Annual Report
2012

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: highly customisable home entertainment systems with high-definition picture quality, an integrated hard disk recorder and a perfect connection between Internet and television. The public-listed company, founded in 1923 in Berlin, manufactures and distributes television sets, Blu-ray players, audio equipment and multiroom solutions.

Key Figures (IFRS)

The Loewe Group in Numbers *
EUR million

	2012	2011	2010	2009	2008	2007
Sales	250.0	274.3	307.3	324.0	374.0	372.5
EBIT	– 29.0	– 10.5	– 5.3	13.5	28.5	21.1
Net income/loss	– 44.5	– 10.7	– 7.0	8.0	18.9	7.2
Earnings per share (EUR)	– 3.42	– 0.82	– 0.54	0.62	1.45	0.55
Dividend per share (EUR)	0.00**	0.00	0.00	0.25	0.50	0.27
Non-current assets	43.4	42.3	47.2	48.2	49.6	46.4
Equity (excl. minority interest)	24.5	72.0	79.5	87.6	88.4	71.6
Net bank balances	8.2	27.0	13.1	35.1	33.9	– 1.7
Factoring	– 6.6	0.0	– 5.0	0.0	– 0.1	0.9
Capital expenditure	24.9	17.0	20.7	19.0	23.9	23.2
Depreciation and amortization	23.5	21.9	21.7	20.3	20.4	19.1
Free cash flow	– 37.9	18.9	– 23.1	7.8	39.9	1.8
Development costs	13.2	14.4	15.9	16.1	15.6	14.4
Interest expense, net	3.7	2.3	2.4	1.8	1.0	2.2
Number of employees	1,004	1,022	1,062	1,042	1,007	997

* Continuing and discontinued divisions
** Proposal to the Annual Shareholders' Meeting on June 11, 2013

Contents

Matthias Harsch
CEO

Dr. Detlef Teichner
CTO

Rolf Rickmeyer
CFO / CRO

Dear Shareholders,

I would like to briefly introduce myself as the new CEO of the Loewe Group. My name is Matthias Harsch; I am 47 years old, am married and have two children. As a graduate in business administration, I have been a member of our Executive Board since the beginning of this year, and I am responsible for management of the central divisions of marketing, sales and customer services.

Unfortunately, we fell far short of achieving our goals in fiscal year 2012. Due to intense price competition and the fact that consumer restraint was significantly stronger than in the prior year in the entertainment electronics sector, Loewe did not meet its ambitious goals for sales and earnings. In addition to these external factors, internal weaknesses such as an excessively broad product portfolio, too high a price premium and the lack of consistency in implementing defined sales measures also had a negative impact on the development of business. In a self-critical analysis, it may be said that the restructuring measures were not implemented in the necessary intensity in 2012. Moreover, we were too late in adjusting the costs to the reduced business volume.

Against this backdrop, sales of the Loewe Group at EUR 250.0 million in fiscal year 2012 were 9 % lower than the 2011 figure of EUR 274.3 million. Primarily due to the lower sales volume, non-recurring expenses for the restructuring, including provisions for severance payments to Loewe employees, Loewe realized an EBIT loss of EUR 29.0 million in fiscal year 2012 (2011: EBIT loss of EUR 10.5 million). The primary reasons for this include provisions for the workforce reduction, which has in the meantime been initiated in Kronach.

How do we respond specifically to the current difficult situation? To re-establish our company's profitability, the Executive Board has intensified and expanded the existing restructuring concept. These measures relate to both the company's offering (products and markets) and its costs. I am pleased to note that the negotiations concerning a reconciliation of interests and a social compensation plan as well as a collective restructuring agreement were brought to a conclusion a few days ago after constructive discussions with the Works Council and IG Metall. Furthermore, our banking syndicate has extended its commitment to Loewe's restructuring. The financing partners issued a binding commitment for an extension of the lines of credit until March 31, 2014 subject to compliance with predefined requirements. Furthermore, the financing partners committed themselves to a favorable consideration of continued funding going beyond the extension.

Unfortunately, strict cost management in our situation also makes personnel restructuring measures necessary. Accordingly, as of April 1, 2013, a total of 180 jobs will be cut across all areas of the company. The larger share of around 130 employees will be in the area of production. In conjunction with other measures such as consensual termination of contracts and part-time contracts, we have managed to keep the number of compulsory redundancies to a minimum. To make this staff reduction as socially responsible as possible, we have established a transfer company. The aim of this company is the speedy placement into new positions. This will include offers for advanced training and job application training. This transfer company will start up on April 1, 2013 and will thus ensure a seamless transition. In addition to postponing the wage increase to 2014, the collective restructuring agreement provides for reducing the monthly salary by up to 10 percent. In addition, vacation and Christmas bonuses will be paid at a flat rate.

With regards to the company's offering (products and markets), we are investing in the strategic realignment of the company, in particular in new products. The television lines Loewe Reference ID and Loewe Individual, which were launched at the beginning of the year, will be followed by another new line of televisions in the summer. This product family is the result of our cooperation with our strategic partner Sharp. Moreover, the Audiodesign segment will be systematically expanded this year to include numerous new features. The first highlight in this connection will be the new wireless audio system 3D Orchestra, which will come on the market in April as the first of its kind in the world. 3D Orchestra makes it possible to have a perfect 3D sound experience anywhere in a room regardless of where the speakers are positioned.

In sales, Loewe is pursuing the objective of recapturing lost market share in Germany in collaboration with its retail partners. In exports, Loewe will increasingly focus on international growth markets such as Russia, India and China. To that end, we have entered into framework agreements with international electrical retail cooperatives and restructured our sales organization. Moreover, Loewe is investing in its production facility in Kronach with the aim of effectively utilizing the production areas with a view to efficient production processes and optimum material flow.

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. Based on the actions taken, it continues to be the objective of the Executive Board in the current fiscal year 2013 to again achieve a break-even operating result and a slight increase in sales. However, the overall result will continue to be burdened by restructuring charges in 2013. Assuming that the macroeconomic conditions in Europe will not worsen significantly, further growth in sales and a positive operating result will be our target for fiscal 2014.

Sincerely yours,

Matthias Harsch
Chief Executive Officer of Loewe AG

Dr. Rainer Hecker
Chairman of the
Supervisory Board

Dear Shareholders,

Unfortunately, the Loewe Group weathered one of the worst results in its almost 90 years of corporate history in fiscal 2012. In particular the persistent buying restraint in the eurozone and intense price competition in our industry weighed heavily on the development of business in 2012. However, internal weaknesses such as too high a price premium and the lack of consistency in implementing defined restructuring measures have also resulted in clearly falling short of the sales and earnings targets once again.

Thus, lower sales, the partially necessary and extreme price reductions for televisions as well as special expenses, including those for the initiated restructuring measures, made it necessary for our Company to absorb an EBIT loss of EUR 29 million in fiscal 2012. To re-establish Loewe's profitability, the new Executive Board in collaboration with the restructuring advisor has intensified and expanded the existing restructuring program. These systematic measures relate to both the Company's offering (products and markets) and its costs.

In fiscal 2012 the Supervisory Board remained vigilant in exercising the responsibilities incumbent upon it in accordance with statutory regulations, the Company's articles of association, the principles of the German Corporate Governance Code, and the rules of procedure. The Supervisory Board continuously oversaw the management of the Company and the Group, provided advice on basic policy issues and discussed all significant business transactions with it. The 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.

Areas of focus of the deliberations in the Supervisory Board

The primary themes in the past fiscal year included the Company's restructuring and strategic realignment, the 2011 financial statements, the general development of business in 2012, and the budget for fiscal year 2013. Also between the board meetings, the Chairman of the Supervisory Board regularly and intensively exchanged information with the Executive Board, in particular regarding the measures for Loewe's restructuring. Furthermore, the corporate planning and significant single events such as the appointment of senior executives were discussed.

Committees

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 page 108. 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.

Corporate Governance

The Supervisory Board continued to intensively review the development of the Corporate Governance Principles in fiscal year 2012. All recommendations of the German Corporate Governance Code issued by the Government Commission and most recently updated on May 15, 2012, will be fully implemented, except for Section 4.2.3 (4) sentence 1 of the Code and Section 5.4.6 (2) sentence 1. On November 23, 2012 the Executive Board and Supervisory Board published the new Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act, which is included in the joint Corporate Governance Report on page 1 et seq.

Focus of individual meetings of the Supervisory Board

Due to the difficult economic situation of the Company during the reporting period, a total of five meetings were held, two Audit Committee meetings and four meetings of the Personnel Committee. In addition, the Supervisory Board passed resolutions through telephone conference calls outside of meetings. The current position and the anticipated business development of the Loewe Group and its subsidiaries in the current fiscal year were discussed in all the meetings 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. No member attended fewer than half of the meetings of the Supervisory Board.

In addition to the current reporting by the Executive Board, the meeting on January 24, 2012 focused primarily on the current status of the restructuring and the strategic alignment of the Company. The Executive Board explained the decision for a consulting firm and the next steps in the strategic restructuring of Loewe.

The meeting on March 15, 2012, 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, 2011. The auditors were also present at this meeting to report on the course of the audit and were available to answer additional questions by the Supervisory Board. The Supervisory Board approved the accounting documents and thus adopted the financial statements for the year ended December 31, 2011. Furthermore, the Supervisory Board adopted the recommendation for the agenda of the Annual Shareholders' Meeting to be held in Munich on May 15, 2012.

Prior to the Annual Shareholders' Meeting on the same day, the Supervisory Board meeting on May 15, 2012, focused on day-to-day reporting by the Executive Board as well as the current status of the restructuring and the strategic alignment of the Loewe Group. Furthermore, the risk management system, the current status of risk estimation and the theme of compliance at Loewe were presented and discussed.

The meeting on September 20, 2012 focused on contrary developments at Loewe. On the one hand, significant progress was made in the strategic and international positioning. On the other hand, however, it was necessary to absorb a significant decrease in operating activities in the third quarter. Relevant countermeasures were presented and discussed by the Executive Board. Furthermore, the current risk situation and the amendments to the German Corporate Governance Code were introduced and discussed in detail.

The focus of the Supervisory Board meeting on December 6, 2012 was the coverage of the dramatic development of the earnings and liquidity position during the fourth quarter, and the need for staff reductions.

Composition of the Supervisory Board

As of October 31, 2012, Dr. Michael Witzel stepped down from his position as a member of the Supervisory Board for good cause. The Supervisory Board wishes to express its gratitude to Dr. Michael Witzel for his longstanding and dedicated work for the Company. At the request of the Executive Board and the Chairman of the Supervisory Board of the Company, Michael Blatz was appointed by the Register Court in Coburg as a member of the Supervisory Board of Loewe AG effective November 30, 2012. The appointment is made until the end of the next Annual Shareholders' meeting on June 11, 2013.

Composition of the Executive Board

Rolf Rickmeyer has been the new CFO of Loewe AG since December 1, 2012. His tasks include managing the central Finance and Financial Control divisions. He is also the Executive Board member with particular responsibility for the Company's restructuring. Rolf Rickmeyer has extensive experience in comparable positions and has a record of successful corporate restructuring projects at different companies in various industries that were in a similar difficult financial situation.

On January 1, 2013, Matthias Harsch assumed the Executive Board area for marketing and sales, and has been CEO since February 1. Matthias Harsch served as managing director of the Bizerba Group from 2003. As management spokesman, his responsibilities included global sales and marketing, the global growth and profit-enhancement programs and Bizerba's Chinese and U.S. operations.

Effective January 31, 2013 Oliver Seidl resigned from his position as Chairman of the Executive Board of Loewe AG in order to pursue new opportunities The Supervisory Board wishes to express its gratitude to Oliver Seidl for his longstanding and dedicated work.

The change in the Executive Board of Loewe AG has thus been completed in time for the new fiscal year 2013. A course was set to overcome the significant challenges presented by the international markets and to begin Loewe's turnaround.

Individual and consolidated financial statements

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 15, 2012, 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.

The financial statements of Loewe AG for the year ended December 31, 2012, the consolidated financial statements for the year ended December 31, 2012, and the combined management report of Loewe AG and the Group for fiscal year 2012 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 the Supervisory Board on March 12, 2013, 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 12, 2013.

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, 2012, 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 June 11, 2013. In connection with the proposal for the appointment of the auditor for fiscal 2013, the Supervisory Board relied on the recommendation of the audit committee.

Resignation from office

For many years, I have dedicated responsible leadership to Loewe and in recent months I have been particularly active in providing advice regarding the strategic realignment. My focus has always been on loyalty to the company and continuity as a manager and shareholder. A new chapter in the Company's history is now being written with the measures that have been adopted. To that end, I want to clear the way and hand over the chairmanship of the Supervisory Board of Loewe AG to another person. For that reason, I decided to step down from my office as a member of the Supervisory Loewe AG as of the end of the meeting of the Supervisory Board meeting on March 12, 2013. In the subsequent additional meeting of the Supervisory Board, Michael Blatz was elected as its new chairman.

Statement of gratitude from the Supervisory Board

The difficult 2012 fiscal year placed special demands on the entire workforce at Loewe. The Supervisory Board would like to thank the Executive Board, the employees and the employee representatives for their hard work and their great commitment. We are convinced that the previously introduced and now significantly enhanced restructuring measures as well as the dedication of all our employees can return Loewe to its former strength.

Kronach, March 12, 2013

Dr. Rainer Hecker
Chairman of the Supervisory Board

High-high-end.
Loewe Reference ID.

Our Company/
Our Responsibility

Loewe in the Capital Market

Loewe stock started the year 2012 with significant price gains and rose by more than 100 % to EUR 5.46 already in January. Not only the optimistic market environment supported this trend, but also the results for the fourth quarter of 2011 published at the end of January were favorably received by investors. In a short term worsening of the equity market environment, Loewe stock was also confronted with mild profit-taking and fell below the level of EUR 4.50 in the course of a few trading days. By the end of the first quarter, the stock price rebounded, closing on March 22, 2012 at around EUR 5.70.

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

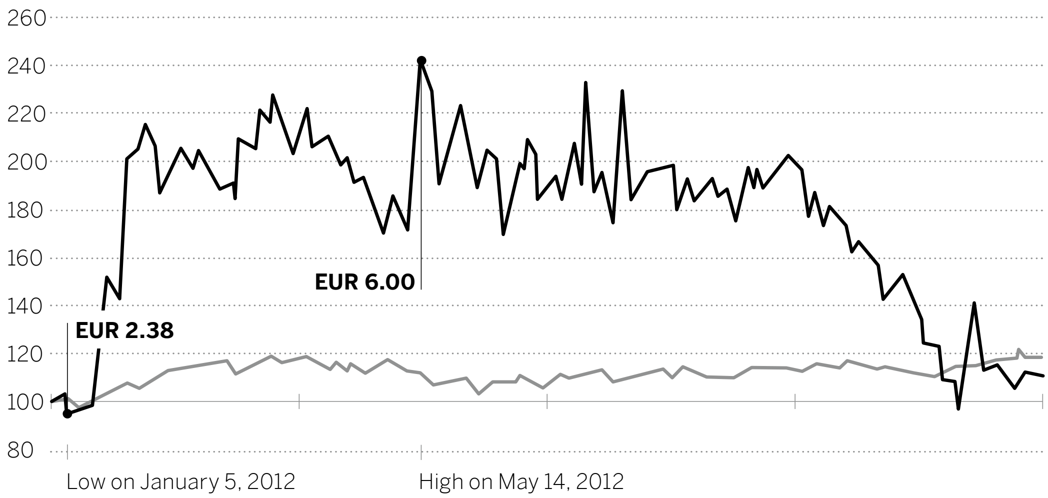
At the beginning of the second quarter, the increasing economic uncertainties were also reflected in the price of Loewe stock and it fell back to EUR 4.20 in mid-May. First rumors about the possible entry of Apple catapulted the stock price to EUR 6.60 on May 15, 2012 and it simultaneously reached its annual high. As confirmation of these plans failed to materialize, the price level again fell below the level of EUR 5.00 as the year progressed. However, the trading volume experienced a boom during that period. On May 14 and 15, more than 600,000 shares changed hands, compared with an average daily volume of 22,500 shares in 2012. By the end of the first half, the stock price could no longer gain any ground; however, by this time it had achieved a substantial increase of 88 % since the beginning of the year.

In the summer months marked by declining trading activity, no clear trend could be seen in the stock of Loewe AG and it fluctuated in a broad trading range around the 38-day moving average line (EUR 4.73). The UEFA EURO 2012 in June had provided no price-relevant stimuli, and also the IFA taking place in Berlin at the end of August did not ensure a turnaround in the stock price. Trading volume in this period fell sharply, and dropped back to an average of 8,500 shares per day in the third quarter. In September, the trading activity increased again and led at the end of that month in particular to rising stock prices. The resistance of the 38-day line now seemed to be finally over and everything pointed to a continuation of the uptrend.

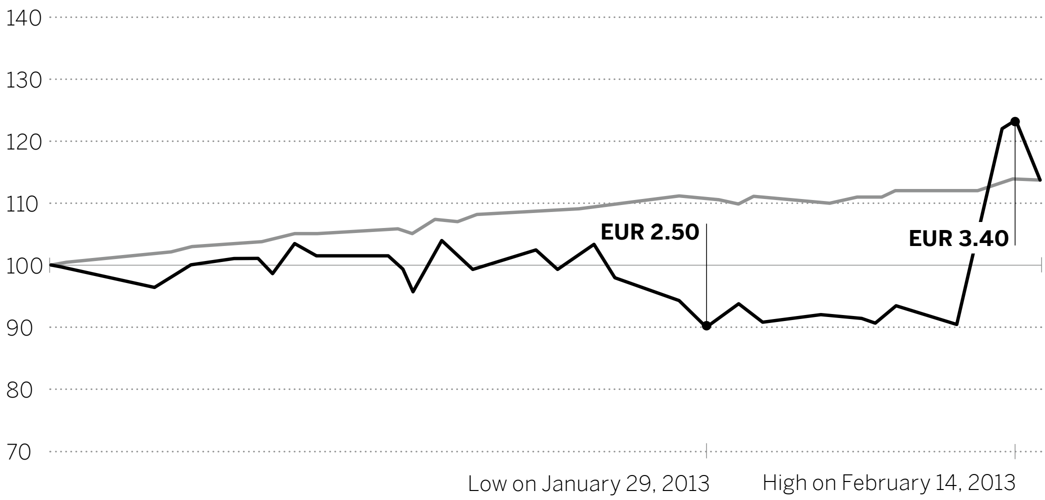
However, the third quarter of 2012 was not propitious for Loewe stock and the upward trend evident at the end of September was not confirmed. In fact, the announcement of the preliminary third quarter results at the beginning of October and the simultaneous reduction of the annual forecast for 2012 disappointed investors and sent the stock into a tailspin. Numerous downgrades from the analyst firms worsened the mood even more throughout the period. When in early November, a change was announced in the Executive Board of Loewe AG, all the signs for Loewe stock pointed upward again and the downward trend seemed to be put on hold for the time being. But this was short lived and the stock price continued its downward trend during the rest of the month. The chart support at EUR 3.50 did not withstand the pressure and the stock fell to EUR 2.45 by November 28, 2012. It thus closed near the annual low of EUR 2.36, which was reached on January 5, 2012. The appointment of Rolf Rickmeyer as new CFO contributed to a significant price increase for Loewe stock at the end of November and it climbed back above EUR 3.50 within two days. In the final weeks of 2012, profit taking and selling backlogs put the stock price under pressure and it again lost value. At a closing price of EUR 2.76, an increase of 10.4 % on an annual basis remains nonetheless.

