for them.

Individuality as a competitive advantage

With all product innovations, Loewe will further develop the megatrend of the future: individuality. We recognized this as early as 2005 and have had a decisive influence on it. Similar to the case of the Audiodesign products and the TV line Individual, the individual user of the Connect ID will decide what his or her Connect will look like, because "ID" stands for individual design. To that end, the user will select a personal housing color from a broad range of colors and configure his or her preferred placement solution. This is an offer that is made by no other competitor in this price category. We will systematically expand this competitive advantage in the future – as the Connect ID will demonstrate.

Smart TV as a competitive advantage

With the Connect, we already demonstrated in 2008 that Loewe is the pioneer with regard to networking in the home entertainment sector. We will again expand this leading position and in the future offer simple to use, highly individualizable, network-based home entertainment solutions that make it extremely easy to open up multimedia content – whether from the Internet, the home server or from the cloud. In the future, Loewe will be the group-independent provider of solutions for structuring and conveniently using all of the customer's audio, video and photo files. The best thing about this is that existing Loewe home entertainment components can be easily integrated


Weather
New York
Temperature
today
24°
tomorrow
28°
Photo Collection
Flickr
My Video Collection
Min 53:24
Today on TV
ZDF 20:15 Documentation
DR+ Streams
My private DR+ Collection
LOEWE.

into this network. Furthermore, Loewe will live up to its claim of being the leader in product design and user-friendliness in the future as well. The Company will offer fascinating new products in this area in late 2012 and early 2013. Loewe will also keep up with the trend toward large-screen sets and reasonably expand its product line in this area.

Become the leading home entertainment provider with meaningful innovations

In 2011, Loewe created the optimal conditions for a successful year 2012 by completely revising the television product portfolio and expanding the product line to include the Audiodesign products. In January 2012, the Company launched the Loewe Assist Media app for the Apple iPad onto the market. This app enables the user to comfortably search for the desired program in the clearly arranged electronic program guide (EPG) and switch over to it at the touch of a finger. And this is only one of innumerable functions of the currently most complete control app in entertainment electronics. The Loewe Assist Media app is the first step in offering the Loewe customer an even greater user experience. Besides being perfect home entertainment, this also makes the Loewe product world smart entertainment. During the International Consumer Electronics Fair (IFA) 2012, the Company will also introduce a completely new user experience for the entire home entertainment product line. Loewe will put forward additional innovations in the new product Audiodesign. The integration into the customer's home network and the connection to the Internet will become increasingly important.

Significantly broader target groups for the Loewe premium world

The Company has made it a goal to attract new customer groups to the fascinating premium brand Loewe. With the Audiodesign products and the Xelos family, we now offer a brand-adequate entry into the Loewe premium world, which aims at a significant expansion of the customer groups. Furthermore, the expansion of the individualization idea to the new Connect ID will open up the individualizable Loewe home entertainment world to a significantly broader target group in the mid-range Loewe price segment starting in 2012. The new products will make it possible to introduce this new consumer class to the exciting Loewe premium world. This will strengthen the premium brand!

Loewe – My Entertainment

Loewe will come out of the crisis of the last two years with greater strength and show in the coming years that it is possible as a European manufacturer to set standards in the fields of design, technology, networking and user-friendliness. We are firmly committed to our premium strategy and will implement it even more systematically in the years to come – for instance, in the field of social media as well. This is a unique mixture of technology and emotion, with unmistakably individualizable product concepts and system solutions, with innovative applications and possibilities for use, with a clear design language and a home entertainment product portfolio, which the end customer can only obtain with this level of balance and completeness from one manufacturer: Loewe – My Entertainment.


96,6 Mhz BBC Radio
LOEWE
jack johnson. on and on
im Detail
UNTER 200.000 EURO

Oliver Seidl
Chairman of the Executive Board

Dr. Detlef Teichner
Chief Technology Officer (CTO)

Dear Shareholders,

The Loewe Group generated positive EBIT of EUR 1.2 million in the fourth quarter of 2011. Our top-quality home entertainment systems as well as our new appealing Audiodesign solutions made a positive contribution to earnings. Nonetheless, Loewe failed to meet its highly ambitious revenue and income targets due to an environment of intense price competition and the significantly increased buying restraint of customers for consumer electronics products, particularly in the first six months of 2011. As a result of these strains, sales of the Loewe Group at EUR 274.3 million in fiscal 2011 were 11 % lower than the 2010 figure of EUR 307.3 million. The reduced sales and production volume led to an EBIT loss for Loewe of EUR 10.5 million for all of 2011 (previous year: EBIT loss of EUR 5.3 million). Despite the loss in earnings, Loewe succeeded in considerably improving liquidity as of December 31, 2011 to just under EUR 27 million. This provides us with a solid financial base which will support our growth targets in the current 2012 fiscal year.

The Loewe premium strategy is and will continue to be of fundamental importance for a successful turnaround. We are convinced that our Company will regain its old strength if the customers perceive our premium brand as unique and true to its image wherever they come into contact with it. For that reason, Loewe will continue to fine-tune its basic strategic direction as part of its "Fast Forward" future strategy program and improve the systematic implementation in the international markets in particular. Furthermore, we will in the future focus even more intensely on user-friendly home entertainment systems and new attractive Audiodesign solutions that meet the high expectations of sophisticated users and can be optimally integrated into individual home interiors. For the medium term, the strategic goal is for Loewe to become the leading international premium brand for individual home entertainment solutions.

Especially the convergence of consumer electronics and the IT industry is bringing momentum to the market. A new world of individualizable networking is currently coming into being. The Internet is transforming the television set into a multifunctional "smart TV." For the sophisticated Loewe customer, this trend offers many benefits and increases the attractiveness of our intelligent, top-quality and carefully coordinated systems. We have already begun to restructure our entire product line from this perspective.

The result of the product offensive is already visible in our completely new category of highly attractive Loewe Audiodesign products. For instance, the Loewe AirSpeaker, which was developed specifically for the Apple world, plays music wirelessly from any device with Apple AirPlay technology. The Loewe AirSpeaker features the best sound quality of its class with a nearly unlimited variety of colors and materials. In the area of televisions, Loewe will launch the new product line Connect ID in the price segment of EUR 1,500 and above in the second quarter of 2012. The Loewe Connect ID offers individual style and technical features that are unrivaled by any other set in this price category. With the new product family, Loewe specifically meets the needs of a significantly broader target group and moreover appeals to a younger customer base which will thus be introduced to the brand at an earlier stage. Connect ID is positioned exactly in this attractive price segment which will grow at an above-average rate in Europe in the current 2012 fiscal year.

But how and where will we tap into this significantly broader and younger target group in the future? To that end, we will primarily rely upon our close and trusting cooperation with qualified retailers especially in the countries of Europe with German-speaking majorities (DACH region) and in the Benelux countries. However, there are also numerous markets with other structures in which qualified retailers play almost no role anymore. Lowe must reach its target groups in these markets as well, and for that reason is currently developing individual distribution concepts for each specific market. Due to the difficult economic situation in the Southern European markets such as Spain and Italy, we are examining and currently giving greater attention to the development of markets with a high future potential such as Eastern Europe. Furthermore, we are dedicating considerable time and energy to global growth markets.

With regard to Loewe distribution, it is important to find the right mix of qualified retailers, specialist retail stores, online shopping, and, where appropriate, company-owned shops for the particular sales market. In markets such as Germany or Austria, Loewe will of course integrate the existing retail partners into new distribution concepts. However, in all markets, we must in general present the Loewe premium products to our target groups where they look for them.

Even if the persistently difficult economic conditions in parts of Europe put a strain on Loewe's export business in particular, the market for consumer electronics in the premium segment offers good opportunities in the medium term. For that reason, Loewe expects growth in sales and a significant improvement in earnings for fiscal year 2012. Assuming that the value of the European market for LCD TVs will continue to grow in the years to come and the macroeconomic conditions in Europe will not worsen significantly, growth in sales and a further improvement in earnings can also be expected for 2013. Moreover, Loewe's sound capital structure puts the Company in a good position for the future.

Sincerely yours,

O. Seidl

Oliver Seidl
Chief Executive Officer of Loewe AG

Dr. Rainer Hecker
Chairman of the
Supervisory Board

Dear Shareholders,

The 2011 fiscal year was once again highly unsatisfactory for the Loewe Group. In the first six months of the year in particular, our Company clearly fell short of its ambitious targets for sales and earnings, largely due to intense price competition and the fact that consumer restraint was significantly stronger than in the prior year in the entertainment electronics sector. In the year 2011 as a whole, the market for LCD TVs declined by 10 % in Europe.

Loewe responded early to the changed market and framework conditions. We stepped up our "Fast Forward" future strategy program with the objective of systematically enhancing Loewe's particular strengths of being able to respond rapidly, flexibly, and with an innovative competitive edge. However, despite our quick response and the first visible successes with positive contributions to earnings in the fourth quarter of 2011, the Company was not able to return to the profit zone in 2011. For fiscal year 2011 as a whole, Loewe posted negative EBIT of EUR 10.5 million.

As in previous years, the Supervisory Board was vigilant in fiscal 2011 in exercising the responsibilities incumbent upon it in accordance with statutory regulations, the Company's bylaws, and the principles of the German Corporate Governance Code. It regularly advised and supervised the Executive Board in the management of the Company. The Supervisory Board was involved in all decisions of fundamental importance to the Company. The Executive Board informed the Supervisory Board on a regular basis, in good time, and comprehensively in written and oral form on all matters of relevance for its work. Significant subjects of discussion were the development of business, the earnings and financial position, and the human resources situation as well as corporate planning, capital expenditure projects, and risk management. There was no potential for conflicts of interest among members of the Executive Board and Supervisory Board that would have had to have been immediately disclosed to the Supervisory Board and made known to the shareholders.

The primary themes in the past fiscal year included the Company's strategic realignment, the 2010 financial statements, the general development of business in 2011, and the budget for fiscal year 2012. Between board meetings, the chairmen of the Executive Board and Supervisory Board conferred on all issues of importance for the Company. In addition, the corporate planning and significant single events such as the appointment of senior executives were discussed.

To increase the efficiency of the Supervisory Board's work and the handling of complex situations, the Supervisory Board is supported in the performance of its responsibilities by three committees: the personnel committee, the audit committee, and the nominating committee. Please refer to pages 135 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 three committees.

As in previous years, the Supervisory Board concerned itself with the rules of the German Corporate Governance Code, and on November 25, 2011, issued a new declaration of conformity pursuant to Section 161 of the German Stock Corporation Act. The declaration is on page 1 of the joint Corporate Governance Report. All recommendations of the German Corporate Governance Code issued by the Government Commission and most recently updated on May 26, 2010, will be fully implemented, except for Section 4.2.3 (4) sentence 1 of the Code.

For consulting and support of the systematic implementation of "Fast Forward," a steering committee was formed in 2010 that in 2011 was made up of the Executive Board, the restructuring consultant, and three members of the Supervisory Board. The determination of the content of the restructuring measures and the prompt implementation and monitoring were discussed in a total of five meetings of the steering committee.

The Supervisory Board met a total of five times in the period under review. The audit committee met five times and the personnel committee and the nominating committee each 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. The Supervisory Board always discussed in detail the Executive Board's reports in all meetings and delivered its vote on this basis. All members of the Supervisory Board participated in the Supervisory Board meetings except for the meetings of March 17 and June 20, 2011. The Supervisory Board member absent (excused) in the respective meetings was informed separately and promptly.

In preparation for the Supervisory Board's financial statements meeting, the audit committee in its meeting of March 10, 2011 reviewed the accounting documents of Loewe AG and the Loewe Group as of December 31, 2010. 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. In addition, the Executive Board explained the significant changes of the business risks in the current fiscal year. Current changes in risk assessment were presented and discussed in detail.

The meeting on March 17, 2011, focused on the presentation, discussion, and review of the financial statements and management report of Loewe AG, the consolidated financial statements, and the combined management report for Loewe AG and the Group for the year ended December 31, 2010. 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 referred to and thus adopted the financial statements for the year ended December 31, 2010. Furthermore, the Supervisory Board adopted the recommendation for the agenda of the Annual Shareholders' Meeting held in Munich on May 26, 2011.

Prior to the Annual Shareholders' Meeting on the same day, the Supervisory Board meeting on May 26, 2011, focused on day-to-day reporting by the Executive Board as well as the state of risk management in the Loewe Group. On the same date, the risk management system at Loewe and the status of risk assessment was again presented and explained.

On reaching retirement age, Dr. Mark Wössner resigned from his position as member of the Loewe Supervisory Board as of the conclusion of the Annual Shareholders' Meeting on May 26, 2011. The Shareholders' Meeting then appointed Dr. Dorothee Ritz, member of the management board of Microsoft Deutschland GmbH, to the Supervisory Board of Loewe AG. In the subsequent constituting meeting of the Supervisory Board, Dr. Rainer Hecker was re-elected Chairman of the Board. The Supervisory Board wishes to express its gratitude to Dr. Mark Wössner for his longstanding and unwavering commitment as well as for his exceptionally successful work.

In addition to the status of the internal audit at Loewe, the meeting of the audit committee on September 20, 2011, concentrated on the determination of the planned focuses of the annual audit for 2011.

In the Supervisory Board meeting that immediately followed the meeting of the audit committee, the main topic was the appointment of Dr. Detlef Teichner as new CTO of Loewe AG. He was appointed to the Executive Board as successor of Gerhard Schaas, who went into retirement at year-end 2011. Gerhard Schaas will continue to be available to the Company as a representative in a number of external committees and associations. Additionally, the Supervisory Board of Loewe AG and Executive Board member Manfred L. Fitzgerald mutually agreed to separate with effect as of November 30, 2011.

The Executive Board of Loewe AG now consists of CEO Oliver Seidl, who at the same time acts as CFO, and CTO Dr. Detlef Teichner. Since December 1, 2011, top management has been reinforced with the Marketing Director Henrik Rutenbeck and Sales Director Gerd Weiner. Their appointment ensures direct responsibility and short lines of communication in top management. The Supervisory Board anticipates that the streamlined management structure will accelerate decision-making processes, promote the systematic expansion of premium segment marketing in Germany and abroad, and speed up the implementation and launch of innovative new products.

The Supervisory Board Meeting of December 8, 2011 focused on the current reporting and detailed discussion and adoption of the budget for 2012.

The financial statements of Loewe AG, the consolidated financial statements, and the combined management report for Loewe AG and the Group were prepared in accordance with Section 315a of the German Commercial Code (HGB) based on the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) or in accordance with the provisions of the German Commercial Code and Stock Corporation Act. The auditor appointed by the Shareholders' Meeting on May 26, 2011, has reviewed these documents. The auditor issued an unqualified audit opinion on the annual financial statements of Loewe AG and the consolidated financial statements and the combined management report for Loewe AG and the Group.

The auditor conducted the audit in accordance with Section 317(4) of the German Commercial Code and determined that the Executive Board has established a monitoring system that fulfills legal requirements for the early recognition of risks that could threaten the existence of the Company and that the Executive Board has taken adequate measures to recognize developments early on and ward off risks.

The auditor issued to the Supervisory Board the independence declaration required under the Corporate Governance Code and disclosed to the Supervisory Board the audit and consulting fees charged in the respective fiscal year.

In its meeting of March 8, 2012, the audit committee of the Supervisory Board analyzed and reviewed the accounting documents of Loewe AG and the Loewe Group as of December 31, 2011. At the same time, the order of events, essential findings, and the results of the audit were also 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 financial statements of Loewe AG for the year ended December 31, 2011, the consolidated financial statements for the year ended December 31, 2011, and the combined management report of Loewe AG and the Group for fiscal year 2011 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 15, 2012, the financial statements were discussed in detail following a report by the Executive Board and the auditor. The auditor also reported the most important results of the audit. The Audit Committee chairman gave information concerning the committee's activities and the results of its review. No objections were raised upon conclusion of the review. Accordingly, the Supervisory Board approved of the results of the audit in its meeting on March 8, 2012.

The Supervisory Board approved the combined management report prepared by the Executive Board and the financial statements of Loewe AG for the year ended December 31, 2011, which can thus be considered adopted. Furthermore, the Supervisory Board adopted the recommendation for the agenda of the Annual Shareholders' Meeting to be held in Munich on May 15, 2012. In connection with the proposal for the appointment of the auditor for fiscal 2012, the Supervisory Board relied on the recommendation of the audit committee.

The Supervisory Board would like to express its gratitude to the Executive Board, the employees, and the employee representatives for their dedicated commitment in 2011, a fiscal year that was exceptionally difficult and challenging for Loewe. We are convinced that thanks to the successfully initiated restructuring measures, the new organizational structure, and our clear, premium-focused strategy Loewe will regain its past strength.

Kronach, March 15, 2012

Dr. Rainer Hecker
Chairman of the Supervisory Board

Your

Sensitivity.

Our

Ambition.

Loewe Audiodesign

Your Sensitivity. Want front-row seats at a classical concert? How about a command performance by your favorite band? Experience extraordinary sound that fills the entire room. No one knows your entertainment preferences better than you do.

Our Ambition. We let you have it your way because our sound systems are designed for your listening pleasure. Our goal is to provide you with superlative, genuine sound while setting striking visual accents. We combine performance and presence to give you a limitless listening experience.

My Entertainment. More multimedia, more varied and more unique than ever before.

– **Share price development** of Loewe stock
– **New shareholder structure** for Loewe
– **Analyst coverage** continues at a high level
– Dedication to the **German Corporate Governance Code**
– **All recommendations implemented** with just one exception
– **Value-based management** as the basis for sustained growth of the Company's value
– **Active increase** in energy efficiency

Our Company/ Our Responsibility

Loewe in the Capital Market

Nuclear disaster in Fukushima triggers wave of selling in the global equity markets

The capital markets all over the world started the new fiscal year 2011 on a very promising note. Strong results of several U.S. companies and the successful bond auctions in Spain and Greece initially provided for confidence on the international stock exchanges. At the beginning of the year, investors had not yet turned their attention to the European national crisis, sovereign debt crisis and crisis of confidence. The initial placement of a euro bond of the European Financial Stability Facility in the amount of five billion euros was extremely encouraging. The multiple over-subscription of this issue gave an indication of the high liquidity present in the market. Continued good economic data from the U.S. and the upgraded forecast for economic growth by the US Federal Reserve caused the markets to climb to new highs by mid-February. The prospects for the eurozone, especially for Germany were also very encouraging. At that point, the ifo Business Climate Index reached its highest value since German reunification. However, at the same time these highs were reached, more attention was again paid to the critical factors. The national crisis in Egypt and the violent fighting in Libya propelled commodity prices to a two-year high and gave rise to the fear of rising inflation and resulting higher interest rates. In this market environment, the nuclear disaster in Fukushima, Japan triggered a wave of selling in the global equity markets. The downgradings of the national ratings of Greece, Spain and Portugal accompanying this development also dampened the mood; however, they were not yet at the forefront during this phase.

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 for Loewe stock

Loewe stock reaches annual high in mid-March

The stock of Loewe AG made a modest start in the 2011 trading year. Contrary to the general market trend, our stock continued to lose value until mid-January 2011 and reached its preliminary low at EUR 5.63 on January 13. The subsequent recovery extended until far into the month of March. While the overall market came under significant pressure at this juncture, the Loewe stock posted its annual high at EUR 7.45 on March 14. This was accompanied by a significant rise in trading volume. While the average daily volume in 2011 was just under 17,000 shares, an average of about 36,000 shares were turned over per day during this recovery phase. On reaching the annual high, the trend changed, however, and the stock began a constant downward movement marked by little momentum until mid-year.

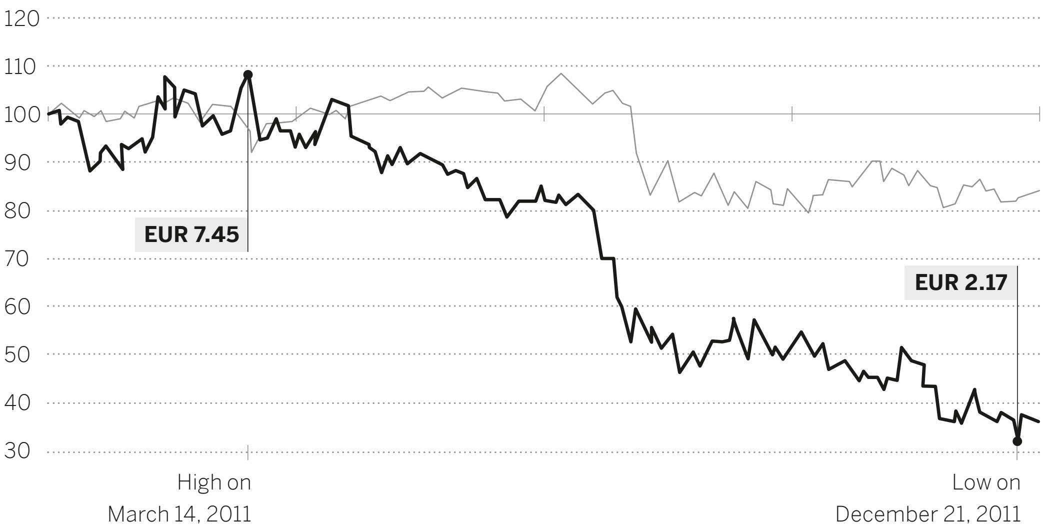
The stock markets recovered quickly from their losses. Higher than expected corporate results and a continued positive economic outlook for Germany dominated the markets and prompted the Deutscher Aktienindex (DAX) to climb to its annual high of 7,600 points on May 2. The focus did not shift to the downgrade of the United States' long-term credit rating from "stable" to "negative" by Standard & Poor's and the necessary use of the European Financial Stability Facility for the euro by Portugal in the amount of EUR 80 billion until after the end of the corporate reporting season in mid-May. The debt problems of several European states, in particular the sovereign debt of Greece and emerging concerns about Spain's and Italy's creditworthiness led to a sell-off in the stock exchanges in early August 2011. Within a few days, the leading German index lost nearly 25 % of its value. On August 8, the downgrading by Standard & Poor's of the U.S. credit rating to AA+ and a significant dampening of economic expectations led to a loss for the DAX of 5.82 %. This was the index's greatest daily loss since November 2008. The significantly higher volatility reflected the anxiety of market participants. At this time, investors sought out bonds, precious metals and in particular Swiss francs as a safe haven among Europe's currencies. The DAX reached its annual low on September 12 at 4,965 points, down 34.7 % from its annual high.

The stock of Loewe AG was also not immune to the significantly higher pressure on the financial markets. At mid-year our stock was beaten down further before reaching a new low of EUR 3.19 on August 19. Further trading was dominated by increased volatility and continued selling interest. The taking of an equity participation by the French storage and network specialist LaCie by acquiring 11.17 % of the shares, and the changes in the Executive Board of Loewe AG calmed trading and the stock continued to move sideways until year-end with significantly reduced volatility. However, the stock managed to recover from its annual low of EUR 2.17 on December 21 and ended 2011 at a price of EUR 2.50.

In the fourth quarter of 2011, the international financial markets were exposed to constantly changing influences of the European debt crisis combined with a significant widening of volatility. The prospect of a solution to the Greek sovereign debt problems and the agreement concerning a European bailout package of one billion euros made October the best month of the year for the DAX with 11 % growth. After that, additional downgradings of some European member states' national ratings repeatedly led to sharp price losses. After a very turbulent year, the German leading index ended trading at 5,898 points and 14.7 % below the level reached a year earlier.

