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of Loewe AG

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of Loewe AG  
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- Check against delivery. -

Ladies and Gentlemen:

On behalf of the Executive Board of Loewe AG, I am pleased to welcome you to the 2011 Annual Shareholders' Meeting. I am especially honored to see so many of our shareholders here today. It has now been almost five years since I first joined Loewe; I took over the chairmanship of the Executive Board at a difficult time. I would like to take this opportunity to give you an overview of what we achieved during the last year, and in particular I plan to focus on outlining our special strengths and demonstrating what we have done to prepare for the future.

The introductory film showed that Loewe has been a leader in the industry since 1923, the year our Company was founded. Again and again, you can see that innovation is a tradition for Loewe. We were one of the world's first consumer electronics companies, and today we are Germany's largest manufacturer in the field.

Loewe has been a value-oriented company from the very outset. Innovation and inventions have always been our highest priority and still are to this day.

The technological milestones that define our Company's history are simultaneously milestones for the entire industry.

The first electronic television broadcast in 1931 by Siegmund Loewe and Manfred von Ardenne marked the invention of television. We developed the first European video recorder in 1961, the first TV set with integrated Internet access in 1995, and the first television set with maximum individualization in 2004.

Loewe products have been engineered and made in Germany from the beginning, and still are today. Over the years, Loewe has established an incomparable competitive position. The special blend of technology and emotion under the umbrella of the premium brand is unique. Our products convey a positive sense of life and pleasure in the enjoyment of television. Excellent quality is an indispensable precondition for this. Loewe products can be used intuitively, and this reflects our commitment to ease of use and joy of use. We have more experience than our competitors in the intelligent integration of significant functions in TV sets. We offer the perfect combination of Internet and television. We integrate all consumer electronic components within a personal system that includes intelligent home automation control. And above all, we offer the maximum level of individualization in design and technology, placement solutions, and Internet applications.

All this makes Loewe unique. Loewe's culture is just as unique. It is characterized by value-based management, reliable policy positions such as our long-term partnerships with qualified retail partners. Just over a week ago, for instance, we invited almost 500 of our best dealers to an informational and communications event and met with tremendous support for the projects we presented to our partners there.

Loewe has become a highly respected company over the years. As a premium brand, Loewe is today one of the leaders in the European consumer electronics market.

In many ways, we make positive contributions to society and to relevant interest groups, and these contributions are of real value to them. Ladies and gentlemen, this is one of the reasons why many of you have recently decided to invest in Loewe. We intend to honor your expectations and will continue to do so in the future. This commitment forms the basis for our business success.

Ladies and gentlemen, I would like to show you what we have done in the last few months to consolidate and expand this position. But first, I would like to emphasize that the basis of our

work is the premium brand Loewe. It enjoys a strong reputation, both in Germany and internationally. We have succeeded in making ourselves stand out in the market environment. Loewe has become a leading premium brand for individual home entertainment systems. We achieved this by consciously concentrating on our core brand values: exclusive individuality, minimalist design, and sensible innovations. Throughout last year, we continued to strengthen this position, primarily through a product offensive featuring three new LED TV lines.

High quality brand products demand a consistent experience across all consumer touch points – from premium communication to premium sales and premium service. Our customers should perceive the premium brand as consistent and uniform, including on an international scale. This is what makes Loewe distinctive and what makes the brand readily recognizable anytime and anywhere. We have created a fascinating and clearly identifiable brand world, and will continue to strategically develop it, especially in the international arena.

Ladies and gentlemen, the premium market has enormous future potential. For years, institutions such as GfK in Nuremberg have confirmed the trend that premium is growing and the middle is declining. The market worldwide is increasingly polarizing into “premium” and “cheap” across all industries. Of course, this also includes consumer electronics.

Loewe is the leader in the market segment of LCD TVs priced above 2,000 euros, with a European market share of 33.4 percent.

Ladies and gentlemen, please allow me to describe the year 2010 in detail.

The year 2010 brought significant changes for Loewe. Our “Fast Forward” future strategy program has allowed us to create a sustainable basis that we will continue to expand in the current year.

The primary objective of “Fast Forward” is to establish the organizational and procedural foundations to strategically focus the entire Company on the premium segment. In general, Loewe needs to further expand its position as the leading European premium brand for individual consumer electronics. To do so we need innovative products with attractive unique selling points. In the area of basic technologies, we must not be too far behind the first competitor in offering the better solution. In all areas of our Company, we can and must become faster acting and more efficient. These necessary changes are challenges that we will take on with passion and determination.

