

Report on the
First Nine Months of Fiscal Year 2007

- Large-screen LCD-TVs nearly double their share in LCD-TV sales
- Sales increase by 1% to EUR 244.5 million
- EBIT improves by 41% to EUR 13.0 million
- EBIT margin rises from 3.8% to 5.3%



LOEWE.



■ **Dr. Rainer Hecker**
Industrial Engineer
Chief Executive Officer

■ **Oliver Seidl**
Graduate in business
administration
Chief Financial Officer

■ **Gerhard Schaas**
Engineer
Chief Technology Officer

Dear Shareholders,

Loewe's attractive and individual home cinema solutions put the Company well on the way to further expanding its position of market leadership in home entertainment systems in Europe. Our Company's starting position in this market is very favorable. Within the LCD-TV growth segment, the large screen size categories of importance to Loewe have seen above-average growth. Moreover, the International Consumer Electronics Fair (IFA) in Berlin and consumers' increased brand awareness have provided momentum and a perfect start into the Christmas shopping season.

Against this backdrop, Loewe's sales in the third quarter of 2007 were up by 27% to EUR 89.4 million compared to 70.2 million in the same period of 2006. Sales in the first nine months of 2007 of EUR 244.5 million were only 1% higher than in the same period of 2006. This was related to the especially strong boost in demand in the first half of 2006 from the FIFA World Cup in Germany. The modest increase in sales was chiefly due to the significant increase in sales of large-screen LCD sets (37 inches and larger) in a year-on-year comparison. The share of these sets in overall sales of LCD televisions nearly doubled year-on-year from 26% to 49% in the first nine months of 2007.

In the third quarter of 2007, earnings before interest and taxes (EBIT) improved by EUR 4.0 million to EUR 5.1 million. In the first nine months of 2007, EBIT reached EUR 13.0 million compared to EUR 9.2 million in the same period of 2006. The significant improvement in earnings is primarily due to demand for the value-based and stably priced Loewe premium products and the further improvement of the product mix.

The highlight of the third quarter of 2007 was the Company's very successful presence at the International Electronics Fair in Berlin. With the motto "Loewe brings together what belongs together," we presented innovative home cinema solutions to numerous retailers from within and outside of Germany as well as national and international media representatives. Loewe's focus at this year's trade show was our new TV family Loewe Connect. With its youthful design, the Connect television appeals to modern, tech-savvy buyers. It offers completely new directions for intelligent networking with mobile devices such as digital cameras, game consoles or MP3 players. In addition, we displayed a number of attractive new audio solutions at the consumer electronics

fair. For example, the Loewe Individual Sound Projector offers authentic 5.1 surround sound from the TV, DVDs and other digital sources with just one single component – making it an outstanding surround sound audio experience. By introducing the Sound Projector, Loewe convincingly underscores its expertise in the audio segment and in creating modern, convenient surround sound systems. Furthermore, Loewe offers high-definition picture quality with double image frequency (100 Hz) in large-screen televisions.

The International Consumer Electronics Fair gave us an excellent start into the important Christmas shopping season. We will systematically enhance the strength of the Loewe brand in the coming months and market our high-quality and individual home cinema solutions in a manner consistent with its premium standing and orientation to value. To that end, Loewe will push ahead with the qualitative and quantitative expansion of distribution within and outside of Germany and further step up Loewe's premium presence at qualified retailers throughout European cities. Furthermore, in the future we will gear our product portfolio even more closely to the individual desires and needs of our customers.

Prices for LCD-TVs continued their decline in the first nine months of 2007. Because of the sustained high demand for large-screen flat-panel TVs, new attractive digital products and the increased brand awareness of consumers, the European TV market will continue to develop positively. Our value and profit-oriented marketing as well as the good market acceptance of the high-quality, highly profitable Loewe home cinema solutions now lead us to expect that EBIT for the current fiscal year 2007 will improve by around 50% to EUR 20 million compared to EUR 13.2 million in 2006. Loewe continues to aim for sales growth of 10% to approximately EUR 380 million for 2007 as a whole.