Loewe stock performance from December 30, 2010 to December 30, 2011

indexed against SDAX (Frankfurt) —— Loewe AG —— SDAX



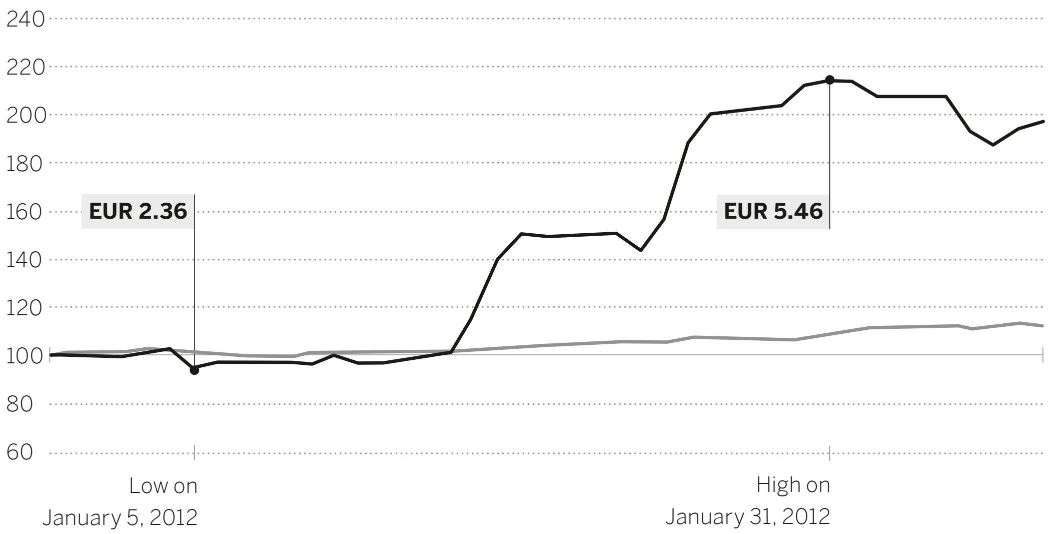
Loewe stock rises robustly at the beginning of 2012

The international financial markets mastered the start of the current fiscal year 2012 with flying colors. Supported by strong economic data from the U.S. and China and also by the successful bond auctions of Germany and particularly Spain and Italy, equity markets posted significant gains as early as the first trading day of the new year. Without the volatility of the past months, the DAX reached a temporary annual high of 6,838.13 points on February 9, 2012. It thereby exceeded the closing level of 2011 by almost 1,000 points or 15.9 %.

Value of Loewe stock doubled since start of 2012

The stock of Loewe AG also achieved a brilliant start in the new 2012 trading year. Buying interest rose massively from mid-January on and daily volumes peaked at more than 150,000 shares per day. The average daily volume thus increased to approximately 62,000 shares per day on all stock exchanges until mid-February. The price of our stock also made significant gains since the beginning of the year and reached a temporary annual high on February 2, 2012 at EUR 5.40. Loewe stock had thus doubled since the beginning of the year. Its gain of 115.9 % at that point in time put it significantly ahead of the SDAX which improved by 13.5 % to 5,019.11 points by that date.

Loewe stock performance from December 30, 2011 to February 13, 2012
indexed against SDAX (Frankfurt) —— Loewe AG —— SDAX



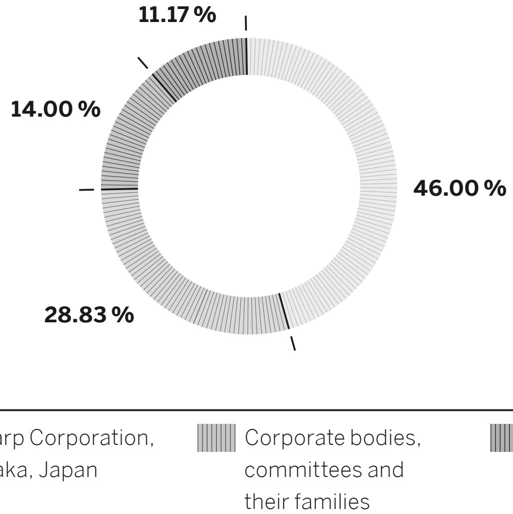
New shareholder structure for Loewe

In its thirteenth year as a publicly traded company, the shareholder structure is characterized by a free float of 46.00 % of the share capital. Just under 15,000 securities accounts with Loewe shares were registered for the Annual Shareholders' Meeting in the "Alte Kongresshalle" in Munich on May 26, 2011. All seven items on the agenda passed with only a few opposing votes. A total of 130 Loewe shareholders and guests of the Company attended the Annual Shareholders' Meeting. Since the most recent capital increase in October 2005, Sharp Corporation, Osaka, Japan, continues to hold its 28.83 % stake in the Company, with Loewe corporate bodies, committees and families holding another 14.00 %.

Since November 7, 2011, the French storage and network specialist LaCie has held 11.17 % of the voting rights of Loewe AG. Most of the shares were acquired from the British financial investor EQMC. LaCie is a consumer electronics company based in Paris. It primarily offers external hard disks and network attached storage (NAS) as well as cloud-based systems for the centralized archiving and distribution of video, audio and photo files. Like Loewe, LaCie focuses heavily on design and innovative technology in its products.

Network specialist acquires 11.17 % of Loewe stock

Shareholder structure of Loewe AG



Other than this, Loewe has received no reports of holdings of 3 % or more. Several large European investment funds hold Loewe shares in Europe.

Key figures for Loewe stock

	2011	**2010**	2009	2008	2007	2006
Year-end closing price Xetra (EUR)	2.50	6.85	9.00	8.61	15.65	14.65
Annual high Xetra (EUR)	7.45	11.28	11.42	15.65	18.86	20.45
Annual low Xetra (EUR)	2.17	5.62	5.80	7.37	14.03	10.35
Average daily trading volume (Xetra + Frankfurt)	15,596	22,260	15,781	26,030	37,907	54,349
Number of shares as of December 31	13,009,229	13,009,229	13,009,229	13,009,229	13,009,229	13,009,229
Market capitalization on December 31 (EUR million)	**32.5**	**89.1**	**117.1**	**112.0**	**203.6**	**162.6**
Earnings per share (EUR)	**– 0.82**	**– 0.54**	**0.62**	**1.45**	**0.55**	**– 0.15**
Dividends per share (EUR)	**0.00**	**0.00**	**0.25**	**0.50**	**0.27**	**0.00**

Investor Relations activities

Regular, comprehensible and transparent communication with investors, analysts and financial journalists is intended to reinforce the confidence in the stock of the premium brand Loewe on an ongoing basis. For that reason, Loewe provides transparent and timely information concerning the Company's current position as well as significant business changes. Another goal of our investor relations activities is to maintain and expand the existing coverage by prestigious banks, and accordingly the interest of investors, as comprehensively as possible.

In addition to the annual DVFA Analysts' Conference at the close of the year and the Loewe "Investors' Conference" at the International Consumer Electronics Fair (IFA) in Berlin, four conference calls were held as usual in English for analysts and financial journalists in connection with the 1st and 3rd quarter interim reporting, the six months' financial report and the publication of the key figures. Furthermore, Loewe was represented at three capital market conferences in Frankfurt and London. We presented our equity story at several international roadshows in numerous individual conversations with fund managers. Management also participated in regular 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 May 26, 2011 in Munich was the most important investor relations event for the Company's private shareholders.

Preliminary schedule of IR events in 2012

January 26, 2012	Key Figures 2011*	Kronach
March 29, 2012	DVFA Analysts' Conference	Frankfurt
March 30, 2012	Roadshow	Frankfurt
April 20, 2012	Roadshow	Zurich
May 3, 2012	1st quarter 2012*	Kronach
May 8, 2012	Small & Mid Cap Symposium	London
May 15, 2012	Annual Shareholders' Meeting	Munich
June 21, 2012	Roadshow	Copenhagen
August 2, 2012	1st half 2012*	Kronach
August 3, 2012	Roadshow	Vienna
September 3, 2012	Investors' Day at IFA	Berlin
September 14, 2012	Roadshow	Copenhagen
November 7, 2012	1st nine months 2012*	Kronach
November 9, 2012	Roadshow	London
November 12–14, 2012	German Equity Forum 2012	Frankfurt

* Conference call with the Executive Board of Loewe AG at 10:00 a.m. on each date

Analyst coverage continues at a high level

A number of prominent analysts again closely observed and comprehensively evaluated Loewe during the 2011 fiscal year. The following table lists banks that have prepared reports on Loewe in recent weeks and months and provides information concerning significant key points of the analysts' assessments (revised February 13, 2012):

Name	Date	Sales		EBIT		EPS		Target Price	Rating
		2012	2013	2012	2013	2012	2013		
DZ Bank, T. Maul	Feb 03, 2012	296.2	311.1	– 1.7	0.3	– 0.18	– 0.08	4.00	SELL
Matelan Research, Dr. A. Gronski	Jan 30, 2012	301.7	307.8	1.7	2.7	0.01	0.07	6.00	BUY
Deutsche Bank, M. Kuhn	Jan 29, 2012	300.0	311.0	– 2.0	1.0	– 0.09	0.05	n.a.	HOLD
Goldman Sachs, R. Dreyer	Jan 27, 2012	281.9	292.4	– 8.5	– 6.6	– 0.47	– 0.36	4.30	NEUTRAL
equinet, I. Faust	Jan 26, 2012	307.0	321.9	5.0	11.8	0.10	0.48	6.00	BUY
Average		297.4	308.8	– 1.1	1.8	– 0.13	0.03		

Trading volume

Loewe stock is traded on all German stock exchanges and on the Xetra electronic trading platform, with transaction levels being highest on Xetra and on the Frankfurt Stock Exchange. In 2011, an average number of almost 15,600 total shares was traded per day.

Dividend

A resolution will be proposed to the Shareholders' Meeting on May 15, 2012 that no dividend be distributed for fiscal year 2011.

Your direct contact with Loewe's IR team

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Internet: www.loewe.tv/int

Corporate Governance

Conscientious and transparent management

Loewe is an independent company with a clear brand strategy that has become well established as a premium brand in its European core markets in recent years. Minimalist design, meaningful innovation, and exclusive individuality set Loewe apart from all other brands. In general, 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. This is documented in particular by compliance with the corporate governance recommendations of the German Corporate Governance Code with only one exception.

The goal of Loewe's value-based management is to achieve a balance between the interests of the shareholders, employees, customers, and the public. Only on this basis is the sustained, long-term growth of the Company's value possible. All strategic decisions have been based on this concept for many years.

Declaration of conformity for 2011 has no substantial limitations

Pursuant to Section 161 of the German Stock Corporation Act, the executive board and supervisory board of an exchange-listed company must declare once a year that the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette have been and are being complied with or which of the Code's recommendations have not been or are not being applied.

Loewe's principles continue to conform to the recommendations of the German Corporate Governance Code with one exception

The Corporate Governance principles of Loewe AG conform to the recommendations of the Code with one exception. The Executive Board and Supervisory Board issued their declaration of conformity on November 25, 2011. The following declaration of conformity was made permanently available to the public by the date prescribed on the Company's web pages at www.loewe.tv/int 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 May 26, 2010, and published in the electronic Federal Gazette on July 2, 2010, 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 (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 May 26, 2010, and published in the electronic Federal Gazette on July 2, 2010, since its last declaration of conformity of November 26, 2010, except for the recommendation set forth in 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 of the Executive Board and Supervisory Board broken down into fixed and variable components for the respective members.

The Supervisory Board of Loewe AG determines the remuneration of the Executive Board and the remuneration structure and reviews them on a regular basis. In compliance with the German Corporate Governance Code, the remuneration system is set up in such a way that the responsibilities and the personal performance of the members of the Executive Board, the performance of the Full Executive Board, and the Company's economic position, business success, and outlook for the future are taken into consideration.

Variable remuneration oriented to the Company's long-term operating and strategic objectives

The remuneration of the Executive Board is made up of fixed, variable, and performance-related components as well as the pension commitment. The variable remuneration is based on the Company's long-term operating and strategic objectives. The members of the Executive Board are simultaneously managing directors of Loewe Opta GmbH; however, they receive no separate remuneration for this activity.

All relevant information is disclosed in detail on page 137 of the Notes to this Annual Report. In this report, we refer expressly to the information disclosed there.

The remuneration of the Executive Board of Loewe AG for fiscal year 2011 totaled EUR 2,650,665 (2010: EUR 1,933,954) and is broken down as follows:

EUR thousand	**2011**	2010
Performance-independent	983	913
Performance-dependent	193	376
Severance payments	1,475	645
Total	**2,651**	**1,934**
Pensions	– 177	193

According to the new organizational structure, the responsibilities of the Executive Board are as follows:

Oliver Seidl
(Chairman)

- Marketing
- Sales
- Finance and Accounting
- Controlling
- Human Resources and Benefits
- Information Technology
- Quality
- Customer Services
- Press and PR
- Investor Relations
- Internal Audit
- Strategic Corporate Planning

Dr. Detlef Teichner
(Technology)

- Development
- Production and Supply Chain Management
- Purchasing and Logistics
- Design
- Project Management
- Innovation Management/Patents
- Strategic Partnerships

The deductible in insurance policies for liability arising from professional negligence prescribed since August 2009 based on the German Act on the Appropriateness of Executive Board Remuneration (VorstAG) is included in the contracts for all members of the Executive Board.

An age limit of 65 years applies to the members of the Executive Board in general. Employment contracts for the members of the Executive Board have a remaining life of somewhat more than two years. The contract with Mr. Seidl will expire on July 31, 2014, and the contract with Dr. Teichner on December 31, 2014.

As explained in the declaration of conformity, a severance cap for the case of early termination is currently not provided in the existing Executive Board contracts.

Remuneration of the Supervisory Board of Loewe AG

In conformity with Section 5.4.6. of the German Corporate Governance Code, Loewe reports the compensation of the Supervisory Board individually and itemized by components. In accordance with a resolution of the Shareholders' Meeting of June 5, 2009, the remuneration of the Supervisory Board was set down in the Articles of Incorporation of Loewe AG. It is made up of fixed and variable remuneration components. Each member of the Supervisory Board of Loewe AG receives a fixed annual remuneration of EUR 15,000. The variable bonus 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 2011 came to EUR 114,775 (2010: EUR 122,982). See page 136 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 based on the Supervisory Board incentive compensation has been stipulated.

Objectives of the Supervisory Board

Supervisory Board composition targets formulated

The Loewe Supervisory Board has the following objectives relating to its composition:
"The members of Supervisory Board of Loewe AG should consistently exhibit a high level of professional competence. After additional European countries besides Germany, Austria, Switzerland, and the Benelux countries become core markets of Loewe AG, this internationalization should also be reflected in the Supervisory Board of Loewe AG. For that reason, this body should also include members from those countries.

Furthermore, the members of the Supervisory Board of Loewe AG should not be exposed to any potential conflicts of interest. For that reason, this body should not include persons who hold executive or supervisory offices with customers of Loewe AG or have a significant business relationship with Loewe AG.

The Supervisory Board should generally not include persons older than 70 years on the date of their appointment or reappointment. If a nominee to the Supervisory Board is older than this general age limit, reasons must be given.

The composition of the Supervisory Board of Loewe AG should be as diverse as possible. The Supervisory Board of Loewe AG sees this objective as having been met if the Supervisory Board includes a financial expert, a legal expert, a businessperson, an expert familiar with the technological interrelationships of the consumer electronics industry, and a corporate finance expert. An appropriate participation of women should also be aimed for."

On May 26, 2011, the Loewe Shareholders' Meeting appointed a new Supervisory Board as it was up for renewal. The following were appointed:

- Dr. Axel Berger, vice president of Deutsche Prüfstelle für Rechnungslegung e.V, Rösrath,
- Dr. Rainer Hecker, former CEO of Loewe AG, Mannheim,
- Dr. Gerhard Heinrich, partner and managing director of Heinrich & Cie. Unternehmungsberatung, Frankfurt,
- Dr. Sönke Mehrgardt, managing partner at MVP Munich Venture Partners, Deisenhofen,
- Dr. Dorothee Ritz, member of the management board of Microsoft Deutschland GmbH, to succeed Professor Dr. Mark Wössner, who retired,
- Dr. Michael Witzel, attorney at law, Munich.

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 must disclose such transactions or sideline activities to the Supervisory Board without delay and they require the approval of the Supervisory Board. The Supervisory Board must inform the Annual Shareholders' Meeting of any conflicts of interest and how they are being dealt with. No such conflicts of interests have occurred with members of the Executive Board or the Supervisory Board in the period under review.

Directors' dealings

No reportable transactions

Pursuant to Section 15a of the German Securities Trading Act (WpHG), 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. The Executive Board did not enter into any reportable transactions between November 26, 2010, and December 31, 2011.

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

Shareholdings of the Executive Board and Supervisory Board

As of the reporting date December 31, 2011, the Executive Board held 6,600 Loewe shares (2010: 79,300). No options exist. One member of the Supervisory Board directly holds 550,000 Loewe shares (2010: 550,000) and indirectly holds 1,264,420 Loewe shares (2010: 1,264,420).

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 our premium brand, we must exhibit correct ethical conduct in our interactions with customers, suppliers, colleagues, and other persons. Our actions must not encroach on personal dignity and privacy.

This behavior of course includes compliance with laws, regulations, and guidelines as well as obligations. As a means to improve compliance standards, Loewe drew up its own code of conduct in 2009, appointed a compliance officer and an ombudsman, and communicated these changes throughout the Company. Compliance with the Loewe Code is not only a management responsibility but is also something to be put into practice by all employees.

The Loewe Code describes all requirements for the conduct of employees in detail based on the fundamental value of integrity. In addition to compliance with all relevant laws, issues that are of particular importance to us include relations with business partners, the avoidance of conflicts of interest, the handling of information and insider rules, and compliance with environmental protection and safety provisions.

In 2011, none of the respective officers in the Company were notified of any compliance violations.

In accordance with Section 15b German Securities Trading Act, Loewe maintains a list of persons who have access to insider information of our company.

Transparent and fair reporting

The requirement of regularly and simultaneously making the same information about the current situation or significant economic changes of the Company available to our shareholders, financial analysts, shareholder associations, the media, and the interested public in both German and English is of prominent importance for Loewe corporate communications.

In this respect we comply with the rules defined in the German Corporate Governance Code. During the fiscal year, we provide information to the public in the interim report for the first six months and by means of the corresponding interim reports for the first and third quarters. Additionally, Loewe also publishes its information in press and analyst conferences. All Company reports can be downloaded from the website www.loewe.tv/int.

We treat all target groups equally according to the principle of fair disclosure

Following the principle of fair disclosure, we treat all shareholders and target groups equally. Concomitant with regular reporting, we use ad hoc notifications to promptly provide 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 years Loewe's risk management system has been an integral component of the entire planning, controlling, and strategy process and is reviewed by the auditor. 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. A transparent reporting system makes it possible to identify discrepancies in key performance indicators at an early stage. This gives Loewe's management the ability to identify risks early, control them, and initiate measures for their timely elimination. See the section "Opportunities and risks" starting on page 70 for further details.

Corporate governance declaration

The corporate governance declaration in accordance with Section 289a of the German Commercial Code is posted on our website www.loewe.tv/int under Loewe AG/Investor Relations/Corporate Governance and can also be downloaded. It contains a description of the working methods of the Executive Board and Supervisory Board, the declaration of conformity in accordance with Section 161 of the German Stock Corporation Act, and disclosures relating to important management practices.

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 (personnel, audit, and nominating 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 pages 135 et seq. of the Notes to the Consolidated Financial Statements in the section "Corporate Bodies and Offices Held."

Kronach, March 15, 2012

For the Executive Board

Oliver Seidl
Chairman of the Executive Board

For the Supervisory Board

Dr. Rainer Hecker
Chairman of the Supervisory Board

Corporate Social Responsibility

Value-based management as the basis for sustained growth of the Company's value

Values-based decision making always has a personal component. It is all about consistently taking personal responsibility, setting standards, and acting as a role model. People determine the corporate culture and are a pivotal factor in the quality of the values seen and experienced in the Company. 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. That is the way Loewe does business.

The goal of Loewe's value-based management is to achieve a balance between the interests of the shareholders, employees, customers, and the public. Only on this basis is sustained, long-term growth of the Company's value possible. Acting within this constellation of interests is the definition of corporate responsibility. We follow this guiding principle in relations with all of our stakeholders.

Quadrangle of interests of Loewe AG

Shareholders justifiably expect long-term growth in the value of their investments and reasonable interest on the capital invested. Loewe will do everything in its power to step up the pace of growth again. In this complex network of relationships, open and transparent communication is a must.

Our employees expect us to exhibit genuine commitment to preserving and creating jobs. They expect participative management that shares responsibility, adjusts to demographic change in good time, offers older employees a future within the Company, and inspires young people to work for the Company. They expect their Company to consider family needs, for example by offering 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 quota, active connections with schools, colleges, and universities, and career planning for older employees are the two sides of the same coin.

The Company's customers receive outstanding products with award-winning designs that consistently achieve convincing top marks in tests. The magazine Heimkino, for instance, wrote in February 2012, "Everyone is talking about 'smart' televisions – Loewe makes them to high standards of perfection." The test result: outstanding.

As part of our commitment to social responsibility, we regularly promote the "Young Research" competition in the region around Loewe's headquarters. We are also involved in the arts and culture and responsibly contribute to the promotion of the economy and attractiveness of our region. We are active in sports as well. Loewe's sponsorship of an indoor football tournament is already in its 16th year. Twenty company teams vie for the Loewe Cup. We are guided by the awareness that the region lives from the strength of its economy while the economy also lives from the attractiveness of the region.

Sustained environmental orientation and quality management

The continuous reduction of the environmental impact of all corporate activities is a major priority at Loewe. For that reason, we demand and support environmental awareness and personal responsibility among all our employees. Beyond legal requirements, Loewe participates in "Umweltpakt Bayern," a Bavarian government and industry initiative committed to the 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. With this effort, the Company is reaffirming management's commitment to sustainability. Loewe employs specific annual safety and environmental improvement measures to actively increase its energy efficiency.

Loewe continues to actively participate in various committees of trade associations like ZVEI and Digital Europe for the purpose of early involvement in relevant environmental issues. As part of its environmental policy, the Company strives to minimize its impact on the environment as much as possible. From design and development to the production phase of all products, we take great pains to ensure that they do not contain any pollutants and can be recycled as easily as possible.

Loewe offers particularly energy efficient equipment in consideration of the functions they feature. We save electricity in comparison with individual components by integrating additional features such as hard disk recorders or various DVB tuners. By keeping the use of materials to a minimum we help conserve resources.

Your

Flexibility.

Our

Challenge.

Loewe Connect ID

Your Flexibility. Enjoy slide shows in XXL, just surf the Internet or watch your favorite program in your home cinema. Take advantage of what the digital media world has to offer; mix and match features to your heart's content. You know what you want.

Our Challenge. We'll exceed your expectations because there are no limits to Loewe Connect. Connect joins useful multimedia elements at will. Whether it's the Internet, TV, music, photographs, or film files – we'll bring the whole world to your doorstep in a home entertainment system.

My Entertainment. More multimedia, more varied and more unique than ever before.

– **Economic situation** in Europe generally reserved
– **Market decline** for LCD televisions
– **Sales down** by 11 % to EUR 274.3 million
– **EBIT loss** of EUR 10.5 million
– **Positive contribution to earnings** of EUR 1.2 million in the fourth quarter of 2011
– **Equity-to-assets ratio** declines only slightly to 35.6 %
– **Successful working capital management** results in reduced inventories
– **Solid capital structure** supports growth targets
– Product development newly organized and **internal processes further optimized**
– Audiodesign **successfully established as a completely new product category**
– **Growth in sales and noticeably improved earnings** planned for 2012

Management Report

Management Report

Business Environment

Macroeconomic development

Sluggish economic recovery in industrial nations

The recovery of the global economy stalled in autumn 2011. Although the upturn in the developing countries and emerging markets slowed down only slightly, numerous developed countries were still threatened by a relapse into recession after only a partly moderate rise in production. The first signs became evident after mid-year 2011 when stock prices worldwide dropped and the sentiment in companies and private households worsened concurrently. According to preliminary data, the gross domestic product rose by only 3.6 % in 2011 after 5.0 % in 2010. The global economy could be headed for the next crisis unless the industrial countries gain control of their sovereign debt.

In the eurozone, the economic expansion of 2011 was generally reserved. Real gross domestic product increased by only 1.6 % in 2011, down from 1.8 % in 2010. Still, the trend is quite diverse in the individual countries of the eurozone. In the context of the debt crisis and crisis of confidence, Greece finds itself in a deep recession, and because of the measures the government is compelled to take, no end is foreseeable in the short term. On the Iberian peninsula, recessionary tendencies have also gained the upper hand, and marked weakness threatens the situation in Italy. In contrast, the economy remained relatively robust in Germany and several smaller countries. The eurozone in general is expected to see an annual growth rate of only 0.5 % for 2012. From the present perspective, the annual inflation rate for 2011 was 2.7 % and will return to about 2.0 % due to the weaker growth in 2012.

Germany is the positive exception: The economy is in a pleasingly robust condition

After two years of exceptional growth rates of about 3 %, the German economy is in gratifyingly robust shape. Of course, momentum has noticeably diminished since summer 2011 due to the European debt crisis and crisis of confidence. Nonetheless, Germany is still benefiting from the growth track of the domestic enterprises. Especially in the later months of 2011, the estimation of the current business situation and especially the expectations became markedly gloomier. However, after the current ifo survey of January 2012 again showed a slight improvement in the assessment of the business situation, the business climate and business expectations, a recession is not expected for Germany. For 2012 Germany is expected to see real economic growth of about 1.4 %. In the estimation of the market research group GfK, private consumption will continue to be a pillar of the German economy in 2012. Consumers can be expected to spend 1.0 % more this year in real terms. The annual inflation rate at 2.5 % was probably below the European average in 2011 and is expected to decline to around 1.9 % in the current year.

