



SYSTEMS THAT FASCINATE. Annual Report 2002

LOEWE.

Industriestrasse 11
D-96317 Kronach
www.loewe.de

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

Phone: +49 (0) 92 61/9 99 84
E-mail: ir@loewe.de

Annual Report 2002 SYSTEMS THAT FASCINATE.

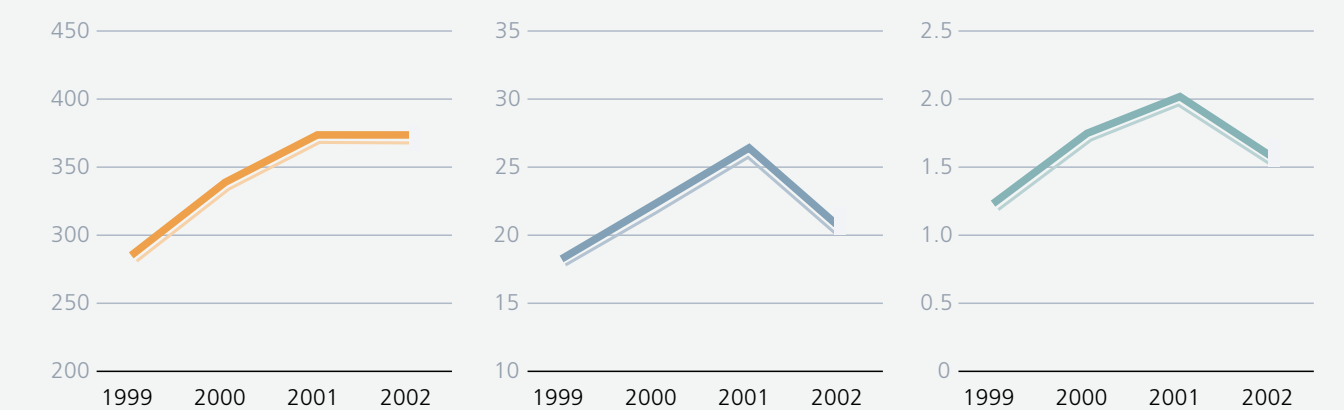
LOEWE.

LOEWE.

THE LOEWE GROUP IN NUMBERS

in EUR million	IAS					HGB/Pro forma	
	2002	2001	2000	1999	1998	1997	1996
Sales	385.6	392.8	363.6	309.5	283.2	236.5	227.4
Foreign	197.9	190.5	151.8	111.0	90.1	61.0	51.8
Foreign (as percentage of total sales)	51.3	48.5	41.7	35.9	31.8	25.8	22.8
Home Media Systems	376.2	372.6	339.7	284.3	251.8	205.4	197.2
Telecommunications***	9.4	20.2	23.9	25.2	31.4	31.1	30.2
Earnings before interest and taxes (EBIT)*	20.6	20.1	21.9	18.0	14.2	7.4	5.6
Home Media Systems	20.6	26.1	22.3	18.5	14.8	6.2	4.4
Telecommunications***	0.0	- 6.0	- 0.4	- 0.5	- 0.6	1.2	1.2
Earnings per share (EUR)**	1.52	1.45	1.70	1.16	0.88	0.50	0.34
Home Media Systems (EUR)	1.52	2.00	1.74	1.22	-	-	-
Telecommunications (EUR)***	0.00	- 0.55	- 0.04	- 0.06	-	-	-
Dividend per share (EUR)	0.85	0.85	0.85	-	-	-	-
Key figures							
Shareholders' equity	80.5	75.2	69.5	57.5	15.3	15.2	15.8
Capital employed	126.9	114.0	100.9	95.2			
Return on capital employed (%)**	8.8	9.3	11.9	5.6	1.9	- 0.3	3.0
Free cash flow	- 1.3	- 1.8	7.8	10.4	- 1.9	20.4	- 2.9
Home Media Systems	- 7.0	9.0	8.3	10.5			
Telecommunications***	5.7	- 10.8	- 0.5	- 0.1			
Capital expenditure	26.4	25.8	23.7	18.5	16.2	16.8	10.7
Depreciation and amortization	21.1	22.2	18.5	16.2	16.8	10.7	110.6
Development costs	13.3	12.0	11.7	11.3	10.6	10.0	9.4
Number of employees	1,261	1,209	1,106	1,087	1,071	1,048	1,097

* Since 1999, the interest from the allocation to pension reserves has been reported in the interest expenses
 ** Until 1999 after adjustment for extraordinary expenses, including the income tax of 40% payable thereon
 *** Division to be discontinued



Sales
Home Media Systems division
(in EUR million)

EBIT
Home Media Systems division
(in EUR million)

EPS
Home Media Systems division
(in EUR)

AUSTRALIA AUSTRIA
BELGIUM BULGARIA
CANADA CIS CROATIA
CYPRUS CZECH REPUBLIC
DENMARK EGYPT
ESTONIA FRANCE
FRENCH POLYNESIA
GERMANY GREECE
HONG KONG HUNGARY
ICELAND INDIA IRELAND
ISRAEL ITALY KOREA
KUWAIT LATVIA LEBANON
LITHUANIA LUXEMBOURG
MACEDONIA MALAYSIA
MALTA MONACO
MOROCCO NETHERLANDS
NEW ZEALAND NORWAY
POLAND PORTUGAL
SAUDI ARABIA SINGAPORE
SLOVAKIA SLOVENIA
SOUTH AFRICA SPAIN SWEDEN
SWITZERLAND TURKEY
UNITED KINGDOM USA



LOEWE CONCENTRATES
ON SOPHISTICATED AND ADVANCED SOLUTIONS
IN CONSUMER ELECTRONICS

LOEWE STANDS FOR
**HIGH VALUE
INNOVATIVE TECHNOLOGY
OUTSTANDING DESIGN**

AND USER FRIENDLINESS WORLD-WIDE.



LOEWE 2002: SYSTEMS THAT FASCINATE.

Strategic objectives	2
Letter to Shareholders	4
Report of the Supervisory Board	8
Key Events of the Year	10
Loewe Stock	12

Management Report 20

Marketing and Sales 62	
Efficient Brand Leadership	62
Innovations with System	64
Initiatives for the Retail Partners	67

Technology and Development 74	
From Product to System	74
LCD TV and Digital Television	77
Design	81

Annual Financial Statements and Notes 86	
Consolidated Income Statement	86
Consolidated Balance Sheet	87
Consolidated Cash Flow Statement	88
Notes to the Consolidated Financial Statements of Loewe AG	90
Management Bodies and Offices Held	116

Independent Auditor's Report 120	
Financial Calendar	121
Home Multimedia, Internet Glossary	122
Contacts	124
Publication Credits	124



STRATEGIC OBJECTIVES LOEWE GROUP

“WE ARE DEVELOPING LOEWE FROM BEING
A MANUFACTURER OF CONVENTIONAL TELEVISION
SETS INTO AN INTERNATIONAL PROVIDER OF SYSTEM
SOLUTIONS WITH INNOVATIVE, FLAT DISPLAY TECHNOLOGIES.”

PROFITABLE GROWTH

- Consistent high-end positioning of the products
- Higher price premiums
- Increased international growth
- Efficient lot sizes in production

INTERNATIONAL PREMIUM BRAND

- Increased brand awareness, brand profiling and brand value in our target groups and in relation to the competition
- Expand the price premium in relation to the average market price
- Development of the independent and outstanding Loewe design

INTERNATIONALIZATION OF THE COMPANY

- Systematically exhaust market potentials in key European countries by increased financial investment and investment in human resources
- Development of new international markets
- International orientation of all divisions and processes
- Build up and develop a profitable business in the U.S.

SYSTEM PROVIDER

- Increase share of high-end system solutions

FLAT DISPLAY COMPANY

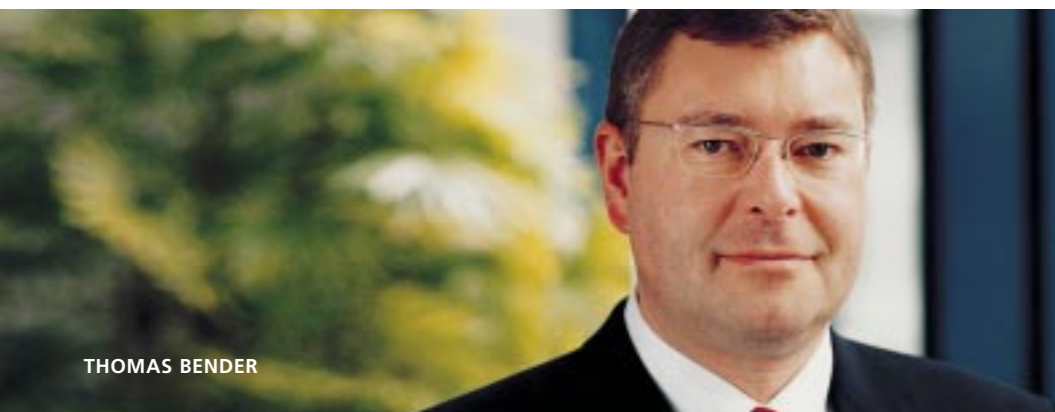
- Strategic development of products with new display technologies

QUALITY IMPROVEMENT WITH LOEWE EXCELLENCE

- Safeguarding and improving the quality of our work
- Our business processes are managed, measured and continuously improved
- Strict customer focus in all areas

STRATEGIC ALLIANCES

- Further expansion of the partner network in the form of strategic alliances



FOR LOEWE, 2002 WAS A YEAR OF GREAT CHALLENGES, WHICH WE

CONFRONTED TOGETHER WITH EXPERIENCE AND INNOVATIVE STRENGTH.

Dr. Rainer Hecker

Industrial Economist. Chairman of the Executive Board.
Responsible for strategy and services.
At Loewe since 1982.

Dr. Burkhard Bamberger

MBA. Responsible for finance, controlling and IT.
At Loewe since 1998.

Thomas Bender

Economist (M.A.). Responsible for marketing and sales.
At Loewe since 2001.

Gerhard Schaas

Engineer. Responsible for development, technology
and production. At Loewe since 1973.

Dear Shareholders,

The year 2002 was a year of transition for the Loewe Group. Despite great difficulties in the economy as a whole, Loewe stood its ground and positioned itself well in the strategic growth segments of the consumer electronics market. Noticeable progress has been made in the internationalization process and the Loewe premium brand is a strong attraction for many customers. Loewe has developed from being a manufacturer of conventional consumer electronics into an international provider of high-end system solutions based on flat screen TV technology. We will therefore be at the forefront in taking advantage of the opportunities offered by the rapidly growing world market with highly attractive niches for home multimedia and home cinema.

With sales of EUR 376.2 million in the core business Home Media Systems, we generated Group income of EUR 20.6 million. Earnings per share came to EUR 1.52. With investments of EUR 26.4 million being clearly higher than depreciation and amortization, and an equity ratio of 38%, the Loewe Group is in solid financial condition.

The primary reason for not attaining the sales and income goals was the stronger than anticipated growth in televisions with real flat picture tubes in the European region. Since the Loewe real flat product line was still not complete in 2002, especially in the medium price segment, Loewe was unable to participate fully in the dynamic growth in real flat units. Since the price competition in this area has already been very aggressive, Loewe very consciously avoided this kind of unprofitable sales. Thus in spite of a sharp decline in retail prices, Loewe was essentially able to maintain its price points.

In the high-end growth segment of the European TV market, such as 100 Hz technology, screen sizes larger than 72 cm and home cinema, Loewe clearly continues to be better positioned than in the overall market. It will be necessary to expand this market position with additional attractive TV product families in 2003.

The net income of the Loewe Group only slightly exceeded the previous year's level, primarily due to the lack of revenues from the planned expansion of volume and the startup losses in the U.S. business. In addition to the further strengthening of the Group's financial strength through the allocation of EUR 5 million to reserves, we will again propose a dividend payment to the shareholders in the amount of EUR 0.85 per share, as in the previous two years.

Nonetheless, Loewe strengthened its position in the international markets in 2002. Since January 2002, our U.S. subsidiary has been marketing high-end products developed especially for discerning U.S. consumers in the North American market through a network of specialized retail partners including more than 400 dealers. By taking over the Loewe sales partner in France in mid-2002, we have established another sales subsidiary. The sales results in this very important European market in 2002 are proof of the correctness of this strategic decision. The acquisition of our Italian distribution partner as of April 2003 will successfully continue the internationalization of Loewe.

Product launches in 2002 were highlighted by the introduction of the new Certos audio system and the Concertos subwoofer satellite system that developed out of the cooperation with Bose. This represents a convincingly successful fusion of TV, audio and Internet into a unique home cinema system, using either the Articos real flat picture tube set or the Spheros 42 plasma screen as the basis.

The Mimo TV product family presented for the first time in March 2003 is addressed to attractive target groups. A fully integratable digital TV upgrade kit makes Mimo an entertainment allrounder, which is capable of receiving and decrypting not only digital TV and radio channels via satellite but also pay-TV broadcasters such as the German channel Premiere.

The numerous new product launches in 2003, including high-definition digital plasma flat screen and rear projection TV sets for Europe and the U.S., will be supported by an extensive international marketing campaign.

Even so, the year 2003 is not likely to result in any additional growth in sales and earnings for Loewe. The difficulties in the overall economy, the marked buying restraint of European consumers and the lack of confidence in a significant spurt of economic growth are too much of a counterweight. Loewe's economic development in the first half of 2003 is marked by these factors. In addition, there is a lack of stimuli such as the large sporting events of last year. A significant upturn is not to be expected before the International Consumer Electronics Fair (IFA) in late August 2003 in Berlin.

Loewe will continue to concentrate on international growth in 2003. International partnerships, the increase in brand awareness and brand profiling as well as the systematic high-end positioning of our products with attractive price premiums will contribute to a gradual expansion of Loewe's position in a hotly contested competitive environment. Starting from the Company's solid financial base, together with our motivated employees, we will concentrate on the core competence of our flexible, medium-sized company. The innovative technology of Loewe products and their excellent design will be the basis for the continued positive development of the Loewe Group.

We would like to have you continue with us on this path.

Yours sincerely,

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

LOEWE STANDING ITS GROUND IN DIFFICULT ENVIRONMENT IN 2002



**PROF. DR. EBERHARD SCHEFFLER,
CHAIRMAN OF THE SUPERVISORY BOARD**

DEAR SHAREHOLDERS,

The Loewe Group stood its ground in the 2002 fiscal year, which was generally more difficult than the previous year; however, the Group did not reach its higher targets for sales and earnings growth. The primary factors in this development were slow economic growth and a gap in real flat televisions, which will be closed in 2003.

The Supervisory Board regularly monitored the business development as documented in the annual and consolidated financial statements as of December 31, 2002 based on the regular and comprehensive reporting of the Executive Board.

Within the context of the responsibilities incumbent upon it in accordance with statutory regulations and the Company's bylaws as well as the principles of the German Corporate Governance Code, the Supervisory Board continuously oversaw the management of the Company and the management of the Group by the Executive Board and provided its supportive advice. Important points discussed by the Supervisory Board were the effects of the difficult economic environment on the Company, the product policy, the prospects of the newly founded subsidiary in the U.S. and the further development of Loewe's Corporate Governance Principles.

The Supervisory Board was regularly informed in depth by the Executive Board on the course of business as well as the economic position and development of the Company and the Group including important transactions and actions; these reports were discussed with the Executive Board. Between scheduled meetings, the Executive Board provided monthly written reports concerning sales, net income, the financial situation and significant events.

Outside of the meetings, the Chairman of the Supervisory Board was in regular contact with the Executive Board and discussed questions regarding business policy, the implementation of strategy and important individual issues and the staffing of executive positions.

Four meetings of the Supervisory Board took place in the reporting period. The personell committee of the Supervisory Board met once. The previous and anticipated business development of the Loewe Group and its companies was regularly discussed in the meetings of the Supervisory Board. One member of the Supervisory Board did not attend in three meetings due to other obligations.

The focus of the meeting on April 16, 2002 was on the annual and consolidated financial statements for the year ended December 31, 2001 with the associated management reports and the audit of those financial statements. The meeting also served to prepare for the Company's annual Shareholders' Meeting. The appointed auditors attended the meeting and were available to the Supervisory Board to answer additional questions. In addition, the reorganization of the sales activities in France was adopted.

In the meeting on June 25, 2002, among other things, the development of the U.S. business and the effects of the German Corporate Governance Code were discussed intensively.

In the meeting on September 9, 2002, the Supervisory Board, among other things, adopted rules of information for the Executive Board, appointed an audit committee, and the Executive Board and the Supervisory Board jointly adopted the Declaration of Conformity with the Corporate Governance Code.

In the meeting on December 10, 2002, the effects of the general decline in consumption on Loewe's business were discussed. The discussion also centered on Loewe's strategy and the adoption of the 2003 budget.

The Executive Board prepared the annual financial statements of the Company for the year ended December 31, 2002 and the management report for fiscal year 2002 in accordance with the principles of the German Commercial Code and the German Stock Corporation Act. Pursuant to § 292a HGB (Handelsgesetzbuch – German Commercial Code), the consolidated financial statements of Loewe AG and its subsidiaries have been prepared based on the International Accounting Standards (IAS). In addition, a consolidated management report was prepared.

The auditor appointed by the Shareholders' Meeting on June 26, 2002 has reviewed the accounts of Loewe AG and its Group. The auditor endorsed the annual financial statements and management report of the Company and its consolidated financial statements and consolidated management report with an unqualified auditors' report.

In its meeting on March 25, 2003, the audit committee of the Supervisory Board thoroughly reviewed, in the presence of the Groups auditor, the documents for the annual financial statements of Loewe AG and its Group, the audit report submitted by the auditor, as well as the proposed appropriation of retained earnings.

The annual financial statements, management report, the consolidated financial statements and consolidated management report as well as the proposed appropriation of retained earnings and the reports of the auditor were presented to all Supervisory Board members in due time before the balance sheet meeting of the Supervisory Board on April 11, 2003. This meeting was attended by the auditors, who reported on important results and focuses of their review and answered additional questions from the Supervisory Board. The audit committee chairman reported concerning the committee's activities and its conclusions with regard to the annual and consolidated financial statements.

According to the conclusive result of its own review of the aforementioned documents, the Supervisory Board agreed with the findings arrived at by the auditors. The Supervisory Board has approved the annual financial statements of Loewe AG prepared as of December 31, 2002, which can thus be considered adopted. The Supervisory Board also approved the consolidated financial statements and the consolidated management report.

The Supervisory Board agrees with the Executive Board's proposal to distribute a dividend in the amount of EUR 0.85 per bearer share in Loewe AG from the unappropriated retained earnings of EUR 6,277,151.85 and to carry EUR 177,041.85 forward to the next year's accounts.

The Supervisory Board thanks the Executive Board and all employees for their work and dedication in fiscal year 2002 which demanded a great deal of flexibility and commitment from them.

Effective March 31, 2003, Mr. Guido Alt resigned from his supervisory Board appointment because other obligations demanded too much of his time. The Supervisory Board thanks Mr. Alt for his participation. In the Shareholders' Meeting on June 25, 2003, the Supervisory Board and Executive Board will recommend a suitable candidate for election to the Supervisory Board.

Kronach, April 11, 2003

Prof. Dr. Eberhard Scheffler, Chairman of the Supervisory Board

PLYMOUTH / MASSACHUSETTS

Loewe Opta Inc. commences operations: The new subsidiary markets especially large-format televisions and home cinema systems for the American market.

LAS VEGAS

Loewe presented televisions like the Spheros plasma TV and the new "Systems" line with television, DVD player and stereo system during the Consumer Electronics Show (CES) in Las Vegas.

HANOVER

Loewe demonstrated the television as the central control unit of the electronically networked home during CeBIT, the computer products show in Hannover. Lighting, blinds or alarm systems can be controlled conveniently from the living room sofa using the TV set remote control. The Loewe exhibition living room was a favorite focus for many TV broadcasts from the exhibition, including on ARD, ZDF, RTL and SAT1.

HANOVER

Seven Loewe products were awarded the iF Seal for excellent industrial design. Among others, the complete "Systems" product line received the iF award.

WARSAW

Loewe has had a new sales partner in Poland since March 2002: DSV Trading SA. DSV Trading is one of the leading Polish marketing companies for consumer electronics and one of its successful introductions on the Polish mark is the premium brand Bose.

KRONACH

The world's first video sculpture that is constantly exposed to the elements was created on behalf of Loewe AG. The renowned Italian artist Fabrizio Plessi created the ten-meter high video tower "Waterfire." It shows an electronic waterfall on one side and a digitally produced column of fire on the other.

MUNICH

During the Shareholders' Meeting, Loewe AG looks back at the 2001 financial year in which it was able to further expand its position as an internationally successful provider of premium consumer electronics.

STRASBOURG

Loewe takes over the shares of its former sales partner in France, Sorep Import S.A., Strasbourg. Sorep has sold the Loewe product line in France for five years. The successful and profitable development work in this important market will now be further expanded under the direct responsibility of Loewe – a milestone in the company's internationalization strategy.

WOLKENBURG

Loewe presents a donation to the county seat town of Limbach-Oberfrohna in Saxony. Its Wolkenburg district was particularly affected by the catastrophic flood in August. A Loewe "relocation plant" was constructed in Wolkenburg towards the end of the Second World War.

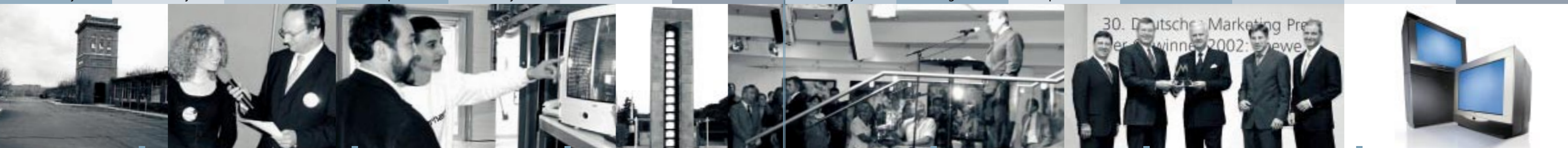
MUNICH

Loewe AG is awarded the German Marketing Prize for 2002. This prize is the highest tribute to German marketing and is awarded annually to only one company doing business in industry, commerce or services. In doing so, the German Marketing Association rewards marketing performance that has led to sustained economic success over many years.

KRONACH

The expanded Loewe Channel is going online. The information service for all Loewe Internet televisions was significantly expanded in cooperation with well-known Internet providers such Deutsche Presse-Agentur (dpa). The new Aventos family of televisions is coming on the market. The Aventos makes an interesting entry into the fascinating world of real flat technology possible. The Loewe Spheros 20 is a television with a super flat LCD screen and integrated radio and alarm functions. It is one of the first LCD units developed and produced in Europe.

January February March April May June 2002 July August September October November December



BAYREUTH

Together with the government of Upper Franconia and Bamberg-based Bi-Log AG, Loewe organizes the regional competition "Jugend forscht" (Youth Researches) for Upper Franconia. From the start, the competition has been one of the largest and most successful regional competitions in Germany. Two Loewe trainees received the special award "Software Systems Technology" in the category World of Work.

MUNICH

In addition to increases in net income and sales in line with planning, Loewe above all reported an increasing international expansion of its business in the financial statements press conference in Munich.

KRONACH

With a total investment of EUR 500,000, Loewe is building a new measurement laboratory in its development building. It is used to measure the electromagnetic compatibility of the TV sets and has a usable floor space of 195 square meters.

BERLIN / MUNICH / STUTTGART / HAMBURG

Loewe presents its new premium "Systems" product line in the Loewe Galleries. Whether the TV set, DVD player or stereo system, all the "Systems" components show perfect harmony of technology and design. The market launch was accompanied by the "Loewe World Experience" campaign in which world music from Mali, China and Brazil resounded in the galleries.

BERLIN

Loewe shows perspectives for the electronically networked home at the e/home trade show in Berlin. In collaboration with Siemens, Loewe for the first time presented the electronic linkup of a television set and washing machine – representing a considerable gain in convenience for customers. One prerequisite for this kind of networking is to have appliances with integrated online access – an integral component of the product range of Siemens and Loewe.

JENA / KRONACH

In collaboration with Carl Zeiss Jena, Loewe is readying high-resolution rear projection televisions for full production. The goal of the partnership project is to develop a digital, large-format rear projection TV. Compared to conventional television technology, the digital light processing (DLB) of Carl Zeiss offers the advantage of large screen diagonals in sets that are significantly flatter and lighter. The new TVs have high-definition resolution. They make it possible to use digitally broadcast television programs optimally as well as to reproduce Internet content and high-resolution digital photos in the largest format (140 centimeters screen diagonal) and in the best quality.

CHICAGO

Loewe receives the Good Design Award. The Museum of Architecture and Design in Chicago has honored the design of the Aconda television as exemplary. The Good Design Award is one of the oldest and most significant design awards worldwide. The jury received applications from more than 40 countries. More than 180 products ranging from the airplane to the paper clip were evaluated.

LOEWE STOCK.

- STABLE SHARE PRICE TREND IN THE FIRST HALF OF 2002 FOLLOWED BY A SHARP DECLINE
- MORE COVERAGE FOR THE STOCK
- FURTHER PRICE EROSION IN EARLY 2003 DUE TO UNSTABLE CAPITAL MARKETS

Loewe share price holds steady in the first half

SHARE PRICE PERFORMANCE

From January 2002 to April 2002, the Loewe share was able to steer clear of the negative trend of the German capital market. The publication of the key figures on January 21, 2002 was followed by numerous Buy recommendations by well-known analysts and corresponding demand for Loewe shares as a consequence of roadshow activities in Germany and for the first time in Scandinavia. The share price hovered at a level of EUR 30.

