



GROUP REPORT ON FIRST-HALF 2004

- FIRST-HALF SALES OF EUR 111 MILLION 14% DOWN ON THE YEAR, FLAT-PANEL DISPLAYS SOURCE 22% OF TOTAL SALES
- EUR 16.5 MILLION FIRST-HALF LOSS FOR CONTINUED LOEWE OPERATIONS
- DISCONTINUATION OF US OPERATIONS CUTS EUR 8.1 MILLION OFF EBIT
- SHARP ACQUIRES A STAKE OF JUST UNDER 10% IN LOEWE

LOEWE.



Dear Shareholders,

In the course of the current year, the trend in favor of flat-panel displays will pick up additional momentum in the European market and sales in the classic picture-tube set segment, which still predominates, will dwindle further. Specifically Loewe, with its high-grade and high-end picture-tube sets will be affected by this change. In 2004 we will exclusively introduce flat-panel displays to the specialist retail market so as to be able to serve the now emerging market for large-size LCD TVs in due time. Loewe has to date not yet fully locked into the growth in the LCD TV market, as it was mainly fueled by small-sized and standard sets. Moreover, the retail sector's hopes that trade would be stimulated by the European soccer championships were not fulfilled on the scale envisaged.

Given these conditions, in first-half 2004 Loewe consolidated sales fell from EUR 129.3 million to EUR 111.3 million. The main reason: the ongoing pronounced decline in market volume for top-line picture-tube sets. Market growth for LCD TVs and the broader Loewe product spectrum resulted in sales of flat-panel displays rising to EUR 20.2 million, as compared with EUR 4.6 million one year earlier.

Nevertheless, the loss before interest and taxes for our continuing operations deteriorated to EUR 16.5 million, a fact that can essentially be attributed to the lower business and production volume, as well as to the more unfavorable product mix and lower selling prices. Moreover, the first-half 2004 closure of our US subsidiary cut EUR 8.1 million off income, which meant the overall loss was EUR 24.6 million, as against EUR 9.2 million for the year-before period.

Restructuring at Loewe is in full swing. There are three key elements to our strategy here: cost cutting, creating a leaner organization, and our 2004 product drive. In April, we brought a world innovation to market – the high-resolution Spheros 37 is the first LCD TV to feature an integrated hard-disk recorder and a 94 cm screen diagonal. Furthermore, in the shape of the Xelos SL 37 we introduced another large-screen LCD TV to the retail market ahead of schedule, and accompanied this feat by a broad marketing campaign. The Xelos SL stands out for its discerning design and cutting-edge LCD technology offering high-resolution images and delivering great value for money. Thanks to the Loewe MediaPlus-HD technology, user-centered features such as Digital RecordingPlus or the Digital PhotoViewer can be integrated into or connected to all the new Loewe TVs, as can the Premiere pay channel, and even DVB-S and DVB-T reception.

In order to achieve further international growth, as regards sales Loewe is expanding distribution in its core European markets. We have resolved to close our loss-making US subsidiary so as to concentrate our resources more emphatically on the core European countries.

Another focal point of restructuring is to lend the premium Loewe brand a sharper profile. To this end, in future we will give our product line a clearer structure geared to our target groups. With our large-size flat-panel displays we are addressing an exclusive target group willing to pay for high-end products and thus tapping the growth markets so important for us. The Loewe image is rounded out by new impressive POS presentation displays and buttressed by more strongly product-oriented ad campaigns in magazines and dailies with a wide circulation.

The Sharp Corporation in Osaka recently acquired a holding of just under 10 % in Loewe, marking an important milestone in the Loewe story. This equity participation marks the further expansion of a successful partnership that already goes back several years, for ever since 2000 we have been working together on developing and producing LCD TVs. Moreover, in spring 2004 we agreed a wider-ranging manufacturing alliance. On the basis of Sharp's top-class LCD panel technology and Loewe's superior expertise in electronics we intend to jointly exploit the great potential which the fast-growing European market for LCD TVs offers. Over and above Sharp's equity participation stake given our own strengths we are currently in talks with additional investors in order to consolidate Loewe's operations and finances still further.

On the back of the variety of initiatives we have launched, such as pressing ahead with our product drive, the stronger brand, and indeed the focus on our core European markets, we expect to see sales steady in the second half year of 2004 and thus for the trend to turn around before the end of 2004.