Weakness in the European consumer electronics market in 2011

Compared to the previous year, the European consumer electronics market declined by 12.4 % to EUR 26.9 billion in 2011. All market segments saw lower sales. Even television, the most important product group within the European consumer electronics market, absorbed an 11.7 % decline. Sales of LCD sets declined by 10.2 %, while the plasma TV market was even 24.0 % smaller than in 2011.

Western European consumer electronics market as defined by GfK *
in EUR billion

	2011	2010	± in %
TV	20.3	23.0	– 12
DVD/Blu-ray	1.4	1.8	– 22
Hi-Fi systems	2.6	2.7	– 4
Subtotal	**24.3**	**27.5**	– 12
Audio, video games, etc.	2.6	3.2	– 19
Total	**26.9**	**30.7**	– 12

* The market figures for 2010 were slightly increased retroactively by GfK by integrating additional marketing channels starting from 2011. In this section of the management report, the percentage amounts are generally based on unrounded market figures. (Source: GfK, Western European market)

The market trend in televisions is particularly important for Loewe because television represents the highest percentage of sales volume. Loewe concentrates on LCD TV technology with LED backlight, which is currently dominant in Europe and represents 91 % of total TV sales.

Total TV market in Western Europe by technology
in EUR billion

	2011	2010	± in %
LCD	18.4	20.5	– 10
Plasma	1.9	2.5	– 24
Total	**20.3**	**23.0**	– 12

(Source: GfK, Western European market)

Market decline for LCD televisions

Decline in sales revenue and volume of LCD TVs

LCD sets evidenced a decline in sales revenue and volume in 2011. 40.6 million LCD TVs were sold in 2011, 1.4 million units or 4 % fewer than in 2010. In the most important 32 inch screen size segment, sales in Europe stagnated at 12.1 million sets. Sales of largescreen LCD TVs 37 inches and larger, which are highly significant for Loewe, showed very dynamic growth, rising 8 % from approximately 11.7 million sets in 2010 to approximately 12.7 million sets in 2011. The percentage of sales of LCD sets 37 inches and larger in the LCD TV total market expanded to 56 % in 2011 compared to 52 % in 2010. The price decline in the individual screen size categories also continued in 2011. The average price for a 32 inch set came to EUR 411 in 2011, down from EUR 487 in 2010. This reflects a decrease of 16 %. Despite the sustained trend to largescreen and more well featured sets, the average price per LCD TV at EUR 469 was 7 % less than EUR 503 in 2010.

Diverse market trend in the European core markets

In fiscal 2011, the growth in value of the European LCD TV market fell short of the previous year's high value by 10 %. Broken down by country, the development showed disparities. Only in Belgium did the value of the market grow (+ 5 %), while Germany (– 1 %), Austria (– 2 %) and Switzerland (– 4 %) were just under the 2010 level. The market decline was more severe in France (– 8 %), the United Kingdom (– 12 %) and the Netherlands (– 14 %), but especially in Italy (– 20 %) and Spain (– 26 %). Of course, these last two countries experienced high growth rates in 2010 due to the shut-down of analog television. Moreover, the impact of the current finance and debt crisis in the eurozone has been particularly severe in these two countries.

LCD TV market in Western Europe (by country)
in EUR million

	2011	2010	± in %
Germany	5,024.0	5,050.1	– 1
France	3,239.2	3,525.8	– 8
United Kingdom	3,123.1	3,568.3	– 12
Italy	2,269.4	2,837.1	– 20
Spain	1,614.6	2,173.8	– 26
Netherlands	889.9	1,030.7	– 14
Belgium	606.5	579.3	+ 5
Switzerland	571.3	597.4	– 4
Sweden	538.9	568.1	– 5
Austria	511.9	520.6	– 2
Total	**18,388.7**	**20,451.3**	– 10

(Source: GfK, Western European market)

In Germany, the price per LCD set declined to EUR 611 in 2011 and was thus 8 % lower than the previous year's level of EUR 661. The German average price of EUR 611 exceeded the European average price of EUR 469 by a significant 30 %. Prices in Belgium, Sweden, Austria and the Netherlands also exceeded the European average, in some cases by far, which improves our opportunities in the market. The highest price of EUR 787 (only 2 % lower than in the year before) continued to be seen in Switzerland where demand has been constant for very high-end and well featured flat-panel display sets for years. In contrast, prices did not exceed EUR 366 in the United Kingdom and EUR 381 in Italy, this being accounted for, among other things, by a higher percentage of small-picture sets in the market and intense price competition.

Loewe's market share in terms of value for LCD TVs among European retailers rose by 0.1 percentage points to 3.7 % in 2011. The decline in sales at Loewe and the negative sales trend in the European LCD TV market were accordingly kept roughly in balance in 2011. Compared to the European market, Germany has performed better and its significance for Loewe increased in 2011. Our 8.6 % market share in Germany was exactly equal to that of 2010. Our loss of market share was particularly severe in the Netherlands and Belgium.

Loewe's market share of LCD TVs in Europe rises slightly to 3.7 %

Loewe share of the LCD TV market in Western Europe (by country), based on retail sales
in %

	2011	2010	± in percentage points
Germany	8.6	8.6	± 0.0
France	1.5	1.6	– 0.1
United Kingdom	0.2	0.3	– 0.1
Italy	0.3	0.4	– 0.1
Spain	1.3	1.9	– 0.6
Netherlands	2.7	4.0	– 1.3
Belgium	3.6	4.6	– 1.0
Switzerland	6.8	7.4	– 0.6
Austria	5.9	6.4	– 0.5
Western Europe	**3.7**	**3.6**	0.1

(Source: GfK, Western European market)

The European market for speakers

Especially in Germany, Loewe has had a significant influence on the market for speakers since 2009. Our market share was approximately 12 % in 2010 and 2011. Based on sales in the overall market, Loewe ranks 3rd among the most important speaker brands in Germany. It was primarily Loewe's individual speaker products that made this very positive development possible. In Europe, we achieved a market share of 4.9 % in 2011 (0.4 percentage points higher than the year before) and we were in 7th place among the top ten brands. In addition to Germany, we achieved an above-average market share in Belgium as well.

Market share for speakers in Europe increases to 4.9 %

Key Performance Indicators of the Loewe Group and of Loewe AG

Key figures
in EUR million

	2011	2010	± in %
Sales	**274.3**	307.3	– 11
EBIT	– 10.5	– 5.3	
Net income	– 10.7	– 7.0	
Capital expenditure	17.0	20.7	– 18
Employees (annual average)	1,022	1,062	– 4
Active workforce (December 31)	842	916	– 8

Combined management report of Loewe AG and the Loewe Group

The management report of Loewe AG and the Group management report for fiscal year 2011 have been prepared pursuant to Section 315 (3) in conjunction with Section 298 (3) of the German Commercial Code (HGB). The financial statements of Loewe AG pursuant to HGB and the combined management report are published simultaneously in the electronic Federal Gazette.

The development of business of the Loewe Group is explained below. Loewe AG is itself not an operating company and its income is primarily obtained from the profit transfer agreement with Loewe Opta GmbH, the most significant individual company of the Loewe Group. The information below therefore primarily refers to the Loewe Group, as the economic development of the parent is directly dependent on events in the Group. Where necessary, Loewe AG is dealt with separately.

Negative EBIT

Sales down by 11 % to EUR 274.3 million

At EUR 274.3 million, sales of the Loewe Group in fiscal year 2011 were 11 % lower than the 2010 figure of EUR 307.3 million. In its key German market, Loewe was not able to reach the sales level of the previous year in entertainment electronics; sales declined by 5 % to EUR 170.4 million. Nonetheless, Loewe held on to its 8.6 % market share in terms of value. Export sales of EUR 103.9 million reflected a 19 % decline. At 66 % of the Company's total sales, the percentage of large-picture TV sets with a screen diagonal of 37 inches and larger was unchanged from 2010.

The persistently difficult economic conditions in parts of Europe put a strain on Loewe's export business in particular. After a generally somewhat reserved economic performance in 2011, the individual European countries exhibited a dissimilar picture. A number of Southern European countries in particular exhibited marked weaknesses with recessionary tendencies. In contrast, the German economy continued to be comparatively robust. An aggravating factor was that the European market for consumer electronics declined significantly in 2011 compared to the year before, which affected all market segments. The market for LCD televisions, which is of particular importance for Loewe, contracted in terms of volume and value. This primarily affected countries like Spain and Italy where the current economic and financial crisis is having a particularly severe impact.

At the same time, the fiscal year was marked by intense price competition. Although Loewe was able to keep selling prices at a largely steady level in recent years due to its systematic positioning in the premium segment, price adjustments due to the necessary streamlining of the TV product line in selected TV categories resulted in strains.

Despite a significant improvement of the gross result in the final months of 2011 due to the conceptual revision of two lines of sets and the launch of the new product category Loewe Audiodesign, the strains from the first three quarters resulted in a gross margin of only 22.9 % for all of 2011, which was identical to the 2010 level. The reduced sales and production volume led to a lower gross result of EUR 62.7 million, compared to EUR 69.9 million in 2010. Loewe thus realized an EBIT loss of EUR 10.5 million in fiscal year 2011 (2010: EBIT loss of EUR 5.3 million). The resulting decline by EUR 3.7 million led to a loss of EUR 10.7 million in net income after taxes and minority interests.

Reduced sales and production volume led to EBIT loss of EUR 10.5 million

Reduced investments in property, plant and equipment decreased total capital expenditure by EUR 3.7 million to EUR 17.0 million. This figure was less than depreciation/amortization by EUR 4.9 million.

There was no significant capital expenditure on the level of Loewe AG in fiscal 2011.

On an annual average, the number of employees at 1,022 in the Loewe Group decreased by 40 compared to 2010. This was due to the personnel restructuring measures from the “Fast Forward” restructuring program and employment-dependent adjustments affecting direct employees. As of the balance sheet date of December 31, 2011, the active workforce at 842 employees (excluding trainees, persons permanently absent and part-time retirees) was lower than in the year before by 74 persons. The reduction was conceptually implemented using socially compatible measures such as the non-replacement of retiring employees, individual working hours agreements and the transition into the passive phase of part-time retirement.

The net loss for the year of Loewe AG came to EUR 15.2 million in 2011 compared to net income of EUR 0.6 million in fiscal 2010. Loewe AG employed 17 persons on average in 2011 (2010: 19 persons).

Financial Performance

Sales decline by 11 %

In the first two quarters of the fiscal year, the sales of the Loewe Group declined year-on-year by 19 %. This affected all product areas. The sales of LCD TV sets declined in tandem with total sales and the Audio/DVD product group was unable to repeat the good performance of the prior-year period, which had been influenced by the market launch of the Loewe Mediacenter. Only other sales reported a slight improvement. The inclusion of MacroSystem Digital Video AG in the consolidation in June 2010 had a positive impact. An environment of intense price competition and the significant buying restraint of customers for consumer electronics products compared to the previous year intensified in the second quarter of 2011. In this context, the necessary streamlining of the TV product line prompted Loewe to reduce prices in selected TV categories. This secured strategically reasonable price premiums for the Company and simultaneously created additional incentives to buy high-quality Loewe products. Nonetheless, it was impossible to avoid declines in unit sales and revenues. The market penetration of the new 3D LED product lines from Loewe, which was started in the second quarter of 2011, provided positive stimuli for the continued development of business.

Persistently difficult economic conditions in parts of Europe and a continuation of intense price competition prompted important market participants to step up their targeted sales campaigns in the retail market in the third quarter in particular to compensate for the declining market trend. Even so, Loewe limited the declines in sales to only 3 % in the second half of the year due to its successful presence at IFA 2011 and a continuation of the product offensive in the fourth quarter. Sales of LCD TV sets decreased by 5 %. In contrast, the Audio/DVD product group grew year-on-year by 32 % in the second six months of 2011 with the market launch of the new home entertainment systems and the launch of the new product category Audiodesign.

Percentage of sales of large-screen LCD TVs at 66 % at the high level of 2010

For the entire year, sales of LCD TVs by the Loewe Group declined by 12 % to EUR 220.7 million. The percentage of total sales of LCD TVs with screen diagonals of 37 inches and larger persisted at a high level of 66 % in 2011, continuing the performance of 2010. This is proof of the steady trend in the direction of larger displays. Loewe has a strong position in this product group with a large number of models.

Sales structure by product area
in EUR million

	2011	2010	± in %
TV	220.7	249.8	– 12
Audio	21.7	25.5	– 15
DVD/Blu-ray	6.3	5.9	+ 7
Other	25.6	26.1	– 2
Total sales	**274.3**	**307.3**	– 11

The decline in unit sales and revenues for TV sets had a negative impact on sales of the line of audio components for home cinema solutions and Blu-ray/DVD products. The decline was particularly noticeable for the Mediacenter audio/video system, which was launched in the first quarter of 2010. Compared to 2010, sales in the audio product group declined by a total of 15 %.

Other sales (accessories and technical support as well as video editing systems) slightly fell below the previous year's level.

Sales declined by 5 % in Germany

In its key German market, Loewe was not able to maintain the level of sales of the previous year in entertainment electronics in fiscal 2011. Sales declined by 5 % or EUR 9.3 million, due primarily to the streamlining of the product lines in the early months of the year. In the LCD TV segment, Loewe's retail market share was 8.6 %, exactly the same as in the previous year.

The decline in export sales was significantly greater with revenue falling by 19 % or EUR 23.7 million. The foreign share of Loewe's total sales revenue decreased from 41.5 % to 37.9 %. Business development in the export markets exhibited divergent trends, with the largest declines occurring in Spain, Italy and the Benelux countries.

Sales structure by region
in EUR million

	2011	2010	± in %
Germany	170.4	179.7	– 5
Benelux countries	28.9	36.0	– 20
France	15.4	17.7	– 13
Austria	11.7	13.2	– 11
Spain	10.9	18.7	– 42
Italy	9.7	12.4	– 22
Switzerland	9.4	10.5	– 10
United Kingdom	6.2	6.2	± 0
Other European countries	6.4	7.7	– 17
Total Europe	**269.0**	**302.1**	– 11
CIS	3.1	1.9	+ 63
Australia	0.8	2.0	– 60
Other non-European countries	1.4	1.3	+ 8
Countries outside Europe	**5.3**	**5.2**	+ 2
Total sales	**274.3**	**307.3**	– 11

In the Benelux countries, Italy, France, Austria and the United Kingdom, subsidiaries perform sales and service of Loewe sets.

In the Benelux countries, Loewe recorded a 20 % decline in sales to EUR 28.9 million in 2011. Development of business in Italy was influenced by aggressive competitor pricing. Loewe's sales of EUR 9.7 million were down 22 % year-on-year. Sales at Loewe France decreased by 13 % in 2011 to EUR 15.4 million. Loewe Austria fell short of the 2010 figure by 11 % and achieved sales of EUR 11.7 million. With sales amounting to EUR 6.2 million, the company in the United Kingdom achieved the previous year's figure.

Sales decline in Spain due to difficult economic climate

In the other countries, Loewe products are marketed by external distribution partners. Loewe's most important export market without a company-owned sales company is Spain. The difficult economic conditions combined with intense price competition in the sales markets caused national sales in Spain to drop 42 % to EUR 10.9 million.

Despite its comparatively small size, the Swiss market is attractive for high-end products. Loewe continues to be well positioned in Switzerland, although sales decreased by 10 % to EUR 9.4 million.

EBIT loss in 2011 – positive EBIT in Q4 2011

The significant reduction in sales and production volume led to an EBIT loss of EUR 10.5 million in fiscal 2011, thus exceeding the EBIT loss in 2010 by EUR 5.2 million. Loewe consistently stuck to its stable price policy for new products and the value-based marketing of its products. Nonetheless, it was necessary to make price adjustments on the periphery of the product line to increase the attractiveness of Loewe products for an expanded target group and support necessary streamlining of the product line. A successful product mix and new product launches of TV sets as well as audio/DVD innovations provided positive stimuli in 2011.

The strains in the early months of the fiscal year and the persistently difficult economic conditions in parts of Europe made it necessary to post losses in the first three quarters, which resulted in an EBIT loss of EUR 11.7 million by the end of September of fiscal 2011.

The International Consumer Electronics Fair 2011 in Berlin in September was a good start for Loewe into the important holiday shopping season. The top-quality home entertainment systems, the new Audiodesign solutions and the conceptual revision of two lines of sets led to a positive contribution to earnings of EUR 1.2 million in the fourth quarter of fiscal 2011, making it possible to reduce the losses incurred before that.

Lower cost of sales

Improved gross margin in the fourth quarter of 2011 due to increased efficiency and optimized cost structure

In the year under review, the reduced sales and production volume caused the cost of sales to decrease by 10.9 % compared to the year before. The cost of sales declined from a total of EUR 237.4 million in 2010 to EUR 211.5 million in 2011. The cost-of-sales ratio declined slightly from 77.2 % in 2010 to 77.1 %. The further increase in efficiency in production and the optimization of the cost structure led to a significantly improved gross margin of 24.4 % in the fourth quarter compared to 23.6 % in 2010.

Selling expenses

Selling expenses declined in 2011 by EUR 3.7 million to EUR 65.0 million, due among other things to the more targeted employment of funds and stringent cost discipline. While vigorous efforts at further expanding the brand position which were associated with corresponding expenses for communications and the expansion of retail shop-in-shop systems were continued, specific measures to cut costs had an impact. As a percentage of lowered sales, the selling expenses increased, however, from 22.3 % in 2010 to 23.7 % in 2011.

Administrative expenses

Administrative expenses decreased year-on-year by EUR 0.9 million to EUR 7.8 million. At 2.8 % of sales, they were at the level of the previous year. The specific measures to cut costs also had a positive impact in this area.

Other operating income

At a negative figure of EUR 0.5 million in 2011, the balance of other operating income and expenses fell short of the previous year's positive figure by EUR 2.5 million. Other operating income in the amount of EUR 7.6 million was approximately EUR 0.2 million lower than in 2010.

Other operating expenses in 2011 rose year-on-year by EUR 2.2 million to EUR 8.0 million. The difference is primarily due to settlement expenses incurred as part of the restructuring.

Net interest expense

Net interest expense (balance of interest income and interest expenses) in 2011 came to an expense of EUR 2.3 million, thus declining by EUR 0.1 million compared to the year before.

Report on Assets and Financial Position

Capital expenditure

Capital expenditure and depreciation/amortization
in EUR million

	2011		2010	
	Capital expenditure	Depreciation and amortization	Capital expenditure	Depreciation and amortization
Intangible assets	9.7	8.9	9.5	8.2
Property, plant and equipment	7.0	13.0	10.7	13.5
Financial assets	0.3	0.0	0.5	0.0
Total	**17.0**	**21.9**	**20.7**	**21.7**

Capital expenditure decreased year-on-year by EUR 3.7 million to EUR 17.0 million. Investment in property, plant, and equipment focused on tools for new products and presentation systems for retailers. Intangible assets primarily include development services subject to mandatory capitalization.

Investment in new products and presentation systems for retailers

Depreciation and amortization in the amount of EUR 21.9 million in 2011 was at the previous year's level.

Stable balance sheet ratios

The equity-to-assets ratio changed from 37.1 % in 2010 to 35.6 % as of the 2011 balance sheet date. At EUR 72.5 million, the equity of the Loewe Group, including minority interests, was lower than the 2010 level by EUR 7.6 million. Total assets declined by EUR 11.9 million to EUR 203.8 million.

Equity ratio only slightly lower at 35.6 %

Non-current assets

The decrease in non-current assets resulted from the reduced value of property, plant and equipment. This compensated for the increase in deferred tax assets and the other non-current assets.

Non-current assets
in EUR million

	2011	2010	±
Property, plant and equipment	31.3	37.2	– 5.9
Deferred taxes	11.5	11.0	+ 0.5
Miscellaneous non-current assets	11.4	10.4	+ 1.0
Total non-current assets	**54.2**	**58.6**	– 4.4
as a percentage of total assets	26.6	27.2	

Property, plant, and equipment includes land and buildings, production facilities, and other factory and office equipment predominantly located in Kronach. The reduction is primarily attributable to the lower capital expenditure. 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.

Lower current assets

Inventories were significantly reduced from the year before. Compared to the previous year, trade accounts receivable increased only slightly by EUR 0.2 million. The increase in miscellaneous current financial assets was primarily due to the rise in cash and cash equivalents.

Current assets
in EUR million

	2011	2010	±
Inventories	43.4	67.1	– 23.7
Trade accounts receivable after factoring	70.7	70.5	+ 0.2
Miscellaneous current financial assets	35.5	19.5	+ 16.0
Total current assets	**149.6**	**157.1**	– 7.5
as a percentage of total assets	73.4	72.8	

Inventories reduced

Inventories decreased by EUR 23.7 million to EUR 43.4 million from EUR 67.1 million as of the 2011 balance sheet date. The primary cause for this was the reduction in factory inventories. Very good working capital management made it possible to reduce the inventories of finished goods significantly. Service inventories also decreased compared to the level of fiscal 2010.

Significantly lower inventories of finished goods due to sucessful working capital management

Composition of inventories
in EUR million

	2011	2010	±
Raw materials and supplies	13.8	23.8	– 10.0
Work in progress	1.2	1.7	– 0.5
Finished goods and merchandise	28.4	41.6	– 13.2
Total	**43.4**	**67.1**	– 23.7
as a percentage of total assets	21.3	31.1	

Inventories are concentrated in the central warehouse in Germany.

Trade accounts receivable

Trade accounts receivable adjusted for factoring rose slightly year-on-year to EUR 70.7 million.

Trade accounts receivable
in EUR million

	2011	2010	±
Trade accounts receivable before factoring	70.7	75.5	– 4.8
Factoring	0.0	– 5.0	+ 5.0
Total trade accounts receivable	**70.7**	**70.5**	+ 0.2
as a percentage of total assets	34.7	32.7	

Almost no factoring was used on December 31, 2011. The utilization of factoring in the amount of EUR 5.0 million as of the 2010 balance sheet date was due to temporal overlaps in the repayment of fixed-interest term deposits.

Solid equity base

As of December 31, 2011, shareholders' equity including minority interests was EUR 72.5 million compared to EUR 80.1 million in 2010. The equity-to-assets ratio decreased slightly from 37.1 % to 35.6 %.

Non-current liabilities

The lower total amount of non-current liabilities year-on-year resulted from the decrease in non-current provisions and pension provisions. In this case, the adjustment of the calculation parameters led to this definite decrease.

Non-current liabilities
in EUR million

	2011	2010	±
Pension provisions	36.3	40.8	– 4.5
Other non-current provisions	15.4	17.5	– 2.1
Total non-current liabilities	**51.7**	**58.3**	– 6.6
as a percentage of total assets	25.4	27.0	

Increase in current liabilities

The increase in trade accounts payable compared to the previous year is primarily due to changed credit terms in the current supplier structure.

Current liabilities
in EUR million

	2011	2010	±
Trade accounts payable	24.8	22.2	+ 2.6
Other current provisions	41.8	41.8	± 0.0
Other current liabilities	13.0	13.3	– 0.3
Total current liabilities	**79.6**	**77.3**	+ 2.3
as a percentage of total assets	39.1	35.8	

Stable financing

Net bank balances
in EUR million

	2011	2010	±
Cash and cash equivalents	27.0	13.2	+ 13.8
Short-term liabilities to banks	0.0	– 0.1	+ 0.1
Net bank balances	**27.0**	**13.1**	+ 13.9
Use of factoring	0.0	– 5.0	+ 5.0
Liquidity	**27.0**	**8.1**	+ 18.9
as a percentage of total assets	13.2	3.8	

The net bank balance of the Loewe Group increased by EUR 18.9 million from EUR 8.1 million as of December 31, 2010 to EUR 27.0 million as of the 2011 balance sheet date. The possibilities for factoring were used to almost no degree at year-end 2011.

Solid capital structure supports Loewe's growth targets

The syndicate agreement dating from 2007 in the amount of EUR 50 million is available until mid-2012. The factoring agreement of EUR 35 million, which has existed since July 1, 2010, will expire in mid-2015. The solid capital structure and financing agreements will support Loewe's growth targets in the years to come. No long-term liabilities to banks have existed since Loewe repaid the last installment of a long-term loan in March 2011.

Positive free cash flow

Free cash flow was positive in fiscal 2011 at EUR 18.9 million compared to negative cash flow of EUR 23.1 million in the previous year. The deciding factor was primarily the decreased financial requirements due to the systematically reduced net current assets.