Loewe stock performance from December 30, 2011 to December 28, 2012

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



Loewe stock performance from December 28, 2012 to February 15, 2013
indexed against SDAX (Frankfurt) —— Loewe AG —— SDAX



Loewe stock at the beginning of 2013

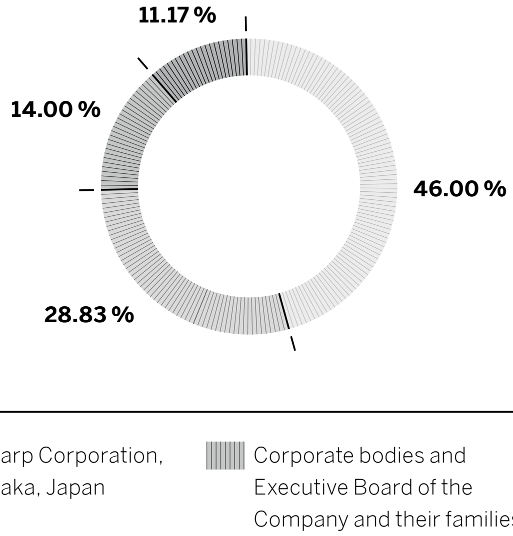
The stock of Loewe AG had a slow start to the year 2013. However, the downward trend initially seemed to have stopped and slight signs of a recovery could be seen. After EUR 2.79 at the beginning of the new year, the share price rose throughout the period again in the direction of the 38-day moving average line (EUR 2.86); however, for the time being it was unable to overcome it. Overall, Loewe stock benefited from the positive mood in the markets and sustained buying interest prevented the price level from declining further. After the preliminary annual results for 2012 were published on January 28, 2013, the stock price experienced a slight shock and it reached the monthly low at EUR 2.35; however, it recovered in the final trading days of the month and closed at EUR 2.59. Renewed rumors of a possible entry by Apple caused the Loewe stock price to rise to a preliminary high for the year of EUR 3.40 in very brisk trading of more than 600,000 shares on February 14, 2013.

Stable shareholder structure for Loewe

In its fourteenth 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 15, 2012. All six items on the agenda passed with only a few opposing votes. A total of around 120 Loewe shareholders and about 20 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.

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

	2012	**2011**	2010	2009	2008	2007
Year-end closing price Xetra (EUR)	2.76	2.50	6.85	9.00	8.61	15.65
Annual high Xetra (EUR)	6.60	7.45	11.28	11.42	15.65	18.86
Annual low Xetra (EUR)	2.36	2.17	5.62	5.80	7.37	14.03
Average daily trading volume (Xetra + Frankfurt)	22,500	15,596	22,260	15,781	26,030	37,907
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)	**35.9**	32.5	89.1	117.1	112.0	203.6
Earnings per share (EUR)	**– 3.42**	– 0.82	– 0.54	0.62	1.45	0.55
Dividends per share (EUR)	**0.00**	0.00	0.00	0.25	0.50	0.27

Investor Relations activities

Our investor relations activities are chiefly aimed at securing investors' attention for the Loewe share and maintaining or, if necessary, again expanding the existing first-rate coverage of the share by prestigious banks as comprehensively as possible. We will report continuously and in detail concerning the current status quo of the progress of Loewe's restructuring also in the current fiscal year. To regain the confidence in our share and our Company on a continuous basis, we attach special importance to regular, comprehensible and transparent communication with investors, analysts and economic and financial journalists.

In addition to the annual DVFA Analysts' Conference at the close of the year and the Loewe "Investors' Conference" at the IFA in Berlin, conference calls were again held during the year in English for analysts and economic and financial journalists in connection with the interim reporting. Furthermore, Loewe was represented at two capital market conferences. We presented our equity story at 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 15, 2012 in Munich was the most important investor relations event for the Company's private shareholders.

Preliminary schedule of IR events in 2013

March 21, 2013	DVFA-Analysts' Conference	Frankfurt
April 11 / 12, 2013	Roadshow	Frankfurt
May 7, 2013	1st quarter 2013 *	Kronach
May 8, 2013	Roadshow	Zurich
June 11, 2013	Annual Shareholders' Meeting	Munich
August 1, 2013	1st half 2013 *	Kronach
August 2, 2013	Roadshow	Vienna
September 9, 2013	Investors' Conference at IFA	Berlin
November 5, 2013	1st – 3rd quarter 2013 *	Kronach
November 2013	Roadshow	London
November 11 – 13, 2013	German Equity Forum 2013	Frankfurt

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

Analyst coverage

As in years before, prestigious analysts intently observed and comprehensively evaluated Loewe during the 2012 fiscal year. The following table lists banks and companies that have prepared reports on Loewe in recent weeks and months and provides information concerning significant key points of the analysts' assessments (revised January 31, 2013):

Name	Date	Sales		EBIT		EPS		Target Price	Rating
		2013	2014	2013	2014	2013	2014		
equinet, Ingbert Faust	Jan 29, 2013	257.5	256.2	0.1	8.3	– 0.66	0.36	3.00	HOLD
DZ Bank, Thomas Maul	Jan 29, 2013	254.6	267.3	– 5.6	– 2.9	– 0.41	– 0.26	2.50	SELL
Matelan Research, Dr. Anne Gronsi	Jan 29, 2013	250.0	260.0	– 6.5	0.3	– 0.53	– 0.12	3.20	NEUTRAL
Deutsche Bank, Michael Kuhn	Jun 26, 2013	303.0	315.0	4.3	5.5	0.14	0.20	n. a.	HOLD
Average		266.3	276.9	– 1.9	2.8	– 0.37	0.05		

Significantly higher trading volume

Loewe stock is traded daily on all German stock exchanges and on the Xetra electronic trading platform. As in previous years, the transaction levels are highest on Xetra and the Frankfurt Stock Exchange. In 2012, an average number of approximately 22,500 total shares was traded per day, significantly higher than in the same period of 2011 (approximately 15,600 shares).

High Distinction for 2011 Annual Report

The investor relations activities of Loewe AG have received multiple national and international awards in the last few years. The 2011 Loewe Annual Report "My Entertainment" was awarded the internationally coveted LACP Award in 2012. The Vision Awards of the U.S. League of American Communications Professionals (LACP) are awarded to the best annual reports every year. An international jury of experts - made up of communication specialists in Fortune 500 companies - evaluates the relevant submissions. Evaluation criteria include creativity and title design. Hundreds of reports from international enterprises and groups are regularly submitted for the Vision Awards.

Dividend

A resolution will be proposed to the Shareholders' Meeting on June 11, 2013 that no dividend be distributed for fiscal year 2012.

Your direct contact with Loewe's IR team

Loewe AG
Industriestraße 11
96317 Kronach
Germany

Phone: + 49 (0) 9261 99-240 Axel Gentzsch
+ 49 (0) 9261 99-984 Anja Fröba
Telefax: + 49 (0) 9261 99-994

Email: ir@loewe.de
Internet: www.loewe.tv

Corporate Governance Report

Conscientious and transparent management

Loewe is a company with a clear brand strategy that has become established as a premium brand of the consumer electronics industry in its European core markets in recent years. Our primary brand values of minimalist design, meaningful innovation, and exclusive individuality set us apart from all other brands. When it comes to product quality, marketing and premium service, Loewe follows the most exacting standards.

The corporate bodies of Loewe AG have set the same high standards for the conscientious, transparent, and sustained management of the Company. This is documented in particular by compliance with the corporate governance recommendations of the German Corporate Governance Code with only two exceptions.

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 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 con-formity in accordance with Section 161 of the German Stock Corporation Act, and disclosures relating to important management practices.

Declaration of conformity for 2012 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 Federal Gazette have been and are being complied with or which of the Code's recommendations have not been or are not being applied.

The Corporate Governance principles of Loewe AG conform to the recommendations of the Code with two exceptions. The Executive Board and Supervisory Board issued their declaration of conformity on November 23, 2012. 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.de under Investor Relations.

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

1. Loewe AG will continue to comply with the recommendations of the German Corporate Governance Code as amended on May 15, 2012, published in the Federal Gazette on June 15, 2012, with the following exceptions:
   a) 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).
   b) Apart from a fixed compensation, the members of the Supervisory Board shall receive performance-related compensation, the basis for which is the net income of the relevant fiscal year. The performance-related compensation shall accordingly be oriented toward sustainable growth of the enterprise (Section 5.4.6 (2) sentence 2 of the Code). The Executive Board and Supervisory Board of Loewe AG have adopted to propose to the Annual Shareholders' Meeting in 2013 to reformulate the compensation of the members of the Supervisory Board as of fiscal year 2013, and in the future waive performance-based compensation for service on the Supervisory Board.

2. Loewe AG has complied with the recommendations of the German Corporate Governance Code as amended on May 15, 2012, and published in the Federal Gazette on June 15, 2012, since its last declaration of conformity of November 25, 2011, except for the recommendations set forth in Section 4.2.3 (4) sentence 1 (severance payment cap in concluding Executive Board contracts), and in Section 5.4.6 (2) sentence 2 (orientation of the performance-related compensation of the members of the Supervisory Board to sustainable growth of the enterprise)."

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 accordance with the Corporate Governance Code, the remuneration system is set up in such a way that both the responsibilities and the personal performance of the members of the Executive Board, the performance of the Executive Board as a whole and the economic situation, the performance and outlook of the enterprise, as well as the common level of the remuneration taking into account the peer companies and the remuneration structure in place in other areas of the company are to be considered.

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 long-term operating (multiyear sales and earnings targets) and strategic objectives such, for example, on-time product startups and the successful opening of international growth markets. 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 109 of the Notes to this Annual Report. In this report, we expressly include the information disclosed there.

The remuneration of the Executive Board of Loewe AG for fiscal year 2012 totaled EUR 1,101,857 (2011: EUR 2,650,665) and is broken down as follows:

EUR thousands	**2012**	2011
Non-performance-related	752	983
Performance-related	350	193
Severance payments	0	1,475
Total	**1,102**	2,651
Pensions	200	– 177

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

Matthias Harsch **CEO** **Marketing and Sales**	**Rolf Rickmeyer** **CFO / CRO** **Finance and services**	**Dr. Detlef Teichner** **CTO** **Technology**
· Marketing · Sales · Customer Services · Quality · Press and PR · Strategic Corporate Planning	· Finance and Accounting · Controlling · Human Resources and Benefits · Information Technology · Investor Relations · Internal Audit · Compliance / Corp. Governance	· 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. 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 subsection 5.4.6 of the German Corporate Governance Code, Loewe reports the remuneration of the Supervisory Board individually and subdivided according to components. In accordance with a resolution of the Shareholders' Meeting of May 17, 2002, 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, although the Executive Board and Supervisory Board of Loewe AG have adopted to propose to the Annual Shareholders' Meeting in 2013 to reformulate the compensation of the members of the Supervisory Board as of fiscal year 2013, and in the future waive performance-based compensation for service on the Supervisory Board.

Each member of the Supervisory Board of Loewe AG receives a fixed annual remuneration of EUR 15,000 in addition to the reimbursement of his expenses. 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.

The fixed and variable remuneration is doubled for the Chairman of the Supervisory Board, the Deputy Chairman receives one and one-half times that amount. The total remuneration of the Supervisory Board for fiscal 2012 came to EUR 108,732 (2011: EUR 114,775). See page 108 of the Notes for detailed information on the individual remuneration of the Supervisory Board.

Directors & officers insurance also exists for the Supervisory Board. An appropriate deductible based on the Supervisory Board incentive compensation has been stipulated.

Two consultancy agreements existed in the year under review between Loewe AG and MBC Michael Blatz Consulting GmbH. The member of the Supervisory Board Michael Blatz is the managing director and partner of MBC Michael Blatz Consulting GmbH. The subject matter of both consultancy agreements is the support of Loewe AG in implementing the restructuring plan, in particular in negotiations with credit institutions. The first consultancy agreement was terminated at the time Mr. Blatz joined the Supervisory Board. The Supervisory Board accordingly approved the follow-up agreement in its meeting of March 12, 2013. The Supervisory Board member in question did not participate in the resolution. With regard to the aforementioned consultancy agreements, Mr. Blatz received a remuneration in the total amount of EUR 17,830in 2012.

The members of the Supervisory Board performed no other consulting and mediation services or other services during the year under review.

Objectives of the Supervisory Board

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."

Composition of the Supervisory Board

The following were members of the Supervisory Board of Loewe AG in fiscal 2012:

- 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, Senior Director Business Strategy Microsoft International of Microsoft Deutschland GmbH, Munich
- Dr. Michael Witzel, attorney at law, Munich (until October 31, 2012)

As of October 31, 2012, Dr. Michael Witzel stepped down from his position as a member of the Supervisory Board for good cause. Michael Blatz, Managing Partner of MBC Michael Blatz Consulting GmbH, Berlin, was appointed by the Register Court in Coburg as a member of the Supervisory Board of Loewe AG effective November 30, 2012 at the request of the Executive Board and the Chairman of the Supervisory Board of the Company. The appointment is made until the end of the next Annual Shareholders' meeting on June 11, 2013.

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

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. No reportable transactions were entered into between November 25, 2011, and December 31, 2012.

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

Shareholdings of the Executive Board and Supervisory Board

As of the reporting date December 31, 2012, the Executive Board held 6,600 Loewe shares (2011: 6,600). No options have been granted. One member of the Supervisory Board directly holds 550,000 Loewe shares (2011: 550,000) and indirectly holds 1,264,420 Loewe shares (2011: 1,264,420).

Compliance at Loewe

As a premium brand 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. Thus, 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 of Conduct is not solely a management responsibility but is also something to be put into practice by all employees.

Based on the fundamental value of integrity, all requirements for the conduct of employees are described in detail in the Loewe code. 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 2012, 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.

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 has had systematic risk management which is reviewed by the auditor. Loewe identifies, evaluates and documents existing individual risks systematically by clearly defining risk areas. At the same time, the system models their impacts on the Company's financial position and performance. The risk management system is an integral component of Loewe's entire planning, controlling, and reporting process. 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 48 for further details.

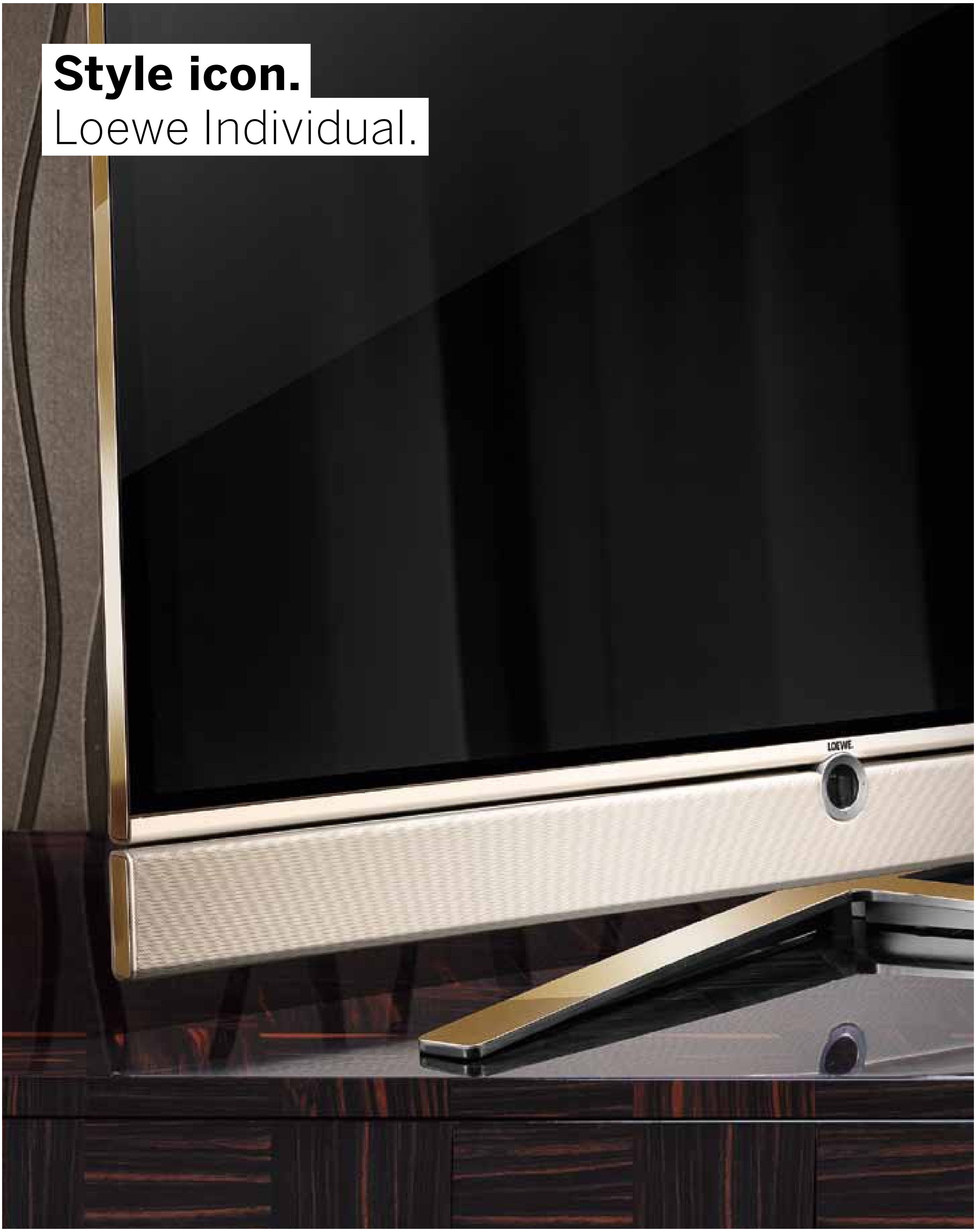
Accounting and audit

The consolidated financial statements and the interim reports of Loewe are drawn up in accordance with the International Financial Reporting Standards (IFRS). The legally prescribed separate financial statements of Loewe AG are prepared in accordance with the provisions of the German Commercial Code (HGB). For the year under review as well, we have come to an agreement with the auditor, Abstoß & Wolters OHG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Mönchengladbach, that the Chairman of the Auditing Committee will be informed immediately of any grounds for disqualification or partiality occurring during the audit, unless such grounds are eliminated immediately. The auditor shall also report without delay on all material findings and events of importance for the tasks of the Supervisory Board which arise during the performance of the audit. The auditor must also inform the Supervisory Board and/or note in the Auditor's Report if, during the performance of the audit, the auditor comes across facts which indicate that the issued declaration of conformity contains an inaccuracy.

Further information on corporate governance at Loewe

Additional information concerning 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 page 107 et seq. of the Notes to the Consolidated Financial Statements in the section "Corporate Bodies and Offices Held."

Style icon.
Loewe Individual.