Yours faithfully,



Dr. Rainer Hecker
Chairman of the Loewe AG Executive Board

THE LOEWE GROUP* – KEY FIGURES AT A GLANCE

in EUR million	2 nd Quarter 2004	2 nd Quarter 2003	+/- in %	1 st half 2004	1 st half 2003	+/- in %
Sales for continuing operations	53.8	59.0	- 9	111.3	129.3	- 14
of which:						
inside Germany	25.8	29.2	- 12	57.3	66.3	- 14
of which:						
outside Germany	28.0	29.8	- 6	54.0	63.0	- 14
Loss before interest and taxes (EBIT)	- 13.7	- 4.5		- 24.6	- 9.2	
of which:						
continuing operations	- 9.3	- 3.3		- 16.5	- 7.0	
of which:						
discontinued operations	- 4.4	- 1.2		- 8.1	- 2.2	
Loss after minority interests	- 10.6	- 3.3		- 18.7	- 6.8	
Loss per share in EUR**	- 1.35	- 0.46		- 2.37	- 0.95	
Additional key figures						
Cash flow from operating activities	- 6.1	- 17.4		8.0	- 1.9	
Capital expenditure	4.0	5.0	- 20	7.2	9.3	- 23
Depreciation and amortization	5.5	4.9	12	11.1	9.7	14
Development costs	3.2	3.2	0	6.0	6.8	- 12
Headcount	1,052	1,237	- 15	1,081	1,239	- 13

* After the decision taken in June 2004 to discontinue our US operations, this activity is stated as discontinuing operations pursuant to IAS 35. To the extent that nothing is stated otherwise, all figures refer to the continuing operations. The prior year figures have been adjusted accordingly.

** Loss in relation to the total of 7,876,600 shares issued (prior year: 7,176,600 shares).

SALES FALL 14 % TO EUR 111 MILLION

Sales were down on the year owing to the market-related decline in upper-end picture-tube TVs. By contrast, sales of flat-panel display units rose to EUR 20.2 million. In first-half 2004, this fast-growing segment already accounted for 22 % of total TV set sales. With the further introduction of large-screen LCD TVs in the second half of the year, Loewe should lock into this attractive growth market even more strongly.

CONTINUED OPERATIONS POST A LOSS OF EUR 16.5 MILLION

As a consequence of the lower volume of business and production and the more unfavorable product mix and lower selling prices, the loss before interest and taxes for Loewe continuing operations for first-half 2004 came to EUR 16.5 million as against EUR 7.0 million for the year-before period. Loewe's US operations have been discontinued, which reduced EBIT by EUR 8.1 million, meaning that the total loss for the H1 2004 ran at EUR 24.6 million, compared with EUR 9.2 million one year earlier. The loss after minority interests amounted to EUR 18.7 million and the loss per share EUR 2.37.

POSITIVE FREE CASH FLOW, HEADCOUNT REDUCTIONS ON SCHEDULE

Despite the loss, our continuing operations generated positive free cash flow. On the back of the capital increase against cash contributions we succeeded in trimming short-term bank credit lines somewhat. As at the end of Q2 2004, the Loewe headcount was 1,052, and 80 % of the planned cut-back in staff levels by 240 has thus been achieved. It should be more or less completed by year-end. The objective here is to keep the total number of staff to approx. 1,000 as at the beginning of 2005.

ALLIANCE WITH SHARP REINFORCED BY THE EQUITY PARTICIPATION

At the end of June 2004 the Sharp Corporation in Osaka acquired a stake of just under 10 % in Loewe through its wholly-owned subsidiary Sharp International Finance (UK) Plc, London. As part of the capital increase against cash contributions, almost EUR 4.3 million accrued to Loewe. Moreover, talks are being conducted with other investors to reduce Loewe's exposure to fluctuations in technology and market volatilities.

SUBSIDIARY IN UNITED STATES WILL BE CLOSED

A decision was taken in June to close the Loewe Opta Inc. distribution company founded in 2002, as the high priority with regard to resource allocation, such as is necessary to work the US market, is not possible in the current economic situation. The US operations that will thus be discontinued reduced consolidated EBIT by EUR 8.1 million in first-half 2004. Furthermore, for the future no further losses are to be expected from US operations.

APPEALING MARKET GROWTH

In the period December 2003 through May 2004 the market for TV sets in Europe grew by 13% on the year to 12.4 million units,¹ as a result of the appreciable increase in unit sales of LCD TVs by almost 400% to 0.7 million sets. However, the number of picture-tube sets sold during this period came to 11.4 million, up 6% on the year. The growth in unit sales was stimulated by price reductions and the ongoing trend toward standard sets. On average, prices for picture-tube sets are 18% down on the year-before period, while prices for LCD TVs have fallen even further on the year, namely by 36% for large-size sets with a 26" screen diagonal or larger, and by 29% for the smaller-screen versions. Given the higher proportion of more expensive, large-screen LCD appliances sold, the average price decrease for LCD sets runs at 12%.

Fueled by strong growth in Italy and Spain, the value of the European market for TV sets has risen 8% from December 2003 through May 2004. The 12% price-driven contraction in the market for picture-tube sets was more than offset by the appreciable growth for flat-panel displays. As a result, picture-tube TVs now account for only some 70% of the value of the total market, as against 85% in the year-before period. However, in April and May 2004 the proportion of picture-tube sets in total market value did not slip further.