A comparative study between Loewe and a competitor, announced in the financial statements press conference on April 25, 2002, indicated only slight price potential for the Loewe share. From then on until the publication of the quarterly report in May 2002, the share price hovered at a level of EUR 25. The strong first quarter of 2002 and prospects for Loewe's business being within budget for the first half of 2002 as well as the initiation of new coverage by the well-known bank Credit Agricole CAI Cheuvreux accompanied by strong sales, once again boosted the Loewe share to a level of just under EUR 30 in mid-May.

After the Shareholders' Meeting in June 2002, the share price again weakened until the publication of the first-half report in mid-August 2002; however, the rate of decline was clearly lower than the parallel decline of the capital markets during this time. Sharply reduced economic forecasts, noticeably weakened consumer buying behavior in August and September 2002 and general consumer restraint leading up to the German parliamentary elections caused the DAX to fall to a level below 3000 by September 30, 2002.

The uncertainty of investors and analysts with respect to Loewe's robustness in a cyclically weak consumer environment then led to significant price declines for the Loewe share. After having fallen below the issue price level of EUR 18, it rapidly dropped to EUR 15 by mid-October 2002. After a profit warning was published on October 25, 2002, the share price slid another 20%.



Development of the Loewe share price against DAX and MDAX from January 1, 2002 to April 1, 2003 (Frankfurt)



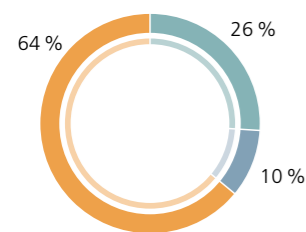
Development of the Loewe share price against DAX and MDAX from July 8, 1999 (first listing) to April 1, 2003 (XETRA)

The weeks following until year-end were marked by very high daily trading volumes of the Loewe share and a largely stable price of EUR 11. In the meantime, several analysts had changed their earlier Buy recommendation to Hold; one bank even recommended selling Loewe stock. The publication of the key figures for 2002 on January 20, 2003 fully confirmed the reduced sales and earnings expectations for 2002. Group income slightly higher than in the previous year and consistent sales in the Home Media Systems division were within analyst consensus expectations. Concurrent with this, however, Deutsche Börse announced that the Loewe share would no longer be included in the MDAX, which in the future will be reduced from 70 to 50 companies. This fact and a new study published in February 2003 with a further Sell recommendation caused the share price to slide once again to EUR 9. Considering a peer group of comparable listed companies that manufacture and distribute high-end consumer products and given the fact that the DAX has lost an additional 20% since the start of 2003, this price performance of the Loewe share came as no surprise.

On March 26, 2003, Loewe published an ad hoc announcement concerning the reorganization of its Italian business, the economic development in the first quarter and the changed outlook for all of 2003. With continued very high trading volumes of the Loewe share, the price then sagged approximately 10% further.

SHAREHOLDER STRUCTURE

The shareholder structure of Loewe AG continues to be marked by a high free float of approximately 64% of the capital. Approximately 20,000 securities accounts in Germany were registered for the Shareholders' Meeting in June 2002. Management holds 26% of the shares. The British company 3i holds 10%. Beyond that, Loewe AG has not received any reports of shareholdings of 5% or more. Several large European mutual funds hold Loewe stock.



- Free Float
- Management
- 3i Group

Shareholder structure
in percent

INVESTOR RELATIONS GOALS

Loewe AG will continue to organize numerous events and conferences in 2003. Roadshows are planned for important European stock exchanges. With the new composition of the indices, the Loewe share has been listed in the Prime Segment of the SDAX since March 25, 2003. The goal is to maintain the existing first-rate coverage for the Loewe share to the greatest extent possible.

TRADING VOLUME

The Loewe share is actively traded every trading day on all German stock exchanges and in XETRA computer trading. Trading volume is highest on the Frankfurt Stock Exchange and in XETRA, followed by Munich and Düsseldorf. The designated sponsor is Crédit Suisse First Boston. The average daily trading volume in 2002 was more than 20,000 shares.

PROPOSED DIVIDEND FOR 2002

A resolution will be proposed to the Shareholders' Meeting on June 25, 2003 that a dividend be distributed for financial year 2002 at an unchanged amount of EUR 0.85 per share. As of May 14, 2003, the agenda will also be published in the Internet at www.loewe.de.

CORPORATE GOVERNANCE

Already in the 2001 annual report, Loewe AG published principles concerning cooperation between the Executive Board and the Supervisory Board based on trust. Since its founding, Loewe AG has had rules of order for the Supervisory Board, the Executive Board and the management of its most important subsidiary. Among other things, these rules define transactions requiring approval and the general obligation of the Executive Board to obtain the consent of the Supervisory Board in all important decisions affecting the interests of the company.

The Loewe Group is committed to a responsible, fair and transparent corporate policy in order to achieve a sustained increase of the company value in the interest of the shareholders, customers and employees and with consideration of environmental concerns. The Loewe Corporate Governance Principles are an integral component of this corporate identity.

Immediately following the entry into force of the German Act on Transparency and Publicity on July 1, 2002 and the German Corporate Governance Code, which took effect on the same date, the Executive Board and the Supervisory Board of Loewe AG adopted the necessary implementing resolutions and adapted Loewe's own principles to the Code to the extent necessary. The declaration of conformity pursuant to § 161 German Stock Corporation Act was already published in the first nine months report of the Loewe Group on September 30, 2002.

DECLARATION OF CONFORMITY

Pursuant to § 161 German Stock Corporation Act, the Executive Board and Supervisory Board of a listed company must declare once a year that the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette have been and are being complied with or which of the Code's recommendations have not been or are not being applied. The declaration shall be made permanently accessible to shareholders.

Since December 11, 2002, the Loewe corporate governance principles have been published on the Company's website ([www.loewe.de/IR/Aktie/Corporate Governance](http://www.loewe.de/IR/Aktie/Corporate%20Governance)).

Pursuant to § 15 Introductory Act to the German Stock Corporation Act (EAGktG), the Executive Board and Supervisory Board of Loewe AG have issued the following Declaration of Conformity pursuant to § 161 German Stock Corporation Act (AktG) for financial year 2002:

"The recommendations of the Government Commission of the German Corporate Governance Code as officially published in the electronic Federal Gazette will be followed except for the recommendation concerning sub-section 7.1.2, sentence 2, clause 1 (publication of the consolidated financial statements within 90 days of the end of the financial year). In the interest of the quality of Loewe accounting, the Company will publish its consolidated financial statements within four weeks after March 31, 2003. From the present perspective, it may be assumed that in 2004, the consolidated financial statements will be published within the 90-day period."

Corporate governance is an integral component of the Loewe business philosophy

The Executive Board and Supervisory Board issued the declaration of conformity in September

SUPERVISORY BOARD

The Supervisory Board of Loewe AG comprises six members. They were elected by the Shareholders' Meeting in 2001 for a term of five years. An age limit of 70 years applies to the members of the Supervisory Board. On the occasion of the resolutions of the Shareholders' Meeting amending the articles of incorporation in June 2002, the remuneration of the Supervisory Board was redefined with respect to a fixed and variable component. The basis for the variable component is whether the earnings per share derived from the particular Group income as of December 31 of each fiscal year were matched or exceeded. The directors & officers liability insurance taken out for the Supervisory Board contains an appropriate deductible in the amount of 50 % of the particular Supervisory Board incentive compensation.

EXECUTIVE BOARD

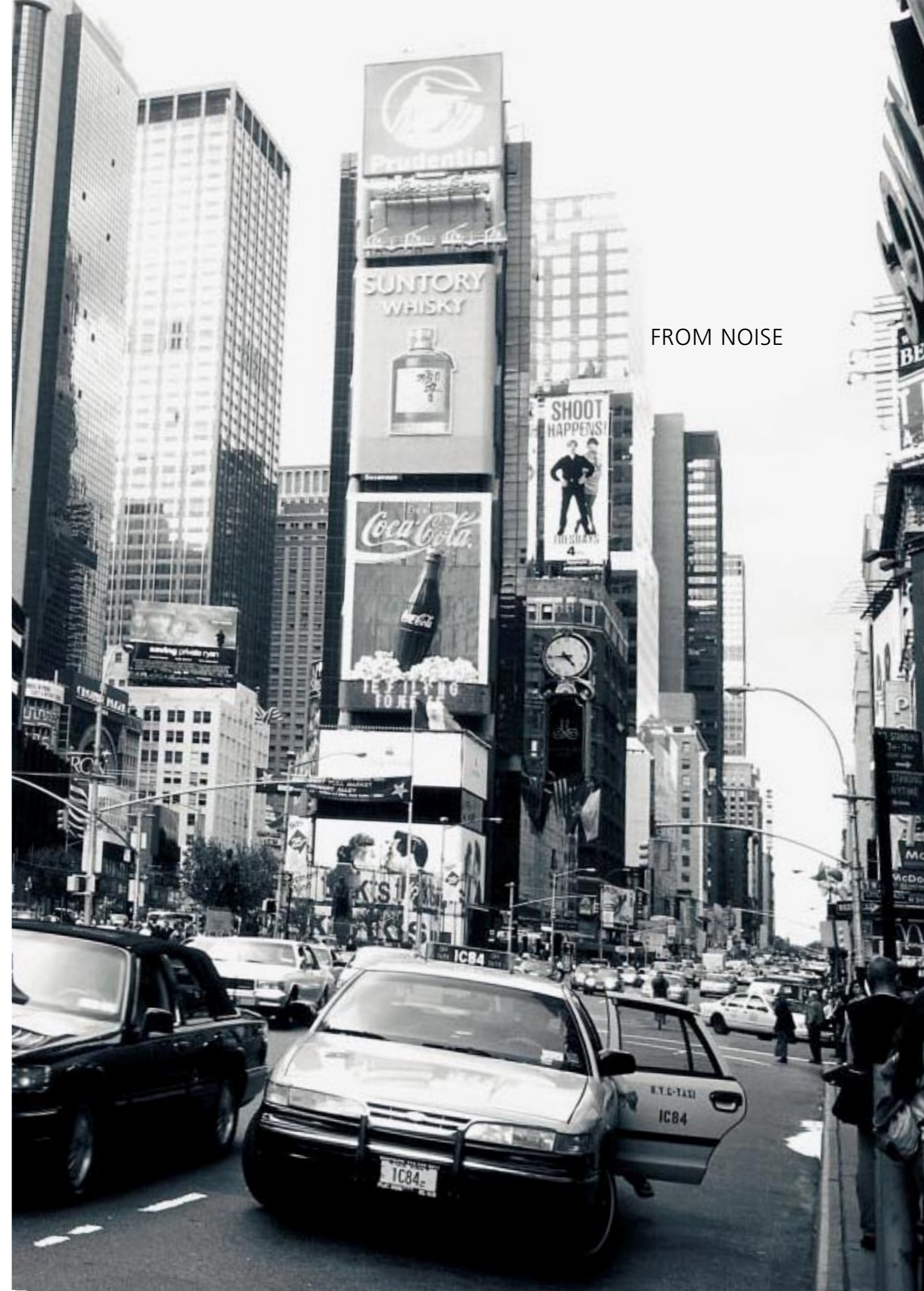
The Executive Board of Loewe AG comprises four members. An age limit of 65 years applies to the members of the Executive Board. The existing directors & officers insurance contains an appropriate deductible in the amount of 25 % of the fixed annual remuneration of a member of the Executive Board. The Rules of Information for the Executive Board adopted by the Supervisory Board define how the Supervisory Board must be informed in a timely manner concerning strategy, strategy implementation, planning, business development and significant business risks.

COMPLIANCE

For Loewe, compliance means implementing measures to prevent insider trading and ensuring compliance with regulations under corporate law and regulations of an exchange-listed company relevant to stock markets and capital markets.

At Loewe, the corporate officers and the other executives are kept regularly informed concerning the control, management and organization of the regulatory and capital market-related communications. The definition of insider information, principles for the handling of confidential information as well as the establishment of blocking periods are addressed as is the handling of ad hoc announcements. Newly hired employees are informed concerning the possibility of contact with insider information and the then necessary course of conduct. Furthermore, updated information relating to the "insider" theme is published on the Company's Intranet pages.

Commitment to
compliance at all levels



FROM NOISE



TO SOUND.
LOEWE IS PLEASURE

Perfect things are what make everyday life worth living: objects that fulfill dreams, indulge our senses, and invite us to enjoy. The passion of perfection is international. It paves the path for Loewe as a global system provider of sophisticated home media solutions. It's a potential that sustainably supports our growth – beyond borders.

MANAGEMENT REPORT.

- WEAK ECONOMY, STABLE MARKET FOR CONSUMER ELECTRONICS
- LOEWE'S MARKET SHARE DECLINES SLIGHTLY IN EUROPE
- LOEWE REAL FLAT PRODUCT LINE STILL INCOMPLETE
- LOEWE GROUP EARNINGS SLIGHTLY HIGHER THAN IN 2001
- MARKETING AND PRODUCT OFFENSIVE PLANNED FOR 2003

LOW OVERALL ECONOMIC GROWTH

The year 2002 was marked by continued weakness of the global economy. The economic turnaround was not achieved in Europe and in Germany. Lower interest rates in the EU area were hardly able to counteract the unsatisfactory economic trend. Moreover, there was little leeway for additional fiscal policy stimuli and economic programs. Especially in Europe, the need for medium-term budget consolidation stood in the way of an expansion of deficit spending.

The upturn in the Euro area in early 2002 did not extend into the second half. For all of 2002, the gross domestic product in the Euro area rose only 0.7% compared to the previous year. Private consumer spending also increased by only 0.7% after growth rates of 2.5% in 2000 and 1.8% in 2001. This reflects the significant further drop in consumer confidence in mid-2002. It is thus clearly lower than the long-term average and below the business climate index.

In Germany, real gross domestic product grew by only 0.2% in 2002. The lack of investment expansion, consumer buying restraint, an increased tendency to save and a persistent high rate of unemployment hindered favorable development in this area. The pronounced decline in stock market prices had a further dampening effect. It worsened the financing conditions for companies and reduced the assets of stockholders. This inhibited investment activities and private consumption. In addition, political uncertainties increased noticeably in fall 2002 with the aggravation of tensions with Iraq.

Weak economy in the Euro area

MODERATE GROWTH IN CONSUMER ELECTRONICS

The European consumer electronics market grew in 2002 in a weak economic environment. Market volume by value increased by only 1% to EUR 26 billion. The strong growth in Spain, Sweden and the United Kingdom and a positive trend in Italy and the Netherlands contributed to this. All other countries show a negative development of market volume, including Germany with a roughly 1% decline.

Loewe is represented in about two-thirds of the entire market volume with televisions, including multimedia units and DVD players, video recorders, and stereo systems.

in EUR billion	2002	2001	+/- in %*
Televisions (picture tubes)	10.4	10.2	2
TV recorders	0.7	0.8	- 14
Projection, plasma and LCD televisions	1.1	0.6	69
Total for televisions	12.2	11.6	5
DVD players	2.4	1.6	57
Video recorders	1.8	2.5	- 26
Stereo systems	5.0	5.3	- 6
Total	21.5	21.0	3
Audio, video games, etc.	4.5	4.7	- 5
Total	26.0	25.7	1

Consumer electronics market in Europe (Source Gfk, European market, market coverage just under 80%, each period December of the previous year to November of the following year)

* The percentage amounts are based on the unrounded market figures.

The television product group is the sales mainstay at Loewe and represents about 85% of the total business volume. Loewe also offers DVD players, video recorders and stereo systems. There is less of a focus on marketing the single components separately than integrating these peripheral devices into a complete system. The classic picture tube technology continued to dominate the market for televisions in Europe in 2002; traditional picture tube sets account for 90% of the retail market. This share could drop significantly in the coming years due to the dynamic growth of the new display technologies LCD, plasma, rear projection and front projection. With regard to volume, the new display technologies accounted for just 1.5% of sales of televisions with conventional picture tubes in 2002. However, their share of sales increased to almost 10%. In the coming years, market research institutes anticipate further strong growth in this segment since the prices for TV sets with new display technology are dropping significantly.

Picture tubes still dominate the market for televisions in Europe

Loewe price points remain unchanged

The market for TV sets with picture tubes in Europe showed a 2% growth in sales revenue and a 3% growth in numbers of units sold in 2002. Thus the trend of 2001 – development from a mass market to a quality market – has been stalled. The consumer still buys more and more large-format, better equipped sets while taking advantage, however, of the price discounts offered by many manufacturers and large specialized discount chains.

Loewe has not participated in the aggressive price marketing of TV sets. Despite sharp price declines, the important price points were kept unchanged. Loewe was therefore not able to maintain its market share by value in the European market for television sets of 6.9% in 2001 and dropped back to 6.5% in 2002.

The market for TV sets with picture tubes is divided into various segments, for example, on the basis of picture tube technology, screen size or screen format.

	TV Market in Europe (in EUR billion)			Loewe Market Share (in %)		
	2002	2001	+/- in %*	2002	2001	+/-
100 Hz technology	4.3	4.0	10	12.8	14.2	- 1.4
50 Hz technology	6.1	6.2	- 2	0.8	1.1	- 0.3
Total	10.4	10.2	2	6.5	6.9	- 0.4
< 68 cm screen diagonal	2.9	3.1	- 7	3.4	3.8	- 0.4
68–72 cm screen diagonal	4.7	4.7	1	7.0	7.5	- 0.5
> 72 cm screen diagonal	2.8	2.4	18	8.3	9.2	- 0.9
Total	10.4	10.2	2	6.5	6.9	- 0.4
Super flat	5.8	7.0	- 17	9.0	8.4	0.6
Real flat	4.6	3.2	45	3.8	4.0	- 0.2
Total	10.4	10.2	2	6.5	6.9	- 0.4

Television market in Europe (by segment)

(Source: GfK, European market, market coverage just under 80%, each period December of the previous year to November of the following year)

* The percentage amounts are based on the unrounded market figures.

Strong growth for real flat sets in Europe

The market volume of television sets based on 100 Hz technology rose 10% in 2002. In the segment for large-format televisions with a larger than 72 cm screen diagonal, it was possible to realize 18% higher sales than in the previous year. The strongest sales growth of 45% was in sets with real flat picture tubes. However, the sharpest price competition was also in this area. In these sets based on classic picture tube technology, the visible front of the picture tube is completely flat. They are clearly different from the super flat picture tubes that are still dominant today with a visible curvature at the edge of the screen.

Loewe has concentrated for years on growth segments in the high-end range. In the segment for sets based on flicker-free 100 Hz technology, Loewe was able to gain a 12.8% market share based on sales in the specialist retail trade. Thus in this attractive segment, Loewe holds twice as high a market share than in the overall market. Loewe ranks third in this segment in Europe.

Spheros 20: Innovative LCD technology and avant-garde design. Low overall depth of only 7.5 cm.



In real flat sets, Loewe attained a market share of 3.8% in 2002. Due to the still incomplete Loewe real flat product line and the stable market pricing of Loewe products, it was not possible to achieve dynamic market growth. Accordingly, Loewe's market share in this segment was diminished slightly. The planned introduction of additional Loewe real flat models in 2003 will make it possible for Loewe to have a broader product range and increased market share in this important segment.

With a fourth place ranking in Europe, Loewe is also well positioned in sets with large-format picture tubes. The decline in market share from 9.2% to 8.3% primarily reflects the strong market growth of cheap real flat sets and large-format sets based on 50 Hz technology. In 2003, the planned product launches will again make it possible for Loewe to have a better positioning in large-format sets and increased market share.

With plasma televisions, Loewe was able to attain a 2.7% market share by value in Europe. Since they retail at an average price of roughly EUR 9,000 per set, these units only appeal to a small, discriminating consumer group. Loewe recognized this category of consumer early on and entered the market with the first units of this type as early as 1998. We introduced LCD televisions to the market in late 2000. In this still small but dynamically growing segment, Loewe is represented with two products and also attained a 2.7% market share in Europe in 2002. In coming years, these new technologies will become increasingly significant for Loewe in the premium segment. The goal is to significantly increase the market share.

Loewe concentrates on high-growth segments

MARKET SHARE IN EUROPE SLIGHTLY REDUCED

The five largest markets – the United Kingdom, Germany, France, Italy, and Spain – represent more than 80 % of the total European market volume for television sets. While consumer spending for televisions abated to what is still a high level in Germany, the market volume in the other countries increased perceptibly. The markets in the United Kingdom and Spain in particular grew at an above-average pace as a consequence of the trend to economical large-format sets with real flat picture tubes.

	TV Market in Europe (in EUR billion)			Loewe Market Share (in %)		
	2002	2001	+/- in %*	2002	2001	+/-
United Kingdom	2.7	2.6	4	0.9	1.0	- 0.1
Germany	2.4	2.4	- 2	13.5	14.0	- 0.5
France	1.6	1.6	1	2.0	1.6	0.4
Italy	1.0	1.0	3	5.4	6.4	- 1.0
Spain	1.0	0.9	9	7.5	8.0	- 0.5
5 largest countries, total	8.7	8.5	2	6.1	6.4	- 0.3
Rest of Europe	1.8	1.7	3	7.8	8.8	- 1.0
Total for Europe	10.4	10.2	2	6.5	6.9	- 0.4

Market for televisions with picture tubes in Europe (by country)
 (Source: GfK, European market, each period December of the previous year to November of the following year)

* The percentage amounts are based on the unrounded market figures.

Compared to the previous year, the Loewe market share in Germany was down slightly from 14.0 % to 13.5 %. The market share also fell in other important markets like Spain and Italy. The reasons for this are the unexpectedly strong trend to sets with real flat picture tubes and the fact that Loewe maintained its price position despite declining retail prices. On the other hand, Loewe was able to increase its market share by 0.4 percentage points to 2 % in the important French market. Our intensified servicing of that market through our own sales company bore its first fruits in 2002.

MARKET POSITION OUTSIDE EUROPE STRENGTHENED

Outside of Europe, Australia, the Commonwealth of Independent States (CIS) and North America are of particular significance for Loewe. Despite the significantly increased sales volume in those markets in recent years, Loewe's market share is still relatively low. Accordingly, the development of the overall market is usually not the primary influencing factor for Loewe's success. Much more critical is a systematic implementation of Loewe's premium positioning in the market.

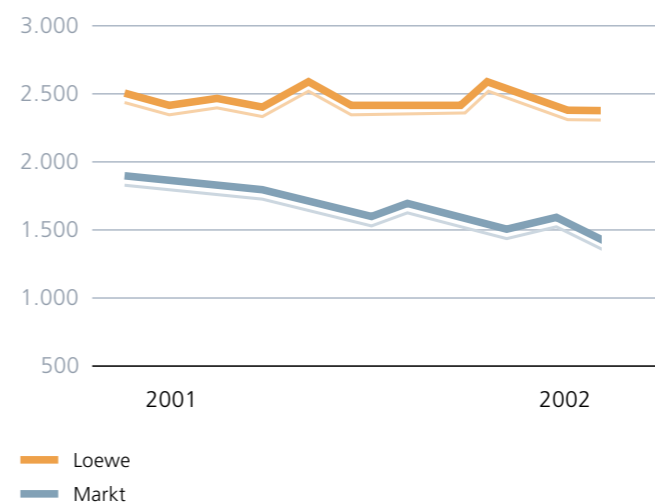
MAINLY STABLE PRICES DESPITE PRESSURE ON PRICES IN THE MARKET

The trend towards higher-end sets and accordingly to higher average profits did not continue in the German market in 2002. More large-format and well-equipped TV sets were sold again in 2002. However, the average price in the overall market was down slightly from EUR 512 to EUR 511 due to aggressive price reductions.

Internationalization continues

With a stable pricing policy, high-end equipment and a further increasing share of large screen sets, the average price of Loewe units in Germany rose from EUR 1,122 per set in 2001 to EUR 1,148 in 2002, primarily due to the better product mix. In this way, Loewe obtains prices that are twice as high as the average market price.

In order to neutralize the influences of the product mix as much as possible, the price development for the important market segment of the picture tubes with 32" wide screens, 100 Hz technology and real flat tubes are shown as an example.



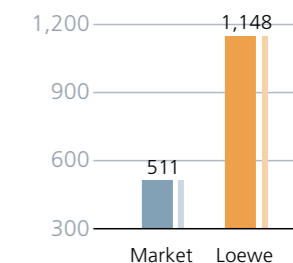
Price development in Germany: 32" wide screen, 100 Hz, real flat

The stable price positioning of the Loewe products is in contrast to a continuous price reduction of the competition in 2001 and 2002.

DVDS, VIDEO RECORDERS, AND STEREO SYSTEMS ARE A PART OF THE SYSTEM SOLUTIONS

In its Home Media Systems division, Loewe offers a broad range of high-end consumer electronics. The focus is on televisions with multimedia applications. The DVD player, video recorder, and stereo system can be combined with the television to create a system with a consistent design and a simple user interface.

The sales of video recorders slowed down further in the past year. The market volume by value in Europe was down by 26 %, partly due to declining prices. In contrast, the European market for DVD players soared 57 % and thus continued the process through which DVD players will replace video recorders. Loewe's policy is not so much to expand its market shares in these two segments and in high-end stereo systems but rather to concentrate on offering consumers easy-to-use and functionally sophisticated system solutions.



