



GROUP REPORT ON THE FIRST NINE MONTHS, 2004

- 10 % SALES GROWTH IN THIRD-QUARTER 2004; FLAT-PANEL DISPLAYS NOW ACCOUNT FOR ALMOST 45 % OF TV-SALES
- LOWER THIRD-QUARTER LOSS, ACCUMULATED LOSS BEFORE INTEREST AND TAXES FOR THE CONTINUED OPERATIONS AT EUR 23.1 MILLION
- ADDITIONAL COST SAVINGS OF EUR 18 MILLION SCHEDULED FOR 2005; CORNERSTONES FOR FINANCIAL RESTORATION SET IN THE COLLECTIVE WAGE AGREEMENT

LOEWE.



Dear Shareholders,

Loewe has made important progress along the path to restructuring – and the worst is behind us. In timely fashion, thanks to our product drive we have been supplying the nascent market for mid-sized and large-screen flat-panel displays with a broad and appealing range of LCD TVs. Loewe can thus now profit to an increasing extent from the market growth for LCD TVs. In the third quarter, the share of total Loewe product sales accounted for by flat-panel displays increased to over 45 %.

Against this background, sales for Loewe's continuing operations in third-quarter 2004 rose 10 % on the year to reach EUR 66.1 million. Market growth for LCD TVs and the broader product portfolio led to sales of flat-panel displays increasing from EUR 3.9 million in the year-before quarter to reach EUR 25.3 million. Despite this favorable trend in third-quarter 2004, Loewe sales have fallen on the year by EUR 12.1 million to EUR 177.4 million.

In the third quarter, we succeeded in reducing the loss before interest and taxes by EUR 2.1 million to EUR 6.6 million. All in all, the lower business and production volume as well as the lower selling prices in the first nine months led to a loss before interest and taxes for continued operations of EUR 23.1 million.

As announced, Loewe will press ahead with the "Taurus" restructuring program in 2005, the core components of which are stringent cost management and an even leaner organization. Alongside the layoffs published, staffing levels will also fall through measures carefully tailored to take social considerations into account. Moreover, over the next two years, thanks to our workforce waiving approx. 10 % of their wages or salaries, appreciably easing the pressure on costs and improve earnings, in this way securing as many jobs and as much expertise as possible in Kronach.

On the other hand, we are working to advance our product drive, give our brand a sharper profile, and expand distribution in order to boost sales and earnings.

The major Loewe roadshow to kick off the new season was the real highlight of the third quarter. In September, Loewe presented its new product innovations for 2004 and the accompanying communications back-up at a roadshow that toured ten selected German cities and neighboring countries. And Loewe's current product and marketing drive is truly convincing, as is evidenced by the entirely favorable response among the 800-odd participants. Indeed, we have already taken a large number of orders for our latest top-line product, the Spheros R 37 Masterpiece LCD TV. In the current quarter, the launch of three additional new flat-panel displays will help us further expand our market presence.

Relying on our own strengths, we are currently in talks with additional investors to buttress Loewe's operations and financing even more. In this regard, we are endeavoring to reach a contractual deal before the year is out.

On the back of our wide-ranging activities, such as forcing the pace of our product drive, via the stronger brand image, through to qualitative expansion of our partnership with specialist retailers, we expect to continue to make progress in the restructuring of Loewe.

With best wishes,

A handwritten signature in black ink, appearing to read "Dr. Hecker". The signature is written in a cursive, flowing style.

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

THE LOEWE GROUP* – KEY FIGURES AT A GLANCE

| in EUR million | 3 rd Quarter 2004 | 3 rd Quarter 2003 | +/- in % | Q 1-3 2004 | Q 1-3 2003 | +/- in % |
|--|---------------------------------|---------------------------------|-------------|---------------|---------------|-------------|
| Sales for continuing operations | 66.1 | 60.2 | 10 | 177.4 | 189.5 | - 6 |
| of which: | | | | | | |
| inside Germany | 34.6 | 33.2 | 4 | 91.9 | 99.5 | - 8 |
| of which: | | | | | | |
| outside Germany | 31.5 | 27.0 | 17 | 85.5 | 90.0 | - 5 |
| Loss before interest and taxes (EBIT) | - 6.6 | - 10.5 | | - 31.2 | - 19.7 | |
| of which: | | | | | | |
| continuing operations | - 6.6 | - 8.7 | | - 23.1 | - 15.7 | |
| Loss per share in EUR** | - 0.71 | - 0.99 | | - 3.09 | - 1.94 | |
| of which: | | | | | | |
| continuing operations | - 0.71 | - 0.74 | | - 2.06 | - 1.38 | |
| Additional key figures | | | | | | |
| Cash flow from operating activities | 1.6 | 1.1 | | 9.6 | 0.8 | |
| Capital expenditure | 3.7 | 4.6 | - 20 | 10.9 | 13.8 | - 21 |
| Depreciation and amortization | 5.4 | 5.2 | 2 | 16.5 | 14.8 | 11 |
| Development costs | 3.0 | 3.5 | - 14 | 9.0 | 10.3 | - 13 |
| Headcount | 1,051 | 1,235 | - 15 | 1,071 | 1,237 | - 13 |

* Following the resolution in June 2004 to discontinue US operations, this activity is disclosed as discontinuing operations pursuant to IAS 35. Unless otherwise stated, all figures refer to the continued operations. The prior-year figures have been adjusted accordingly.