In value terms, Loewe held 4.2% of the European market, 1.2 percentage points down on the year. In the flat-panel display segment, where small-sized sets still predominate, Loewe's market share remained more or less unchanged at about 1%. As regards picture-tube sets, Loewe's market share fell from 6.2% to 5.8% as the market significance of higher-quality picture-tube sets has continued to falter.

DECLINE IN SALES SLOWS

TV sets continue to be the main pillar of Loewe sales, accounting for some 85% of total sales.

Sales by product area

in EUR million	2 nd Quarter 2004	2 nd Quarter 2003	+/- in %	1 st half 2004	1 st half 2003	+/- in %
Televisions	45.9	49.3	- 7	94.0	109.3	- 14
DVD players	0.5	0.9	- 44	1.3	1.8	- 28
Video recorders	0.4	0.8	- 50	1.0	1.7	- 41
Hi-fi systems	0.5	0.6	- 17	1.3	1.4	- 7
Accessories and other revenue	6.5	7.4	- 12	13.7	15.1	- 9
Total	<u>53.8</u>	<u>59.0</u>	<u>- 9</u>	<u>111.3</u>	<u>129.3</u>	<u>- 14</u>

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 May 2004 and was collected by Gesellschaft für Konsumforschung (GfK).

Sales of TV sets continue to dwindle and in H1 2004 totaled EUR 94 million, 14 % down on the year. Sales slumped 18 % in the first quarter, whereas the decrease was only 7 % in Q2 2004 owing to the strong increase in sales of LCD TVs. In second-quarter 2004, sales of LCD TVs surged from EUR 1.1 million to EUR 9.8 million as in Q1 Loewe expanded its product range in this segment. In H1, sales of flat-panel displays came to EUR 20.2 million or 22 % of total sales, as against 4 % in the year-before period.

Sales by TV type

in EUR million	2 nd Quarter	2 nd Quarter	± in %	1 st half	1 st half	± in %
	2004	2003		2004	2003	
Picture-tube sets	34.3	47.3	- 27	73.8	104.7	- 30
LCD	9.8	1.1	791	15.8	2.6	508
Plasma	0.9	0.9	0	2.6	2.0	30
Rear projection sets	0.9	0.0	0	1.8	0.0	0
Total	<u>45.9</u>	<u>49.3</u>	<u>- 7</u>	<u>94.0</u>	<u>109.3</u>	<u>- 14</u>

The sales decrease for picture-tube sets persisted in Q2 2004 at about 30 %. The market for picture-tube sets in the segment of relevance to Loewe (EUR 1,000 – 2,000) fell 38 % in the period December 2003 to May 2004. With its focus on attractively priced premium TVs, such as the Aventos line, Loewe will increasingly lock into the stable sub-EUR 1,000 segment for picture-tube TVs. To this end, we are consistently tapping the potential identified to improve cost structure for all our picture-tube TV sets.

In addition to the small-size LCD TVs already on offer and Spheros 37, the large-screen LCD TV launched at the end of Q1 2004, in the third quarter we will be launching additional large-screen LCD sets, with 32" and 37" screen diagonals respectively. In this way, Loewe should be able to lock into this nascent attractive growth segment to a greater extent than has been possible to date.

Germany accounts for slightly more than 50 % of sales and thus remains Loewe's single most important market. Sales in the German market decreased 14 % to EUR 57.3 million in H1 2004, a downturn as pronounced as that seen outside the country. Loewe managed to steady sales in the Benelux countries and in France, Spain, Scandinavia and the CIS states.

In the US operations Loewe is discontinuing, sales of EUR 4 million were booked, as against EUR 2.6 million one year earlier, and clearly behind the targets set. The plasma and projection TV sets launched at the beginning of the year were not in line with expectations.

EBIT HIT BY CLOSURE OF THE US SUBSIDIARY

After posting a loss before interest and taxes of EUR 7.0 million in H1 2003, the figure for H1 2004 fell to EUR 16.5 million for the operations we are continuing. In addition, the US operations squeezed profits by EUR 8.1 million. Alongside the impact on operating profits reflected here, the figure also contains all discernible expenses relating to the closure of the US subsidiary. No future losses from the US business are otherwise to be expected.

EBIT

in EUR million	2 nd Quarter 2004	2 nd Quarter 2003	1 st half 2004	1 st half 2003
Total loss before interest and taxes	- 13.7	- 4.5	- 24.6	- 9.2
of which: continuing operations	- 9.3	- 3.3	- 16.5	- 7.0
of which: discontinued operations	- 4.4	- 1.2	- 8.1	- 2.2

The decrease in earnings in our continuing operations can primarily be attributed to the lower business and production volume as well as the more unfavorable product mix. Moreover, the price reductions implemented for picture-tube sets have also impacted negatively here.