Key figures of the consolidated cash flow statement
in EUR million

	2011	2010	±
Cash flow before changes in net current assets	1.0	13.9	– 12.9
Change in net current assets not incl. factoring	34.8	– 17.2	+ 52.0
Net cash used for investing activities	– 16.9	– 19.8	+ 2.9
Total free cash flow	**18.9**	**– 23.1**	+ 42.0

The chief causes for the decrease in net current assets were the lower inventories and a simultaneous increase in current liabilities.

Current assets, net
in EUR million

	2011	2010	±
Inventories	43.4	67.1	– 23.7
Trade accounts receivable not incl. factoring	70.7	75.5	– 4.8
Other assets *	1.7	3.0	– 1.3
Trade accounts payable	– 24.8	– 22.2	– 2.6
Other current provisions	– 41.8	– 41.8	± 0.0
Miscellaneous current liabilities *	– 10.7	– 8.2	– 2.5
Total net current assets	**38.5**	**73.4**	– 34.9

* excluding income taxes and derivatives

Loewe AG

In fiscal 2011, Loewe AG generated a loss from ordinary activities of EUR 15.1 million compared to a profit of EUR 0.8 million in 2010. The primary cause for the decline was the EUR 12.9 million reduction in income from investments resulting from a loss assumption in the amount of EUR 16.2 million in accordance with a profit transfer agreement concluded with Loewe Opta GmbH in 2001. The income from investments of the previous year was made up of corresponding expenses from the loss assumption in the amount of EUR 10.2 million as well as offsetting income from equity investments in the amount of EUR 6.9 million.

The other operating income, which dropped 12 % to EUR 12.9 million, primarily includes income from the Group charges as well as a trademark licensing agreement.

Administrative expenses in 2011 decreased year-on-year by EUR 0.9 million to EUR 7.5 million. The primary cause for the reduction was targeted savings in the area of personnel costs. The increase in other operating expenses, which compared to 2011 increased by just under EUR 2.6 million to EUR 4.0 million, was mainly due to compensation payments in connection with the restructuring.

Net interest expense (balance of interest income and expense) came to income of EUR 0.2 million compared to an expense of EUR 0.2 million in 2010.

As in the previous year, the changes to the German Commercial code (HGB) ensuing from the German Accounting Law Modernization Act were the cause for extraordinary expenses of EUR 0.2 million. After income taxes this results in a net loss for the year of EUR 15.2 million compared to net income of EUR 0.6 million in 2010.

Equity ratio of Loewe AG reduced to 79.9 %

Total assets decreased by EUR 13.8 million primarily as a consequence of the reduction in receivables from affiliated companies and the net loss for the year. This led to an improvement of the equity-to-assets ratio from 84.3 % in 2010 to the current 79.9 %. In absolute terms equity decreased by EUR 15.2 million.

Number of employees lower

Necessary job cuts accomplished in socially-acceptable manner

Loewe employed 1,022 people on an annual average in 2011, most of them at the Company's headquarters in Kronach. The average number of employees was thus 40 persons lower than the average for 2010. The reduction is primarily due to personnel restructuring measures, introduced in the previous year, affecting indirect employees as well as employment-dependent adjustments affecting direct employees.

The proportion of trainees in the entire workforce at Kronach was at the level of the previous year. On an annual average, 8 % of the workforce completed inhouse training.

Employees by division
Annual average

	2011	2010	±
Marketing, sales, service *	250	264	– 14
Development	132	145	– 13
Production	336	361	– 25
Administration and services *	128	134	– 6
Trainees	83	85	– 2
Other (permanently absent, part-time retirement)	93	73	+ 20
Total employees	**1,022**	**1,062**	– 40

* Previous year adjusted (quality)

Compared to the previous year, the average workforce in the foreign subsidiaries decreased by two persons to 95 employees.

Employees by country
Annual average

	2011	2010	±
Germany	927	969	– 42
Benelux countries	29	32	– 3
France	18	19	– 1
Italy	19	15	+ 4
Austria	10	10	± 0
United Kingdom	19	17	+ 2
Total employees	**1,022**	**1,062**	– 40

Strategic expansion of employee development

In response to the current business development, socially-acceptable personnel adjustment measures were implemented already in the early months of 2011. This was done, for example, using partial retirement solutions and the non-replacement of natural attrition.

Further potentials for implementing personnel cost cutting were implemented by the complete elimination of salary increases of non-tariff employees and a two-month postponement of a collectively agreed increase. The restructuring measures were accompanied by the introduction of short-time work for direct employees for the period from April to December 2011.

As part of the "Fast Forward" restructuring program, comprehensive changes were made in the organizational structure and in the processes. Special mention must be made of the reorganization and streamlining in development, the introduction of a new project management process and the design of new career models which offer advancement possibilities as project manager and technical specialist in addition to the traditional management career path.

The recruitment of new employees was limited to the filling of absolutely necessary vacancies and the hiring of highly qualified employees in strategically significant key functions and areas such as, for instance, development and marketing. To secure the presence of highly qualified specialists in the medium term, we pressed ahead with our activities in information technology as part of the dual study program.

In the area of personnel and organizational development, the focus was on strategically relevant themes from the viewpoint of cost. These include internationalization, management, innovation culture and process optimization as well as qualification measures with technical content. Our goal is to support the retention and development of core competencies of employees through a lifelong learning process and to make use of their experience potential.

To increase Loewe's attractiveness as an employer, the activities in the direction of health and sports, family friendliness and demographics-oriented personnel management were expanded and further developed with the support of the regional universities.

"Fast Forward" Future Strategy Program

Based on the business development in the first nine months of 2011, Loewe decided at the beginning of the third quarter to continue to intensify the "Fast Forward" future strategy program. In this connection, the activities were focused on safeguarding sales and cost discipline.

Product development reorganized and internal processes further optimized

After having successfully reorganized product development and further optimizing the internal processes, the Company implemented all planned conversions of the TV products from 2D to 3D on schedule. In Germany in particular, we were able to recover the lost ground because of the current and attractive product portfolio and increase sales in the fourth quarter of 2011 by 4 % compared to the year before. Still, the encouraging results in Germany were not enough to compensate for the negative trend in the international markets – in particular in Western and Southern Europe. The result of the product offensive is already visible in audio. The sell-through figures measured at the beginning of the year 2012 are confirmation of our having met the expectations of Loewe's premium customers with our individualizable Audiodesign products.

Overall, Loewe assumes that the Company will have a successful first half of 2012 based on the current product line. This will lay the foundation for growth in sales and a significant improvement of income for the year as a whole.

The measures for reducing costs initiated as part of “Fast Forward” will continue to be carried out using a targeted approach. The measures developed to cut costs will be implemented systematically in particular in the area of cost of materials. The Company expects significant contributions to margin to result from the planned product launches in the second quarter. The gross coverage had improved noticeably by year-end 2011. The cause for this was the conceptual revision of two TV product lines as part of “Fast Forward.”

Significantly improved gross coverage through successful conceptual revision of two TV lines

Another focus of “Fast Forward” is the expansion of the premium-based marketing of Loewe products within and outside of Germany. In this area, we set the stage for 2012 already last year by expanding the distribution channels in the international markets, such as FNAC in France and John Lewis in the United Kingdom and the Euronics retail cooperative in Italy. Loewe products were sold in 14 new FNAC local stores in France in 2011. In 2012, the Company will further expand its cooperation with FNAC and moreover gain the large retail chains Boulanger and Darty as additional partners, in particular for the Audiodesign product category. A total of seven local stores were set up with John Lewis in the United Kingdom. Furthermore, Loewe started the marketing of selected products through the online shop of John Lewis. The nationwide presence of John Lewis enables us to offer the accustomed high service quality through this collaboration.

Another key element of “Fast Forward” is a communication offensive. The market-awareness campaigns with ads in large daily newspapers and TV spots with target-group specific broadcasters started as part of this offensive in the fourth quarter of 2011 have been completed successfully. Building on this, the Company started additional activities in early 2012 such as a series of retailer events in connection with the “Loewe Plus Days,” which received a warm response from customers.

In the future, Loewe will put a stronger emphasis on demonstrating its position as the European premium brand in consumer electronics. We have set the stage for this with “Fast Forward.”

Overall Statement on Financial Position and Financial Performance

The 2011 fiscal year passed very unsatisfactorily for the Loewe Group. Particularly in the first six months, the Company failed to meet its highly ambitious revenue and income targets due to an environment of intense price competition and the significant buying restraint of customers (in comparison to last year) for consumer electronics products. This prevented Loewe from generating a positive contribution to earnings. Nonetheless, the Company continues to have a very good equity base with an only slightly reduced equity ratio. The Company’s proactive working capital management and the resulting high bank balances put the Loewe Group into an excellent position to successfully meet the market and cyclical risks still prevailing in the overall economy.

Proactive working capital management and current bank balances ensure Loewe’s good future position

Marketing and Sales

The marketing and sales activities in fiscal 2011 were specifically focused on further developing Loewe's brand positioning in the premium segment and solidifying it in a technologically dynamic environment. The theme "smart TV" plays a key role in all segments of the brand experience chain.

Expansion of international distribution

2011 saw 16 galleries opened worldwide

The Loewe premium strategy forms the foundation for sustained international growth. Galleries in international population centers represent the primary point of contact for the Loewe brand. In fiscal 2011, Loewe distribution was expanded to include 16 new top points of sale. Three new galleries were opened in Germany, Loewe's most important market. Eleven new galleries were opened in France, the Benelux countries, the United Kingdom, Denmark, Russia and Switzerland. In addition, Loewe also reinforced its global distribution with one gallery each in Australia and Singapore.

Precedent-setting trade show presentation with a strong product portfolio

Loewe presents the future of multimedia home entertainment at IFA 2011

As always, the primary event of fiscal 2011 was the International Consumer Electronics Fair (IFA) in Berlin. Under the motto, "Loewe. My Entertainment," Loewe presented the future of multimedia home entertainment. Three design studies were the central focus of the exhibition stand. Apart from a look into the future, it was also shown how smart entertainment can already be experienced with Loewe today. The Loewe media portal MediaNet was started at the beginning of the year with great success. This portal will be expanded later to include highly attractive content. Besides Napster, Facebook and Twitter, Germany's largest online video library, Maxdome, is now also available.

The IFA presentation also focused on the two iPad applications Loewe Assist Media App and Loewe VideoNet App, both of which make Loewe televisions even more convenient to operate. This substantially broadens the functional range of Loewe's home entertainment systems. The Assist Media App transforms the iPad into a large-scale and user-friendly remote control for the intelligent Loewe television. In its February 2012 edition, the trade journal Video writes: "This app transforms the iPad into a luxury remote control. Station selection, electronic program guide (EPG), archival recording and smart TV functions have never been so easy." And the Loewe VideoNet App allows the user uncomplicated access to the best videos in the Net. It streams the most up-to-date programs, Web shows, screencasts and podcasts directly to the Loewe television or to the iPad.

In fiscal 2011, activities in the TV segment were focused on the accelerated development of "smart TV" and converting the product line to 3D technology. Starting with the Individual product line, Loewe had nearly converted the entire product line above 32 inches to 3D shutter technology in time for IFA 2011. The decision to focus on the second generation of 3D displays turned out to be correct. Loewe 3D sets are given prominence in nearly all magazines and trade journals for their outstanding 3D picture quality and have been the winners of many tests.

Impressive new products from the audio segment could also be experienced at the IFA. These products were successfully launched on the market in late 2011. The Loewe SoundVision stands out as an all-in-one audio design system and its user-friendly multi-touch display makes the enjoyment of music palpable. Music is transmitted wirelessly from an iPhone, iPod, iPad or from iTunes to the Loewe AirSpeaker which was developed for the Apple world via the Apple AirPlay standard, guaranteeing premium-quality audio enjoyment. As a compact audio system, the SoundBox delivers uncomplicated listening pleasure and opens up the Loewe brand world for new target groups. The audio offensive is completed by a new compact subwoofer and the HomeCinemaSet for ideal home cinema in Loewe quality even for sets from other manufacturers.

Numerous awards and top marks in tests

Loewe wins the renowned EISA award

The high product quality, the excellent design and the intuitive user interface of Loewe products were confirmed in 2011 by numerous awards and top marks in tests. Stiftung Warentest selected the Loewe Individual 32 Compose as the test winner in April 2011. The combination of uncompromising individuality and the most advanced technological standards also created enthusiasm in the international arena. The panel of experts from the European Imaging and Sound Association (EISA) conferred the coveted EISA award Best Product 2011-2012 in the category "European AV Streaming TV" upon the Loewe Individual 46 Compose 3D.

In addition to winning a large number of successful comparative tests in the trade press as well as the Innovation Prize of the trade journals Digital Fernsehen, HD+TV, Digital Tested and Blu-Ray Magazin, Loewe again received numerous design awards such as the IFA PreView Award, the red dot award and the iF gold award. Not only the total performance of individual products received awards but also applications such as DR+ streaming, the user interface concept as well as individual placement solutions.

Sales support

In addition to our IFA presentation, our communications focused on two high-priority marketing campaigns. In spring, Loewe used the positive test reports by Stiftung Warentest for the marketing campaign, "Test the best of the best of the best." The focus in the autumn was on the product line Individual, which gained a prominent supporter in Germany in the person of Wim Wenders. In addition, more than 900 TV spots were broadcast in November and December 2011 on the news channels N-TV and N24. International communication activities were adapted to the local requirements.

We also systematically continued the individual marketing support for the Loewe retailers. In addition to the wide range of measures offered to local retailers, we individually advised more than 200 retailers and jointly implemented the measures in follow-up.

Loewe also instituted changes in digital communications in 2011. In addition to the extensive relaunch of the Loewe website, we are now also represented online by a TV application in the Loewe MediaNet and by our own channels on YouTube and Twitter. The goal is to enhance the awareness of the Loewe brand in order to guide interested persons specifically to the retailer via the online communications. This offensive is also designed to be international in scope.

Development and Production

Product launches and development progress

The launch of a new line of televisions and a new audio device family was planned for 2011. All of these devices were developed according to schedule and were presented to retailers. The challenges faced by Loewe's development department were far higher than in earlier years. In line with the market trends, both the complexity of the functions and the diversification of the product line increased. In the case of televisions, the focus was not only on the highly sophisticated 3D technology but also the Internet and networking functions were methodically expanded. In the case of the new audio devices, special importance was placed on maximum sound quality and coordination. We are also the market leader in the range of functions of such devices. In 2011, new home networking and multiroom capability solutions were introduced for all devices and these will set standards for future product generations.

3D Television

The first TV family to be equipped with the new 3D technology was the Loewe Individual. The new 3D electronics platform offers full-HD technology with LED backlight and optimized 400 Hz picture performance. Even in 2D rendering, the sophisticated image processing algorithms provide improved display quality and support the effective conversion of two dimensional programs into a 3D presentation. The 3D product range was expanded in 2011 to include 100 Hz sets of the Connect, Art and Xelos lines.

Television and Internet

Loewe is one of the first manufacturers to implement HbbTV in its current generation of televisions

Loewe has a long tradition of connecting television to the Internet and systematically pressed ahead with this development last year. On the one hand, the HbbTV (hybrid broadband broadcast TV) standard was introduced to the market. At the same time, the conditions were also created for video on demand services, which are based on a high bandwidth Internet connection. In developing the necessary software for this, we especially focus on powerful, easily understandable and expandable user interface concepts.

HbbTV refers to the new standard via which supplemental information going far beyond the usual television program can be received. For instance, a variety of program-accompanying services are available via the Internet from ARD, ZDF and Arte. Of course, in addition to images and text information, videos can also be downloaded from the Internet using the television set. Video on demand is also supported. Loewe is one of the first manufacturers to offer HbbTV to viewers in its current generation of televisions.

Maxdome is Germany's largest online video library from which films can be downloaded and played back directly via the Internet. Up to now, this service has only been available using set-top boxes. Loewe has integrated the software for film selection and playback on the television screen directly into the set. The user controls have been conveniently integrated into the Loewe menu. The user can now have access to all Maxdome films using the same remote control and without an additional device.

Convenient and expanded control functions

Using new Loewe apps is significantly more convenient

Furthermore, Loewe has defined and implemented the first steps to keep the use of the increasingly more complex variety of functions on the Loewe control panel comprehensible for the user and make them even more convenient for the future in many aspects. At the IFA in Berlin, Loewe demonstrated an application on the Apple iPad that not only replaces the remote control but uses the screen of the mobile device to display program information and functions clearly and attractively. This includes the display of the electronic program guide (EPG), the Maxdome film selection, a list of all recorded programs and the selection of settings. What is so special about this app is that supplemental information about the television programs is displayed without the user having to switch over to other Internet services. Of course, the app can be used to display and control all DR+ recordings offered by Loewe much more clearly. Loewe has created the necessary software requirements in the televisions for systematically connecting mobile devices such as iPad and iPhone. The apps are gradually being adapted to other mobile devices such as Android-based smart phones and tablets and will be equipped with additional convenience functions in the future.

Television in home networking

Loewe's DR+ streaming has had outstanding market success. Based on recording to hard disk and with the aid of wireless networking, the streaming function makes it possible to view programs recorded on one set on other Loewe sets in other rooms. This significantly increases the options for use and convenience. For instance, a person could begin watching a program in the living room and later finish watching it in another room, like the bedroom. Loewe has developed the software and control functions needed for this and will gradually expand these convenience functions.

The functions of DR+ streaming developed exclusively by Loewe can be integrated seamlessly into the complete networking and multiroom strategy based on the generally known UPnP (universal plug and play) standard. Loewe sets support the full range of UPnP and thus make it possible to stream other media content such as audio, video and image files stored on a home server, for example, to a notebook or other portable device in the home. This makes the television a standards-based media server.

New electronics platform

Loewe is continuously pressing ahead with the developments of the platforms necessary for the future. The most powerful semiconductor components from well-known manufacturers are investigated and applied for this purpose, as are the most advanced methods and processes from a high-quality software developer. Previously distributed assemblies will be integrated into the next device generation. The significant tasks for the reception and processing of television signals and for the playback of media content will in the future be processed by a single, very highly integrated electronic module. This will not only reduce circuit complexity but also simplify software development in particular. Based on tested software disciplines, the new Loewe software architecture is currently being developed to meet all future requirements for performance features, functions, networking and especially control functions.

Audio products

Audiodesign successfully established as a completely new product category

In addition to constantly renewing and updating its existing sound and media products including speakers, subwoofers and media players, Loewe successfully established a completely new product category of audio solutions in 2011.

In addition to expressive Loewe design, the main focus in developing these units was on a sound experience of maximum quality, coherent device functions and simple operation. All three units were developed in accordance with high technical specifications. The Loewe SoundBox combines radio, CD/USB and iPod/iPhone functions. The Loewe Air-Speaker is one of the first devices to support the Apple AirPlay standard, and in addition to the known functions, Loewe SoundVision also offers a conveniently controlled Internet radio. The device's touchscreen can be used to operate a variety of additional functions conveniently.

Innovation management

To take the increasingly more rapid innovation cycles of entertainment electronics into account, Loewe has established an "innovation management" staff position. Innovation management ensures that innovative ideas are picked up and evaluated and that they are included in products in a coordinated manner. Technology scouts observe the technological environment in which Loewe operates and point out relevant developments in good time.

Further Disclosures Pursuant to HGB

Remuneration of the Executive Board of Loewe AG

See page 33 of the Corporate Governance Report and page 137 of the Notes for comprehensive information on the individual compensation of the Executive Board.

Corporate governance declaration

The Company has published the corporate governance declaration to be issued in accordance with Section 289a of the German Commercial Code (HGB) on its website www.loewe.tv/int. The declaration can be downloaded in the section Loewe AG, Investor Relations, under the heading Corporate Governance.

Events after the balance sheet date

No reporting-relevant events of special note occurred after the end of the fiscal year.

Explanatory report of the Executive Board on the disclosures pursuant to Sections 315 (4) and 289 (4) of the German Commercial Code (HGB)

The following information has not changed from fiscal year 2010.

1. On December 31, 2011, 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 "direct" or "indirect" interests in the share capital which exceed 10 % of the voting rights and reported to the Company are listed in the Notes on page 130 et seq.

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 extrajudicially 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 May 20, 2010, new authorized capital was created in the amount of EUR 6,504,614. This resolution authorized the Executive Board, with consent of the Supervisory Board, to increase the Company's share capital in exchange for cash or non-cash contributions on one occasion or in partial amounts by a total of up to 6,504,614 new bearer shares with dividend entitlement as of the beginning of the fiscal year current on the date of issue (2010 Authorized Capital) by no later than May 19, 2015. See page 113 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 113 of the Notes for further details.

By resolution of the Annual Shareholders' Meeting on May 20, 2010, the Company was authorized 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. Together with the other shares held by the Company or to be treated as such in accordance with Sections 71d and 71e of the German Stock Corporation Act, the acquired shares may not at any time constitute more than 10 % of the share capital. 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, and to offer them to or recall them from third parties in connection with business transactions. See page 114 et seq. 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.

Control and Risk Management Process with Regard to Accounting

The Executive Board also bears complete responsibility for the internal control and risk management system with respect to the accounting process. All companies included in the consolidated financial statements are integrated via a clearly defined management and reporting organization.

Structural organization

The respective local financial accounting departments are responsible for preparing the financial statements of the foreign subsidiaries of Loewe AG in accordance with local accounting principles. The separate financial statements of Loewe AG and Loewe Opta GmbH and the consolidated financial statements of Loewe AG in accordance with IFRS are prepared centrally in the Finance and Accounting department in Kronach. The separate financial statements for all Group companies except Loewe Belgium are prepared within a uniform SAP R/3 accounting system.

The central accounting service center in Kronach supports and coordinates the preparation of the financial statements of the Loewe subsidiaries.

The accounting of the consolidated financial statements is based on a standardized consolidated chart of accounts in which the data of the separate financial statements are reconciled by machine. The consolidation is accomplished technically using specially designed accounting software and supporting subsystems, including, for example the determination of deferred taxes in accordance with IAS 12.

Workflow organization

The separate and consolidated financial statements are prepared using a detailed project overview. The employees responsible continuously monitor the process. Internal procedural and accounting standards that are regularly adjusted to external and internal developments exist for materially important balance sheet items and accounting procedures.

The financial statements of all consolidated Group companies are prepared in accordance with uniform accounting policies and included in the consolidated financial statements. All companies are included in the scope of consolidation and are fully consolidated.

The work involved in preparing the separate and consolidated financial statements is performed following the principles of segregation of functions and dual control. The accuracy and completeness of all data relevant to the financial statements is ensured by a large number of plausibility checks as well as preventive and subsequent controlling.

Risk management and internal control systems

The financial accounting organization in all companies of the Loewe Group is a regular component of audits of the internal control system and all associated value-added processes.

Furthermore, a test for plausibility of existing risks is performed regularly in each division.

The Group-wide risk management system with regard to the accounting process ensures that accurate and reliable information is prepared.

Internal Audit

The financial accounting organization in all companies of the Loewe Group is a regular component of audits of the internal control system and all associated value-added processes. Furthermore, a test for plausibility of existing risks is performed regularly in each division. The Group-wide risk management system with regard to the accounting process ensures that accurate and reliable information is prepared.

Opportunities and Risks of Future Development

Risk management at Loewe

Intense global competition continues to characterize the market for consumer electronics. As a comparatively small company, it is therefore important for Loewe to identify risks that are inseparable from business activity and reduce them to an acceptable level. Anticipatory risk management ensures sustainable development and contributes to increasing earning power.

The risk management system is an integral component of Loewe's entire planning, controlling, and strategy process. The management teams of the operating units are expected to reevaluate the risk situation in their areas at regular intervals. By clearly defining risk areas and fields, Loewe is able to systematically identify, evaluate and document existing individual risks. Risks are identified using standardized risk identification forms.

An essential component of this process is the evaluation of possible impacts on the Company's financial position and performance. After the expected impact has been ascertained, the probability of occurrence must be evaluated and the effectiveness of possible hedging measures must be assessed. The result is ascertainment of the net risk. It is the task of every person responsible for risks in the particular operating unit to promptly develop measures to avoid, reduce and hedge risk and to implement these measures promptly if necessary. In the subsequent risk monitoring process, the efficiency of the countermeasures is reviewed and their implementation is monitored.

Risk management at Loewe is integral component of planning and control

Monitoring and control system

Primarily the following control and monitoring systems are employed:

- Executive Board meetings
- Department and leadership meetings
- Annual planning, monthly and quarterly reporting
- Ongoing calculations of forecasts and expectations
- Continuous liquidity and product planning
- Capital expenditure planning, production and capacity planning
- Internal Audit
- Accounts receivable management
- Insurance policies
- Compliance officer, IT security officer, data protection officer
- Purchasing and supplier management, supply chain management, quality management
- Human resources planning, competency management

These institutions and instruments form the basis for the existing risk management.