Sincerely yours,



Dr. Rainer Hecker
Chief Executive Officer of Loewe AG

The Loewe Group at a glance*

EUR million	3 rd quarter 2007	3 rd quarter 2006	± in %	Q 1-3 2007	Q 1-3 2006	± in %
Sales	89.4	70.2	+ 27	244.5	241.5	+ 1
EBIT	5.1	1.1	+ 364	13.0	9.2	+ 41
Net income after minority interests	- 2.3	0.2		1.8	4.2	
Earnings per share in euros**	- 0.18	0.02		0.14	0.32	
Free cash flow	- 7.0	- 1.1		11.6	0.1	
Number of employees	998	959	+ 4	981	966	+ 2

* All figures relate to the continuing division.

The consolidated financial statement as of December 31, 2006 and the interim consolidated financial statements were prepared in accordance with IFRS using uniform accounting policies.

** Relating to a total of 13,009,229 shares (previous year: 13,009,229 shares)

Growth in Loewe sales

The third quarter was marked by a noticeable business upturn. Loewe's sales of EUR 89.4 million exceeded the comparable figure for 2006 by almost EUR 20 million or 27%. In the first nine months of the fiscal year, Group sales increased by EUR 3.0 million to EUR 244.5 million, even though the strong boost in demand caused by the FIFA World Cup in Germany favored the first half of 2006.

EBIT increases by 41 % to EUR 13.0 million

In the first nine months, earnings before interest and taxes (EBIT) increased by EUR 3.8 million from EUR 9.2 million to EUR 13.0 million. The value-based marketing of Loewe products at stable prices and the further improvement of the product mix contributed significantly to this result. Accordingly, the EBIT margin climbed to 5.3%, after 3.8% in the same period of 2006. At EUR 1.8 million, net income after minority interests in the first nine months of 2007 was less than in 2006 due to one-off charges of EUR 5.0 million related to the 2008 German corporate tax reform. Earnings per share came to EUR 0.14. Adjusted for the non-recurring effect of the tax reform change, net income as of September 30, 2007 is EUR 6.8 million and earnings per share are EUR 0.52.

Positive free cash flow

In the first nine months of 2007, Loewe AG generated EUR 11.6 million in free cash flow. The strong year-on-year increase resulted primarily from the significantly higher earnings and a slight reduction of working capital.

Modest increase in the number of employees

The average number of employees was higher than in the same period of 2006. The increase resulted primarily from the inclusion of the newly formed subsidiary Loewe UK Ltd. and individual recruitments in development and marketing.

Market growth continues at dynamic rate

In the first nine months of 2007, the value of the European consumer electronics market grew by 5% compared to the same period in 2006*. The most important segment by far was the dynamic television segment, which gained 12% in the first nine months of 2007 in response to the strong growth in the market for LCD-TVs. In the first nine months of 2007, sales of LCD televisions in Europe increased by 37% year-on-year. As of September, sales of plasma TVs were 6% below the level of the comparable period of the previous year. Sales of picture-tube sets continued to decline rapidly, falling by 57% year-on-year. The percentage of flat-panel sets in TV sales increased to more than 93% in the first nine months of 2007 from approximately 83% in the 2006 period.

Prices for LCD sets continued to decline. In the important 32" and 40" segments, prices for LCD-TVs have fallen by 35% and 33%, respectively. On a year-on-year comparison, the decline in prices for 42" LCD sets, which are in direct competition with similar sized plasma TVs, has been particularly steep. At 26%, the price decline for 46" has been less pronounced. In this case, the value-based marketing of Loewe Individual Compose had a stabilizing effect on prices.

Prices for HD plasma TVs also continued to decline and prices were 40% lower than in 2006 for units with 42" and 43" screen diagonals. In the 50" segment, prices dropped by as much as 46% in the period under review.

Except for Switzerland, the market for TV sets grew significantly in the first nine months of 2007 in all major countries in Europe. The strongest growth was recorded in Austria (+29%), the Benelux countries (+19%), France (+17%) and United Kingdom (+15%). In contrast, the German market grew only by 3% due to higher sales related to the FIFA World Cup in the early months of 2006.

At 3.4%, Loewe's market share in terms of value across all technologies among European retailers in the first half of 2007 was 0.5 percentage points below the 2006 figure. Loewe's market share in the important LCD segment declined to 4.1%, down from 4.8% a year earlier, as a result of Loewe's value-based product marketing. As expected, the concentration of Loewe's business on LCD technology reduced the plasma TV market share to 1.1% from 1.8%. In Germany, Loewe's most important market, the Company's market share for LCD-TV was nearly unchanged from 2006 at 11.2%.

* Source of market data: GfK.