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 at an attractive price/performance ratio.



Gross income fell 8.2 percentage points on the year-before figure to account for only 15.9% of sales, reflecting the lower selling prices, the more unfavorable product mix and the fixed production, development and quality control costs not covered owing to the decrease in sales volume. All in all, gross contribution to profits fell from EUR 31.2 million in the year-before period by EUR 13.5 million to EUR 17.7 million in H1 2004.

Marketing and selling costs were EUR 0.2 million down on the year-before period. After adjusting for the value impairment for a doubtful receivable entered on the books in Q1 2004 and the costs for the new distribution companies in Italy and Austria, the decline was actually EUR 2.4 million, mainly owing to savings in marketing.

General administrative expenses of EUR 4.2 million were actually EUR 1.0 million down on the year thanks to the restructuring measures initiated. As a consequence, they now account for 3.8% of sales, a figure 0.2% down on the year-before period despite the fact that the sales volume was lower.

Other operating income improved EUR 2.9 million on the year to reach EUR 0.5 million. The first-half 2003 figure was constrained by compensation payments to the former distributor in Italy of some EUR 1.5 million and reorganization costs of EUR 1.4 million. By contrast, 2004 has seen higher consultancy costs relating to the restructuring projects (EUR 1.0 million) and income from the release of accruals no longer needed (EUR 1.0 million).

A cost-cutting agenda totaling EUR 12 million was designated for business 2004. In first-half 2004, under this agenda EUR 4.2 million was saved for items entered under manufacturing, marketing, selling and general administrative costs. In second-half 2004 we expect to effect higher cuts, among other things as the reductions in staffing levels will have more of an impact.

Given the higher capital requirement and poorer financing terms, net interest expense came to EUR 2.4 million, clearly up on the H1 2003 figure of EUR 0.8 million.

LOWER CAPITAL EXPENDITURE

Capital expenditure/Depreciation and amortization

in EUR million	Capital expenditure		Depreciation and amortization	
	1 st half	1 st half	1 st half	1 st half
	2004	2003	2004	2003
Intangible assets	3.6	3.1	4.3	3.0
Tangible assets	3.4	6.1	6.8	6.7
Financial assets	0.2	0.1	0.0	0.0
Total	<u>7.2</u>	<u>9.3</u>	<u>11.1</u>	<u>9.7</u>

First-half 2004 saw capital expenditure of EUR 7.2 million, and thus EUR 2.1 million down on the figure for the year-before period. Investments were committed first and foremost for tools for new products (EUR 2.0 million) and for development costs, which according to IAS have to be capitalized (EUR 3.4 million). The fixed-interest securities carried as financial assets were acquired as collateral assigned for the fidelity bond for part-time retirement credits. The increase in depreciation and amortization to EUR 11.1 million essentially relates to tools and capitalized development costs.

FURTHER REDUCTION IN WORKING CAPITAL

Key balance-sheet items

in EUR million	June 20 2004	Dec. 31 2003	June 30 2003
Fixed assets	58.7	62.7	66.7
Working capital	22.4	38.5	52.8
Bank debt	19.9	23.5	21.3
Shareholders' equity	30.3	44.7	67.6

The balance sheet structure as at June 30, 2004 has changed compared with Dec. 31, 2003 owing to the lower working capital and reduced shareholders' equity. Compared with the prior year figure, working capital has decreased by EUR 30.4 million. After adjusting for the sale of receivables as of the end of 2003, the decline was actually EUR 18.8 million. Since year-end 2003, working capital has dwindled further, whereas the factoring volume has remained essentially unchanged over the same period.

Working capital

in EUR million	June 30 2004	Dec. 31 2003	June 30 2003
Inventories	49.5	43.1	62.1
of which: raw materials and supplies	21.5	15.8	16.4
of which: finished goods and merchandise	28.0	27.3	45.7
Trade receivables and other assets	43.0	71.7	53.9
Other accruals	- 38.0	- 47.3	- 36.3
Trade accounts payable and other assets	- 32.1	- 29.0	- 26.9
Working capital	<u>22.4</u>	<u>38.5</u>	<u>52.8</u>

Inventories of raw materials and auxiliaries have risen EUR 5 million, as we have increasingly bought in LCD panels to enable the market launch of large-size LCD TVs in the second half. The exaggerated level of finished goods held as at June 30, 2003 had already been downscaled by the end of the year.

Trade receivables and other assets have fallen on the year in line with the seasonal sales trend. After adjusting for factoring effects, as at June 30, 2004 trade receivables were slightly up on the year, as we selectively granted longer payment terms.

The reduction in other accruals compared with Dec. 31, 2003 can be attributed mainly to the usual seasonal bonus payments to dealers as well as to the lower level of sales. Higher trade accounts payable arise mainly from the higher purchasing volume for LCD panels for the planned increase in sales in the second half.