Opportunities and risk report

As of the balance sheet date of December 31, 2011, the following opportunities and risks exist that could have a substantial influence on the development of the Loewe Group.

Premium positioning in the home entertainment market

A prerequisite for sustained business success is Loewe's ability to position a competitive product range of high-quality flat panel display sets as well as home entertainment systems with innovative speaker and multi-room solutions in the premium segment and implement its price policy oriented to quality and stability of value. Only if customers identify with Loewe products based on the brand, quality and product characteristics will they also be willing to pay an above-average price.

Premium brand offers opportunity for clear differentiation

Opportunities

Technological innovations such as 3D TVs, televisions with energy-efficient LED backlight, and expanded Internet functionality can ensure that the value of the market will continue to grow moderately in the future. The increasing distribution of HDTV content and the new HbbTV standard should support this trend.

Loewe practices strict cost discipline but also makes targeted investments in the positioning as a premium brand. The Loewe world of brand experience, which in addition to attractive products, includes in particular the standardized, high-quality retail presentation of the Loewe brand, the brand communication and premium service, makes an important contribution to premium presentation and differentiation from the competition.

Risks
The market entry of new competitors and the opening of new business models in the TV segment keep the competitive intensity in the consumer electronics environment at a high level. Furthermore, mass manufacturers of consumer electronics have achieved significant quality of manufacturing and output. Loewe sets itself apart from the competition through unique selling points and technological differentiating features as well as the highest quality standards in order to ensure the value-based marketing at stable prices.

Sales and earnings risks could arise if new products are not launched in time or if production of current products is started late due to unavailability of materials. Product management was fundamentally restructured to increase startup and cost reliability. The project managers coordinate the project development process interdepartmentally, especially with regard to deadlines, budget and quality. Furthermore, project controlling continuously reviews whether the planning and project work is synchronized.

Risks arising from the financial crisis

Further economic downturn and decline of private consumption could impact sales by Loewe

The present economic conditions in parts of Europe have significantly strained Loewe's business development, especially its export business. This applies in particular to the important Italian, Spanish and British markets. The current outlook for the European core markets is in part fraught with uncertainties, primarily related to the intensity of the economic downturn in the export markets and the decline of private consumption. This could limit sales potential in the next few quarters and the planned contributions to margin for Loewe in this segment. To be able to respond flexibly and proactively to changes, we will very closely monitor the economic developments in our core European markets and continuously review the sales forecasts.

Expansion of product-related differentiation potentials

Opportunities
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. Loewe therefore concentrates on areas of technology that offer customers added value and present opportunities for differentiation.

Risks
To minimize the risks of increasing complexity of technical platforms and further increase the reliability of new product generations, new sustainable chip concepts, for example, are also selected by taking into account the provided software. The software engineers of the Loewe subsidiary MacroSystem Digital Video AG provide us support in implementing the announced development objectives, in particular in the area of multimedia networking of home entertainment systems. Furthermore, the development division was reorganized under the "Fast Forward" future strategy program to systematically push ahead with the comprehensive development of the hardware and software components of home entertainment systems on an integrated basis.

Dependence on external development and cooperation partners can impact the scheduling of product introductions and accordingly the generation of sales development. Through more intensive cooperation with external partners and close monitoring of defined specifications, we intend to increase startup reliability to be able to respond early to possible problems in the implementation process.

Increasing software requirements and diverse national specifications and standards will also make considerable development capacity necessary in the future. Through intensive cooperation in committees, including on the European level, Loewe actively participates in the standardization process. Also for the technical implementation of national standards, we integrate externally developed technical solutions into the Loewe products in addition to intensive inhouse development.

In an intense competitive environment with short development cycles, there is a growing danger that technical trends may not be recognized and implemented early enough. In the future, a company's innovative strength will become even more critical for its economic success. The establishment of strategic partnerships such as cooperative agreements with research institutions on subsidized projects and systematic technology scouting will make it possible to evaluate relevant technologies and specifically convert them into new products.

Risks related to procurement and availability of materials

Competitive procurement conditions and adequate availability of materials are of great significance especially for the higher priced LCD panels and components. Our lower purchasing volume compared with the competition therefore makes it more difficult to achieve attractive purchasing conditions. Product discontinuation announcements, delivery shortfalls or quality defects can also lead to temporary production disruptions and thereby negatively impact the earnings situation.

Systematic bundling of purchasing volume to key suppliers

Loewe attempts to have a positive impact on purchasing conditions through bundling of purchasing volume to key suppliers, reducing component diversity, the systematic use of platform concepts and qualifying alternative components and suppliers. Furthermore, we are systematically expanding existing agreements and continuously coordinating demand directly with suppliers and their partner organizations. In addition, an improved utilization of potentials in Asian procurement markets will continuously lower the cost of purchased materials.

Increasing consolidation has been seen in the last few years, especially in the semiconductor market. This entails the risk that product introductions will be delayed or the technical support of electrical components will be stopped or limited. Loewe is constantly in close cooperation with the respective suppliers. At the same time, alternative scenarios are reviewed on the development side and closing inventory concepts are developed if necessary.

Quality and production process risks

Quality and process risks may arise in connection with the market launch of new products and the implementation of internal processes. If quality 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 can result in higher warranty expenses and replacements as a gesture of goodwill.

Constant, intense quality control

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 onsite acceptance inspections of all key suppliers.

Personnel risks

An aging and shrinking population in Germany contains the risk that it will not be possible to recruit sufficiently qualified technical personnel for the Company in the future. Factors that intensify this risk include locational disadvantages or loss of know-how due to inadequate succession policies. Furthermore, declining numbers of students graduating with degrees in the natural sciences and technical fields could lead to a shortage of skilled workers.

Build up close relations with schools, vocational schools and regional universities, and active staff recruiting

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 and active staff recruiting. At the same time, Loewe regularly participates in vocational training and human resources events. Another important pillar is in-house training, which includes the possibility of combining in-house training with a concurrent course of study (dual study program).

Strategy-oriented competency management is used to systematically identify employee expertise and potential and to initiate specific employee development measures. Fitness and preventive health care services support the health and performance of the employees.

Loewe counteracts production capacity risks by offering flexible working hours models which are developed in collaboration with the Works Council.

IT Risks

In information technology, protection against unauthorized data access or data abuse is becoming more and more important. Loewe counteracts these risks through, among other things, technical protective measures such as the use of current firewall and antivirus programs as well as access controls at the company and user level. In this connection, attention is constantly devoted to compliance with data protection regulations.

A backup server and an uninterruptible power supply reduce the risk of data loss.

Foreign subsidiaries

Opportunities

The Loewe Group generates about 40 % of its sales revenue 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 retail partner, facilitating better implementation of Loewe's premium strategy and higher sales margins.

Risks

Foreign subsidiaries are, however, 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 retail partners. 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

A syndicate agreement subject to compliance with covenants exists to ensure Loewe's medium-term financing. It has a financing volume of up to EUR 50 million (maturing on June 30, 2012). Extraordinary termination options are provided for the breach of covenants or violation of significant contractual obligations. Negotiations for follow-up financing are currently going on. Furthermore, financing for factoring with an additional financing volume of up to EUR 35 million is available (maturing on June 30, 2015).

As of December 31, 2011, neither bank financing nor the factoring line were used. Loewe prepares monthly Group liquidity planning for the fiscal year for regular liquidity control. Multiyear financial and liquidity planning is used for medium-term and long-term liquidity.

Loewe covers the need for liquidity of individual Group companies through loans. This avoids additional raising of credit in the Group and avoids external interest expense in the subsidiaries.

We assume that Loewe's solid capital structure and existing financing agreements will safeguard the Company's growth potential in the years to come whatever the financial situation.

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 covered by the deposit protection fund. Through the described selection of investments, we seek the greatest possible risk minimization.

The goal of Loewe's capital management strategy is to safeguard the business operations, increase the company value, create a sound capital basis for the financing of the business policy, and guarantee dividend payments and debt servicing.

Currency risk and financial derivatives

Higher procurement costs may be due to appreciation of U.S. dollar in relation to euro

The appreciation of the U.S. dollar in relation to the euro will lead to higher procurement costs, primarily for LCD panels. To generally hedge the budgeted exchange rates, 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 36 month projection and up to a defined percentage is hedged primarily by forward exchange transactions. See pages 125 to 129 of the Notes for details concerning risk management in connection with financial derivatives as well as credit and market risks.

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 – by provisions. Nonetheless, losses can arise that are not or are only inadequately insured or significantly exceed the provisions.

Tax risks

Loss carryforwards exist within the Loewe Group, both in the German and foreign consolidated companies. Further amendments of the tax laws with respect to the level of the tax rates or the usability of the loss carryforwards may lead to changes arising from the remeasurement of the capitalized deferred tax assets and accordingly to negative impacts on the Group equity or the earnings per share.

Overall estimation of the risk situation

The described risks have the potential to negatively affect 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

Overall economic trend

European GDP expected to show only moderate growth in the next two years

Economic momentum has significantly softened in the eurozone in the early months of 2012. Several member states are experiencing a recession. In numerous countries, the necessary spending restraint by the national governments contributed significantly to the decline or severe economic downturn. Furthermore, private household consumption has suffered from the often strained labor market situation and investment activity has also slowed. Against this backdrop, the real gross domestic product in the eurozone will grow only 0.5 % in 2012 and only 0.9 % in 2013. The unemployment rate will persist at a high rate of about 10 % in the next two years and will assume alarming proportions, especially in Spain.

The debt and confidence crisis in the eurozone will be an increasing burden on the German economy. Although conditions within the German economy continue to be intact for a broad-based upturn, positive demand stimuli from the principal import markets in the eurozone are in particular of great significance for the heavily export-oriented German economy. Thus, the gross domestic product might grow by only 1.4 % in the current fiscal year 2012. However, this presupposes no additional worsening of the sovereign debt crisis. Should the uncertainty among investors and consumers reduce gradually while private consumption continues to be stable, Germany's gross domestic product could grow by 1.5 % in 2013. Under these circumstances, the employment situation in Germany in the next two years should also remain very encouraging with an unemployment rate of only about 7 %.

Industry trend

LCD TV market to remain steady or grow moderately in the next few years

In a continued difficult economic environment, the LCD TV market will remain steady or exhibit moderate growth in Europe in the next few years, due in particular to the continued replacement demand and increasing ownership of more than one set. From today's perspective, after the 10 % decline in its value in 2011, this market will be supported in particular by new technologies such as smart TVs (Internet on the TV set) in 2012. Furthermore, the UEFA EURO 2012 in Poland and the Ukraine and the Summer Olympic Games in London will provide positive buy signals.

Loewe AG and Loewe Group

We base our projections for Loewe AG and the Loewe Group on the aforementioned economic expectations. Assuming that the price of the euro in relation to the U.S. dollar remains relatively stable and that the cost structure does not change significantly, Loewe forecasts growth in sales and a significant improvement in income for fiscal years 2012 and 2013. From the present perspective, the number of employees will not significantly exceed or fall below the figure for 2011. Investment volume is somewhat higher than in the previous year and in 2012 will mainly be focused on tools for new products, development services, efficient production facilities and adequate brand presentation systems for retailers.

The Loewe premium strategy is of fundamental importance for a successful turnaround. Minimalist design, intelligent innovations and exclusive individuality set Loewe off from all other brands in the consumer electronics industry. Individualizability and joy-of-use are competitive advantages that can have a strong influence on purchasing decisions in the premium segment. The phrase "made and engineered in Germany" is seen more than ever as a guarantee of quality all over the world. Loewe will in the future focus even more intensely on user-friendly systems that combine the best picture quality with the best sound to meet the high expectations of sophisticated users and which can be optimally integrated into individual home interiors. For the medium term, the strategic goal is for Loewe to become the leading international premium brand for individual home entertainment solutions.

Overall statement concerning the future development

Loewe plans for sales growth and significant earnings improvement

Even if the persistently difficult economic conditions in parts of Europe put a strain on Loewe's export business in particular, the market for consumer electronics in the premium segment offers good opportunities in the medium term. For that reason, Loewe expects growth in sales and a significant improvement in earnings for fiscal year 2012. Assuming that the value of the European market for LCD TVs will continue to grow in the years to come and the macroeconomic conditions in Europe will not worsen significantly, growth in sales and earnings can also be expected for 2013. Moreover, Loewe's sound capital structure puts the Company in a good position for future growth.

Kronach, February 17, 2012

The Executive Board

Oliver Seidl **Dr. Detlef Teichner**

Your

Personality.

Our

Passion.

Loewe Individual

Your Personality. Some people want to experience television in a new, almost spectacular fashion while others prefer an understated, more familiar style. Express your personality in a way that makes you unique. Entertainment? It's your call.

Our Passion. We let you have it your way because individuality is our passion. Loewe invented television 'your way' with its Individual line and we continue to refine it. No other home entertainment system can provide you with as much freedom of choice, whether it's color, form, sound options or the way you place your TV. Your television will be one-off, one-of-a-kind. Just like you.

My Entertainment. More multimedia, more varied and more unique than ever before.

Consolidated Financial Statements, Notes

Consolidated Income Statement

	Notes No.	2011		2010	
		EUR thousand	%	EUR thousand	%
Sales	1	274,278	100.0	307,299	100.0
Cost of sales	2	– 211,542	– 77.1	– 237,351	– 77.2
Gross margin		**62,736**	**22.9**	**69,948**	**22.8**
Selling expenses	3	– 64,988	– 23.7	– 68,660	– 22.3
General and administrative expenses	4	– 7,780	– 2.8	– 8,664	– 2.8
Other operating income	5	7,550	2.7	7,817	2.5
Other operating expenses	6	– 8,032	– 2.9	– 5,815	– 1.9
Income from investments		51	0.0	41	0.0
EBIT		**– 10,463**	**– 3.8**	**– 5,333**	**– 1.7**
Interest and similar income	7	431	0.1	620	0.2
Interest and similar expenses	8	– 2,740	– 1.0	– 2,979	– 1.0
Profit from ordinary activities (EBT)		**– 12,772**	**– 4.7**	**– 7,692**	**– 2.5**
Income tax expense	9	1,866	0.7	442	0.1
Profit/loss after tax		**– 10,906**	**– 4.0**	**– 7,250**	**– 2.4**
Minority interests		188	0.1	212	0.1
Net income/loss	10	**– 10,718**	**– 3.9**	**– 7,038**	**– 2.3**
Profit carried forward		1,978		12,268	
Dividend payment		0		– 3,252	
Allocation to retained earnings		0		0	
Distributable profit		**– 8,740**		**1,978**	
Earnings per share (EUR)					
Basic *	10	– 0.82		– 0.54	
Diluted **		– 0.82		– 0.54	
* 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 Statement of Comprehensive Income EUR thousand	2011	2010
Profit/loss after tax	– 10,906	– 7,250
Other comprehensive income		
Change in fair value of hedges	4,477	2,985
Tax effects	– 1,249	– 833
Gains and losses recognized directly in equity	3,228	2,152
Comprehensive income/loss	– 7,678	– 5,098
thereof:		
attributable to shareholders of Loewe AG	– 7,490	– 4,886
attributable to minority interests	– 188	– 212

Consolidated Balance Sheet

EUR thousand

Assets	Notes No.	**Dec. 31, 2011**	Dec. 31, 2010
Non-current assets			
Intangible assets	11	8,667	7,890
Property, plant and equipment	12	31,287	37,235
Financial assets	13	2,376	2,073
Income tax assets	14	121	246
Miscellaneous non-current financial assets	15	219	216
Deferred taxes	16	11,504	10,971
		54,174	**58,631**
Current assets			
Inventories	17	43,437	67,147
Trade accounts receivable	18	70,713	70,476
Income tax assets	19	315	279
Miscellaneous current financial assets	20	8,166	5,995
Cash and cash equivalents	21	26,975	13,201
		149,606	**157,098**
Total assets		**203,780**	**215,729**

Liabilities and shareholders' equity	Notes No.	**Dec. 31, 2011**	Dec. 31, 2010
Shareholders' equity			
Equity attributable to equity holders of the parent	22		
Subscribed capital (conditional capital EUR 398,400)		13,009	13,009
Capital reserve		46,986	46,986
Retained earnings		16,200	16,200
Other reserve		4,556	1,328
Accumulated profit/loss		– 8,740	1,978
		72,011	**79,501**
Minority interests	23	451	633
		72,462	**80,134**
Non-current liabilities			
Provisions for pensions and similar obligations	24	36,255	40,760
Other non-current provisions	25	15,453	17,495
		51,708	**58,255**
Current liabilities			
Income tax provisions	26	2,274	3,857
Other current provisions	27	41,804	41,759
Current financial liabilities	28	0	94
Trade accounts payable	29	24,790	22,234
Miscellaneous current financial liabilities	30	10,742	9,396
		79,610	**77,340**
Total liabilities and shareholders' equity		**203,780**	**215,729**

Consolidated Cash Flow Statement

EUR thousand

	2011	2010
Operating activities		
EBIT	**– 10,463**	**– 5,333**
Interest paid	– 360	– 588
Interest payments received	391	620
Depreciation and amortization of non-current assets	21,851	21,744
Other non-cash items	– 2,490	– 2,423
Increase (–)/decrease (+) in non-current receivables	– 3	58
Decrease (–)/increase (+) in pension provisions	– 4,505	448
Decrease (–)/increase (+) in other non-current provisions	– 2,042	375
Income taxes paid	– 1,410	– 953
Cash flow before changes in net current assets	**969**	**13,948**
Change in net current assets		
Decrease (+)/increase (–) in inventories	23,710	– 16,442
Decrease (+) in trade accounts receivable and other assets	6,029	8,773
Increase (+)/decrease (–) in other current provisions	45	– 5,274
Increase (+)/decrease (–) in trade accounts payable and other liabilities	5,054	– 4,260
Change in net current assets	**34,838**	**– 17,203**
Net cash from operating activities	**35,807**	**– 3,255**
Investing activities		
Payments for investments in intangible assets and property, plant and equipment	– 16,718	– 18,979
Net payments for investments in financial assets	– 303	– 500
Payments for investments in consolidated companies, net of cash acquired	0	– 445
Proceeds from disposals of intangible assets and property, plant and equipment	84	80
Net cash from investing activities	**– 16,937**	**– 19,844**
Free cash flow, total	**18,870**	**– 23,099**
Financing activities		
Cash outflow in connection with the decrease in minority interests	0	– 600
Dividend payment	0	– 3,252
Repayment (–) of loans	– 94	– 938
Net cash from financing activities	**– 94**	**– 4,790**
Cash-effective change in liquidity	**18,776**	**– 27,889**

Composition of liquidity	**Dec. 31, 2011**	**Dec. 31, 2010**	**Change**
Cash and cash equivalents	26,975	13,201	13,774
Short-term bank loans	0	0	0
Use of factoring	– 12	– 5,014	5,002
Liquidity	**26,963**	**8,187**	18,776

Consolidated Statement of Changes in Equity

Group equity changed as follows in the years 2010 and 2011:

	Number of shares	**Subscribed capital**	**Capital reserve**	**Retained earnings**	**Other reserve**	**Accumulated profit/loss**	**Equity attributable to equity holders of the parent**	**Minority interests**	**Total equity**
	units	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Balance as of Dec. 31, 2009	13,009,229	13,009	46,986	16,200	– 824	12,268	87,639	1,325	88,964
Dividend payment for 2009						– 3,252	– 3,252	– 600	– 3,852
Change in scope of consolidation								120	120
Market valuation of hedges					2,152		2,152		2,152
Net profit/loss as of Dec. 31, 2010						– 7,038	– 7,038	– 212	– 7,250
Balance as of Dec. 31, 2010	**13,009,229**	**13,009**	**46,986**	**16,200**	**1,328**	**1,978**	**79,501**	**633**	**80,134**
Dividend payment for 2010						0	0	0	0
Changes in scope of consolidation								6	6
Change in fair value of hedges					3,228		3,228		3,228
Net profit/loss as of Dec. 31, 2011						– 10,718	– 10,718	– 188	– 10,906
Balance as of Dec. 31, 2011	**13,009,229**	**13,009**	**46,986**	**16,200**	**4,556**	**– 8,740**	**72,011**	**451**	**72,462**

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 final version of the consolidated financial statements was prepared by the Executive Board on February 17, 2012 and approved for publication.

Basis of Presentation

As an exchangelisted parent company, Loewe AG participates in the Regulated Market as defined by Section 2 (5) of the German Securities Trading Act (WpHG). In accordance with Section 315a of the German Commercial Code (HGB), the consolidated financial statements were prepared (as in the previous year) by taking into account all standards and interpretations issued and endorsed by the EU and required to be applied for the fiscal year 2011. We did not elect to early adopt new standards for these consolidated financial statements.

The following standards and revisions of standards are applied for the first time in fiscal year 2011:

Standard	Required to be applied for fiscal years beginning on or after	Adopted by the EU as of Dec. 31, 2011	Impact on the Loewe Group
IFRS 1 (revised) First-time Adoption of International Financial Reporting Standards	Jan. 1, 2011	yes	none
IFRS 7 (revised) Financial Instruments: Disclosures	Jan. 1, 2011	yes	none
IAS 1 (revised) Presentation of Financial Statements	Jan. 1, 2011	yes	none
IFRS 3 Business Combinations	July 1, 2010	yes	none
IFRIC 14 (Amendment: Prepayments of a Minimum Funding Requirement)	Jan. 1, 2011	yes	none
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010	yes	none
IAS 21 The Effects of Changes in Foreign Exchange Rates	July 1, 2010	yes	none
IAS 24 Related Party Disclosures	Jan. 1, 2011	yes	none
IAS 28 Investments in Associates	July 1, 2010	yes	none
IAS 31 Interests in Joint Ventures	July 1, 2010	yes	none
IAS 32 Financial Instruments: Presentation	July 1, 2010	yes	none
IAS 39 Financial Instruments: Recognition and Measurement	July 1, 2010	yes	none

The International Accounting Standards Board (IASB) has published additional standards and interpretations that have in the meantime been adopted by the EU as European law and also some that have not yet been adopted. They are not expected to have any material influence on the consolidated financial statements of Loewe.

The consolidated financial statements have been prepared in euros. The figures in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements have been rounded to the nearest thousands of euros (EUR thousand).

Material Discretionary Decisions, Estimates and Assumptions

In preparing the consolidated financial statements, discretionary decisions, estimates and assumptions are made that affect the level of assets, liabilities and the disclosure of contingent liabilities as well as the amounts of income and expense recognized as of the reporting date. These decisions include subjective measurements and estimates based on facts which are inherently characterized by uncertainty and may be subject to change. Over time, these estimates and assumptions can change and materially influence the presentation of the Company's financial position and performance. For an understanding of the underlying risks of financial reporting and the impacts that these estimates and assumptions can have on the consolidated financial statements, the material estimates and associated assumptions shown below are of critical importance.

With regard to the useful life of intangible assets and property, plant and equipment, the expected useful life is estimated. Estimates are also made in determining the impairments of intangible assets and property, plant and equipment. Among other things, the estimates relate to the cause, the date and the amount of an impairment. In making these estimates, management assumes an anticipated utilization, among other things. Should the demand for individual products not develop in such a way, this could result in a loss of income and possibly impairment losses due to write-downs to the fair value of the assets.

The recognition of deferred taxes, which primarily are based on unused tax loss carryforwards and temporary differences, is based on management estimates of the level and occurrence of taxable income available for use in the future. For this purpose, the expected taxable income is derived from the corporate planning.

When taking into account the realizable prices or technical risk with regard to inventories, estimates are made based on market data and empirically established figures. These estimates can vary from the prices that can be realized later in the sales market.

By its nature, the recognition and measurement of provisions, in particular provisions for warranties, is associated with estimates.

Scope of consolidation

The following companies were consolidated as of the uniform reporting date of December 31, 2011.

	Subscribed capital	Interest 2011*
Parent company		
Loewe AG, Kronach, Germany	EUR 13,009,229.00	
Subsidiaries		
Loewe Opta GmbH, Kronach, Germany	EUR 23,010,000.00	99 %
Loewe Opta Benelux nv/S.A., Wommelgem, Belgium	EUR 61,973.38	90 %
Subsidiary of Loewe Opta Benelux nv/S.A.: Loewe Opta Nederland 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., Bozen/Verona, Italy	EUR 100,000.00	100 %
Loewe Austria GmbH, Wien, Austria	EUR 35,000.00	100 %
Loewe UK Ltd., London, UK	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 equity investment is maintained solely for the purpose of maintaining Loewe brand rights in the U.S.		
MacroSystem Digital Video AG, Kronach	EUR 6,000,000	79.24 %
An additional 0.26 % of the shares were subsequently acquired from minor shareholders in June 2011 within the framework of a squeeze-out, resulting in shareholdings of 79.24 % as of December 31, 2011.		

