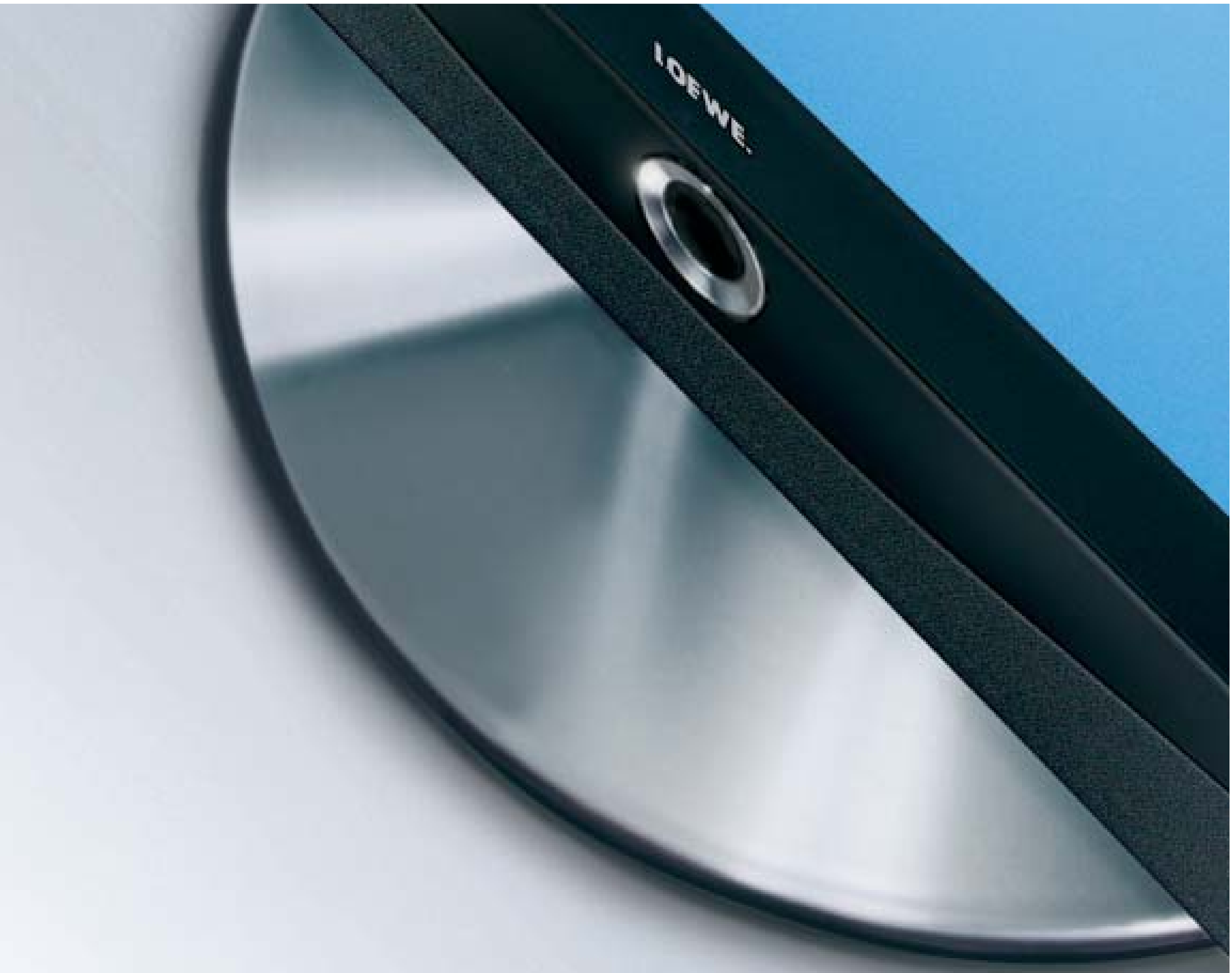


- Sales increase by 18 % to EUR 131.2 million
- Percentage of flat-panel display sales rises from 22 % to 72 %
- Operating loss for the first six months reduced by EUR 13.7 million to EUR 2.8 million
- Restructuring successfully continued

REPORT ON THE FIRST HALF OF FISCAL 2005

LOEWE.

Dear Shareholders,

The sustained upward trend of recent months is maintaining momentum and Loewe continues to grow. Our broad and attractive product portfolio of medium- and large-screen LCD and plasma televisions is enabling us to increasingly profit from the dynamic growth of the new display technologies in Germany and Europe. We are thus able to compensate for the decline in market volume of picture tube sets in the premium segment. The wide-ranging product offensive in flat-panel displays enabled us to increase our market share in LCD sets sold through European retailers from 1.0% for the period December 2003 to May 2004 to 4.4% for the period December 2004 through May 2005.