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 1 st half				- 18.7	- 18.7
Status as at June 30, 2004	<u>7.9</u>	<u>41.9</u>	<u>0.0</u>	<u>- 19.5</u>	<u>30.3</u>

The decrease in shareholders' equity by EUR 14.4 million to EUR 30.3 million is primarily attributable to the first-half 2004 loss. The capital increase against cash contributions agreed at the end of June with Sharp means Loewe AG paid-in capital has risen from a previous EUR 7,176,600 by EUR 700,000 to EUR 7,876,600. The cash inflow totaled EUR 4.3 million. The capital increase was duly entered in the Coburg Commercial Register on July 29, 2004.

POSITIVE FREE CASH FLOW**Cash flow**

in EUR million	1 st half 2004	1 st half 2003
Cash flow from operating activities	8.0	- 0.2
Investing activities	- 7.2	- 9.3
Free cash flow	<u>0.8</u>	<u>- 9.5</u>
Free cash flow from discontinued activities	- 3.9	- 1.7
Cash flow from financing activities	3.8	- 5.4
Change in cash and cash equivalents	<u>0.7</u>	<u>- 16.6</u>

In first-half 2004 our continuing operations generated positive free cash flow of EUR 0.8 million. The improvement on the year can primarily be attributed to lower inventory build-up and higher trade accounts payable.

The positive cash flow from financing activities stems predominantly from the capital increase against cash contributions. The remaining net inflow was used to reduce short-term bank credit lines.

DEVELOPMENT AND PRODUCTION

In the second quarter, the spectrum of flat-panel display sets was expanded with the release ahead of schedule of the Xelos SL 37 and the Xelos SL 32 units for distribution. A new signal box was introduced for the large-screen Xelos SL units with a clear emphasis on design. The signal box contains the TV's receiver section and signal processor. In addition, the standard version can include a photo viewer and a hard-disk recorder.

In the picture-tube TV segment, we have consistently locked into the potential for enhancing cost structures identified in our value analysis.

We are pressing ahead swiftly with development work for our new "L2600" TV chassis platform. This new platform enables the receiver section for digital TVs to be integrated into the set and a cost-optimized mechanical structure for the device without the signal box. We have likewise pushed forward with advancing the L2600 for use with plasma TV sets. The new control system for the platform has been subjected to an additional usability test and the implementation phase then initiated.

Development work for the new mid-range "RC3" remote has been completed. This remote can be used to control several devices at once – thanks to the integrated database it can even operate third-party appliances.

We can report conclusion of the development work for a cost-effective upgrade module for terrestrial digital TV – in time for the introduction of DVB-T in conurbations in Lower Saxony and North Rhine-Westphalia.

We have devised a soft- and hardware concept for the new trailblazing "S3000" TV chassis platform. Work is going ahead apace with the objective of bringing the new chassis to market with the first products as early as fall 2005.

Pre-development work has progressed on schedule for our subsidized research projects, which firstly investigate on MHP-based scalable user interfaces and secondly explore new methods for structuring software components in network environments.

MARKETING AND DISTRIBUTION

In Q2, Loewe boasted a world premiere: the launch of the first LCD TV set with an integrated hard disk recorder. In terms of communications, the kick-off of our flat-panel display offensive this year was accompanied by a new Loewe ad campaign that foregrounds the product – large-screen LCD TVs featuring integrated hard disk recorders that can be operated at the press of a button. The campaign ran in magazines such as Spiegel, Stern and Focus, which have a broad reach and target the clients groups of interest to us, but also in high-circulation dailies such as Süddeutsche Zeitung and the Frankfurter Allgemeine Zeitung.

The new Loewe Digital RecorderPlus was the focus of wide-ranging marketing activities that included direct mailings, prize competitions and presentations in specialist dealerships, which revolved around the European soccer championships. Taking our new Nemos 32 DR+, Spheros 37 HD/DR+ and Aconda 9381 HD/DR+ products as examples, we demonstrated the benefits which the 80 GB hard disk memory offers by way of digital video recording. The new Loewe sets are also the very first in the market that can store both digital and analog TV signals to memory on the integrated hard disk.



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

Another strong feature of the new Loewe TVs is their digital PhotoViewer. Loewe is the first premium manufacturer to present memory-card readers for digital photos as a standard integral element of its TVs. The viewer, which can be completely controlled using the TV's infrared remote, can read the five most customary card formats and presents the photos either as an overview or as a slide show in the form of images of a truly impressive quality.

Loewe brought another large-screen LCD TV – the Xelos SL 37 – to market ahead of the original schedule. Thus, for the first time a large-screen LCD TV is now available that can also integrate a digital PhotoViewer and the digital RecorderPlus functionalities.