Loewe sales grow – large screen LCD-TVs nearly double their share in LCD-TV sales

Group sales increased slightly by EUR 3.0 million to EUR 244.5 million in the first nine months of 2007. Third quarter sales were particularly successful with an increase of almost EUR 20 million or 27 % to EUR 89.4 million.

Sales structure by product area

EUR million	3 rd quarter 2007	3 rd quarter 2006	± in %	Q 1–3 2007	Q 1–3 2006	± in %
Flat screen	76.9	62.3	+ 23	209.3	206.6	+ 1
– LCD	75.0	57.5	+ 30	199.5	183.7	+ 9
– Plasma/ rear projection	1.9	4.8	– 60	9.8	22.9	– 57
Picture-tube	0.0	0.0		0.0	6.6	
Total Loewe televisions	76.9	62.3	+ 23	209.3	213.2	– 2
Televisions (non branded)	0.0	0.0		0.0	4.8	
Other	12.5	7.9	+ 58	35.2	23.5	+ 50
Total sales	89.4	70.2	+ 27	244.5	241.5	+ 1
thereof:						
Loewe Germany	47.4	35.6	+ 33	122.1	110.1	+ 11
thereof:						
Loewe export	42.0	34.6	+ 21	122.4	126.6	– 3
thereof:						
non branded	0.0	0.0		0.0	4.8	

After phasing out the production and sales of picture-tube sets in 2006, Loewe now only sells TV sets with flat screens which represent approximately 86 % of Loewe's total sales.

Sales of LCD-TVs in the first nine months of 2007 were 9 % higher than in same period of 2006. The greatest improvements were in the sales of large-screen LCD sets (37" and larger). The percentage of these TV sets in sales nearly doubled year-on-year from 26 % to 49 % in the first nine months of 2007. In particular, the high-end sets of the Individual family continued their successful track record. Loewe was largely successful in escaping the general market trend to reduced prices by deliberately accepting lower volumes in favor of earnings.

With the greater concentration on LCD technology, the production of plasma televisions is deliberately being cut back, further impacting the reduced sales of plasma TVs.

Other sales rose by 50% year-on-year to EUR 35.2 million, due to the positive development in stereo components (up EUR 4.8 million) and the EUR 4.4 million higher sales of OEM products (electronic modules/tuners) to Sharp and others.

While sales in Germany (EUR 122.1 million in the period under review) significantly exceeded the strong figure for first nine months of 2006 by 11 %, the business trend in the export markets was uneven. Structural and organizational adjustments in Spain and the United Kingdom in particular led to a slight decline in export sales to EUR 122.4 million. The commencement of business of our subsidiary Loewe UK Ltd. in May 2007 represented a restructuring of our sales organization in the United Kingdom.

Operating income significantly higher – EBIT margin rises to 5.3 %

At EUR 13.0 million, earnings before interest and taxes (EBIT) increased significantly in the first nine months of 2007, exceeding the 2006 figure by EUR 3.8 million or 41 %. The EBIT margin improved by 1.5 percentage points to 5.3 %. A robust increase in sales and production volume in the third quarter of 2007 brought EBIT to EUR 5.1 million, EUR 4.0 million higher than in the 2006 period. This corresponds to an EBIT margin of 5.7 %, after 1.6 % a year before.

Our consistently stable pricing policy and the further improvement of the product mix have contributed to strengthening our earnings situation. Compared with the competition, the selling prices of the Loewe product line have been nearly stable. Only in the lower price segments were moderate price adjustments implemented as compared to the same period of the previous year. Increasing the share of large-screen TV sets and the strong sales in Germany also supported the positive earnings trend. This made it possible to increase the gross margin to 26.0 % in the first nine months of 2007, up from 23.8 % in the 2006 period.

Selling expenses increased by EUR 2.3 million year-on-year. Increased efforts at further expanding the brand position, which were associated with higher expenses for communications and the expansion of the points of sale, significantly contributed to the increase. As a percentage of sales, selling expenses at 17.7 % were at a slightly higher level than in the previous year.

Administrative expenses saw a minor increase from a year earlier. As a percentage of sales, they came to 2.6 %. The operating loss in the three quarters under review was EUR 1.0 million after EUR 1.4 million a year before.

The high liquidity in the period under review made it possible to improve the net interest expense by EUR 0.4 million to EUR 1.6 million. See page 19 of the Notes for a comprehensive description of the financing situation.