** EPS is calculated on the basis of a total of 7,876,600 shares (prior year: 7,176,600 shares).

SALES GROWTH IN THIRD QUARTER

In the third quarter, for the first time the sales decline for picture-tube sets was offset by significantly higher sales of flat-panel displays. Fostered by the introduction of new LCD TVs, Loewe sales were 10 % up on the year. In the third quarter, this fast-growing segment generated almost 45 % of sales with TV sets. With the introduction of large-screen LCD TVs in the second and third quarters, we have laid the foundations for participating in the future to an even stronger extent in this attractive growth market.

Sales for the first nine months of 2004 were down 6 % on the year owing to the ongoing market-related decrease in higher-end picture-tube TV sets. Sales of flat-panel displays sets were boosted EUR 37 million to EUR 45.5 million.

LOWER THIRD-QUARTER LOSS

In the third quarter, the loss before interest and taxes posted by the continuing operations was reduced by EUR 2.1 million to EUR 6.6 million thanks to both the higher business volume and the favorable impact of cost-cutting measures. In the first nine months of 2004 the lower business and production volume, the less favorable product mix and in particular fallen selling prices for picture-tube sets and flat-panel displays caused a loss before interest and taxes of EUR 23.1 million compared with a loss of EUR 15.7 million one year earlier. In addition, the discontinuation of the US business has slashed EUR 8.1 million off earnings, meaning that negative EBIT totaling EUR 31.2 million was reported, as against a loss of EUR 19.7 million one year earlier. After deducting minority interests, the loss was EUR 24.3 million, which translates into a loss per share of EUR 3.09.

BANK LOANS DOWN ON THE YEAR, FACTORING VOLUME AT EUR 15.9 MILLION

As at September 30, 2004 current bank liabilities totaled EUR 21.1 million, and were thus EUR 4.4 million down on the year. At the same time, the sale of receivables to a factoring company initiated at the end of 2003 has risen EUR 1.9 million to EUR 15.9 million.

COST RELIEF THROUGH A REDUCED HEADCOUNT AND THE FINANCIAL RESTORATION CLAUSES IN THE COLLECTIVE WAGE AGREEMENT

As a result of the personnel adjustment plan as announced and additional measures designed to be compatible with social welfare considerations, as of early 2005 the headcount will be only slightly higher than 1,000. As at the end of third-quarter 2004, the Loewe headcount came to 1,051 employees, compared with 1,235 staff members one year earlier. Moreover, the cornerstones of the financial restoration plan as part of the collective wage agreement have been set, which will enable us to additionally reduce personnel costs by some 10 % for 2005 and 2006.

ATTRACTIVE MARKET GROWTH

In the period December 2003 through September 2004, the market for TV sets in Europe grew by 15 % on the year to 20 million units, primarily on account of the appreciable increase in unit sales of LCD TVs by almost 300 % to 1.4 million sets. The swift deterioration in price and the ongoing trend toward standard sets stimulated unit sales of picture-tube sets. The number of picture-tube sets sold rose by 7 % to 18 million. On average, prices for picture-tube sets fell 18 % on the year, while prices for LCD TVs have fallen even further, namely by 20 % for large-size sets with a 26" or greater screen diagonal and by 35 % for the smaller-screen versions. Prices for large-screen plasma TV sets were likewise 27 % down on the year. Despite these appreciable decreases in prices for all our key product segments, the average price for a TV set is EUR 522 and has thus held more or less steady. This can be attributed to the fact that the share of flat-panel displays – which cost some EUR 1,800 per set, is up by a factor of almost three on the year.

The European market for TV sets rose in the period December 2003 through September 2004 by 13 % to EUR 10.4 billion. With the exception of the German market, which grew only 5 %, all the key European markets have reported double-digit growth rates. The Italian market has grown especially quickly, surging some 26 %. There, sales of flat-panel display products account for some 37 % of the total market value, compared with a European average of 30 %.

In value terms, Loewe held a 4.0 % share of the European market, 1.1 percentage points down on the year. In the flat-panel display segment, by contrast, Loewe's market share has still remained largely unchanged at 1 %. As regards picture-tube sets, Loewe's share of the market fell from 6.1 % to 5.8 % because the market significance of high-quality CRT sets has continued to dwindle.

¹ All the market data cited henceforth in this report refers to the European specialist electronics retail trade in the period December 2003 until end of September 2004 and was collected by Gesellschaft für Konsumforschung (GfK).