Average TV price in Germany in 2002



Loewe Systems: Unique design creates perfect harmony between individual video and audio components. Home cinema and intelligent MediaPlus technology.



ECONOMIC DEVELOPMENT AT LOEWE

KEY ECONOMIC FIGURES UNCHANGED

In financial year 2002, Loewe did not reach its highly ambitious growth targets. However, despite the increasingly difficult environment, it was possible to attain a satisfactory level of sales and earnings. The Telecommunications division to be discontinued was closed according to plan in 2002. In the future, Loewe will concentrate on the Home Media Systems division.

in EUR million	2002	2001	+/- in %
Sales			
– Home Media Systems	376.2	372.6	1
– Division to be discontinued	9.4	20.2	– 53
– Total sales	385.6	392.8	– 2
EBIT			
– Home Media Systems	20.6	26.1	– 21
– Division to be discontinued	0.0	– 6.0	
– EBIT, total	20.6	20.1	2
Consolidated net income			
– Home Media Systems	10.9	14.3	– 24
– Division to be discontinued	0.0	– 3.9	
– Total consolidated net income	10.9	10.4	5
Capital expenditure			
– Home Media Systems	26.2	24.7	6
– Division to be discontinued	0.2	1.1	– 82
– Total investments	26.4	25.8	2
Employees (annual average)			
– Home Media Systems	1,250	1,170	7
– Division to be discontinued	11	39	– 72
Total employees	1,261	1,209	4

Key figures, Loewe Group

Consolidated sales dropped by 2 % to EUR 385.6 million. The slight growth in sales in the Home Media Systems division was not sufficient to offset the reduced sales of EUR 10.8 million from the closing of the Telecommunications division.

Consolidated net income remains at previous year's level

Dividend of EUR 0.85 per share proposed

Despite the elimination of losses of the discontinued Telecommunications division, EBIT of the Loewe Group rose by only 2 % to EUR 20.6 million. This is primarily due to the lack of coverage from the planned expansion in volume, startup losses in the U.S. business and reductions in value of stock investments of Loewe Opta Unterstützungskasse e.V.

The consolidated net income after minority interests amounting to EUR 10.9 million is to be used to reinforce the financial strength of the Company and for a distribution of dividends to the shareholders. As in the previous year, the Executive Board and Supervisory Board will propose to the Shareholders' Meeting a dividend of EUR 0.85 per share.

The investments of EUR 26.4 million relate almost exclusively to the Home Media Systems division. Investments were focused on tools for new products, the construction of a logistics center, efficiency enhancements in production and the indirect organization as well as high-quality presentation systems for sales partners.

Compared to the previous year, the average number of employees rose by 52 persons to 1,261. Eighty new employees were hired in the Home Media Systems division, primarily for development marketing and sales. All 39 positions in the closed Telecommunications division were eliminated in 2002.

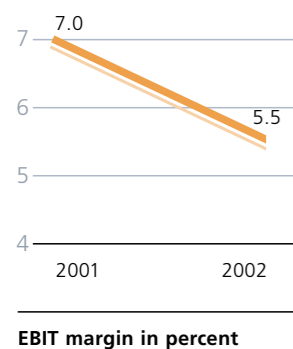
SALES IN THE CORE HOME MEDIA SYSTEMS DIVISION SLIGHTLY UP, EARNINGS BELOW PREVIOUS YEAR

In compliance with International Accounting Standards (IAS 35), the reporting focuses on the Home Media Systems division. Accordingly, in the consolidated income statement, all sales and expenses of the closed Telecommunications division are reported separately.

The development of the sales and earnings of the Home Media Systems division is summarized below:

in EUR million	2002	2001	+/- in %
Sales	376.2	372.6	1
Manufacturing costs	- 270.7	- 274.6	- 1
Selling expenses	- 74.8	- 63.2	18
Administrative expenses	- 10.9	- 10.3	6
Other operating income	0.8	1.6	- 50
EBIT	20.6	26.1	- 21
(EBIT margin in %)	5.5	7.0	

Sales and Expenses, Home Media Systems



In 2002, EBIT in the Home Media Systems division dropped 21 % to EUR 20.6 million. At the same time, the EBIT margin decreased from 7 % to 5.5 %. The major reasons for this are non-realized coverage from the planned expansion in volume, startup losses in the U.S. and reductions in value of stock investments of Loewe Opta Unterstützungskasse e.V.

Compared to the previous year, the selling expenses grew by EUR 11.6 million. To a significant degree, this increase is due to the costs of the sales organizations in the U.S. and France totaling EUR 8.2 million, which were included for the first time. These additional costs

are offset by a higher level of revenues since direct sales to specialty retailers are made at higher prices than was the case with the previous sales through an intermediary national distributor. Nonetheless, the U.S. business burdened the earnings of the Loewe Group in 2002 at roughly EUR 3 million.

The reductions in value of stock investments of Loewe Opta Unterstützungskasse e.V. amounted to EUR 1.2 million and are included in other operating income.

STABLE SALES IN EUROPE, GROWTH OUTSIDE EUROPE

Contrary to the market trend, Loewe was not able to further increase its sales in Europe in 2002. Especially the sales decline in the German home market, which is important to Loewe, contributed substantially to this outcome.

in EUR million	2002	2001	+/- in %
Germany	181.4	189.1	- 4
(Percentage share of total sales)	48.2	50.8	- 5
Benelux countries*	41.5	45.4	- 9
Italy	31.0	29.5	5
Spain	28.0	25.9	8
United Kingdom	13.4	11.7	15
France**	11.0	6.8	62
Switzerland	8.0	9.1	- 12
Other European countries	24.3	21.9	11
Europe (incl. Germany)	338.6	339.4	0
Australia	13.3	9.9	34
Russian Federation	10.8	10.8	0
U.S.***	9.4	4.8	96
Other non-European countries	4.1	7.7	- 47
Countries outside Europe	37.6	33.2	13
Total sales	376.2	372.6	1

Sales structure of Home Media Systems by region

- * Sales through Loewe Opta Benelux N.V./S.A.
- ** Sales through Loewe France S.A. since 2002
- *** Sales through Loewe Opta, Inc. since 2002

The market by value for televisions in Germany dropped 2 % in 2002. In this weak environment, Loewe lost only a slight amount of market shares. The market share by value in the specialty retail trade is 13.5 % after 14 % in the comparable period of the previous year.¹ The main cause for this was the aggressive price marketing of competitive products, which led to significant price reductions in the market. Loewe has not followed this pricing trend. Furthermore, Loewe's product line in the real flat medium price and entry-level price class was still not complete in 2002. This had a noticeably negative effect particularly in the markets in which a large real flat market share is of relatively great importance to Loewe. In the Benelux countries and Switzerland, this situation resulted in absolute sales declines and unsatisfactory growth rates in Italy and Spain.

Due to Loewe's still low absolute market share in the United Kingdom and France, these effects were not as significant in those two countries where we expanded our market



¹ Source: GfK Market share by value in German specialty retail trade, from December 2001 to November 2002

position further. Nonetheless, the high growth in sales with France is to a large part attributable to the first-time consolidation on July 10, 2002 of the Loewe sales company head-quartered in Strasbourg.

Outside of Europe, the markets in Australia, the Commonwealth of Independent States (CIS) and the U.S. are of importance to us. Despite the high level of the previous year, it was possible to noticeably increase sales with our Australian distribution partner. The introduction of the Aconda 38" home cinema unit was especially very successful. After doubling in 2001, sales with the CIS in 2002 stayed at the high level of the previous year.

The stepped up activities in the U.S. business since the end of last year and the newly organized sales company in the U.S. have not yet met expectations. Although 2002 sales at EUR 9.4 million were almost twice as high than in the previous year, the internal growth targets stayed out of reach. The fact that Loewe's still narrow product line in the U.S. was exposed to severe price erosion had a negative effect while quality problems with products specific to the U.S. aggravated the situation temporarily. The U.S. business burdened the earnings of the Loewe Group in 2002 at roughly EUR 3 million. Launches of large-format plasma and rear projection products planned for the third and fourth quarters of 2003 should increase sales significantly. The higher sales volume in 2003 is expected to reduce the downward pressure on net income caused by the U.S. business.

TELEVISIONS WITH TRADITIONAL PICTURE TUBES STILL DOMINATE

As in the previous years, televisions and multimedia units represent roughly 85 % of total Loewe sales. DVD players, video recorders, stereo components and accessories round out the Loewe product line and make it possible to assemble complete system solutions from individual television sets.

Concertos satellite speakers:

Minimum size, maximum sound through brilliant three-dimensionality.

A product of the cooperation with Bose.

U.S. business less than expected

in EUR million	2002	2001	+/- in %
Televisions and multimedia units	318.5	316.8	1
DVD players	7.9	7.3	8
Video recorders	7.3	11.0	- 34
Stereo systems	6.9	3.7	86
Accessories and other revenues	35.6	33.8	5
Total sales	376.2	372.6	1

Sales structure of Home Media Systems by product area

In addition to the anticipated substitution process of DVD and video recorders, a definite increase in sales can be seen in the stereo systems product area. This results from the successful introduction of the Concertos sound system developed in collaboration with Bose. Combined with a Loewe TV, Concertos covers all functionalities of a home cinema and stereo system – with homogeneous design and a simple user interface.

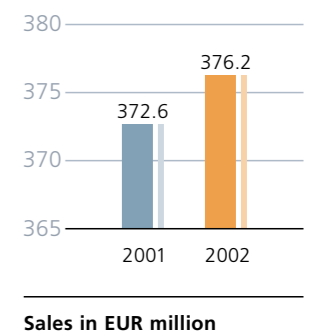
Within the product group televisions and multimedia units, sets with picture tubes accounted for almost 96 % of the sales. Contrary to the market trend, the share of sales of the new display technologies like LCD and plasma fell from 5.7 % in 2001 to 4.3 % in 2002. The market launch of the enhanced Spheros 42 is planned for mid-2003. Additional LCD units and a first rear projection project should go into production in 2003.

in %	2002	2001
Sets with picture tubes	95.7	94.3
- thereof Real flat	29.5	27.2
Large screen units (over 72 cm)	45.1	43.1
100 Hz technology	93.2	91.0

Sales structure, televisions and multimedia units

In the past year, the share of real flat picture tube units was increased by only a slight amount to barely 30 %. In the European TV market, sets with real flat picture tubes already account for 44 % of the market. Numerous product launches should nearly double Loewe's share of real flat in 2003. This will eliminate the existing product line gaps in the real flat segment.

The obvious trend in the market in the direction of large screen units based on 100 Hz technology is also reflected in Loewe's product mix. Both areas were expanded slightly in 2002. A good 45 % of all Loewe sets sold in the past year have a screen diagonal of more than 72 cm. In the European TV market, this share is no higher than 27 %. Even more significant is Loewe's positioning in 100 Hz with a 93 % share compared to 41 % in the overall European market.



MANUFACTURING COSTS LOWER THAN IN PREVIOUS YEAR

	2002	2001	+/- in %
Costs in EUR million	- 270.7	- 274.6	- 1
Costs as a percentage of sales	- 72.0	- 73.7	

Manufacturing costs, Home Media Systems

Despite the slightly increased sales, the manufacturing costs in 2002 were EUR 3.9 million lower than in the previous year. With the production volume largely unchanged, this decline is mainly attributable to lower prices for materials. They were, however, partially offset by higher costs for the planned but not implemented increases in production. Compared to the previous year, the manufacturing cost ratio fell to 72% of sales. In addition to the factors already mentioned, Loewe's largely stable sales prices and the integration of the new subsidiaries in the U.S. and France had a positive effect.

SELLING EXPENSES SIGNIFICANTLY HIGHER

	2002	2001	+/- in %
Costs in EUR million	- 74.8	- 63.2	18
Costs as a percentage of sales	- 19.9	- 17.0	

Selling expenses, Home Media Systems

The EUR 11.6 million increase in selling expenses was disproportionate to sales. EUR 8.0 million of the increase was attributed to higher costs of the sales, marketing and service organization and EUR 3.6 million to the marketing and selling expenses.

The sharp increase in costs of the sales, marketing and service organization to EUR 33.2 million is primarily the result of the costs for organizing the new subsidiaries in the U.S. and in France (EUR 4.6 million), which were incurred for the first time. In addition, there were higher costs for sales, marketing and service at Loewe Opta GmbH (EUR 3.2 million). In particular, the increases in personnel in those areas during 2001 had a noticeable effect in 2002.

The increase in other selling expenses to EUR 41.6 million is also largely attributable to the new subsidiaries. Substantial components of the other selling expenses are the advertising costs of EUR 24.3 million and the freight costs which climbed to EUR 12.2 million.

MODERATE INCREASE IN ADMINISTRATIVE EXPENSES

	2002	2001	+/- in %
Costs in EUR million	- 10.9	- 10.3	6
Costs as a percentage of sales	- 2.9	- 2.8	

Administrative expenses, Home Media Systems

The general administrative expenses rose primarily due to wage scale increases affecting personnel costs and higher insurance premiums.

Manufacturing costs slightly lower

New subsidiaries increase expenses for marketing and sales

OTHER OPERATING INCOME REDUCED

	2002	2001	+/- in %
Balance of operating income and expenses in EUR million	0.8	1.6	- 50
Balance of operating income and expenses as a percentage of sales	0.2	0.4	

Other operating income, Home Media Systems

At EUR 0.8 million, the balance of operating income and expenses from the other operating income and expenses and income from affiliated companies was nearly half the amount of the previous year.

Compared with the previous year, the decline in other operating income by EUR 4.9 million to EUR 8.3 million results from lower releases of provisions no longer needed and lower income for services rendered. Among other things, some provisions for remodeling expenses were released. These provisions were formed in 2001 in connection with a component change for the startup of a new series of televisions. Also partially released were provisions for license fees no longer to be paid since an agreement was arrived at concerning the amount of the license in dispute. Payments of claims for damages from third parties, public grants for development projects and rental income were also down.

The other operating expenses declined by EUR 4.1 million to EUR 7.7 million. They include the expenses in connection with the price losses of Loewe Opta Unterstützungskasse e.V. in the amount of EUR 1.2 million and the costs for a safety check of Loewe televisions sets of EUR 0.5 million.

EBIT NOTICEABLY LOWER THAN IN 2001

	2002	2001	+/- in %
EBIT in EUR million	20.6	26.1	- 21
EBIT as a percentage of sales	5.5	7.0	

EBIT, Home Media Systems

The decline in earnings before interest and taxes is primarily attributable to the non-realized coverage from the planned expansion of volume, startup losses in the U.S. and reductions in value of stock investments of Loewe Opta Unterstützungskasse e.V.

SLIGHTLY HIGHER INTEREST EXPENSES

	2002	2001	+/- in %
Balance of interest expenses and income in EUR million	- 1.8	- 1.6	13
Balance of interest expenses and income as a percentage of sales	- 0.5	- 0.4	

Balance of interest expenses and income, Home Media Systems

Net interest expenses increased slightly to EUR 1.8 million. As in the previous year, the commitment of funds in working capital was increased in 2002. In particular, the financing of the increased inventories led to an increase of net interest expenses despite a lower interest rate.

TAXATION RATIO ALMOST UNCHANGED

	2002	2001	+/- in %
Taxes in EUR million	- 7.6	- 10.0	- 24
Taxation ratio in %	40.4	40.8	

Income taxes, Home Media Systems

The tax expenditure, which was lower in 2002 by EUR 2.4 million, is primarily attributable to the lower operating result.

CONSOLIDATED NET INCOME BELOW THAT OF PREVIOUS YEAR

	2002	2001	+/- in %
Consolidated net income in EUR million	10.9	14.3	- 24
Consolidated net income as a percentage of sales	2.9	3.8	

Consolidated net income, Home Media Systems

The consolidated net income after minority interests fell by EUR 3.4 million to EUR 10.9 million due to the lower operating result.

CAPITAL EXPENDITURE UP SLIGHTLY

in EUR million	2002		2001	
	Invest-ments	deprecia-tion/ amorti-zation	Invest-ments	deprecia-tion/ amorti-zation
Intangible assets	7.4	6.7	6.7	6.1
Property, plant, and equipment	18.7	14.2	18.0	14.4
Financial assets	0.1			
Total	26.2	20.9	24.7	20.5

Capital expenditure and depreciation/amortization, Home Media Systems



The Loewe Aconda with rack and video/DVD received the Chicago "Good Design Award" 2003. Cool colors and clear formal expression.

Investments clearly higher than depreciation, emphasis on property, plant and equipment

Compared to the previous year, capital expenditure was up by EUR 1.5 million to EUR 26.2 million in fiscal year 2002. The focus was on the development of new products, new construction, tools for new products, new machinery to increase efficiency in production and an increased use of presentation systems by the retail partners.

The intangible assets primarily include capitalized development services for innovative products, in particular in connection with audio-video system solutions and digital signal processing. In addition, software licenses acquired for a fee and expenses in connection with the introduction of new software modules were capitalized.

The investments in property, plant and equipment primarily related to tools for new products at EUR 5.5 million including advance payments on still incomplete tools as well as a new logistics center at Kronach for EUR 3.8 million. The logistics center has been in use since late 2002. We invested EUR 1.3 million for high quality presentation systems for sales partners. The capacities in automatic placement were expanded or streamlining measures were put into effect for an amount of EUR 0.8 million. The other investments were primarily for replacement purchases and the streamlining of processes.

At EUR 20.9 million, depreciation/amortization was 2 % above the previous year's amount. It was significantly below the investment volume of EUR 26.2 million because the construction measures will be depreciated over an extended period and advance payments have not been amortized yet.

INCREASED NUMBER OF EMPLOYEES BOTH WITHIN AND OUTSIDE OF GERMANY

Loewe employed an average of 1,250 persons in the Home Media Systems division, the largest number of them being employed at the company's headquarters in Kronach. Almost half of the additional 80 employees worked in the foreign subsidiaries, brought about in particular by the takeover of the sales activities in the U.S. and in France.

Annual average	2002	2001	+/- in %
Germany	1,173	1,127	4
Benelux countries	45	41	10
France	19		
USA	13	2	550
Total employees	1,250	1,170	7

Employees by country, Home Media Systems

The new foreign companies are also the main reason for the strong increase of personnel in sales, marketing, service and quality. The development area was also significantly expanded to take into account the greater complexity due to the broader technology spectrum.

Annual average	2002	2001	+/- in %
Marketing, sales, service, quality	320	262	22
Development	137	124	10
Production	520	519	0
Administration including purchasing/storage/quality	141	132	7
Trainees	91	87	5
Other (part-time, permanently absent, part-time retirement)	41	46	- 11
Total employees	1,250	1,170	7

Employees by divisions, Home Media Systems

The increase in personnel in administration and services primarily related to the required further expansion of information technology and the hiring of trainees in view of the increased international orientation.

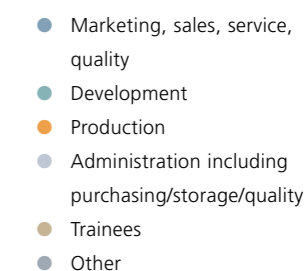
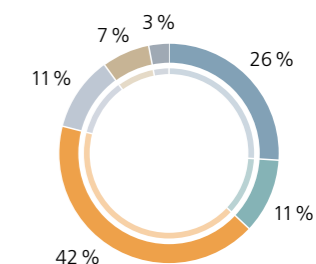
CLOSURE OF THE TELECOMMUNICATIONS DIVISION COMPLETED

In late 2001, a decision was taken to discontinue the unprofitable Telecommunications division

in EUR million	2002	2001	+/- in %
Sales	9.4	20.2	- 53
EBIT	0.0	- 6.0	- 100
Net income	0.0	- 3.9	- 100
Capital expenditure	0.2	1.1	- 82
Employees (annual average)	11	39	- 72

Key figures of the division to be discontinued

Revenues amounting to EUR 9.4 million were realized from the sale of inventories of cordless telephones and answering machines and EBIT was in line with budget. The investments of EUR 0.2 million concerned final installments for tools. As of January 1, 2003, the Telecommunications division no longer had any employees.



Break down of employees in percent

Telecommunications discontinued as planned

SALES AND MARKETING STEPPED UP

STRENGTHENING OF THE POSITION IN THE INTERNATIONAL MARKETS

The continuous expansion of Loewe's international presence was successfully advanced in the reporting period. The introduction of additional real flat sets of the product families Articos, Aconda, Vitros and Aventos made it possible to expand Loewe's positioning as a manufacturer of sophisticated and progressive consumer electronics solutions. The focus was on the important European target markets, the U.S. and Australia.

The market launch of the Aventos 3981 ZW in November 2002 offers our customers an interesting entry into the medium-price real flat segment. The MediaPlus concept makes it possible to upgrade a set to include Internet access, digital TV, home cinema sound or wireless home automation. Thus, in addition to first-class design, high individual benefit was put into practice. This makes the product especially attractive and effectively differentiates it from the competition.

On January 8, 2002, our subsidiary Loewe Opta Inc. commenced operations in Plymouth, Massachusetts, U.S.A. It markets high-end products developed especially for discerning U.S. consumers in the North American market through a network of specialized retail partners including more than 400 dealers.

We have stepped up our European commitment by taking over the Loewe sales partner in France, which has distributed Loewe products in France for five years and has performed important development work in this promising market. Loewe's presence in France with its own subsidiary is another important milestone of the company's internationalization.

SYSTEM SOLUTIONS FOR OUTSTANDING HOME MULTIMEDIA ENJOYMENT

Loewe has continued to expand its Systems line. The successful launch of the new Certos sound system and the new Concertos subwoofer satellite system complements the fusion of TV, DVD, audio and Internet into a unique home cinema system. The new Systems line is convincing due not only to its exceptional design but also its modular concept and the clarity of the product design and user interface.

The Systems line is a completely integrated audiovisual solution. The integration of the flat Spheros 42" plasma screen into the Systems line offers the customer innovative combinations for creating an individualized home entertainment system. In the second half of 2002, the complete Systems line was introduced as part of an international market launch campaign in the Western European countries and Russia. The German press unanimously gives the Systems line a "reference class" rating, which confirms the outstanding quality and design of this sophisticated product.

Loewe has offered TV sets with integrated Internet access since 1998. The new TV-OnlinePlus module, which was introduced Europe-wide in August 2002, underpins Loewe's technological lead. It sets another milestone in the convergence of television and Internet. The module guarantees a reliable application for the services zap2web and zap2text, which were developed by Loewe, as well as Loewe Channel. At the same time, it offers higher performance and more flexibility for high-speed Internet use. The direct connection of peripheral devices via USB, chat and messaging functions or the connection of a home server are an additional plus. OnlinePlus thus converts visions of the television set as a central, interactive component of the digital home network into reality.

Attractive new products call for international positioning

The new Systems line offers a completely integrated audiovisual solution

EXCELLENT DESIGN

Numerous awards also confirmed the outstanding quality of the design of Loewe components in 2002. The iF International Forum Design Hannover presented awards for a total of seven of our products, including the Aconda select 9581 ZWH and Articos 32 televisions, the Concertos subwoofer satellite system and the RC1 remote control. In addition, Loewe received the "iF Silver Award" for the Certos sound system. The DesignZentrum Nordrhein-Westfalen presented the "red dot award" for the products Articos 32, Certos and RC1. Moreover, the Aconda 32" received the "Good Design Award" from the Athenaeum Museum of Architecture and Design in Chicago.

EXCELLENT MARKETING

The systematic further development of the Loewe brand into an international premium brand is an important objective towards expanding our worldwide market position. With this in mind, the presentation of the German Marketing Prize to Loewe in 2002 represents a special achievement. The well-known prize was awarded to a consumer electronics company for the first time. It rewards marketing performance that, in its estimation, is exemplary of a consistent market orientation. The prize was awarded at the German Marketing Conference on November 8, 2002.

Achievements in design and marketing given prestigious awards



Loewe Certos for a new CD or DVD experience:

The best technology with captivating design while saving a maximum of space.



EXPANSION OF THE PRODUCT PORTFOLIO AND INCREASE IN QUALITY

Very significant investments were made in the past fiscal year to start production of new product categories including the Certos stereo system, the Concertos speaker system and the Spheros 20 LCD television. To that end, highly flexible production lines were designed and installed. Based on group work structure, they ensure that individual adaptations can be made to the particular market requirements without a time delay. For the production of picture tube sets, we upgraded all assembly lines to the most advanced level.

Activities to increase quality were another focus in the production area. These were marked in particular by investments in soldering technology, optical inspection and batch follow-up.

DEVELOPMENT OF NEW PRODUCTS

In 2002, Loewe switched all 100 Hz picture tube units over to the new chassis platform. This platform now makes it possible to use the MediaPlus modular concept across the board. At the same time, image quality was increased further.

Product lines with real flat picture tubes were at the forefront of set development. The first of these product lines, Aventos, has already gone into production. The start of production of the other products is scheduled for 2003.

Loewe now has expertise and products in all significant display technologies. In addition to the traditional picture tube, plasma technology, LCD technology and rear projection based on DLP technology are used in Loewe products. The Spheros 20 LCD set is Loewe's first in-house development in the new display technologies. The Spheros 20 has been in mass production since December 2002.

We developed the new plasma line of sets in 42" format and a rear projection set based on DLP technology in 55" format to pilot production. Both sets will go into production in 2003 for the European and American markets. We are expanding the product line in the U.S. by introducing products that have already been established in the European market.

The completion of development of the Systems line was of the greatest significance in 2002. In addition to the display technology, the Systems line now includes the DVD-audio technology of the Certos stereo system and the Concertos subwoofer satellite system. This creates a platform that points the way to the home cinema and system solutions of the future.