Capital expenditure

Capital expenditure/depreciation and amortization

EUR million	Capital expenditure		Depreciation/amortization	
	Q 1-3 2007	Q 1-3 2006	Q 1-3 2007	Q 1-3 2006
Intangible assets	5.3	4.3	5.0	4.5
Property, plant and equipment	9.7	8.3	7.1	7.2
Financial assets	0.0	0.0	0.0	0.0
Total	14.9	12.6	12.1	11.7

At EUR 14.9 million, capital expenditure in the first nine months of 2007 was EUR 2.3 million higher than a year earlier. It primarily concerned presentation systems for retailers, investments in production rationalization and replacement investments in IT as well as development costs subject to mandatory capitalization.

Net current assets

Net current assets

EUR million	Sept. 30, 2007	Dec. 31, 2006	Sept. 30, 2006
Inventories	63.6	59.9	72.5
Trade accounts receivable and other assets	81.0	83.1	65.0
Other provisions	- 39.5	- 45.6	- 38.6
Trade accounts payable and other liabilities	- 52.7	- 40.4	- 48.9
Total	52.4	57.0	50.0

Net current assets increased by EUR 2.4 million from September 30, 2006, primarily caused by the higher trade accounts receivable due to the higher business volume in the third quarter. Inventories were reduced because most LCD panels are now purchased from central warehouses in Europe and only a small portion is purchased from the Far East. Increased purchases of material due to the higher production volume increased the trade accounts payable. Other provisions primarily relate to warranties and bonus agreements.

Development and production

In the third quarter of 2007, Loewe was the first manufacturer to develop high-definition 100 Hz LCD- TVs (full HD 100 Hz) with an integrated receiver for high-definition digital television (HDTV) to production readiness and successfully launch them on the market. The heart of the new TV generation is the L2710 electronics platform. Initially, sets of the Individual Compose and Individual Selection product families (both with a 46 inch screen diagonal) were equipped with this new electronics platform. Loewe 100 Hz technology will further improve picture quality by significantly reducing motion blur which can occur when the camera is panned rapidly. Even videos played from high-definition Blu-ray DVDs in 24p format are reproduced perfectly.

The most significant development in the run-up to the International Consumer Electronics Fair in Berlin was the new TV family Loewe Connect. These innovative televisions can be integrated into an existing home network – even wirelessly if desired. The integrated media player enables the new LCD- TVs in screen sizes 32", 37" and 42" to have direct access to photos, images and videos on a PC or a network storage device – all in high-definition picture quality through the integrated HDTV receiver.

By launching the Loewe Individual Sound Projector, Loewe has expanded its broad and attractive range of home cinema solutions. The Sound Projector makes it possible to produce authentic surround sound without distributed speakers. To complement the traditional surround sound solutions, the development of wireless speakers was also begun.

Software development has worked intensively on the operating software for the new Loewe equipment. In addition, it was necessary to make adaptations to the different technical standards in the European markets. The development for the UK market deserves special emphasis. Here it was necessary to develop a software version for the multimedia standard MHEG5. The work on the MusicBox software, which will make it possible to play back MP3 files on a television set, has nearly been completed.

Advance development is continuing work on the subsidized research projects according to plan. These projects are primarily focused on novel software systems, an intelligent on-screen menu and integration of the television set into a home network. The INTCER (intelligent text search for CE devices with limited computational and storage capacity) research project was successfully completed. INTCER led to new approaches for making it possible for the end consumer to choose his or her favorite programs from the huge variety of programming available in a simple manner.

Marketing and sales

Loewe's presentation at the International Consumer Electronics Fair in Berlin this year was directed to strengthening the brand's premium positioning in individual home entertainment systems. A young target group with high purchasing power was won over to Loewe for the first time. After focusing on the individual selection of television sets at IFA 2005 and individuality in home cinema solutions (Individual Compose with Individual Sound) at IFA 2006, Loewe made intelligent networking the center of its brand presentation with the new product family Loewe Connect at IFA 2007. The growing need for connectivity was the center of attention, with more and more customers desiring an uncomplicated way to transfer individual multimedia content to their home entertainment system.

Loewe's most important motto at the IFA was "Loewe brings together what belongs together." Of primary importance for the communication concept was the new Loewe Connect, which is for the first time capable of accessing digital peripheral devices such as digital cameras, MP3 players, game consoles or external network memories through a wired or wireless connection.