* Unchanged compared to 2010, except for MacroSystem Digital Video AG

The scope of consolidation has not changed in relation to the consolidated financial statements as of December 31, 2010.

Loewe Opta GmbH makes use of the exemption pursuant to Section 264 (3) of the German Commercial Code (HGB) and does not publish its financial statements in the German federal gazette (elektronischer Bundesanzeiger) since the company is included in the consolidated financial statements of Loewe AG.

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 are included in the scope of consolidation and are 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 shareholders' equity at the time of acquisition.

The financial statements of the subsidiaries included in the consolidated financial statements are prepared in accordance with local law for the reporting dates of the consolidated financial statements, and – except for the annual financial statements of Loewe Opta, Inc., which is no longer carrying out operating activities – are reviewed by independent auditors.

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. Deferred taxes were recognized for consolidation adjustments recognized in the income statement.

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 average spot exchange rate prevailing on the reporting date.

All consolidated companies except Loewe UK Ltd., London, UK and Loewe Opta, Inc., USA are located in the eurozone. 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 2011 in the income statement. The resulting exchange differences are recognized in the income statement (EUR – 125 thousand in 2011).

Currency rates

Country	Currency	EUR	Closing rate		Average rate	
			2011	2010	**2011**	2010
United Kingdom	GBP	EUR 1	0.8353	0.8608	0.8679	0.8582
USA	USD	EUR 1	1.2939	1.3362	1.3920	1.3268

Accounting Policies

The accounting policies detailed below remain unchanged from those used in fiscal year 2010.

Sales revenues and **other operating income** are recognized as soon as the services have been rendered or the goods or products have been delivered or the risk has been transferred to the customer. They are recognized after sales deductions such as other price reductions, discounts and other price reductions. Sales revenues are reported excluding value added tax.

Operating expenses are recognized in the income statement on the date of performance or when incurred.

Interest income or expense is accrued; if applicable, by applying the effective interest method.

Income tax expense relates to direct income taxes as well as deferred taxes. Deferred taxes and current taxes are calculated in accordance with IAS 12. Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and the tax accounts as well as for recoverable tax loss carryforwards. The calculation is based on the tax rates expected to be applicable as of the realization date, i.e. those tax rates that are enacted or substantively enacted as of the balance sheet date. Deferred tax assets are recognized only to the extent that the related tax receivables will probably be utilized. Loss carryforwards are included in the deferred taxes to the extent that they will probably be realized.

The tax rate uniformly applicable to the Group is 27.9 % (2010: 27.9 %).

Changes in **deferred taxes** in the balance sheet generally result in deferred tax charges or deferred tax income. In case of events resulting in changes to deferred taxes for items requiring a recognition directly in equity, the corresponding change in deferred taxes is also recorded directly in equity.

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 other administrative 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.	
	2011	2010	**2011**	2010
Software	2 to 5 years	2 to 5 years	20 to 50 %	20 to 50 %
Development costs	2 years	2 years	50 %	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, less straight-line depreciation.

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.

Impairment losses are reversed if the recoverable amount of the asset increases subsequently. The reversal of an impairment loss is limited to the depreciated cost which would have resulted had no impairment occurred.

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, operating and office equipment	5 % to 33 %

Loewe AG has concluded lease agreements as lessee (mainly for cars, copiers and telephone equipment) which have to be classified as operating leases in accordance with IAS 17, as the lessor substantially retains all the risks and rewards incidental to ownership of the leased assets. Lease payments for such operating leases are recognized in the income statement as cost of sales, selling expenses and general and administrative expenses, and amortized over the lease term.

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. Impairment losses are recognized in income if the realizable amount of the asset is less than the carrying amount.

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 probable. Deferred taxes based on items that are directly recognized in equity are not recognized in the income statement but in equity.

Inventories are recognized at cost. In addition to direct materials and direct labor, costs of conversion also include 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. The net realizable value corresponds to the selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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 valuation allowances. Receivables in foreign currencies are measured at the average spot exchange 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 using an interest rate appropriate to the maturity and free of risk.

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

Forward exchange transactions and spread options are concluded as a proportional hedge of the currency risk for existing purchase contracts. The measurement reflects fair value (mark-to-market method) and is based on the calculation bases provided by the banks. The asset value of the positive intrinsic values of derivative financial instruments is recognized in miscellaneous current financial assets. Any negative net asset value of these derivative financial instruments is shown in miscellaneous current financial liabilities. **Hedging transactions** are recognized in accordance with IAS 39 and explained in the notes to consolidated financial statements in accordance with IFRS 7. The effective portion of the change in value of currency hedges (only forward exchange transactions) 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. The intrinsic value of currency hedges which were not designated (spread options) is accounted for as other assets or other liabilities. The changes of the intrinsic value are recognized in the income statement.

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.

The Company assumes the effectiveness of prospective effectiveness tests in accordance with IAS 39.A108. The retrospective effectiveness tests are carried out using the dollar-offset method based on the spot price. In this context, we opted for separating the interest element and the spot price as provided for under IAS 39.74b. The interest portion resulting from the change of the intrinsic values is recognized in profit or loss.

Financial assets and financial liabilities are reported by applying IAS 39 'Financial Instruments: Recognition and Measurement'.

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 rate prevailing on the reporting date.

Subscribed capital is reported at nominal value.

Changes in equity not recognized in income are recognized in **other reserves** unless they are based on capital transactions with share-holders. These primarily refer to the fair value of derivative financial instruments and the related deferred tax effects.

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

Provisions for pensions and similar obligations are calculated using the actuarial projected unit credit method. Future benefit obligations are measured on the basis of benefit entitlements earned on a prorated basis as of the reporting date. Measurement reflects assumptions as to the future development of certain parameters affecting the level of future benefits. The calculation is based on actuarial opinions, taking into account biometric principles.

The expenses for the unwinding of discounts on pension obligations are reported separately as interest expense or interest income, respectively. All other expenses and income from the allocation to provisions for pensions are classified as personnel costs.

Other non-current provisions relate to economic obligations that are expected to become due more than 12 months after the reporting date. They are reported at the present value of the expected settlement amounts, based on a pre-tax interest rate reflecting the current market expectations with regard to the time value of money.

Income tax provisions contain taxes likely to be payable. It was not necessary to report deferred tax liabilities because there were country-based possibilities for setting them off against deferred tax assets.

Other current provisions relate to economic obligations that are expected to become due within one year. The provisions are recognized at the settlement amounts anticipated to be payable in 2012.

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

Government grants are recognized as receivables if there is reasonable assurance that the grants will be received and the Company complies with the conditions attached to them. 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 1.103 is used.

Sales revenue (1)*

Sales represent net revenues from the sale of the Company's own products, merchandise, and related services after all sales deductions.

Sales broken down by product group are as follows:

	2011		2010	
	EUR thousand	%	EUR thousand	%
LCD televisions	220,656	80.5	249,811	81.3
DVD/Blu-ray	6,344	2.3	5,916	1.9
Audio	21,709	7.9	25,500	8.3
Other revenues	25,569	9.3	26,072	8.5
Total	**274,278**	**100.0**	**307,299**	100.0

The decrease in sales revenue of LCD televisions was caused by the declining market as a whole and aggressive price competition.

The drop in sales revenue in the Audio segment was mainly attributable to declining unit sales and sales revenue from TV sets as this also led to a decrease in the number of Audio peripherals sold. The Mediacenter audio/video center also experienced declines. In contrast, the Audiodesign product category, which was introduced late in 2011, had a positive impact.

Other revenues were slightly below the prior-year level.

* The numerals given in brackets for the following line items refer to the corresponding numbers indicated in the financial statements.

The breakdown of sales by geographical regions is as follows:

	2011		2010	
	EUR thousand	%	EUR thousand	%
Germany	170,380	62.1	179,703	58.5
Europe (excluding Germany)	98,556	35.9	122,563	39.9
Rest of world	5,342	2.0	5,033	1.6
Total	**274,278**	**100.0**	**307,299**	100.0

The decline in sales by a total of EUR 33,021 thousand or 10.7 % is largely due to the weaker demand from European countries other than Germany, which fell by EUR 24,007 thousand or 19.6 %. The decline of domestic demand was relatively moderate, amounting to EUR 9,323 thousand or 5.2 %. Notably, a slight sales increase was achieved in the countries outside Europe.

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 breaks down as follows:

EUR thousand	2011	2010
Raw materials and supplies	142,415	168,965
Merchandise	19,957	13,465
Amount of inventories recognized as an expense during the reporting period	**162,372**	**182,430**
Purchased services	1,684	1,596
Personnel and social security costs	30,922	35,487
Depreciation of property, plant and equipment and amortization of software	10,367	10,042
Amortization of capitalized development costs	7,331	6,450
Capitalized development costs	– 7,036	– 6,423
Other non-staff administrative costs	5,902	7,769
Total	**211,542**	**237,351**

The decrease of raw materials and supplies used in terms of value is primarily attributable to the declining business volume.

The reduction of personnel and social security costs relates primarily to lower labor costs in the production process, the decline of variable salary components, actuarial effects from the change in valuation parameters for pension provisions as well as the socially acceptable reduction of the active workforce.

Selling Expenses (3)

Selling expenses comprise the following:

EUR thousand	2011	2010
Advertising costs	18,329	15,959
Personnel and social security costs	18,456	20,985
Freight	9,135	8,641
Warranty expenses	3,584	4,252
Dues, fees, and similar expenses	2,109	2,852
Depreciation of property, plant and equipment and amortization of software	3,611	4,667
Travel and hospitality expenses	2,478	2,511
Other non-staff administrative costs	7,286	8,793
Total	**64,988**	**68,660**

The increase in advertising costs is largely a result of intensified efforts at further expanding the brand position. This entailed, above all, expenses for advertising campaigns on television and in print media as well as the redesign of the Loewe website.

The significant reduction of personnel and social security costs relates primarily to the decline of variable salary components, actuarial effects from the change in valuation parameters for pension provisions as well as the socially acceptable reduction of the active workforce.

The reduction in warranty expenses is a result of lower allocations to provisions for warranties than in the year before because of the reduced sales volume.

General and Administrative Expenses (4)

The following expenses were incurred for administration:

EUR thousand	2011	2010
Personnel and social security costs	5,456	7,198
Depreciation of property, plant and equipment and amortization of software	542	585
Other non-staff administrative costs and overheads	1,782	881
Total	**7,780**	**8,664**

The reduction of personnel and social security costs is attributable to the decline of variable salary components, actuarial effects from the change in valuation parameters for pension provisions as well as the socially acceptable reduction of the active workforce.

The rise of other non-staff administrative costs and overheads is largely a result of higher legal and consulting fees, which increased due to the restructuring measures.

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

EUR thousand	2011	2010
Audit services (financial statements)	145	145
Audit-related services (interim and special audits)	63	72
Other services	5	10
Total	**213**	**227**

The fees for the Group auditor for 2011 include services rendered for MacroSystem Digital Video AG in the amount of EUR 8 thousand (2010: EUR 16 thousand).

The fees charged by other auditors for the separate financial statements of foreign subsidiaries are not shown in the table.

Other Operating Income (5)

Other operating income comprises the following:

EUR thousand	2011	2010
Income from the reversal of provisions	3,045	1,818
Goods and services invoiced	3,095	2,598
Public subsidies for development projects	496	512
Miscellaneous income	914	2,889
Total	**7,550**	**7,817**

Income from the reversal of provisions mainly refers to the release of provisions for licensing obligations.

Other Operating Expenses (6)

Other operating expenses include the following items:

EUR thousand	2011	2010
Goods and services invoiced	3,095	2,598
Expenses for rework of company-manufactured products	233	204
Expenses for subsidized development projects	496	512
Costs for canceled purchase contracts	731	159
Severance payments to employees	1,798	1,038
Miscellaneous operating expenses	1,679	1,304
Total	**8,032**	**5,815**

The ongoing personnel restructuring measures and the retirement of two Executive Board members resulted in another significant increase in severance payments to employees.

Interest Income (7)

Interest and similar income results from:

EUR thousand	2011	2010
Overnight money and term money investments	270	450
Interest on current bank balances	82	44
Interest and bank charges passed on	39	15
Discounting of non-current provisions	0	111
Miscellaneous expenses equivalent to interest	40	0
Total	**431**	**620**

The decline of interest income is primarily a result of the lower interest rate level compared to the previous year.

Interest Expense (8)

Interest and similar expenses comprise the following:

EUR thousand	2011	2010
Interest on amounts allocated to provisions for pensions, anniversary bonuses, partial retirement and death benefits	2,380	2,391
Interest, commitment fees, and processing fees to banks	197	243
Factoring interest and fees	69	224
Unwinding of discounts on non-current provisions	83	117
Miscellaneous expenses equivalent to interest	11	4
Total	**2,740**	**2,979**

Income Taxes (9)

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

EUR thousand	2011	2010
Current taxes		
• Germany	– 61	91
• Outside of Germany	– 23	332
	– 84	**423**
Deferred taxes		
• Germany	– 2,449	– 620
• Outside of Germany	667	– 245
	– 1,782	**– 865**
Total	**– 1,866**	**– 442**

Income taxes include both the income taxes to be paid directly as well as deferred taxes. Deferred taxes 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 thousand	2011	2010
Current tax income (–) and expense (+)	– 9	483
Tax income (–) from other accounting periods	– 75	– 60
Deferred tax income (–)	– 1,782	– 865
Total	**– 1,866**	**– 442**

The applicable average tax rate for current taxation and the determination based on all deferred taxes in Germany is comprised as follows:

in %	2011	2010
Trade tax	12.1	12.1
Corporate income tax	15.0	15.0
Solidarity surcharge	0.8	0.8
	27.9	**27.9**

The average effective tax rate is 14.6 % and is thus 13.3 percentage points lower than the applicable tax rate of 27.9 %.

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

	2011		2010	
	EUR thousand	%	EUR thousand	%
Profit/loss from ordinary activities (EBT)	**– 12,772**		**– 7,692**	
Taxes at applicable income tax rate	**– 3,563**	**27.9**	**– 2,146**	**27.9**
Difference in local tax rate	30	– 0.2	12	– 0.2
Tax effects from previous years	25	– 0.2	– 60	0.8
Tax effects from tax rate changes	– 15	0.1	0	0
Non-deductible levies less tax-exempt income and tax effects from consolidation	214	– 1.7	810	– 10.5
Effects from loss carryforwards	1,158	– 9.0	657	– 8.6
Effects from additions/deductions for trade taxes	73	– 0.6	87	– 1.1
Other tax effects	212	– 1.7	198	– 2.6
	– 1,866	**14.6**	**– 442**	**5.7**

One of the major tax effects in fiscal 2011 is attributable to additionally recognized valuation adjustments of deferred tax assets from loss carryforwards at the foreign subsidiaries Loewe UK Ltd. and Loewe Italiana S.r.l., which had compensating effects on the applicable tax rate. Therefore, the loss carryforwards of these subsidiaries have been subject to valuation adjustments over the full amount.

Earnings Per Share (10)

To calculate earnings per share, the net loss of EUR 10,718 thousand is divided by the 13,009,229 outstanding shares in Loewe. This results in earnings per share of EUR – 0.82 in the year under review (2010: EUR – 0.54).

The weighted average number of shares in accordance with IAS 33 'Earnings per Share' results in the same earnings per share of EUR – 0.82 (2010: EUR – 0.54), as the number of Loewe shares did not change in the year under review.

Overview

	2011	2010
Net income/loss (EUR thousand)	– 10,718	– 7,038
Basic/diluted earnings per share in EUR	– 0.82	– 0.54
Basic/diluted earnings per share (weighted average) determined according to IAS in EUR	– 0.82	– 0.54
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 granted	13,009,229	13,009,229
Authorized capital still available (Authorized Capital 2010)	6,504,614	6,504,614
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 thousand	Software and similar assets	Development costs	Advance payments	**Intangible assets**
Carrying amounts on January 1, 2010	**1,052**	**5,290**	**197**	**6,539**
Cost (accumulated)	8,164	14,453	197	22,814
Changes in the scope of consolidation	5	0	0	5
Additions	708	8,534	300	9,542
Disposals				
• At cost	460	3,962	0	4,422
• Carrying amounts	6	0	0	6
Transfers	47	0	– 12	35
Current amortization/impairment				
• Amortization	631	7,458	0	8,089
• Impairment	136	0	0	136
Accumulated amortization/impairment	7,425	12,659	0	20,084
Carrying amounts on December 31, 2010	**1,039**	**6,366**	**485**	**7,890**
Cost (accumulated)	8,464	19,025	485	27,974
Additions	239	8,503	950	9,692
Disposals				
• At cost	213	6,625	0	6,838
• Carrying amounts	10	0	0	10
Transfers	495	0	– 485	10
Current amortization/impairment				
• Amortization	680	8,181	0	8,861
• Impairment	20	34	0	54
Accumulated amortization/impairment	7,922	14,249	0	22,171
Carrying amounts on December 31, 2011	**1,063**	**6,654**	**950**	**8,667**

Intangible assets primarily include product and IT software as well as internal and external development costs. Project expenses for inhouse product developments are shown in the capitalized development expenses. The total cost of development charged to expense in 2011 came to EUR 14,376 thousand (2010: EUR 15,941 thousand), not including development cost subsidies received and transferred costs.

Total amortization/impairment on intangible assets includes impairment losses in the amount of EUR 20 thousand related to software.

Property, Plant and Equipment (12)

The changes in financial assets were as follows:

EUR thousand	Land and buildings	Production facilities and machinery	Other equipment, operating and office equipment	**Property, plant and equipment**
Carrying amounts on January 1, 2010	**18,190**	**3,792**	**18,102**	**40,084**
Cost (accumulated)	40,853	18,503	102,577	161,933
Changes in the scope of consolidation	0	0	52	52
Additions	0	836	9,858	10,694
Disposals				
• At cost	0	519	12,910	13,429
• Carrying amounts	0	0	71	71
Transfers	0	9	– 44	– 35
Current depreciation/impairment				
• Depreciation	940	1,262	11,156	13,358
• Impairment	0	0	161	161
Accumulated depreciation/impairment	23,603	15,454	82,923	121,980
Currency differences	0	0	30	30
Carrying amounts on December 31, 2010	**17,250**	**3,375**	**16,610**	**37,235**
Cost (accumulated)	40,853	18,829	99,533	159,215
Additions	0	328	6,698	7,026
Disposals				
• At cost	20	1,511	11,137	12,668
• Carrying amounts	0	13	36	49
Transfers	0	0	– 10	– 10
Current depreciation/impairment				
• Depreciation	896	1,009	10,510	12,415
• Impairment	0	0	521	521
Accumulated depreciation/impairment	24,479	14,965	82,832	122,276
Currency differences	0	0	21	21
Carrying amounts on December 31, 2011	**16,354**	**2,681**	**12,252**	**31,287**

Land and buildings as well as production facilities and machinery are 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. Property, plant and equipment includes advance payments and facilities under construction in the amount of EUR 2,376 thousand (2010: EUR 1,294 thousand).

Total depreciation/impairment on property, plant and equipment includes impairment losses of EUR 521 thousand (2010: EUR 161 thousand) in connection with 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 thousand	Equity investments	Investment securities	Other loans	**Financial assets**
Carrying amounts on January 1, 2010	**25**	**1,527**	**21**	**1,573**
Cost (accumulated)	25	1,550	21	1,596
Additions	0	371	106	477
Current write-ups	0	23	0	23
Accumulated write-downs	0	0	0	0
Carrying amounts on December 31, 2010	**25**	**1,921**	**127**	**2,073**
Cost (accumulated)	25	1,921	127	2,073
Additions	0	327	1	328
Disposals				
• At cost	0	0	25	25
• Carrying amounts	0	0	25	25
Current write-ups	0	0	0	0
Accumulated write-downs	0	0	0	0
Carrying amounts on December 31, 2011	**25**	**2,248**	**103**	**2,376**

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

The portfolio of securities has been assigned as collateral (guarantee deposit for insurance) for existing part-time retirement obligations and employee-financed pension benefits. The increase can be attributed to further contributions made by employees to long -term retirement benefit schemes.

Income Tax Assets – Non-Current (14)

The amount recognized of EUR 121 thousand (2010: EUR 246 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 thousand	2011	2010
Receivables from investees	147	147
Pension plan cost insurance	72	69
Total	**219**	**216**

Deferred Taxes (16)

The deferred tax assets reported in the Group primarily include income taxes on loss carryforwards that are likely to be offsettable against a deferred tax claim of EUR 10,042 thousand (2010: EUR 6,007 thousand) as well as temporary differences between the amounts recognized in the consolidated financial statements and those reported in the tax accounts of EUR 1,462 thousand (2010: EUR 4,964 thousand).

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

EUR thousand	2011		2010	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	3,554	1,857	3,823	1,809
Property, plant and equipment	165	938	107	1,039
Inventories	119	0	410	0
Other assets	142	2,193	134	1,064
Pension provisions	2,755	8	3,858	0
Remaining provisions	2,145	89	2,719	61
Liabilities	270	2,603	1,677	3,791
	9,150	**7,688**	**12,728**	**7,764**
Loss carryforwards	10,042	0	6,007	0
	19,192	**7,688**	**18,735**	**7,764**
Netting	– 7,688	– 7,688	– 7,764	– 7,764
Total	**11,504**	**0**	**10,971**	**0**
thereof recognized in equity (Other reserves)	0	1,763	0	514

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

As of the reporting date, realizable loss carryforwards of around EUR 37.1 million still existed (2010: roughly EUR 22.5 million). Despite the losses in 2011, these are considered nettable since the main cause for the 2011 loss ceased to exist due to the redesign of two important product lines.

As in 2010, no deferred tax assets are recognized on existing loss carryforwards of Loewe Opta Inc., USA in the amount of EUR 9.2 million due to the low probability of realization.

In addition, all deferred tax assets on loss carryforwards recorded at the subsidiaries Loewe Italiana S.r.l., Loewe UK Ltd. and MacroSystem Digital Video AG were fully value-adjusted due to the ongoing losses incurred at these companies.

Inventories (17)

The inventories are broken down as follows:

EUR thousand	**2011**	2010
Raw materials and supplies	13,753	23,877
Work in progress	1,191	1,706
Finished goods and merchandise	28,493	41,564
Total	**43,437**	**67,147**

The costs of inventories include write-downs of EUR 11,953 thousand (2010: EUR 9,673 thousand) in order to ensure the loss-free valuation of finished goods and merchandise in accounting for obsolete inventories. Write-downs of EUR 2,410 thousand (2010: EUR 3,665 thousand) have been recognized on raw materials and supplies and on work in progress.

Trade Accounts Receivable (18)

The accounts receivable balance declined as a result of the proportionate utilization of the financing possibilities resulting from the factoring agreement in the amount of EUR 12 thousand (2010: EUR 5,014 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 thousand	2011	2010
Balance as of January 1	4,135	5,059
Allocations (expenses for allowances)	530	618
Charge-offs	– 425	– 702
Reversals	– 231	– 840
Balance as of December 31	**4,009**	**4,135**

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

EUR thousand	2011	2010
Carrying amount of trade accounts receivable	70,713	70,476
thereof neither impaired nor past due on the reporting date	68,132	66,411
thereof not impaired and past due on the reporting date in the following time ranges:		
• less than 30 days	1,269	2,358
• between 30 and 90 days	375	765
• between 91 and 180 days	254	343
• more than 180 days	683	599

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 down, EUR 8 thousand (2010: EUR 23 thousand) was collected in the fiscal year.

Income Tax Assets – Current (19)

The current income tax assets of EUR 315 thousand (2010: EUR 279 thousand) include tax reimbursement claims in connection with advance payments and 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 thousand	2011	2010
Positive value of financial derivatives	6,455	3,020
Assets arising from advance payments	425	810
Credit balances with suppliers	256	1,022
Advances for travel expenses and personnel	236	183
Claims on insurance companies/forwarding agents	26	22
Other current claims	768	938
Total	**8,166**	**5,995**

The increase in the positive intrinsic value of financial derivatives is due to the favorable EUR/USD exchange rate on the hedging date compared to the reporting date.

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 26,975 thousand (2010: EUR 13,201 thousand), which can be withdrawn on short notice. Cash funds in the amount of EUR 12 thousand (2010: EUR 5,014 thousand) result from the use of the factoring agreement.

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 reserves include changes in value of derivatives not recognized in income (less deferred tax liabilities of EUR 1,763 thousand [2010: EUR 514 thousand]) which are used as hedging instruments in the sense of a cash flow hedge and which can be proven to be effective for the purposes of IAS 39.