Against this backdrop and due to the relatively weak figures in the prior year, Loewe Group sales rose year-on-year by 18% to EUR 131.2 million in the first half of 2005. The high growth rates of the second quarter in particular contributed to this positive trend. During this period, sales were up 24% compared to the prior year value. The primary cause for the sustained growth is the above-average increase in sales of flat-panel displays. The share of sales of flat-panel display TVs in Loewe's sales of televisions sets increased at a correspondingly high rate to 72% in the first half of 2005 compared to only 22% in the prior year period.

As planned, we were able to significantly reduce our operating loss further in the first half of 2005. The increased sales of flat-panel display sets, an improved product mix and the further reduced cost basis led to EBIT of EUR −2.8 million compared to EUR −16.5 million in the prior year period. In the second quarter of 2005, EBIT improved to EUR −0.9 million compared to the loss of EUR 9.3 million in the second quarter of 2004.

In terms of products, Loewe expanded its product range in the LCD segment in the second quarter by introducing two attractive entry-level models featuring integrated electronics, the Concept L 32 and Concept L 26. Like all new Loewe LCD televisions with screen diagonals of 26" and larger, these two new units offer the excellent picture quality of high definition television (HDTV) and therefore have the European "HD ready" label.

Second quarter highlights were large pre-IFA events leading up to this year's International Consumer Electronics Fair in Berlin. In time for the start of the most important trade fair of the industry in September, we have presented an advanced television concept to national and international media representatives: Loewe Individual. In the new Individual LCD product line, Loewe is completely redefining flat TV. We are the first company to offer extremely customized televisions

Dr. Rainer Hecker
Industrial Engineer
Chief Executive Officer

Dr. Burkhard Bamberger
MBA
Chief Financial Officer

Gerhard Schaas
Engineer
Chief Technology Officer

whose technical features as well as a multitude of set-up options, materials, and colors can be configured as desired. Loewe Individual already integrates digital terrestrial television (DVB-T) and digital reception via cable (DVB-C) in every set – the first of its kind in the world. An upgrade to include a digital satellite tuner (DVB-S) is equally simple; everything can be operated conveniently with a remote control. Individual validates Loewe's leading role in the premium segment of consumer electronics, once again proving Loewe to be a trendsetter and industry leader.

In the second half of 2005, the already announced production of medium- and large-screen LCD televisions under the Sharp brand name will begin at Loewe's Kronach location. In addition to the development projects already underway, this more intense cooperation with Sharp will enable us to generate additional sales in the production area in the current fiscal year. These sales will make a positive contribution to earnings.

The consumer electronics market will grow primarily with new digital technologies. The International Consumer Electronics Fair will be the most attractive marketplace for these new digital technologies and will kick off the 2005 holiday shopping season. The following Olympic Winter Games in Turin and the World Soccer Championship in Germany next summer will also further stimulate growth – especially in the television and home cinema segment. The course is already being set for this today.

Despite persistent strong price erosion, we expect the rising significance of the brand and our continued product offensive to contribute to further upward development at Loewe in the second half.

Sincerely yours,

R. Hecker

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

THE LOEWE GROUP AT A GLANCE*

in EUR million	2nd quarter 2005	2nd quarter 2004	± in %	1st half 2005	1st half 2004	± in %
Sales	66.9	53.8	24	131.2	111.3	18
Earnings before interest and taxes (EBIT)	– 0.9	– 9.3		– 2.8	– 16.5	
Net loss after minority interests	– 1.3	– 6.2		– 4.0	– 10.6	
Earnings per share in euros**	– 0.12	– 0.79		– 0.38	– 1.35	
Free cash flow	– 2.0	– 10		9.1	0.8	
Number of employees	927	1,052	– 12	943	1,081	– 13

* All figures relate to the continuing division.
The consolidated interim financial statements and the annual financial statements as of December 31, 2004 were prepared in accordance with IFRS using uniform accounting policies.

** Relating to a total of 10,407,383 shares (previous year: 7,176,600 shares).

Sales grow by 18% to EUR 131.2 million in the first half

The increase in sales of flat-panel display sets by EUR 62.8 million compared to the prior year period clearly compensated for the decline in picture tube sets of EUR 42.1 million. The dynamic market growth in flat-panel display products and the significantly increased Loewe market share due to the product offensive made it possible to quadruple sales in this market segment to EUR 83.0 million. Accordingly, the percentage of sales generated by flat-panel televisions has risen to 72%.

Loss further reduced to EUR 2.8 million

After EBIT of EUR –16.5 million in the comparable prior year period, EBIT for the first six months of 2005 was EUR –2.8 million. In the second quarter of 2005, it was possible to improve EBIT to EUR –0.9 million compared to the loss of EUR 9.3 million in the prior year quarter. This is primarily a result of the higher sales and production volume, the improved product mix and the reduced cost basis. The net loss after minority interests comes to EUR 4.0 million and earnings per share is EUR –0.38.

Positive free cash flow of EUR 9.1 million

The clearly improved cash flow compared to the previous year is primarily due to the lower loss and the reduced working capital. In addition to the net cash provided by the capital increase, it was possible to reduce the short-term bank debt from EUR 25.5 million at the start of the year to EUR 0.7 million on June 30, 2005.