DIGITAL TELEVISION AND THE INTERNET

With the Q 2500 chassis platform, the DVBi1 satellite module was integrated into all new products. We are concurrently working on the development of the next DVB generation of the DVBi2. This new DVB satellite module will make direct reception of pay-TV programs, from Premiere in particular, possible without extra boxes. The combination of the integrated AC3 module and the Concertos subwoofer satellite system makes it possible to play back movies directly with digital surround sound.

In the area of Internet-capable televisions, Loewe has completed the development of the third generation of the online module. The module has been introduced to the market and is convincing because of its higher processing power. For one thing, it clearly enhances ease of use and also expands the range of use of the Internet functionalities, such as Real-audio and Realvideo.

Our expertise in multimedia hardware and software platforms for terminals, home networking, operating systems and rear projection were systematically further expanded in various pilot development projects. The development projects were supported in part by public grants. With a view to the future, project sketches have been worked out for new basic projects in the context of the European Union's 6th Framework Program for Research & Technological Development.

Expertise turned into new future developments

Loewe – networking digital technologies

SOLID ASSETS AND FINANCIAL POSITION

The profitable business development in 2002 and the final closing of the Telecommunications division made an overall improvement of the assets and financial position possible.

in EUR million	2002	2001	+/- in %
Non-current assets*	67.4	62.4	8
Inventories*	54.6	45.1	21
Trade accounts receivable*	81.4	86.1	- 5
Other current assets*	8.3	15.6	- 47
Assets of the division to be discontinued	0.1	11.7	- 99
Total assets	211.8	220.9	- 4
Shareholders' equity including minority interests	81.7	76.0	8
Reserves*	76.9	79.8	- 4
Liabilities*	52.6	58.5	- 10
Provisions and liabilities of the division to be discontinued	0.6	6.6	- 91
Total liabilities	211.8	220.9	- 4

Key figures, consolidated balance sheet

* Home Media Systems division only

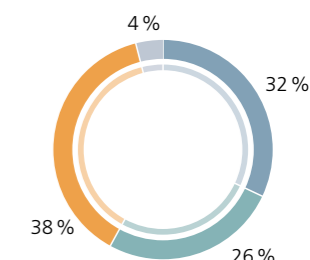
TOTAL ASSETS SLIGHTLY LOWER

Compared to the previous year, total assets decreased by EUR 9.1 million to EUR 211.8 million. The higher inventories and non-current assets were overcompensated by lower assets of the closed Telecommunications division.

NON-CURRENT ASSETS INCREASED BY NEW LOGISTICS CENTER

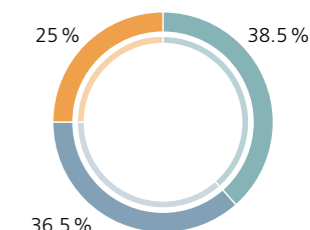
in EUR million	2002	2001	+/- in %
Intangible assets	10.2	9.5	7
Property, plant, and equipment	57.0	52.6	8
Financial assets	0.2	0.3	- 33
Total non-current assets	67.4	62.4	8
as a percentage of total assets	31.8	28.2	

Non-current assets, Home Media Systems



● Non-current assets
● Inventories
● Trade accounts receivable
● Other current assets

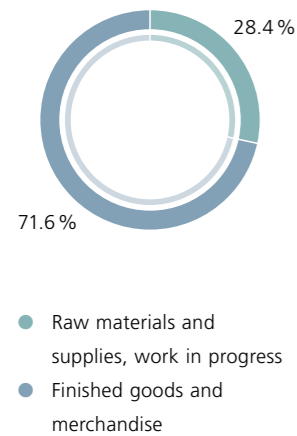
Assets in percent



● Shareholders' equity
● Reserves
● Liabilities

Liabilities in percent

The intangible assets primarily relate to development costs for new products to be reported in accordance with the International Accounting Standards (IAS). The item property, plant, and equipment includes land and buildings, the production facilities, and other machinery and office equipment located at the Company's headquarters in Kronach. The increase by EUR 4.4 million primarily concerns the completion of the new logistics center in Kronach. It also encompasses tools for design parts that are located almost exclusively with suppliers and presentation systems for Loewe products used by retailers.



Inventories in percent

INVENTORIES HIGHER THAN PLANNED

in EUR million	2002	2001	+/- in %
Raw materials and supplies, work in progress	15.5	14.5	7
Finished goods and merchandise	39.1	30.6	28
Total inventories	54.6	45.1	21
as a percentage of total assets	25.8	20.4	

Inventories, Home Media Systems

The 21% increase in inventories to EUR 54.6 million is primarily the result of the unattained sales targets in the second half of 2002.

The inventories of raw materials and supplies increased slightly in late 2002 because short-term production cutbacks in December could not be adequately compensated by reduced deliveries of materials.

The rise in inventories primarily relates to the finished materials and supplies, which increased by 28% to EUR 39.1 million. These chiefly concerned television sets produced in-house and purchased stereo speaker systems as well.

in EUR million	2002	2001	+/- in %
Televisions	26.0	19.6	33
DVD players	0.7	0.4	75
Video recorders	0.5	0.9	-44
Stereo systems	3.1	1.3	138
Accessories and other inventories	8.8	8.4	5
Total inventories of finished goods and merchandise	39.1	30.6	28

Inventories, finished goods and merchandise, Home Media Systems

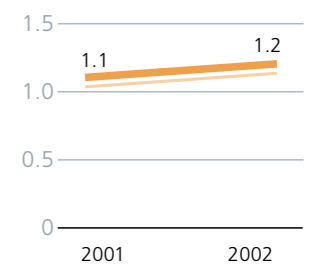
The increase in finished goods and merchandise by EUR 8.5 million concerns sets specific to the U.S. valued at EUR 3.7 million in newly constructed warehouses in the U.S. It may be assumed that this storage volume is roughly EUR 2 million too high based on the

sales expected in the coming months. The central warehouse of Loewe Opta GmbH in Germany shows a similar picture. The inventory value, which has grown by 16%, exceeds the average normal inventory by roughly EUR 6 million. The main cause for this is the failure to completely meet sales targets in the second half of 2002.

in EUR million	2002	2001	+/- in %
Germany	32.2	27.7	16
Benelux countries	3.1	2.9	7
France	0.1		
USA	3.7		
Total inventories of finished goods and merchandise	39.1	30.6	28

Inventories, finished goods and merchandise, Home Media Systems

Overall, the average inventory range for the finished goods storage is 1.2 months. The normal inventory range is roughly 1.0 month.



Inventory range in months

LOWER TRADE ACCOUNTS RECEIVABLE

in EUR million	2002	2001	+/- in %
Germany	46.3	46.1	0
Benelux countries	5.3	6.0	-12
France	3.2		
USA	1.6		
Other countries	25.0	34.0	-26
Total trade accounts receivable	81.4	86.1	-5
as a percentage of total assets	38.4	39.0	

Trade accounts receivable, Home Media Systems

Trade accounts receivable were down by EUR 4.7 million to EUR 81.4 million. This is the result of the roughly 5% lower sales volume in the fourth quarter of 2002. The average time to maturity of the receivables was just under two months and was slightly reduced from the previous year.

OTHER CURRENT ASSETS DOWN DUE TO LOWER CASH AND CASH EQUIVALENTS

in EUR million	2002	2001	+/- in %
Other short-term receivables	4.5	4.8	- 6
Cash and cash equivalents	3.7	9.5	- 61
Deferred tax assets	0.1	1.3	- 92
Total other current assets	8.3	15.6	- 47
as a percentage of total assets	3.9	7.1	

Other current assets, Home Media Systems

Compared to the previous year, the other short-term receivables showed no noteworthy changes. Cash and cash equivalents were down by EUR 5.8 million and deferred tax assets were lower by EUR 1.2 million.

ASSETS OF THE DIVISION TO BE DISCONTINUED WERE SOLD

in EUR million	2002	2001	+/- in %
Inventories	0.0	6.6	- 100
Trade accounts receivable	0.1	5.0	- 98
Cash and cash equivalents	0.0	0.1	- 100
Total assets	0.1	11.7	- 99
as a percentage of total assets	0.0	5.3	

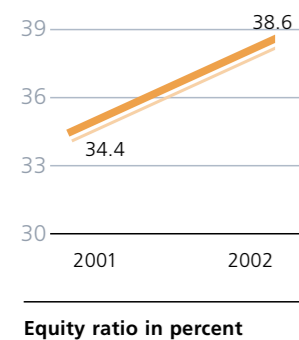
Assets of the division to be discontinued

The assets of the closed division were almost completely turned into cash in 2002. The fully depreciated non-current assets and the remaining merchandise inventory were sold.

FINANCIAL STRENGTH REINFORCED

EQUITY BASE IMPROVED

Shareholders' equity was increased by the net income of EUR 10.9 million and by the proceeds from a capital increase of EUR 0.5 million in connection with the employee stock option plan. It was reduced by the dividend of EUR 6.1 million paid in June 2002. The proposed dividend for the 2002 financial year is EUR 6.1 million and as in the previous year is contained in the profit carried forward. The equity ratio increased from 34.4% to 38.6%.



in EUR million	2002	2001	+/- in %
Shareholders' equity	80.5	75.2	7
Minority interests	1.2	0.8	50
Shareholders' equity including minority interests	81.7	76.0	8
as a percentage of total assets	38.6	34.4	

Shareholders' equity including minority interests

Minority interests relate to a 1% minority stake in Loewe Opta GmbH, a 10% minority stake in Loewe Opta Benelux N.V./S.A. and a 25% minority stake in Loewe France S.A.

LOWER PROVISIONS REQUIRED

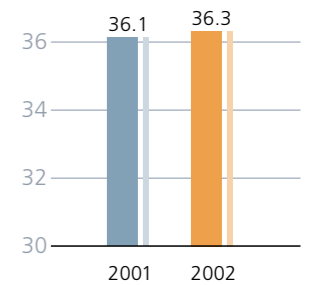
in EUR million	2002	2001	+/- in %
Pension provisions	28.2	27.7	2
Tax provisions	1.0	1.9	- 47
Other provisions	47.7	50.2	- 5
Total provisions	76.9	79.8	- 4
as a percentage of total assets	36.3	36.1	

Provisions, Home Media Systems

The increase in pension provisions to EUR 28.2 million resulted from planned allocations. Tax provisions were reduced to EUR 1.0 million due to the prepayments made in 2002. Other provisions were down by 5% to EUR 47.7 million.

in EUR million	2002	2001	+/- in %
Annual sales compensation	16.1	20.5	- 21
Cost of warranties	8.4	7.1	18
Personnel costs	9.9	7.1	39
License expenses	4.3	6.2	- 31
Other	9.0	9.3	- 3
Total other provisions	47.7	50.2	- 5
as a percentage of total assets	22.5	22.7	

Other provisions, Home Media Systems



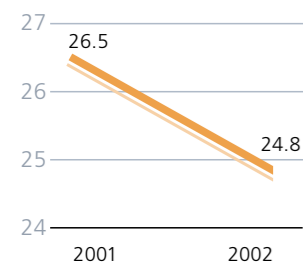
Provisions as a percentage of total assets



The need for provisions for bonus payments to retail partners dropped significantly. The provisions required for license fees from alleged infringements of industrial rights are also lower since it was possible to conclude agreements concerning disputed industrial rights payments in 2002. Higher provisions for warranty costs result from the safety check of Loewe television sets. The increased need for provisions for personnel costs is primarily attributable to expected costs for part-time retirement arrangements entered into.

LIABILITIES DOWN

in EUR million	2002	2001	+/- in %
Long-term debt	3.4	4.3	- 21
Trade accounts payable	26.3	29.8	- 12
Other short-term liabilities	22.9	24.4	- 6
Total liabilities	52.6	58.5	- 10
as a percentage of total assets	24.8	26.5	



Liabilities as a percentage of total assets

Liabilities, Home Media Systems

Liabilities were down by 10% to EUR 52.6 million. EUR 0.9 million of the long-term debts was repaid according to schedule. The noticeable decrease in trade accounts payable is

reflected in the reduced purchasing volume in the final months of 2002. Other short-term liabilities were down slightly.

PROVISIONS AND LIABILITIES OF THE DIVISION TO BE DISCONTINUED SIGNIFICANTLY REDUCED

in EUR million	2002	2001	+/- in %
Other provisions	0.5	3.2	- 84
Liabilities	0.1	3.4	- 97
Total provisions and liabilities	0.6	6.6	- 91
as a percentage of total assets	0.3	3.0	

Provisions and liabilities of the division to be discontinued

The remaining provisions primarily relate to the anticipated expenses for warranties for telecommunications products and measures connected with the closure of this division.

INCREASED INVENTORIES BURDENED FREE CASH FLOW

The reduced profitability and the buildup of net current assets with nearly constant investments led to a negative free cash flow in the Home Media Systems division, which was for the most part compensated by the positive free cash flow of the closed division.

in EUR million	2002	2001	+/- in %
Net cash before changes in net current assets*	31.5	35.8	- 12
Change in net current assets*	- 12.4	- 2.3	- 439
Net cash used by investing activities*	- 26.1	- 24.5	- 7
Free cash flow of Home Media Systems division	- 7.0	9.0	- 178
Free cash flow of the division to be discontinued	5.7	- 10.8	153
Total free cash flow	- 1.3	- 1.8	28

Significant key figures of the consolidated cash flow statement

* Home Media Systems division only

Free cash flow slightly negative

At EUR 31.5 million, cash flow before the change of net current assets is EUR 4.3 million below the previous year. The decline is primarily due to the decrease in operating earnings by EUR 5.7 million. The lower income tax payments had a positive effect.

in EUR million	2002	2001	+/-
Inventories	54.6	45.1	9.5
Trade accounts receivable	81.4	86.1	- 4.7
Other assets*	3.0	4.8	- 1.8
Trade accounts payable	- 26.3	- 29.8	3.5
Other provisions	- 47.7	- 50.2	2.5
Other short-term liabilities	- 5.5	- 8.9	3.4
Net current assets, Home Media Systems	59.5	47.1	12.4

Net current assets, Home Media Systems

* excluding income taxes

Net current assets rose significantly by EUR 12.4 million or 26 % to EUR 59.5 million. The main cause is the increase in inventories by EUR 9.5 million. The reduction in trade accounts receivable and the lower other assets totaling EUR 6.5 million were only sufficient

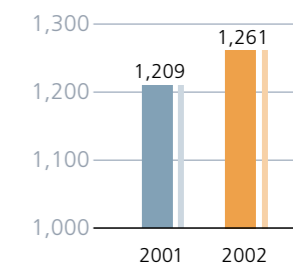
for a partial compensation. Moreover, provisions and liabilities were reduced by a total of EUR 9.4 million. The reduced need for materials led to a reduction in trade accounts payable. The unattained sales targets of the sales partners brought about a lower provision for annual bonuses.

The payments for purchases of investments, intangible assets and property, plant and equipment increased in relation to the previous year by EUR 1.6 million to EUR 26.1 million.

A negative free cash flow of EUR 7.0 million developed in the Home Media Systems division in 2002. Compared to the previous year, the free cash flow is less favorable by EUR 16.0 million primarily due to the large increase in net current assets. In contrast, it was possible to realize a positive free cash flow of EUR 5.7 million in the closed Telecommunications division due to the reduction of net current assets. Overall, a slightly negative free cash flow of EUR 1.3 million developed in the Group in 2002 which, however, turned out to be more favorable than in the previous year by EUR 0.5 million.

SUPPORT OF TRAINING AND MOTIVATION**INCREASE IN NUMBER OF EMPLOYEES**

Loewe employed an average of 1,261 employees in 2002, 52 more than in 2001. 1,250 persons were employed in the Home Media Systems division and 11 in the closed Telecommunications division. The average number of employees in foreign subsidiaries during the year increased by 34 to 77. This corresponds to a 6 % share of the total workforce. The growth on the international level is particularly due to the sales activities in the U.S. and in France, which were taken over from distributors. At year-end 2002, the Company had 103 trainees.

**Employees****BASIC AND ADVANCED TRAINING IMPROVE EMPLOYEE QUALIFICATIONS****HIGHLY VALUED OCCUPATIONAL TRAINING**

Loewe continues to attach great importance to occupational training for young people. Roughly 8 % of the employees are trainees. Of this total, roughly 55 % are training for technical careers and 45 % for careers in administration. New training programs such as Euro-business specialist, IT business specialist, mechatronic technician and computer specialist have been introduced successfully. Loewe is well known in the region for the quality of its training programs for students and is consequently a very attractive employer. In addition to technical training, we consider it important to support social competencies and the development of key qualifications. More than 50 % of the graduates complete their exams with high grades.

EMPLOYEE TRAINING

The Loewe Excellence Program supplemented the permanent continuing education of the employees in a special manner in 2002. More than 520 employees completed a training program here in the past year. By May 2003, every employee will have completed the Loewe Excellence training.

Excellence program boosts employee expertise

ATTRACTING HIGHLY QUALIFIED NEW EMPLOYEES

We use the positive impression of the Loewe brand to attract new employees. Personnel marketing works toward transferring the attractiveness of the products to Loewe as an employer. The growing number of applications from abroad prove that this concept is just as successful with respect to the advancing progress of internationalization. Loewe also has a cosmopolitan

attitude towards university contacts and international student exchange programs. Among others, students from Mongolia and Rwanda attending the Universities of Dresden and Bayreuth completed their practicum at our company.

MOTIVATING EMPLOYEES THROUGH MEASURABLE GOALS

The many performance incentives for executives and skilled employees at all levels include a variable compensation component, which is linked to the attainment of agreed objectives. Since 2002, the agreement of personal objectives between employees and supervisors has ensured that the strategy and budget targets are consistently carried down to the employee level. A part of every executive's compensation is directly linked to his or her personal contribution towards implementing the business strategy. This results in a strong motivational effect.

REGULAR EMPLOYEE SURVEYS

Not only financial incentives motivate employees. The environment must also be right. Regular employee satisfaction studies set the stage for further progress in this area. Roughly 92 % of employees participated in this last year. The results were assessed in a series of workshops and processed by project teams using our Excellence Methods as a basis. The knowledge obtained and activities carried out lead to an improvement in employee satisfaction.

High level of employee satisfaction at Loewe

THANKS TO OUR EMPLOYEES

The year 2002 again demanded a special degree of dedication, ability, and flexibility from our employees. The Executive Board wishes to thank all of the employees and the works councils for their exemplary commitment to the Company's interests.

SHAREHOLDERS' MEETING ON JUNE 26, 2002

The Shareholders' Meeting of Loewe AG held in Munich on June 26, 2002 adopted, among things, the following resolutions:

The unappropriated retained earnings for the year 2001 reported in the amount of EUR 6.4 million in the Company's annual financial statements will be used to distribute a dividend of EUR 6.1 million. EUR 0.3 million was carried forward to the next year's accounts. The dividend of EUR 0.85 per share was paid out on June 27, 2002.

The authorization granted in the original articles of incorporation to increase the share capital was cancelled, EUR 425,000 of it still not having been used.

The Executive Board was authorized to increase the Company's share capital by up to a total of EUR 3,500,000 by issuing up to 3,500,000 bearer shares by no later than June 26, 2007. The subscription right to be granted to the shareholders may only be excluded under the known conditions.

Moreover, it was adopted that each member of the Supervisory Board will receive, in addition to the reimbursement of outlays incurred and a fixed remuneration payable annually, a variable remuneration dependent on the development of the earnings per share of Loewe AG.

The Company was authorized to take out directors & officers liability insurance for the members of the Supervisory Board; the premiums must be appropriate and will be paid by the Company.

Shareholders' meeting adopts administrative proposals



Loewe home cinema solutions: Articos television, Concertos base module and Certos DVD/CD boxes. The perfect interplay of hearing and seeing creates a completely new dimension of experience in one's own living room.



SYSTEMATIC ENVIRONMENTAL MANAGEMENT

Loewe intends to continuously reduce the environmental effects of all company activities by going beyond compliance with the legal environmental requirements.

For that reason, special attention will be given to low energy consumption for heating in the design and construction of new buildings. The logistics center constructed in 2002 is equipped with a special heating system that, in addition to low energy consumption, ensures uniform heat distribution without producing dust.

Loewe demands and supports environmental awareness and personal responsibility of its employees. Environmental and safety training are firmly rooted in the everyday routine of the company. The voluntary commitment of many employees to the company fire department ensures that competent, well-equipped specialists will always be on hand for nearly any conceivable emergency. The majority of employees rate Loewe's commitment to company environmental protection as ranging from good to exemplary.

Loewe works in close collaboration with its suppliers on the environmentally oriented optimization of the total production chain. The efforts in the direction of environmentally oriented product optimization stimulated by the EcoTopTen campaign are bearing their first fruits. They support Loewe's efforts to bring technically high-quality and environmentally safe products to the market.

The waste avoidance concept provides for the early involvement of suppliers in selecting suitable packaging materials. The use of reusable packaging with appropriate removal is always a priority. If this is not logistically possible, Loewe requests packaging for which it has a suitable collection system. The material can then be sent away for high-quality recycling.

SUCCESSFUL TODAY. EXCELLENT TOMORROW.

To be successful in the market, especially in view of the difficult economic conditions, it is necessary to continue to improve the quality of the work and products while reducing costs. Loewe is working towards this goal with the mid-range, comprehensive change process Loewe Excellence. Management demands of itself and of the employees a standard of excellence, which means outstanding procedures and work outcomes. For that reason, Excellence Training to include all employees was started in 2002. In the meantime, in-house trainers have directly conveyed the Loewe Excellence approach to more than 520 persons. In one day and a half and three-day training sessions, the employees learned useful methods – such as process management standardization or standardized problem solving processes – as well as some associated tools. Immediately after the training, the participants take the step from theory to practice and productively implement what they have learned in initial applications. In 2003, the focus of the training for industrial workers will be on production so that by the middle of the year all Loewe employees will know and be able to apply the Excellence methods and tools.

RISKS OF FUTURE DEVELOPMENT

ACTIVE RISK MANAGEMENT AT LOEWE

As an integral part of the processes and structures at Loewe, the goal of risk management is to continuously improve risk awareness, recognize risks, evaluate them and control them through suitable measures. In this connection, an integrated way of looking at risks and opportunities is of utmost importance.

The Executive Board views risk management as a central management responsibility with decentralized responsibility for risks. It should make a significant contribution toward enhancing the Company's value. The internal audit has responsibility for the central coordination and continuous further development of the risk management system.

RISK AREAS IDENTIFIED

The most important risk areas of Loewe include the on-time introduction of products appropriate to the market, the positioning as a premium brand, the expansion of existing and the development of new markets in a difficult national and international economic environment as well as risks relating to technology, procurement, warranty, personnel, interest and currency. The individual risks are interrelated and can overlap. On the whole, compared to the previous year, there were changes in both the internal and external risk position in 2002.

AVOIDING GAPS IN THE PRODUCT LINE

The great significance of customer-oriented and on-time introduction of new products became evident in 2002. Compared to the competition, the number of products with real flat picture tubes offered by Loewe, especially in the medium price segment, was too low. The consequence was that Loewe could not participate adequately in this market segment.

For Loewe, the year 2003 and the subsequent years as well will be characterized in particular by extensive product launches. The expansion of the product line with innovative technology – LCD, plasma, rear projection – creates the foundation for Loewe to have a significant competitive edge over the competition and to continue to position itself as a premium brand.

The definition of Loewe's future product line is based on assumptions relating to the expected market volume and the pricing situation. Above all in the new technologies like LCD and plasma, such assumptions are particularly difficult since volumes and prices in this area are subject to strong fluctuations within short time periods. Loewe attempts to limit this risk by analyzing market studies of various providers and statements from the panel suppliers. Taking this diverse information into consideration, we derive market scenarios that form a reasonable basis for the product definition.

DEFENDING THE PREMIUM POSITIONING IN THE COMPETITIVE ENVIRONMENT

The design of the products as an outstanding feature of the Loewe premium brand is subject to the risk of imitation by the competition. The growing share of flat screens (LCD and plasma) makes the challenges in design development more intense because the possibilities for differentiation in the competitive environment are diminished.

Loewe confronts the difficulties of differentiation as a premium seller by systematic collaboration with excellent designers and an intensification of commercial marketing with a simultaneous enhancement of end customer orientation. Examples of this include a more intense commercial orientation through high-quality presentations, the expansion of the Customer Care Centers and specific marketing activities targeted to end customers. Further differentiation features are the expansion of the Systems line to include integrated home cinema solutions and the MediaPlus chassis. Its modular concept makes it possible for customers to have individual and tailor-made applications without installing additional equipment.

REDUCING DEPENDENCE ON THE DOMESTIC MARKET, LIMITING RISKS OF THE EXPORT COMPANIES

In 2002, the German market was marked by a difficult economic environment, diminished purchasing power, great consumer uncertainty and high competitive pressure. Even at the present time, a sustained economic recovery is not in view. The resulting consumer resistance – especially in the area of existing picture tube technologies like super flat – could adversely affect the Company's successful development. Loewe will counter this risk by expanding the

Risk management well established as an interdisciplinary task

A number of new products introduced

Potential for differentiation lower

Various approaches to environmental management

Excellence increases the quality in work and products

New subsidiaries outside of Germany

product range of real flat units as well as units based on LCD, plasma and rear projection technology.

Expansion in the European and additional international markets is also a significant basis for further growth. There is an increased potential for risk in establishing subsidiaries for the sustained development of new markets in strategically important countries, as has been shown in particular by the development of business in the U.S. market in 2002.