I have to admit self-critically that we were not successful in all areas in 2010. In retrospect, we probably placed too much confidence in an audio-video system we launched last year. But sometimes you have to go to the limits to achieve real peak performance. Also, the market launch of our new LED TV sets was delayed last year because a key chip supplier failed to deliver and we were not able to compensate quickly enough.

We recognized these shortcomings, made the necessary adjustments, and put the Company in a forward direction with the “Fast Forward” future strategy program.

By launching “Fast Forward” in June 2010, Loewe has initiated a comprehensive and sustainable future strategy program. The objective is to create the basis for profitable growth through structural and organizational measures and stringent cost discipline. To that end, the focus of the last few months was on effectively streamlining the organizational structure and strengthening it in important areas. Managers with responsibility for product development were given an expanded range of competence across divisions. Furthermore, we have restructured the central divisions of development, marketing, and sales. This will continuously increase the effectiveness of the Company as a whole and enable us to bring new products to the market faster and create additional customer benefit. All of the product

lines announced for the Christmas shopping season were launched on the market in good time and with success. Moreover, about EUR 6 million in income-relevant savings were realized, especially in the area of purchasing. Additionally, as part of the future strategy program we also intensified our focus on retailers so that with their participation we can even more actively increase contact to our end customers.

Ladies and gentlemen, please allow me to describe Loewe's performance last year in specific terms. What was the market environment around us like?

The European market for televisions grew by 1% to EUR 30.2 billion in 2010. Televisions are still the most important product group in European entertainment electronics. In this segment, the market gained 4% in 2010, with the strongest growth recorded in the first half of the year due to the FIFA World Cup. LCD TVs achieved market growth by value of 5%, driven in the first half by the World Cup with a 14% gain; a 3% loss was recorded in the second half.

For Loewe, the market trend in the television segment is especially important because televisions represent by far the largest proportion of our sales volume. In this area, we concentrate on the significant market segment of LCD TVs. Large-screen LCD TVs over 37 inches are particularly significant for Loewe and exhibited exceptionally dynamic growth. Their share in the total LCD market increased from 47% to 51%. The price declines slowed considerably in 2010. Due to the persistent trend toward large-screen sets with better features, the average price per LCD TV was only 5% lower than in the prior year at EUR 503.

Broken down by country, the development showed significant disparities. In the LCD TV segment, Loewe's market growth by value in European retail declined by 0.5 percentage points to 3.7% in 2010. In den Niederlanden, Spanien und Deutschland waren Rückgänge zu verzeichnen. In Belgium, Italy, and France, Loewe was just under the prior-year level. In Switzerland, where the emphasis is on high quality brand sets, Loewe was able to increase its market share as in the prior year, gaining 0.5 percentage points to 8.5%.

Loewe was again particularly successful in the European speaker market, where its market share rose by 0.8 percentage points to 4.6%, representing sixth place among the top ten brands. In Germany, the increase in market share was even more impressive, rising from 10.4% to 12.1%. This makes Loewe the second most important brand on the basis of sales in the overall market for speakers. Loewe's individual speaker products are particularly instrumental in this positive trend.

With these factors in mind, what did Loewe achieve in fiscal 2010? To illustrate, permit me to present the most important key figures individually:

At EUR 307.3 million, Loewe's Group sales in fiscal 2010 were 5% lower than the value of EUR 324.0 million in the prior year. While sales in Germany were 7% lower than in the prior year at EUR 179.7 million, export sales declined by only 3% to EUR 127.6 million. However, the percentage of total TV sales contributed by large-screen TVs 37 inches and larger increased from 58% in the prior year to 66%.

After the negative repercussions of the worldwide financial and economic crisis in 2009, fiscal 2010 was characterized by a normalization and economic recovery in most European countries. Even though nearly all important markets exhibited positive growth by value in the LCD TV segment, both in Germany and in the export markets the tendency to buy durable premium products has not yet returned to the anticipated level.

In the following I would like to give you a brief overview of the sales trend in the course of the fiscal 2010.