Implementation of the restructuring program according to plan, number of employees drops to 927

Both the product offensive and the cost-cutting in all areas were systematically continued in the first six months of 2005. The personnel measures defined and introduced already in 2004 reduced the workforce to 927 persons by the end of the second quarter. Compared to June 30, 2004, the number of employees was reduced according to plan by 125 persons.

ACCELERATED MARKET GROWTH, CONTINUED RAPID PRICE EROSION

In terms of volume, the market for televisions in Europe grew by 14% to 14.1 million units in the period from December 2004 to May 2005 as compared to the prior year quarter*. This is due to the sharply increased market acceptance of the significantly more favorable prices for flat-panel sets compared to the prior year period. In the period December 2004 to May 2005, 2.3 million LCD-TVs and 0.5 million plasma TVs were sold in Europe. This represents a tripling compared to the prior year period. On the other hand, at 11.1 million sets, the number of picture tube sets is slightly below the prior year level despite declining prices.

The prices for picture tube sets are on average 24% lower than in the prior year period and amount to only just under EUR 300 per set. The comparably high prices for LCD-TVs have dropped even more sharply. Large-screen sets with a screen diagonal of 26" and larger are priced 40% lower and small-screen sets are 24% below the prices in the comparable prior year quarter. Due to the greater share of more expensive, large-screen LCD sets with an average price of just under EUR 2,100, the average price decline for LCD sets was only 16%. Prices for plasma TVs, which are only available in large screen sizes declined by 41% to EUR 2,800 year-on-year.

In terms of value, the market for TV sets grew strongly in all important European countries. As a whole, the market value in Europe rose by 21% to EUR 7.6 billion. The high volume growth for flat-panel display sets more than compensated for the price-driven 25% decline in unit sales of picture tube sets. As a result, the proportion of picture tube sets in the total market in terms of value fell from 70% in the prior year period to 43%.

At 3.9%, Loewe's market share in Europe in terms of value is 0.3 percentage points below the prior year value. This is attributable to the 5.2% decline of Loewe's market share of picture tube TVs because such sets are no longer in demand as premium products. On the other hand, Loewe increased its European market share in large-screen LCD-TVs from 1.0% to 4.2%. In plasma TVs, Loewe's market share increased only slightly to 1.4%.

18% INCREASE IN SALES IN THE FIRST SIX MONTHS

In the first six months of 2005, Loewe's sales increased by 18% to EUR 131.2 million. Sales of flat-panel display sets, which were up by EUR 62.8 million, clearly compensated for the decline of EUR 42.1 million in picture tube sets. The high growth rates in the second quarter of 2005 contributed to this development. During this period, sales were up 24% year-on-year. It should be taken into account that business volume was very low in the second quarter of 2004.

Sales by product area

in EUR million	2nd quarter 2005	2nd quarter 2004	± in %	1st half 2005	1st half 2004	± in %
Televisions	58.9	45.9	28	114.7	94.0	22
DVD players	1.8	0.5	260	3.8	1.3	192
Video recorders	0.2	0.4	– 50	0.5	1.0	– 50
Stereo systems	0.5	0.5	0	1.3	1.3	0
Accessories and other revenues	5.5	6.5	– 15	10.9	13.7	– 20
Total	**66.9**	**53.8**	**24**	**131.2**	**111.3**	**18**
of which domestic	31.2	25.8	21	62.2	57.3	9
of which foreign	35.7	28.0	28	69.0	54.0	28

* In the following, all market data refers to European electronic retailers in the period from December 2004 to May 2005 and were supplied by the consumer research organization Gesellschaft für Konsumforschung (GfK).

The decline in sales of picture tube sets accelerated in the second quarter of 2005. Since picture tube sets are almost exclusively marketed through aggressive pricing, it is now all but impossible to implement the Loewe premium strategy in this segment. Sales are therefore very strongly concentrated on the entry-level price category. The share of picture tube sets in Loewe's sales of television sets has declined to about 20%, compared to 75% in the prior year quarter.

The dynamic market growth in flat-panel display televisions and the broadening of the Loewe product program made it possible to expand sales strongly. The market launch of two plasma TV sets in the 42" size category in the first quarter made a significant increase in sales possible. In addition, new 26" and 32" LCD sets of the Concept product family were introduced in the second quarter. These sets contributed approximately EUR 10 million to sales.

Sales of televisions units

in EUR million	2nd quarter 2005	2nd quarter 2004	± in %	1st half 2005	1st half 2004	± in %
Picture tube display sets	12.0	34.3	– 65	31.7	73.8	– 57
Flat-panel display sets	46.9	11.6	304	83.0	20.2	311
of which: LCD	40.2	9.8	310	68.8	15.8	335
of which: Plasma	6.0	0.9	567	12.8	2.6	392
of which: Rear projection	0.7	0.9	– 22	1.4	1.8	– 22
Total	**58.9**	**45.9**	**28**	**114.7**	**94.0**	**22**
Sales share of picture tube display sets	20%	75%		28%	79%	
Sales share of flat-panel display sets	80%	25%		72%	21%	

Sales of accessories continued to decline since the higher proportion of flat-panel display sets led to a reduction in demand for racks and other placement solutions. The introduction of new DVD recorders in August 2004 increased sales in the first six months of 2005 to EUR 3.8 million.