SALES GROWTH IN THIRD QUARTER

The decrease in sales slowed in the first and second quarters, and in the third quarter 2004 sales by the Loewe Group came to EUR 66.1 million or 10 % up on the figure for the year-before period. The introduction of large-size LCD TV sets into the market had a beneficial impact in this regard. In the first nine months of 2004 sales of EUR 177.4 million were booked, 6 % less than one year earlier.

TV sets continue to be the main pillar of Loewe sales, accounting for about 85 % of total sales. Sales of peripherals and accessories largely depend on the trend for TV set sales:

Sales by product area

| in EUR million | 3 rd Quarter 2004 | 3 rd Quarter 2003 | +/- in % | Q 1-3 2004 | Q 1-3 2003 | +/- in % |
|----------------------------------|---------------------------------|---------------------------------|------------------|---------------------|---------------------|-------------------|
| Televisions | 56.0 | 51.1 | 10 | 150.0 | 160.4 | - 6 |
| DVD players | 1.5 | 0.8 | 88 | 2.8 | 2.6 | 8 |
| Video recorders | 0.5 | 0.9 | - 44 | 1.5 | 2.6 | - 42 |
| Hi-fi systems | 0.6 | 0.7 | - 14 | 1.9 | 2.1 | - 10 |
| Accessories and other revenue | 7.5 | 6.7 | 12 | 21.2 | 21.8 | - 3 |
| Total | <u>66.1</u> | <u>60.2</u> | <u>10</u> | <u>177.4</u> | <u>189.5</u> | <u>- 6</u> |

Third-quarter sales of TV sets rose 10 %. For the first time, the increase in sales of flat-panel displays for the first time more than offset the decline in picture-tube set sales. In particular, sales of LCD TV sets soared in the third quarter to EUR 23.5 million and thus topped LCD sales in the entire first half of 2004. The market launch of new large-screen LCD TVs in the 32" and 37" segment has had a favorable impact. Sales of flat-panel display sets rose in the third quarter to some 45 % of total TV sales.

Sales by TV type

| in EUR million | 3 rd Quarter 2004 | 3 rd Quarter 2003 | +/- in % | Q 1-3 2004 | Q 1-3 2003 | +/- in % |
|----------------------|---------------------------------|---------------------------------|------------------|---------------------|---------------------|-------------------|
| Picture-tube sets | 30.7 | 47.2 | - 35 | 104.5 | 151.9 | - 31 |
| LCD | 23.5 | 1.2 | 1,858 | 39.3 | 3.8 | 934 |
| Plasma | 1.1 | 2.7 | - 59 | 3.7 | 4.7 | - 21 |
| Rear projection sets | 0.7 | 0.0 | 0 | 2.5 | 0.0 | 0 |
| Total | <u>56.0</u> | <u>51.1</u> | <u>10</u> | <u>150.0</u> | <u>160.4</u> | <u>- 6</u> |

Sales of Loewe picture-tube sets in third-quarter 2004 dropped 35 % and in the first three quarters by 31 %. The market for high-end CRT TV sets has contracted on the same scale. In general, there is increasing demand for favorably priced standard sets. Loewe is accordingly focusing in this segment on attractively-priced entry-level premium sets.

Germany remains Loewe's single most important market, accounting for approx. 50 % of sales. Sales in the German market fell 8 % to EUR 91.9 million in the first nine months of 2004, and thus declined faster than sales outside the country, on the back of weak macro-economic conditions in Germany and a demand trend for TVs that is below the European average. By contrast, thanks to the attractive market growth in Benelux, Italy and Spain, sales there jumped. Sharp sales decreases were only reported in Australia and Great Britain.

The discontinuing US operations booked sales of EUR 5.1 million for the first nine months of 2004, as against EUR 4.5 million for the same period the year before. The sell-off of the remaining warehoused stock in the United States has now been completed. The closure is proceeding as scheduled. No additional impact on revenue is expected from the termination of these operations.



An exciting design, excellent image quality and best-in-class technology are the key features of Spheros R 37 Masterpiece, Loewe's new LCD TVs. The clear and consistent dark-glass design of the front section, together with the combination of superlative materials and exclusive finishing, make the extravagant Loewe standalone set a true design classic.

LOWER LOSS IN THE THIRD QUARTER

In third-quarter 2004, the loss for the continuing operations was trimmed to EUR 6.6 million, as compared with a loss before interest and taxes of EUR 8.7 million in the year-before period. The higher sales volume and the reduced costs have had a beneficial impact here. By contrast, the significantly lower selling prices and higher restructuring costs have clearly squeezed EBIT.

In the first nine months of 2004, the loss reported for the continuing operations has risen to EUR 23.1 million – as compared with negative EBIT for Q 1–3 2003 of EUR 15.7 million. Moreover, the US operations added EUR 8.1 million to the loss.