With international conditions uniformly difficult, it is therefore necessary for Loewe to optimally orient itself to the circumstances and standards specific to countries both with regard to sales and marketing as well as the product line. The reorganization of sales and marketing and the associated stronger orientation to international marketing activities have already set the stage for this.

Moreover, all export companies are to be closely tied to the SAP R/3 system used throughout the Company in order to ensure adequate transparency at any time. In addition, the internal audit department established in 2002 will also assess the export companies.

MASTERING RELEVANT TECHNOLOGIES, MAKING FLEXIBLE PRODUCTION POSSIBLE

An essential prerequisite for business success is to bring innovative technologies to market readiness and make them available to the consumer. This requires harmonizing that which is technologically feasible with customer demands. Of parallel importance is to evaluate the chances for implementing the technologies while considering the possibilities for completion and to define and implement development focuses.

Loewe Aventos with a real flat picture tube and extreme ease of operation – the ideal entry into the fascination world of Loewe television.



In doing so, Loewe concentrates on productive application development. We conduct basic developments only on a small scale in conjunction with projects subsidized by government institutions. Loewe has many contacts with institutes, universities and research facilities of significant companies, with which it maintains close collaboration – even in the form of joint projects.

The further development of strategic partnerships with suppliers in the area of LCD and plasma is of particular importance since intense cooperation and a regular exchange of information are an essential success factor in a product environment with relatively short life cycles.

To meet the needs of the market at any time, it is critical for production to be able to react to fluctuations in demand. This means maximizing flexibility while considering optimum batch sizes, setup times, etc. Loewe does this through standardized procedures and multiple uses in production, preventive maintenance and an adequate inventory of necessary components and spare parts.

AVOIDING PROCUREMENT BOTTLENECKS, ENSURING HIGH QUALITY OF MATERIALS

While the risk of dependence on suppliers who control the market as, for example, in the procurement of picture tubes, has been reduced compared to the previous year, a higher risk of insolvency among suppliers can be expected. In addition, the introduction of products based on new technologies implies the necessity of using new materials and supplies. It is therefore necessary for Loewe to deal with an increased quality risk in materials procurement.

We counter these risks by the specific development of second-source suppliers, an expansion of the international orientation in procurement as well as a standardized and system-integrated assessment of suppliers, which will be expanded in 2003. In addition, specific measures are taken to improve supplier integration for the purposes of supply chain management and electronic procurement in order to provide the necessary materials economically, at the right time and in the agreed specification and quality.

LIMITING PRODUCT LIABILITY AND WARRANTY RISKS

Special demands are placed on the quality of technologically high-quality products. In order to meet these demands and to limit product liability and warranty risks, Loewe focuses especially on “perceived quality” from the point of view of the customer – in addition to the existing quality assurance systems. This determinant is investigated at specific measuring points in the early phase of the warranty period and after its expiration in order to derive from it measures for a comprehensive increase in quality.

CONTROLLING CURRENCY AND INTEREST RISKS

Despite its international focus, the direct currency risk is moderate for Loewe since the greatest share of foreign sales is billed in euros. Remaining risks from foreign currency transactions, as in the U.S. business for example, and risks from interest rate changes are partially countered with the use of derivative financial instruments. The use of such instruments is controlled centrally at Loewe AG. The Executive Board specifies areas of competence and the scope of use.

PROMOTING EMPLOYEES IN KEY POSITIONS

With their competence and expertise, employees in key positions constitute the basis for Loewe’s financial success. The personnel development programs are continuously expanded and intensified to attract and retain these employees. A consistent substitute and successor policy also contributes to the support and development of employees in key positions.

Development must be
strictly market oriented

Quality risks with
suppliers

Since March 28, 2003, Loewe's response to the latest market demands is the fascinating Mimo product line. 100 Hz, real flat (also as LCD), 16:9 cinema format, fully integratable digital TV upgrade kit and an active ceramic subwoofer satellite system.



EVENTS AFTER THE END OF THE FISCAL YEAR

No events of special significance have occurred since the end of the fiscal year.

OUTLOOK

After economic growth in Europe softened noticeably to less than 1% in 2002, at least a gradual improvement to just under 2% is expected for 2003. Due, however, to the risks of war in the Near East, high oil prices and the poor consumer climate, economic development in Europe may be very weak in the first half. As of the second half, the conditions should gradually improve and the European economy should pick up briskly. A similar development is expected for Germany but at a noticeably lower level. This might even lead to a slight decline in gross national product in the first quarter of 2003. The German economy is not expected to grow until the second half so that no more than slight growth is expected on an annual basis.

The consumer electronics market should develop similar to the overall economy in 2003. Growth of roughly 1% is expected in Europe. Germany's contribution to this growth will be below average. On the other hand, the television segment, which is of critical importance to Loewe, should continue to grow in 2003. This growth will be due almost exclusively to the significantly higher demand for televisions based on LCD, plasma or rear projection technology. This rapidly growing segment will already represent more than 10% of the overall market in 2003. Sales in the still dominant market segment of television sets with picture tubes are expected to be at the previous year's level. The trend to real flat and large-format sets will accelerate further.

Loewe is planning a large number of important product launches in 2003. This will not only close the product line gaps discovered in 2002 in the real flat entry-level and medium price segment but will also provide a stimulus for the new display technologies in the large-screen and home cinema segment.

In the first half, the focus will be on completing the Aventos product family. This product family includes real flat picture tube sets with a screen diagonal between 28" and 32" that represent an attractively priced entry into the Loewe product line. In addition, a completely new product family will be introduced. Formal expression, installation solutions and integration of the audio and video functions in a total system are attributes that appeal to a younger target group in particular. Real flat picture tube sets with diagonals between 21" and 32" will be followed by an LCD set in the attractive 15" format.

In the second half, the focus will be on new home cinema products with large screen diagonals. The successful 42" Spheros plasma set will be further upgraded by a high-resolution panel and tighter optical and technical integration in the Systems family. In addition, the market launch of the largest Loewe set with a 55" screen diagonal based on DLP rear projection technology is planned. These large-format home cinema units are especially of critical significance to the North American market. Moreover, Loewe will introduce an additional new product family that will include at least three real flat picture tube sets. This line will offer target group-specific design and will be positioned in the medium price segment.

TV core segment profits from new technologies

Product initiative to reinforce market position

**The highlight of 2003:
The International
Consumer Electronics
Fair**

In addition to sales of the present product line at stable prices, the on-time implementation of the planned market launches and the acceptance of the new products will have a significant influence on Loewe's success. Compared to 2002, the share of sales of real flat sets will double to more than 60 %.

An important highlight in 2003 will be the International Consumer Electronics Fair held in Berlin every two years. Loewe will systematically communicate its positioning in the premium price segment and present its current product line. A further focus will be on a completely new product family with small screen formats based exclusively on LCD and large formats based on plasma technology. Loewe will perform critical preliminary work in this field in 2003 so that as of 2004, the Company will be able to participate even more strongly in the dynamically growing market of completely flat televisions with innovative display technology.

The largest share of the planned growth abroad should also be completed in 2003. The new products will increase Loewe's competitiveness and should make further expansion of market share possible in the important foreign markets. After a slight decline in market share by value in Europe in 2002 from 6.9 % to 6.5 %, 2003 should again be more in line with the 2001 level. The intensified servicing of the market in the most important export countries is of critical importance in that regard. After the U.S. in 2001 and France in 2002, a Loewe-owned presence should be established in Italy by no later than January 1, 2004 in order to serve that important market directly in the future.

We anticipate a clearly positive response from the introduction of large-format home cinema products in the U.S. in the third and fourth quarters. Possible additional burdens resulting from a persisting devaluation of the U.S. dollar in relation to the euro may stand in the way.

Investments should be at the previous year's level at maximum. Since the 2002 figure included almost EUR 4 million for the new logistics center, an effective increase in investment volume is planned for 2003. Significant investment projects include tooling for the cases of new products, sophisticated product presentation systems for the retail partners and streamlining investments in production.

The number of employees should largely remain constant. New jobs will be created primarily in development to meet the higher technological demands.

All in all, we anticipate positive business development for Loewe in 2003 despite the difficult overall economic environment. Compared with the previous year, after a weaker first half, Loewe's business volume will not start to grow until the second half of 2003 because of the special stimuli in the second half provided by important product launches and the International Consumer Electronics Fair to be held in Berlin in August.

Kronach, February 28, 2003

The Executive Board

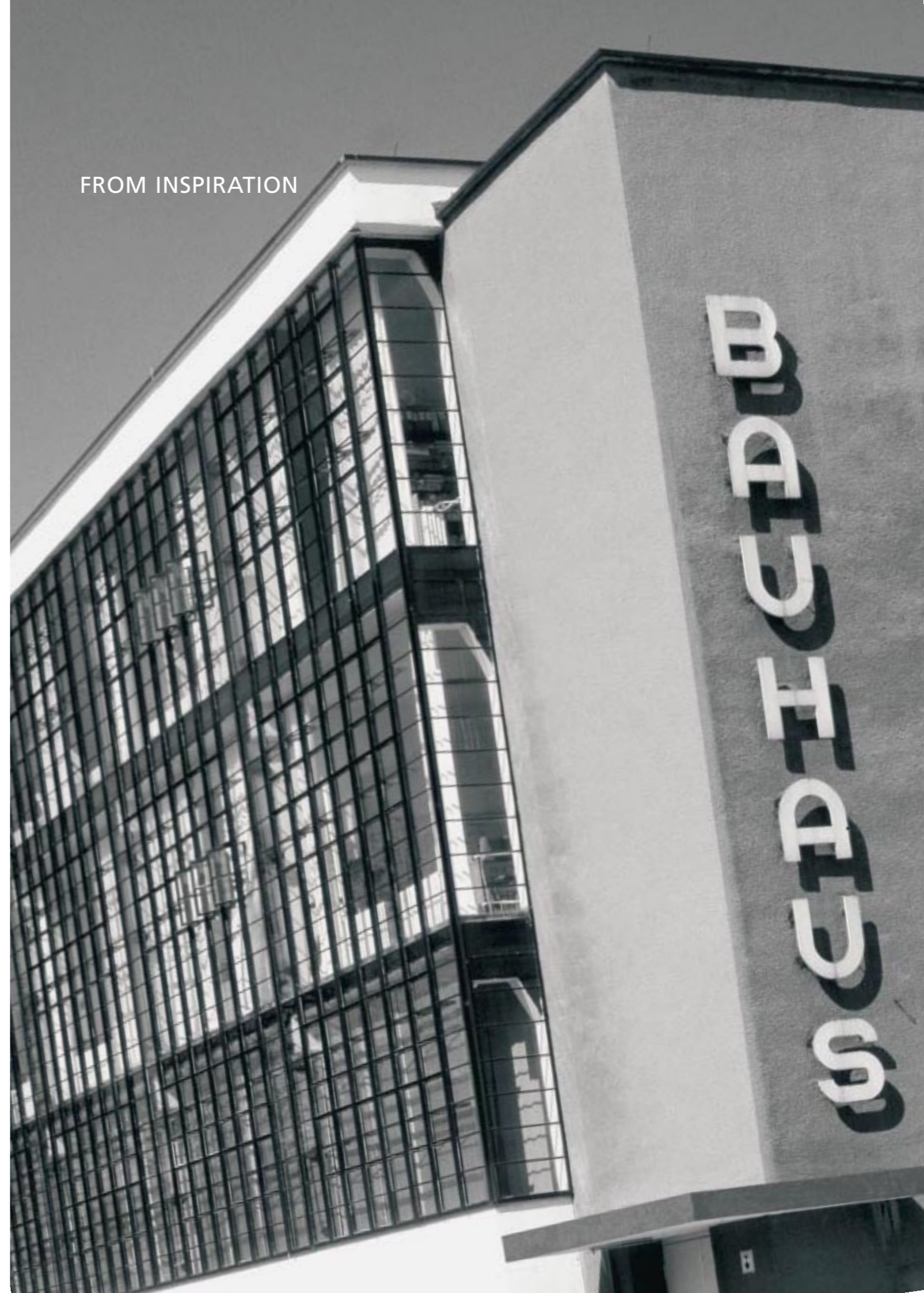
Dr. R. Hecker

Dr. B. Bamberger

T. Bender

G. Schaas

FROM INSPIRATION



TO PERFECTION.

LOEWE IS EXPERIENCE

Loewe stands for the skilled composition of form and function. Technology that opens your senses: with crisp and clear images and dynamic sound. And with clarity and harmony of design. Our competence in high-tech and design ensures that customers choose Loewe with both their heart and their mind.

MARKETING AND SALES.

- PERFECTION IS A QUESTION OF STANDARDS AND STRIVING TO BE ONE OF THE BEST.
- THE YEAR 2002 UNDERSCORES OUR ASPIRATION OF OFFERING MORE AND CREATING SOMETHING EXCEPTIONAL
- LOEWE SETS STANDARDS – WITH PRODUCTS, IN BRAND LEADERSHIP AND IN COOPERATION WITH ITS RETAIL PARTNERS

Anyone who wants the best cannot be satisfied with compromises. Guided by this motto, Loewe has made progress, achieved goals and posted successes in the past year. Special highlights were the awards for design and marketing.

Systematic strengthening of our premium brand

EFFICIENT BRAND BUILDING

Brands are the navigational lights of our time. They offer guidance. They give security. They help us arrive where we want to be. The "LOEWE." brand stands for unique design, the best quality and modern technology. Using our business strategy as a springboard and building on the brand's current position, we have defined the key characteristics of the Loewe brand to create a brand concept. This concept serves as the navigational instrument for the continuous development of the premium brand.

The brand concept integrates the most varied brand drivers. The design of the products is just as much a part of this as the intrinsic value of our work and the intelligent translation of technology into customer benefit. After completing this design work, we can now take a next step towards a comprehensive brand management: the introduction of a comprehensive brand evaluation instrument.

Building on the brand concept, we prepared a communications initiative in 2002 for the year 2003. The initiative inspires curiosity for unknown, beneficial experiences. It shows what is feasible and points the way to new experiences. Core elements are a new pilot campaign, an integrated promotional concept for the market launch of the important product families and fully developed product presentations at the point of sale. All of these elements taken together will advance the brand even further.



The Concertos satellite speakers offer flexible interior design through a number of installation possibilities.

ALWAYS CUSTOMER-ORIENTED

Loewe is more than audio-visual home entertainment. We offer the most intelligent, system-oriented product solutions that meet high expectations. The central theme is to secure the brand's definite positioning in the premium segment with technological excellence and the special character of the design. For Loewe, premium means unmistakable high quality in all dimensions of the product and its marketing. Because times change, we reorient ourselves daily to the expectations of a prominent target group that we want to inspire with uncommon and innovative products.

A Loewe keeps its promises. This will not change in the future. With continuously superior products, we want to generate maximum customer satisfaction. Clearly geared to customers' desires, we inspire enthusiasm for the audio-visual world of Loewe. At the same time, we create the conditions for long-term loyalty and commitment in constant contact with our customer groups.

For the international expansion of the company in particular, we have to know our customers as well as possible. In 2002, we upgraded our consumer market research organization and increased its staff.

This will elevate not only target group-oriented product creation to a higher level but also the corresponding marketing of the products.

INNOVATIONS WITH SYSTEM

Progress is life. And living means enjoyment. Loewe proved this in 2002 in all three system areas – Home Cinema, Home Multimedia, Smart Home. In every area, we introduced innovations with attractive refinements, exciting features, exceptional technology and seductive design.

Perfect cinema experience at home

Home cinema means having the luxury of a large movie theater in one's own four walls. To make this vision a reality, Loewe combines individual components into a comprehensive system. It is a combination of the best of several worlds. Picture and sound meld into an experience that opens up new dimensions.

Last year we completed our home cinema system solution with the addition of the Certos sound system. Loewe has thus succeeded in creating the first fully integrated home cinema system. The Articos TV, the Concertos satellite speakers developed jointly with Bose, which include a subwoofer and individually placeable mounting racks now make Certos an exemplary combination. The system can be controlled like a single unit – using only one remote control. As an alternative to the Articos picture tube set, the Spheros 42 flat screen plasma set equipped with new functions has been available since fall 2002. It has a 107 cm screen diagonal for those who prefer a very large screen format.

Individuality in design and technology

With a concise formal expression, stability of value and longevity in design, all the products of the Systems line are captivating due to their unique and consistent character. The basic forms of the individual components are always kept simple and straightforward. Within the Systems family, the thematic integrity is interpreted in an exceptional, exciting way. At a single glance, the design shows that each product makes a claim of being the best in its class, in technology and form. The single components can be combined additively in space. This opens up a multitude of possibilities. Customers are completely free to arrange the system elements as they see fit and integrate them into their personal living environment.

In creating the totally coherent Home Cinema System, Loewe has set convincing standards. The Systems line is taking on a central role in the company's strategy. It will make a critical contribution to building the Loewe image. This product family is characterized by internationally recognized design and premium value, which also underscores its high international standard of visual appeal.

The uniqueness of the Systems family validated its position at the center of our product launch activities in 2002. We used the "World Experience" promotion to introduce this forward-looking solution in more than 40 national and international events – with great success. Retailers and customers are enthusiastic; trade journalists selected the Systems products as reference units.

On the market since December 2002: the Loewe Aventos with an individual upgrade concept. Clear formal expression and an absolutely flat real-flat picture tube.

PRODUCT INITIATIVE IS EFFECTIVE

A customer who decides to buy Loewe is discriminating – and this is only right. The high expectations of premium customers in the international consumer electronics market are a primary incentive for us – every day and with no limitations. To extend the potential for successful, established product lines, we developed variations and additional functions adequate to the market in 2002. Accordingly, the Vitros product family now includes additional color and accessory options – primarily for the Southern and Western European markets. The Aconda Living 9272 ZP complements the premium Aconda family of real flat display models.

An additional new product launch last year was the first product of the Aventos family: the Aventos 32. The real flat unit is the first representative of three additional product families that will position Loewe as a competent provider of real flat displays in both the medium and up-market price segments. Aventos 32 was introduced in November 2002.

In addition to the expansion of Loewe's home cinema competence and the further development of the TV product lines, we also focused on our home multimedia competence in 2002. With the European introduction of the new Internet module TV-Online plus, we are now offering the third generation of the combination of Internet and TV. This module makes it possible to upgrade all premium-class Loewe TV sets as TV-Internet combinations. We created a coherent sales tool for the retail trade for the product, which further increases the number of systems that can be easily demonstrated at the point of sale.

In the third systems area, Smart home, we created the "Home Automation Starter Kit" together with our partner Gira. It converts premium Loewe TV models into home automation control systems. The most varied domestic electronic systems can be integrated, such as Gira lighting control, which produces a home cinema atmosphere quickly and automatically. Loewe displayed a further application of home automation in a joint presentation with Bosch-Siemens Hausgeräte AG at the e/home trade show in Berlin.

Product initiative sets new standards



Two motifs from Loewe's current advertising campaign for 2003.

EXCEPTIONAL PERFORMANCE

Perfection is what converts everyday pleasure into an experience – especially the successful composition of technology and design. We are regarded as a leader in the industry in designing products with exemplary aesthetics. For Loewe, outstanding design means philosophy, passion and commitment. It offers lasting value for the consumer.

Our customers let us know every day that our exceptional efforts in creating a fascinating design are well received, and the awards we receive from significant design institutes year after year tell us the same thing. In this respect, 2002 was one of the most successful years in the Company's history. Leading national and international design institutes, including iF IndustrieForum Hannover, DesignZentrum Nordrhein-Westfalen and the Chicago Athenaeum presented more than ten awards to Loewe products. The prizewinners include Aconda select, Articos, Certos as well as the RC 1 system remote control. An additional exceptional honor was the inclusion of Spheros in the permanent collection of the Neue Pinakothek in Munich.

Another special tribute is the presentation of the Good Design Award to the Aconda 93102 by the Chicago Athenaeum. In addition to formal quality, emotional content and technical as well as design innovation, evaluation criteria such as functionality, user orientation and straightforwardness are considered in awarding this prize. These points are inevitably part of good design for Loewe, because what pleases the eye must also be pleasurable to use. Form follows function. When it is a matter of designing new technologies to be easy to use, this classic premise is more important than ever.

In addition to the design awards, Loewe received the German Marketing Prize in 2002. This was the first time the prize was awarded to a consumer electronics company. It honors marketing performance that is convincing in two ways: Through an organization and implementation that demonstrates consistent market orientation and by successfully taking on fundamental development tasks as a response to the long-term strategic challenge of innovative marketing. The German Marketing Association has presented this award since 1973. Loewe joins a number of well-known prizewinners, including BMW, Henkel, Miele and Volkswagen.

INITIATIVES FOR THE RETAIL PARTNERS

Maximum customer satisfaction is not only a question of the products. For business success, it is just as important to anchor the customer orientation in the entire organization. The strong focus on our customer groups – on both our end customers and retail partners – is also evident in the development of our business processes. The continued intensification of the target group orientation supports processes that are perfectly focused on the customer: in product development, communications and in sales but also in the services of the pre-sales and after-sales departments.

Our loyalty programs that include the retail trade are one example of the utilization of consumer knowledge. For Loewe, the retail trade is an integral component of the premium marketing strategy. Surveys in the specialty retail trade and comparison reports in the trade press confirm the success of our efforts in the business-to-business and business-to-consumer service area.

For example, the organization representing the technical aspects of the German retail trade, Bundesverband Technik des Einzelhandels e.v. (BVT), conducted a survey among specialty retail dealers all over Germany in fall 2002 in cooperation with the rf-Brief magazine. In the survey, the dealers representatively rated the marketing, product line and service policies of the consumer electronics manufacturers. In the overall rating, Loewe attained second place. In the categories sales support, turnaround time and warranty arrangements, the retailers even selected Loewe as the best-in-class manufacturer.

Design awards honor our developments

Effective strategies for the retail trade

The experience and the expertise of the retail trade are significant underpinnings of mutual success. We attach a great deal of importance on continuing to be the approachable brand for retailers in the future as well. The Loewe Extranet offers retail partners a large number of supported services and offers. The dealer uses Loewe Händler Services (LHS; Loewe dealer services) to manage customer addresses. For mailing campaigns, the dealer easily merges the addresses with documentation developed by Loewe for that purpose. This unified path to market success was implemented in an exemplary way in the introductory promotion of the complete Systems product family.

We are continuing to expand the Loewe Extranet step by step. In the past year, we added an electronic sales manual and a Web-based training program to our services in the E-services area. The new training program illustrates very clearly how optimally Web offerings supplement the direct, personal contact with the retail trade. Every year, more than 3,500 employees in the retail trade gain familiarity with our products in the "ProCollege" training center. Now all participants can prepare for and assess their training online. In addition, pure online courses are available as an alternative or as a supplement. All Web offerings offer rapid access, thus making it possible for the Loewe Extranet to effectively support the direct sales talk in the retail trade.

Systematic measures to improve customer benefit

DIFFERENTIATION IN COMPETITION

Whether it is the transition from the conventional tube set to the flat display or the convergence of TV and Internet, technological change demands more than ever before an intensive customer-orientation. Only in this way will we be able to utilize attractive values for the premium customer in adapting to new technologies. In doing so, we continuously develop the efficiency of our customer benefit management.

Our stated goal is to create a clearly superior value-price ratio compared to the competition. The special challenge is in the new display technologies that have already taken over a 10% share of the total TV market in Europe. To enhance the price premium for Loewe, we must clearly define ourselves in this rapidly growing market segment. By anticipating future customer needs and offering innovative solutions, Loewe will be able to successfully occupy growth segments.

ON AN INTERNATIONAL GROWTH COURSE

The newly founded U.S. subsidiary Loewe Opta Inc. in Plymouth, Massachusetts commenced operations in January 2002. High-end products developed specifically for the North American market will be marketed through an up-market dealer network consisting of more than 400 retailers. The main target group is the demanding U.S. consumer who is eager for high-resolution television. At CES, the international Consumer Electronics Show in Las Vegas, Loewe Opta Inc. introduced itself for the first time as a provider of high-end and innovative consumer electronics. The Aconda 93102 ZW was introduced as one of the largest televisions in the world with screen diagonal of 102 cm.

The use of digital television climbed to over 40% in the U.S. last year. In addition to set-top boxes, more than 2.7 million digital TV sets were sold (2001: 1.5 million). With its high potential for unit and volume sales of high-resolution units, the U.S. market will accordingly be very attractive in the future as well. Our goal is to upgrade distribution in the premium segment and accordingly further enhance the predicted good growth prospects.



The award-winning Aconda family.

Timeless design in a variety of picture tube sizes, aesthetic color options and a perfect rack.

Due to the unanticipated rapid shift from conventional tube screens to flat displays, unit sales of Loewe TVs in the U.S. were lower than expected in 2002. Therefore, the product mix policy in the U.S. pushed the development of high-end, large-format models. In late September, we introduced our product portfolio for 2003 at the CEDIA Expo for dealers in Minneapolis. The new product portfolio meets the demands for new flat display technologies with high technical intelligence and convincing aesthetics.

We have also further intensified our European commitment by taking over the shares of our sales partner in France, Sorep Import S.A., Strasbourg. Sorep has marketed Loewe products in France for five years and after a profitable build-up, it represents a significant and successful pillar of the business in this market. We have retained the distribution concept of a dealer association now including 270 partners and the previous French management as a foundation for further growth.