With an almost 50% share of sales, Germany is still Loewe's most important sales market. After stagnating sales in the first quarter of 2005, sales revenues were increased by almost EUR 5 million in the second quarter. At EUR 62.2 million, the domestic sales in the first six months are 9% higher than the prior year value. Export sales growth in the first quarter of 2005 was primarily supported by the positive development in Spain. In the second quarter, all significant export markets participated in the sales growth. In addition to the attractive market growth of roughly 20% in all significant markets, the expansion of the Loewe market share in LCD-TVs had a particularly positive impact.

FURTHER EBIT IMPROVEMENT, LOSS REDUCED TO EUR 2.8 MILLION

After an EBIT of EUR –16.5 million in the same period in 2004, EBIT in the first six months of 2005 amounted to EUR –2.8 million in the division to be continued. The negative EBIT of EUR 0.9 million in the second quarter of 2005 was significantly improved compared to the loss of EUR 9.3 in the prior year quarter. Compared to the first quarter of 2005, it was possible to cut the loss in half.

The improvement in earnings is primarily a result of the higher sales and production volume, the improved product mix and the reduced cost basis. The significant cost reductions in the first six months relate to personnel expenses (EUR 4.1 million) and advertising expenses (EUR 2.3 million).

The gross profit improved by EUR 9.2 million to EUR 26.9 million in the first six months of 2005. In addition to the 18% increase in business volume, the higher sales of flat-panel display sets and the cost relief from the development cooperation with Sharp had a positive impact on the gross margin. Year-on-year, it increased from 15.9% to 20.5%.

In an annual comparison, the selling expenses were reduced by EUR 5.8 million to EUR 24.7 million. At EUR 2.3 million, the significant savings relate to the advertising budget; approximately EUR 1.5 is attributed to cost reductions in the sales and marketing organization. Moreover, the first quarter of 2004 had been impacted by a negative one-off effect resulting from the write-off of EUR 1.0 million of trade receivables.

The restructuring measures reduced the general administrative expenses of EUR 3.7 million by EUR 0.5 million below the prior year value so that their share was reduced by 1 percentage point to 2.8% of sales.

The other operating result totaling EUR −1.3 million in the first six months includes restructuring costs of EUR 1.2 million. The prior year value had included the favorable effect of the release of provisions that were no longer required in the amount of EUR 1 million.

Year-on-year, interest expenses were unchanged at EUR 2.4 million. Higher one-time payments in connection with financing commitment letters issued by bank were compensated by lower drawings.

LOWER CAPITAL EXPENDITURE

Capital expenditure/depreciation and amortization

in EUR million	1st half		1st half	
	Capital expenditures	Depreciation/amortization	Capital expenditures	Depreciation/amortization
Intangible assets	3.5	3.7	3.6	4.3
Property, plant and equipment	3.0	6.5	3.4	6.8
Financial assets	0.0	0.0	0.2	0.0
Total	**6.5**	**10.2**	**7.2**	**11.1**

At EUR 6.5 million, the capital expenditure in the first half of 2005 was slightly less than in the prior year period. It relates primarily to development costs (EUR 3.3 million) capitalized in accordance with International Accounting Standards (IAS) and to tools for new products (EUR 1.7 million). The modest decline in depreciation/amortization to EUR 10.2 million resulted primarily from lowered capitalized development costs due to the cost sharing arrangement with Sharp.

CONTINUED IMPROVEMENT OF BALANCE SHEET STRUCTURE

Major balance sheet items

in EUR million	June 30, 2005	Dec. 31, 2004	June 30, 2004
Non-current assets	47.5	51.2	58.7
Current assets, net	11.9	22.9	22.4
Shareholders' equity	31.5	19.4	30.3
Bank liabilities, net	9.1	34.1	28.5
Factoring	4.1	27.4	11.6

In the first six months of 2005, the balance sheet structure continued to improve as a result of the capital increase and the reduction of working capital. It was possible to reduce bank liabilities (including long-term loans) to EUR 9.1 million as of June 30, 2005. The factoring volume was also reduced and came to EUR 4.1 million on June 30, 2005 compared to EUR 11.6 million one year before. At 31.5 million, equity was slightly higher than one year before. This reflects an equity ratio of just under 20 %.