Management Report

Management Report

Business Environment

Macroeconomic development

The sustained recovery of the world economy is threatened primarily by the persisting finance and debt crisis in Europe and the continued high U.S. national debt. However, the International Monetary Fund (IMF) has reported that a certain easing has occurred in regard to both factors in recent months. Economic momentum in China is expected to increase noticeably again in 2013, and in Japan, the new government wants to implement more debt-financed government spending to overcome the economic crisis. The positive development in the emerging and developing countries has slowed somewhat in the past year. Preliminary data indicate that the global gross domestic product (GDP) increased by 3.1 % in 2012. A rise of 3.2 % is expected for the current year of 2013.

In the eurozone, the months-long debate about the euro crisis had a sustained impact on economic development and led to great economic uncertainty. Compared to 2011, the gross domestic product declined by 0.4 % in 2012. The latest estimates for 2013 anticipate a further slight decline of 0.3 %. GDP declined by 2.1 percentage points in Italy in 2012 and by 1.4 % in Spain. No growth will be seen in either country in 2013. Due to the high unemployment in the southern European countries in particular, the greatest risks in the global outlook are seen in the eurozone. Although a massive crisis currently seems unlikely, there is a risk of prolonged stagnation. The Europe-wide inflation rate in 2013 is expected to repeat the 2012 figure of around 2.5 %.

Among the major industrial nations of Europe, Germany continued to experience the best development in 2012, although growth in gross domestic product at 0.9 % was significantly lower than the previous year's figure of 3.0 %. Nonetheless, growth of 0.4 % is expected for Germany in 2013. The recent results of the Ifo survey (February 2013) as regards the assessment of the business situation, the business climate and business expectations were surprisingly positive, and the GfK consumer confidence index also indicated a positive trend. The propensity to purchase durable goods is increasing significantly. Both are important indicators of business confidence, job security and high consumer willingness to purchase. The inflation rate in the current year is not expected to exceed the previous year's level of around 2 %.

Continued weakness in the European consumer electronics market in 2012

Compared to the previous year, the European consumer electronics market declined by 12 % to EUR 23.8 billion in 2012. All market segments saw lower sales. Television, the most important product group within the European consumer electronics market, absorbed a 12 % decline.

Western European consumer electronics market as defined by GfK
In EUR billion

	2012	2011	Change in %
TV	18.0	20.5	– 12
DVD / Blu-ray	1.1	1.4	– 21
Hi-Fi systems	2.5	2.6	– 4
Subtotal	**21.6**	24.5	– 12
Audio, video games, etc.	2.2	2.7	– 19
Total	**23.8**	27.2	– 13

Note: The GfK retroactively increased the revenue figures for 2011 slightly from EUR 26.9 billion to EUR 27.2 billion. The corrections related to the TV markets in Germany, France, Belgium and Austria as well as the product group audio, video games etc. In this section of the management report, the percentage amounts are 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, which is currently dominant in Europe and represents 93 % of total TV sales. Sales of these LCD sets declined by 10 % in the period under review. The plasma TV market was even 35 % smaller than in the previous year.

Total TV (excluding CRT TV) market in Western Europe by technology
In EUR billion

	2012	2011	Change in %
LCD	16.8	18.5	– 9
Plasma	1.2	1.9	– 37
Total	**18.0**	20.4	– 12

(Source: GfK, Western European market)

Continued decline in the market for LCD televisions in 2012

In 2011, unit sales and sales revenue of LCD televisions declined for the first time after many years. This trend continued in 2012. The number of LCD TVs sold in 2012 came to 34.4 million. This was 4.9 million units or 12 % fewer than in 2011. In the most important 32-inch screen size segment, unit sales in Europe decreased by 2.1 million to 9.9 million sets in 2012, reflecting a 17 % decline. The trend for large-screen LCD TVs 37 inches and larger, which are highly significant for Loewe, continued to be positive. Their sales rose by 3.1 % from 12.8 million units in 2011 to 13.2 million in 2012. The percentage of sales of LCD sets 37 inches and larger in the LCD TV total market expanded to 64 % in 2012 compared to 57 % in 2011.

The decline in prices in the individual screen size categories continued in 2012; however, it softened significantly compared to previous years. The average price for a 32-inch set came to EUR 374 in 2012, down from EUR 412 in 2011. This reflects a decrease of 9 %. Due to the sustained trend to large-screen and more well featured sets, the average price per LCD TV at EUR 488 was 3.4 % higher than EUR 472 in 2011.

In fiscal 2012, the growth in value of the European LCD TV market fell short of the previous year's level by 10 %. Broken down by country, the development showed disparities. Only in Germany was it possible to record sales growth (+3 %). Especially the southern European countries Spain and Italy continue to suffer from the austerity measures related to the euro crisis. The Netherlands has also been affected by the finance and debt crisis. Moreover, an even sharper decline in prices in France has had a very negative impact on sales in the LCD TV market.

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

	2012	2011	Change in %
Germany	5,249.4	5,105.8	3
United Kingdom	2,828.9	3,122.4	– 9
France	2,455.3	3,260.5	– 25
Italy	2,009.5	2,269.4	– 11
Spain	1,354.1	1,614.6	– 16
Netherlands	780.1	889.9	– 12
Switzerland	566.9	571.3	– 1
Austria	538.0	539.2	0
Belgium	512.8	629.2	– 18
Sweden	476.2	538.9	– 12
Summe	**16,771.2**	18,541.2	– 10

(Source: GfK, Western European market)

The LCD unit price in Germany rose slightly by EUR 2 in 2012 to EUR 623. The average price in Germany thus clearly exceeded the European average price of EUR 488 by 28 %. Prices in Belgium, Sweden, Austria and the Netherlands also exceeded the European average, in some cases by far. The highest price of exactly EUR 800 was seen again in Switzerland in 2012. In Switzerland demand has been constant for very high-end and well featured flat-panel display sets for years. By contrast, only EUR 393 was seen in the UK and merely EUR 380 in Italy.

Loewe's market share in terms of value for LCD TVs among European retailers rose by 0.1 percentage points to 3.8 % in 2012. The decline in sales for Loewe and the negative sales trend in the European LCD TV market were accordingly kept roughly in balance in 2012. Compared to the European market, Germany has performed better. Loewe was not able to maintain its significance in the home market in 2012 and its market share declined from 8.6 % in 2011 to 7.9 % in 2012. Despite the loss of market share in its most important market, Loewe continues to enjoy a strong position here, because Germany now represents 32 % of total LCD TV sales in Western Europe. As a result, the market share in Europe even rose slightly in 2012, even though Loewe has lost market share in most countries.

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

	2012	2011	Change
Germany	7.9	8.6	– 0.7
Switzerland	7.6	6.8	0.8
Austria	6.0	5.9	0.1
Belgium	3.4	3.6	– 0.2
Netherlands	2.2	2.6	– 0.4
France	1.7	1.5	0.2
Spain	1.0	1.3	– 0.3
Italy	0.3	0.3	0.0
United Kingdom	0.1	0.2	– 0.1
Sweden	0.0	0.0	0.0
Europe Total	**3.8**	3.7	0.1

(Source: GfK, Western European market)

The European market for speakers and home cinema systems

Since 2009, Loewe has significantly influenced the market for speakers. The Company recorded a market share of around 12 % in the years 2010 and 2011. In 2011 it ranked third among the main speaker brands in Germany based on sales in the overall market. Loewe's success in the market for speakers correlates closely with the sales figures for the Individual TV product family, which presupposes individual speaker solutions. After a decline in sales of Individual TVs in fiscal 2012, Loewe's market share for speakers declined from 11.6 % in 2011 to 9.2 % in 2012. As a result, Loewe ranks third among the most important speaker brands in Germany. In Europe, the company achieved a market share of 3.7 % in 2012 and held 7th place among the top ten brands.

The most important brand in home cinema systems in Europe in 2012 was Samsung with a market share of 25.8 %, followed by Sony with 15.4 % and LG with 15.2 %. As in 2011, Loewe held a 10th place ranking in Europe in 2012 with a market share of 0.9 %.

Key Performance Indicators of the Loewe Group and of Loewe AG

The management report of Loewe AG and the Group management report for fiscal year 2012 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.

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.

Key figures
In EUR million

	2012	2011	Change in %
Sales	**250.0**	274.3	– 9
EBIT	– 29.0	– 10.5	
Restructuring charges included	– 11.9	– 2.9	
Net income / loss	– 44.5	– 10.7	
Capital expenditure	24.9	17.0	+46
Employees (annual average)	1,004	1,022	– 2
Active workforce (December 31)	833	842	– 1

Negative EBIT

In addition to a decline in sales, Loewe reported one of the worst results in its more than 90 years of corporate history in fiscal year 2012.

Especially the persistent buying restraint in the eurozone and intense price competition had a severe negative impact on the development of business in 2012. In addition, internal weaknesses such as an excessively broad product portfolio and too high a price premium have resulted in clearly falling short of the sales and earnings targets.

At EUR 250.0 million, sales of the Loewe Group in fiscal year 2012 were 9 % lower than the 2011 figure of EUR 274.3 million. In its key German market, Loewe was not able to reach the sales level of the previous year; sales declined by 8 % to EUR 156.4 million. The market share in terms of value dropped from 8.6 % in 2011 to 7.9 %. Export sales of EUR 93.6 million reflected a 10 % decline. The percentage of large-picture TV sets with a screen diagonal of 37 inches and larger rose to 71 % of total TV sales.

Major European core markets, such as Belgium, the Netherlands and France recorded a significant decline of value in the market for LCD TVs in fiscal 2012. In the southern European countries Spain and Italy, the economic and financial crisis persisted and led to a negative sales trend for Loewe. In contrast, for example, Loewe succeeded in increasing its sales significantly in Switzerland and to a still low level in Russia. Compared to the previous year, Loewe was only able to maintain its market position in Germany in the first six months.

Despite a significant improvement of the gross result in the first six months of 2012 due to the conceptual revision of the entry line and the realization of cost savings, the losses in the second half led to a gross margin of only 21.0 % for 2012 as a whole (2011: 22.9 %). It was thus 1.9 % lower than the level of the previous year. The reduced sales volume led to a lower gross result of EUR 52.6 million, compared to EUR 62.7 million in 2011. Loewe realized an EBIT loss of EUR 29.0 million in fiscal year 2012 (2011: EBIT loss of EUR 10.5 million). The decline by EUR 33.8 million led to a loss of EUR 44.5 million in net income after taxes and minority interests. The low sales in the second half, the resulting high level of inventories of finished goods as well as operating losses resulted in the meantime in a vulnerable situation for the company due to a lack of liquidity. Massive inventory adjustments and under-utilization in production are responsible for the negative margin trend in fiscal 2012. Additional expenses for the restructuring and the write-down of deferred taxes led to a high net loss.

Compared to the previous year, capital expenditure increased significantly by EUR 7.9 million to EUR 24.9 million. This was caused by increased investments in new products (tools and development costs).

On an annual average, the number of employees at 1,004 in the Loewe Group decreased by 18 compared to 2011. As of the balance sheet date of December 31, 2012, the active workforce at 833 employees (excluding trainees, persons permanently absent and part-time retirees) was lower than in the year before by 9 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 partial retirement. Loewe AG employed 16 persons on average in 2012 (2011: 17 persons).

Financial Performance

Decline in sales

In the first half of fiscal 2012, Loewe increased its sales year-on-year by 6 %. Sales in Germany even grew by 19 %. This was caused by the market launch of the new product line Connect ID and the revised product lines Connect and Xelos. Sales of LCD TV sets rose by 6 % in the first half. Primarily the new Audiodesign products made it possible to significantly exceed the sales of the same period of the previous year in the Audio / DVD product group. The percentage of sales of SoundVision, SoundBox and AirSpeaker of total audio sales amounted to almost 50 % in the first two quarters. Compared to 2011, sales increased by 41 %. Overall, the Audio / DVD product group recorded growth of 13 %. Other sales (technical support and accessories) slightly exceeded the level of the previous year.

In the second half of 2012, Loewe was unable to continue the positive trend of the first half in an environment of intense price competition and significantly higher buying restraint. Sales thus declined by 20 % compared to the same period in the previous year. Sales in Germany declined by 27 % in the second half. In the Audio / DVD product group, sales no longer reached the level of the second half of 2011. Sales in this area declined by 26 %.

For the entire year, the Loewe Group reduced sales of LCD TVs by 8 % to EUR 202.3 million. The percentage of total sales of large picture TVs with screen diagonals of 37 inches and larger surpassed the previous year's high level by 5 % to 71 % in 2012. This is proof of the continued steady trend in the direction of larger displays. Loewe has a strong position in this product group with a large number of models.

The decline in unit sales and revenues for TV sets had a negative impact on sales of home cinema solutions and Blu-ray / DVD products. In contrast, the Audiodesign products in particular showed positive performance in this area. Compared to 2011, sales in the audio product group declined by a total of 3 %.

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

Sales structure by product area
In EUR million

	2012	2011	Change in %
TV	202.3	220.7	– 8
Audio	21.0	21.7	– 3
DVD / Blu-ray	3.4	6.3	– 46
Other	23.3	25.6	– 9
Total sales	**250.0**	274.3	– 9

In its key German market, Loewe was unable to maintain the sales level of the previous year in fiscal year 2012. The decline in sales came to 8 % or EUR 14.0 million. This was primarily due to the significantly higher buying restraint in the second half of 2012. In the LCD TV segment, Loewe's retail market share was thus 7.9 %, falling short of the previous year's level of 8.6 %.

Export sales also declined by 10 % or EUR 10.2 million. At 37.5 %, the foreign share of Loewe's total sales revenue in fiscal year 2012 was slightly lower than the previous year's figure of 37.9 %. Business development in the export markets was almost entirely negative. The markets in the Benelux countries, Spain and France accounted for the greatest declines.

Sales structure by region
In EUR million

	2012	2011	Change in %
Germany	156.4	170.4	– 8
Benelux countries	23.2	28.9	– 20
France	12.7	15.4	– 18
Austria	10.8	11.7	– 8
Spain	7.8	10.9	– 28
Italy	9.0	9.7	– 7
Switzerland	12.8	9.4	+ 36
United Kingdom	5.0	6.2	– 19
Other European countries	5.1	6.4	– 20
Total Europe	**242.8**	269.0	– 10
CIS	4.3	3.1	+ 39
Australia	1.0	0.8	+ 25
Other non-European countries	1.9	1.4	+ 36
Countries outside Europe	**7.2**	5.3	+ 36
Total sales	**250.0**	274.3	– 9

In the Benelux countries, Italy, France, Austria and the United Kingdom, subsidiaries perform sales and service of Loewe products. Loewe generated sales of EUR 60.7 million in its subsidiaries in 2012. In contrast to the previous year, sales declined by 16 %. Primarily in the subsidiaries in Belgium and France, sales fell noticeably short of those of the previous year.

In the other countries, Loewe products are marketed by external distribution partners. Switzerland is presently Loewe's most important export market without a company-owned sales company. Despite its comparatively small market size, Switzerland is an attractive market for high-quality products. Loewe is very well positioned in Switzerland and increased its sales by 36 % to EUR 12.8 million.

In non-European countries, Loewe increased its sales significantly. Loewe thus improved its sales year-on-year by 36 % to EUR 7.2 million in 2012; however, this was at a low sales level.

EBIT loss in 2012

Loewe recorded an EBIT loss of EUR 29.0 million in fiscal 2012. This figure fell short of the previous year's value by EUR 18.5 million. In addition to the operating losses, primarily one-off expenses of approximately EUR 12 million for the restructuring accounted for a high EBIT loss. This included provisions for the workforce reduction that has in the meantime been initiated in Kronach.

Although Loewe generated an EBIT loss of EUR 2.2 million in the first six months of 2012, which was less than the loss of EUR 7.8 million in 2011, the EBIT loss of EUR 26.8 million in the second half of 2012 exceeded the comparable figure for 2011 by EUR 24.0 million.

Cost of sales

At a reduced sales volume, cost of sales decreased by 6.6 % in 2012 from EUR 211.5 million to EUR 197.5 million. The gross margin decreased by 1.9 percentage points to 21.0 %. This was due to the extensive measures to reduce inventories of finished goods and the underutilization of production at Kronach.

Selling expenses

In 2012, the selling expenses decreased by EUR 1.3 million to EUR 63.7 million compared with EUR 65.0 million in the previous year. The revaluation of provisions for warranty obligations had a cost cutting effect due to the reduced sales. The expenses continued to be focused on efforts at further expanding the brand position, which were associated with higher expenses for communications and the expansion of the shop-in-shop systems with retailers. As a percentage of sales, selling expenses increased from 23.7 % in the same period of 2011 to 25.4 %.

Administrative expenses

Administrative expenses rose year-on-year by EUR 1.4 million to EUR 9.2 million. At 3.7 % of sales, they exceeded the level of the previous year by 0.9 %. The increase was caused by the elimination of the special effect recorded in the previous year from the change in valuation parameters for pension provisions and increased expenses related to the restructuring.

Other operating income

At EUR – 8.7 million in 2012, the balance of other operating income and expenses fell short of the previous year's balance by EUR 8.2 million. Other operating income in the amount of EUR 6.2 million was approximately EUR 1.3 million lower than in 2011.

Other operating expenses in 2012 rose year-on-year by EUR 7.0 million to EUR 15.0 million. The difference results from the reserve established for restructuring expenses of fiscal year 2013.

Net interest expense

Net interest expense (balance of interest income and interest expenses) in 2012 came to EUR – 3.7 million, thus increasing by EUR 1.4 million compared to the year before. This was primarily due to the expenses for the new syndicate loan agreement concluded as of July 1, 2012.

Report on Assets and Financial Position

Capital expenditure / depreciation and amortization

Capital expenditure rose year-on-year by EUR 7.9 million to EUR 24.9 million. Investment in property, plant, and equipment focused on tools for new products and shop-in-shop systems for retailers. Intangible assets primarily include development services subject to mandatory capitalization.

Depreciation and amortization of EUR 23.5 million was slightly higher than the 2011 level and was EUR 1.4 million lower than capital expenditure of fiscal 2012.

Capital expenditure / depreciation and amortization
In EUR million

	2012		2011	
	Capital expenditure	Depreciation and amortization	Capital expenditure	Depreciation and amortization
Intangible assets	14.2	12.4	9.7	8.9
Property, plant and equipment	10.4	11.1	7.0	13.0
Financial assets	0.3	0.0	0.3	0.0
Total	**24.9**	**23.5**	17.0	21.9

Balance sheet ratios

The high net loss resulted in significant changes in the balance sheet. The equity-to-assets ratio declined from 35.6 % in 2011 to 15.3 % as of the 2012 balance sheet date. At EUR 24.8 million, the equity of the Loewe Group, including minority interests, was lower than the 2011 level by EUR 47.7 million. Total assets declined by EUR 42.2 million to EUR 161.5 million.

Non-current assets

Property, plant, and equipment includes land and buildings, production facilities, and other factory and office equipment predominantly located in Kronach.

The decrease in non-current assets resulted primarily from the write-down of deferred taxes in the amount of EUR 11.5 million. Due to the losses of the last three years, these were adjusted in conformity with IAS 12.

The intangible assets contained in the miscellaneous non-current assets relate primarily to development costs for new products to be recognized in accordance with IAS 38, which increased over the previous year due to the new development of chassis platforms and the new user interface.