We opted for regional mailings to exploit the opportunities associated with the introduction of digital terrestrial TV (DVB-T) in the Cologne/Bonn, Hanover/Braunschweig, Bremen/Unterweser and Berlin regions, where DVB-T is now available. Loewe is enabling cost-effective and smooth access to this new digital transmission technology by means of special upgrade sets. This solution is integrated into the TV sets and can be easily operated via the TV remote, saving the need for additional set-top boxes.

As in Q1, distribution activities in the premium segment in Q2 2004 were strongly influenced by the switch in demand in favor of flat-panels. Prime growth rates for LCD and plasma TVs and a marked shortfall in sales of picture-tube TV sets meant that in the second quarter Loewe's sales and earnings figures were again down on the year.

Loewe succeeded in only marginally boosting its share of the LCD TV market. Market growth was fueled once again by small-screen plain-vanilla flat-panel units, whereas Loewe is already focusing on large-screen TVs.

The structure of the market is now shifting in favor of large-screen LCD TVs. With the successful launches of our Spheros 37 and the new Xelos SL line we have laid the basis for participating in the large-screen segment of the emerging LCD business, which will contribute appreciably to value.

The fierce predatory competition in consumer electronics retailing persisted. In second-quarter 2004, the trend was made even worse by the Media Markt chain celebrating its jubilee – the corporation bagged a further share of the market in key European countries at great advertising expense and with very aggressive prices.

On balance, the retail industry's hopes that the European soccer championships would boost demand did not materialize. Consumers' propensity to buy remained restrained and the championships failed to provide the boost to business.

In order to expand distribution, in Q2 we launched a pan-European project in the second quarter in order to develop new Loewe clients. This again helped augment Loewe's position in the market.

In order to achieve stronger international growth once more, we must concentrate our resources on our core markets. For this reason, we have decided to close our loss-making US subsidiary.

HEADCOUNT REDUCED FURTHER

The reduction in headcount is the product of the restructuring program initiated in the middle of last year. At that time, Loewe employed some 1,240 staff members. As communicated, staff levels will be reduced by 240 persons therefore, by early 2005, the total headcount will only slightly exceed 1,000 persons.

As at the end of Q2 2004, the Loewe headcount came to 1,052. In other words, 80 % of the planned reduction has been achieved, and we anticipate more or less full completion of the program by the end of the year.

In the US operations being discontinued, 15 staff members were employed as at the end of June, and these positions will have been shed by the end of September 2004.

RISKS INNATE IN FUTURE DEVELOPMENTS

The key risks relate to the deterioration in prices for picture-tube TVs, 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 in first-half 2004.

The Group interim report as at June 30, 2004 and the consolidated annual financial statements as at Dec. 31, 2003 comply with IAS and have been prepared in accordance with the same accounting and valuation principles.

As at June 30, 2004, 581,425 shares in Loewe AG were held by directors; the figure is thus unchanged on that as at Dec. 31, 2003.

DISCLOSURE PURSUANT TO SECTION 25, PARA. 1 WPHG, GERMAN SECURITIES TRADING ACT

In keeping with section 21 para 1 of WpHG, the German Securities Trading Act, Loewe AG (hereinafter "the Company") has received communications on shareholdings in the Company of a minimum of 5 % of the voting rights and of less than 10 % and less than 5 % of the voting rights respectively:

I.

1. Sharp International Finance (UK) Plc, England, has informed the Company that as a result of subscribing to a Loewe AG capital increase, as of the entry thereof in the Commercial Register on July 29, 2004 it has exceeded the threshold of 5 % of the voting rights. Prior to the capital increase Sharp International Finance (UK) Plc. held 0 % of the voting rights. Through the capital increase it now holds 8.89 % of the voting rights.

2. Sharp Corporation, Japan, has informed us that as a result of subscribing to the increase in the Loewe AG capital through its subsidiary Sharp International Finance (UK) Plc, with effect from the entry of said increase in the Commercial Register on July 29, 2004 it has indirectly exceeded the voting right threshold of 5 %. Prior to the capital increase, the Sharp Corporation directly and indirectly held a 0 % share of the voting rights. Through the capital increase it now indirectly holds 8.89 % of the voting rights, whereby pursuant to section 22 para. 1 sentence 1 no. 1 of the German Securities Trading Act the voting rights are to be attributed to Sharp.

II.

1. The 3i Group plc., England, has informed the Company that on July 29, 2004 its share of the voting rights fell to below the 10 % threshold and it now owns 9.12 % of the voting rights, whereby pursuant to section 22 para. 1 no. 1 German Securities Trading Act a figure of 4.56 % of the voting rights shall be attributed to the 3i Group plc.

2. 3i Investment plc., England, has informed the Company that as of July 29, 2004 the share of voting rights it holds directly and in its entirety has fallen below the 10 % threshold and now amounts to 9.12 %, a share which shall pursuant to section 22 para. 1 no. 6 of the German Securities Trading Act be attributed in its entirety to 3i Investment plc.