EBIT

| in EUR million | 3 rd Quarter 2004 | 3 rd Quarter 2003 | Q 1–3 2004 | Q 1–3 2003 |
|--------------------------------------|---------------------------------|---------------------------------|---------------|---------------|
| Total loss before interest and taxes | – 6.6 | – 10.5 | – 31.2 | – 19.7 |
| of which: | | | | |
| continuing operations | – 6.6 | – 8.7 | – 23.1 | – 15.7 |
| of which: | | | | |
| discontinued operations | 0.0 | – 1.8 | – 8.1 | – 4.0 |

The downturn in earnings by our continuing operations can mainly be attributable to the lower business and production volume as well as a more unfavorable product mix. Alongside the price reductions implemented for picture-tube TV sets, earnings were squeezed by the swift price decline for LCD TVs, a factor we did not succeed in offsetting by lower manufacturing costs. Starting in 2004, the Loewe LCD sets already on the market will be cost-side optimized and, in addition, Loewe will also be occupying the entry-level price category for large-screen LCD TV sets.

Gross income fell 6.1 percentage points on the year-before period to 16.1 % of sales, reflecting the lower selling prices, the unfavorable product mix, and the fixed production, development and quality control costs not covered owing to the decrease in sales volume. All in all, the gross contribution to profits fell from EUR 42.0 million in the same period in 2003 by EUR 13.4 million to EUR 28.6 million in Q 1–3, 2004.

Marketing and selling costs were EUR 2.7 million down on the year. Excluding the value impairment for a doubtful receivable entered on the books in first-quarter 2004 and the costs for the new distribution companies in Italy and Austria result in a drop of EUR 4.6 million, mainly relating to savings made in Marketing.

General administrative expenses of EUR 5.9 million were down EUR 1.7 million on the year thanks to the restructuring measures initiated, meaning that they now account for only 3.3 % of sales, despite the lower sales volume overall.

Other operating expense improved EUR 1.6 million on the year and the total expense thus came to only EUR 1.4 million. The year-before figure was negatively influenced by compensation payments to the former distributor in Italy of some EUR 1.5 million and reorganization costs of EUR 2.0 million. These compare in 2004 with higher costs for restructuring (EUR 2.2 million) and income from the release of accruals no longer required (EUR 1.0 million).

A cost-cutting agenda totaling EUR 12 million has been defined for business 2004. In the first nine months of 2004, under this program cost savings of EUR 9.7 million were made as regards manufacturing, marketing, selling and general administrative costs. The remaining savings will be achieved in the fourth quarter.

An additional cost-cutting agenda is planned for 2005, scheduled to trim about EUR 18 million off the lower cost base each year. In this context, we plan to release an additional 80 staff members owing to operational necessity, a salary waiver of some 10%, and we are aiming for lower advertising and consultancy costs.

Owing to the higher capital requirements and poorer financing terms, the net interest balance amounted to EUR 3.7 million or well above the figure of EUR 1.4 million for 9M 2003. The total includes expenses relating to receivables sales to a factoring company effected since November last year.

LOWER CAPITAL EXPENDITURE

Capital expenditure/Depreciation and amortization

| in EUR million | Capital expenditure | | Depreciation and amortization | |
|-------------------|---------------------|--------------------|-------------------------------|--------------------|
| | Q 1-3 2004 | Q 1-3 2003 | Q 1-3 2004 | Q 1-3 2003 |
| Intangible assets | 5.4 | 4.5 | 6.3 | 4.6 |
| Tangible assets | 5.0 | 9.3 | 10.1 | 10.2 |
| Financial assets | 0.5 | 0.0 | 0.1 | 0.0 |
| Total | <u>10.9</u> | <u>13.8</u> | <u>16.5</u> | <u>14.8</u> |

In the first nine months of 2004, capital expenditure ran at EUR 10.9 million, EUR 2.9 million down on the figure for the year-before period. These relate essentially to development costs that must be capitalized and to tools for new products. Intangible assets have risen as a result of higher capitalized development costs. As regards tangible assets, the key difference to the prior year period is the fact that EUR 3.5 million less was invested in tooling. The fixed-interest securities carried as financial assets were acquired as collateral assigned for the fidelity bond for part-time retirement credits.

Depreciation and amortization rose EUR 1.7 million to EUR 16.5 million primarily as a consequence of tool and development costs.

FURTHER REDUCTION IN WORKING CAPITAL

Key balance-sheet items

| in EUR million | Sep. 30 2004 | Dec. 31. 2003 | Sep. 30 2003 |
|----------------------|-----------------|------------------|-----------------|
| Fixed assets | 57.0 | 62.7 | 66.2 |
| Working capital | 18.3 | 39.3 | 50.2 |
| Short-term bank debt | 18.7 | 18.3 | 23.1 |
| Shareholders' equity | 24.7 | 44.7 | 60.5 |

The balance-sheet structure as at September 30, 2004 has changed compared with the prior year owing to the clear reduction in working capital and the lower level of shareholders' equity. Working capital has fallen EUR 31.9 million. After adjusting for the sales of receivables since the end of 2003, the reduction is EUR 16.0 million. Since year-end 2003, working capital has dwindled further, although the factoring volume has not changed significantly over the same period.