Together with the Group profit carried forward from the previous year, the net loss in 2011 will be reported as Group accumulated loss in the amount of EUR 8,740 thousand as of December 31, 2011.

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 preemptive 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 May 20, 2010, new authorized capital was created in the amount of EUR 6,504,614. This resolution authorizes the Executive Board, with the consent of the Supervisory Board, to increase the Company's share capital in exchange for cash contributions and/or contributions in kind on one or more occasions by a total of up to EUR 6,504,614 through the issue of up to 6,504,614 new bearer shares with dividend entitlement as of the beginning of the fiscal year current on the date of issue (2010 Authorized Capital) by no later than May 19, 2015. The Executive Board is authorized, with the consent of the Supervisory Board, to exclude the statutory subscription right of the shareholders,

- a capital increase in exchange for cash contributions does not exceed 10 % of the share capital and the issue amount of the new shares is not substantially lower than the stock exchange price (Section 186 (3) sentence 4 of the German Stock Corporation Act); if use is made of this authorization with exclusion of the subscription right pursuant to Section 186 (3) sentence 4 of the German Stock Corporation Act, the exclusion of the sub-scription right based on other authorizations must be taken into account in accordance with Section 186 (3) sentence 4 of the German Stock Corporation Act

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

- if it is necessary to even out fractional amounts.

The sum total of shares issued in exchange for cash contributions or contributions in kind in accordance with this authorization, subject to exclusion of the subscription right, shall not exceed a proportionate amount of 20 % of the share capital existing on the date this authorization takes effect and – if this value is lower – on the date this authorization is used.

The Executive Board is authorized, with the consent of the Supervisory Board, to determine the additional details of the capital increase and its execution. The Supervisory Board is authorized to revise the wording of the Articles of Incorporation in accordance with the utilization of the Authorized Capital.

By resolution of the Shareholders' Meeting on May 20, 2010, the Company was authorized to acquire treasury shares under the following conditions:

1. The Company is authorized to acquire treasury shares equaling up to 10 % of its share capital existing on the date of the resolution. Together with the other shares held by the Company or to be treated as such in accordance with Sections 71d and 71e of the German Stock Corporation Act, the acquired shares may not at any time constitute more than 10 % of the share capital.

2. The authorization can be exercised by the Company or by third parties for its account in entire or partial amounts and on one or several occasions in pursuing one or several purposes. The authorization is valid until May 19, 2015.

3. At the discretion of the Executive Board, the shares may be acquired via the stock exchange or via a public offer to buy addressed to all shareholders of the Company.
   a. If the acquisition is made via the stock exchange, the purchase price to be paid by the Company per share of the Company (not including ancillary acquisition costs) may not be more than 10 % higher or lower than the average closing prices on the three trading days preceding the acceptance of the obligation. In this connection, with regard to each trading day, the **"closing price"** is the final price determined in the final auction, or if such a final price is not determined on the trading day concerned, the last price of the Company's share determined in continuous trading in the XETRA trading system (or a comparable successor system) of the Frankfurt Stock Exchange.
   b. If the acquisition is made via a public offer to buy addressed to all shareholders of the Company, the purchase price per share offered by the Company (not including ancillary acquisition costs) may not be more than 10 % higher or lower than the average of the closing prices (as defined in letter a) above) on the three trading days before the record date. **"Record date"** is the day the Company announces its decision to issue a public offer, or in the case of a change of offer, the day of the Executive Board's final decision concerning the change of offer. The offer to buy can include conditions. If more shares are tendered to the Company for repurchase than the total number offered by the Company for repurchase, the Company will carry out the acquisition in proportion to the tendered shares. The Company can provide a preferential acceptance of low share numbers of up to 100 shares tendered per shareholder.

4. The Executive Board is authorized, with the consent of the Supervisory Board, to use the shares acquired under this authorization for all purposes allowed by law but also for the following purposes in particular:
   a. The shares may be recalled without the necessity of another resolution of the Annual Shareholders' Meeting being required for the recall or its implementation. A recall will result in a capital reduction. The shares may also be recalled in a simplified procedure without a capital reduction by adjusting the proportion of the remaining shares in the Company's share capital. The recall may also be limited to a portion of the acquired shares. The authorization to recall shares may be exercised more than once.
   b. The shares can be transferred against performance in kind.

c. The shares can also be sold in another manner than via the stock exchange if the shares are sold in exchange for cash at a price that is not substantially lower than the stock exchange price of the shares at the time of the sale. If the shares sold are offered to the shareholders while not safeguarding their subscription right, they may in aggregate not exceed 10 % of the share capital, and specifically neither on the date this authorization takes effect nor on the date of its exercise.

5. The authorizations in letters 4. a., b. and c. also apply to shares of the Company that are acquired based on Section 71d sentence 5 of the German Stock Corporation Act.

6. The authorizations in letter 4. can be exercised on one or several occasions, entirely or in parts, individually or collectively.

7. The subscription right of the shareholders to treasury shares can be excluded with the consent of the Supervisory Board if it is used in accordance with the authorizations in letters 4. b. to c. The 10 % limit applicable to sales of treasury shares in accordance with the authorization in letter 4. c. while excluding the subscription right must be taken into account based on other authorizations in accordance with Section 186 (3) sentence 4 of the German Stock Corporation Act.

8. The currently existing authorization to acquire and use treasury shares issued by the Company's Annual Shareholders' Meeting on May 26, 2009 and time-limited until November 25, 2010, has expired.

Minority Interests (23)

Minority interests are held at Loewe Opta GmbH, Kronach (1 %), at Loewe Opta Benelux nv/S.A. (10 %), and at MacroSystem Digital Video AG (20.76 %). This item changed as follows:

EUR thousand	**2011**	2010
Balance at the beginning of the period	633	1,325
Change in minority interests	– 188	– 212
Acquisition of MacroSystem	6	120
Distribution to minority shareholders in Belgium	0	– 600
Balance at the end of the period	**451**	**633**
thereof:		
• Loewe Opta GmbH	272	272
• Loewe Opta Benelux nv/S.A.	511	507
• MacroSystem Digital Video AG	– 332	– 146
	451	**633**

Under the terms of the profit and loss 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.

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

in %

	2011	2010	2009	2008	2007
Discount rate p. a.	4.75	4.75	5.0	5.0	4.75
Anticipated annual increases in wages and salaries	2.5	3.5	3.5	3.5	3.0
Anticipated annual increases in pensions	1.5	2.5	2.5	2.5	2.0

The present value of the pension obligations of the Loewe Group changed as follows:

EUR thousand

	2011	2010	2009	2008	2007
Present value of pension obligations	36,255	40,760	40,312	40,951	39,434

The carrying amount of provisions for pensions from defined benefit plans is determined using the projected unit credit method, based on actuarial methods. The “Richttafeln 2005 G” (mortality tables) by Dr. Klaus Heubeck were used to determine mortality and invalidity.

The changes in pension provisions were as follows:

EUR thousand		
Present value of pension obligations as of January 1, 2010		**40,312**
a. Changes not recognized in income		
Pension payments in 2010	– 2,518	
Additions for employee-financed pension commitments	74	– 2,444
		37,868
b. Changes recognized in income		
Reported under interest expenses		
• Interest expense for own commitments		1,943
Reported as personnel expenses under cost of sales, selling expenses and administrative expenses		
• Current service cost	413	
• Actuarial losses	536	949
Present value of pension obligations as of December 31, 2010		**40,760**
a. Changes not recognized in income		
Pension payments in 2011	– 2,341	
Additions for employee-financed pension commitments	91	– 2,250
		38,510
b. Changes recognized in income		
Reported under interest expenses		
• Interest expense for own commitments		1,874
Reported as personnel expenses under cost of sales, selling expenses and administrative expenses		
• Current service cost	389	
• Actuarial gains	– 4,518	– 4,129
Present value of pension obligations as of December 31, 2011		**36,255**

Actuarial gains and losses are recognized in income when incurred.

The following is anticipated for 2012:

EUR thousand	
Pension payments	2,479
Interest expense for own commitments	1,635
Current service cost	341

Current service cost and actuarial gains and losses are recognized as follows in the income statement:

EUR thousand	**2011**	2010
Cost of sales	– 2,729	623
Selling expenses	– 405	92
Administrative expenses	– 995	234
Total	**– 4,129**	**949**

Other Non-Current Provisions (25)

Other non-current provisions comprise the following:

EUR thousand	**2011**	2010
Warranty obligations	6,504	7,272
Personnel costs	6,977	7,501
License fees	1,912	2,722
Miscellaneous other provisions	60	0
Total	**15,453**	**17,495**

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 decrease in the provision results from the lower measurement basis, which was reduced due to the sales decline.

Non-current provisions for personnel costs are recognized primarily for part-time retirement contracts with employees (terms of 2 to 6 years), obligations for future employment anniversary payments (terms of 2 to 25 years). The decrease is a result of the reduction in the number of active employees as well as from the utilization of the provision in connection with ongoing part-time retirement costs.

License fee provisions are recognized for risks resulting from infringements of industrial property rights and the payment of license fees that will be incurred in two to three years. The decline of non-current provisions for licenses fees is attributable to the derecognition of previously recognized licensing obligations and is based on the assessment of the current circumstances provided by our legal counsels.

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

Income Tax Provisions (26)

Income tax provisions are comprised of:

EUR thousand	**2011**	2010
Provision for income tax payments, current year	274	597
Risks from previous years	2,000	3,260
Total	**2,274**	**3,857**

At the present time, it must be expected that the assessments will be made during the next fiscal year for the tax liability from prior years.

Other Current Provisions (27)

Other current provisions with an anticipated utilization within one year comprise the following:

EUR thousand	**2011**	2010
Provisions for:		
Annual sales compensation	17,379	15,947
Warranty obligations	7,845	8,365
Personnel costs	6,648	7,823
License fees	1,772	1,299
Rework of company-manufactured products	973	893
Remaining provisions	7,187	7,432
Total	**41,804**	**41,759**

Provisions for annual sales compensation were determined based on the agreements covering bonuses and other compensation. They primarily relate to Germany. The increase results from an increased provision for the mark-to-market valuation of inventories in the first quarter 2012 due to the planned sell-off measures.

Provisions for warranties are calculated based on anticipated warranty costs in the future, allowing for a general warranty period of three to five years. The decrease results from the lower measurement basis, which was reduced due to the sales decline.

Provisions for personnel costs essentially comprise holiday pay, variable remuneration to be paid and the current component of part-time retirement contracts.

The provisions for rework of company-manufactured products were primarily recognized for expenses for products to be reengineered and for the safety inspection campaign with respect to 100Hz CRT sets from the production period between March 1999 and October 2001. These 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 miscellaneous provisions include, among other things, items for cancellation costs, third-party product liability claims, and additional costs that may be incurred.

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

EUR thousand	Annual sales compensation	Cost of warranties	Personnel costs	License fees	Miscellaneous other provisions	**Total other provisions**
Balance as of January 1, 2010	**20,068**	**15,439**	**15,600**	**3,800**	**8,760**	**63,667**
Additions	15,947	12,487	8,336	734	6,031	43,535
Utilization	20,059	12,119	8,841	0	5,552	46,571
Reversals	9	59	219	630	914	1,831
Interest effects	0	– 111	448	117	0	454
Balance as of December 31, 2010	**15,947**	**15,637**	**15,324**	**4,021**	**8,325**	**59,254**
thereof: non-current	0	7,272	7,501	2,722	0	17,495
thereof: current	15,947	8,365	7,823	1,299	8,325	41,759
Balance as of January 1, 2011	**15,947**	**15,637**	**15,324**	**4,021**	**8,325**	**59,254**
Additions	17,478	11,588	4,872	1,412	5,861	41,211
Utilization	15,983	12,580	6,846	1	5,372	40,782
Reversals	63	333	230	1,794	595	3,015
Interest effects	0	37	506	46	0	589
Balance as of December 31, 2011	**17,379**	**14,349**	**13,626**	**3,684**	**8,219**	**57,257**
thereof: non-current	0	6,504	6,978	1,912	59	15,453
thereof: current	17,379	7,845	6,648	1,772	8,160	41,804

Current Financial Liabilities (28)

There are no current financial liabilities reported as of December 31, 2011 (2010: EUR 94 thousand).

Trade Accounts Payable (29)

Trade accounts payable of EUR 24,790 thousand (2010: EUR 22,234 thousand) result primarily from deliveries of materials, services and deliveries of merchandise. All trade accounts payable are due within one year.

Miscellaneous Current Financial Liabilities (30)

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

EUR thousand	**2011**	2010
Taxes and social security charges due	4,830	4,034
License fee liabilities	1,581	1,537
Severance payments	1,475	0
Liabilities to personnel	1,428	1,159
Customer credit balances	506	518
Fair value of hedged financial assets	25	1,178
Sundry liabilities	897	970
Total	**10,742**	**9,396**

Additional disclosures on financial instruments in accordance with IFRS 7

For the purposes of measuring financial assets and financial liabilities, management classifies such instruments upon initial recognition according to the following categories, depending on instrument type and intended use:

- Loans and receivables,
- Held-to-maturity investments,
- Primary and derivative financial assets held for trading,
- Available-for-sale financial assets,
- Financial liabilities measured at fair value through profit or loss,
- Other financial liabilities.

The Group generally does not make use of the fair value option. Neither in 2011 nor in 2010 did the Group hold financial assets for trading and financial liabilities measured at fair value through profit or loss.

There were no redesignations or reclassifications in 2011 or 2010.

The measurement of the financial assets and financial liabilities of the Loewe Group is described in the section on general accounting policies.

The carrying amounts, measurement principles and fair values of all financial assets and financial liabilities recognized in the financial statements of the Loewe Group are as follows:

Amount recognized in the balance sheet
EUR thousand

		December 31, 2011				
	Category	Carrying amount	Amortized cost	Market value recognized in equity	Market value recognized in income	Fair value
Assets						
Non-current financial assets						
Equity investments	(2)	25*	25*			
Financial investments	(2)	2,248	2,248			2,248
Other non-current financial assets	(3)	322	322			322
Current financial assets						
Trade accounts receivable	(3)	70,713	70,713			70,713
Other current financial assets	(3)	1,274	1,274			1,274
Derivatives with hedging relationship	n/a	6,455		6,354	101	6,455
Cash and cash equivalents	(3)	26,975	26,975			26,975
Liabilities						
Non-current liabilities						
Financial liabilities	(4)	0				
Current liabilities						
Financial liabilities	(4)	0	0			0
Trade accounts payable	(4)	– 24,790	– 24,790			– 24,790
Other current financial liabilities	(4)	– 4,459	– 4,459			– 4,459
Derivatives with hedging relationship	n/a	– 25		– 35	10	– 25

(1) Held-to-maturity investments (none were held as of the reporting date)
(2) Available-for-sale financial assets
(3) Loans and receivables
(4) Financial liabilities measured at amortized cost
* The absence of an active market makes it impossible to determine a fair value for equity investments, for which reason they are measured at amortized cost. No sale of the financial instruments is planned.

Amount recognized in the balance sheet
EUR thousand

		December 31, 2010 **			
	Category	Carrying amount	Amortized cost	Market value recognized in equity	Fair value
Assets					
Non-current financial assets					
Equity investments	(2)	25*	25*		
Financial investments	(2)	1,920	1,920		1,920
Other non-current financial assets	(3)	345	345		345
Current financial assets					
Trade accounts receivable	(3)	70,476	70,476		70,476
Other current financial assets	(3)	2,518	2,518		2,518
Derivatives with hedging relationship	n/a	3,020		3,020	3,020
Cash and cash equivalents	(3)	13,201	13,201		13,201
Liabilities					
Non-current liabilities					
Financial liabilities	(4)	0			
Current liabilities					
Financial liabilities	(4)	– 94	– 94		– 94
Trade accounts payable	(4)	– 22,234	– 22,234		– 22,234
Other current financial liabilities	(4)	– 3,025	– 3,025		– 3,025
Derivatives with hedging relationship	n/a	– 1,178		– 1,178	– 1,178

(1) Held-to-maturity investments (none were held as of the reporting date)
(2) Available-for-sale financial assets
(3) Loans and receivables
(4) Financial liabilities measured at amortized cost
* The absence of an active market makes it impossible to determine a fair value for equity investments, for which reason they are measured at amortized cost. No sale of the financial instruments is planned.
** No market values to be recognized in profit or loss existed as of the reporting date.

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 individual items of the cash flow statement are as follows:

Net cash from operating activities

Net cash from operating activities amounted to EUR 35,807 thousand, a rise by EUR 39,062 thousand over the prior year level (EUR – 3,255 thousand). The significant increase is attributable to, above all, the reduction of inventories and the resulting positive cash flow in the amount of EUR 23,710 thousand. Furthermore, trade accounts payable and other liabilities are EUR 5,054 thousand higher than in the previous year, which also had a positive impact on cash flows.

The reduction of provisions for pensions by EUR 4,505 thousand had a compensating effect.

The presentation of the change in net current assets has been adjusted for the non-cash changes in the value of financial hedging instruments. As in the previous year, the other non-cash effects result primarily from the interest expenditure on pension provisions and on other provisions for personnel expenses.

Net cash from investing activities

In fiscal year 2011, the Loewe Group invested EUR 9,692 thousand (2010: EUR 8,285 thousand) in intangible assets and EUR 7,026 thousand (2010: EUR 10,694 thousand) in property, plant and equipment.

Net cash from financing activities

The cash-effective changes relate to the final installment payment on a long-term loan.

Cash-effective change in liquidity

Cash and cash equivalents increased overall by EUR 18,776 thousand to EUR 26,963 thousand. The factoring agreement is handled like a bank overdraft facility. Therefore, the use of factoring as of the balance sheet date in the amount of EUR 12 thousand (2010: EUR 5,014 thousand) is deducted from 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 reduced by forward exchange transactions using a rolling 36-month projection. A substantial portion of the expected foreign currency expenditures is 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 follow the principle of segregation of functions.

Derivative financial instruments (cash flow hedges)

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

	Hedge volume			Intrinsic value in EUR thousand	
	in USD thousand	in EUR thousand	Longest residual maturity until	Positive	Negative
Forward exchange transactions	182,000	134,030	March 31, 2015	6,384.7	25.4
Spread options	3,000	2,284	September 28, 2012	70.8	0
Total	**185,000**	**136,314**		**6,455.5**	**25.4**

The above derivative financial instruments are recognized at fair value. The hierarchy provided by IAS 39 for the measurement of financial instruments at fair value is as follows:

Level 1 Quoted market prices in active markets for identical assets or liabilities
Level 2 Inputs other than quoted market prices that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3 Inputs for assets and liabilities that are not based on observable market data

The fair values recognized for derivative financial instruments within the Loewe Group are allocated to Level 2.

The existing currency hedges in the form of spread options at a volume of USD 3,000 thousand (2010: USD 10,000 thousand) were not designated as cash flow hedges. The positive intrinsic value of the hedge transactions as of the reporting date in the amount of EUR 70.8 thousand was recognized in the income statement.

With respect to their residual maturity, the remaining existing currency hedging transactions are broken down as follows:

USD thousand	Volume				
	Balance as of Dec. 31, 2011	thereof maturing in: 2012	2013	2014	2015
Forward exchange transactions	182,000	71,000	71,000	37,000	3,000
Spread options	3,000	3,000	0	0	0
Total	**185,000**	**74,000**	**71,000**	**37,000**	**3,000**

EUR thousand	Equivalent amount				
	Balance as of Dec. 31, 2011	thereof maturing in: 2012	2013	2014	2015
Forward exchange transactions	134,029.7	52,656.1	52,422.8	26,766.2	2,184.6
Spread options	2,284.4	2,284.4	0	0	0
Total	**136,314.1**	**54,940.5**	**52,422.8**	**26,766.2**	**2,184.6**

EUR thousand	Intrinsic value				
	Balance as of Dec. 31, 2011	thereof maturing in: 2012	2013	2014	2015
Forward exchange transactions, positive	6,384.7	2,250.9	2,464.4	1,578.2	91.2
Forward exchange transactions, negative	– 25.4	– 25.4	0	0	0
Spread options, positive	70.8	70.8	0	0	0
Total	**6,430.1**	**2,296.3**	**2,464.4**	**1,578.2**	**91.2**

Derivative financial instruments are used for hedging the risk of purchases in foreign currency. Their use is in compliance with relevant Group guidelines. The efficiency of the hedging relationships required according to IFRS is in conformity with the intention pursued by Loewe that only risks from designated hedged items are hedged by derivatives, and derivatives may not be entered into at any time for speculative purposes.

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. As the forward currency transactions are used to hedge future payment flows and were designated as cash flow hedges, the offsetting entry of the market value is recognized directly in equity (within Other reserves) with no effect on income in the amount of EUR 6,354.2 thousand. Deferred tax liabilities in the amount of EUR – 1,763.1 thousand were recognized in these reserves.

Of the fair values recognized for derivative financial instruments within equity as of the end of fiscal year 2010, a volume of USD 62,000 thousand was used in the course of fiscal year 2011 to provide USD currency exposures for the purchase of production materials and other services. As of December 31, 2010, these hedging instruments were measured based on an intrinsic value of EUR 281 thousand.

Credit risks

Credit risks can be seen as slight due to the fact that the receivables portfolio is broadly diversified and 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 74,722 thousand (2010: EUR 74,611 thousand), valuation allowances were recognized in the amount of EUR 4,009 thousand (2010: EUR 4,135 thousand). The portfolio of receivables for which no valuation allowances were set up contains no receivables with significant payment disruptions.

Market risks

Currency risks

The foreign currency risk for Loewe is essentially limited to the procurement of panels and components that are settled in US dollars. The anticipated foreign currency volume is determined using a rolling 36-month projection with the objective of hedging a defined percentage with forward exchange transactions, call options or 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

Interest-bearing receivables and liabilities bear variable interest rates.

Other market price risks

No appreciable price risks exist since the only assets subject to market prices are insignificant shares in investment funds.

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 of the Loewe Group and has been committed until June 30, 2012. The covenants were complied with in 2011. Negotiations to prolong the syndicated loan agreement are underway.

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

The previous factoring agreement expired on June 30, 2010. A follow-up agreement was concluded for a period of five years over the same financing volume (EUR 35 million), but at improved terms and conditions. The agreement is subject to compliance with covenants.

Furthermore, independent lines of credit totaling EUR 1.7 million (2010: EUR 5.4 million) were granted to foreign companies in the Group by their banks.

Together with the high volume in cash funds existing at the beginning of fiscal 2012, the existing lines of credit are sufficient. Accordingly, no material liquidity risks can be identified.

Financial investment risks

The cash and cash equivalents available in accordance with our financial planning were invested in banks subject to the deposit protection fund. Through this selection of investments, we seek the greatest possible minimization of risks.

The goal of Loewe AG's capital management strategy is to safeguard business operations, increase company value, and create a sound capital basis for financing the business policy and servicing debt.

Goals and methods of financial risk management

Capital management

The primary goal of the Group's capital management is to secure a credit rating appropriate for the support of its operating activities.

The Group manages its capital structure in order to reduce the cost of capital and undertakes the necessary business adjustments in light of changed general economic conditions.

No changes to the goals, guidelines and methods were undertaken as of December 31, 2011 and December 31, 2010.

Contingencies and other financial obligations

Outstanding contributions for affiliated companies pursuant to Section 24 of the German Private Limited Companies Act (GmbHG) amount to EUR 31 thousand (2010: EUR 31 thousand).

The following other financial liabilities exist:

EUR thousand	2011	2010
Total liabilities from tenancy and servicing agreements and leases		
• due in 2012	3,586	
(previous year: 2011)		(3,976)
• due between 2013 and 2016	2,499	
(previous year: between 2012 and 2015)		(3,022)
• due after 2016	263	
(previous year: after 2015)		(844)

The Loewe Group has entered into various operating lease agreements for factory and office equipment, rental properties as well as motor vehicles. The terms usually range between two and three years. Most of the leases provide no renewal option.

There are no guarantees, contingent liabilities or notes payable towards third parties.

Transactions with shareholders

In fiscal year 2011, transactions with companies of the Sharp Group exclusively consisted of the delivery of spare parts to Loewe.

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

Other disclosures

Staff and personnel costs

The average number of employees breaks down as follows:

Employees	2011	2010
Industrial workers	346	368
Salaried employees	593	609
Employees as defined by Section 314 (1) subsection No. 4 HGB	**939**	**977**
Vocational trainees	83	85
Total	**1,022**	**1,062**

On December 31, 2011, the number of employees in the Group totaled 1,024 (2010: 1,083).