Current assets, net

in EUR million	June 30, 2005	Dec. 31, 2004	June 30, 2004
Inventories	41.4	36.4	49.5
of which: Raw materials	17.3	16.5	21.5
of which: Finished goods	24.1	19.9	28.0
Trade accounts receivable and other assets	52.7	57.9	43.0
Other provisions	– 39.6	– 43.4	– 38.0
Trade accounts payable and other liabilities	– 42.6	– 28.0	– 32.1
Total	**11.9**	**22.9**	**22.4**

At EUR 11.9 million, net current assets are also at a very low level at the end of the first six months. The rapid price deterioration on the sales and purchasing side has made it necessary to continue to systematically minimize inventories. Compared to March 31, 2005, inventory turns have slowed slightly; however, they are in the target area. Trade accounts receivable have increased due to the lower factoring volume. Adjusted for factoring, the payment period was shorter than in the previous year. Compared to the previous year, the trade accounts payable have increased sharply to EUR 42.6 million. This results from the significantly higher share of LCD and plasma screens purchased in the Far East.

Shareholders' equity

in EUR million	Subscribed capital	Capital reserve	Other retained earnings	Accumu-lated loss	Share-holders' equity
Balance as of Dec. 31, 2004	**7.9**	**11.7**	**0.0**	**– 0.2**	**19.4**
Capital increase	2.5	13.6			16.1
Loss in 1st half of 2005				– 4.0	– 4.0
Balance as of June 31, 2005	**10.4**	**25.3**	**0.0**	**– 4.2**	**31.5**

The increase in equity to EUR 31.5 million is the result of the capital increase. It was only slightly reduced by the consolidated net loss incurred in the first half of 2005.

FREE CASH FLOW INCREASES TO EUR 9.1 MILLION

Cash flow

in EUR million	1st half 2005	1st half 2004
Net cash from operating activities	15.6	8.0
Investing activities	– 6.5	– 7.2
Free cash flow	**9.1**	**0.8**
Free cash flow of discontinuing division	– 0.1	– 3.9
Net cash from financing activities	15.9	3.8
Cash-effective change in liquidity	**24.9**	**0.7**

In the first half of 2005, the Group generated positive free cash flow of EUR 9.1 million in the division to be continued. The improvement over the prior year value is primarily attributable to the lower loss. The increase in trade accounts payable by almost EUR 15 million more than compensated for the higher inventories, which increased by EUR 5 million since the start of the year.

The positive free cash flow and the net cash provided by the capital increase improved liquidity by EUR 24.9 million. It was therefore possible to reduce the short-term bank debt from EUR 25.5 million at the start of the year to EUR 0.7 million on June 30, 2005.

DISCONTINUATION OF THE USA BUSINESS

The liquidation of the discontinuing division is proceeding according to plan.

Discontinuing division in USA

in EUR million	2nd quarter 2005	2nd quarter 2004	1st half 2005	1st half 2004
Sales	0.0	1.3	0.0	4.0
Loss	0.0	– 4.4	0.0	– 8.1
Free cash flow	0.0	– 0.7	– 0.1	– 3.9
Number of employees	0	15	0	15

DEVELOPMENT AND PRODUCTION

As planned, it was possible to start production of an additional LCD product family under the family name of Concept in the second quarter of 2005. As electronics on board solutions, the 26” and 32” formats are equipped with the integrated L 2600 chassis. The Xelos family was expanded to include a 37” set, also with integrated electronics.

As was earlier the case with picture tube sets, Loewe purchases its small LCD-TVs, which are characterized by special price competition, from OEM partners. The OEM product Xelos 22, which originates from the Sharp production, was completed as was the product Xelos 20, which we purchase as a semi-knocked down product from another OEM partner and assemble in our factory.

The development and production preparation work for the new product family Loewe Individual including the associated placement options were continued on schedule.

The GD7 line of OEM sets for Sharp was completed to pilot production making it possible for full production to start in the third quarter.

In the area of chassis and components, it was also possible to complete the development of the L 2650 chassis to pilot production. The essential features of this chassis include integration of the three DVB reception types DVB-T, DVB-C and DVB-S and the optional upgrade to an integrated hard disk recorder, which makes time shift television viewing possible.

In the Joint Development Center with Sharp, the development of the L 2700 chassis platform, which is essentially characterized by HDTV reception, was continued on schedule. Nonetheless, delays have occurred in some areas due to capacity bottlenecks and delayed completion of semiconductor platforms. The goal remains to be able to present prototypes for IFA 2005.

In the area of pre-engineering, the work on the subsidized research projects that are primarily concentrated on new software systems and smart user interfaces for consumer electronics equipment proceeded according to plan.

In the production area, the existing final assembly line for flat-panel display products was adapted to meet the increasing capacity requirement. In automatic placement, this also necessitated the development of a new placement line to be able to produce the greater number of SMD components in an efficient manner.

MARKETING AND SALES

The central communication message of the first half marketing campaign sums it all up. Loewe offers a comprehensive product line of flat TVs that meets all expectations:

- A secure future due to the systematic commitment to digital reception, integrated in the set
- A design that has received many awards
- Individuality through numerous placement options, materials and colors

This has enabled Loewe products to convincingly gain ground in the market, which is objectively documented by the significantly increased market share. Products that support the brand even in the entry-level segment was the objective of the product offensive in the second quarter of 2005. The Concept L 32 and the Concept L 26 round out the portfolio in the Loewe Life product segment as entry-level products with attractive price positioning. Additional test wins and design awards impressively underscore Loewe's leadership in the premium flat TV market.