Working capital

| in EUR million | Sep. 30 2004 | Dec. 31. 2003 | Sep. 30 2003 |
|---|--------------------|--------------------|--------------------|
| Inventories | 55.6 | 43.9 | 59.1 |
| of which: raw materials and supplies | 27.1 | 16.4 | 15.5 |
| of which: finished goods and merchandise | 28.5 | 27.5 | 43.6 |
| Trade receivables and other assets | 46.0 | 71.7 | 57.8 |
| Other accruals | - 42.7 | - 47.3 | - 37.3 |
| Trade accounts payable and other assets | - 40.6 | - 29.0 | - 29.4 |
| Working capital | <u>18.3</u> | <u>39.3</u> | <u>50.2</u> |

The emphatic rise in inventories of raw materials and auxiliaries is attributable to the strong rise in purchasing volumes for LCD panels and the relatively long transport times for deliveries from the Far East.

Trade receivables and other assets have correspondingly fallen on the year in line with the seasonal pattern of sales. After adjusting for factoring effects of EUR 15.9 million, trade receivables as at September 30, 2004 were slightly up on the year, as in selected cases we extended payment deadlines and in the third quarter the volume of sales was up on the year.

The reduction in other accruals compared with December 31, 2003 can be attributed above all to the usual seasonal bonus payments to dealers and the lower level of sales. Higher trade accounts payable are mainly the consequence of the higher purchasing volume for LCD panels.

Shareholders' equity

| in EUR million | Subscribed capital | Capital reserve | Other reserves | Balance-sheet loss | Shareholders' equity |
|-----------------------------------|--------------------|--------------------|-------------------|----------------------|----------------------|
| Status as at Dec. 31, 2003 | 7.2 | 38.3 | 0.0 | - 0.8 | 44.7 |
| Capital increase | 0.7 | 3.6 | | | 4.3 |
| Loss for Q 1-3 | | | | - 24.3 | - 24.3 |
| Status as at Sep. 30, 2004 | <u>7.9</u> | <u>41.9</u> | <u>0.0</u> | <u>- 25.1</u> | <u>24.7</u> |

The decrease in shareholders' equity by EUR 20.0 million to EUR 24.7 million is primarily the result of the 9M 2004 loss. The capital increase against cash contributions agreed with Sharp at the end of June 2004, has raised Loewe AG paid-in capital from a previous figure of EUR 7,176,600 by EUR 700,000 to EUR 7,876,600. The cash inflow totaled EUR 4.3 million.

In third-quarter 2004, Loewe shouldered the pension obligations borne by Loewe Unterstützungskasse e.V., a non-consolidated affiliate, which led to an increase in pension accruals by EUR 9.1 million. Other liabilities have fallen by almost the same amount, as Loewe repaid short-term loans on the same scale granted to the Loewe Unterstützungskasse e.V.

FREE CASH FLOW IMPROVED**Cash flow**

| in EUR million | Q 1-3 2004 | Q 1-3 2003 |
|---|---------------------|----------------------|
| Cash flow from operating activities | 9.6 | 0.8 |
| Investing activities | - 10.9 | - 13.8 |
| Free cash flow | <u>- 1.3</u> | <u>- 13.0</u> |
| Free cash flow from discontinued activities | - 3.2 | - 4.6 |
| Cash flow from financing activities | 4.1 | 1.4 |
| Change in cash and cash equivalents | <u>- 0.4</u> | <u>- 16.2</u> |

In Q 1-3, 2004, our continuing operations generated a slightly negative free cash flow of EUR 1.3 million. The improvement on the year of EUR 11.7 million can be primarily attributed to the higher factoring volume.

The positive cash flow from financing activities relates mainly to the capital increase of EUR 4.3 million.



The Spheros product line is a real eye-catcher. Be it with plasma or LCD technology and a small or large screen, Spheros is a fascinating blend of multi-award-winning purist design and new smart functionalities such as Digital RecordingPlus for viewing at a later date.

DEVELOPMENT AND PRODUCTION

In the third quarter, development efforts continued to focus on readying additional flat-panel displays for production. Our Xelos SL 32 and Spheros 32 HD went in series production, and have thus expanded our range in a key screen size.

Another innovation that has now moved onto series production was our signal box with integrated hard-disc recording and PhotoViewer. All flat-panel display variants can now be equipped to handle both analog and digital programming. We have thus succeeded in fully realizing our Media Plus strategy for the flat-panel display segment – distinguishing us completely from our competitors in this regard.

In the field of picture-tube sets, the Aconda 72 has additionally been equipped with the PhotoViewer, and the Aventos 81 is now also available with an integrated Digital Plus Recorder.

All the new products come complete with RC 3 and RC 4 remote controls, both market novelties.

Development work on the L 2600 chassis with fully integrated digital receiver has advanced as planned, and will in the fourth quarter for the first time be included in another flat-panel display product, namely our Xelos A 26.