The Individual Sound audio line has enabled Loewe to position itself as one of the leading premium segment audio providers within a short time. To move the brand further in the direction of systems leadership, Loewe is adding more innovations in this area to its product portfolio. The highlights were the Loewe Individual Sound Projector, the Loewe Centerspeaker floor stand and the audio system with wireless rear speakers. The new high-definition Loewe BluTech Vision DVD player was presented to the public as a highlight in the Loewe peripherals area.

The dealers' area in the exhibition stand was a brand-adequate environment for dialog between Loewe and its retail partners where national and international customers had the opportunity to plan successful sales strategies together with Loewe. Furthermore, a prototype Loewe Shop demonstrated how the enhanced Loewe marketing concepts can be integrated in the retailers' Loewe presentation.

Loewe's trade show presentation as well as the new attractive products it displayed at the trade show met with a consistently positive media response. Already in the run-up to the IFA, more than 250 journalists presented the preview award for "Innovation IFA 2007" to Loewe Connect. In addition, the media representatives presented the preview award for design to the Loewe Individual 52 Compose.

The IFA also had a strong impact on the third quarter marketing activities. After the traditionally quiet summer months of July and August, the very successful IFA appearance in September and the market launch of high-quality home cinema solutions put Loewe in a very good position for the start of the Christmas shopping season. The marketing of Loewe products at stable prices in particular made a substantial contribution to sales and earnings possible in the third quarter of 2007.

Opportunities and risks of future development

The Company's most important opportunities are in its successful positioning as a premium provider in the rapidly growing market for flat-panel sets in Europe. In the next few years, many households will be replacing their picture-tube units with flat-panel sets. This trend could be further intensified by the increased availability of HDTV (high-definition television), which provides considerably improved picture quality. For many years, Loewe had enjoyed a strong premium position in the picture-tube market, and it is confident that it has a good opportunity to achieve a comparable position in the more mature market for flat-panel sets.

The most significant risks are related to the successful positioning of a competitive flat-panel product range in the premium segment and the implementation of our product and price policy oriented to quality and stability of value. In order to do so, it is necessary to realize technological differentiation potentials in addition to the attractive design of the products. Furthermore, competitive procurement conditions and adequate availability of materials are of great significance for the comparatively expensive large-screen LCD panels.

The business tax reform scheduled to take effect in Germany in 2008 will also entail opportunities and risks. Due to the planned reduction in tax rates as of 2008, this reform could impact Loewe positively. However, for the current 2007 fiscal year, it will initially lead to a reduction of the capitalized deferred tax assets and accordingly a one-time increase in tax expense.

With respect to the principal opportunities and risks associated with the future development, please see the Group management report of Loewe AG for fiscal 2006. There were no significant changes from the previous year in the first nine months of 2007.

Outlook for the fiscal year 2007

In an environment of continuously lower prices for LCD sets, Loewe is confident about the current fiscal year due to the sustained high demand for large-screen flat-panel TVs in Europe, new attractive digital products and the increased brand awareness of consumers. Against this backdrop, the Executive Board of Loewe AG raised its previous EBIT forecast of EUR 16–18 million to now EUR 20 million for the current fiscal year 2007. This is an improvement of around 50% in comparison to EUR 13.2 million a year earlier. Loewe continues to aim for sales growth of 10% to approximately EUR 380 million for 2007 as a whole.

Kronach, November 6, 2007

The Executive Board



Dr. Rainer Hecker



Gerhard Schaas



Oliver Seidl

Consolidated Income Statement

	July – September 2007		July – September 2006		January – September 2007		January – September 2006	
	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Sales	89.4	100.0	70.2	100.0	244.5	100.0	241.5	100.0
Cost of sales	- 65.7	- 73.5	- 54.7	- 77.9	- 180.9	- 74.0	- 184.1	- 76.2
Gross margin	23.7	26.5	15.5	22.1	63.6	26.0	57.4	23.8
Selling expenses	- 16.0	- 17.9	- 12.6	- 17.9	- 43.3	- 17.7	- 41.0	- 17.0
General administrative expenses	- 2.0	- 2.2	- 1.8	- 2.6	- 6.3	- 2.6	- 5.8	- 2.4
Other operating income	- 0.6	- 0.7	0.0	0.0	- 1.0	- 0.4	- 1.4	- 0.6
EBIT	5.1	5.7	1.1	1.6	13.0	5.3	9.2	3.8
Interest and similar income	0.1	0.1	0.0	0.0	0.3	0.1	0.2	0.1
Interest and similar expenses	- 0.6	- 0.7	- 0.6	- 0.8	- 1.9	- 0.8	- 2.2	- 0.9
Profit from ordinary activities (EBT)	4.6	5.1	0.5	0.8	11.4	4.6	7.2	3.0
Income taxes	- 6.8	- 7.6	- 0.2	- 0.3	- 9.4	- 3.8	- 2.7	- 1.1
Net income before minority interests	- 2.2	- 2.5	0.3	0.5	2.0	0.8	4.5	1.9
Minority interests	- 0.1	- 0.1	- 0.1	- 0.1	- 0.2	- 0.1	- 0.3	- 0.1
Net income	- 2.3	- 2.6	0.2	0.4	1.8	0.7	4.2	1.8