As the most important trade show of the industry, the International Consumer Electronics Fair 2005 in Berlin will be the most important event of the third quarter. Innovative, digital technologies and high-definition televisions will be the highlights of the fair. Loewe will go one step further; presenting something extraordinary which has been created by breaking out of the mold. At this year's IFA, we will present a totally new television concept. Its almost limitless individuality will change the TV market. Comprehensive and powerful communication activities will introduce this unique concept to a broad public using a variety of media.

On the marketing side, we continued the systematic expansion of our distribution. We increased the number of points of sale in the key European markets, particularly in France and Italy, and we further built up the widespread presence of our products with flat panel display technology. Furthermore, our IFA highlight Loewe Individual was presented for the first time at a meeting with approximately 300 selected leading dealers from Germany, Austria and Switzerland.

The high acceptance of our flat-panel display products has sustainably improved our sales structure. The decline in picture tube sets is offset by significant growth of products with flat-panel display technology. Specific measures further increased the share of high-end products and thus improved our product mix in our flat TV product line.

Our task in the third quarter will be to concentrate on preparations for the most important event of the current year – the IFA in Berlin. After the usual weakness in the summer months of July and August, September will be the start of the holiday shopping season. The IFA is expected to attract consumers and trading partners from all over the world. Together, we will set the course for the seasonal holiday business ahead of us.

NUMBER OF EMPLOYEES DOWN TO 927

The decline in the workforce is a result of the restructuring program introduced in mid-2003. On January 1, 2005, Loewe had 995 employees. The personnel measures defined and introduced in 2004 reduced the workforce to 958 persons by the end of the first quarter of 2005 and to 927 by the end of the second quarter. Compared to June 30, 2004, the number of employees declined from 1,052 to 927 persons. The reduction by 125 persons related to all divisions.

RISKS OF FUTURE DEVELOPMENT, OTHER INFORMATION

The most important risks concern the continued high level of price erosion for television sets, the successful positioning of a competitive flat-panel display range in the premium segment, the development of technological differentiation potentials, the availability of attractive purchasing conditions, an adequate supply of material, the assurance of product quality, risks in foreign business, and the securing of financing. These individual risks are in part interrelated and can influence each other.

The detailed risk report is published in the annual report for 2004 on pages 39 to 43. There were no significant changes from the previous year in the second quarter of fiscal year 2005.

The consolidated interim financial statements as of June 30, 2005 and the annual financial statements as of December 31, 2004 were prepared in accordance with IFRS using uniform accounting policies.

As of June 30, 2005, the Executive Board held 581,425 shares in Loewe AG, which was unchanged from December 31, 2004.

SHAREHOLDERS' MEETING ON JUNE 2, 2005

At the Shareholders' Meeting of Loewe AG held on June 2, 2005, all items on the agenda were adopted with only a few opposing votes. Among other things, the items on the agenda included the granting of newly authorized capital because the existing capital authorized in 1994 had been largely used up. Furthermore, the Shareholders' Meeting resolved to grant a contingent capital in order to create the conditions for the company to enable attractive financing alternatives on a short-term basis if necessary. The association for the protection of minority shareholders' interests (SAM) filed an action in rescission against this agenda item in the Regional Court in Coburg.

IMPORTANT EVENTS AFTER THE END OF THE FIRST HALF

The German law regarding the placing on the market, the take back and the environmentally compatible treatment of electronics and electrical goods (ElektroG) obligates manufacturers to provide proof of financial guarantees for recovery and disposal. Loewe will meet this legal requirement by joining together with other manufacturers to form the "Garantiegesellschaft für Geräte der Unterhaltungselektronik GbR mit beschränkter Haftung" (civil law association for consumer electronics devices manufacturers). The joint guarantee by the participating companies will result in considerably lower financial and administrative expense for all participants.