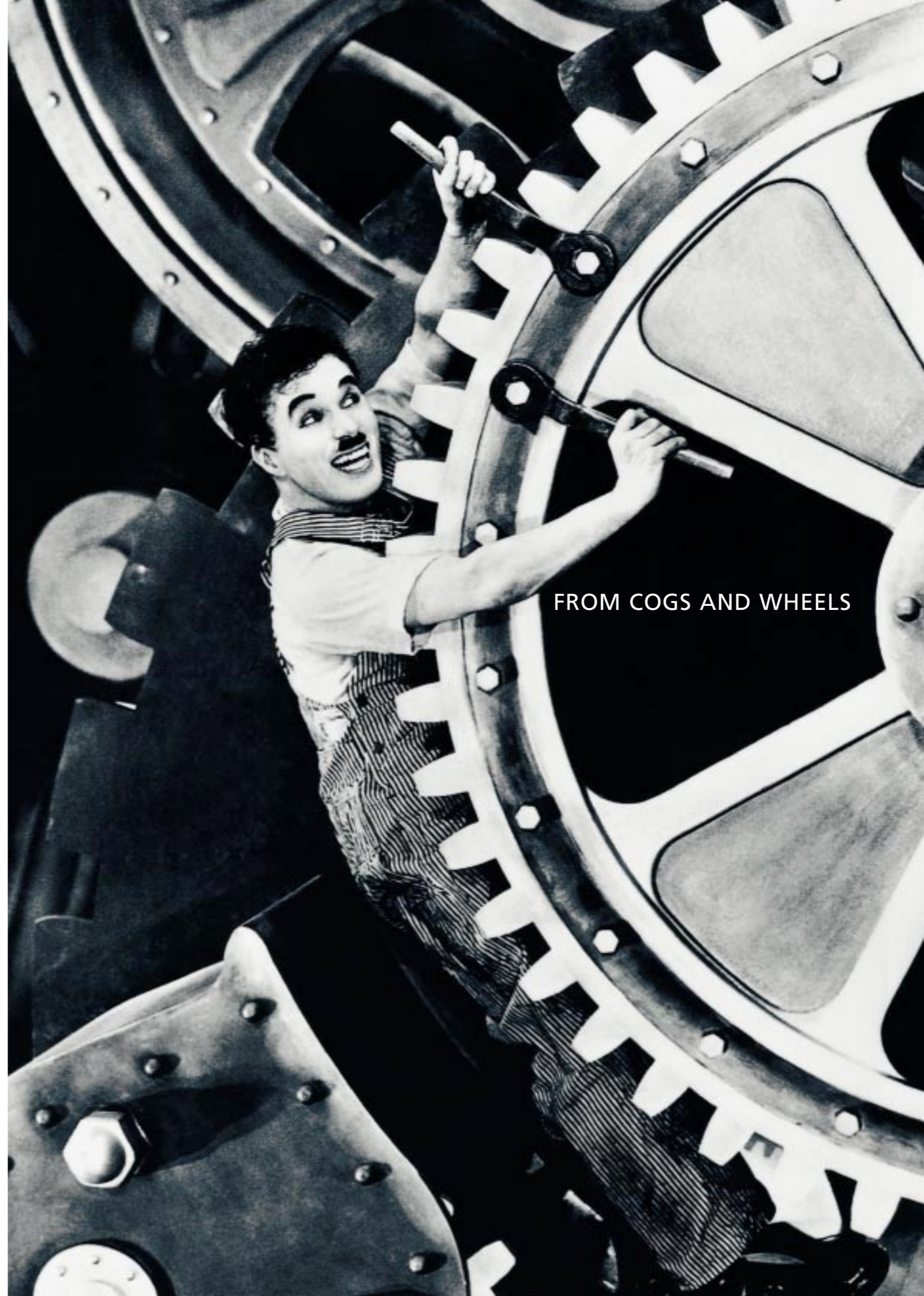
French subsidiary consolidates our position in the European market

The new subsidiary in France is a further step in the internationalization of the company. Through investments in marketing and sales, especially in the European markets, we will support and advance our international focus in the future as well.


In the final analysis, there are still three decisive elements that distinguish Loewe as a company:

- the first-class product system solutions
- the systematic development of the brand and
- the selective marketing policy in the 50 markets in which Loewe is represented.

Combined, these attributes form a solid basis for strengthening the company, even in challenging market situations.



FROM COGS AND WHEELS

A modern, minimalist living room with a large window, a television on a stand, and a person walking in the foreground. The room features a dark floor, a white wall, and a large window. A television is placed on a white stand, and a person is walking in the foreground. The overall atmosphere is clean and contemporary.

Times change. Technological progress brings new talents to home entertainment. We integrate these opportunities with inspiration and motivation. The result: fascinating solutions that will still thrill you tomorrow and tomorrow and tomorrow. Our technological edge gives us the basis to continue to expand our strong market position as a premium manufacturer.

TO ENTERTAINMENT SYSTEMS.

LOEWE IS TIMELESS

TECHNOLOGY AND DEVELOPMENT.

- DEVELOPMENT ACTIVITIES STEPPED UP IN DIGITAL TELEVISION AND NEW DISPLAY TECHNOLOGIES
- EXPANSION OF PRODUCT PORTFOLIO IN STEREO SYSTEMS AND LCD TELEVISIONS
- INCREASED INVESTMENTS IN MEASURES TO IMPROVE QUALITY AND INCREASE PRODUCTIVITY

Optimum technology is not impressive in itself but rather by what it does. It shines with performance and ease of use. Supported by digitalization, Loewe creates intelligent systems that open up a spectrum of new possibilities.

FROM PRODUCT TO SYSTEM

The development of consumer electronics has been characterized by new technologies in nearly all products in recent years. In televisions, there has been a dramatic change toward digital broadcasting technologies. In video recording, the playable DVD first posted huge gains only to be complemented a short time later by the rewritable DVD. In audio, digital recording and broadcasting methods replaced analog systems. Sound enhancing technologies like AC3 and Dolby Digital heightened the experience of sound.

In display technologies, the trend is now clearly in the direction of larger screens – and new technologies: The picture tube is being supplanted by the plasma screen, LCD displays and rear projection technology. In all these fields of the future, Loewe has not only built up expertise but was also the first to launch the first plasma and LCD products on the market.

An important challenge is to combine the different media with their diverse possibilities for use in such a way that they will still be simple to use. We see our mission as developing and implementing closed concepts. The technical solution plays a key role in creating these systems. At the same time, the exterior charm and design must unify the systems visually and make them stand out. The market launch of the now complete Loewe Systems family represents a decisive milestone along these lines.

LOEWE SYSTEMS – REALLY A SYSTEM

As far as displays are concerned, there is already the option to use picture tube sets in 16:9 format or larger format plasma panels. Even larger rear projection units will be added in the future. In video, functions such as analog and digital television, DVD playback and tape recording have been homogeneously integrated into the system. On the audio side, not only

CDs and DVDs can be played but it is also possible to receive FM radio signals or digital DVB radio signals in top quality. Audio signals are played back through the satellite subwoofer sound system developed in cooperation with Bose.

The total system is completed and rounded off by the integration of Internet applications in parallel to the television program. Furthermore, we offer the option to make the system a home networking component. In cooperation with Gira, we are designing solutions to make it possible to easily perform essential control functions in home automation systems via the television set.

Powerful control systems of the highest technical standards are necessary to handle the large variety of functions in the simplest way possible. Loewe has made this a very special focus of its development work. Our stated goal is to combine the growing diversity of new and complex technologies intelligently and integrate them harmoniously in the living environment through attractive design.

Creating great things requires overcoming barriers. With extensive basic development, we create the conditions for confronting the technological requirements of the future independently and implementing comprehensive product solutions. In doing so, we rely on cooperation with institutes of technology and universities as well as focused partnerships with companies in other areas of technology. Consistent with our international expectations, the projects are carried out on both a national and European level.

HOME CINEMA SYSTEMS

In Loewe home cinema, the single components show their full strength by perfectly understanding and complementing each other. This brings ease of use into the living room – an additional pleasure that provides user enjoyment in addition to the experience of classic design and outstanding technology. This optimum demands a view of the big picture. For that reason our team of developers always has the total system in view even when working on the smallest details.

The complete home cinema system went into full production in 2002. It combines the Certos home audio system including DVD, the Concertos surround sound system and Articos, the flagship of our TV sets. The complete system can be easily controlled with the RC1 remote control – just as conveniently as any single component.

Nothing stands in the way of the harmonious integration of additional units like a video recorder or a camcorder. Support by the intelligent electronic connection assistant on the Articos screen makes integration into the total system completely trouble-free. Moreover, the range of accessories was expanded in 2002 by various mounting rack constellations. Users who feel the Articos with its 82 cm screen diagonal is still not big enough can now select the Spheros 42 as an alternative. The successful system integration of this plasma unit offers a screen diagonal of 107 cm.

In the masterful combination of TV, audio and video, the system offers absolute viewing and listening pleasure. The upgrade options of the Media Plus chassis are available for additional functions. They also integrate Internet access, digital DVB satellite reception or home automation into the total system. Just like all single units, the upgrade options are also controlled by the RC1 remote control.

As a special highlight, Loewe incorporated two special features in the development of the RC1: Controlled by a database, two additional devices can be activated or single commands of existing remote controls can be programmed on any desired keys. The menu item "House Control" activates an integrated wireless transmitter for control of the components from our partner GIRA. Complete lighting scenarios can be activated by pressing a button. The selection "Dining Area," for example, surrounds the area around the dinner table in bright light. If the family or guests would later like to see the newest DVD movie, pressing the "Cinema" button dims the ambient light to an optimum level.

Total systems are formed from single components

The convenience of a single remote control

New technologies are revolutionizing consumer electronics



Design and multifunctionality.

The Loewe Articos with an integrated OnlinePlus module makes access to the Internet just as easy as television.



Loewe transfers the standards it has achieved in home cinema to new constellations. In 2002, work was started on adapting the European home cinema system to the requirements of the U.S. market. The focus here is especially on Certos and Concertos. Taking the future significance of home cinema systems into account, we also want to offer a corresponding solution in the midrange segment. The basic specifications have been created and partners have already been selected. The system will consist of the new Mimo TV design line, a sound system and a DVD-FM receiver.

LCD TV

The picture tube continues to be the dominant display technology for televisions. However, large-format plasma technology and the LCD-TFT technology in smaller screen diagonals clearly gained in significance in 2002. The market penetration still varies a great deal by region, and particularly in Europe, it is still restrained. However, the developments in the Japanese market point to dynamic growth in coming years. Loewe is in the favorable position of mastering both technologies and already using them in products. With our own experience and in close cooperation with the display manufacturers, we will be able to develop optimum product solutions for the next TV generation.

Throughout 2002, we made use of and further developed the basic experience we gained from the LCD product FL 38. The result was the Spheros 20, an LCD TV with characteristics that offer genuine value added. We added an FM receiver to the time-tested receiver unit made by Loewe. The installation of the radio increased the possibilities for use enormously. The Spheros 20 provides the right sound in all living areas and also has alarm and timer functions. The low weight and volume of the set permit increased mobility. We have taken the increasing demand for satellite reception into account by developing the integrated satellite solution known from the existing TV units for the Spheros 20 as well.

As is the case with picture tubes, there is an increasing demand for higher image quality in LCD displays as the screen area becomes larger. Accordingly, a considerable part of development in 2003 will also be applied to the processing of the received image, its optimization and scaling to the pixel resolution of the selected display. The results make it possible to realize the best image quality even in LCD displays far larger than 20". Since there are increasingly more providers of LCD displays in the market, we are in the comfortable position of selecting the best technology for every application.

DIGITAL TELEVISION AND MULTIMEDIA

In 2002, Loewe developed the second generation of digital DVB receivers for integration in televisions. An upgrade kit now enables all current Loewe 100 Hz sets to receive free digital radio and television channels via satellite. Compared to the predecessor version, the new modules now make Dolby Digital audio signals audible. An additional module plugged into a prepared expansion slot (common interface) from the outside and an associated smart card make it possible to receive encrypted transmissions. In Germany, the focus is on reception of Premiere. The market introduction is planned for the first half of 2003.

The digital broadcast of television signals noticeably improves the display on the television screen. With this technology, about eight television programs can be transmitted simultaneously over one physical television channel. Besides that, there is still enough bandwidth left over for the transfer of supplemental data. The DVB receive section analyzes the supplemental data and uses it to construct an electronic program guide (EPG). Loewe has succeeded in integrating the DVB receiver module not only physically but also logically. The analog and digital channels are offered on the same user interface and managed in a common program list – an added convenience for the user.

Loewe is creating the next TV generation

Digital reception opens up new possibilities

In the meantime, the reception of terrestrial DVB signals (DVB-T) is gaining in significance. In 2002, Loewe developed and introduced prototypes for DVB-T reception. We will introduce the first production-ready televisions for reception of digital terrestrial DVB signals (DVB-T) at the International Consumer Electronics Fair in Berlin.

The digital transmission of television signals and in particular the possibility to transmit additional data signals will open up completely new applications. The medium television is assuming additional functions. For a uniform interpretation and display of the supplemental information on all sets, the television set must be equipped with a program interface known as application programming interface (API). Today, extremely diverse proprietary systems are in use worldwide.

The creation of the open standard MHP (multimedia home platform) should reduce the large number of software interfaces to a standard interface. MHP is based on the JAVA programming language from Sun. In the "Expanded Mainz Declaration," the broadcasters and equipment manufacturers actively spoke up for the introduction of MHP in Germany. Loewe is one of the signatories of this declaration, and it thus calls attention to the significance of this standard for consumer electronics.

The first applications for MHP are already being broadcast such as, for example, electronic program guides, supplemental information concerning current programs or the current news headlines. Like all complex systems, the introduction of MHP also requires an extended time for testing and extensive adaptations of the specification. Loewe only brings integrated units to the market. In order to protect investments, this requires a stable standard. We are therefore intensively continuing the basic developments for MHP. A further improved demonstrator model will be available at IFA 2003.

A common standard supported digital broadcasting



The RC1 remote control: multifunctional control of all system components in one place.

TAKING TELEVISION ONLINE

Under the name OnlinePlus, Loewe introduced the third generation of an online television set to the market in 2002. The set creates a link between television and the Internet. Everyone is familiar with the situation: During a broadcast, a reference is made to further content in the Internet. With OnlinePlus, the viewer can directly access this additional content – by pushing a button and without starting up the PC. Broadcasters increasingly request viewers to express their opinion about current programs. If desired, this can also be done directly from the television set – by e-mail.

The new generation of the online modules even makes it possible to play streaming video and audio content. In this way, interesting clips from the broadcasters' news archives can also be called up using the television. Playing animated Macromedia Flash content is also new.

Loewe Channel offers the OnlinePlus user a television-compatible Internet portal. At one glance, the user can obtain information about the film highlights of the day or see the most recent dpa press reports. The "Lifestyle" section offers event tips, cultural events or even a link to the knowledge database of 'wissen.de'. With this broad range of possibilities, Loewe Channel is becoming increasingly more popular, even among PC users.

RESEARCH PROJECTS

Earlier, it was frequently discussed whether the PC would one day be able to replace the TV set. Today this question must be answered with a resounding "no." Technologies that were formerly at home in the world of computers and telecommunications are increasingly gaining a foothold in consumer electronics. Examples of this are the MHP 'operating software' or the recording of TV programs to hard disk.

In the past, Loewe accumulated a large amount of knowledge in the field of telecommunications, the Internet and information technology. This knowledge not only influenced the development of TV Online. It also gives Loewe a noticeable lead in knowledge compared to manufacturers of consumer electronics only.

This lead must be expanded. Research and development are the basis for attaining our goals. In order to be able to discover and estimate new technologies early on, Loewe participates in research projects supported by the German federal government or the Bavarian state government.

The research project BBMV ("citizens' box" for a broadband multimedia citizen and government administration information service) was completed successfully in 2002. To this end, Loewe created the prototype of a set-top box for connection to a broadband cable network. The box makes it possible to display digital television and Internet content. New possible applications are remote controlled reading of electricity consumption and the processing of consumption information. Project Partners were the Municipal Utilities of Neustadt near Coburg in Bavaria.

We also made noticeable progress in the research project SIPROS (Single Processor Solution for Multimedia Terminals). The tasks planned as the first step were completed on schedule. The focus was to define a new hardware and software architecture for multimedia terminals. In addition, the fundamental principles for a high-resolution rear projection display were researched. The German Federal Ministry of Economics has extended the project life by one additional year to March 2003. This provided the time necessary to push ahead with the investigations on image processing and display for high-resolution rear projection and to develop the XML-based software architecture for network-enabled sets. Loewe is cooperating in this project with the firms Philips and Carl Zeiss Jena, the Ilmenau Institute of Technology and Fraunhofer HHI (formerly Heinrich Hertz Institute Berlin).

Television and the Internet are merging

Research safeguards our lead



Pure, clear and functional design.

Loewe Systems for aesthetic living environments. A perfect home cinema experience.



We will also be involved in research projects in 2003. Especially the trend to home networking is showing dynamic development. Audio and video signals – in addition to pure data signals – are transmitted to rooms anywhere in the house. Today, audio and video arrive by satellite, cable and terrestrial antennas. In the future, more of them will be received via the Internet. The experience that Loewe has gained through TV Online and the research projects is an important basis toward attaining these objectives.

DESIGN COMBINES TECHNOLOGY AND EMOTION

In today's hectic world, the emotional component in design is becoming more significant every day. The function of design is add an emotional factor to the perception of products.

Loewe design is perceived as positive, engaging, friendly, sensitive, exciting, honest, convincing and personal. The perceptible quality of workmanship, materials, weight, temperature, hardness and other characteristics engages the senses. Loewe products appeal to the senses.

A fundamental change in customers' viewing habits and expectations has occurred. Technical, mechanical and optical quality is taken for granted today. The independent Loewe design assumes a central position in this area. Hardly any other company has influenced the design of the industry in the past as Loewe, and it has done this consistently for many years. Loewe's continuously enhanced high standard of design extends seamlessly over complete product families down to the smallest detail. Loewe's own design standard ensures this consistency. It imparts a spontaneous experience of our design and makes it clear, emotional and of lasting value.

Loewe design uses accepted design features as well as new ones of its own to be lastingly emotional. Through its clarity, it supports the impression of technical precision, performance, aesthetics and value. At the same time, this clarity supports the long life of the product design because instead of being modish or trendy, Loewe design is trendsetting, multilayered and creatively innovative. Characterized by a high level of independence and reduced to the essential while at the same time retaining its functionality, it exemplifies contemporary design that also conveys that it is something 'special.'

Increasing miniaturization heightens the significance of compactness and flatness. We keep the basic form of each of our products simple and straightforward. This makes Loewe design always appear natural. As new generations of technology develop, we work the essential features of the new technology used and its advantages into a new design. Not least, Loewe design offers customers the option of selecting products matched to their individual desires and integrating them into their personal living environment.

PRODUCTION

In recent years, the constantly growing production volume set the tone for the challenges we faced in production. In 2002, the production volume stayed at an essentially constant level. This presented the opportunity for consolidation. It was possible to shift the focus of our investments to further quality improvement and an increase in productivity.

We see the construction of production facilities for new product categories as investments in the future. The production line for the Certos/Concertos stereo system, for example, was completed in 2002. In new display technologies, we put a completely new plant for the production of LCD televisions in 20" screen format into operation.

An extraordinary investment focus was the construction of a new logistics center. Loewe invested approximately EUR 4 million in this center, which improves the flexibility and efficiency not only in incoming goods and storage but also in shipping finished goods. It makes the production of individual product models even faster and more flexible through the direct supply of large parts to the production line. In the future, this will result in a significant reduction of the finished goods inventory and consequently a reduction of tied-up capital.

Design creates a link between humans and technology

Increase in quality and flexible production structures

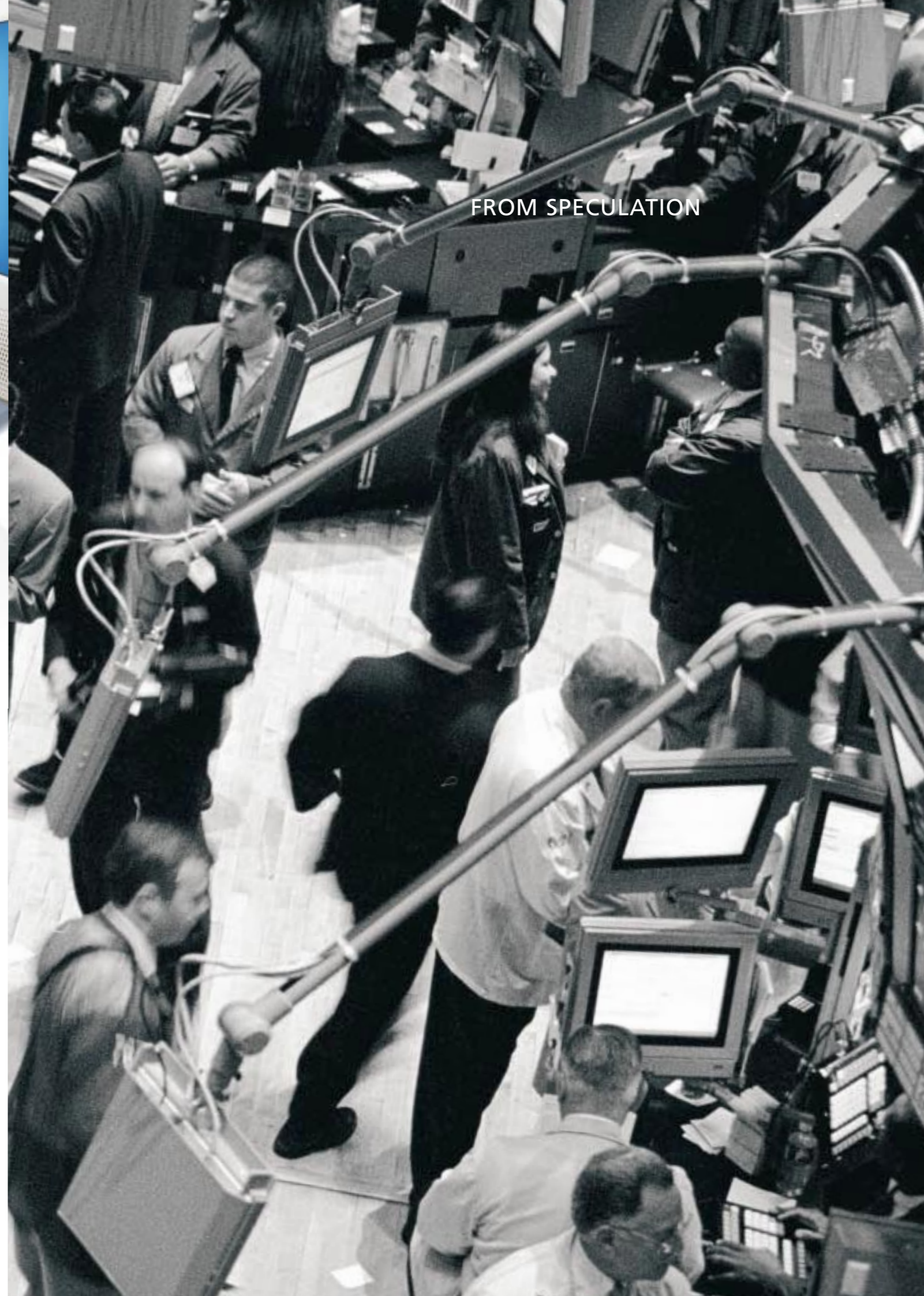
Starting in October 2003:
Flat TV in a unique design.
Loewe Mimo LCD television
with exchangeable front
panels available in Cayenne
Red or Ocean Blue.



OUTLOOK

All things considered, two task areas characterized the year 2002. One was the investment in the development of new systems and display technologies; the other was the increase in quality and flexibility in production. Both created crucial conditions for the start of our product offensive in the area of screen-supported products with real flat picture tubes and for the market launch of innovative products in the display technologies of the future such as rear projection, plasma and LCD. At the same time, Loewe increased its expertise in the new digital technologies in basic research projects – important milestones toward meeting the challenges of the future in an exemplary manner.

FROM SPECULATION



TO CERTAINTY.

LOEWE IS CLEAR



Trends and fashions are momentary. Clear ideas and performance last. Loewe represents lasting values. This applies to our product range and to everything we do. The strength of tradition and knowledge, combined with a consistent market focus and future-oriented strategies, lead Loewe to success. Our numbers aren't the only thing that prove it.