Earnings per share of the continuing division	- 0.18		0.02		0.14		0.32	
Number of shares issued as of September 30	13,009		13,009		13,009		13,009	

The discontinued division generated no income or expenses in the period under review or in the previous year.

Consolidated Balance Sheet

EUR million	Sept. 30, 2007	Dec. 31, 2006	Sept. 30, 2006
Assets			
Non-current assets*			
Intangible assets	5.8	5.5	5.7
Property, plant and equipment	38.9	36.3	36.1
Financial assets	0.7	0.7	0.7
Other non-current receivables	0.7	1.0	0.6
Deferred tax assets	16.8	24.1	24.7
Total non-current assets	62.9	67.6	67.8
Current assets*			
Inventories	63.6	59.9	72.5
Trade accounts receivable	79.0	81.9	60.2
Other current receivables	3.7	2.1	4.7
Cash and cash equivalents	12.1	6.5	6.8
Total current assets	158.4	150.4	144.2
Assets of the discontinued division	0.0	0.0	0.0
Total assets	221.3	218.0	212.0
Liabilities and shareholders' equity			
Shareholders' equity			
Equity attributable to equity holders of the parent			
Subscribed capital	13.0	13.0	13.0
Capital reserve	47.0	47.0	47.0
Distributable profit	6.2	4.4	2.1
	66.2	64.4	62.1
Minority interests	1.1	1.7	1.6
	67.3	66.1	63.7
Non-current liabilities*			
Provisions for pensions and similar obligations	37.9	37.9	37.1
Other provisions	13.4	13.1	12.9
Financial liabilities	3.7	4.2	4.7
Total non-current liabilities	55.0	55.2	54.7
Current liabilities*			
Tax provisions	5.3	3.9	4.4
Other provisions	39.5	45.6	38.6
Financial liabilities	1.3	5.8	1.2
Trade accounts payable	48.3	34.2	44.9
Other liabilities	4.4	6.8	4.1
Total current liabilities	98.8	96.3	93.2
Provisions and liabilities of the discontinued division	0.2	0.4	0.4
Total liabilities and shareholders' equity	221.3	218.0	212.0

* of the continuing division

Consolidated Cash Flow Statement for the Period January to September

EUR million	2007	2006
Operating activities		
EBIT	13.0	9.2
Interest paid	- 1.6	- 2.0
Depreciation and amortization of non-current assets	12.1	11.7
Increase/decrease of non-current provisions	0.2	- 2.2
Increase in pension provisions	0.0	0.3
Income taxes paid	- 1.8	- 1.6
Cash flow before changes in net current assets	21.9	15.4
Change in net current assets		
Increase in inventories	- 3.7	- 33.0
Decrease in trade accounts receivable and other assets	2.1	27.9
Decrease/increase in other provisions	- 6.1	4.4
Increase/decrease in trade accounts payable and other liabilities	12.3	- 2.0
Change in net current assets	4.6	- 2.7
Net cash from operating activities	26.5	12.7
Investing activities		
Payments for purchases of intangible assets and property, plant and equipment	- 14.9	- 12.6
Net cash from investing activities	- 14.9	- 12.6
Free cash flow of the continuing division	11.6	0.1
Free cash flow of the discontinued division	- 0.2	- 0.3
Total free cash flow	11.4	- 0.2
Financing activities		
Decrease in minority interests	- 0.8	0.0
Repayment of loans	- 0.5	- 4.7
Net cash from financing activities	- 1.3	- 4.7
Cash-effective change in liquidity	10.1	- 4.9

Composition of liquidity:	Sept. 30, 2007	Dec. 31, 2006	±
Cash and cash equivalents	12.1	6.5	5.6
Drawing credits	- 0.4	- 4.9	4.5
Use of factoring	0.0	0.0	0.0
Liquidity	11.7	1.6	10.1

About Loewe

The Loewe Group develops, produces and distributes electronic, electrotechnical and mechanical products and systems of every type as well as parts of the same, in particular in the field of consumer electronics and communications technology (home media systems). The Company's main products are TV sets and home cinema solutions.

