



REPORT ON THE FIRST NINE MONTHS OF FISCAL YEAR 2003

- SALES CONTINUED TO BE SIGNIFICANTLY DOWN FROM THE PREVIOUS YEAR
- NEGATIVE EBIT DUE TO THE DECLINE IN SALES
- RESTRUCTURING AND COST CUTTING STEPPED UP

LOEWE.



Dear Shareholders,

The year 2003 is turning out to be more difficult than expected for the consumer electronics industry and for the Loewe Group in particular. The uncertainty and buying restraint among consumers is persisting. The overall economic conditions and the uncertainty concerning the effect of political reform decisions continue to be unsatisfactory. The six leading economic institutes predict that the German economy will stagnate in the current year for the third time in a row and will not start to grow again until the second half of 2004.

The growing interest in flat-panel displays is leading to a disproportionate decline in demand for classic picture tube televisions, especially in the premium segment. This is despite the fact that picture tube sets continue to offer the best price/performance ratio. This trend impacts Loewe in particular.

In a European comparison, the impact of this trend is by far most severe in the German market. The overall TV market in Germany is in a 9% decline. In the picture tube segment, the decline in terms of value is even 15%; in picture tube sets above EUR 2,000, the market volume in Europe dropped even more severely, specifically by 36%.

Against this backdrop, Loewe's sales in the first nine months were noticeably below those of the previous year. The 25% decline in sales from EUR 259.7 million to 194.0 million resulted in a negative EBIT of EUR 19.7 million. The loss is primarily due to the low business volume and the worsened product mix as well as additional expenses for restructuring.

The highlight of the third quarter was the International Consumer Electronics Fair (IFA) in Berlin. Under the motto "More Loewe," not only the production models were displayed but also the new LCD and plasma lines Xelos and Spheros as well as the Articos rear projection TV with a screen diagonal of 140 centimeters. In addition, Loewe presented its solutions for the electronically networked home and future home multimedia concepts.

The market launch of the large-format high-definition plasma TV Spheros 42 HD in the third quarter improved our position in flat-panel display sets. The Tremo subwoofer satellite system and the Auro DVD preceiver together with our TV families expand the Loewe home cinema solutions.

After the conclusion of the IFA, which turned out on a basically positive note, consumer demand has still not recovered to the desired extent. The resulting higher inventory of picture tube sets at the start of the main shopping season made it necessary to introduce additional capacity adjustment measures. After exhausting the possibilities for adjusting working hours under collective bargaining agreements, it became necessary to plan for short workdays.

Sales in fiscal year 2003 will be significantly below those of the previous year. It will also not be possible to achieve positive earnings in the fourth quarter of 2003 because the sales and production volume will fall short of the same quarter of the previous year.

Based on this difficult economic environment, we will systematically expand the current restructuring program and initiate additional cost and capacity reductions. On the other hand, we will expand distribution in our core markets, sharpen the image of the Loewe premium brand by rigorously implementing the re-designed brand identity throughout the product portfolio and step up the market launch of the already introduced large-format LCD products in the first half of 2004.

Sincerely yours,



Dr. Rainer Hecker
Chairman of the Executive Board of Loewe AG

THE LOEWE GROUP AT A GLANCE*

in EUR million	3 rd quarter 2003	3 rd quarter 2002	Change in %	1 st -3 rd quarter 2003	1 st -3 rd quarter 2002	Change in %
Sales	62.1	84.4	- 26	194.0	259.7	- 25
Germany	33.2	43.7	- 24	99.5	123.7	- 20
Foreign	28.9	40.7	- 29	94.5	136.0	- 31
Earnings before interest and taxes (EBIT)	- 10.5	2.3		- 19.7	16.8	
Net result after minority interests	- 7.1	1.1		- 13.9	9.2	
Earnings per share in EUR**	- 0.99	0.16		- 1.94	1.29	
Further key figures						
Net cash from operating activities	- 1.8	- 1.6		- 3.7	17.0	
Capital expenditure	4.6	7.1	- 35	13.9	17.4	- 20
Depreciation and amortization	5.2	5.0	4	14.9	14.1	6
Development costs	3.5	3.7	- 5	10.3	9.8	5
Number of employees	1,238	1,270	- 3	1,247	1,237	1

* Home Media Systems division only. The Telecommunications division was closed at the end of 2002.

The interim financial statements and the annual financial statements as of December 31, 2002 are in accordance with IAS and were compiled using the same accounting and valuation methods.

** Net result in relation to the number of shares outstanding totaling 7,176,600 shares (previous year: 7,158,200 shares).