3. 3i Europartners II LP, England, has informed the Company that as of July 29, 2004 its share of the voting rights has fallen below the 5 % threshold and now runs at 4.56 %.

4. 3i Europartners II GP Ltd., England, has informed the Company that as of July 29, 2004 its share of the voting rights has fallen below the 5 % threshold and now comes to 4.56 %, whereby pursuant to section 22 para. 1 no. 1 WphG said shareholding can in its entirety be attributed to 3i Europartners II GP Ltd.

5. 3i Holdings plc., England, has informed the Company that as of July 29, 2004 its share of the voting rights has fallen below the 5 % threshold and now comes to 4.56 %, whereby pursuant to section 22 para. 1 no. 1 WphG said shareholding can in its entirety be attributed to 3i Holdings plc.

6. The fact that these shareholdings have fallen below the voting right thresholds of 10 % and 5 % respectively is a consequence of the Loewe AG capital increase entered in the Commercial Register on July 29, 2004.

GENERAL MEETING ON JUNE 23, 2004

At the Loewe AG General Meeting on June 23, 2004 all the points on the agenda were approved almost unanimously. The shareholders elected Munich-based attorney Dr. Michael Witzel to the Loewe Supervisory Board in place of Professor Rolf-Dieter Leister, who retired from said Board.

KEY EVENTS AFTER THE CLOSE OF FIRST-HALF 2004

There were no significant events to report following the close of the reporting period.

OUTLOOK FOR THE SECOND HALF YEAR 2004

As of 2004 Loewe will exclusively bring flat-panel displays to market. Owing to the expansion in product range, as early as Q4 2004 more than 50 % of sales will be generated by the flat-panel units.

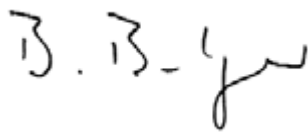
On balance, following the very difficult first half 2004, we believe sales will steady in the second half year and that we will see a sustained reduction in costs. However, we do not expect to break even in the second half of 2004.

Kronach, July 30, 2004

The Executive Board



Dr. R. Hecker



Dr. B. Bamberger



G. Schaas

CONSOLIDATED INCOME STATEMENT FOR FIRST-HALF 2004

in EUR million	April – June 2004		April – June 2003		January – June 2004		January – June 2003	
		%		%		%		%
Sales revenues	55.1		59.9		115.3		131.9	
Discontinuing operations	1.3		0.9		4.0		2.6	
Sales revenues	53.8	100.0	59.0	100.0	111.3	100.0	129.3	100.0
Cost of sales	- 47.0	- 87.4	- 43.6	- 73.9	- 93.6	- 84.1	- 98.1	- 75.9
Gross margin on sales	6.8	12.6	15.4	26.1	17.7	15.9	31.2	24.1
Marketing and selling expenses	- 14.4	- 26.8	- 15.0	- 25.4	- 30.5	- 27.4	- 30.7	- 23.8
General administrative expenses	- 1.9	- 3.6	- 2.6	- 4.5	- 4.2	- 3.8	- 5.2	- 4.0
Other operating income/expense	0.2	0.4	- 1.1	- 1.9	0.5	0.4	- 2.4	- 1.9
Income from participating interests	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Loss before interest and taxes (EBIT)	- 9.3	- 17.4	- 3.3	- 5.7	- 16.5	- 14.8	- 7.0	- 5.6
Loss before interest and taxes for discontinuing operations	- 4.4	- 8.2	- 1.2	- 2.0	- 8.1	- 7.3	- 2.2	- 1.7
Total loss before interest and taxes	- 13.7	- 25.5	- 4.5	- 7.7	- 24.6	- 22.1	- 9.2	- 7.3
Interest and similar income	0.1	0.2	0.1	0.2	0.1	0.1	0.2	0.2
Interest and similar expense	- 1.3	- 2.4	- 0.5	- 0.8	- 2.5	- 2.2	- 1.0	- 0.8
Loss before taxes (EBT)	- 14.9	- 35.3	- 4.9	- 10.3	- 27.0	- 37.9	- 10.0	- 11.6
Taxes on income	4.3	8.0	1.5	2.5	8.3	7.5	3.1	2.4
Net loss prior to minority interests	- 10.6	- 27.3	- 3.4	- 7.8	- 18.7	- 30.4	- 6.9	- 9.2
Minority interests	0.0	0.0	0.1	0.2	0.0	0.0	0.1	0.1
Consolidated net loss after minority interests	- 10.6	- 27.3	- 3.3	- 7.6	- 18.7	- 30.4	- 6.8	- 9.1
Undiluted loss per share*	- 1.35		- 0.46		- 2.37		- 0.95	
Undiluted loss per share for continuing operations	- 0.79		- 0.29		- 1.35		- 0.64	
Diluted loss per share**	- 1.28		- 0.44		- 2.26		- 0.90	
* Number of shares outstanding as at June 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 JUNE 30, 2004