**CONSOLIDATED INCOME STATEMENT FOR THE YEAR
ENDED DECEMBER 31, 2002**

	Notes No.	January – December 2002		January – December 2001	
		EUR thousands	%	EUR thousands	%
Sales		385,593		392,858	
Division to be discontinued		- 9,426		- 20,221	
Division to be continued	1	376,167	100.0	372,637	100.0
Manufacturing cost of goods and services produced in order to generate sales*)	2	- 270,670	- 72.0	- 274,633	- 73.7
Gross margin		105,497	28.0	98,004	26.3
Selling expenses	3	- 74,783	- 19.9	- 63,248	- 17.0
General administrative expenses	4	- 10,944	- 2.9	- 10,253	- 2.7
Other operating income	5	8,268	2.2	13,159	3.5
Other operating expenses	6	- 7,656	- 2.0	- 11,768	- 3.2
Income from participating interests		171	0.1	182	0.1
EBIT of the division to be continued		20,553	5.5	26,076	7.0
Interest and similar income		313	0.1	471	0.1
Interest and similar expenses	7	- 2,075	- 0.6	- 2,083	- 0.5
Profit from ordinary activities (EBT) of the division to be continued		18,791	5.0	24,464	6.6
Profit from ordinary activities (EBT) of the division to be discontinued	8	0		- 6,397	- 1.8
Profit from ordinary activities (EBT)		18,791	5.0	18,067	4.8
Income taxes	9	- 7,624	- 2.0	- 7,484	- 2.0
Net income before minority interests		11,167	3.0	10,583	2.8
Minority interests		- 264	- 0.1	- 206	0.0
Net income		10,903	2.9	10,377	2.8
Profit carried forward		17,690		16,327	
Dividend payment		- 6,085		- 6,014	
Allocation to other retained earnings		- 5,000		- 3,000	
Distributable profit		17,508		17,690	
*the following items up to and including interest and similar expenses only contain information concerning the division to be continued					
Net income of the division to be continued	10	10,903		14,303	
Basic earnings per share** of the division to be continued		1.52		2.00	
Basic earnings per share*** of the division to be continued		1.52		2.02	
Diluted earnings per share**** of the division to be continued		1.44		1.89	
** Number of shares issued as of December 31		7,176,600		7,149,400	
*** Number of shares issued determined according to IAS		7,159,133		7,093,957	
**** Number of shares and options issued		7,575,000		7,575,000	

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2002

EUR thousands	Notes No.	2002	2001
Assets			
Non-current assets*	11		
Intangible assets		10,250	9,522
Property, plant, and equipment		56,956	52,598
Financial assets		236	248
Total non-current assets		67,442	62,368
Current assets*			
Inventories	12	54,632	45,129
Trade accounts receivable	13	81,447	86,131
Other short-term receivables	14	4,463	4,759
Cash and cash equivalents	15	3,717	9,478
Total current assets		144,259	145,497
Deferred tax assets	16	87	1,326
Assets of the division to be discontinued	17	52	11,726
Total assets		211,840	220,917
Liabilities and shareholders' equity			
Shareholders' equity	18		
Subscribed capital		7,177	7,149
Conditional capital EUR 398 thousand (previous year: EUR 426 thousand)			
Capital reserve		45,358	44,896
Other retained earnings		10,500	5,500
Distributable profit		17,508	17,690
Total shareholders' equity		80,543	75,235
Minority interests	19	1,167	775
Provisions*			
Provisions for pensions and similar obligations	20	28,170	27,729
Tax provisions	21	1,000	1,873
Other provisions	22	47,764	50,199
Total provisions		76,934	79,801
Liabilities*	23		
Long-term debt		3,350	4,289
Trade accounts payable		26,285	29,843
Other short-term liabilities		22,921	24,362
Total liabilities		52,556	58,494
Provisions and liabilities of the division to be discontinued	24	640	6,612
Total liabilities and shareholders' equity		211,840	220,917

* of the division to be continued

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR
ENDED DECEMBER 31, 2002**

EUR thousands	2002	2001	
Operating activities*			
Profit from ordinary activities	18,791	24,464	
Depreciation and amortization of non-current assets	20,989	20,466	
Book losses (+)/profits (-) on disposals of non-current assets	- 76	53	
Increase in pension provisions	441	698	
Income taxes paid	- 8,674	- 9,883	
Net cash before changes in net current assets	31,471	35,798	
Change in net current assets			
Increase in inventories	- 9,503	- 2,067	
Increase (-)/decrease (+) in trade accounts receivable and other assets	6,391	- 6,198	
Increase (+)/decrease (-) in other provisions	- 2,435	8,658	
Decrease in trade accounts payable and other liabilities	- 6,888	- 2,705	
Change in net current assets	- 12,435	- 2,312	
Net cash provided by operating activities	19,036	33,486	
Investing activities			
Payments for purchases of intangible assets and property, plant and equipment	- 26,173	- 24,686	
Payments for purchases of financial assets	- 90	- 25	
Proceeds from disposals of property, plant, and equipment	93	114	
Proceeds from disposals of financial assets	80	115	
Net cash used by investing activities	- 26,090	- 24,482	
Free cash flow of the division to be continued	- 7,054	9,004	
Free cash flow of the division to be discontinued**	5,768	- 10,778	
Total free cash flow	- 1,286	- 1,774	
Financing activities			
Increase (+)/decrease (-) in minority interests	129	- 75	
Capital increase	490	1,339	
Dividend payment	- 6,085	- 6,014	
Borrowing	400	120	
Repayment of loans	- 1,166	- 1,351	
Net cash used by financing activities	- 6,232	- 5,981	
Cash-effective change in liquidity	- 7,518	- 7,755	
Composition of liquidity	12/31/02	12/31/01	+/-
Cash and cash equivalents	3,742	9,540	- 5,798
Short-term bank loans	- 10,596	- 8,876	- 1,720
Liquidity	- 6,854	664	- 7,518

* The following items up to and including net cash used by investing activities only include data of the division to be continued

** The free cash flow of the division to be discontinued is specified on page 112 of the Notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF LOEWE AG

BASIS OF PRESENTATION

Pursuant to § 292 a German Commercial Code (HGB), the consolidated financial statements of Loewe AG have been prepared in accordance with the International Accounting Standards (IAS). These accounting principles remain unchanged from last year.

No consolidated financial statements were prepared in accordance with the German Commercial Code (HGB). As the requirements of § 292 a HGB have been met, the consolidated financial statements according to IAS exempt the Company from the obligation to submit such statements according to the German Commercial Code.

PRINCIPLES OF CONSOLIDATION

As in the previous year, the assets and liabilities reported in the consolidated financial statements have been accounted for and valued in accordance with uniform principles. All intra-Group accounts receivable, liabilities, sales, payments, income, expenses, and profits have been eliminated.

The Group's capital has been consolidated under the revaluation method by offsetting acquisition costs against the parent company's shareholders' equity at the time of acquisition.

These consolidated financial statements apply the following accounting and valuation methods that differ from German commercial and joint-stock company law and are mandatory under IAS:

1. Internally created intangible non-current assets (development costs) are accounted for in accordance with IAS 38.
2. Deferred taxes are established in accordance with the balance-sheet-oriented liability method under IAS 12.
3. Under finance leases, assets are capitalized and residual obligations reported as a liability in accordance with IAS 17.
4. Pension provisions are accounted for under the projected unit credit method in accordance with IAS 19.
5. In conformity with IAS 19, provisions for anniversary bonuses and death benefits are accounted for under the projected unit credit method in accordance with U.S. accounting rules (FAS '87, Financial Accounting Standards No. 87).
6. First-time consolidation of Loewe France SA under IAS 22.
7. Divisions are discontinued in accordance with IAS 35.

GROUP OF CONSOLIDATED COMPANIES

The following companies were consolidated as of the balance sheet date of December 31, 2002:

	Subscribed capital	Interest
Parent company Loewe AG, Kronach	EUR 7,176,600.00	
Subsidiaries		
Subgroup Loewe Opta GmbH, Kronach Loewe Opta GmbH, Kronach	EUR 23,010,000.00	99 %
Subsidiaries of Loewe Opta GmbH:		
a) BAK Vermögensverwaltungs GmbH i.L., Hannover	0.00	100 %
b) Loewe Pensionsgesellschaft mbH, Kronach	EUR 30,000.00	100 %
The share capital of BAK Vermögensverwaltungs GmbH i.L. was repaid to Loewe Opta GmbH in 2002. The company will be liquidated in 2003.		
Loewe Pensionsgesellschaft mbH manages the corporate assets and pension entitlements for former employees of Loewe Opta GmbH.		
Loewe Telecom GmbH i.L., Kronach	EUR 1,535,000.00	100 %
The company has been in liquidation since November 2002.		
Loewe Opta Benelux N.V./S.A., Antwerp, Belgium	EUR 61,973.38	90 %
Subsidiary of Loewe Opta Benelux N.V./S.A.:		
Loewe Opta Nederland B.V., Nieuwegein, Netherlands (uncalled capital EUR 72,604.83)	EUR 90,756.04	100 %
Loewe Opta, Inc., City of Wilmington, County of New Castle, Delaware, USA	USD 1,000.00 EUR 957.30	100 %
Loewe France SA Strasbourg, France	EUR 150,000.00	75 %

CURRENCY TRANSLATION

All consolidated companies except Loewe Opta, Inc., USA are situated in the euro zone. In conformity with IAS 21, the currency translation in the balance sheet of Loewe Opta, Inc., USA was based on the bid price as of the balance sheet date (EUR 1 = USD 1,9446) and on the average price (EUR 1 = USD 0.9449) in the income statement.

ACCOUNTING AND VALUATION PRINCIPLES

The accounting and valuation principles detailed below have not been changed from those used last year. The structure of the balance sheet is consistent with the EU accounting directives and accords. Applying IAS 35, they were changed as in the previous year by separate reporting of the Telecommunications division to be discontinued.

The accounting and valuation of the Home Media Systems division to be continued follows the going concern principle.

INTANGIBLE ASSETS

Software and other intangible assets are capitalized at cost and amortized on a straight-line basis over their estimated useful life.

The Group's development costs, which cannot be capitalized under the German Commercial Code, are capitalized in accordance with IAS 38 to the extent that they meet the requirements stated therein. They are capitalized at the manufacturing costs incurred.

Amortization is charged on a straight-line basis and corresponds to the period during which the developed products are likely to be sold. The following amortization rates are applied:

Software	14 % to 66 %
Development costs	33 % to 50 % p. a.

PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are reported under the net value method.

At the first-time consolidation as of December 31, 1997, hidden reserves in land and buildings discovered as the result of a valuation survey were disclosed and capitalized. There were no hidden reserves in other items of property, plant, and equipment. Production facilities and machinery as well as other equipment, factory and office equipment are reported at cost less depreciation.

Assets under finance leases are capitalized in accordance with IAS 17.

Investments acquired during the financial year are reported at acquisition or manufacturing cost.

Buildings are depreciated on a straight-line basis over their estimated useful life. Production facilities, machinery, other equipment, factory and office equipment as well as capitalized leased assets are depreciated over their useful life, in some cases on a straight-line basis and in other cases under the declining-balance method. For the sake of simplification, investments acquired in the first half of the year are depreciated at the full annual rate, and those acquired in the second half at half the annual rate. Minor-value assets costing less than EUR 410 are immediately written off in full. The following depreciation rates are applied for depreciation from wear and tear:

Buildings	2.5 % to 7 %
Production facilities and machinery	7 % to 20 %
Other equipment, factory and office equipment	8 % to 33 %
Capitalized leased assets	20 % to 25 % p. a.

FINANCIAL ASSETS

Participating interests and investment securities are valued at the lower of acquisition cost or market value. Other loans are reported at acquisition cost less redemption payments.

INVENTORIES

Inventories are shown at acquisition or manufacturing cost. Manufacturing cost includes the cost of materials and labor as well as necessary material and production overheads. Inventories that cannot be sold or those for which their likely selling price, after deduction of selling costs, would not cover their acquisition or manufacturing costs are written down accordingly.

TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are reported at their nominal value less specific value adjustments for credit risks. Cash discounts, interest and processing costs have been accounted for by lump sum value adjustments. Receivables in foreign currencies are valued at the lower of price of origin or the bid price as of the balance sheet date.

OTHER SHORT-TERM ACCOUNTS RECEIVABLE

Other assets are reported at their nominal value less specific value adjustments.

DEFERRED TAX ASSETS

Under IAS 12, deferred tax assets are computed on the basis of the differences between the consolidated financial statements and the tax accounts. These differences relate both to the differences between the financial statements and tax accounts of the consolidated companies and to differences arising as a result of the consolidation. The tax rate is unchanged at 37.5 %. Tax increases that would be incurred in the event of a profit distribution from shareholders' equity on which corporate tax has not yet been charged are not deducted from deferred tax assets. In order to optimize the Group's tax position, there are no plans to make such distributions. Deferred tax claims from loss carryforwards are capitalized according to IAS 12 if it is likely that they can be realized.

CASH AND CASH EQUIVALENTS

Cash on hand and bank balances are shown at their nominal value. Bank balances in foreign currency were reported at the bid price as of the balance sheet date.

SUBSCRIBED CAPITAL

The subscribed capital is reported at nominal value.

PROVISIONS

Pension provisions are calculated in accordance with IAS 19 (revised 2000) according to the projected unit credit method (current single premium method). These provisions are shown after deduction of the value of the assets of Loewe Opta Unterstützungskasse e.V.

Tax provisions contain the taxes likely to be payable. Other provisions are set aside where definite obligations exist. The level of the provisions is set at the amounts likely to materialize.

LONG-TERM LIABILITIES

Bank loans and other liabilities are reported at their repayment amounts.

SHORT-TERM LIABILITIES

Short-term liabilities are shown at their repayment amounts.

NOTES TO THE INCOME STATEMENT

The cost-of-sales method is used. The notes below refer to the Home Media Systems division to be continued. The results of the division to be discontinued have been reported separately.

(1) SALES

Sales represent net revenues from the sale of the Company's own products, merchandise, and related services after deduction of the relevant costs.

Sales broken down by product line are as follows:

	2002		2001	
	EUR thousands	%	EUR thousands	%
Television including multimedia	318,502	84.7	316,811	85.0
DVD players	7,918	2.1	7,260	2.0
Video recorders	7,316	1.9	10,962	2.9
Stereo systems	6,908	1.8	3,704	1.0
Accessories and other revenues	35,523	9.5	33,900	9.1
Total	376,167	100.0	372,637	100.0

Sales by region were as follows:

	2002		2001	
	EUR thousands	%	EUR thousands	%
Germany	181,374	48.2	189,078	50.7
Europe excluding Germany	157,127	41.8	161,543	43.4
Rest of the world	37,666	10.0	22,016	5.9
Total	376,167	100.0	372,637	100.0

(2) MANUFACTURING COSTS

The manufacturing costs of goods and services produced in order to generate sales comprise the cost of materials for the manufacture of Loewe products and the cost of purchased merchandise as well as the cost of labor and materials needed to achieve these sales, unless these costs are shown under administrative and selling expenses, which are reported separately. They are broken down as follows:

	2002	2001
EUR thousands		
Raw materials and supplies	186,891	189,011
Merchandise	31,671	37,055
Purchased services	1,033	1,166
Personnel and other material costs	51,075	47,401
Total	270,670	274,633

(3) SELLING EXPENSES

The selling expenses include expenditures for advertising, freight, warranties and personnel and other material costs. They are broken down as follows:

	2002	2001
EUR thousands		
Advertising costs	24,349	22,359
Freight	12,245	10,569
Warranties	3,219	3,217
Other direct selling expenses	1,778	1,896
Personnel and other material costs	33,192	25,207
Total	74,783	63,248

(4) GENERAL ADMINISTRATIVE EXPENSES

The following expenses were incurred for administration:

	2002	2001
EUR thousands		
Personnel and social security costs	5,951	5,629
Other material costs and overheads	4,993	4,624
Total	10,944	10,253

(5) OTHER OPERATING INCOME

Other operating income comprises the following:

	2002	2001
EUR thousands		
Billed goods and services	1,362	2,866
Rental income	230	597
Public support funds for development projects	1,194	1,637
Claims for damages received	566	1,486
Income from the release of provisions	3,150	5,312
Other income	1,766	1,261
Total	8,268	13,159

Income from the release of provisions mainly relates to provisions for reductions in earnings and license fees that were not needed and not utilized.

(6) OTHER OPERATING EXPENSES

Other operating expenses relate to:

EUR thousands	2002	2001
Billed goods and services; rental income and claims for damages received	2,253	4,754
Expenses for subsidies received	1,195	1,637
Allocation to other provisions	756	3,189
Other operating expenses	3,452	2,188
Total	7,656	11,768

The expenses for billed goods and services correspond to the revenues reported under other operating income.

(7) INTEREST AND SIMILAR EXPENSES

In addition to interest paid on bank loans of EUR 540 thousand and loans from Loewe Opta Unterstützungskasse e.V. of EUR 376 thousand, the interest expenses also relate to the EUR 1,027 thousand in interest on amounts allocated to pension reserves and EUR 132 thousand for other similar expenses.

(8) OPERATING RESULT OF THE DIVISION TO BE DISCONTINUED

The following table breaks down the operating result of the division to be discontinued:

EUR thousands	2002	2001
Sales	9,426	20,221
Manufacturing cost of goods and services produced in order to generate sales	- 6,628	- 17,448
Gross margin	2,798	2,773
Selling expenses	- 2,235	- 5,759
General administrative expenses	- 653	- 1,205
Other operating income	366	276
Other operating expenses	- 276	- 2,119
EBIT	0	- 6,034
Interest and similar income	0	2
Interest and similar expenses	0	- 365
Operating result (EBT)	0	- 6,397
Income taxes	0	2,471
Total	0	- 3,926

The following comments apply to the individual items:

The manufacturing costs of the goods and services produced in order to generate sales include the cost of purchased merchandise. The selling and marketing expenses include costs for advertising, freight, warranty as well as personnel and other material costs. The administrative expenses also comprise personnel and other costs.

The other operating income primarily relates to income from the release of provisions.

(9) INCOME TAXES

Income taxes include EUR 6,384 thousand in current taxes and EUR 1,240 thousand in deferred taxes.

The average effective tax rate is 40.5 % and is thus 3.0 percentage points above the rate of 37.5 % for deferred taxes. Besides additional taxable amounts, the difference was largely due to higher tax rates on the income of the subsidiaries in Belgium, the Netherlands and France and a cautious valuation of the claims from the loss carryforwards.

The expenses for deferred taxes are broken down as follows:

EUR thousands	
Change in deferred tax assets based on the accounting differences between the consolidated balance sheet and the commercial balance sheet	- 836
Reduction in deferred taxes on realizable loss carryforwards	- 83
Reduction in deferred tax benefits on retained earnings	- 323
Change in the deferred tax claims from the tax-equalization item as a consequence of the deviations between the commercial balance sheets and the tax balance sheets	+ 2
Total	- 1,240

Reconciliation of the applicable 37.5 % tax rate to the average effective tax rate of 40.5 %:

in %	
Applicable tax rate	37.5
Effects of non-deductible expenses	0.4
Effects of the higher effective tax rate on the results of the foreign subsidiaries	0.2
Non-capitalized deferred taxes on loss carryforwards of Loewe Opta, Inc.	1.9
Other net differences	0.5
Average effective tax rate	40.5

Under the terms of the profit transfer agreement between Loewe AG and Loewe Opta GmbH, one member of the Executive Board of Loewe AG who has held a 1 % interest in the share capital of Loewe Opta GmbH since 1997 is paid an annual equalization payment in the amount of EUR 73.6 thousand pursuant to § 304 AktG (Aktiengesetz – German Stock Corporation Act).

(10) EARNINGS PER SHARE

The consolidated net income of the Home Media Systems division of EUR 10,903 thousand must be related to the 7,176,600 outstanding shares of Loewe stock. This results in earnings per share of EUR 1.52 in the year under review (previous year: EUR 2.00).

With consideration of the still outstanding 398,400 stock options, the basic earnings per share are EUR 1.44. Up to 240,700 of the options may still be exercised in 2003 if the prerequisites for the options are met.

Based on the number of 7,159,133 shares determined in accordance with IAS 33, the earnings per share of the division to be continued are EUR 1.52.

Overview	Home Media Systems division		Total	
	2002	2001	2002	2001
Consolidated net income (EUR thousands)	10,903	14,303	10,903	10,377
Basic earnings per share in EUR	1.52	2.00	1.52	1.45
Basic earnings of the weighted average number of shares determined according to IAS in EUR	1.52	2.02	1.52	1.46
Diluted earnings per share in EUR	1.44	1.89	1.44	1.37
Number of shares issued			7,176,600	7,149,400
Weighted average number of shares issued determined according to IAS			7,159,133	7,093,957
Number of shares and options issued			7,575,000	7,575,000

NOTES TO THE BALANCE SHEET

If not reported separately, the balance sheet items of the Home Media Systems division to be continued are explained below.

(11) NON-CURRENT ASSETS

The changes in non-current assets were as follows:

EUR thousands	Acquisition and manufacturing costs (cumulative)	Additions	Disposals (acquisition and manufacturing costs)	Re-classifications	Depreciation/amortization (cumulative)	Book value at end of the financial year	Book value previous year	Depreciation and amortization in the financial year
I. Intangible assets								
1. Software and similar assets	8,657	1,126	3,297	1	4,670	1,817	1,752	1,150
2. Development costs	13,051	6,325	5,040	0	5,903	8,433	7,770	5,662
Total	21,708	7,451	8,337	1	10,573	10,250	9,522	6,812
II. Property, plant, and equipment								
1. Land and buildings	37,096	3,818	173	45	15,843	24,943	22,038	916
2. Production facilities and machinery	16,069	820	890	23	11,722	4,300	5,570	2,113
3. Other equipment, factory and office equipment	96,763	14,084	7,572	- 69	75,493	27,713	24,990	11,123
Total	149,928	18,722	8,635	- 1	103,058	56,956	52,598	14,152
III. Financial assets								
1. Participating interests	47	0	0	0	25	22	47	25
2. Investment securities	0	12	0	14	1	25	0	0
3. Other loans	206	63	80	0	0	189	201	0
Total	253	75	80	14	26	236	248	25
Total non-current assets	171,889	26,248	17,052	14	113,657	67,442	62,368	20,989

Intangible assets include product and IT software and development costs. The development costs primarily include capitalized in-house development expenses. The total cost of development in 2002 came to EUR 13,280 thousand (2001: EUR 12,029 thousand). Other intangible assets primarily relate to software.

Land and buildings as well as production facilities and machinery are mainly used for production in Kronach. Other equipment, factory and office equipment includes office and other furniture and equipment for production and high-quality presentation systems for sales as well as tools used by suppliers.

Non-current assets also include assets under finance leases. As of December 31, 2002, the net book value of the leased assets was EUR 19 thousand (previous year EUR 119 thousand).

The amount of capital held in participating interests varies between 7% and 10% of these companies' nominal capital. These are primarily long-term participations in poolings of interests for business purposes.

(12) INVENTORIES

The inventories are broken down as follows:

EUR thousands	2002	2001
Raw materials and supplies	13,768	12,476
Work in progress	1,756	2,032
Finished goods and merchandise	39,108	30,621
Total	54,632	45,129

The unfavorable market conditions and the sales decline in the 4th quarter of 2002 increased the inventories by EUR 9.5 million compared to the previous year.

The reduced need for materials could not be offset by smaller deliveries of raw materials and supplies to the same degree.

The increase in finished goods and products is primarily due to the increase of inventories of televisions.

The acquisition and manufacturing costs of inventories include write-downs of EUR 5,458 thousand (2001: EUR 3,545 thousand) in order to ensure the loss-free valuation of finished goods and merchandise in accounting for obsolete and excess inventories. Write-downs of EUR 1,990 thousand (2001: EUR 1,220 thousand) on raw materials and supplies and on work in progress have been recognized.

(13) TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable consist entirely of accounts receivable from business operations.

The amount reported for trade accounts receivable includes adequate value adjustments for insolvency risk, cash discount reductions, processing costs and interest.

Value adjustments for insolvency risk are measured individually. The existing credit insurance is recognized for significant individual accounts receivable in Germany; available letters of credit, bank guarantees and credit insurance were recognized accordingly for international receivables.

(14) OTHER SHORT-TERM RECEIVABLES

Other short-term receivables relate to:

EUR thousands	2002	2001
Value-added tax and income tax	2,481	2,300
Credit balances with suppliers	479	248
Residual receivables from the disposal of equity interests in subsidiaries	305	83
Claims on insurance companies	176	238
Advances for travel expenses and personnel	120	185
Claims for damages	72	1,276
Other prepaid expenses and other short-term claims	830	429
Total	4,463	4,759

Of the receivables, EUR 48 thousand is due in one to five years (2001: EUR 73 thousand). The remaining receivables are due within one year.

(15) CASH AND CASH EQUIVALENTS

The cash and cash equivalents consist of current deposits with the commercial banks of EUR 3,717 thousand.

(16) DEFERRED TAX ASSETS

The deferred tax assets reported in the Group include taxes on earnings on realizable loss carryforwards with a deferred tax claim of EUR 185 thousand and timing differences between the amounts reported in the tax accounts and those recognized in the consolidated financial statements with a deferred tax claim of EUR 98 thousand. These were calculated on the basis of an income tax rate of 37.5% on the nominal value.

Tax increases that do not have to be accounted for but that would be incurred if a profit distribution were made from shareholders' equity on which corporate tax has not yet been charged (not planned at present) amount to EUR 1,208 thousand.

(17) ASSETS OF THE TELECOMMUNICATIONS DIVISION TO BE DISCONTINUED

The assets of the division to be discontinued are broken down as follows:

EUR thousands	2002	2001
Values of current assets		
Inventories	0	6,644
Trade accounts receivable	26	4,966
Other short-term receivables	1	54
Cash and cash equivalents	25	62
Assets of the division to be discontinued	52	11,726

The changes in the non-current assets of the division to be discontinued are as follows:

EUR thousands	Acquisition and manufacturing costs (cumulative)	Additions	Disposals (aquisition and manufacturing costs)	Depreciation/amortization (cumulative)	Book value at end of the financial year	Book value previous year	Depreciation and amortization in the financial year
I. Intangible assets							
1. Software and similar assets	900	0	900	0	0	0	0
II. Property, plant, and equipment							
1. Other equipment, factory and office equipment	831	157	988	0	0	0	106
Total	1,731	157	1,888	0	0	0	106

The non-current assets were already fully written down in the previous year. The disposal of the non-current assets resulted in proceeds of EUR 812 thousand.