SALES DROP BY 25 % TO EUR 194 MILLION IN THE FIRST NINE MONTHS

Sales of the Loewe Group were significantly down in the first nine months of 2003. This is primarily due to the persistent decline in market volume for television sets with picture tubes in the upper price segment. Sales growth in flat-panel display products compensated for this development only slightly.

NEGATIVE EBIT AND CASH FLOW

Earnings before interest and taxes (EBIT) in the first nine months were EUR -19.7 million. This loss was primarily caused by the lower business volume and the poorer product mix. In addition to the non-recurring effect of the reorganization of the Italian business amounting to EUR 4.5 million, restructuring expenses of EUR 2.0 million were a factor.

As a consequence of the negative EBIT, the net loss after minority interests in the first nine months is EUR 13.9 million after a profit of EUR 9.2 million in the comparable period of the previous year. Earnings per share came to EUR -1.94. Considering the 398,400 options that may still be exercised by 2005, diluted earnings per share were EUR -1.84.

As a consequence of the loss, there was a negative cash flow from operating activities of EUR 3.7 million.

WORKFORCE REDUCTION SINCE THE BEGINNING OF THE YEAR

Compared to December 31, 2003, the number of employees decreased by 1 % in the third quarter as a consequence of the general hiring freeze and personnel reduction measures under the restructuring program. It was possible to make the necessary adjustment to the considerably lower production volume in the first nine months of 2003 by reducing individual working hours of direct employees. This is equivalent to about 60 employees. Among indirect employees, the current restructuring program will lead to a reduction of about 60 employees in the coming months. Moreover, it is expected that roughly 70 positions will be eliminated from the direct workforce in 2004 and another 60 positions among indirect employees.

MARKET GROWTH IN FLAT-PANEL DISPLAY SETS, GENERALLY DIFFICULT MARKET ENVIRONMENT

The overall economic conditions and the subdued propensity to consume in Europe continue to be problematic. In addition, the International Consumer Electronics Fair (IFA) in Berlin spurred the anticipated substitution process under which flat-panel display sets will replace sets with picture tubes (CRT). CRT sets still represent more than 80 % of the European TV market by value; however, the segment of high-priced CRT sets in which Loewe is positioned with many products, has been particularly hard hit by the substitution effect by flat-panel display products.

The current market figures for CRT televisions in Europe show a 10 %¹ market decline in terms of value with a barely 1 % lower unit sales volume for the period from December 2002 through July 2003. The marked decline in average prices is attributable to price reductions and a higher share of low-priced sets. Out of profitability considerations, Loewe has adjusted its prices only slightly, resulting in a 0.5 percentage point decline of Loewe's market share to 6.2 %² in the period from December 2002 through July 2003 compared to the same period of the previous year.

In the same period, the market for flat-panel display sets doubled to roughly EUR 1.3 billion and now represents 18 % of the overall market. Loewe's market share is currently only 1.1 % because the especially well-equipped and high-end Loewe premium products with their higher prices appeal to only a smaller target group. Moreover, Loewe's product line of LCD-TVs will be expanded to include lower price categories in the fourth quarter of 2003. In the first half of 2004, attractive large format sets will be added to the line.

As the market for flat-panel display sets matures, the manufacturing costs will drop and the opportunities for the premium sellers to differentiate themselves will increase. Loewe should profit from this and be able to expand its market share.

In the period from December 2002 through July 2003, the dynamic growth of flat-panel display sets nearly compensated for the decline of CRT sets in Europe³. In Germany, however, the overall market declined by 9 %; the decline was even 15 % by value in the CRT segment⁴. In a European comparison, this is by far the worst development. This decline affected Loewe products just as severely as the overall market. Loewe's market share by value was reduced by 0.3 percentage points to 13.9 %⁵.

¹ Source: GfK, market by value for CRT televisions in Europe in the period December 2002 through July 2003

² Source: GfK, market share by value in European retail trade in the period December 2002 through July 2003

³ The market has declined by 1 % to EUR 7.6 billion. Source: GfK, market by value for televisions in Europe in the period December 2002 through July 2003

⁴ Source: GfK, market by value in the retail trade in the period December 2002 through July 2003

⁵ Source: GfK, market share by value for CRT televisions in the German retail trade in the period December 2002 through July 2003

CONTINUED SHARP DECLINES IN SALES

in EUR million	3 rd quarter 2003	3 rd quarter 2002	Change in %	1 st -3 rd quarter 2003	1 st -3 rd quarter 2002	Change in %
Televisions and multimedia units	52.8	71.6	- 26	164.4	219.2	- 25
DVD players	0.8	1.7	- 53	2.6	5.7	- 54
Video recorders	0.9	1.5	- 40	2.6	5.6	- 54
Stereo systems	0.7	1.7	- 59	2.2	4.3	- 49
Accessories and other revenues	6.9	7.9	- 13	22.2	24.9	- 11
Total sales	<u>62.1</u>	<u>84.4</u>	<u>- 26</u>	<u>194.0</u>	<u>259.7</u>	<u>- 25</u>

TELEVISIONS AND MULTIMEDIA UNITS

Loewe's sales of televisions and multimedia units declined by 25 % to EUR 164 million in the first nine months of 2003.