Non-current assets
In EUR million

	2012	2011	Change
Property, plant and equipment	30.2	31.3	– 1.1
Deferred taxes	0.0	11.5	– 11.5
Miscellaneous non-current assets	13.5	11.4	+ 2.1
Total non-current assets	**43.7**	54.2	– 10.5
as a percentage of total assets	27.1	26.6	

Current assets

Inventories increased year-on-year by EUR 5.4 million. In contrast, trade accounts receivable decreased year-on-year by EUR 15.4 million. The reduction in miscellaneous current financial assets was primarily due to the decrease in cash and cash equivalents.

Current assets
In EUR million

	2012	2011	Change
Inventories	48.8	43.4	+ 5.4
Trade accounts receivable after factoring	55.3	70.7	– 15.4
Miscellaneous current financial assets	13.7	35.5	– 21.8
Total current assets	**117.8**	149.6	– 31.8
as a percentage of total assets	72.9	73.4	

Inventories

The increase in inventories is primarily attributable to the increase in finished products due to the reduced sales in the second half of 2012. Despite the reduced business volume, inventories increased by EUR 5.4 million to EUR 48.8 million.

Composition of inventories
In EUR million

	2012	2011	Change
Raw materials and supplies	14.7	13.8	+ 0.9
Work in progress	0.7	1.2	– 0.5
Finished goods and merchandise	33.4	28.4	+ 5.0
Total	**48.8**	43.4	+ 5.4
as a percentage of total assets	30.2	21.3	

Inventories are located in the central warehouse in Germany.

Trade accounts receivable

Before factoring, trade accounts receivable dropped by EUR 8.8 million year-on-year to EUR 61.9 million.

Trade accounts receivable
In EUR million

	2012	2011	Change
Trade accounts receivable before factoring	61.9	70.7	– 8.8
Factoring	– 6.6	0.0	– 6.6
Total trade accounts receivable	**55.3**	70.7	– 15.4
as a percentage of total assets	34.2	34.7	

Factoring in the amount of EUR 6.6 million was utilized as of December 31, 2012.

Equity base

As of December 31, 2012, shareholders' equity including minority interests was EUR 24.8 million compared to EUR 72.5 million in 2011. The equity-to-assets ratio decreased from 35.6 % to 15.3 %. The primary reason for this significant capital consumption was the low net income.

Non-current liabilities

The year-on-year decline in total non-current liabilities resulted from the decrease in non-current provisions for part-time retirement and the elimination of licensing obligations.

Non-current liabilities
In EUR million

	2012	2011	Change
Pension provisions	36.1	36.3	– 0.2
Other non-current provisions	10.0	15.4	– 5.4
Total non-current liabilities	**46.1**	51.7	– 5.6
as a percentage of total assets	28.5	25.4	

Current liabilities

The year-on-year increase in current liabilities is mainly due to the use of a short-term bank loan of EUR 12.5 million.

Current liabilities
In EUR million

	2012	2011	Change
Trade accounts payable	20.2	24.8	– 4.6
Other current provisions	46.2	41.8	+ 4.4
Current financial liabilities	12.5	0.0	+ 12.5
Other current liabilities	11.7	13.0	– 1.3
Total current liabilities	**90.6**	79.6	+ 11.0
as a percentage of total assets	56.1	39.1	

Financing

Liquidity of the Loewe Group decreased by EUR 25.4 million from EUR 27.0 million as of December 31, 2011 to EUR 1.6 million as of the 2012 balance sheet date.

Liquidity
In EUR million

	2012	2011	Change
Cash and cash equivalents	8.2	27.0	– 18.8
Use of factoring	– 6.6	0.0	– 6.6
Liquidity	**1.6**	27.0	– 25.4
as a percentage of total assets	1.0	13.2	

To ensure the long-term financing of the Loewe Group, a renewed syndicated loan agreement was concluded with the existing consortium as of July 1, 2012. The agreement has a term until June 30, 2015 and a total volume of EUR 30 million. Due to the unsatisfactory development of business in the second half of 2012, it was not possible to fulfill the covenants stipulated in the syndicated loan agreement. Since then, the Executive Board of Loewe AG has been in close consultation with all financing partners. In this context, a standstill until April 30, 2013 was agreed.

As of the date of preparation of the financial statements, financing until March 31, 2014 was concluded with the financing partners on March 8, 2013, subject to qualitative and quantitative conditions to ensure the implementation of the planned restructuring measures (please also refer to the section "Opportunities and Risks of Future Development" on pages 48 et seq.)

Free cash flow

Key figures of the consolidated cash flow statement
In EUR million

	2012	2011	Change
Cash flow before changes in net current assets	– 14.1	1.0	– 15.1
Change in net current assets not incl. factoring	0.6	34.8	– 34.2
Net cash from investing activities	– 24.4	– 16.9	– 7.5
Total free cash flow	**– 37.9**	18.9	– 56.8

Free cash flow was negative in fiscal 2012 at EUR – 37.9 million compared to positive cash flow of EUR 18.9 million in the previous year.

Net current assets
In EUR million

	2012	2011	Change
Inventories	48.8	43.4	+ 5.4
Trade accounts receivable not incl. factoring	61.9	70.7	– 8.8
Other assets *	2.4	1.7	+ 0.7
Trade accounts payable	– 20.2	– 24.8	+ 4.6
Other current provisions	– 46.2	– 41.8	– 4.4
Miscellaneous current liabilities *	– 8.8	– 10.7	+ 1.9
Total net current assets	**37.9**	38.5	– 0.6

* excluding income taxes and derivatives

Loewe AG

In fiscal 2012, Loewe AG generated a loss from ordinary activities of EUR 38.6 million compared to a loss of EUR 15.3 million in 2011. The decrease was primarily due to the reduction in income from equity investments by EUR 16.0 million. This resulted from a loss assumption of EUR 32.1 million in accordance with the profit transfer agreement concluded with Loewe Opta GmbH in 2001.

The other operating income, which rose by 27 % to EUR 16.4 million, primarily includes income from the Group charges as well as a trademark licensing agreement.

Administrative expenses in 2012 increased year-on-year by EUR 3.6 million to EUR 11.1 million. This was primarily due to additional expenses for the restructuring. Net interest expense (balance of interest income and expense) came to an expense of EUR – 1.2 million compared to income of EUR 0.2 million in 2011.

After income taxes this results in a net loss for the year of EUR – 38.3 million compared to a loss of EUR – 15.2 million in 2011.

Total assets decreased by EUR 31.6 million despite the increase in amounts owed to affiliated companies because of the net loss for the year. This led to a reduction of the equity-to-assets ratio from 79.9 % in 2011 to the current 54.0 %. In absolute terms equity decreased by EUR 38.3 million.

Number of employees slightly lower

The Loewe Group employed 1,004 people on an annual average in 2012, most of them at the Company's headquarters in Kronach. The average number of employees was thus 18 persons lower than the average for 2011. The decrease is attributable to the non-replacement of retiring employees, individual working hours arrangements and the transition to the passive phase of partial retirement.

The proportion of trainees in the entire workforce at Kronach was at the level of the previous year.

Employees by division Annual average			
	2012	2011	Change
Marketing, sales, service	251	250	+ 1
Development	135	132	+ 3
Production	319	336	– 17
Administration and services, quality	123	128	– 5
Vocational trainees	81	83	– 2
Other (permanently absent, part-time retirement)	95	93	+ 2
Total employees	**1,004**	1,022	– 18

Compared to the previous year, the average workforce in the foreign subsidiaries decreased by one person to 94 employees. At the same time, the new subsidiary in China hired 7 employees.

Employees by country Annual average			
	2012	2011	Change
Germany	910	927	– 17
Benelux countries	27	29	– 2
France	18	18	0
Italy	15	19	– 4
Austria	9	10	– 1
UK	18	19	– 1
China	7	0	+ 7
Total employees	**1,004**	1,022	– 18

Report on Restructuring

In early 2013, Loewe further intensified and expanded the restructuring concept that was begun in 2012. These measures relate to both the Company's offering (products and markets) and its costs.

To regain the Company's profitability, the costs are currently being systematically adjusted to the lower business volume. The measures were taken to reduce overhead and staff costs across all divisions. In this regard, Loewe is currently engaged in constructive discussions with the works council and the IG Metall labor union. It is planned to conclude the adopted and already communicated staff reduction in the second quarter of 2013. To make the job cuts as socially responsible as possible, it has been resolved in the meantime to create a transfer company.

In terms of sales, Loewe – together with its experienced partners in the retail sector – plans to win back market share in central Europe. Overseas, it has struck partnership deals with electrical retail cooperatives and devised country-specific marketing concepts. The company is also developing its international business beyond the established markets in western Europe, as part of a strategy focusing on cities in fast-growing markets around the world such as Russia and India.

Based on its strong premium brand and the company's core competences in television and audio solutions, Loewe will also concentrate on new home cinema solutions. The focus is on the Loewe product line in the premium segment. In line with this focus, the new home entertainment system Loewe Individual was successfully introduced into the market a few weeks ago. The Loewe Reference ID was also presented to retailers for the first time as a new high-end TV family. Moreover, the strategically important product group Loewe Audiodesign will be expanded in 2013 to include numerous new sets of great appeal.

In communications, more than 150 events took place in retail stores in the early weeks of January. The market launch of the new products was accompanied by advertising campaigns that not only focused on "exclusive individuality," but increasingly on Loewe's technical expertise, which has been borne out by numerous comparative tests.

Based on the actions taken, the continued objective in the current fiscal year 2013 is to again achieve a break-even operating result and a slight increase in sales. The overall result continues be burdened by restructuring charges in 2013.

Overall Statement on Financial Position and Financial Performance

After a good start into the first half, fiscal 2012 turned out to be very negative for the Loewe Group. Due to intense price competition and the fact that consumer restraint was significantly stronger than in the prior year in the entertainment electronics sector, the Company fell short of its ambitious goals for sales and earnings. The costs were not sustainably adjusted to the reduced business volume. In addition, internal weaknesses such as an excessively broad product portfolio, too high a price premium and the lack of consistency in implementing defined sales measures also had a negative impact on the development of business. The restructuring measures were not generally implemented in the needed intensity in 2012.

In particular, the very weak sales in the second half led in the meantime to a significant increase in inventories. The measures introduced for reducing inventories of finished goods and for capacity adjustment in production were some of the contributing factors for unplanned charges against earnings. Due to the significantly deteriorating liquidity and the breach of covenants, it became necessary to conclude bridge financing with the lenders at mid-year in order to remedy the situation putting the Company's going concern status in jeopardy. The restructuring expenses of fiscal year 2013 already accounted for as an expense in the 2012 financial statements finally led to a significant loss for the Loewe Group.

Marketing and Sales

Loewe Individual Design shapes the product portfolio

The focus of Loewe's trade show presentation at IFA 2012 in Berlin was Loewe Individual Design – a distinction for all Loewe home entertainment systems which can be individually configured in terms of technology and design. This goes along with the intention to create devices that make the complex world of multimedia easy to master and communicate joy of use. All of this starts with the audio standalone devices SoundVision, AirSpeaker and SoundBox. Apart from their outstanding sound quality, they appeal to a significantly younger target group through new functions such as the operation of SoundVision via the Loewe iPhone app.

The product line Loewe Connect ID which was launched in May 2012 also makes an important contribution to this appeal. It is also bears the mark "ID" as evidence of the numerous design possibilities for frame colors, placement solutions and screen sizes. However, it is not only impressive in terms of design – the technical features of the Loewe Connect ID leave nothing to be desired either. All screen sizes afford a realistic 3D experience, excellent audio quality and an unlimited multimedia offering with many apps.

Loewe introduced the first "design your own" television as early as 2005 in the form of the product line Individual. The Individual Slim Frame now systematically continues this philosophy. However, the new smart TV is also impressive with regard to technical features. The contrast filter panel combined with LED backlighting ensures balanced color reproduction, and 400 Hz technology provides excellent playback of fast moving images. Sound is another highlight. With eight integrated speakers, the Individual Stereo Speaker offers a music output of 2x40 watts.

Another technical innovation accompanied the market launch of the Loewe Individual. The Individual is Loewe's first TV set to come onto the market with the intuitive user interface concept Loewe Assist Media. For the first time, it is easy to open Internet pages, personal photos, videos and apps. Any personal content can be stored on the home screen as a favorite.

Loewe's top of the line model, Reference ID, also features the Loewe Assist Media operating system. Top quality workmanship and excellent materials make the Reference ID convincing. In terms of technical features, the Loewe Reference ID is capable of anything that the most advanced television technology has to offer. Moreover, the Reference ID is equipped with a finely tuned audio system. Its 160 watts of music output makes it an impressive and authentic sound experience.

The Loewe brand at the point of sale

Qualified retailers continue to be the principal point of contact with the products and the brand Loewe for end customers. It is mainly the Loewe galleries that position the brand and its products for the end customer on a long-term basis. Two of these top points of sale were opened in 2012: the Loewe Gallery Harrods in London and the Loewe Gallery Selfridges also in London.

In addition to the qualitative development of Loewe distribution, the focus was also on the quantitative expansion in fiscal 2012. The aim is to establish the brand Loewe further and make it more broadly known. To this end, more than 100 electronics retailers were newly included in the Loewe dealer network in Germany last year, and each was equipped with a Loewe PoS presentation. In the export markets, framework agreements were concluded with electrical retail cooperatives and country-specific sales concepts were developed. Overall, distribution was expanded to include 45 new electronics retailers.

Sales support and sales activities

Loewe Individual Design and Smart Entertainment were the main themes for all marketing and sales activities in fiscal 2012. The focus was on the first half of 2012. Early in the year Loewe started the "Loewe plus Tage," a campaign centered on the theme "Joy of Use," with the focus being on events in retail stores. An attention-grabbing media campaign by Loewe as well as support to retailers in the preparation and implementation of events in more than 330 retail partners made for a great success.

In May 2012, marketing activities were focused on the market launch of the Loewe Connect ID. Before the actual launch, the new product line was presented at exclusive events in cooperation with LUMAS Galleries in six large German cities, followed by a print campaign in Focus and TV-Spielfilm. Preview events were also carried out in Italy, France, Austria and in the Benelux countries.

In the second half, the communications activities focused on promoting the Loewe Individual. In addition to the traditional advertising activities, Loewe expanded its online presence in 2012. A comprehensive product configurator was implemented on the Loewe website, with which it was possible to experience the Loewe Connect ID in all available versions. By year-end, the Loewe Individual was also included.

Development and Production

Product launches and development progress

The existing chassis platform was replaced in 2012; the launch of the new platform SL 220 signifies a decisive step for Loewe in the direction of high-performance software structures and processes. The new architecture includes all essential features of modern multimedia systems. Thus, the low levels are clearly separated from the higher levels, which are the TV functions and applications. This increases the speed of the software porting and adaptation to various powerful processors. The core of the new architecture is the middleware called mBrix, which systematically represents the entire variety of functions of modern television sets, including all multimedia and Internet applications. This middleware was developed by the experienced Loewe development team together with external partners. It includes, for example, all EPG (Electronic Program Guide) functions, all tuning and channel list functions, and also the browser, with which the Internet functions can be viewed. All functions of the user interface are separated from the middleware using clear interfaces. In the future, this will make it possible to further develop various control concepts in a short time, building on the same software architecture.

Audio

The systematic expansion of an attractive product range in the area of Audiodesign is a strategic goal of Loewe. The essential prerequisites for this were created in 2012. The product portfolio was redefined and adapted to future markets and market developments. During the year, a new organizational unit was established in Shenzhen, China, which is responsible for the development and production of audio devices. Loewe Shenzhen consists of experienced specialists who are now opening direct access for Loewe to manufacturers and suppliers in Asia. The first devices will be launched on the market already during 2013. The Loewe organization in Shenzhen will also contribute to reduced costs and improved efficiency of Loewe products.

Besides the Company's own development activities, new partnerships were established in 2012, which will allow Loewe to provide the best possible sound reproduction for TV and multimedia devices. Cooperation with highly specialized developers and companies includes components such as high-quality speakers as well as the joint design, definition and implementation of complete systems. One example is the wireless multi-channel audio system 3D Orchestra, which was demonstrated successfully at IFA 2012 and will be launched on the market in the current fiscal year 2013. In 2012, the collaboration with the world-renowned Fraunhofer IDMT in Ilmenau, Thuringia, under the supervision of Professor Dr. Karlheinz Brandenburg, was intensified in this area.

Convenient and expanded control functions

The simple and intuitive use of the increasingly complex variety of functions of both televisions and networked systems is a unique selling point for the Loewe brand. The newly established modular software architecture is essential for this purpose. For many years, Loewe has collaborated with the Usability Lab of the Ilmenau University of Technology, under the direction of Professor Dr. Heidi Krömker. This collaboration was specifically expanded in 2012. One focus of the work is on the optimization of the new operating system, which was launched on the market with the Individual and reference ID product lines. A key feature of future operating systems in particular will be the connection to the so-called second screen. New concepts of content management will be developed, which will significantly enhance customer benefit and form unique selling points. Already in 2012, Loewe launched the new Assist Media app for the iPad. The extensions of this app and its adaptation for smart phones were demonstrated at IFA 2012, and will be gradually introduced to the market this year.

Innovation

The next generation of television sets will increasingly offer functions that go far beyond just television. The Internet and a variety of multimedia functions will play an even greater role in future. Moreover, it can be expected that the large screen will also be used increasingly for image communication and as an information terminal. Also in conjunction with smart phones and tablets, there will be no "either-or" but rather a flexible and interchangeable usage of all functions on all devices.

This will require even more powerful chip platforms as well as the continuous expansion of software functions. Loewe is constantly working with various chip manufacturers in the evaluation of future platforms. It also set up new projects in 2012, which in close cooperation with new partners in Germany, other European countries and in Asia, will open up the performance potential of next generation of devices. This applies to high definition systems such as 4K2K as well as autostereoscopic systems. At IFA 2012, a few of these examples were displayed to a select group of participants.

Further Disclosures Pursuant to HGB

Remuneration of the Executive Board of Loewe AG

See page 19 of the Corporate Governance Report and page 109 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 289 a of the German Commercial Code (HGB) on its website www.loewe.tv/de in the area Loewe AG, Investor Relations, under the heading Corporate Governance. The declaration is available for download there.

Events after the balance sheet date

The following reporting-relevant events of special note occurred after the balance sheet date (December 31, 2012):

- Effective January 31, 2013, Oliver Seidl resigned from his position as a member of the Executive Board of Loewe AG.

- Effective January 1, 2013, Matthias Harsch was appointed to the Executive Board of Loewe AG and assumed its chairmanship on February 1, 2013.

- On March 8, 2013, the financing partners issued a legally binding commitment for an extension of the standstill agreement until March 31, 2014, in order to ensure that the planned restructuring measures are implemented. The extension is subject to qualitative and quantitative conditions, Loewe AG also being dependent on the supportive collaboration of the stakeholders as part of the financing process.

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

Except for point 7, the following disclosures are unchanged from fiscal year 2011.

1. On December 31, 2012, 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 as at December 31, 2012 have not changed compared with December 31, 2011 and are as follows: Sharp Corporation, Osaka, Japan (28.83 %), Dr. Rainer Hecker, Mannheim, Germany (13.95 %), and LaCie S.A., Paris, France (11.17 %).

4. No shares with special rights exist, in particular such conferring supervisory powers.

5. No system of control of voting rights exists for the event that employees hold an interest in the capital and do not directly exercise their control rights.