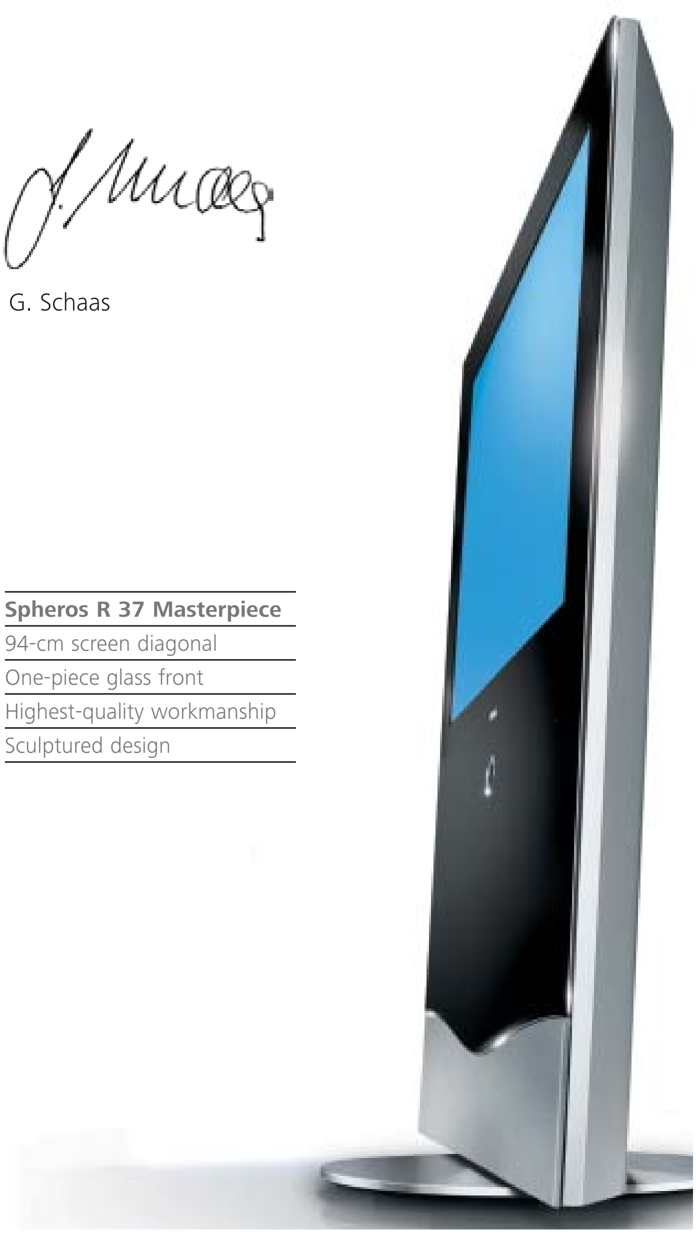
OUTLOOK FOR THE YEAR 2005

We expect sales of Loewe products to increase slightly in 2005. It should be taken into consideration that the comparatively low figure for the first half year 2004 boosted the growth rate in the first six months of 2005. In the second half of the year, we will realize additional OEM sales with Sharp. From the present perspective, the target figure of EUR 50 million agreed with Sharp at the end of last year will not be achieved due to startup delays and might only amount to approximately EUR 20 million. Nonetheless, because of the higher business volume with Loewe branded products and the restructuring measures that have been implemented, we continue to expect EBIT to be around breakeven in the current fiscal year. At the same time, however, the continued strong price erosion is the greatest challenge and uncertainty Loewe faces, making future estimates for the second half of 2005 difficult.

Kronach, August 8, 2005

The Executive Board

Dr. R. Hecker   Dr. B. Bamberger   G. Schaas



Spheros R 37 Masterpiece
94-cm screen diagonal
One-piece glass front
Highest-quality workmanship
Sculptured design

CONSOLIDATED INCOME STATEMENT 1ST HALF OF 2005

	April – June 2005		April – June 2004		January – June 2005		January – June 2004	
	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Sales*	66.9	100.0	53.8	100.0	131.2	100.0	111.3	100.0
Cost of goods sold*	– 53.7	– 80.3	– 47.0	– 87.4	– 104.3	– 79.5	– 93.6	– 84.1
Gross margin*	**13.2**	**19.7**	**6.8**	**12.6**	**26.9**	**20.5**	**17.7**	**15.9**
Selling expenses*	– 12.4	– 18.5	– 14.4	– 26.8	– 24.7	– 18.8	– 30.5	– 27.4
General administrative expenses*	– 1.5	– 2.3	– 1.9	– 3.6	– 3.7	– 2.8	– 4.2	– 3.8
Other operating income/ expenses*	– 0.2	– 0.3	0.2	0.4	– 1.3	– 1.0	0.5	0.4
Earnings before interest and taxes (EBIT)*	**– 0.9**	**– 1.4**	**– 9.3**	**– 17.4**	**– 2.8**	**– 2.1**	**– 16.5**	**– 14.9**
EBIT of discontinuing division	0.0	0.0	– 4.4	– 8.2	0.0	0.0	– 8.1	– 7.3
Total EBIT	**– 0.9**	**– 1.4**	**– 13.7**	**– 25.6**	**– 2.8**	**– 2.1**	**– 24.6**	**– 22.2**
Interest and similar income	0.1	0.2	0.1	0.2	0.1	0.1	0.1	0.1
Interest and similar expenses	– 1.0	– 1.5	– 1.3	– 2.4	– 2.5	– 1.9	– 2.5	– 2.2
Profit from ordinary activities (EBT)	**– 1.8**	**– 2.7**	**– 14.9**	**– 27.8**	**– 5.2**	**– 3.9**	**– 27.0**	**– 24.3**
Income taxes	0.6	0.9	4.3	8.0	1.3	1.0	8.3	7.5
Net loss before minority interests	– 1.2	– 1.8	– 10.6	– 19.8	– 3.9	– 2.9	– 18.7	– 16.8
Minority interests	– 0.1	– 0.1	0.0	0.0	– 0.1	– 0.1	0.0	0.0
Net loss after minority interests**	**– 1.3**	**– 1.9**	**– 10.6**	**– 19.8**	**– 4.0**	**– 3.0**	**– 18.7**	**– 16.8**
**** of which: continuing division**	**– 1.3**	**– 1.9**	**– 6.2**	**– 11.5**	**– 4.0**	**– 3.0**	**– 10.6**	**– 9.5**