In the entry level price category of Loewe CRT sets, sales increased noticeably. The successful market launch and positioning of the Aventos product family made a decisive contribution to this result. In contrast, the very severe reduction in demand for higher priced CRT sets at Loewe led to a greater than average decline in sales. Even the new product families Mimo and Nemos with real flat picture tubes were only able to soften this negative trend.

Sales of flat-panel display sets rose 71 % in the first nine months of 2003 to approximately EUR 9 million. Flat panels thus account for 6 % of Loewe's total television sales. The Spheros 20 LCD flat-panel TV launched in late 2002 made a major contribution to this increase. Dynamic growth of flat-panel display products is expected in the fourth quarter because several new products will be introduced to the market and the high-definition Spheros plasma TV, which was launched at the IFA, will be marketed internationally.

VIDEO RECORDERS, DVDS, STEREO SYSTEMS, ACCESSORIES AND OTHER PRODUCTS

The further decline in sales of video recorders and DVD players was caused by the sharp reduction in average revenues in the market. Loewe did not follow this trend out of earnings considerations. The decline in sales of stereo systems is attributed to the low demand for high-end stereo and speaker systems and the high previous year figure resulting from the market launch of the Concertos sound system at that time. Sales of accessories declined consistent with the other product groups.

UNSATISFACTORY EXPORT BUSINESS

In addition to the extremely unfavorable development in Germany (-15 %), the markets for CRT sets in the United Kingdom and France have shown similar unsatisfactory development with a 13 % decline.⁶ In the Italian and Spanish markets, which are of importance to Loewe, the CRT market was in fact stable; nonetheless, the significance of low-priced CRT sets increased strongly.

In the European countries other than Germany, the new display technologies tended to be accepted more rapidly by the market than in Germany. The heavy demand for flat-panel display products in the United Kingdom and France has nearly compensated for the decline in the CRT segment. The market by value for televisions has even grown significantly in Italy (+13 %) and Spain (+6 %).⁷

⁶ Source: GfK, retail market for CRT televisions in the period December 2002 through July 2003

⁷ Source: GfK, market by value for televisions in the retail trade in the period December 2002 through July 2003

The Loewe market share for CRT televisions was largely constant in the significant export markets. Only in Italy did the market share decline by 1.7 percentage points to 4.1 %⁸ and in the Benelux countries by 2.5 percentage points to 8.1 %⁹. The total TV segment including flat-panel display televisions showed a similar trend.

The decline in export sales impacts all significant core markets. Overall, the share of export sales in total sales declined to an export rate of about 50 % compared to the same time period of the previous year.

FURTHER WORSENING OF THE EARNINGS SITUATION

EBIT in the first nine months amounted to EUR –19.7 million compared to a profit of EUR 16.8 million in the same period of the previous year. As in the first half, the third quarter loss is primarily due to the lower business volume and the poorer product mix. In addition, production volume dropped by 28 % compared to the same quarter of the previous year, which lowered earnings by approximately EUR 4 million. In addition to the non-recurring effect of the reorganization of the Italian business amounting to EUR 4.5 million in the first quarter, expenses of EUR 2.0 million resulting from the release of personnel had a negative impact in the second and third quarters.

The personnel reduction already partially implemented affected 19 persons in the third quarter. The reduction of 60 positions will result in an annual cost reduction of approximately EUR 3 million starting in 2004. Moreover, it will be possible to achieve the planned EUR 7 million in cost savings for all of 2003, mainly in materials and services. The savings already implemented amount to EUR 5 million.

Under the expanded restructuring program, the number of indirect employees will be reduced again by 60 persons and the number of direct employees by 70 in early 2004. The EUR 0.6 million in expenses required for implementing these reductions are included in the third quarter result. As of 2004, this expanded restructuring program will result in lower personnel costs of EUR 3 million on a total year basis.