6. The members of the Company's Executive Board are appointed and removed by the Supervisory Board pursuant to the provisions of Section 84 of the German Stock Corporation Act. The Articles of Incorporation of Loewe AG provide no further provisions in this regard.

The Shareholders' Meeting decides on amendments to the Articles of Incorporation using a simple majority of the votes cast and of the share capital represented, unless the law mandatorily requires other procedures.

7. Pursuant to Section 76 (1) of the German Stock Corporation Act, the Executive Board is required to manage the Company under its own responsibility and represents the Company judicially and extra-judicially pursuant to Section 78 (1) of the German Stock Corporation Act.

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

   a) By resolution of the Shareholders' Meeting on May 15, 2012, new authorized capital was created in the amount of EUR 6,504,614. The Executive Board was authorized, 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 (2012 Authorized Capital) by no later than May 14, 2017.

      The Executive Board was further authorized, with the consent of the Supervisory Board, to exclude the statutory subscription right of the shareholders,

      1. if a capital increase in exchange for a cash contribution does not exceed 10 % of the share capital and the issue amount of the new shares is not significantly lower than the stock exchange price;

      2. if the shares are issued in exchange for a non-cash contribution for the purpose of acquiring companies or equity interests in companies or business units or for the purpose of acquiring claims against the Company;

      3. if it is necessary to even out fractional amounts.

      The sum of the shares issued subject to exclusion of the subscription right in exchange for a cash or non-cash contribution may not exceed 20 % of the share capital.

      See page 87 et seq. of the Notes for details.

   b) By resolution of the Shareholders' Meeting of May 15, 2012, the conditional capital in the amount up to EUR 398,400, divided in up to 398,400 shares, was completely canceled pursuant to Section 5 (2) of the Articles of Incorporation. The option program expired on July 1, 2005 without the Company being obligated to provide any form of compensation. See page 87 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 share-holders. 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 88 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 for the event of a takeover offer.

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 and Loewe Shenzhen Technologies Ltd., 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.

Opportunities and Risks of Future Development

Risk policy

Together, intense global competition and a persistent price decline characterize the market for consumer electronics. It is therefore important for Loewe to identify risks that are inseparable from business activity and reduce them to an acceptable level. The risk policy is furthermore geared to securing the existence of Loewe AG as a going concern as well as to increasing the corporate value systematically and sustainably. Following these principles, all business decisions are taken after a thorough risk analysis and assessment. Since achieving economic success is inevitably associated with opportunities and risks, the risk strategy considers both elements.

Opportunity and risk management at Loewe

The Group's opportunity and risk management system aims to identify individual risks, process them transparently and identify appropriate possibilities for control. In the subsequent risk monitoring process, the efficiency of the countermeasures is reviewed and their implementation is monitored. 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 systematically identifies, evaluates and documents 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 maximum impact has been ascertained, the probability of occurrence is evaluated and the effectiveness of possible hedging measures is assessed. It is the task of the individual risk officer to promptly develop measures for avoiding, reducing and hedging risk and to implement them promptly if necessary. The risk manager regularly carries out an analysis, evaluation and documentation of the risks and informs the risk officers and the Executive Board.

The objectives and processes of risk management and the distribution of tasks are documented in an internal guideline on risk management of Loewe AG.

Monitoring and control system

The following control and monitoring systems are employed:

- Executive Board and Supervisory Board meetings
- Department and leadership meetings
- Budgeting and medium-term planning, monthly and quarterly reporting
- Ongoing calculations of forecasts and expectations
- Continuous liquidity and product planning
- Investment planning, production planning and efficiency calculation
- Project and innovation management
- Internal audit, compliance officer, IT security officer, data protection officer
- Accounts receivable management
- Insurance policies
- 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, 2012, the following opportunities and risks exist that can have a substantial influence on the development of the Loewe Group.

Restructuring

The greatest opportunities for the Loewe Group in fiscal 2013 result from the restructuring that has been initiated. Extensive cost cutting measures and adjustments to capacity in combination with far-reaching changes to operational processes, organization and control systems will contribute to a significant improvement in earnings in 2013.

Premium positioning in the home entertainment market

A prerequisite for sustained business success is Loewe's ability to position a competitive product range. Only if customers identify with Loewe products based on the brand, quality and product characteristics will they also be willing to pay a higher price.

Opportunities
Technological innovations such as high-definition TVs, Smart TVs with full Internet functionality and new operating concepts with added features will ensure that the value of the market will continue to grow moderately in the future. Based on available market data, 50-inch and larger screen sizes will lead to quantitative increases in sales. The systematic expansion of the Loewe audio product portfolio will appeal to additional target groups and distribution channels in order to again generate new potential for growth. In addition, new and distinct features will enable differentiation from the competition, especially in the area of software.

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. Moreover, price decline and displacement competition have persisted in the consumer electronics industry for years, especially in the TV segment. This has led in recent years to the withdrawal of well-known international companies from the TV segment. It is therefore all the more important for Loewe to demarcate itself from the competition through technological differentiation characteristics and high standards of quality and tailored services to its customers. Equally important will be to reduce the price gap with competitors' products and emphasize differentiation criteria in communication and performance more than ever before in order to ensure the necessary sales volume. As no recovery in unit prices can be expected in the foreseeable future, significant declines in earnings and revenue are to be feared if the sales volume remains unchanged. Based on the knowledge available as of the date the financial statements were prepared, the existing inventories were written down to the expected market prices. Additionally, in collaboration with external consultants, the business model was subjected to a thorough examination and extensive cost reductions were adopted. This restructuring concept includes structural, organizational and strategic changes.

Risks arising from the financial crisis

Risks
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 markets in Italy, Spain, the United Kingdom, the Netherlands and France. 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 in private consumption. This could limit sales potential and the planned contributions to margin for Loewe in this segment. An increasing investment is being made in foreign megastores by concluding agreements with international retail cooperatives. Whether this distribution strategy can be transferred to higher-priced products in a highly competitive market remains to be seen. Moreover, the expansion to countries outside the EU entails a much higher risk with regard to cultural and legal

aspects. Basically, the expansion into markets having very little potential may be based on errors of judgment. These risks are difficult to assess and may have an adverse impact on the earnings situation. It is all the more important to optimize the quality of planning on a sustained basis and base the planning of market entry scenarios on reality.

Opportunities
Unlike some markets in Europe, there are, however, highly promising markets that offer potential for growth. Especially the BRIC countries should be given intense consideration in the future, since increased demand for premium products can be expected in those countries.

Expansion of technological differentiation potentials

Opportunities
Sustained and credible premium positioning requires that important product features are judged positively in direct competition. Loewe therefore concentrates on areas of technology that offer customers added value and present opportunities for differentiation. Best picture and sound quality are just as important as the system capability or intuitive user interface of the products. Thus the new Loewe user interface enables the user to create lists of favorite television programs, Internet sites, personal photos, videos and apps at the same time and navigate them in a simple manner using the cursor of the Loewe remote control. Through the use of applications, Loewe has already created the necessary software prerequisites in the TVs for connecting mobile devices like the iPad and iPhone. These apps are gradually being adapted to other mobile devices and will be equipped with additional convenience functions in the future.

Risks
The digitization and domination of the Internet places the CE industry under strong innovative pressure and leads to ever shorter development cycles. At the same time the technical complexity, especially in the area of software, is continuously increased. To minimize the risks of future technical platforms and to increase the performance of new generations of devices, new semiconductor components from renowned manufacturers are also investigated, as are the latest methods and processes of a high quality software development. However, a prerequisite for success is that new products are launched on the market in good time, have satisfactory quality and long-term stability.

Dependence on external development and cooperation partners can impact the scheduling of product introductions and accordingly the generation of sales development. Other important factors are quality risks and increasingly software risks of the end products, which are difficult to estimate during the course of product development. Because, in addition to complete components, the proportion of purchased finished products will increase in the future, it will be even more important to manage such risks. If this succeeds only partially, it will negatively affect the expectation of quality of a Loewe product and have a lasting impact on the company's earnings situation.

Increasing software requirements and diverse national specifications and standards will also make considerable development capacity necessary in the future. Through cooperation in committees, including on the European level, Loewe 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, there is a 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. Only if Loewe succeeds in setting itself apart from the competition in the future through innovation and unique selling points will Loewe be able to achieve moderate sales increases.

Risks related to procurement and availability of materials

Risks
Competitive procurement conditions and adequate availability of materials are of great significance especially for the higher priced LED panels and components. Our lower purchasing volume compared with the competition makes it more difficult to achieve attractive purchasing conditions.

Only through development of strategic partnerships and increased purchasing will Loewe be able to reduce production costs on a sustained basis and offer its products at competitive prices. Loewe is facing strong internationally active competitors. Only if we manage to identify mutual arguments for a strategic partnership will this open up a perspective for Loewe in the medium term.

Product discontinuation announcements, delivery shortfalls or quality defects can also lead to temporary production disruptions and thereby negatively impact the earnings situation. Increasing consolidation has been seen in recent 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 as needed.

Opportunities
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.

Improved utilization of potentials in Asian procurement markets will lower the cost of purchased materials on a sustained basis. In order to utilize the existing networks in Asia even more intensively with Loewe's own activities and optimize the supply chain on a sustained basis, an independent organization was established in Hong Kong with its own subsidiary in Shenzhen.

Quality and production process risks

Risks
Increasing software complexity and networking opportunities as well as a growing number of media content that can be displayed in the latest generations of devices pose the risk of quality problems and long-term stability. This risk has increased due to the large number of new product launches in the past year. If quality standards are fallen short of by a large margin, there is the risk of damage to the expectation for premium quality 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.

Opportunities
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. Because of the high material component, supplier quality is of great importance. 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.

We continuously establish contacts with potential future employees by building up close relations with schools, vocational schools and regional universities and active staff recruiting. 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.

Flexible working hours models, which are developed in collaboration with the Works Council, allow demand adjustments to be made in production on short notice. However, if sales targets are not achieved over a longer period of time, it will become unavoidable to make personnel adjustments. The current restructuring includes a workforce reduction of approximately 190 employees. This also entails a corresponding loss of operational and technical expertise. There is also the danger that, because of the current situation, more key players may leave the company. Thus there is the potential risk that upon completion of the restructuring phase, it will not be possible to recruit adequately trained personnel.

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.

If target parameters are not met for a long time, structural and cost-side measures become inevitable. The planned restructuring also extends to the Loewe subsidiaries. More far-reaching measures are possible.

Financial risks

Insufficiently available cash funds or a financing facility not granted in a sufficient scope could jeopardize the continued existence of a company.

Loewe is creating a revolving 13-week liquidity planning, reflecting the entire scope of consolidation. Furthermore, multiyear financial and liquidity planning exists for securing medium-term and long-term liquidity. As of December 31, 2012, all payment obligations were met on time and in full.

To ensure the long-term financing of the Loewe Group, a renewed syndicated loan agreement was concluded with the existing consortium as of July 1, 2012. The agreement has a term until June 30, 2015 and a total volume of EUR 30 million. Due to the unsatisfactory development of business in the second half of 2012, it was not possible to fulfill the covenants stipulated in the syndicated loan agreement. In the ad hoc announcement dated December 6, 2012, Loewe AG provided information that, contrary to the original forecast, a decline in sales and a loss of approximately EUR 20 million could be expected for fiscal 2012. Since then, the Executive Board of Loewe AG has been in close consultation with all financing partners. In this context, a standstill until April 30, 2013 was agreed. After that, the lenders will waive termination rights arising from non-compliance with contractual obligations. Until that date, a comprehensive approach will be developed to allow the company to perform the necessary restructuring activities and provide resources for the necessary investments within the framework of the restructuring.

On March 8, 2013, the financing partners issued a legally binding commitment for an extension of the standstill agreement until March 31, 2014, in order to ensure that the planned restructuring measures are implemented. The extension is subject to qualitative and quantitative requirements, which Loewe must fulfill over the course of time. In this connection, Loewe AG must also rely on the supportive collaboration of the stakeholders as part of the financing process.

The company's management currently believes that the solvency of the company will be adequately secured during the term of the bridge financing. This is based in particular on the conservative planning assumptions in the Company's liquidity planning, which was prepared in collaboration with an external expert. The entire restructuring process will also be supported by an external partner.

Based on the net loss for 2012 in conjunction with the medium-term planning, no indications are presently apparent that the equity is being consumed to the extent that the definition of over-indebtedness under insolvency law is met.

Currency risk and financial derivatives

To 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 99 to 103 of the Notes for details concerning risk management in connection with financial derivatives as well as credit and market risks in financial instruments.

Legal risks

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

Tax risks

Tax audits may lead to deviating legal interpretations of tax-related issues and additional charges for back taxes. External consultants are commissioned for complex legal issues as well as regular tax review.

Overall estimation of the risk situation

In the opinion of management, the risks described are manageable and the continued existence of the Loewe Group as a going concern is not at risk as of the point in time of the present reporting. The successful implementation of the operational and financial restructuring concept will be crucial for the continued existence of the Company as a going concern, because the risks described above can potentially lead to a significant impairment of the financial position and financial performance of the Loewe Group in the future.

Outlook

Overall economic trend

The economic recovery in the eurozone has continued in recent weeks and months, to which the greatest contribution was made by the recent agreement concerning the continued financing of the Greek economy. Nevertheless, the Southern European member states in particular continue to be stuck in recession. In many countries, substantial consolidation measures this year are a burden on the economy. Furthermore, private household consumption has suffered from the often strained labor market situation and also investment activity continues to slow. Against this backdrop, the real gross domestic product (GDP) will decline in the eurozone in 2013 by 0.3 %. In 2014, these negative effects should then fade into the background, while the export-oriented countries are likely to benefit from an overall resurgence of robust demand. On this basis, GDP in the eurozone should grow by 1.3 % in 2014.

The finance and debt crisis in the eurozone also represented a growing burden on the German economy in 2012. The German export sector in particular continues to suffer from the weak sales in Europe. However, since the economic climate in the eurozone has brightened somewhat recently, and the business climate has improved markedly in Germany as well, a speedy recovery in demand is clearly expected in the second half of 2013. However, the economy is expected to remain weak in the first half of 2013. The German GDP may thus grow by only around 0.4 % in the whole of 2013. The gradual recovery of the global economy in the remainder of this year will also provide a significant boost for the German economy. It is therefore assumed that the year 2014 will see a dynamic start. With a growth rate of around 2 %, it should be possible to repeat the favorable development of the years 2010 and 2011.

Industry trend

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 rising replacement demand and increasing ownership of more than one set. From today's perspective, after the 10 % decline in its value in 2012, this market will be supported in particular by new technologies such as smart TVs in 2013. Furthermore, the Winter Olympics in Sochi and the FIFA World Cup in Brazil will provide positive buy signals in 2014.

Loewe AG and Loewe Group

The Executive Board bases its 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 is significantly lower due to the continued forced restructuring measures. Loewe forecasts a slight increase in sales and a break-even operating result for fiscal 2013 as well as continued sales growth and positive operating income for the 2014 fiscal year. From today's perspective, the number of employees will be significantly lower than in 2012 due to the staff reduction. Investment volume is somewhat lower than in the previous year and in 2013 will essentially be focused on tools for new products, development services to be capitalized, efficient production facilities and adequate brand presentation systems for retailers.

To regain the Company's profitability, the costs are currently being systematically adjusted to the changed business volume of Loewe. The measures were taken to reduce overhead and staff costs across all divisions. In this regard, Loewe is currently engaged in constructive discussions with the works council and the IG Metall labor union. It is planned to conclude the staff reduction at the beginning of the second quarter of 2013. To make the job cuts as socially responsible as possible, the creation of a transfer company is planned.

Loewe is well prepared for the future as a result of these sustainable measures. As part of the strategic realignment, the Company is mainly investing in new markets and products. The focus is on the Loewe product line in the premium segment. In line with this focus, the new home entertainment system Loewe Individual was successfully introduced into the market a few weeks ago. The Loewe Reference ID was also presented to retailers for the first time as a new high-end TV family. Moreover, the strategically important product group Loewe Audiodesign will be expanded in 2013 to include numerous new sets of great appeal. For the medium term, the strategic goal is for Loewe to become the leading international premium brand for individual home entertainment solutions.

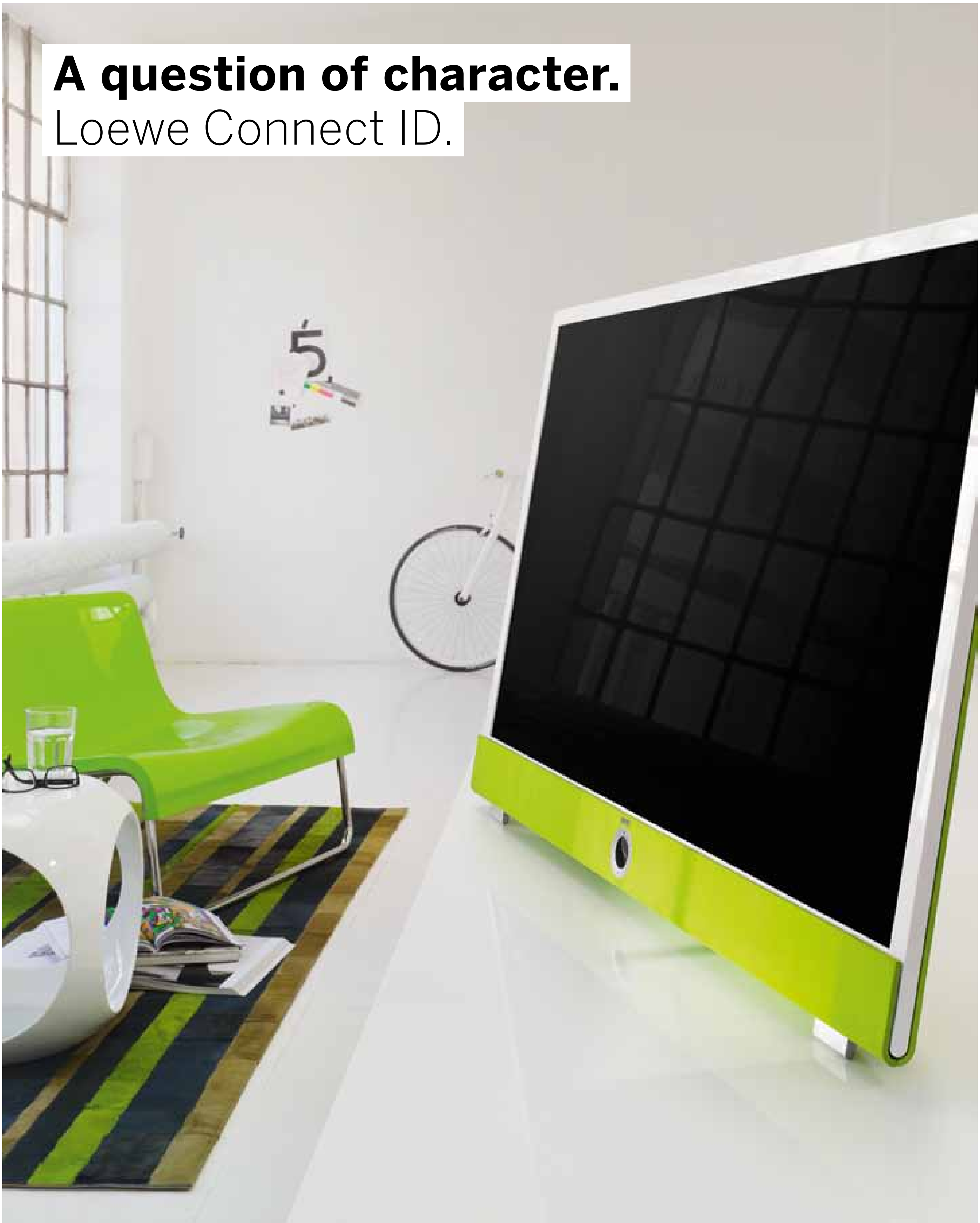
Overall statement concerning the future development

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. Based on the actions taken, it continues to be the objective of the Executive Board in the current fiscal year 2013 to again achieve a break-even operating result and a slight increase in sales. However, the overall result will continue to be burdened by restructuring charges in 2013. Assuming that the macroeconomic conditions in Europe will not worsen significantly, further growth in sales and a positive operating result will be our target for fiscal 2014.

