

+ + + Dedication to the Corporate Governance Code + + + Full compliance with the recommendations of the Code + + + Business risks handled conscientiously + + + Active implementation of all capital market regulations + + +

**Sustainable increase  
in corporate value while  
taking environmental  
concerns into account**

**Conscientious and transparent management**

As an established premium brand, it is our goal to continue to expand our market leadership in home entertainment systems in Europe. In doing this, we will of course ensure that our product quality and marketing conform to the highest standards. Our Executive Board and Supervisory Board have set the same high standard with respect to the management of our company, which is characterized by responsible thinking and acting.

For Loewe, corporate governance has for years meant conscientious and efficient management and control of the Company, which includes all areas of the Loewe Group. Already in the 2001 Annual Report, we published the principles concerning cooperation based on trust between the Executive Board and the Supervisory Board. In the interest of the shareholders, customers and employees and while taking environmental concerns into account, our objective is to achieve a sustained increase of the company value. Effective corporate governance is an integral component of Loewe's corporate identity. We support the German Corporate Governance Code issued by the Government Commission and most recently updated on June 14, 2007 and will again implement all recommendations without exception.

**Declaration of Conformity**

Our principles conform to the recommendations of the Code without exception. On November 30, 2007, the Executive Board and Supervisory Board issued their declaration of conformity pursuant to Section 161 German Stock Corporation Act. The following declaration of conformity was made permanently available to the shareholders on the Company's web pages at [www.loewe.de](http://www.loewe.de) under Investor Relations at the proper time:

“The Executive Board and Supervisory Board of Loewe AG hereby issue the following declaration of conformity pursuant to 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 fully comply with the recommendations of the German Corporate Governance Code as amended on June 14, 2007.
2. Loewe AG has fully complied with the recommendations of the German Corporate Governance Code as amended on June 12, 2006 since its last declaration of conformity of December 1, 2006.”

**Loewe fully complies with the recommendations of the German Corporate Governance Code**

#### **Remuneration of the Executive Board of Loewe AG**

In accordance with legal requirements, we publish the remuneration of the members of the Executive Board broken down into fixed and variable components. The members of the Executive Board of Loewe AG are simultaneously managing directors of Loewe Opta GmbH. For fiscal year 2007, the remuneration of the Company’s Executive Board totaled EUR 2.059.469 (2006: EUR 1,523,798). No separate remuneration was paid for the GmbH activity.

The amount of the incentive compensation for the Executive Board is based on the targets defined by the personnel committee of the Supervisory Board for the fiscal year in question. In addition to strategic goals, these targets primarily include economic figures of the Loewe Group. The Chairman of the Supervisory Board provided a detailed presentation of the remuneration policy principles and structure in the last Shareholders’ Meeting and such a presentation is also planned for the next one. See page 114 for comprehensive information on the individual remuneration of the Executive Board.

In general, the age limit for the three members of the Executive Board is 65 years. Directors & officers insurance exists. A deductible has been stipulated to be a component of the fixed annual remuneration of each member of the Executive Board.

#### **Remuneration of the Supervisory Board of Loewe AG**

In conformity with sub-section 5.4.7 of the German Corporate Governance Code, Loewe reports the compensation of the Supervisory Board individually and sub-divided according to components. Each member of the Supervisory Board of Loewe AG receives a fixed annual remuneration of EUR 15,000. Depending on business development, a variable remuneration based on the performance of the Group is added. Each member of the Supervisory Board receives an additional EUR 15,000 if Group earnings per share reach EUR 2.20. If earnings are lower or higher, the variable component is reduced or increased proportionally. This fixed and variable remuneration is doubled for the Chairman of the Supervisory Board, and the Deputy Chairman receives one and one-half times that amount. For fiscal 2007, the total remuneration of the Supervisory Board came to EUR 174.262 (2006: EUR 127.022). See page 113 of the Notes for detailed information on the individual remuneration of the Supervisory Board. The members of the Supervisory Board performed no consulting and mediation services or other services during the year under review. For that reason, no remuneration was granted in excess of the aforementioned components.

The Supervisory Board of Loewe AG includes six members and the same members were elected for a further five year term by the Shareholders’ Meeting in 2006. Directors & officers insurance also exists for the Supervisory Board. An appropriate deductible – geared to the Supervisory Board incentive compensation – has been stipulated.

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

### **Avoidance of conflicts of interest**

Both the members of the Executive Board and 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 nor grant third parties unlawful advantages. The members of the Executive Board shall disclose such transactions or sideline activities to the Supervisory Board without delay and they require the approval of the Supervisory Board. The Supervisory Board shall inform the Annual Shareholders' Meeting of any conflicts of interest which have occurred together with their treatment. No such conflicts of interests have occurred with members of the Executive Board or the Supervisory Board in the period under review.

### **Directors' dealings**

The rule with respect to directors' dealings was significantly tightened due to the implementation of the Market Abuse Directive of the European Commission. Pursuant to Section 15 a German Securities Trading Act, persons having management responsibilities as well as persons in close association with them, including legal entities, must disclose the purchase or sale of securities of Loewe AG if the value of the transactions equals or exceeds EUR 5,000 in a calendar year. A total of two transactions were reported to Loewe between December 1, 2006 and December 31, 2007. Loewe promptly reported the details concerning these transactions and displays them permanently at [www.loewe.de](http://www.loewe.de) under Investor Relations. It also properly informed the German Federal Financial Supervisory Authority.

### **Shareholdings of members of the Executive Board and Supervisory Board**

As of December 31, 2007, the Executive Board held 622,718 (previous year: 622,718) shares in Loewe AG. No options or similar incentive systems exist at this time. The Supervisory Board holds no Loewe shares.

### **Compliance at Loewe**

In addition to the implementation of the Corporate Governance Code, Loewe also fulfills the documentation and publication requirements of the Investor Protection Improvement Act (AnSVG). We implement appropriate measures to prevent insider dealings and we comply with regulations under corporation law as well as those relevant to stock exchanges and capital markets. In accordance with Section 15b German Securities Trading Act, Loewe maintains a list of persons who have access to insider information of our company. We regularly inform corporate officers of their obligation to promptly report transactions with financial instruments of our company. Furthermore, the relevant groups of persons are informed regularly concerning insider trading issues, directors' dealings and ad hoc notifications. We proactively inform new employees about the possibility of coming into contact with insider information and the necessary course of conduct. Furthermore, Loewe publishes relevant information on the topic of "insider trading" for all employees on the Company's intranet pages.

**Mandatory disclosures are published without delay**

### **Responsible handling of risks**

The conscientious and consistent handling of business risks in particular is a component of good corporate governance for Loewe. Loewe's risk management system is an integral component of the 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 provides Loewe's management the ability to identify risks early, control them and initiate measures for their timely elimination. See page 47 et seq. in the "Risk Report" section of the Group Management Report for further details.

### **Further information on corporate governance at Loewe**

Additional information concerning the cooperation of the Supervisory Board and Executive Board, the activity of the Supervisory Board and its 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 115 et seq. of the Notes to the Consolidated Financial Statements in the section Corporate Boards and Offices Held. We regularly inform our shareholders of significant dates in a financial calendar in the Annual Report. We continuously update this information on our web pages at [www.loewe.de](http://www.loewe.de). Loewe also publishes current company developments, annual financial statements, interim reports, press releases as well as ad hoc notifications and reportable securities transactions on its web pages.

Kronach, March 18, 2008

For the Executive Board



Dr. Rainer Hecker  
Chief Executive Officer

For the Supervisory Board



Professor Dr. Eberhard Scheffler  
Chairman of the Supervisory Board