The parent company is recorded under the name of Loewe AG in the Commercial Register (HRB 3004) of the Local Court Coburg, Germany. The Company's registered offices are located at Industriestrasse 11, 96317 Kronach, Germany.

Basis of presentation

The condensed consolidated interim financial statements of Loewe AG for the quarter ending September 30, 2007 were prepared in accordance with the International Financial Reporting Standards (IFRS) for interim reporting as adopted in the European Union (EU) and in accordance with the provisions of the German Securities Trading Act (WpHG) applicable to interim group management reports. These quarterly financial statements refer only to the Group and contain all information and disclosures in the Notes that are required by IFRS and WpHG for interim financial statements.

The same basis of presentation used for the consolidated financial statements for fiscal year 2006 was applied to the quarterly consolidated financial statements. These quarterly consolidated financial statements contain all adjustments necessary for a true and fair view of the financial position and financial performance of the first nine months. The current income tax expense was recognized based on the currently valid tax rate, which is expected for the fiscal year as a whole. The total tax expense contains the extraordinary influence related to the Germany business tax reform of 2008.

The quarterly financial statements have been prepared in euros. The figures in the balance sheet, the income statement, the notes and the cash flow statement have been rounded off to millions of euros (EUR millions).

Scope of consolidation

The existing scope of consolidation according to the notes to the consolidated financial statements as of December 31, 2006 was expanded to include a subsidiary under the name Loewe UK Ltd. with registered offices in Glasgow. Since May 1, 2007, the Loewe sales activities in the United Kingdom have been the responsibility of this company. The shareholders' equity is GBP 50,000 and is fully paid in. All shares are held by Loewe AG, Kronach.

In the third quarter of 2007, Loewe AG acquired the 25% minority interest in Loewe France S.A.S. still held by third parties for a purchase price of EUR 0.8 million and now holds all the shares in the Company. This also reduced minority interests by EUR 0.8 million.

All subsidiaries included in the scope of consolidation were fully consolidated. The currency translation in the balance sheet was based on the reference rate of the European Central Bank (ECB) as of September 30, 2007 and in the income statement, it was based on the average rate of the first nine months of 2007.

Except for Loewe UK Ltd. all companies included in the scope of consolidation are in the euro zone.

Financial position

Financial position

EUR million	Sept. 30, 2007	Dec. 31, 2006	Sept. 30, 2006
Non-current assets	62.9	67.6	67.8
Current assets	158.4	150.4	144.2
Assets of the discontinued division	0.0	0.0	0.0
Total assets	221.3	218.0	212.0
Equity including minority interests	67.3	66.1	63.7
Non-current liabilities	55.0	55.2	54.7
Current liabilities	98.8	96.3	93.2
Non-current/current liabilities of the discontinued division	0.2	0.4	0.4
Total liabilities and shareholders' equity	221.3	218.0	212.0

The reduction in non-current assets primarily resulted from the recognition of the lower corporation and trade tax rates adopted in the German business tax reform of 2008 and the remeasurement of the deferred tax assets made necessary by them. The magnitude of this extraordinary factor is EUR 5.0 million.

On the other hand, the value of the fixed assets contained in the non-current assets increased slightly (EUR 2.9 million) as of September 30, 2007. The additions to intangible assets principally concern development services subject to mandatory capitalization. Investments in property, plant and equipment primarily include presentation systems for retailers, investment in tools and modernization in production and replacement investments in IT.

The increase in current assets compared to year-end 2006 resulted primarily from higher inventories (up EUR 3.7 million) and cash and cash equivalents (up EUR 5.6 million). The lower trade accounts receivable (down EUR 2.9 million) had a contrasting effect.