in EUR million	June 30, 2004	Dec. 31, 2003	June 30, 2003
Assets			
Fixed assets			
Intangible assets	8.8	9.4	10.1
Tangible assets	49.2	53.0	56.4
Financial assets	0.7	0.3	0.2
Total fixed assets	<u>58.7</u>	<u>62.7</u>	<u>66.7</u>
Current Assets			
Inventories	49.5	43.1	62.1
Trade receivables	39.4	69.1	50.5
Other current receivables	3.9	2.8	7.6
Cash and cash equivalents	2.3	2.9	0.0
Total current assets	<u>95.1</u>	<u>117.9</u>	<u>120.2</u>
Deferred tax assets	<u>23.4</u>	<u>15.2</u>	<u>2.9</u>
Assets attributable to discontinuing operations	<u>2.2</u>	<u>4.7</u>	<u>4.7</u>
Total assets	<u>179.4</u>	<u>200.5</u>	<u>194.5</u>
Liabilities and shareholders' equity			
Shareholders' equity			
Paid-in capital	7.9	7.2	7.2
Capital reserve	41.9	38.3	45.3
Other revenue reserves	0.0	0.0	10.5
Net loss carried forward	- 19.5	- 0.8	4.6
Total shareholders' equity	<u>30.3</u>	<u>44.7</u>	<u>67.6</u>
Minority interests	<u>0.9</u>	<u>1.2</u>	<u>1.1</u>
Accruals			
Accrual for pensions and similar obligations	27.2	27.1	27.2
Tax accruals	8.7	9.0	0.0
Other accruals	38.0	47.3	36.3
Total accruals	<u>73.9</u>	<u>83.4</u>	<u>63.5</u>
Liabilities			
Non-current debt	10.3	9.9	3.0
Trade accounts payable	26.2	21.4	18.3
Other current liabilities	34.9	38.7	39.8
Total liabilities	<u>71.4</u>	<u>70.0</u>	<u>61.1</u>
Accruals and liabilities attributable to discontinuing operations	<u>2.9</u>	<u>1.2</u>	<u>1.2</u>
Total liabilities and shareholders' equity	<u>179.4</u>	<u>200.5</u>	<u>194.5</u>

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD JANUARY TO JUNE 2004

in EUR million	2004	2003
Operating activities		
Loss from ordinary activities	- 19.0	- 7.8
Depreciation on fixed assets	11.1	9.7
Increase/decrease in pension accruals	0.1	- 1.0
Income taxes paid	- 0.2	- 3.4
Cash flow prior to change in net current assets	- 8.0	- 2.5
Change in net current assets		
Increase/decrease in inventories	- 6.4	- 11.2
Decrease in trade receivables and other assets	28.6	28.8
Decrease in other accruals	- 9.3	- 10.8
Increase/decrease in trade accounts payable and other liabilities	3.1	- 4.6
Change in net current assets	16.0	2.2
Cash flow from/for operating activities	8.0	- 0.3
Investing activities		
Payments for investments in intangible assets and property, plant and equipment	- 7.2	- 9.3
Cash flow for investing activities	- 7.2	- 9.3
Free cash flow from/for continuing operations	0.8	- 9.6
Free cash flow for discontinuing operations	- 3.9	- 1.6
Total free cash flow	- 3.1	- 11.2
Financing activities		
Increase(+)/decrease(-) in the equalization item for minority interests	- 0.2	0.0
Capital increase	4.3	0.0
Dividend payment	0.0	- 6.1
Repaying/taking up loans	- 0.3	0.7
Cash flow from/for financing activities	3.8	- 5.4
Changes in cash and equivalents impacting on liquidity	0.7	- 16.6

Composition of liquidity:	June 30, 2004	Dec. 31, 2003	+/-
Cash and cash equivalents	2.3	2.9	- 0.6
Current bank loans	- 19.9	- 21.2	1.3
Total liquidity	- 17.6	- 18.3	0.7

CONTACTS

Loewe AG
Industriestrasse 11
D-96317 Kronach

PO Box 1554
D-96305 Kronach

Investor Relations: +49 (0) 92 61/99-984
Email: ir@loewe.de
Fax: +49 (0) 92 61/99-994

Public Relations: +49 (0) 92 61/99-477
Email: presse@loewe.de

Customer Care Center: +49 (0) 18 01/22 25 63 93
Email: ccc@loewe.de

Telephone switchboard: +49 (0) 92 61/99-0
Internet: www.loewe.de

Ticker symbol: LOE
WKN: 649410
ISIN code: DE 0006494107

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

Indices: ®
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Industriestrasse 11
D-96317 Kronach
www.loewe.de

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

Phone: +49 (0) 92 61/99-984
Email: ir@loewe.de