EBIT HOME MEDIA SYSTEMS

	3 rd quarter 2003	3 rd quarter 2002	1 st -3 rd quarter 2003	1 st -3 rd quarter 2002
EBIT in EUR million	– 10.5	2.3	– 19.7	16.8
EBIT as a percentage of sales	– 17.0	2.7	– 10.2	6.5

The decline in the gross margin compared to the same period of the previous year by 7.9 percentage points to 21.4 % reflects the unfavorable product mix and the lower coverage of fixed costs in production, development and quality control due to the decline in volume. Moreover, the gross margin is lower by EUR 1.5 million due to the repurchase of inventories from the Italian distributor in the first half. On the other hand, savings in the cost of materials in the amount of EUR 1.8 million impacted the gross margin positively. The low gross margin of 16.1 % of sales in the third quarter compared to the same quarter of the previous year results from higher manufacturing costs due to the low production volume and the decline in sales of high-end TV sets with high contribution margins.

⁸ Source: GfK, market share by value for CRT televisions in the retail trade in the period December 2002 through July 2003

⁹ Source: GfK, market share by value for CRT televisions in the retail trade in the period December 2002 through May 2003

The selling expenses were lower than in the comparable period of the previous year by about EUR 0.7 million. The savings in the largely volume-dependent freight costs amounting to EUR 1.0 million and the advertising costs, which were lower by EUR 1.4 million, were offset by higher warranty costs of EUR 1.1 million and the costs of the new subsidiary in Italy of about EUR 0.6 million.

Within the other operating income and expenses, compensation payments to the former distributor in Italy of roughly EUR 1.5 million lowered the net income of the first quarter of 2003. In the second quarter, it was necessary to recognize expenses of EUR 1.4 million resulting from the restructuring program. In the third quarter, there were additional expenses of EUR 0.6 million for anticipated layoffs.

CAPITAL EXPENDITURE SIGNIFICANTLY REDUCED

in EUR million	Capital expenditure		Depreciation and amortization	
	1 st -3 rd quarter	1 st -3 rd quarter	1 st -3 rd quarter	1 st -3 rd quarter
	2003	2002	2003	2002
Intangible assets	4.5	4.6	4.6	4.6
Property, plant, and equipment	9.3	12.6	10.3	9.5
Financial assets	0.1	0.2	0.0	0.0
Total	<u>13.9</u>	<u>17.4</u>	<u>14.9</u>	<u>14.1</u>

The EUR 13.9 million in capital expenditure of the first nine months of 2003 was significantly lower than the capital expenditure of the previous year by EUR 3.5 million. The previous year's amount includes EUR 1.9 million for the logistics center, which was completed in 2002. The most important capital expenditure relates to tooling for new products (EUR 6.8 million) and the development costs (EUR 3.6 million) subject to mandatory capitalization in accordance with International Accounting Standards (IAS) as well as production and testing equipment (EUR 2.4 million).

In contrast, at EUR 14.9 million, depreciation and amortization for the first nine months of 2003 was slightly higher due to the high capital expenditure in the previous year.

SHARP INCREASE IN NET LIABILITIES

in EUR million	Sep. 30, 2003	Dec. 31, 2002	Sep. 30, 2002
Non-current assets	66.4	67.4	65.7
Working capital	54.8	59.5	54.7
Assets/Liabilities of the discontinued division	0.0	- 0.6	1.4
Shareholders' equity	60.5	80.5	78.5
Minority interests	1.1	1.2	1.1
Net financial debt	<u>59.6</u>	<u>44.6</u>	<u>42.2</u>

The primary change in the balance sheet structure as of September 30, 2003 compared to December 31, 2002 relates to shareholders' equity. The EUR 20.0 million decrease is based on the dividend of EUR 6.1 million paid in June and a net loss after minority interests of EUR 13.9 million. The net financial liabilities increased by a total EUR 15.0 million because the working capital could only be reduced by EUR 4.7 million in the first nine months of 2003.

in EUR million	Sep. 30, 2003	Dec. 31, 2002	Sep. 30, 2002
Inventories	62.8	54.6	65.2
thereof: raw materials and supplies	15.4	15.5	14.7
thereof: finished goods and merchandise	47.4	39.1	50.5
Trade accounts receivable and other assets	59.8	84.4	70.6
Other provisions	- 37.5	- 47.7	- 41.5
Trade accounts payable, other liabilities	- 30.3	- 31.8	- 39.6
Working capital	<u>54.8</u>	<u>59.5</u>	<u>54.7</u>

Despite the EUR 2.4 million reduction made since the end of the last quarter, the inventories continue to be high as of September 30, 2003. The stock reduction as compared to the level of the previous year and the reduction of production volume in the third quarter is still not adequate to adjust inventories to the significantly lower sales volume.