Even though Group sales were 3% higher year on year in the first two quarters, they still fell significantly short of our expectations since the FIFA World Cup in South Africa caused most of the market growth to take place in the first half of 2010. Unfortunately, we were unable to take advantage of this major sales opportunity, and sales of LCD TVs as a whole were 5% lower than in the prior year in the first six months of 2010. Only LCD TVs in the screen size categories of 40 inches and larger recorded an increase. In this segment, the newly launched 40- and 46-inch Individual sets with LED backlighting had a positive effect. Due to the launch of our Mediacenter, the Audio/DVD segment achieved substantial growth in sales, increasing by 81%. As a consequence, it was possible to compensate for the declines in TV sets in the first half of 2010.

In the third and fourth quarters, sales were significantly lower than in the same period in 2009. In particular, the traditionally weaker summer months July and August were further burdened by the amount of early purchases in advance of the World Cup. While Audio/DVD sales stagnated, sales of LCD sets declined. Despite the launch of additional new sets with LED backlighting in the Individual, Connect, and Art lines, in the third and fourth quarter of 2010, consumer reluctance was particularly noticeable in the market relevant for Loewe. This is why we deliberately initiated targeted measures in the fourth quarter to sell off TV sets with CCFL backlighting.

In the year 2010 as a whole, sales of LCD TVs fell by 11% to EUR 249.8 million. In Audio and DVD/Blu-ray, on top of the launch of the Mediacenter, additional innovative multiroom and speaker solutions contributed to the positive sales growth by 33.6% to EUR 31.4 million. Other sales increased by 31% to EUR 26.1 million. This item above all reflects the strong growth of the accessories segment with its attractive placement solutions. It also includes the sales of MacroSystem Digital Video AG, which was consolidated for the first time in the reporting year. By acquiring a majority interest in MacroSystem, we noticeably strengthened our competence in the product-related multimedia software segment.

Due to the lower sales and production volume, necessary price adjustments, and higher procurement costs, Loewe recorded negative EBIT of minus EUR 5.3 million, after EUR 13.5 million in 2009. After a slightly positive first quarter in 2010, the following two quarters posted losses. Accordingly, at the end of September we once again had to record negative EBIT in the cumulative amount of minus EUR 9.1 million. Thanks to higher sales, an improved product mix, and the first successes of our "Fast Forward" future strategy program, we were able to generate positive EBIT of EUR 3.8 million again in the fourth quarter, and as a consequence partly offset the losses that had arisen until then.

For the year as a whole, cash and cash equivalents were positive at EUR 8.2 million.

Because the sales volume was lower while procurement costs were higher, the absolute gross margin declined from EUR 94.6 million in 2009 to EUR 69.9 million in 2010. In relation to sales, the gross margin was therefore significantly lower than in 2009, falling from 29.2% to 22.8%.

Selling expenses declined by EUR 5.3 million to EUR 68.7 million in 2010 due to the even more selective use of funds. The continuation of our vigorous efforts aimed at further expanding the brand position was associated with corresponding expenses for communications and the expansion of retail shop-in-shop systems. However, measures to cut costs had a favorable effect. These measures allowed us to reduce our selling expenses in relation to sales as well. They declined from 22.8% in 2009 to 22.4% in the year under review.

The significant drop in the gross margin ultimately led to a net loss in the amount of EUR 7.0 million in 2010. The distributable profit of EUR 2.0 million as of December 31, 2010, was positive as a consequence of the Group profit carried forward from 2009. Total equity

including minority interests was EUR 80.1 million. Due to the shortened balance sheet, the equity ratio changed only slightly, down from 38.0% in the prior year to 37.1% in 2010. This demonstrates our solid capital structure, which is supported by a syndicate agreement with a volume of EUR 50 million that is still available to us until mid-2012. The new factoring agreement in effect since July 1, 2010, with a volume of EUR 35 million, was concluded until mid-2015 with improved conditions. In addition, because we recently paid the last installment of a long-term loan, we no longer have any long-term bank liabilities at this point. Our good capital structure, in connection with wide-ranging financing agreements, thus forms a solid and reliable basis for Loewe's growth targets in the coming years.

Ladies and gentlemen, 2010 was an eventful year for the Loewe share on the whole. Despite a 24 % decline for the entire year, it gained more than 21% and recovered from its lows. Supported by the consistent implementation of the restructuring, the share closed the trading year 2010 at EUR 6.85. Until the dramatic events in Japan, fiscal 2011 was off to a good start, with the share gaining 8.7%. We are therefore convinced that the Loewe share represents a good investment for the medium to long term.