Likewise on schedule, the pilot series for the standalone Spheros R 37 Masterpiece has been finalized, meaning that we will again see on-time launch of the series in the fourth quarter. Thanks to its unusual design, this set will have a prime position in the overall product range.

As regards components, the new Tuner ZF04 front-end module has successfully appeared as a pilot series. These modules will not only be incorporated into our own TV sets, but will comprise a very important component in OEM business with the automobile electronics industry.

The introduction of our Centros DVD recorder is a key extension to our product range, which in particular when interacting with other appliances that have an integrated digital recorder, simplifying archiving of programming.

Likewise, we have pressed ahead with our subsidized basic research projects, which focus specifically on new user interface structures enabling networking of products and new software architectures.

MARKETING AND DISTRIBUTION

Alongside the product drive, the other core strand of the Loewe restructuring agenda is the new product assortment structure. In future, Loewe will run four product lines: Reference, Art, Life, Classic. The individual segments represent different design currents and technical features in line with the requirements of the specific individual target groups. Loewe Reference is perfect for anyone who has sets uncompromising standards and wants this to be quite conspicuous. Loewe Art is geared to individualists who prefer masterfully light shapes. Loewe Life is suitable especially for discerning younger persons who expect mobility and superior technology. And Loewe Classic includes all the picture-tube models with the customary fine technology and design. The new product line names ensure that the Loewe range is clearly differentiated and thus precisely addresses the particular needs of the individual target groups.

With the introduction of the new Xelos SL 32 and Xelos SL 37 LCD TVs as well as the Centros DVD recorder, the issue of "view your chosen TV programs whenever you want" was firmly spotlighted further with a marketing drive. Another third-quarter highlight was the print campaign launched to coincide with the countless sales roadshows in Germany. The eye-catching motifs, such as the Spheros R 37 Masterpiece were presented with surprising, intelligent headlines and unusual formats, and placed in daily newspapers and consumer magazines. In particular, during the roadshow the Spheros R 37 Masterpiece was very well received by the Loewe dealers attending – so this new LCD standalone TV was already considered the technological trendsetter with an exceptional benchmark design well before the actual product launch in October.

The season kicked off not only with trade fairs in Austria, Belgium, France, the Netherlands, and Switzerland, but also with a roadshow in ten major German cities attended by all our key specialist retail partners. The objective: to familiarize our dealers with the entire new range as a coherent line and fire even further their enthusiasm for the forthcoming seasonal trade with Loewe products.

An ongoing problem is price erosion for LCD TVs. A further price reduction can be expected for individual products during the Xmas trade. For the season that lies ahead, in order to further enhance our range of LCD products we are intending to introduce two additional LCD TVs in the medium, volume-oriented 22" and 26" screen segments, as well as our new standalone Spheros R 37 Masterpiece. The line will be rounded out by a value-for-money plasma model with a 42" screen.

CORNERSTONES FOR FINANCIAL RESTORATION SET IN THE COLLECTIVE WAGE AGREEMENT – A KEY PART OF THE COST-CUTTING AGENDA

The reduction in headcount is the product of the restructuring agenda launched in mid-year 2003. At that time, Loewe employed about 1,240 persons. As at September 30, 2004 Loewe's headcount came to 1,051 as compared with a figure of 1,235 one year earlier. With the personnel adjustments as communicated, and the introduction of additional measures designed to be compatible with social welfare considerations, the headcount as at the beginning of 2005 will be only slightly above 1,000.

As part of the restructuring agenda, the cornerstones for financial restoration were also set in the collective wage agreement, which will enable a further reduction in human resource costs in 2005 and 2006. The core components of these provisions are shorter lump-sum holiday pay entitlements and Christmas bonuses, and the deferral of wage and salary increases by ten months. Company executives and the Board of Managements are participating in like manner in the 10% savings being made.

Loewe home cinema system for the entry-level class:
The high-resolution LCD television Xelos SL 37, the Tremo subwoofer satellite system, and the new DVD preceiver Auro. A perfect interplay of listening and viewing offering real value for money.



RISKS INNATE IN FUTURE DEVELOPMENTS

The key risks relate to the ongoing deterioration in prices for TV sets the successful positioning of a competitive flat-panel display range in the premium segment, and securing our financing. The individual risks in part interact and could have a cumulative impact.

The Annual Report for the year 2003 contains an exhaustive risk report on pages 44 through 48. No fundamental changes on last year occurred during the first nine months of 2004.

The Group report on 9M 2004 and the consolidated annual financial statements as at December 31, 2003 comply with IFRS and have been prepared in accordance with the same accounting and valuation principles.

As at September 30, 2004, 581,425 shares in Loewe AG were held by directors; the figure is thus identical with that as at December 31, 2003.

KEY EVENTS AFTER THE END OF THIRD-QUARTER

There were no significant events to report following September 30.