Shareholders' equity

EUR million	Subscribed capital	Capital reserve	Accumulated profit/loss	Equity attributable to equity holders of the parent	Minority interests	Shareholders' equity
Balance as of Dec. 31, 2005	13.0	47.0	- 2.1	57.9	1.3	59.2
Net income, 1 st -3 rd quarter 2006			4.2	4.2	0.3	4.5
Balance as of Sept. 30, 2006	13.0	47.0	2.1	62.1	1.6	63.7
Net income, 4 th quarter 2006			2.3	2.3	0.1	2.4
Balance as of Dec. 31, 2006	13.0	47.0	4.4	64.4	1.7	66.1
Net income, 1 st -3 rd quarter 2007			1.8	1.8	0.2	2.0
Acquisition of minority shares of Loewe France S.A.S.					- 0.8	- 0.8
Balance as of Sept. 30, 2007	13.0	47.0	6.2	66.2	1.1	67.3

The net income as of September 30, 2007 improved shareholders' equity by EUR 6.8 million which, however, was reduced by EUR 5.0 million on a one-time basis due to the negative influence of the German business tax reform of 2008. Nonetheless, the Group's equity-to-assets ratio rose slightly from 30.3% to 30.4% compared to year-end 2006.

As of the third quarter of 2007, the basic earnings per share were EUR 0.14. Excluding the effects of the German business tax reform, earnings per share would have come to EUR 0.52. The number of shares is unchanged from 2006 at 13,009,229. Diluted earnings per share are not calculated as no rights have been associated with the available 2005 authorized capital and the conditional capital.

The increase in trade accounts payable was primarily due to higher purchasing volume in connection with the seasonal increase in necessary factory inventories and finished goods.

The slight increase in other current provisions is due to setting up additional provisions for warranties and dealer bonuses.

Cash flow and financing

Cash flow

EUR million	Jan. – Sept. 2007	Jan. – Sept. 2006
Net cash from operating activities	26.5	12.7
Investing activities	– 14.9	– 12.6
Free cash flow	11.6	0.1
Free cash flow of the discontinued division	– 0.2	– 0.3
Net cash from financing activities	– 1.3	– 4.7
Cash-effective change in liquidity	10.1	– 4.9

Loewe generated significantly higher positive free cash flow compared to a year earlier. This is primarily due to the significantly higher EBIT and the slight reduction of net current assets. Liquidity was consequently higher by EUR 10.1 million than at year-end 2006.

Financing

EUR million	Sept. 30, 2007	Dec. 31, 2006	Sept. 30, 2006
Cash and cash equivalents	12.1	6.5	6.8
Long-term liabilities to banks	– 3.7	– 4.2	– 4.7
Short-term liabilities to banks	– 1.3	– 5.8	– 1.2
Subtotal	7.1	– 3.5	0.9
Factoring	0.0	0.0	– 0.4

As of September 30, 2007, cash and cash equivalents exceeded short-term and long-term liabilities to banks by EUR 7.1 million.

In the first nine months of 2007, it was practically unnecessary to utilize the line of factoring, which had been granted in the amount of EUR 35 million.

To ensure long-range financing, a syndicate agreement with a total volume of EUR 50 million was concluded with a banking syndicate in April 2007. This line of credit is intended for the financing of the business operations as well as planned capital expenditure of the Loewe Group.

The significant income items of the income statement as of September 30, 2007 are explained in the group management report.

Contingent liabilities

The contingencies and other financial obligations have not changed substantially from the disclosures as of December 31, 2006.

Related party transactions

The following business relations exist with companies of the Sharp Group:

- Sharp supplies Loewe with panels
 - Loewe supplies Sharp with components
 - Services for joint developments are provided in the Joint Development Center (JDC) in Kronach.
- All agreements are concluded on an arm's length basis.

Other disclosures

The average number of employees rose modestly from 966 to 981 in the first nine months of 2007 as compared to the same period of 2006. The production workforce has declined slightly. On the other hand, in addition to the inclusion of the employees of the new sales subsidiary in the United Kingdom, individual recruitments were necessary in development and marketing.

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

Shares held by the Executive Board and Supervisory Board on September 30, 2007

As of September 30, 2007, the Executive Board held 622,718 shares in Loewe AG, which was unchanged from the balance as of December 31, 2006. Members of the Supervisory Board held no Loewe shares.

Events after the balance-sheet date of September 30, 2007

No events of special significance occurred after September 30, 2007.

Kronach, November 6, 2007

The Executive Board



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

Indices: Classic All share®
Prime All share
CDAX®

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