What were the most important highlights in our operational business last year?

Loewe launched a total of three new television lines with state-of-the-art LED backlighting in 2010.

In the development department, we successfully completed our work on the SL 150 electronics platform. It makes even flatter set design possible and also creates the conditions for a number of new applications. It has an integrated network interface, making it easy to establish a connection between the home network and the Internet.

We presented comfortable video distribution throughout the house as a global innovation. With this technology, the central TV's hard disk recorder becomes a server from which content such as films can be distributed into other rooms. A particularly attractive feature is the Follow Me function that makes it possible to pause a television program at any time and then continue it on another television. It just recently won the innovation prize awarded by the well-known publisher Auerbach Verlag.

As part of the "Prime" research project, Loewe collaborated with partners to develop important 3D television technology. Our partners included the renowned Fraunhofer Institutes in Erlangen and the Heinrich Hertz Institute in Berlin. As a consequence, we were able to further perfect our 3D development efforts and offer a superior solution in keeping with Loewe's tradition. At the end of March, as planned, we started to launch a number of high quality 3D televisions, which have a much better picture quality even in 2D mode, to coincide with the ramp-up of the 3D market. You can see these TVs in our presentation next to the stage.

Loewe is participating in a number of other technology projects that are supported by institutions such as the German Federal Ministry of Economics and Technology. Topics include home networking, intuitive use, and energy efficiency.

Ladies and gentlemen, as you can see, we significantly strengthened our product base in the past year and in the first months of 2011. And we won a lot of best in test awards for them as well.

All three of our new television lines – Individual, Art, and Connect – receive high accolades in the trade press. We have summarized the most important test reports in a special publication for you. Here are just a few headlines: "Perfect television enjoyment guaranteed" and "Worth every cent of the price tag" (*Satvision* about Loewe Art); "The multimedia miracle machine...leaves nothing to be desired" (*HD+TV* about Loewe Connect); "Loewe's latest

stroke of genius" (*Video Home Vision* about Loewe Connect); and "Highest standards" (*Heimkino* about Loewe Art). Just recently, the Loewe Individual won the *Stiftung Warentest* benchmark test, published in the April issue of *test* magazine.

When the high-circulation program guide *TV Spielfilm* published a brand compass of the nine most important consumer electronics brands in its April issue, it gave Loewe first place. More than 90% of all Loewe sets were rated "very good" or "good." The magazine referred to the results of *testberichte.de*, an Internet platform that tracks thousands of product tests from hundreds of trade magazines and online portals. Editor Hartmut Krafczyk aptly sums it up: "A Loewe is always a special television – both in design and technology."

Ladies and gentlemen, this is what I was trying to express earlier when I referred to our special blend of technology and emotion. Loewe is technology, Loewe is design, and Loewe has a powerful emotional quality for everyone who comes in contact with the brand. This is what makes Loewe unique, and this is what makes your investment profitable.

Nearly all new Loewe sets received important design prizes both in Germany and the export markets. In addition to the iF award and red dot, they included the Good Design Award in the USA and the *Observateur du design* award in France.

We were also pleased that our 2009 annual report won the 2010 edition of the coveted red dot design award. It was a real acknowledgement on the part of Design Zentrum Nordrhein Westfalen's international jury of the high quality of this important capital market communication instrument.

The marketing highlight of the past year was our presence at the IFA 2010 in Berlin. Under the slogan "Standard isn't for everyone," Loewe once again proved its cutting edge and thrilled retailers, end consumers, and the media with attractive, individual product and system solutions.

Loewe's international distribution network was enhanced and expanded in 2010. Together with our qualified retail partners, we opened a total of twenty-one new Loewe galleries. The emphasis was on the European markets, among other things including France, the United Kingdom, Spain, Russia, and Austria, and on Australia. We opened five new galleries in Germany alone, our most important market.

Ladies and gentlemen, let us now take a look at the first quarter of 2011.

Loewe is still lower than in the prior year in terms of both sales and earnings. At EUR 61.5 million, Loewe Group sales were 16% lower in the first months of 2011 than the value of EUR 73.4 million in the prior year period. Due to the decline in sales and production value, Loewe posted negative EBIT of EUR 2.9 million in the first quarter, down from a positive EUR 0.8 million in Q1 2010.