The inventory of finished goods taken over from the former distributor in Italy in the amount of roughly EUR 5 million has been reduced in the meantime to EUR 3.3 million and should be completely eliminated in the first quarter of 2004 because Italian customers will be supplied exclusively from the German central warehouse in the future.

Based on current sales planning, the inventory of finished goods on hand should on average last 1.3 months. Inventory value adjustments amounting to just under EUR 1 million were made in the third quarter.

Reflecting the seasonal sales trend and due to the distinct reduction in sales in the first nine months of 2003, the trade accounts receivable and other assets were down by EUR 24.6 million compared to the balance as of December 31, 2002. Despite the selectively allowed longer times for payment, a lower volume of accounts receivable resulted from the lower sales as compared to September 30, 2002.

The reduction in other provisions since December 31, 2002 is primarily due to the payment of annual bonuses to dealers for the year 2002 and the lower sales in the first nine months of 2003.

SHAREHOLDERS' EQUITY

in EUR million	Sub- scribed capital	Capital reserve	Other retained earnings	Profit brought forward	Share- holders' equity
Balance as of 12/31/02	7.2	45.3	10.5	17.5	80.5
Net loss for 1 st nine months				- 13.9	- 13.9
Dividend for 2002				- 6.1	- 6.1
Balance as of 09/30/03	<u>7.2</u>	<u>45.3</u>	<u>10.5</u>	<u>- 2.5</u>	<u>60.5</u>

The decline in shareholders' equity by EUR 20.0 million to EUR 60.5 million was caused by the dividend distribution at the end of June and the net loss in the first nine months of 2003.

NEGATIVE FREE CASH FLOW

in EUR million	Sep. 30, 2003	Sep. 30, 2002
Net cash provided by operating activities	– 3.7	17.0
Investing activities	– 13.9	– 17.4
Free cash flow from Home Media Systems division	– 17.6	– 0.4
Free cash flow from discontinued division	0.0	3.7
Net cash from financing activities	1.4	– 5.9
Cash-effective change in liquidity	<u>– 16.2</u>	<u>– 2.6</u>

The negative net cash flow from operating activities of EUR 3.7 million is considerably below the positive value of the previous year of EUR 17.0 million due to the loss incurred in the first nine months of 2003. Considering the lower capital expenditure as compared to the prior year period, the negative free cash flow in the first nine months of 2003 is EUR 17.6 million.



Spheros 42 HD: A new, high definition screen display (1,024 x 1,024 pixels) provides brilliant picture quality.



Including the dividend payment, the borrowing requirements increased by EUR 23.7 million in the first nine months. They were financed primarily through additional long-term loans of EUR 7.6 million and higher short-term bank loans in the amount of EUR 14.9 million.

DEVELOPMENT ACTIVITIES

Additional CRT sets based on real flat technology were put into production on schedule in the third quarter of 2003. The development work on the Nemos line was completed successfully. The Nemos 29 and Nemos 32 sets were launched on schedule. The new RC2 remote control was put into production.

The new high-definition Spheros 42 HD plasma television for Europe and the U.S. was also launched as scheduled. The sets are equipped with the standard DVI interface. The U.S. model supports HDCP encoding.

An important event was the International Consumer Electronics Fair (IFA) in Berlin. In addition to the production sets, it was possible to show prototypes of the new LCD lines Xelos SL (32" and 37" screen diagonal), Spheros (20", 32" and 37" screen diagonal) and Mimo 20. In cooperation with the firms Miele and Gira, Loewe presented its concepts for home networking. Loewe displayed its competence in digital memory and the distribution of audio signals in the home with an audio server prototype.

A high priority was placed on the continued development work for the Articos 55 rear projection set and for the personal video recorder. This work will be completed in October. The development activities for the LCD lines Xelos SL, Mimo and Spheros, which were displayed at the IFA are being continued at a brisk pace.

The development for the DVB-T receiver module (terrestrial digital television) is almost finished so that the module will be able to go into production in October.

In audio, the Auro DVD preceiver and the Tremo subwoofer satellite system were assigned for outside development and have gone into production. Ceramic was used as the housing material for the subwoofer for the first time.

MARKETING AND SALES

The highlight of the third quarter was the International Consumer Electronics Fair (IFA) in Berlin. It is the world's leading exhibition for the entire consumer electronics industry. Both the public and industry experts showed great interest. Partners from all important European core countries but also from outside Europe visited the Loewe stand.