Kronach, March 8, 2013

Matthias Harsch Rolf Rickmeyer Dr. Detlef Teichner

A question of character.
Loewe Connect ID.



Consolidated Financial Statements, Notes

Consolidated Income Statement

	Notes No.	2012 EUR thousand	2012 %	2011 EUR thousand	2011 %
Sales	1	250,042	100.0	274,278	100.0
Cost of sales	2	– 197,478	– 79.0	– 211,542	– 77.1
Gross margin		**52,564**	**21.0**	62,736	22.9
Selling expenses	3	– 63,672	– 25.4	– 64,988	– 23.7
General and administrative expenses	4	– 9,168	– 3.7	– 7,780	– 2.8
Other operating income	5	6,226	2.5	7,550	2.7
Other operating expenses	6	– 14,950	– 6.0	– 8,032	– 2.9
Income from investments		41	0.0	51	0.0
EBIT		**– 28,959**	**– 11.6**	– 10,463	– 3.8
Restructuring expenses included therein	7	[– 11,860]	[– 4.7]	[– 2,876]	[– 1.0]
Adjusted earnings before interest and taxes (EBIT)		[– 17,099]	[– 6.8]	[– 7,587]	[– 2.8]
Interest and similar income	8	292	0.1	431	0.1
Interest and similar expenses	9	– 4,008	– 1.6	– 2,740	– 1.0
Profit / loss from ordinary activities (EBT)		**– 32,675**	**– 13.1**	– 12,772	– 4.7
Income tax expense	10	– 12,040	– 4.8	1,866	0.7
Profit / loss after tax		**– 44,715**	**– 17.9**	– 10,906	– 4.0
Minority interests		200	0.1	188	0.1
Net income/loss	11	**– 44,515**	**– 17.8**	– 10,718	– 3.9
Profit / loss carried forward		– 8,740		1,978	
Dividend payment		0		0	
Allocation to retained earnings		0		0	
Accumulated profit / loss		**– 53,255**		– 8,740	
Earnings per share (EUR)					
Basic *	11	– 3.42		– 0.82	
Diluted **		– 3.42		– 0.82	
* 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	2012	2011
Profit/loss after tax	– 44,715	– 10,906
Items of other comprehensive income that may be reclassified subsequently to profit or loss		
Market valuation of hedges	– 4,104	4,477
Tax effects	1,145	– 1,249
Gains and losses recognized directly in equity	– 2,959	3,228
Comprehensive income / loss	– 47,674	– 7,678
thereof:		
attributable to shareholders of Loewe AG	– 47,474	– 7,490
attributable to minority interests	– 200	– 188

Consolidated Balance Sheet

EUR thousand

	Notes No.	**Dec. 31, 2012**	Dec. 31, 2011
Assets			
Non-current assets			
Intangible assets	12	10,489	8,667
Property, plant and equipment	13	30,190	31,287
Financial assets	14	2,704	2,376
Income tax assets	15	147	121
Miscellaneous non-current financial assets	16	221	219
Deferred taxes	17	0	11,504
		43,751	54,174
Current assets			
Inventories	18	48,824	43,437
Trade accounts receivable	19	55,334	70,713
Income tax assets	20	420	315
Miscellaneous current financial assets	21	5,014	8,166
Cash and cash equivalents	22	8,201	26,975
		117,793	149,606
Total Assets		**161,544**	203,780
Liabilities and shareholders' equity			
Shareholders' equity			
Equity attributable to equity holders of the parent	23		
Subscribed capital		13,009	13,009
(Conditional capital EUR 0; 2011: EUR 398,400)			
Capital reserve		46,986	46,986
Retained earnings		16,200	16,200
Other reserve		1,597	4,556
Accumulated profit / loss		– 53,255	– 8,740
		24,537	72,011
Minority interests	24	251	451
		24,788	72,462
Non-current liabilities			
Provisions for pensions and similar obligations	25	36,139	36,255
Other non-current provisions	26	9,969	15,453
		46,108	51,708
Current liabilities			
Income tax provisions	27	1,866	2,274
Other current provisions	28	46,224	41,804
Current financial liabilities	29	12,500	0
Trade accounts payable	30	20,249	24,790
Miscellaneous current financial liabilities	31	9,809	10,742
		90,648	79,610
Total liabilities and shareholders' equity		**161,544**	203,780

Consolidated Cash Flow Statement

EUR thousand

	2012	2011
Operating activities		
EBIT	**– 28,959**	– 10,463
Interest paid	– 1,901	– 360
Interest payments received	277	391
Depreciation and amortization of non-current assets	23,462	21,851
Other non-cash items	– 1,480	– 2,490
Increase (–) in non-current receivables	– 2	– 3
Decrease (–) in pension provisions	– 116	– 4,505
Decrease (–) in other non-current provisions	– 5,484	– 2,042
Income taxes paid	74	– 1,410
Cash flow before changes in net current assets	**– 14,129**	969
Change in net current assets		
Increase (–)/decrease (+) in inventories	– 5,387	23,710
Decrease (+) in trade accounts receivable and other assets	8,081	6,029
Increase (+) in other current provisions	4,420	45
Decrease (–)/increase (+) in trade accounts payable and other liabilities	– 6,514	5,054
Change in net current assets	**600**	34,838
Net cash from operating activities	**– 13,529**	35,807
Investing activities		
Payments for purchases of intangible assets and property, plant and equipment	– 24,619	– 16,718
Net payments for investments in financial assets	– 328	– 303
Proceeds from disposals of intangible assets and property, plant and equipment	602	84
Net cash from investing activities	**– 24,345**	– 16,937
Free cash flow, total	**– 37,874**	18,870
Financing activities		
Borrowings (+)/repayment (–) of loans	12,500	– 94
Net cash from financing activities	**12,500**	– 94
Cash-effective change in liquidity	**– 25,374**	18,776

Composition of liquidity	**Dec. 31, 2012**	**Dec. 31, 2011**	**Change**
Cash and cash equivalents	8,201	26,975	– 18,774
Use of factoring	– 6,612	– 12	– 6,600
Liquidity	**1,589**	26,963	– 25,374

Consolidated Statement of Changes in Equity

Group equity changed as follows in the years 2011 and 2012:

	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, 2010	13,009,229	13,009	46,986	16,200	1,328	1,978	79,501	633	80,134
Changes in the scope of consolidation								6	6
Market valuation 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
Market valuation of hedges					– 2,959		– 2,959		– 2,959
Net profit/loss as of Dec. 31, 2012						– 44,515	– 44,515	– 200	– 44,715
Balance as of Dec. 31, 2012	**13,009,229**	**13,009**	**46,986**	**16,200**	**1,597**	**– 53,255**	**24,537**	**251**	**24,788**

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, home cinema solutions, and standalone audio devices. 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 March 8, 2013 and submitted for review to the Supervisory Board. The consolidated financial statements are expected to be adopted in the Supervisory Board meeting on March 12, 2013 and then released for publication by the Executive Board.

Basis of Presentation

As an exchange-listed parent company, Loewe AG participates in the Regulated Market as defined by Section 2 (5) of the German Securities Trading Act (WpHG). 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 2012. We did not elect to early adopt new standards for these consolidated financial statements, except for one standard. The following table shows the new or amended standards and interpretations which have come into force or for which early application is possible in principle for fiscal years ending on December 31, 2012.

Standard	Required to be applied for fiscal years beginning on or after	Adopted by the EU as of Dec. 31, 2012	(Expected) impact on the Loewe Group
IAS 1 (revised) 'Presentation of Financial Statements'	July 1, 2012	yes	see below
Revised version of IAS 12 'Income Taxes'	Jan. 1, 2012	yes	none see below
IFRS 7 (revised) 'Financial Instruments: Disclosures'	July 1, 2011	yes	none see below
IAS 19 'Employee Benefits'	Jan. 1, 2013	yes	see below
IAS 27 'Separate Financial Statements'	Jan. 1, 2014	yes	none
IAS 28 'Investments in Associates'	Jan. 1, 2014	yes	none
Offsetting financial assets and financial liabilities (Amendments to **IAS 32** and **IFRS 7**)	Jan. 1, 2013	yes	none
IFRS 10 'Consolidated Financial Statements'	Jan. 1, 2014	yes	none
IFRS 11 'Joint Arrangements'	Jan. 1, 2014	yes	none
IFRS 12 'Disclosures of Interests in Other Entities'	Jan. 1, 2014	yes	see below
IFRS 13 'Fair Value Measurement'	Jan. 1, 2013	yes	none
IFRIC 20 'Stripping Costs' in the Production Phase of a Surface Mine	Jan. 1, 2013	yes	none

In June 2011, the IASB issued amendments to IAS 1 'Presentation of Financial Statements' (July 1, 2012). The presentation of other comprehensive income was changed by a requirement to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. Loewe AG opted for an earlier application of this amendment as of December 31, 2012.

The first-time application of the amendment to IAS 12 'Income Taxes – Deferred Tax: Recovery of Underlying Assets' (January 1, 2012), which was issued by the IASB in December 2010, has no impact on the recognition and measurement in the consolidated financial statements.

The amendments to IFRS 7 'Financial Instruments: Disclosures', which were published by the IASB on October 7, 2010, expand the disclosure requirements for transfers of financial assets where the transferor has a continuing involvement in the transferred assets. This amendment also had no effect on the consolidated financial statements.

The amendments to IAS 19 'Employee Benefits' mainly refer to the abolition of the corridor method. In addition, actuarial gains and losses have to be recorded directly in equity in future. Furthermore, any income from the expected return on plan assets may be recognized only in the amount of the discount rate used for determining the defined benefit obligation. The amendments to IAS 19R are required to be applied retrospectively for fiscal years beginning on or after January 1, 2013, with few exceptions. Loewe AG does not opt for earlier application as permitted.

The abolition of the corridor method has no impact on Loewe AG's consolidated financial statements since the corridor method is not applied within the Loewe Group.

According to the accounting methods currently applied at Loewe AG, actuarial gains and losses are recognized directly in profit or loss. This will be changed in fiscal 2013. If the standard had been applied for the first time for 2012, the following reclassifications between the income statement and other reserves would have been made.

EUR thousand	**2012**	2011	2010
Income statement / accumulated profit / loss	+ 178	– 4,518	+ 536
Other reserves	– 178	+ 4,518	– 536

IFRS 12 'Disclosures of Interests in Other Entities' introduces additional disclosure requirements for interests in other companies. This includes the consolidation of existing disclosure requirements set out in several previously published standards into IFRS 12. Loewe AG is currently reviewing the effects of applying this new standard on the consolidated financial statements. Above all, we expect enhanced disclosures.

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.

In general, the measurement 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.

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, 2012.

	Subscribed capital	Interest 2012 *
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., Bolzano, Verona, Italy	EUR 100,000.00	100 %
Loewe Austria GmbH, Vienna, 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.		
MacroSystem Digital Video GmbH, (in 2011: MacroSystem Digital Video AG) Kronach	EUR 25,000.00	79.24 %
Loewe Asia Holding Ltd., Hong Kong, China	HKD 1.00	100 %
Subsidiary of Loewe Asia Holding Ltd.: Loewe Technology Shenzhen Co. Ltd., Shenzhen, China	CNY 887,292.00	100 %

* The interest held is unchanged as compared to 2011, except for Loewe Asia Holding Ltd. (first-time consolidation in 2012)

The scope of consolidation changed in relation to the consolidated financial statements as of December 31, 2011. Loewe Asia Holding Ltd., Hong Kong, was consolidated for the first time in April 2012. The newly founded company is a wholly-owned subsidiary of Loewe AG and, together with its wholly-owned subsidiary Loewe Technology Shenzhen Co. Ltd. (founded in July 2012), forms a subgroup within Loewe's scope of consolidation.

In fiscal 2012, MacroSystem Digital Video AG was changed to MacroSystem Digital Video GmbH. Within the scope of the change in the legal form, the company's subscribed capital was reduced from EUR 6 million to EUR 25 thousand.

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 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 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 are generally recognized for consolidation adjustment recognized in profit or loss and are measured at an equivalent amount.

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, Loewe Opta, Inc., USA, and Loewe Asia Holding Ltd, Hong Kong 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 2012 in the income statement. The resulting exchange differences are recognized in the income statement (EUR +56 thousand in 2012).

Currency rates

Country	Currency	Euro	Closing rate		Average rate	
			2012	2011	**2012**	2011
United Kingdom	GBP	EUR 1	0.8161	0.8353	0.8109	0.8679
USA	USD	EUR 1	1.3194	1.2939	1.2848	1.3920
Hong Kong	HKD	EUR 1	10.2260	–	9.9663	–
China	CNY	EUR 1	8.3117	–	8.0837	–

Accounting Policies

The accounting policies detailed below remain unchanged from those used in fiscal year 2011.

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 to 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 when this recognition does not violate the provisions set out in IAS 12.34 to 12.36.

The tax rate uniformly applicable to the Group is 27.9 % (2011: 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.	
	2012	2011	**2012**	2011
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 7 %
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, IT hardware, 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 assets from loss carryforwards are recognized as permitted by the provisions of IAS 12. 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.

Current income tax assets relate 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 the 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 (foreign currency 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 shareholders. 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 2013.

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.

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

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:

	2012		2011	
	EUR thousand	%	EUR thousand	%
LCD televisions	202,319	80.9	220,656	80.5
DVD / Blu-ray	3,442	1.4	6,344	2.3
Audio	20,974	8.4	21,709	7.9
Other revenues	23,307	9.3	25,569	9.3
Total	**250,042**	**100.0**	274,278	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, since this also led to a decrease in the number of Audio peripherals sold. Growth in the new product line Loewe Audiodesign could not offset the decline associated with the TV segment.

The breakdown of sales by geographical regions is as follows:

	2012		2011	
	EUR thousand	%	EUR thousand	%
Germany	156,383	62.5	170,380	62.1
Europe (excluding Germany)	86,345	34.5	98,556	35.9
Rest of world	7,314	3.0	5,342	2.0
Total	**250,042**	**100.0**	274,278	100.0

While sales revenue in Germany declined by EUR 13,997 thousand or 8.2 %, sales revenue in European countries other than Germany fell by EUR 12,211 thousand or 12.4 %. In the Non-European countries, sales revenue increased by EUR 1,972 thousand or 36.9 %. Please refer to the group management report on pages 31 to 33 for further details.

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	2012	2011
Raw materials and supplies	108,833	142,415
Merchandise	41,831	19,957
Amount of inventories recognized as an expense during the reporting period	**150,664**	162,372
Personnel and social security costs	34,345	30,922
Depreciation of property, plant and equipment and amortization of software	10,551	10,367
Amortization of capitalized development costs	9,288	7,331
Purchased services	1,481	1,684
Capitalized development costs	– 11,478	– 7,036
Other non-staff administrative costs	2,627	5,902
Total	**197,478**	211,542

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

The increase of personnel and social security costs is in part attributable to collectively agreed wage and salary increases in 2012, as well as due to the positive actuarial effects from the change in valuation parameters for pension provisions, which were only recognized in the previous year.

Selling Expenses (3)

Selling expenses comprise the following:

EUR thousand	**2012**	2011
Personnel and social security costs	19,327	18,456
Advertising costs	18,131	18,329
Freight	8,468	9,135
Depreciation of property, plant and equipment and amortization of software	3,125	3,611
Dues, fees, and similar expenses	2,859	2,109
Travel and hospitality expenses	2,547	2,478
Warranty expenses	1,905	3,584
Other non-staff administrative costs	7,310	7,286
Total	**63,672**	64,988

The reduction in warranty expenses is a result of lower allocations to provisions for warranties, mainly due to the reduced sales volume in the previous years.

The reasons for the increased personnel and social security costs are the same as described in Note (2).

General and Administrative Expenses (4)

The following expenses were incurred for administration:

EUR thousand	**2012**	2011
Personnel and social security costs	6,765	5,456
Depreciation of property, plant and equipment and amortization of software	487	542
Other non-staff administrative costs and overheads	1,916	1,782
Total	**9,168**	7,780

The reasons for the increase in personnel and social security costs are set out in Note (2).

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	2012	2011
Audit services (financial statements)	142	145
Audit-related services (interim and special audits)	63	63
Other services	3	5
Total	**208**	213

The fees for the Group auditor for 2012 include services rendered for MacroSystem Digital Video GmbH in the amount of EUR 5 thousand (2011: EUR 8 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	2012	2011
Income from the reversal of provisions	2,034	3,045
Goods and services invoiced and rental income	2,893	3,095
Public subsidies for development projects	413	496
Miscellaneous income	886	914
Total	**6,226**	7,550

Income from the reversal of provisions mainly refers to the release of provisions for licensing obligations and provisions for employment anniversary payments.

Other Operating Expenses (6)

Other operating expenses include the following items:

EUR thousand	2012	2011
Severance payments to employees	5,806	1,798
Goods and services invoiced	2,893	3,095
Anticipated losses for salary continuance	2,100	0
Expenses from the measurement of foreign exchange options	762	0
Costs for canceled purchase contracts	424	731
Expenses for subsidized development projects	413	496
Deductible for third-party product liability claims	1,194	464
Miscellaneous operating expenses	1,358	1,448
Total	**14,950**	8,032

The increase in the expenses for severance payments to employees results from the provision recognized for the future personnel restructuring at Loewe Opta GmbH, which had been communicated to the workforce and the public in December 2012. In addition, a provision was recorded for anticipated losses within the context of the planned release of production workers subject to salary continuance.

Restructuring expenses (7)

The expenses for restructuring measures at Loewe AG are allocated in the income statement to the relevant operational functional areas. These expenses are also reported separately in the presentation of the adjusted operating result for information purposes.

The expenses incurred in the period under review amount to EUR 11,860 thousand (2011: EUR 2,876 thousand) and included primarily expenses for severance and similar payments (2012: EUR 5,472 thousand; 2011: EUR 1,663 thousand), provisions for wages to be paid after a potential release (2012: EUR 2,100 thousand; 2011: EUR 0 thousand) as well as other consulting fees (2012: EUR 4,286 thousand; 2011: EUR 1,213 thousand).

Interest Income (8)

Interest and similar income results from:

EUR thousand	2012	2011
Overnight money and term money investments	182	270
Interest on current bank balances	45	82
Interest and bank charges passed on	21	39
Discounting of non-current provisions	29	0
Miscellaneous expenses equivalent to interest	15	40
Total	**292**	431

The decline in interest income is largely attributable to the lower volume of free cash available and the lower interest rates, both compared to the prior year.