OUTLOOK FOR BUSINESS 2004 AS A WHOLE

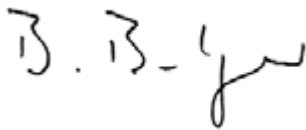
Thanks to the scheduled introduction of large-size flat-panel displays, their share of total sales has risen, to a current figure of around 45%. Despite the strong growth in flat-panel displays, total sales for 2004 as a whole are expected to be down on the year. On the back of the fact that in the third quarter earnings improved on the prior quarter, we expect to see a smaller loss in fourth-quarter 2004, too. For the year as a whole, from today's viewpoint we believe we will post a loss of the same magnitude as last year.

Kronach, November 8, 2004

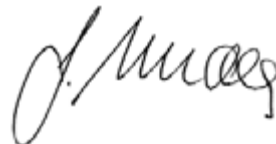
The Management Board



Dr. R. Hecker



Dr. B. Bamberger



G. Schaas

CONSOLIDATED INCOME STATEMENT FOR FIRST NINE MONTHS 2004

| in EUR million | July – September 2004 | | July – September 2003 | | January – September 2004 | | January – September 2003 | |
|--|--------------------------|---------------|--------------------------|---------------|-----------------------------|---------------|-----------------------------|---------------|
| | | % | | % | | % | | % |
| Sales revenues | 67.2 | | 62.1 | | 182.5 | | 194.0 | |
| Discontinuing operations | 1.1 | | 1.9 | | 5.1 | | 4.5 | |
| Sales revenues | 66.1 | 100.0 | 60.2 | 100.0 | 177.4 | 100.0 | 189.5 | 100.0 |
| Cost of sales | - 55.2 | - 83.5 | - 49.4 | - 82.1 | - 148.8 | - 83.9 | - 147.5 | - 77.8 |
| Gross margin on sales | 10.9 | 16.5 | 10.8 | 17.9 | 28.6 | 16.1 | 42.0 | 22.2 |
| Marketing and selling expenses | - 14.1 | - 21.3 | - 16.6 | - 27.6 | - 44.6 | - 25.1 | - 47.3 | - 25.0 |
| General administrative expenses | - 1.7 | - 2.6 | - 2.4 | - 4.0 | - 5.9 | - 3.3 | - 7.6 | - 4.0 |
| Other operating income/expense | - 1.9 | - 2.9 | - 0.6 | - 1.0 | - 1.4 | - 0.8 | - 3.0 | - 1.6 |
| Income from participating interests | 0.2 | 0.3 | 0.1 | 0.2 | 0.2 | 0.1 | 0.2 | 0.1 |
| Loss before interest and taxes (EBIT) | - 6.6 | - 10.0 | - 8.7 | - 14.5 | - 23.1 | - 13.0 | - 15.7 | - 8.3 |
| Loss before interest and taxes for discontinuing operations | 0.0 | 0.0 | - 1.8 | - 3.0 | - 8.1 | - 4.6 | - 4.0 | - 2.1 |
| Total loss before interest and taxes | - 6.6 | - 10.0 | - 10.5 | - 17.5 | - 31.2 | - 17.6 | - 19.7 | - 10.4 |
| Interest and similar income | 0.1 | 0.2 | 0.1 | 0.2 | 0.2 | 0.1 | 0.3 | 0.2 |
| Interest and similar expense | - 1.4 | - 2.1 | - 0.7 | - 1.1 | - 3.9 | - 2.2 | - 1.7 | - 0.9 |
| Loss before taxes (EBT) | - 7.9 | - 12.0 | - 11.1 | - 21.4 | - 34.9 | - 19.7 | - 21.1 | - 11.1 |
| Taxes on income | 2.3 | 3.5 | 4.0 | 6.6 | 10.6 | 6.0 | 7.1 | 3.7 |
| Net loss prior to minority interests | - 5.6 | - 8.5 | - 7.1 | - 14.8 | - 24.3 | - 13.7 | - 14.0 | - 7.4 |
| Minority interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 |
| Consolidated net loss after minority interests | - 5.6 | - 8.5 | - 7.1 | - 14.8 | - 24.3 | - 13.7 | - 13.9 | - 7.3 |
| Undiluted loss per share* | - 0.71 | | - 0.99 | | - 3.09 | | - 1.94 | |
| Undiluted loss per share for continuing operations | - 0.71 | | - 0.74 | | - 2.06 | | - 1.38 | |
| Diluted loss per share** | - 0.68 | | - 0.94 | | - 2.94 | | - 1.84 | |
| * Number of shares outstanding as at September 30 | 7,876,600 | | 7,176,600 | | 7,876,600 | | 7,176,600 | |
| ** Number of shares and options outstanding | 8,275,000 | | 7,575,000 | | 8,275,000 | | 7,575,000 | |

CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 2004

| in EUR million | Sep. 30, 2004 | Dec. 31, 2003 | Sep. 30, 2003 |
|--|---------------------|---------------------|---------------------|
| Assets | | | |
| Fixed assets | | | |
| Intangible assets | 8.7 | 9.4 | 9.9 |
| Tangible assets | 47.6 | 53.0 | 56.1 |
| Financial assets | 0.7 | 0.3 | 0.2 |
| Total fixed assets | <u>57.0</u> | <u>62.7</u> | <u>66.2</u> |
| Current Assets | | | |
| Inventories | 55.6 | 43.9 | 59.1 |
| Trade receivables | 42.0 | 69.1 | 55.9 |
| Other current receivables | 4.4 | 2.8 | 3.4 |
| Cash and cash equivalents | 2.4 | 2.9 | 2.4 |
| Total current assets | <u>104.4</u> | <u>118.7</u> | <u>120.8</u> |
| Deferred tax assets | <u>25.8</u> | <u>15.2</u> | <u>6.8</u> |
| Assets attributable to discontinuing operations | <u>1.1</u> | <u>3.9</u> | <u>6.0</u> |
| Total assets | <u>188.3</u> | <u>200.5</u> | <u>199.8</u> |
| Liabilities and shareholders' equity | | | |
| Shareholders' equity | | | |
| Paid-in capital | 7.9 | 7.2 | 7.2 |
| Capital reserve | 31.4 | 27.8 | 45.3 |
| Other revenue reserves | 10.5 | 10.5 | 10.5 |
| Net loss carried forward | - 25.1 | - 0.8 | - 2.5 |
| Total shareholders' equity | <u>24.7</u> | <u>44.7</u> | <u>60.5</u> |
| Minority interests | <u>0.9</u> | <u>1.2</u> | <u>1.1</u> |
| Accruals | | | |
| Accrual for pensions and similar obligations | 36.2 | 27.1 | 27.2 |
| Tax accruals | 8.8 | 9.0 | 0.0 |
| Other accruals | 42.7 | 47.3 | 37.3 |
| Total accruals | <u>87.7</u> | <u>83.4</u> | <u>64.5</u> |
| Liabilities | | | |
| Non-current debt | 10.3 | 9.9 | 10.2 |
| Trade accounts payable | 35.9 | 21.4 | 23.8 |
| Other current liabilities | 26.4 | 38.7 | 38.6 |
| Total liabilities | <u>72.6</u> | <u>70.0</u> | <u>72.6</u> |
| Accruals and liabilities attributable to discontinuing operations | <u>2.4</u> | <u>1.2</u> | <u>1.1</u> |
| Total liabilities and shareholders' equity | <u>188.3</u> | <u>200.5</u> | <u>199.8</u> |

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD JANUARY TO SEPTEMBER 2004

| in EUR million | 2004 | 2003 |
|---|----------------------|----------------------|
| Operating activities | | |
| Loss from ordinary activities | - 26.8 | - 17.1 |
| Depreciation on fixed assets | 16.5 | 14.8 |
| Increase/decrease in pension accruals | 0.2 | - 1.0 |
| Income taxes paid | - 0.4 | - 0.7 |
| Cash flow prior to change in net current assets | <u>- 10.5</u> | <u>- 4.0</u> |
| Change in net current assets | | |
| Increase/decrease in inventories | - 12.5 | - 8.2 |
| Decrease in trade receivables and other assets | 25.6 | 24.9 |
| Decrease in other accruals | - 4.6 | - 9.8 |
| Increase/decrease in trade accounts payable and other liabilities | 11.6 | - 2.1 |
| Change in net current assets | <u>20.1</u> | <u>4.8</u> |
| Cash flow from/for operating activities | <u>9.6</u> | <u>0.8</u> |
| Investing activities | | |
| Payments for investments in intangible assets and property, plant and equipment | - 10.9 | - 13.8 |
| Cash flow for investing activities | <u>- 10.9</u> | <u>- 13.8</u> |
| Free cash flow from/for continuing operations | - 1.3 | - 13.0 |
| Free cash flow for discontinuing operations | - 3.2 | - 4.6 |
| Total free cash flow | <u>- 4.5</u> | <u>- 17.6</u> |
| Financing activities | | |
| Increase(+)/decrease(-) in the equalization item for minority interests | - 0.2 | - 0.1 |
| Capital increase | 4.3 | 0.0 |
| Dividend payment | 0.0 | - 6.1 |
| Repaying/taking up loans | - 8.9 | 7.6 |
| Assumption of the pension obligations of Loewe Unterstützungskasse e.V. | 8.9 | 0.0 |
| Cash flow from/for financing activities | <u>4.1</u> | <u>1.4</u> |
| Changes in cash and equivalents impacting on liquidity | <u>- 0.4</u> | <u>- 16.2</u> |

| Composition of liquidity: | Sep. 30, 2004 | Dec. 31, 2003 | +/- |
|---------------------------|----------------------|----------------------|---------------------|
| Cash and cash equivalents | 2.4 | 2.9 | - 0.5 |
| Current bank loans | - 21.1 | - 21.2 | 0.1 |
| Total liquidity | <u>- 18.7</u> | <u>- 18.3</u> | <u>- 0.4</u> |

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ISIN code: DE 0006494107

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

Indices: ®
Classic All share®
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