The first three months of 2011 were still burdened by special effects such as the necessary adjustment of the Loewe TV product line and aggressive price competition. In the first weeks of the current fiscal year in particular, important market players launched targeted retail sales campaigns to compensate for the weaker-than-expected 2010 Christmas business.

How do we view the development for the coming months?

The LCD TV market in Europe will experience further growth, in particular due to replacement demand and an increase in ownership of more than one set. After a 5% increase in market share by value in 2010, from the present perspective this market is expected to grow at a slightly lower rate in the current year, in particular on the strength of new technologies like 3D television and the convergence of Internet and television, where

Loewe has the leading position. Looking ahead to 2012, there will also be the UEFA European Football Championship in Poland and the Ukraine.

We base our forecasts for the Loewe Group on the expectation of moderate growth of the European gross domestic product in the next two fiscal years. Assuming that the price of the euro in relation to the U.S. dollar remains relatively stable and that the cost structure does not change significantly, Loewe forecasts profitable growth for fiscal years 2011 and 2012. From the present perspective, the number of employees will also not significantly exceed the figure for 2010. We will concentrate our human resources efforts on individual areas, and in the software area in particular will be hiring new staff. Capital expenditure is at the level of the previous year and in the current fiscal year will mainly be focused on tools for products, efficient production facilities, and presentation systems for the effective presentation of the brand.

Although sales and earnings did not yet quite recover in the first months of the current fiscal year, we still anticipate moderate growth in sales and positive EBIT in 2011.

Our most important tasks and challenges this year will be to expand Loewe's position as an innovative premium company as the speed of innovation accelerates in the market. At the same time, we will continue to strengthen the premium brand while still keeping costs under control. It goes without saying that we will continue to make conscious strategic investments to ensure that we achieve the turnaround in sales and earnings. This is why Loewe will keep focusing on the future through the "Fast Forward" program. What does this mean specifically?

First of all, after the reorganization of product development, we will further optimize internal processes.

Secondly, we will restructure Loewe's product range for the long term and continue to pursue the current product offensive.

In the first quarter, Loewe completed the transition to TVs with LED backlighting, and a few weeks ago we successfully launched the Individual Compose as the first of many 3D televisions. For Loewe, individualization is the most important means to set ourselves apart from all other competitors. With this in mind, we will align our products even more closely to the needs and expectations of demanding customers in the European premium market. This fall, we will be adding a broad range of customizable, innovative audio solutions to our individual home entertainment systems.

Thirdly, we will keep reducing the technical complexity of our products. To this end, we will employ a new and economical platform strategy. In addition, we have created new development capacity. This is how we are continuing to raise our "developed and made in Germany" quality standard. Easy operation and fun-to-use home entertainment systems are major priorities. As an example, this chart shows you the new user interface we will be launching this fall for the first time with new audio products. Our core brand values – exclusive individuality, minimalist design, and sensible innovation – are equally valid for the intuitive control of our products.

As a fourth element of "Fast Forward," Loewe will continue to pursue its targeted measures for the qualitative and quantitative expansion of distribution in selected European core markets. We already started this effort at the end of last year. We are now seeing the first fruits in the form of firm contracts, including supply contracts for the retail chains FNAC in France and John Lewis in the UK and the retail cooperative Euronics in Italy. We will continue to intensify our long-standing close partnership with qualified retailers. Our partnerships have already earned us top ratings in retail surveys such as the market intern and rf-brief studies. In GfK's just-released 2011 manufacturer image study, retailers give Loewe the best rating by far, well ahead of the big, global brands.

Finally, an ongoing communication campaign will further enhance our profile as a premium brand for the long term. Our current campaign, "Test the best of the best of the best," includes advertisements in major daily papers and target-group-specific commercials on local radio stations. Our comprehensive CRM system is a means to even more effectively reach premium customers together with our retail partners. And the IFA 2011 will once again be an outstanding platform for impressively presenting Loewe to an international audience.

In conclusion, ladies and gentlemen, I would like to recap the main points. Loewe has a solid equity base, and this gives us the leverage we need to undertake necessary measures. The international markets offer tremendous growth potential for Loewe in the premium segment. As a premium brand, Loewe has become a leading provider of highly customizable home entertainment systems with a growing audio segment and a leading brand in European consumer electronics. We are committed to continuing to strengthen this tremendous potential of the brand and the Company in the future. We are counting on your confidence.