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

EUR thousand	2011	2010
Wages and salaries	49,215	52,406
Social security contributions	9,316	9,612
Income from/expenses for pensions and other employee benefits	– 3,697	1,652
Total	**54,834**	**63,670**

The decrease of personnel expenses is attributable to the declining average number of employees, and, in particular, to lower variable remuneration and bonuses, the socially acceptable reduction of the active workforce as well as the pro-rata waiver related to Christmas bonuses in 2011. In addition, the change in the parameters for the determination of pension provisions during the year under review resulted in a positive amount (i.e. income) as regards the expenses for pensions.

Events after the reporting date

No events have occurred after the balance sheet date (December 31, 2011) which are required to be included in this report.

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 Section 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 Section 22 (1) sentence 1 No. 1 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 Section 25 (1) WpHG (German Securities Trading Act)

In accordance with Section 21 (1) 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 Section 22 (1) No. 1 of the German Securities Trading Act."

The Company made the following notification to the German Financial Supervisory Authority (BaFin) on September 23, 2011 and simultaneously conveyed it to the Commercial Register:

"Notification pursuant to Section 26 (1) WpHG (German Securities Trading Act)

1. EQMC Europe Development Capital Fund plc, Dublin, Ireland, has notified us, pursuant to Section 21 (1) of the German Securities Trading Act that its share of voting rights in our Company fell below the threshold of 10 % on September 19, 2011 and amounted to 9.99 % (1,299,622 voting rights) on that day.

2. Nmás1 Asset Management, SGIIC, S.A., Madrid, Spain, has notified us, pursuant to Section 21 (1) of the German Securities Trading Act that its share of voting rights in our Company fell below the threshold of 10 % on September 19, 2011 and amounted to 9.99 % (1,299,622 voting rights) on that day.

   All of the abovementioned voting rights are attributable to Nmás1 Asset Management, SGIIC, S.A. pursuant to Section 22 (1) sentence 1 No. 6 of the German Securities Trading Act.

   Voting rights are attributed to Nmás1 Asset Management, SGIIC, S.A. by the following shareholder whose share of voting rights in Loewe AG amounts to 3 % or more:

   EQMC Europe Development Capital Fund plc, Dublin, Ireland.

3. N Más Uno IBG, S.A., Madrid, Spain, has notified us, pursuant to Section 21 (1) of the German Securities Trading Act that its share of voting rights in our Company fell below the threshold of 10 % on September 19, 2011 and amounted to 9.99 % (1,299,622 voting rights) on that day.

   All of the above-mentioned voting rights are attributable to N Más Uno IBG, S.A. pursuant to Section 22 (1) sentence 1 No. 6 in conjunction with sentence 2 of the German Securities Trading Act.

   Voting rights are attributed to N Más Uno IBG, S.A. by the following shareholder whose share of voting rights in Loewe AG amounts to 3 % or more:

   EQMC Europe Development Capital Fund plc, Dublin, Ireland."

The Company made the following notifications to the German Financial Supervisory Authority (BaFin) on November 7, 2011 and simultaneously conveyed it to the Commercial Register:

"Notification pursuant to Section 26 (1) WpHG (German Securities Trading Act)

1. EQMC Europe Development Capital Fund plc, Dublin, Ireland, has notified us, pursuant to Section 21 (1) of the German Securities Trading Act that its share of voting rights in our Company fell below the thresholds of 5 % and 3 % on October 27, 2011 and amounted to 0 % (0 voting rights) on that day.

2. Nmás1 Asset Management, SGIIC, S.A., Madrid, Spain, has notified us, pursuant to Section 21 (1) of the German Securities Trading Act that its share of voting rights in our Company fell below the thresholds of 5 % and 3 % on October 27, 2011 and amounted to 0 % (0 voting rights) on that day.

   All of the above-mentioned voting rights are attributable to Nmás1 Asset Management, SGIIC, S.A. pursuant to Section 22 (1) sentence 1 No. 6 of the German Securities Trading Act.

   Voting rights are attributed to Nmás1 Asset Management, SGIIC, S.A. by the following shareholder whose share of voting rights in Loewe AG amounts to 3 % or more:

   EQMC Europe Development Capital Fund plc, Dublin, Ireland.

3. N Más Uno IBG, S.A., Madrid, Spain, has notified us, pursuant to Section 21 (1) of the German Securities Trading Act that its share of voting rights in our Company fell below the thresholds of 5 % and 3 % on October 27, 2011 and amounted to 0 % (0 voting rights) on that day.

   All of the above-mentioned voting rights are attributable to N Más Uno IBG, S.A. pursuant to Section 22 (1) sentence 1 No. 6 of the German Securities Trading Act.

   Voting rights are attributed to N Más Uno IBG, S.A. by the following shareholder whose share of voting rights in Loewe AG amounts to 3 % or more:

   EQMC Europe Development Capital Fund plc, Dublin, Ireland."

The Company made the following notification to the German Financial Supervisory Authority (BaFin) on November 07, 2011 and simultaneously conveyed it to the Commercial Register:

"Notification pursuant to Section 26 (1) WpHG (German Securities Trading Act)

1. LaCie S.A., 33 bd Martial Valin, 75015 Paris, France, has notified us, pursuant to Section 21 (1) of the German Securities Trading Act that its share of voting rights in our Company exceeded the thresholds of 3 %, 5 % and 10 % on October 27, 2011 and amounted to 11.17 % (1,453,320 voting rights) on that day.

2. DIVERSITA S.A.R.L., 123 avenue du X Septembre, L- 2551, Luxembourg, has notified us, pursuant to Section 21 (1) of the German Securities Trading Act that its share of voting rights in our Company exceeded the thresholds of 3 %, 5 % and 10 % on October 27, 2011 and amounted to 11.17 % (1,453,320 voting rights) on that day.

   All of the above-mentioned voting rights are attributable to DIVERSITA S.A.R.L. pursuant to Section 22 (1) sentence 1 No. 1 of the German Securities Trading Act.

   Voting rights are attributed to DIVERSITA S.A.R.L. by the following shareholder whose share of voting rights in Loewe AG amounts to 3 % or more:

   LaCie S.A., 33 bd Martial Valin, 75015 Paris, France

3. Philippe Spruch, France, has notified us, pursuant to Section 21 (1) of the German Securities Trading Act that his share of voting rights in our Company exceeded the thresholds of 3 %, 5 % and 10 % on October 27, 2011 and amounted to 11.17 % (1,453,320 voting rights) on that day.

   All of the above-mentioned voting rights are attributable to him pursuant to Section 22 (1) sentence 1 No. 1 of the German Securities Trading Act.

   Voting rights are attributed to him by the following shareholders whose share of voting rights in Loewe AG each amounts to 3 % or more:

   • DIVERSITA S.A.R.L., 123, avenue du X Septembre, L-2551, Luxembourg
   • LaCie S.A., 33 bd Martial Valin, 75015 Paris, France"

The Company made the following notification to the German Financial Supervisory Authority (BaFin) on November 07, 2011 and simultaneously conveyed it to the Commercial Register:

"Publication of a notification pursuant to Section 27a of the German Securities Trading Act (WpHG)

1. LaCie S.A., Paris, France, has notified us, pursuant to Section 21 (1) of the German Securities Trading Act that its share of voting rights in our Company exceeded the thresholds of 3 %, 5 % and 10 % on October 27, 2011 and amounted to 11.17 % (1,453,320 voting rights) on that day.

   DIVERSITA S.A.R.L., Luxembourg, Luxembourg, has notified us, pursuant to Section 21 (1) of the German Securities Trading Act that its share of voting rights in our Company exceeded the thresholds of 3 %, 5 % and 10 % on October 27, 2011 and amounted to 11.17 % (1,453,320 voting rights) on that day. All of the abovementioned voting rights are attributable to DIVERSITA S.A.R.L. pursuant to Section 22 (1) sentence 1 No. 1 of the German Securities Trading Act. Voting rights are attributed to DIVERSITA S.A.R.L. by the following shareholder whose share of voting rights in Loewe AG amounts to 3 % or more:

   • LaCie S.A., Paris, France

   Philippe Spruch, France, has notified us, pursuant to Section 21 (1) of the German Securities Trading Act that his share of voting rights in our Company exceeded the thresholds of 3 %, 5 % and 10 % on October 27, 2011 and amounted to 11.17 % (1,453,320 voting rights) on that day. All of the abovementioned voting rights are attributable to him pursuant to Section 22 (1) sentence 1 No. 1 of the German Securities Trading Act. Voting rights are attributed to him by the following shareholders whose share of voting rights in Loewe AG each amounts to 3 % or more:

   • DIVERSITA S.A.R.L., 123, avenue du X Septembre, L-2551, Luxembourg
   • LaCie S.A., 33 bd Martial Valin, 75015 Paris, France

2. Further to these notifications, the above-mentioned persons and companies notified us of the goals of purchase and the origin of the funds used for purchase as follows:

   (a) The share purchase has strategic goals which are yet to be determined, although the generation of gains from trading transactions cannot be ruled out
   (b) We intend to purchase or otherwise acquire additional voting rights within the next 12 months if appropriate opportunities arise
   (c) We do not seek to be represented in the Company's Supervisory Board, corresponding to our shareholding, however, we reserve the legal right to such representation
   (d) We do not seek to significantly change the Company's capital structure, in particular as regards the ratio of equity capital to borrowings or the dividend policy

   We used our own funds for the purchase of the voting rights, but are currently in the process of financing the purchase via a bank loan."

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 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 May 26, 2010, published in the electronic Federal Gazette on July 2, 2010, 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 (subsection 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 May 26, 2010, published in the electronic Federal Gazette on July 2, 2010 since its last declaration of conformity of November 26, 2010 except for the recommendation set forth in subsection 4.2.3 (4) sentence 1 (severance payment cap in concluding Executive Board contracts).

This declaration of conformity has been continuously accessible to the shareholders on the Internet (www.loewe.tv/int) since November 25, 2011.

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.tv/int).

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 products in the home entertainment area. This division is the only segment in terms of industries. The table on page 98 shows the national and international sales generated with external customers in this segment.

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

For information on the mandatory disclosures for the single business segment (Home Entertainment Systems), 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, MacroSystem Digital Video AG, the subgroups Loewe Opta Benelux nv/S.A., Loewe France S.A.S., Loewe Austria GmbH, Loewe UK Ltd. and Loewe Italiana S.r.l.

The non-current assets (excluding deferred taxes) come to EUR 40,372 thousand (2010: EUR 44,541 thousand) in Germany and EUR 2,298 thousand (2010: EUR 3,119 thousand) outside of Germany. These relate primarily to property, plant and equipment.

No sales revenues exceeding 10 % of total sales are generated with any single customer.

Corporate Bodies and Offices Held

Corporate Bodies of the Parent Company Loewe AG

Supervisory Board

The following are members of the Supervisory Board:

Chairman

- **Dr. Rainer Hecker,**
  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 (until May 26, 2011),**
  former Chairman of the Executive Board and
  former Chairman of the Supervisory Board of Bertelsmann AG, Munich,
  residing in Munich

- **Dr. Axel Berger (since May 26, 2011),**
  Vice President of the German Finance Reporting Enforcement Panel, Berlin,
  residing in Rösrath

Additional members of the Supervisory Board

- **Dr. Dorothee Ritz (since May 26, 2011),**
  General Manager Consumer & Online of Microsoft Deutschland GmbH, Munich
  residing in Pullach/Isartal

- **Dr. Gerhard Heinrich,**
  Partner and Managing Director of Heinrich & Cie. Unternehmensberatung, 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

• **Dr. Michael Witzel,**
Lawyer, Munich,
residing in Munich

Members of the **Personnel Committee** are Dr. Dorothee Ritz, Dr. Rainer Hecker and Dr. Michael Witzel. Dr. Rainer Hecker has been 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 has been appointed chairman of the committee.

Members of the **Nominating Committee** are Dr. Rainer Hecker, Dr. Axel Berger and Dr. Michael Witzel. Dr. Rainer Hecker has been appointed chairman of the committee.

The other offices held by members of the Supervisory Board are shown on pages 138 and 139. Please refer to page 139 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 remuneration of the Supervisory Board totaled EUR 115 thousand (2010: EUR 123 thousand) in 2011 and was made up of the following components.

Euro	**Total remuneration for 2011**	**thereof: fixed remuneration for 2011**	**thereof: performance-linked remuneration for 2011**
Dr. Rainer Hecker	36,600	36,600	0
(2010)	(36,136)	(36,136)	(0)
Dr. Mark Wössner	9,125	9,125	0
(2010)	(22,500)	(22,500)	(0)
Dr. Axel Berger	24,050	24,050	0
(2010)	(19,346)	(19,346)	(0)
Dr. Gerhard Heinrich	15,000	15,000	0
(2010)	(15,000)	(15,000)	(0)
Dr. Sönke Mehrgardt	15,000	15,000	0
(2010)	(15,000)	(15,000)	(0)
Dr. Michael Witzel	15,000	15,000	0
(2010)	(15,000)	(15,000)	(0)
Dr. Dorothee Ritz	0	0	0
(2010)	(0)	(0)	(0)
Total	**114,775**	**114,775**	**0**
(2010)	(122,982)	(122,982)	(0)

Dr. Dorothee Ritz elected not to receive a remuneration for her Supervisory Board activities.

Executive Board

The following were appointed as members of the Company's Executive Board in fiscal year 2011:

- **Oliver Seidl**
  Graduate in business administration, Bad Boll
  Chief Executive Officer

- **Manfred L. Fitzgerald**
  Chiesanuova, Italy
  (from February 1, 2011 to November 30, 2011)

- **Gerhard Schaas**
  Engineer, Rödental (until November 30, 2011)

- **Dr. Detlef Teichner**
  Engineer, Königsfeld im Schwarzwald (since December 1, 2011)

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:

Euro

	Total remuneration for 2011	**thereof: fixed remuneration 2011**	**thereof: variable remuneration**	**thereof: severance payment and obligation**	**Additional impact on profit or loss through changes in provisions to pensions**
Oliver Seidl	508,168	365,668	142,500	0	10,359
(2010)	(563,752)	(358,252)	(205,500)	0	(175,740)
Frieder C. Löhrer	0	0	0	0	0
(2010 until July 31, 2010)	(850,437)	(205,437)	0	(645,000)	(– 123,499)
Gerhard Schaas (until Nov. 30, 2011)	1,147,260	307,260	50,000	790,000	– 187,042
(2010)	(519,765)	(349,765)	(170,000)	0	(140,594)
Manfred L. Fitzgerald (Feb. 1 to Nov. 30, 2011)	968,489	283,489	0	685,000	0
(2010)	(0)	(0)	(0)	(0)	(0)
Dr. Detlef Teichner (Dec. 1, 2011)	26,748	26,748	0	0	0
(2010)	(0)	(0)	(0)	(0)	(0)
Total	**2,650,665**	**983,165**	**192,500**	**1,475,000**	**– 176,683**
(2010)	(1,933,954)	(913,454)	(375,500)	(645,000)	(192,835)

The provision for pensions and pension commitments for the active Executive Board members comes to EUR 614 thousand (2010: EUR 2,122 thousand). The entitlement arising from the pension commitment is based on the general principles of company pension commitments.

Amounts totaling EUR 189 thousand (2010: EUR 191 thousand) were paid as pensions to former members of the Executive Board and to members who had resigned. The provisions set aside for their pensions come to EUR 3,049 thousand (2010: EUR 3,242 thousand).

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

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

- **Dr. Axel Berger**
  Berlin-Hannoversche Hypothekenbank AG, Berlin
  (Member of the Supervisory Board)
  Loewe Opta GmbH, Kronach, Germany
  (Deputy Chairman of the Supervisory Board)

- **Dr. Gerhard Heinrich**
  Rühl AG, Friedrichsdorf
  (Member of the Supervisory Board)

- **Dr. Sönke Mehrgardt**
  Agnion Energy Inc., Pfaffenhofen
  (Member of the Advisory Board)
  Bekon AG, Munich
  (Member of the Supervisory Board)
  CPM GmbH, Munich
  (Member of the Advisory Board)
  Fludicon GmbH, Darmstadt
  (Chairman of the Advisory Board)
  Silicon Line GmbH, Munich
  (Chairman of the Advisory Board)

- **Dr. Michael Witzel**
  AP-Stiftung gGmbH, Speyer
  (Member of the Advisory Board)
  BMG Capital AG, Frankfurt/Main
  (Member of the Supervisory Board)
  Eramon AG, Gersthofen
  (Chairman of the Supervisory Board)
  Graphit Kropfmühl AG, Hauzenberg
  (Member of the Supervisory Board)
  Metallgesellschaft AG, Elsteraue
  (Chairman of the Supervisory Board)

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

The members of Loewe AG's Executive Board did not hold other offices as of the reporting date.

Shares held by the Executive Board and Supervisory Board on December 31, 2011:

As of December 31, 2011, the Executive Board held 6,600 (2010: 79,300) shares in Loewe AG. No options have been granted. One member of the Supervisory Board directly holds 550,000 Loewe shares (2010: 550,000) and indirectly holds 1,264,420 Loewe shares (2010: 1,264,420).

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 of the Loewe Group give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the combined management report for Loewe AG and the Loewe 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 17, 2012

The Executive Board

Oliver Seidl **Dr. Detlef Teichner**

Independent Auditor's Report

We have audited the consolidated financial statements prepared by Loewe AG, Kronach – consisting of the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements as well as the group management report for the financial year from January 1 to December 31, 2011. 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 (HGB) and German generally accepted standards for the audit of financial statements as 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 and in accordance with the applicable financial reporting framework any misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements 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 IFRS as applicable in the EU, the additional requirements of German commercial law pursuant to Section 315a (1) of the HGB 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 17, 2012

Abstoß & Wolters OHG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Straaten	Quacken
Auditor	Auditor

Your

Simplicity.

Our

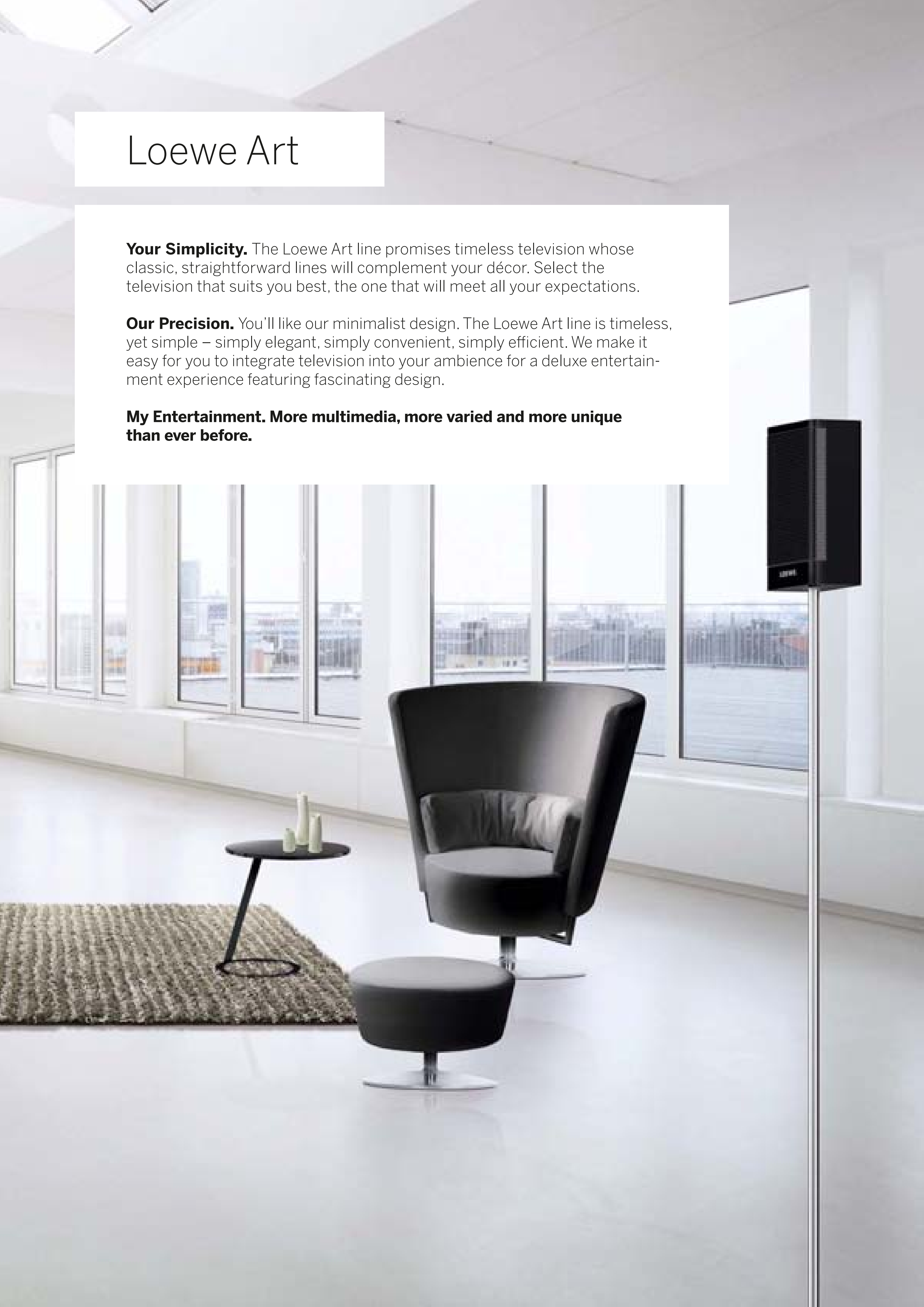
Precision.

Loewe Art

Your Simplicity. The Loewe Art line promises timeless television whose classic, straightforward lines will complement your décor. Select the television that suits you best, the one that will meet all your expectations.

Our Precision. You'll like our minimalist design. The Loewe Art line is timeless, yet simple – simply elegant, simply convenient, simply efficient. We make it easy for you to integrate television into your ambience for a deluxe entertainment experience featuring fascinating design.

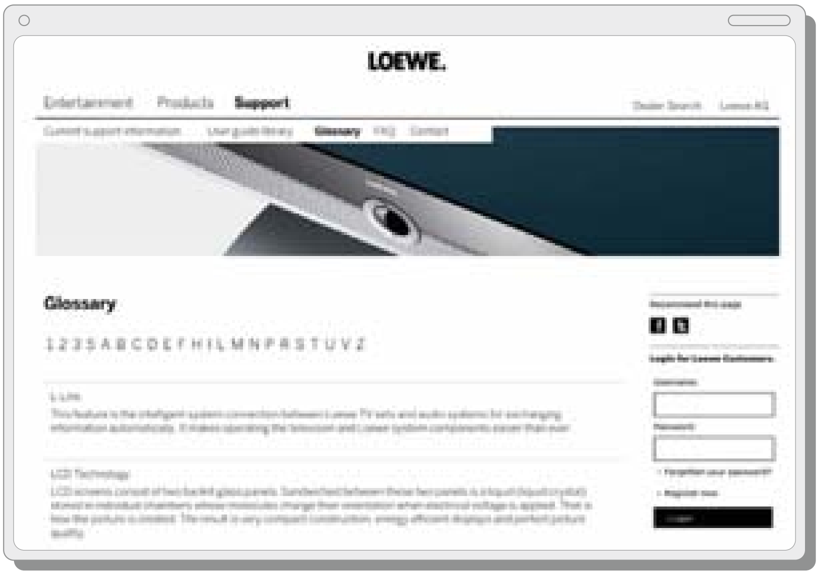
My Entertainment. More multimedia, more varied and more unique than ever before.



Service

Glossary

The current comprehensive glossary and explanation of technical terms, sorted in numerical and alphabetical order, is available at the Loewe website www.loewe.tv/int under ‘Support.’ To protect the environment, we have deliberately decided that this extensive list should no longer be printed in the Loewe Annual Report.



Financial Calendar

Publication of the 2011 Financial Statements of the Loewe Group
Thursday, March 29, 2012, 9:30 a.m., Munich

DVFA Analysts' Conference
Thursday, March 29, 2012, 4 p.m., Frankfurt/Main

Publication of the Q1 Report
(01/01 – 3/31/2012)
Conference call on Thursday, May 3, 2012, 10:00 a.m.

Annual Shareholders' Meeting of Loewe AG
Tuesday, May 15, 2012, 11:00 a.m., Munich,
Alte Kongresshalle, Theresienhöhe 15

Publication of the Q2 Report
(01/01 – 6/30/2012)
Conference call on Thursday, August 2, 2012, 10:00 a.m.

Publication of the Q3 Report
(01/01 – 9/30/2012)
Conference call on Wednesday, November 7, 2012, 10:00 a.m.

Publication of the preliminary Key Figures for the 2012 financial year
Conference call on Tuesday, January 29, 2013, 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 as well as other up-to-date documents are available for download on our website www.loewe.tv/int. Please click support > contact > information material.

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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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