Loewe achieved a convincing corporate presence with a large number of new products. As a premium brand, Loewe called attention to its innovative competence with new system solutions and flat-panel display technologies. In various displays, the motto "More Loewe" was corroborated by

- More possibilities: digital recording, Internet TV, placement options, colors
- More intelligence: new remote control and electronic program guide
- More quality: high-definition picture quality in all four display technologies; 3-year warranty on all products
- More experience: home cinema with additional integrated pay-TV, Premiere for example.

In the e-home innovation center, the technological competence associated with the theme "Loewe – the networked home" was communicated convincingly through practical examples.

On the product side, the initial distribution of the new, high-definition Spheros 42 HD plasma model enhanced our position in the new technologies. In real flat picture tube sets, the introduction of Nemos represented the launch of an attractive model in the mid-price category.

All product families to be introduced in the future will be based on the new flat-panel display technologies.

RESTRUCTURING

As a response to the unsatisfactory business development in the first half of 2003, a first restructuring program was already started at the time of the Shareholders' Meeting. It includes

- Adjustment of production capacities to the reduced demand
- Streamlining the organization and
- Savings of materials and services costs.

In an agreement with the works council, the weekly working hours in production were reduced from 35 to 29. Among indirect employees, measures were taken that will lead to a reduction of about 60 positions in the coming months. From this measure, Loewe expects annual savings in personnel costs of more than EUR 3 million starting in 2004. Furthermore, under this restructuring program, savings of roughly EUR 7 million will be achieved in materials and services costs; of that amount EUR 5 million has already been realized.

The further worsening of Loewe's economic situation in the third quarter necessitated an expansion of the cost cutting and restructuring program. As a short-term adjustment of production capacity to the reduced demand, as many as 15 short workdays are planned in 2003. In addition, personnel expenses in the indirect area are reduced by EUR 3 million through a reduction of another 60 employees. The number of direct employees will be cut by 70 as of early 2004. Additional cost reductions of EUR 3 million are planned for 2004 in the area of indirect personnel expense. These cost savings will result from options under the collective bargaining agreement. No further reduction of personnel is planned in this context.

Increased use of existing new technology displays (plasma, LCD, rear projection) will boost their share in total sales to more than 50 % by the fourth quarter of 2004. The existing product range of picture tube TV sets will be streamlined, reducing complexity and increasing margins per unit.

International sales will be increased by selectively expanding numeric and weighted distribution through qualified retailers in specific countries, and a focus on the fastest growing European purchasing cooperatives and chains. We also aim to improve the relationship of the Group's head office with the regions. Key account management will be handled on a European scale.

FINANCING

The Loewe Group finances itself from its shareholders' equity, the pension provisions, short and long-term bank borrowings as well as supplier credits and a loan from Loewe Opta Unterstützungskasse e.V. The long-term bank borrowings are secured by land charge deeds. No specific collateral is arranged for the remaining liabilities; however, the customary reservations of title by vendors exist.

As of September 30, 2003, the trade accounts receivable are unencumbered; however, factoring is envisaged to free up some funds. Along the usual seasonal pattern in mid-December 2003 peak financing is expected. From the present perspective, the expected cash requirement is covered by the existing lines of credit and the commitment of the factoring company.

REDUCED NUMBER OF EMPLOYEES

Compared to the same period of the previous year, the number of employees was reduced by 3 % in the third quarter. The workforce includes five employees of the newly established Loewe Italiana S.r.l. who were not part of the previous year's workforce. The average work force for the first nine months is 1 % larger than the comparable figure for the prior year. Excluding the new sales companies in France and Italy results in a reduction of 17 persons (1 %).

The number of employees is slightly lower when compared to the balance as of December 31, 2002. The measures introduced to reduce personnel will not have a significant impact until the fourth quarter because the employees given notice at the end of September 2003 are still included in the payroll. Despite a clearly lower production volume in the first nine months of 2003, the number of direct employees was largely unchanged. This was due to the fact that the necessary adjustment of production capacity was accomplished by reducing individual working hours. In terms of costs, this is equivalent to a release of 60 employees.

The measures for personnel reduction initiated in the meantime in Administration, Marketing and Sales as well as Technology will lead to a total reduction of about 60 employees. Additional personnel adjustment measures affecting roughly 130 direct and indirect employees were initiated.

RISKS OF FUTURE DEVELOPMENT

The most important risk areas of Loewe include the on-time introduction of products appropriate to the market, the positioning as a premium brand, the expansion of existing and the development of new markets in a difficult national and international environment as well as risks relating to technology, procurement, warranty, personnel, interest and exchange rate fluctuations. The individual risks are in part interrelated and can influence each other.