* Continuing division only

Basic earnings per share of continuing division	– 0.12		– 0.79		– 0.38		– 1.35	
Number of shares issued as of June 30	10,407,383		7,876,600		10,407,383		7,876,600	

CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2005

in EUR million	June 30, 2005	Dec. 31, 2004	June 30, 2004
Assets			
Non-current assets			
Intangible assets	5.9	6.1	8.8
Property, plant and equipment	40.8	44.3	49.2
Financial assets	0.8	0.8	0.7
Total non-current assets	**47.5**	**51.2**	**58.7**
Current assets			
Inventories	41.4	36.4	49.5
Trade accounts receivable	50.4	51.8	39.4
Other current receivables	2.3	6.1	3.9
Cash and cash equivalents	2.2	2.1	2.3
Total current assets	**96.3**	**96.4**	**95.1**
Deferred tax assets	**27.0**	**24.9**	**23.4**
Assets of discontinuing division	**0.0**	**0.0**	**2.2**
Total assets	**170.8**	**172.5**	**179.4**
Equity and liabilities			
Shareholders' equity			
Subscribed capital	10.4	7.9	7.9
Capital reserve	25.3	11.7	41.9
Other retained earnings	0.0	0.0	0.0
Loss carried forward	− 4.2	− 0.2	− 19.5
Total shareholders' equity	**31.5**	**19.4**	**30.3**
Minority interests	**1.1**	**1.0**	**0.9**
Provisions			
Provisions for pensions and similar obligations	36.0	36.2	27.2
Tax provisions	7.7	7.3	8.7
Other provisions	39.6	43.4	38.0
Total provisions	**83.3**	**86.9**	**73.9**
Liabilities			
Long-term debt	7.5	10.5	10.3
Trade accounts payable	38.0	21.7	26.2
Other non-current liabilities	8.4	32.0	34.9
Total liabilities	**53.9**	**64.2**	**71.4**
Provisions and liabilities of discontinuing division	**1.0**	**1.0**	**2.9**
Total liabilities	**170.8**	**172.5**	**179.4**

CONSOLIDATED CASH FLOW STATEMENT JANUARY TO JUNE 2005/2004

in EUR million	2005	2004
Operating activities		
Loss from ordinary activities	– 5.2	– 19.0
Depreciation and amortization of non-current assets	10.2	11.1
Decrease in pension provisions	– 0.2	0.1
Income taxes paid	– 0.1	– 0.2
Net cash before changes in non-current assets	**4.7**	**– 8.0**
Increase/decrease in net current assets		
Decrease in inventories	– 5.0	– 6.4
Decrease in trade accounts receivable and other assets	5.2	28.6
Decrease in other provisions	– 3.8	– 9.3
Increase/decrease (–) in trade accounts payable and other liabilities	14.5	3.1
Increase/decrease (–) in trade accounts payable and other liabilities	**10.9**	**16.0**
Net cash from operating activities	**15.6**	**8.0**
Investing activities		
Payments for purchases of intangible assets and property, plant and equipment	– 6.5	– 7.2
Net cash used for investing activities	**– 6.5**	**– 7.2**
Free cash flow of continuing division	**9.1**	**0.8**
Free cash flow of discontinuing division	**– 0.1**	**– 3.9**
Total free cash flow	**9.0**	**– 3.1**
Financing activities		
Decrease (–) in minority interests	0.0	– 0.2
Capital increase	15.9	4.3
Repayment of loans	0.0	– 0.3
Net cash from financing activities	**15.9**	**3.8**
Cash-effective change in liquidity	**24.9**	**0.7**

Composition of liquidity	June 30, 2005	Dec. 31, 2004	±
Cash and cash equivalents	2.2	2.1	0.1
Short-term bank loans	– 0.7	– 25.5	24.8
Liquidity	**1.5**	**– 23.4**	**24.9**

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ISIN code:	DE 0006494107

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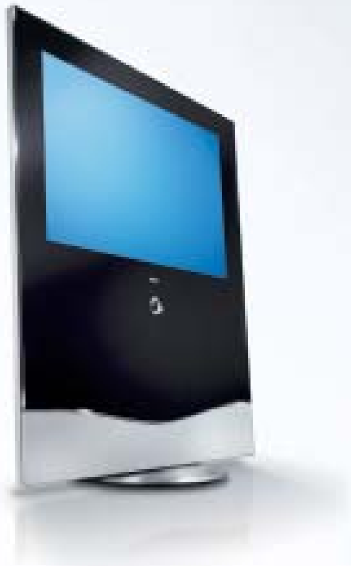

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