Interest Expense (9)

Interest and similar expenses comprise the following:

EUR thousand	2012	2011
Interest on amounts allocated to provisions for pensions, anniversary bonuses, partial retirement and death benefits	2,074	2,380
Interest, commitment fees, and processing fees to banks	1,344	197
Factoring interest and fees	231	69
Unwinding of discounts on non-current provisions	248	83
Miscellaneous expenses equivalent to interest	111	11
Total	**4,008**	2,740

Interest expenses increased, above all due to the higher borrowing requirements and unfavorable interest rates. In addition, other processing fees for the banking syndicate have increased considerably since July 1, 2012 as a result of the prolongation and the current restructuring of the syndicated loan agreement.

Income Taxes (10)

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

EUR thousand	**2012**	2011
Current taxes		
• Germany	– 611	– 61
• Outside of Germany	5	– 23
	– 606	– 84
Deferred taxes		
• Germany	11,956	– 2,449
• Outside of Germany	690	667
	12,646	– 1,782
Total	**12,040**	– 1,866

Income taxes include the income taxes to be paid directly, tax refunds as well as income and expenses from the recognition of deferred tax assets and liabilities.

The breakdown by tax expense is as follows:

EUR thousand	**2012**	2011
Write-downs on deferred tax expenses (+) / deferred tax income (–)	12,646	– 1,782
Current tax income (+) and expense (–)	20	– 9
Tax income (–) from other accounting periods	– 626	– 75
Total	**12,040**	– 1,866

The write-downs of deferred taxes result from the application of IAS 12 and the related measurement of deferred taxes on existing loss carryforwards.

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

in %	2012	2011
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 – 36.8 % and is thus 64.7 percentage points lower than the applicable tax rate of 27.9 %.

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

	2012		2011	
	EUR thousand	%	EUR thousand	%
Profit / loss from ordinary activities (EBT)	– 32,675		– 12,772	
Taxes at applicable income tax rate	– 9,116	27.9	– 3,563	27.9
Difference in local tax rate	55	– 0.1	30	– 0.2
Tax effects from previous years	– 560	1.7	25	– 0.2
Tax effects from tax rate changes	0	0.0	– 15	0.1
Non-deductible levies less tax-exempt income and tax effects from consolidation	288	– 0.9	214	– 1.7
Effects from loss carryforwards	21,130	– 64.7	1,158	– 9.0
Effects from additions / deductions for trade taxes	42	– 0.1	73	– 0.6
Other tax effects	201	– 0.6	212	– 1.7
	12,040	**– 36.8**	– 1,866	14.6

One of the major tax effects in fiscal 2012 is attributable to additionally recognized valuation adjustments of deferred tax assets from loss carryforwards, which have compensating effects on the applicable tax rate. Therefore, the loss carryforwards have been subject to valuation adjustments over almost the full amount.

Earnings Per Share (11)

To calculate earnings per share, the net loss of EUR 44,515 thousand is divided by the 13,009,229 outstanding shares in Loewe. This results in earnings per share of EUR – 3.42 in the year under review (2011: EUR – 0.82).

The weighted average number of shares in accordance with IAS 33 'Earnings per Share' results in the same earnings per share of EUR – 3.42 (2011: EUR – 0.82), as the number of Loewe shares did not change in the year under review.

Overview

	2012	2011
Net loss (EUR thousand)	– 44,515	– 10,718
Basic / diluted earnings per share in EUR	– 3.42	– 0.82
Basic / diluted earnings per share (weighted average) determined according to IAS in EUR	– 3.42	– 0.82
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 2012 / 2010)	6,504,614	6,504,614
Available capital from employee options (conditional capital)	0	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 2012 Authorized Capital.

Notes to the Balance Sheet

Intangible Assets (12)

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, 2011	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
Cost (accumulated)	8,985	20,903	950	30,838
Additions	276	13,882	33	14,191
Disposals				
• At cost	588	9,523	0	10,111
• Carrying amounts	0	0	0	0
Transfers	950	0	– 950	0
Current amortization / impairment				
• Amortization	1,090	10,443	0	11,533
• Impairment	178	658	0	836
Accumulated amortization / impairment	8,602	15,827	0	24,429
Carrying amounts on December 31, 2012	**1,021**	**9,435**	**33**	**10,489**

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 2012 came to EUR 13,227 thousand (2011: EUR 14,376 thousand), not including development cost subsidies received and transferred costs.

Property, Plant and Equipment (13)

The changes in property, plant and equipment 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, 2011	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
Cost (accumulated)	40,833	17,646	95,084	153,563
Additions	0	0	10,428	10,428
Disposals				
• At cost	218	802	17,152	18,172
• Carrying amounts	56	35	473	564
Transfers	0	0	0	0
Current depreciation / impairment				
• Depreciation	853	740	8,914	10,507
• Impairment	0	0	586	586
Accumulated depreciation / impairment	25,170	14,938	75,521	115,629
Currency differences	0	0	132	132
Carrying amounts on December 31, 2012	**15,445**	**1,906**	**12,839**	**30,190**

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 1,862 thousand (2011: EUR 2,376 thousand).

Total depreciation / impairment on property, plant and equipment includes impairment losses of EUR 586 thousand (2011: EUR 521 thousand) in connection with tools and production facilities no longer needed or no longer covered by future income.

Financial Assets (14)

The changes in financial assets were as follows:

EUR thousand	Equity investments	Investment securities	Other loans	**Financial assets**
Carrying amounts on January 1, 2011	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
Cost (accumulated)	25	2,248	103	2,376
Additions	0	363	1	364
Disposals				
• At cost	0	10	26	36
• Carrying amounts	0	10	26	36
Current write-ups	0	0	0	0
Accumulated write-downs	0	0	0	0
Carrying amounts on December 31, 2012	**25**	**2,601**	**78**	**2,704**

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 (15)

The amount recognized of EUR 147 thousand (2011: EUR 121 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. The increase compared to the prior year is due to amendments made as a result of a completed tax audit.

Miscellaneous Non-Current Financial Assets (16)

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

EUR thousand	2012	2011
Receivables from investees	147	147
Pension plan cost insurance	74	72
Total	**221**	219

Deferred Taxes (17)

In the Loewe Group, no deferred tax assets are reported as of the end of fiscal 2012. Based on the requirements set out in IAS 12, the deferred tax assets in the amount of EUR 11,504 thousand were written down in the full amount as of December 31, 2012. The remaining deferred tax assets on loss carryforwards are offset against the surplus of deferred tax liabilities from temporary differences.

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

EUR thousand	2012		2011	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	3,291	2,632	3,554	1,857
Property, plant and equipment	89	842	165	938
Inventories	84	0	119	0
Other assets	65	2,302	142	2,193
Pension provisions	2,995	186	2,755	8
Remaining provisions	1,137	56	2,145	89
Liabilities	296	2,194	270	2,603
	7,957	**8,212**	9,150	7,688
Loss carryforwards	255	0	10,042	0
	8,212	**8,212**	19,192	7,688
Netting	– 8,212	– 8,212	– 7,688	– 7,688
Total	**0**	**0**	11,504	0
thereof recognized in equity (Other reserves)	0	618	0	1,763

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, arising from the German tax group, in the amount of around EUR 78 million (2011: around EUR 37 million) still existed.

Inventories (18)

The inventories are broken down as follows:

EUR thousand	2012	2011
Raw materials and supplies	14,263	13,753
Work in progress	664	1,191
Finished goods and merchandise	33,897	28,493
Total	**48,824**	43,437

The costs of inventories include write-downs of EUR 12,783 thousand (2011: EUR 11,953 thousand) in order to ensure the fair value measurement of finished goods and merchandise in accounting for obsolete inventories. Write-downs of EUR 3,253 thousand (2011: EUR 2,410 thousand) have been recognized on raw materials and supplies and on work in progress.

Trade Accounts Receivable (19)

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 6,612 thousand (2011: EUR 12 thousand).

The amount reported for trade accounts receivable also 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	**2012**	2011
Balance as of January 1	4,009	4,135
Allocations (expenses for allowances)	766	530
Charge-offs	– 191	– 425
Reversals	– 756	– 231
Balance as of December 31	**3,828**	4,009

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

EUR thousand	**2012**	2011
Carrying amount of trade accounts receivable	55,334	70,713
thereof neither impaired nor past due on the reporting date	53,269	68,132
thereof not impaired and past due on the reporting date in the following time ranges:		
• less than 30 days	646	1,269
• between 30 and 90 days	676	375
• between 91 and 180 days	200	254
• more than 180 days	543	683

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 14 thousand (2011: EUR 8 thousand) was collected in the fiscal year.

Income Tax Assets – Non-Current (20)

The current income tax assets of EUR 420 thousand (2011: EUR 315 thousand) include tax reimbursement claims in connection with advance payments, the current portion of the claim to payment of the corporation tax credit under Section 37 (5) of the Corporation Tax Act, and the subsequent effects from the completed tax audit.

Miscellaneous Current Financial Assets (21)

The assets relate to:

EUR thousand	**2012**	2011
Positive value of financial derivatives	2,606	6,455
Assets arising from advance payments	1,251	425
Credit balances with suppliers	293	256
Advances for travel expenses and personnel	324	236
Other current claims	540	794
Total	**5,014**	8,166

The decrease of the positive intrinsic value of financial derivatives is attributable to the recovery of the euro compared to the US dollar as of the reporting date. The small difference between the average hedge rate and the spot rate as well as the smaller hedging volume results in a smaller positive value of the existing financial derivatives.

All miscellaneous current financial assets are due within one year.

Cash and Cash Equivalents (22)

The cash and cash equivalents consist of current deposits held at commercial banks of EUR 8,201 thousand (2011: EUR 26,975 thousand), which can be withdrawn on short notice. Cash funds in the amount of EUR 6,612 thousand (2011: EUR 12 thousand) result from the use of the factoring agreement. In addition, there are short-term bank loans in the amount of EUR 12,500 thousand.

Shareholders' equity

Equity Attributable to Equity Holders of the Parent (23)

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 618 thousand [2011: EUR 1,763 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 loss carried forward from the previous year, the net loss in 2012 will be reported as Group accumulated loss in the amount of EUR 53,255 thousand as of December 31, 2012.

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

The conditional capital, which was resolved by the Annual Shareholders' Meeting on April 20, 1999 in a volume of 398,400 shares for the implementation of a stock option plan was cancelled by a resolution passed by the Annual Shareholders' Meeting on May 15, 2012.

In addition, according to a resolution passed by the Annual Shareholders' Meeting on May 15, 2012,

a) the authorization of the Executive Board to increase the Company's share capital, subject to the consent of the Supervisory Board, by a total of up to EUR 6,504,614 until May 19, 2015 (Authorized Capital 2010) was canceled with a view to create a new Authorized Capital set out in sections b) to d), taking effect on the date of the registration (May 30, 2012) of the new authorized capital.

b) the Executive Board was authorized, 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 (2012 Authorized Capital) by no later than May 14, 2017. Shareholders shall generally be granted subscription rights therein; statutory subscription rights may also be granted by having the new shares underwritten by a bank or an equivalent institution pursuant to Section 186 (5) Sentence 1 of the German Stock Corporation Act with the obligation of offering these for subscription to Loewe AG shareholders. However, the Executive Board was authorized, with the consent of the Supervisory Board, to exclude the statutory subscription right of the shareholders:

   - if 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 subscription 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.

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

d) Section 5 (1) of the Articles of Incorporation was revised to reflect the aforementioned resolutions.

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 (24)

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

EUR thousand	**2012**	2011
Balance at the beginning of the period	451	633
Change in minority interests	– 200	– 188
Acquisition of MacroSystem	0	6
Balance at the end of the period	**251**	451
thereof:		
• Loewe Opta GmbH	272	272
• Loewe Opta Benelux nv / S.A.	511	511
• MacroSystem Digital Video GmbH	– 532	– 332
	251	451

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 (25)

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 %

	2012	2011	2010	2009	2008
Discount rate p. a.	4.25	4.75	4.75	5.0	5.0
Anticipated annual increases in wages and salaries	2.0	2.5	3.5	3.5	3.5
Anticipated annual increases in pensions	1.0	1.5	2.5	2.5	2.5

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

EUR thousand

	2012	2011	2010	2009	2008
Present value of pension obligations	36,139	36,255	40,760	40,312	40,951

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, 2011		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
a. Changes not recognized in income		
Pension payments in 2012	– 2,302	
Additions for employee-financed pension commitments	6	– 2,296
		33,959
b. Changes recognized in income		
Reported under interest expenses		
• Interest expense for own commitments		1,661
Reported as personnel expenses under cost of sales, selling expenses and administrative expenses		
• Current service cost	341	
• Actuarial gains	178	519
Present value of pension obligations as of December 31, 2012		**36,139**

Actuarial gains and losses are recognized in income when incurred.

The following is anticipated for 2013:

EUR thousand	
Pension payments	2,423
Interest expense for own commitments	1,455
Current service cost	355

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

EUR thousand	2012	2011
Cost of sales	340	– 2,729
Selling expenses	128	– 405
Administrative expenses	51	– 995
Total	**519**	– 4,129

Other Non-Current Provisions (26)

Other non-current provisions comprise the following:

EUR thousand	2012	2011
Warranty obligations	5,252	6,504
Personnel costs	4,346	6,977
License fees	0	1,912
Miscellaneous other provisions	371	60
Total	**9,969**	15,453

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 mainly results from the lower measurement basis, which was reduced due to the sales decline in the previous years.

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. The decline of non-current provisions for license fees is attributable to the derecognition of previously recognized licensing obligations, 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 (27)

Income tax provisions break down as follows:

EUR thousand	2012	2011
Provision for income tax payments, current year	0	274
Risks for prior years after tax audit	1,866	2,000
Total	**1,866**	2,274

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

Other Current Provisions (28)

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

EUR thousand	2012	2011
Provisions for:		
Annual sales compensation	11,841	17,379
Warranty obligations	6,490	7,845
Personnel costs	7,826	6,648
Personnel costs arising from restructuring	7,572	0
License fees	5,055	1,772
Rework of company-manufactured products	876	973
Remaining provisions	6,564	7,187
Total	**46,224**	41,804

Provisions for annual sales compensation were determined based on the agreements covering bonuses and other compensation. They primarily relate to Germany and, because of the reduced sales volume, are significantly below the previous year's figure.

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, the Christmas bonus in 2012 a portion of which has yet to be paid, variable remuneration to be paid, the current component of part-time retirement contracts as well as severance payments and other costs in connection with the termination of employment.

The provisions for restructuring expenses in the amount of EUR 7.6 million include EUR 5.5 million for severance payments expected to be paid in connection with the forthcoming reductions in workforce within the Loewe Group. They also comprise provisions for salary continuance in the amount of EUR 2.1 million for expenses related to continued wage payment for employees in the production areas which shall be released or transferred to a transfer company immediately after the notice of termination.

The provisions for rework of company-manufactured products were primarily recognized for expenses of 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, outstanding invoices, and additional costs that may be incurred. Total other provisions (non-current and current) developed 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, 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
Balance as of January 1, 2012	17,379	14,349	13,626	3,684	8,219	**57,257**
Additions	11,901	4,198	12,149	1,510	5,630	35,388
Utilization	17,063	6,376	6,029	54	5,721	35,243
Reversals	376	564	418	198	288	1,844
Interest effects	0	135	416	113	– 29	635
Balance as of December 31, 2012	11,841	11,742	19,744	5,055	7,811	**56,193**
thereof: non-current	0	5,252	4,346	0	371	9,969
thereof: current	11,841	6,490	15,398	5,055	7,440	46,224

* including provisions for severance payments and salary continuance within the context of restructuring

Current Financial Liabilities (29)

As of the balance sheet date (December 31, 2012), current financial liabilities exist in the amount of EUR 12,500 thousand (2011: EUR 0 thousand) resulting from the current syndicate agreement.

Trade Accounts Payable (30)

Trade accounts payable of EUR 20,249 thousand (2011: EUR 24,790 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 (31)

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

EUR thousand

	2012	2011
Taxes and social security charges due	3,575	4,830
Liabilities to personnel	1,686	1,428
License fee liabilities	1,325	1,581
Fair value of hedged financial assets	1,060	25
Customer credit balances	512	506
Severance payments	458	1,475
Sundry liabilities	1,193	897
Total	**9,809**	10,742

Additional disclosures on financial instruments in accordance with IFRS 7

Within the scope of measuring financial assets and financial liabilities, these are classified 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 2012 nor in 2011 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 2012 or 2011.

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, 2012				
	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)	2,601	2,601			2,601
Other non-current financial assets	(3)	299	299			299
Current financial assets						
Trade accounts receivable	(3)	55,334	55,334			55,334
Other current financial assets	(3)	1,959	1,959			1,959
Derivatives with hedging relationship	n. a.	2,606		2,593	13	2,606
Cash and cash equivalents	(3)	8,201	8,201			8,201
Liabilities						
Non-current liabilities						
Financial liabilities	(4)	0				
Current liabilities						
Financial liabilities	(4)	– 12,500	– 12,500			– 12,500
Trade accounts payable	(4)	– 20,249	– 20,249			– 20,249
Other current financial liabilities	(4)	– 3,487	– 3,487			– 3,487
Derivatives with hedging relationship	n. a.	– 1,060		– 377	– 683	– 1,060

(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

	Category	Carrying amount	Amortized cost	Market value recognized in equity	Market value recognized in income	Fair value
		December 31, 2011				
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.

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 – 13,529 thousand, a decline of EUR 49,336 thousand compared to the prior year level (EUR 35,807 thousand). The significant decrease is mainly attributable to the worse starting point (earnings before interest and taxes amounted to EUR – 28,959 thousand, or EUR 18,496 thousand lower than in the prior year), the build-up of inventories (EUR 5,387 thousand) as well as the reduction of trade accounts payable (EUR 4,541 thousand).

Lower trade accounts receivable (EUR 8,779 thousand) and an increase in current provisions (EUR 4,420 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 resulted primarily from the interest expenditure for the unwinding of the discounts on pension provisions as well as the change of the intrinsic value of currency hedges which were not designated (foreign currency options).

Net cash from investing activities

In fiscal year 2012, the Loewe Group invested EUR 14,191 thousand (2011: EUR 9,692 thousand) in intangible assets and EUR 10,428 thousand (2011: EUR 7,026 thousand) in property, plant and equipment.

Net cash from financing activities

The changes in cash funds arise from a loan taken out within the context of the existing syndicated loan agreement.