A comprehensive risk report can be found on pages 52 to 55 of the annual report for 2002. There were no significant changes from the previous year in the first nine months of fiscal year 2003.

IMPORTANT EVENTS AFTER THE END OF THE QUARTER

No events of special significance occurred after the end of the quarter.

OUTLOOK FOR ALL OF 2003

The noticeable buying restraint of customers for consumer electronics products has not improved despite the International Consumer Electronics Fair. From the present perspective, no noticeable upturn in demand is expected in the coming months as well, so that unsatisfactory seasonal business is to be expected in 2003. Despite the introduction of attractive new products and a comprehensive cost-cutting program, sales in fiscal year 2003 will be significantly below those of the previous year and a positive EBIT will also not be achieved in the fourth quarter.

OTHER INFORMATION

This quarterly report was thoroughly reviewed by an auditor. No objections were raised.

As of September 30, 2003, the Executive Board held 581,425 shares in Loewe AG, which was unchanged from the balance as of December 31, 2002.

Kronach, November 10, 2003

The Executive Board

Dr. R. Hecker

Dr. B. Bamberger

G. Schaas

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD JANUARY 1 THROUGH SEPTEMBER 30, 2003

EUR million	July to September 2003		July to September 2002		January to September 2003		January to September 2002	
		%		%		%		%
Sales	62.1		86.0		194.0		269.2	
Discontinued division	0.0		- 1.6		0.0		- 9.5	
Sales	62.1	100.0	84.4	100.0	194.0	100.0	259.7	100.0
Manufacturing cost of goods and services produced in order to generate sales*	- 52.1	- 83.9	- 59.1	- 70.0	- 152.4	- 78.6	- 183.7	- 70.7
Gross margin	10.0	16.1	25.3	30.0	41.6	21.4	76.0	29.3
Selling expenses	- 17.6	- 28.4	- 19.2	- 22.8	- 50.9	- 26.2	- 51.6	- 19.8
General administrative expenses	- 2.4	- 3.9	- 2.6	- 3.1	- 7.6	- 3.9	- 7.8	- 3.0
Other operating income/expense	- 0.5	- 0.8	- 1.2	- 1.4	- 2.9	- 1.5	0.1	0.0
Income from participating interests	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0
EBIT of the Home Media Systems division	- 10.5	- 17.0	2.3	2.7	- 19.7	- 10.2	16.8	6.5
Interest and similar income	0.1	0.2	0.1	0.1	0.3	0.2	0.4	0.1
Interest and similar expenses	- 0.7	- 1.1	- 0.5	- 0.6	- 1.7	- 0.9	- 1.4	- 0.5
Profit from ordinary activities (EBT) of the Home Media Systems division	- 11.1	- 17.9	1.9	2.2	- 21.1	- 10.9	15.8	6.1
Profit from ordinary activities (EBT) of the discontinued division	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit from ordinary activities (EBT)	- 11.1	- 17.9	1.9	2.2	- 21.1	- 10.9	15.8	6.1
Income taxes	4.0	6.5	- 0.8	- 0.9	7.1	3.7	- 6.5	- 2.5
Net loss/income before minority interests	- 7.1	- 11.4	1.1	1.3	- 14.0	- 7.2	9.3	3.6
Minority interests	0.0	0.0	0.0	0.0	0.1	0.1	- 0.1	- 0.1
Net loss/income after minority interests	- 7.1	- 11.4	1.1	1.3	- 13.9	- 7.1	9.2	3.5

* the following items up to and including interest and similar expenses only contain information concerning the Home Media Systems division

Basic earnings per share**	- 0.99	0.16	- 1.94	1.29
Basic earnings per share of the Home Media Systems division**	- 0.99	0.16	- 1.94	1.29
Diluted earnings per share of the Home Media Systems division***	- 0.94	0.14	- 1.84	1.21
** Number of shares issued as of September 30, 2003	7,176,600	7,158,200	7,176,600	7,158,200
*** Number of shares and options issued	7,575,000	7,575,000	7,575,000	7,575,000

CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2003

EUR million	09/30/03	12/31/02	09/30/02
Assets			
Non-current assets*			
Intangible assets	9.9	10.2	9.5
Property, plant, and equipment	56.3	57.0	55.7
Financial assets	0.2	0.2	0.5
Total non-current assets	66.4	67.4	65.7
Current assets*			
Inventories	62.8	54.6	65.2
Trade accounts receivable	57.9	81.4	66.7
Other short-term receivables	3.5	4.5	3.9
Cash and cash equivalents	2.4	3.7	1.2
Total current assets	126.6	144.2	137.0
Deferred tax assets*	6.8	0.1	1.9
Assets of the discontinued division	0.0	0.1	2.7
Total assets	<u>199.8</u>	<u>211.8</u>	<u>207.3</u>
Liabilities and shareholders' equity			
Shareholders' equity			
Subscribed capital	7.2	7.2	7.2
Capital reserve	45.3	45.3	45.0
Other retained earnings	10.5	10.5	5.5
Profit brought forward	- 2.5	17.5	20.8
Total shareholders' equity	60.5	80.5	78.5
Minority interests	1.1	1.2	1.1
Provisions*			
Provisions for pensions and similar obligations	27.2	28.2	28.1
Tax provisions	0.0	1.0	3.3
Other provisions	37.5	47.7	41.5
Total provisions	64.7	76.9	72.9
Liabilities*			
Long-term debt	10.2	3.4	3.4
Trade accounts payable	24.2	26.3	32.8
Other short-term liabilities	39.1	22.9	17.3
Total liabilities	73.5	52.6	53.5
Provisions and liabilities of the discontinued division	0.0	0.6	1.3
Total liabilities and shareholders' equity	<u>199.8</u>	<u>211.8</u>	<u>207.3</u>

* of the Home Media Systems division

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD JANUARY THROUGH SEPTEMBER 2003

EUR million	2003	2002	
Operating activities*			
Profit from ordinary activities	- 21.1	15.8	
Depreciation and amortization of non-current assets	14.9	14.1	
Decrease in pension provisions	- 1.0	0.4	
Income taxes paid	- 0.7	- 5.7	
Net cash before changes in net current assets	- 7.9	24.6	
Change in net current assets			
Increase (-)/decrease (+) in inventories	- 8.2	- 20.1	
Increase (-)/decrease (+) in trade accounts receivable and other assets	24.2	20.3	
Increase (+)/decrease (-) in other provisions	- 10.2	- 8.7	
Increase (+)/decrease (-) in trade accounts payable and other liabilities	- 1.6	0.9	
Change in net current assets	4.2	- 7.6	
Net cash from operating activities	- 3.7	17.0	
Investing activities			
Payments for purchases of intangible assets and property, plant, and equipment	- 13.9	- 17.4	
Net cash used by investing activities	- 13.9	- 17.4	
Free cash flow of the Home Media Systems division	- 17.6	- 0.4	
Free cash flow of the discontinued division	0.0	3.7	
Total free cash flow	- 17.6	3.3	
Financing activities			
Increase (-)/decrease (+) in minority interests	- 0.1	0.2	
Capital increase	0.0	0.2	
Dividend payment	- 6.1	- 6.1	
Borrowing (+)/repayment (-) of loans	7.6	- 0.2	
Net cash from financing activities	1.4	- 5.9	
Cash-effective change in liquidity	- 16.2	- 2.6	
	—	—	
Composition of liquidity	09/30/03	12/31/02	+/-
Cash and cash equivalents	2.4	3.7	- 1.3
Short-term bank loans	- 25.5	- 10.6	- 14.9
Liquidity	- 23.1	- 6.9	- 16.2

* the following items up to and including net cash used by investing activities only include data of the Home Media Systems division

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ISIN code: DE 0006494107

Loewe shares are traded in the Prime Segment of the German Stock Exchange.

Indices:  Prime All share
Classic All share[®] CDAX[®]

FINANCIAL CALENDAR

GERMAN EQUITY FORUM PRESENTED BY DEUTSCHE BÖRSE
November 27, 2003, Frankfurt

PUBLICATION OF THE KEY FIGURES FOR FISCAL YEAR 2003
January 26, 2004

FINANCIAL STATEMENTS PRESS CONFERENCE
March 26, 2004, Munich

DVFA ANALYSTS' CONFERENCE
March 26, 2004, Frankfurt

DEUTSCHE BANK GERMAN CORPORATE CONFERENCE
March 29, 2004, Frankfurt

PUBLICATION OF THE Q1 REPORT (JANUARY 1 – MARCH 31, 2004)
May 12, 2004

5TH ANNUAL SHAREHOLDERS' MEETING OF LOEWE AG
June 23, 2004, 11.00 a.m. in Munich, Forum Hotel

PUBLICATION OF THE Q2 REPORT (JANUARY 1 – JUNE 30, 2004)
August 12, 2004

PUBLICATION OF THE Q3 REPORT (JANUARY 1 – SEPTEMBER 30, 2004)
November 10, 2004



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