Cash-effective change in liquidity

Cash and cash equivalents decreased overall by EUR 25,374 thousand to EUR 1,589 thousand (2011: 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 6,612 thousand (2011: EUR 12 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 in USD thousand	Hedge volume in EUR thousand	Longest residual maturity until	Intrinsic value in EUR thousand Positive	Intrinsic value in EUR thousand Negative
Forward exchange transactions	131,000	96,675	September 18, 2015	2,606	369
Foreign currency options	19,000	14,734	September 18, 2015	0	691
Total	**150,000**	**111,409**		**2,606**	**1,060**

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 currency options at a volume of USD 19,000 thousand (2011: USD 3,000 thousand) were not designated as cash flow hedges. The change of the intrinsic value of the currency options as of the balance sheet date in the amount of EUR 762 thousand is recognized as other operating expenses 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, 2012	thereof maturing in: 2013	2014	2015
Forward exchange transactions	131,000	71,000	41,000	19,000
Foreign currency options	19,000	15,000	0	4,000
Total	**150,000**	**86,000**	**41,000**	**23,000**

EUR thousand	Volume			
	Balance as of Dec. 31, 2012	thereof maturing in: 2013	2014	2015
Forward exchange transactions	96,675	52,423	29,792	14,460
Foreign currency options	14,734	11,875	0	2,859
Total	**111,409**	**64,298**	**29,792**	**17,319**

EUR thousand	Intrinsic value			
	Balance as of Dec. 31, 2012	thereof maturing in: 2013	2014	2015
Forward exchange transactions, positive	2,606	1,350	1,133	123
Forward exchange transactions, negative	– 369	– 44	– 11	– 314
Foreign currency options, negative	– 691	– 567	0	– 124
Total	**1,546**	**739**	**1,122**	**– 315**

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 is recognized in miscellaneous current financial assets, the negative value of spread options 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 2,215 thousand. Deferred tax liabilities in the amount of EUR 618 thousand were recognized in these reserves.

Of the fair values recognized for derivative financial instruments within equity as of the end of fiscal year 2011, a volume of USD 71,000 thousand was used in the course of fiscal year 2012 to provide USD currency exposures for the purchase of production materials and other services. As of December 31, 2011, these hedging instruments were measured based on an intrinsic value of EUR 2,226 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 59,162 thousand (2011: EUR 74,722 thousand), valuation allowances were recognized in the amount of EUR 3,828 thousand (2011: EUR 4,009 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 or foreign currency options.

In addition, since the establishment of Loewe UK Ltd. in fiscal year 2007 and of Loewe Asia Holding Ltd. in fiscal year 2012, currency translation gains and losses have resulted from the relationship of EUR to GBP, and EUR to HKD and CNY, respectively.

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

On March 8, 2013, the financing partners made a binding commitment regarding the prolongation of the standstill agreement until March 31, 2014 in order to ensure the implementation of the planned restructuring measures. This prolongation is subject to qualitative and quantitative covenants which Loewe is required to fulfil over time. In this context, Loewe AG relies on the support of stakeholders within the framework of the financing process.

Independent lines of credit totaling EUR 1.7 million (2011: EUR 1.7 million) were granted to foreign Group companies in France and Italy by their banks.

Financial investment risks

The cash and cash equivalents available in accordance with our financial planning were invested in interest-bearing deposits payable on demand and held at the financing banks subject to the German deposit protection fund. Through this selection of investments, we seek the greatest possible minimization of risks.

Goals and methods of financial risk management

Capital management

The primary goal of the Group's capital management is to secure or restore 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, follows a proactive approach to working capital management, 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, 2012 and December 31, 2011.

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 (2011: EUR 31 thousand).

The following other financial liabilities exist:

EUR thousand	2012	2011
Total liabilities from tenancy and servicing agreements and leases		
• due in 2013	5,471	
(previous year: 2012)		(3,586)
• due between 2014 and 2017	3,040	
(previous year: between 2013 and 2016)		(2,499)
• due after 2017	306	
(previous year: after 2016)		(263)

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 and related parties

In fiscal year 2012, 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.

In addition to his activities as a member of the Supervisory Board, a consultancy contract was concluded on an arm's length basis with Michael Blatz. Michael Blatz provides advisory services to Loewe within the framework of ongoing restructuring activities and syndicated lending facilities during negotiations with financing partners.

Other disclosures

Staff and personnel costs

The average number of employees breaks down as follows:

Persons	2012	2011
Industrial workers	332	346
Salaried employees	591	593
Employees as defined by Section 314 (1) subsection No. 4 HGB	**923**	939
Vocational trainees	81	83
Total	**1,004**	1,022

On December 31, 2012, the number of employees in the Group totaled 1,009 (2011: 1,024).

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

EUR thousand	2012	2011
Wages and salaries	49,848	49,215
Social security contributions	9,988	9,316
Expenses for pensions and other employee benefits	601	– 3,697
Total	**60,437**	54,834

The increase of total operating expenses incurred for personnel costs is almost exclusively attributable to the fact that the positive effects from the re-valuation of pension provisions in the previous year cease to apply in the year under review. The measured amount for pension provisions was significantly lower in 2011 as a result of a downward adjustment of the pension and salary trends, an effect which was not seen in 2012.

Events after the reporting date

The following adjusting events occurred after the reporting date (December 31, 2012):

- Effective January 31, 2013, Oliver Seidl resigned from Loewe AG‘s Executive Board.
- Effective January 1, 2013, Matthias Harsch was appointed to the Executive Board of Loewe AG and has been Chairman of the Executive Board since February 1, 2013.

- On March 8, 2013, the financing partners made a binding commitment regarding the prolongation of the standstill agreement until March 31, 2014 in order to ensure the implementation of the planned restructuring measures. The agreement is subject to the compliance with qualitative and quantitive covenants, with Loewe AG being also reliant on the support of its stakeholders within the context of the financing process.

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 15, 2012, published in the electronic Federal Gazette on June 15, 2012, with the following exception:

   a) 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).

   b) The members of the Supervisory Board receive both a fixed remuneration and a performance-related remuneration which is based on the net income for the relevant fiscal year. Accordingly, the performance-related remuneration is not geared towards a sustainable company development (subsection 5.4.6 (2) sentence 2 of the Code). The Executive Board and the Supervisory Board of Loewe AG decided to propose – at the Annual Shareholders' Meeting in 2013 – to restructure the remuneration system for members of the Supervisory Board as from fiscal 2013 and to no longer pay performance-related remuneration for Supervisory Board activities.

   2. Loewe AG has complied with the recommendations of the German Corporate Governance Code as amended on May 15, 2012, published in the electronic Federal Gazette on June 15, 2012 since its last declaration of conformity of November 25, 2011 except for the recommendation set forth in subsection 4.2.3 (4) sentence 1 (severance payment cap in concluding Executive Board contracts) and subsection 5.4.6 (2) sentence 2 (performance-related Supervisory Board remuneration based on a company's longer-term financial performance).

This declaration of conformity has been continuously accessible to the shareholders on the Internet (www.loewe.de) since November 23, 2012.

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

Segment Reporting

The Home Entertainment Systems division is engaged in the sale of television sets manufactured internally 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 tables on pages 71 and 72 show 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 as a sales function 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 Asian subgroup – consisting of Loewe Asia Holding Ltd. and Loewe Technology Shenzhen Co. Ltd. – mainly performs functions in the purchasing area and therefore cannot be considered a proper geographical segment.

The non-current assets (excluding deferred taxes) come to EUR 41,789 thousand (2011: EUR 40,372 thousand) in Germany and EUR 1,962 thousand (2011: EUR 2,298 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
  residing in Mannheim

Deputy Chairman

- **Dr. Axel Berger,**
  Vice President of the German Finance
  Reporting Enforcement Panel, Berlin,
  residing in Rösrath

Additional members of the Supervisory Board

- **Dr. Dorothee Ritz,**
  Senior Director Business Strategy Microsoft International of
  Microsoft Deutschland GmbH, Munich
  residing in Pullach

- **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 (until October 31, 2012),**
  Lawyer, Munich,
  residing in Munich

- **Michael Blatz (since November 30, 2012)**
  Managing Director of MBC – Michael Blatz
  Consulting GmbH, Berlin,
  residing in Berlin

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

The other offices held by members of the Supervisory Board are shown on page 110. Please refer to page 111 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 109 thousand (2011: EUR 115 thousand) in 2012 and was made up of the following components:

Euro

	Total remuneration for 2012	**thereof: fixed remuneration for 2012**	**thereof: performance-linked remuneration for 2012**
Dr. Rainer Hecker	36,636	36,636	0
(2011)	(36,600)	(36,600)	(0)
Dr. Mark Wössner	0	0	0
(2011)	(9,125)	(9,125)	(0)
Dr. Axel Berger	27,096	27,096	0
(2011)	(24,050)	(24,050)	(0)
Dr. Gerhard Heinrich	15,000	15,000	0
(2011)	(15,000)	(15,000)	(0)
Dr. Sönke Mehrgardt	15,000	15,000	0
(2011)	(15,000)	(15,000)	(0)
Dr. Michael Witzel			
(until October 31, 2012)	12,500	12,500	0
(2011)	(15,000)	(15,000)	(0)
Dr. Dorothee Ritz	0	0	0
(2011)	(0)	(0)	(0)
Michael Blatz			
(since November 30, 2012)	2,500	2,500	0
(2011)	(0)	(0)	(0)
Total	**108,732**	108,732	0
(2011)	(114,775)	(114,775)	(0)

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

Executive Board

The following were appointed as members of the Company's Executive Board in fiscal year 2012:

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

- **Dr. Detlef Teichner**
  Engineer, Königsfeld im Schwarzwald

- **Rolf Rickmeyer**
  Graduate in business administration, Darmstadt (since December 1, 2012)

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 2012	**thereof: fixed remuneration 2012**	**thereof: variable remuneration**	**thereof: severance payment and obligation**	**Additional impact on profit or loss through changes in provisions to pensions**
Oliver Seidl	532,764	382,764	150,000	0	149,469
(2011)	(508,168)	(365,668)	(142,500)	(0)	(10,359)
Gerhard Schaas	0	0	0	0	0
(2011, until November 30, 2011)	(1,147,260)	(307,260	(50,000)	(790,000)	(– 187,042)
Manfred L. Fitzgerald	0	0	0	0	0
(2011, February 1 to November 30, 2011)	(968,489	(283,489)	(0)	(685,000)	(0)
Dr. Detlef Teichner	537,706	337,706	200,000	0	50,848
(2011, since December 1, 2011)	(26,748)	(26,748)	(0)	(0)	(0)
Rolf Rickmeyer (since December 1, 2012)	31,387	31,387	0	0	0
(2011)	0	0	0	0	0
Total	**1,101,857**	751,857	350,000	0	200,317
(2011)	(2,650,665)	(983,165)	(192,500)	(1,475,000)	(– 176,683)

The provision for pensions and pension commitments for the active Executive Board members comes to EUR 814 thousand (2011: EUR 614 thousand). The entitlement arising from the pension commitment is based on the general principles of company pension commitments.

Amounts totaling EUR 197 thousand (2011: EUR 189 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 5,007 thousand (2011: EUR 3,049 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, until November 14, 2012)
  Loewe Opta GmbH, Kronach, Germany
  (Chairman of the Supervisory Board)
  Spectral Audio Möbel GmbH, Bietigheim-Bissingen
  (Chairman of the Advisory Board, until June 30, 2012)

- **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 (until October 31, 2012)**
  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)

- **Michael Blatz (since November 30, 2012)**
  DAW-Firmengruppe, Ober-Ramstadt
  (Member of the Advisory Board)
  F.S. Fehrer GmbH & Co. KG, Kitzingen
  (Member of the Advisory Board)
  K.-L. Kaschier- und Laminier GmbH, Bad Bentheim
  (Member of the Advisory Board)

Offices held by members of the Executive Board of Loewe AG

The members of Loewe AG's Executive Board held the following other offices as of the reporting date:

- **Rolf Rickmeyer**
  Brückner Verwaltungsgesellschaft mbH, Siegsdorf
  (Member of the Supervisory Board)

Shares held by the Executive Board and Supervisory Board on December 31, 2012

As of December 31, 2012, the Executive Board held 6,600 (2011: 6,600) shares in Loewe AG. No options have been granted. One member of the Supervisory Board directly holds 550,000 Loewe shares (2011: 550,000) and indirectly holds 1,264,420 Loewe shares (2011: 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, March 8, 2013

The Executive Board

Matthias Harsch | Rolf Rickmeyer | 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, 2012. 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 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) 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.

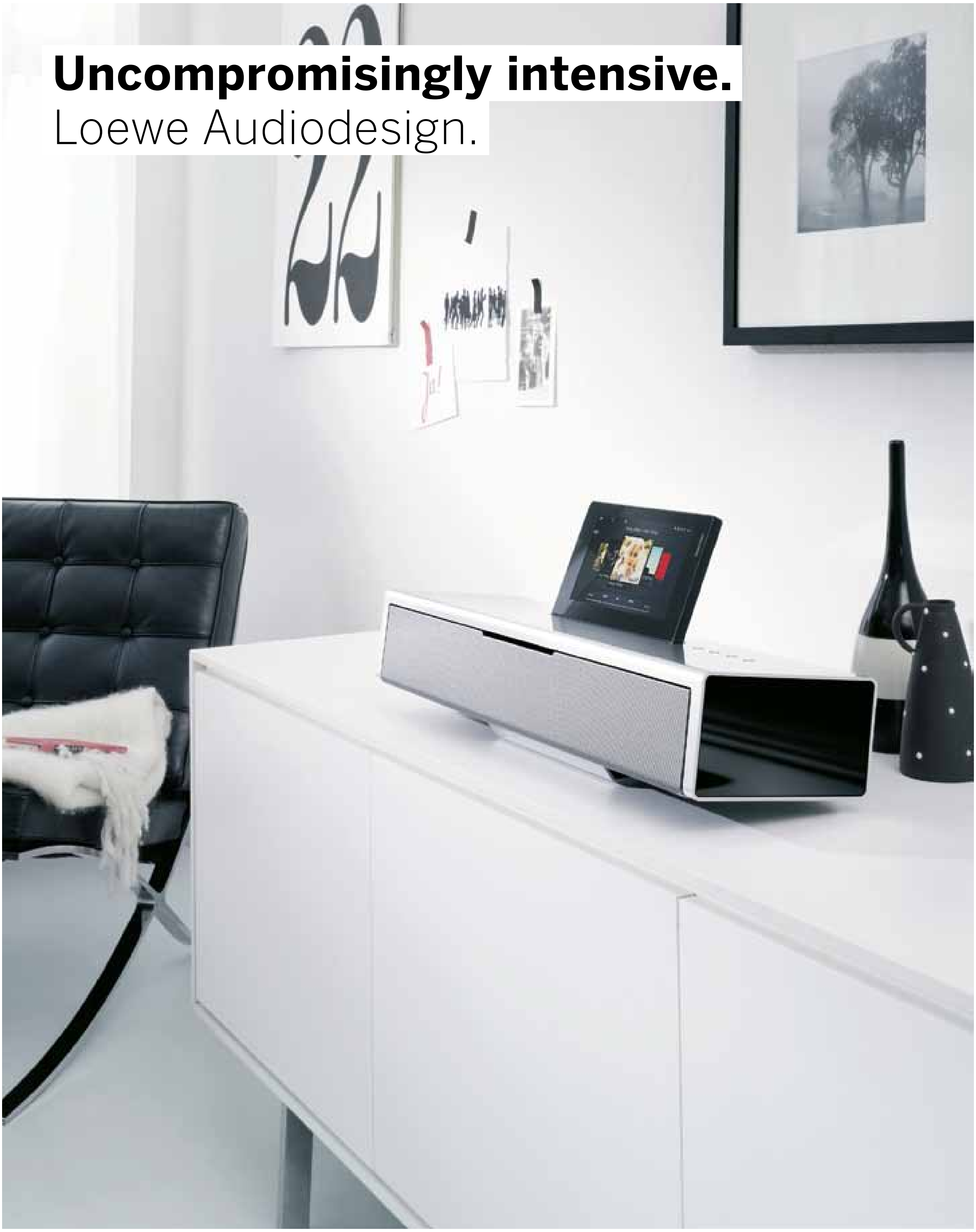
Without qualifying our opinion, we draw attention to the presentation made in the Management Report, which highlights the risks in connection with the follow-up financing agreed until March 31, 2014.

Mönchengladbach, March 8, 2013

Abstoß & Wolters OHG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Straaten	Quacken
Auditor	Auditor

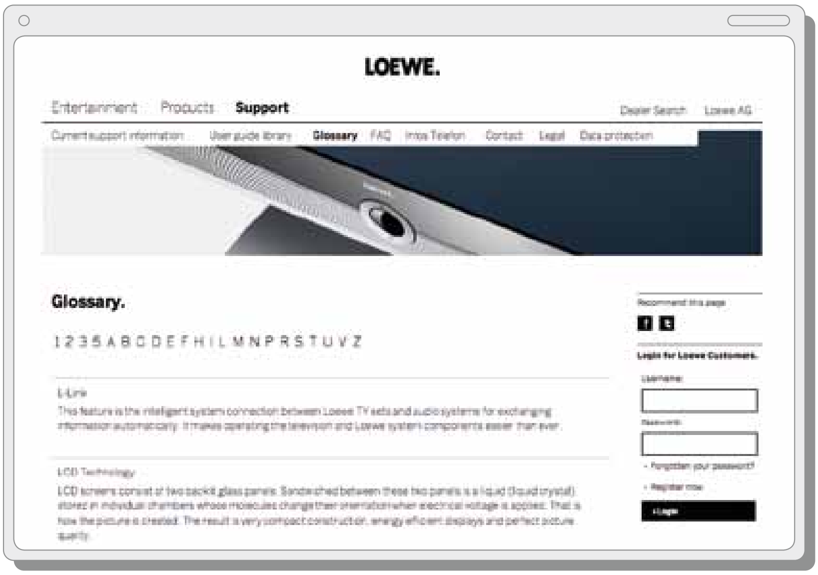
Uncompromisingly intensive.
Loewe Audiodesign.



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.'



Financial Calendar

Publication of the 2012 Financial Statements of the Loewe Group
Thursday, March 21, 2013, 9:30 a.m., Munich

DVFA Analysts' Conference
Thursday, March 21, 2013, 4 p.m., Frankfurt/Main

Publication of the Q1 Report
(01/01 – 3/31/2012)
Conference call on Tuesday, May 7, 2013, 10:00 a.m.

Annual Shareholders' Meeting of Loewe AG
Tuesday, June 11, 2013, 11:00 a.m., Munich,
Alte Kongresshalle, Theresienhöhe 15

Publication of the Q2 Report
(01/01 – 6/30/2012)
Conference call on Thursday, August 1, 2013, 10:00 a.m.

Publication of the Q3 Report
(01/01 – 9/30/2012)
Conference call on Tuesday, November 5, 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 product range**

These publications as well as other up-to-date documents are available for download on our website www.loewe.tv/int.

Contacts/Production Credits

Loewe AG
Industriestrasse 11
D-96317 Kronach
Germany

PO Box 1554
D-96305 Kronach
Germany

Investor Relations:	+49 (0) 9261/99-984
Email:	ir@loewe.de
Telefax:	+49 (0) 9261/99-994
Public Relations:	+49 (0) 9261/99-477
Email:	presse@loewe.de
Telefax:	+49 (0) 9261/99-444
Customer Care Center:	+49 (0) 1801/22256393
Email:	ccc@loewe.de
Telefax:	+49 (0) 1801/222500
Telephone switchboard:	+49 (0) 9261/99-0
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ISIN:	DE0006494107

Loewe shares are traded in the Prime Standard segment of the German Stock Exchange.
Classic All share®
Prime All share
CDAX®

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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Loewe AG
Industriestrasse 11
96317 Kronach
Germany
www.loewe.tv/int

Loewe Stock:
Ticker symbol: LOE
ISIN Code: DE 0006494107

Phone: +49 (0) 9261 99-984
Email: ir@loewe.de