All inventories were sold in fiscal year 2002.

The trade accounts receivable amounting to EUR 26 thousand represent the remaining accounts receivable from business operations.

(18) SHAREHOLDERS' EQUITY

As of the balance sheet date, the Company's share capital is EUR 7,177 thousand (2001: EUR 7,149 thousand). It is divided into 7,176,600 no-par value bearer shares.

Based on the conditional capital, 27,200 new shares with a notional par value of EUR 1.00 each were issued from the conditional capital increase in the total nominal amount of EUR 27,200.00 by the exercise of option rights under the stock option plan. As of the balance sheet date, the Company's share capital is EUR 7,176,600.00 and is divided into 7,176,600 no-par value bearer shares.

The share capital is conditionally increased by a further 398,400 shares (conditional capital) to implement the stock option plan. The conditional capital increase serves to grant pre-emptive rights to the members of the Executive Board, authorized signatories and executives of affiliated companies in accordance with the resolution of the Shareholders' Meeting.

The authorization contained in § 5 (2) of the articles of incorporation to increase the share capital, EUR 425,000.00 of which still had not having been used, was cancelled by resolution of the Shareholders' Meeting of June 26, 2002. Moreover, the Executive Board was authorized, with the consent of the Supervisory Board, to increase the Company's share capital up to a total of EUR 3,500,000 through the issue of up to 3,500,000.00 bearer shares in exchange for non-cash or cash contribution on one or several occasions until no later than June 26, 2007. The shareholders must be granted a subscription right. However, the Executive Board is authorized, in each case with the consent of the Supervisory Board to exclude the subscription right in the following cases:

- for the evening out of fractional amounts
- to obtain property, plant and equipment, in particular in the form of companies or business units
- in the case of a capital increase in exchange for cash contributions, if the capital increase does not exceed ten percent of the share capital and the issue price of the shares does not significantly fall below the stock market price.

The Executive Board is authorized, with the consent of the Supervisory Board, to establish the further content of the rights inherent in shares and the conditions for the issue of shares (Authorized Capital 2002).

The increase of the capital reserve compared to the previous year results from the issue of 27,200 pre-emptive shares from the conditional capital increase in the financial year. The issue price was EUR 18.00 per share.

The changes in the Group's equity are shown in the following table:

	Number of shares	Subscribed capital	Capital reserve	Other retained earnings	Group equity generated	Total shareholders' equity	Minority interests	Group equity
	units	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands
Balance as of 12/31/01	7,149,400	7,149	44,896	5,500	17,690	75,235	775	76,010
Dividend distribution for 2001		0	0	0	- 6,085	- 6,085	- 88	- 6,173
Capital increase by exercise of options	27,200	28	462	0	0	490	0	490
Addition of minority interests, Loewe France S.A.		0	0	0	0	0	216	216
Net income for 2002		0	0	0	10,903	10,903	264	11,167
Allocation to other retained earnings		0	0	5,000	- 5,000	0	0	0
Balance as of 12/31/02	7,176,600	7,177	45,358	10,500	17,508	80,543	1,167	81,710
Proposed dividend distribution for 2002		0	0	0	- 6,100	- 6,100	- 73	- 6,173
	7,176,600	7,177	45,358	10,500	11,408	74,443	1,094	75,537

Pursuant to the resolution by the Executive Board, EUR 5,000 thousand from the net income of financial year 2002 was allocated to other retained earnings.

The establishment of a statutory reserve in accordance with § 150 (1) and (2) of the German Joint Stock Corporation Act is not necessary owing to the size of the existing capital reserve.

(19) MINORITY INTERESTS

Minority interests exist at Loewe Opta GmbH, Kronach (1%), at Loewe Opta Benelux N.V./S.A. (10%) and at Loewe France SA (25%). This item changed as follows:

EUR thousands	
Balance as of 01/01/02	775
Addition of Loewe France S.A.	216
Profit increase in 2002	264
Profit decrease due to profit distribution at Loewe Opta GmbH	- 88
Balance as of 12/31/02	1,167
thereof:	
Loewe Opta GmbH	273
Loewe Opta Benelux N.V./S.A.	564
Loewe France S.A.	330
	1,167

(20) PENSION PROVISIONS

Pension provisions relate solely to the division to be continued and include individual and collective commitments to pay pensions to employees. In 1997, these commitments were transferred in part to a support fund, which, as a registered association, is independent of Loewe Opta GmbH. If the assets of Loewe Opta Unterstützungskasse e.V. prove insufficient to meet these commitments, Loewe Opta GmbH is liable.

In November 2000, further current pension obligations resulting from individual and collective commitments were transferred to Loewe Pensionsgesellschaft mbH as part of the contracting out. At the same time, the Company was provided with the funds needed to meet its commitments. The share capital of Loewe Pensionsgesellschaft mbH is wholly owned by Loewe Opta GmbH. For this reason, it is included in the consolidation. If the assets of Loewe Pensionsgesellschaft mbH prove insufficient to meet these commitments, Loewe Opta GmbH is liable.

The pension commitments have been calculated for both balance sheet dates based on the following assumptions:

%	2002	2001
Discount rate	5.0	5.0
Anticipated annual increases in wages and salaries	2.0	2.0
Anticipated annual increases in pensions	1.5	1.5

Provisions are reported as follows:

EUR thousands	2002	2001
Net present value of the pension commitments of the Loewe Group	22,890	22,346
Net present value of the pension commitments of the support fund	14,900	15,780
Net present value of commitments, total	37,790	38,126
less assets of the support fund	9,620	10,397
Provisions	28,170	27,729

The net present value of commitments was determined for both balance sheet dates on the basis of actuarial valuations under the projected unit credit method (current single premium method) in accordance with IAS 19 (revised 2000).

Roughly 23 % of the assets of Loewe Opta Unterstützungskasse are invested in securities funds. The securities of these funds consist primarily of shares issued by multinational companies. In addition, the support fund granted a short-term loan of EUR 5.9 million to Loewe Opta GmbH as at year-end 2002, which is reported under other liabilities.

The securities of the pension fund are shown at their market prices as of 12/31/02. Due to the lowered prices, it was necessary to make a transfer to allowance in the amount of EUR 1.2 million. The total shortfall of Loewe Opta Unterstützungskasse of EUR 1.4 million is made up for by the sponsoring company Loewe Opta GmbH. Accounts receivable from Loewe Opta GmbH are reported at their nominal value.

As of the balance sheet date, the assets of Loewe Pensionsgesellschaft mbH were primarily invested in the form of a short-term, interest-bearing loan of EUR 10.1 million to Loewe Opta GmbH.

The changes in pension provisions were as follows:

EUR thousands		
Balance as of 01/01/02		27,729
a) Changes not affecting the income statement		
Pension payments in 2002	- 2,195	
Utilization of assets of Loewe Opta Unterstützungskasse e.V.	1,316	
Transfer from Loewe Opta GmbH to Loewe Opta Unterstützungskasse e.V.	- 1,400	
Additions for employer-financed pension commitments	33	- 2,246
		25,483
b) Income-relevant changes		
Reported under interest expenses		
- Interest expense for own commitments		1,027
Reported under manufacturing, selling and administrative costs		
- Current service cost	461	
- Actuarial gains	- 425	
Results of Loewe Opta Unterstützungskasse e.V.		
- Interest expense for commitments	753	
- Interest income from assets	- 366	
- Losses in value of financial assets	1,237	1,660
Balance as of 12/31/02		28,170

Actuarial gains and losses are recognized as incurred.

The interest expenses for the Company's own commitments were reported as interest expenses.

Pension payments comprise the following:

EUR thousands	
Pension payments by Group companies	879
Pension payments by the pension fund	1,316
Total pension payments	2,195

Pension payments of EUR 2,344 thousand are anticipated for 2003.

The pension fund financed the pension payments from the interest income generated and a payment of EUR 1,400 thousand by Loewe Opta GmbH.

(21) TAX PROVISIONS

Tax provisions relate to income taxes payable and all are due for payment within one year.

(22) OTHER PROVISIONS

Other provisions comprise the following:

EUR thousands	2002	2001
Annual sales compensation	16,125	20,495
Cost of warranties	8,405	7,060
Personnel costs	9,870	7,092
License fees	4,353	6,207
Other	9,011	9,345
Total other provisions	47,764	50,199

The other provisions changed as follows in 2002:

EUR thousands	Balance 01/01/02	Addi- tions	Utili- zation	Releases	Balance 12/31/02
Annual sales compensation	20,495	15,114	18,185	1,299	16,125
Cost of warranties	7,060	7,863	6,518	0	8,405
Personnel costs	7,092	7,452	4,605	69	9,870
License fees	6,207	569	1,453	970	4,353
Other	9,345	6,215	5,737	812	9,011
Total other provisions	50,199	37,213	36,498	3,150	47,764

Provisions for annual sales compensation were determined on the basis of the agreements covering bonuses and other compensation, and apply largely to Germany. Provisions for warranties are calculated on the basis of warranty costs incurred in the past, allowing for products' contractual warranty periods. Provisions for personnel costs essentially comprise holiday pay, anniversary bonuses, part-time retirement and variable remuneration. License fee provisions are set aside for any payments necessitated by infringements of industrial rights.

The other provisions are generally due within one year except for an approximately EUR 1.9 million portion of the provisions for warranties which have a time to maturity of longer than one year.

(23) LIABILITIES

EUR thousands	12/31/02	12/31/01
Long-term liabilities	3,350	4,289
thereof: owed to banks	(3,350)	(4,248)
owed to third parties	(0)	(41)
thereof: due in		
– 1 to 5 year	(2,456)	(3,633)
– more than 5 years	(0)	(656)
thereof: secured by land charges	(3,350)	(4,248)
Trade accounts payable	26,285	29,843
thereof: due in		
– less than 1 year	(26,285)	(29,843)
Other short-term liabilities	22,921	24,362
thereof: due in		
– less than 1 year	(22,921)	(24,362)
Short-term bank loans	(10,596)	(8,875)
Short-term portions of long-term debt	(902)	(1,129)
thereof: owed to banks	(898)	(1,090)
owed to third parties	(4)	(39)
thereof: secured by land charges	(898)	(1,090)
Additional short-term liabilities	(11,423)	(14,358)
thereof: resulting from taxes	(855)	(675)
relating to social security	(1,642)	(1,186)
Total liabilities of the Home Media Systems division	52,556	58,494

LONG-TERM LIABILITIES

Long-term liabilities relate to bank loans.

The bank loans were granted to Loewe Opta GmbH. The year-on-year changes in the amounts reported stem from scheduled repayments.

OTHER SHORT-TERM LIABILITIES

Other short-term liabilities relate to loans from Loewe Opta Unterstützungskasse e.V. totaling EUR 5,900 thousand, tax liabilities, and compulsory social security contributions. All amounts reported as short-term liabilities are due in less than one year.

(24) PROVISIONS AND LIABILITIES OF THE DIVISION TO BE DISCONTINUED

Other provisions and liabilities of the division to be continued are broken down as follows:

EUR thousands	2002	2001
Other provisions		
Annual sales compensation	43	617
Cost of warranties	360	945
Personnel costs	–	952
Other provisions	77	660
	480	3,174
Liabilities		
Trade accounts payable	4	3,373
Other short-term liabilities	156	65
	160	3,438
Total provisions and liabilities of the division to be discontinued	640	6,612

Primarily only personnel and social security liabilities are reported as other short-term liabilities. All of the other provisions and liabilities are due within a short time.

OTHER INFORMATION**CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS**

Contingencies and other financial obligations are broken down as follows:

EUR thousands	12/31/02	12/31/01
Liabilities from the issue and transfer of bills of exchange	0	5
Liabilities from tenancy and servicing agreements and leases		
– due in 2003	3,059	
(previous year 2002)		2,738
– due between 2004 and 2007	2,599	
(previous year between 2003 and 2006)		2,627

Outstanding contributions for affiliated companies pursuant to § 24 of the German Private Limited Companies Act amount to EUR 31 thousand (2001: EUR 38 thousand).

Cash credit lines of EUR 32.5 million exist with the principal bankers for short-term loans. No commitment fees are paid for the binding commitment of such credit lines. The credit lines have been committed until further notice or are open for up to one year.

STAFF AND PERSONNEL COSTS

The average number of employees is as follows:

Employees	2002	2001
Division to be continued		
Industrial workers	529	532
Salaried employees	630	549
Employees as defined by § 285 Sec. 7 HGB	1,159	1,081
Trainees	91	89
Total employees	1,250	1,170
Division to be discontinued		
Industrial workers	–	–
Salaried employees	11	39
Employees as defined by § 285 Sec. 7 HGB	11	39
Trainees	–	–
Total employees	11	39
Total employees	1,261	1,209

The total personnel costs included in the aforementioned operating expenses are broken down as follows:

EUR thousands	2002	2001
Wages and salaries	55,146	48,573
Compulsory social security contributions	9,154	8,359
Expenses for pensions and other employee benefits	539	250
Total	64,839	57,182

INFORMATION PURSUANT TO § 160 (1) SECTION 8 OF THE GERMAN STOCK CORPORATION ACT

The company published the following announcement in Börsen-Zeitung No. 8 of January 12, 2002:

"Notification pursuant to § 25 (1) WpHG (Wertpapierhandelsgesetz – German Securities Trading Act)

In accordance with § 21 (1) German Securities Trading Act, the company has received notifications concerning shareholdings of 10 % or more of the voting rights and not meeting the 5 % voting rights threshold:

J & A Vermögensverwaltungs GmbH, Kronach, has notified us that it exceeded the 5 % threshold and the 10 % threshold on December 27, 2001 and now holds 17.67 % of the voting rights.

Dr. Rainer Hecker, Kronach has notified us that his share in the voting rights by attribution pursuant to § 22 (1) No. 2 German Securities Trading Act has exceeded the 10 % threshold and his share in the voting rights is now 24.75 %, of that amount 17.67 % being attributed to him through J & A Vermögensverwaltungs GmbH, Kronach in accordance with § 22 (1) No. 2 German Securities Trading Act.

Mrs. Helga Hecker, Kronach, has notified us that her share in the voting rights fell below the 5 % threshold on December 27, 2001 and she no longer holds an interest in the company.

Mrs. Julia Hecker, Kronach, has notified us that her share in the voting rights fell below the 5 % threshold on December 27, 2001 and she no longer holds an interest in the company.

Mr. Andreas Hecker, Kronach, has notified us that his share in the voting rights fell below the 5 % threshold on December 27, 2001 and he no longer holds an interest in the company.

The company published the following announcement in Börsen-Zeitung No. 16 of January 24, 2002:

"Publication pursuant to § 25 (1) WpHG (Wertpapierhandelsgesetz – German Securities Trading Act)

In accordance with § 21 (1) German Securities Trading Act, Mr. Klaus Deisler, 96317 Kronach has notified the Executive Board of Loewe AG that Mr. Deisler fell below the 5 % threshold of voting rights in Loewe AG on January 17, 2002 and his share in the voting rights is now 3.99 %."

The company published the following announcement in Börsen-Zeitung No. 99 of May 25, 2002:

"Publication pursuant to § 41 (3) German Securities Trading Act

1. In a letter dated April 3, 2002, 3i Group plc, 91 Waterloo Road, London, UK, informed us that the share in the voting rights of Loewe AG belonging to it and attributable to it was 10.22 % on April 1, 2002. Of that amount, 5.11 % of the voting rights are attributable to 3i Group plc in accordance with § (1) No. 1 German Securities Trading Act.

2. In a letter dated April 3, 2002, 3i Investments plc, 91 Waterloo Road, London, UK, informed us that the share in the voting rights of Loewe AG attributable to it pursuant to § 22 (1) No. 6 German Securities Trading Act was 12.22 % on April 1, 2002.

In a supplemental letter dated May 21, 2002, 3i Investments plc, 91 Waterloo Road, London, UK, informed us that the share in the voting rights of Loewe AG attributable to it and completely allocable pursuant to § 22 (1) No. 6 German Securities Trading Act was 10.22 % on April 1, 2002.

3. In a letter dated April 3, 2002, 3i Europartners II LP, 91 Waterloo Road, London, UK, notified us that its share in the voting rights was 5.11 % on April 1, 2002.

4. In a letter dated April 3, 2002, 3i Europartners II GP Ltd., 91 Waterloo Road, London, UK, informed us that the share in the voting rights of Loewe AG attributable to it pursuant to § 22 (1) No. 1 German Securities Trading Act was 5.11 % on April 1, 2002.

In a supplemental letter dated May 21, 2002, 3i Europartners II GP Ltd., 91 Waterloo Road, London, UK, informed us that the share in the voting rights of Loewe AG attributable to it and completely allocable pursuant to § 22 (1) No. 1 German Securities Trading Act was 5.11 % on April 1, 2002.

5. In a letter dated April 3, 2002, 3i Holdings plc, 91 Waterloo Road, London, UK, informed us that the share in the voting rights of Loewe AG attributable to it pursuant to § 22 (1) German Securities Trading Act was 5.11 % on April 1, 2002.

In a supplemental letter dated May 21, 2002, 3i Holdings plc, 91 Waterloo Road, London, UK, informed us that the share in the voting rights of Loewe AG attributable to it and completely allocable pursuant to § 22 (1) No. 1 German Securities Trading Act was 5.11 % on April 1, 2002."

The company has not received further notifications pursuant to § 21 ff. German Securities Trading Act

INFORMATION PURSUANT TO § 161 GERMAN STOCK CORPORATION ACT

According to a resolution by the Executive Board and Supervisory Board of Loewe AG dated September 10, 2002, Loewe AG will comply with the recommendations of the Government Commission German Corporate Governance Code of August 30, 2002 except for the recommendation in 7.1.2 sentence 2, clause 1 (publication of the financial statements within 90 days of the end of the financial year).

In the interest of the quality of Loewe accounting, the Company will publish its financial statements within four weeks after March 31, 2003. From the present perspective, it may be assumed that in 2004, the consolidated financial statements will be published within the 90-day period.

This statement of compliance has been continuously accessible to the shareholders on the Internet since December 11, 2002.

CASH FLOW

The cash flow statements of the division to be continued and of the division to be discontinued are shown in detail in the following table.

EUR thousands	Division to be continued		Division to be discontinued		Total	
	2002	2001	2002	2001	2002	2001
Operating activities						
Profit from ordinary activities plus/minus	18,791	24,464	0	- 6,397	18,791	18,067
Depreciation and amortization of non-current assets	20,989	20,466	106	1,747	21,095	22,213
Book losses (+)/-profits (-) on disposals of non-current assets	- 76	53	- 812	0	- 888	53
Increase in pension provisions	441	698	0	0	441	698
Income taxes paid	- 8,674	- 9,883	0	0	- 8,674	- 9,883
Net cash before changes in net current assets	31,471	35,798	- 706	- 4,650	30,765	31,148
Increase (-)/decrease (+) in inventories	- 9,503	- 2,067	6,644	- 5,268	- 2,859	- 7,335
Increase (-)/decrease (+) in trade accounts receivable and other assets	6,391	- 6,198	4,993	- 1,819	11,384	- 8,017
Increase (+)/decrease (-) in other provisions	- 2,435	8,658	- 2,694	1,696	- 5,129	10,354
Increase (+)/decrease (-) in trade accounts payable and other liabilities	- 6,888	- 2,705	- 3,278	403	- 10,166	- 2,302
Changes in net current assets	- 12,435	- 2,312	5,665	- 4,988	- 6,770	- 7,300
Net cash provided by/used for operating activities	19,036	33,486	4,959	- 9,638	23,995	23,848
Investing activities						
Payments for purchases of intangible assets and property, plant, and equipment	- 26,173	- 24,686	- 157	- 1,140	- 26,330	- 25,826
Payments for purchases of financial assets	- 90	- 25	0	0	- 90	- 25
Proceeds from disposals of property, plant, and equipment	93	114	966	0	1,059	114
Proceeds from disposals of financial assets	80	115	0	0	80	115
Net cash used for/provided by investing activities	- 26,090	- 24,482	809	- 1,140	- 25,281	- 25,622
Free cash flow	- 7,054	9,004	5,768	- 10,778	- 1,286	- 1,774
Financing activities						
Increase (+)/decrease (-) in minority interests	129	- 75	0	0	129	- 75
Capital increase	490	1,339	0	0	490	1,339
Dividend payment	- 6,085	- 6,014	0	0	- 6,085	- 6,014
Borrowing	400	120	0	0	400	120
Repayment of loans	- 1,166	- 1,351	0	0	- 1,166	- 1,351
Net cash used by financing activities	- 6,232	- 5,981	0	0	- 6,232	- 5,981
Cash-effective change in liquidity	- 13,286	3,023	5,768	- 10,778	- 7,518	- 7,755
Composition of liquidity	12/31/02	12/31/01	+/-			
Cash and cash equivalents	3,742	9,540	- 5,798			
Short-term bank loans	- 10,596	- 8,876	- 1,720			
Liquidity	- 6,854	664	- 7,518			

SEGMENTAL REPORTING

The Group's activities were split into two divisions in 2002 (primary segments as defined by IAS 14), the Home Media Systems division to be continued and the Telecommunications division to be discontinued.

The Home Media Systems division is an organizational unit of the subgroup Loewe Opta GmbH, the subgroup Loewe Opta Benelux N.V./S.A., Loewe Opta, Inc., USA and Loewe France SA. The Telecommunications division was under the aegis of Loewe Telecom GmbH i.L., which utilized the resources of Loewe Opta GmbH and Loewe Opta Benelux N.V./S.A.

The Home Media Systems division is engaged in global sales of television sets manufactured internally and in cooperative agreements as well as purchased DVD players, video recorders and other products. The Telecommunications division focused on selling its remaining stocks of telephones and answering machines.

Both divisions operate primarily in Europe, with the main focus on Germany. The production facilities for the Home Media Systems division are located in Germany, while telecommunications products were manufactured by companies in Asia.

The segmental results by division are shown below.

EUR thousands	Division to be continued		Division to be discontinued		Total	
	January – December		January – December		January – December	
	2002	2001	2002	2001	2002	2001
Sales	376,167	372,637	9,426	20,221	385,593	392,858
Manufacturing cost of goods and services produced in order to generate sales	- 270,670	- 274,633	- 6,628	- 17,448	- 277,298	- 292,081
Gross margin	105,497	98,004	2,798	2,773	108,295	100,777
Selling expenses	- 74,783	- 63,248	- 2,235	- 5,759	- 77,018	- 69,007
General administrative expenses	- 10,944	- 10,253	- 653	- 1,205	- 11,597	- 11,458
Other operating income	8,268	13,159	366	276	8,634	13,435
Other operating expenses	- 7,656	- 11,768	- 276	- 2,119	- 7,932	- 13,887
Income from participating interests	171	182	0	0	171	182
EBIT	20,553	26,076	0	- 6,034	20,553	20,042
Interest and similar income	313	471	0	2	313	473
Interest and similar expenses	- 2,075	- 2,083	0	- 365	- 2,075	- 2,448
Result from ordinary activities (EBT)	18,791	24,464	0	- 6,397	18,791	18,067
Income taxes	- 7,624	- 9,955	0	2,471	- 7,624	- 7,484
Net income before minority interests	11,167	14,509	0	- 3,926	11,167	10,583
Minority interests	- 264	- 206	0	0	- 264	- 206
Consolidated net income	10,903	14,303	0	- 3,926	10,903	10,377
Profit carried forward	17,690	16,327	0	0	17,690	16,327
Dividend payment	- 6,085	- 6,014	0	0	- 6,085	- 6,014
Allocation to other retained earnings	- 5,000	- 3,000	0	0	- 5,000	- 3,000
Distributable profit	17,508	21,616	0	- 3,926	17,508	17,690

Segment assets comprise all the assets used by a division's business operations. The distinction between Home Media Systems and Telecommunications is derived from the assets and liabilities ascribable to each division.

Significant assets outside Germany are held at Loewe Opta Benelux N.V./S.A., Belgium, in the total amount of EUR 13,105 thousand gross and EUR 5,616 thousand net, at Loewe Opta, Inc., USA in the amount of EUR 6,735 thousand gross and minus EUR 1,513 thousand net and at Loewe France S.A. in the amount of EUR 4,638 thousand gross and EUR 1,321 thousand net.

Segment assets of the division to be continued and of the one to be discontinued are shown below:

EUR thousands	Home Media Systems	Tele-communications	Total
Asset items	211,788	52	211,840
Liability items	- 129,490	- 640	- 130,130
Net segment assets	82,298	- 588	81,710

The net segment assets changed as follows in 2002:

Net assets as of 12/31/01	79,150	- 3,140	76,010
Settlement of intra-Group liabilities between the divisions	- 2,552	2,552	0
Subtotal	76,598	- 588	76,010
Profit from ordinary activities	18,791	0	18,791
Income taxes	- 7,624	0	- 7,624
Change in minority interests	128	0	128
Capital increase	490	0	490
Dividend	- 6,085	0	- 6,085
Net assets as of 12/31/02	82,298	- 588	81,710

MANAGEMENT BODIES OF THE PARENT COMPANY LOEWE AG

SUPERVISORY BOARD

The following were elected to the Supervisory Board in the Shareholders' Meeting of June 26, 2001:

- **GUIDO ALT**
Chairman of the Executive Board of Caatosee AG, Stuttgart
- **PROF. DR. ROLF-DIETER LEISTER**
Management Consultant, Lucerne
- **DR. SOENKE MEHRGARDT**
Member of the Executive Board of Infineon Technologies AG, Munich
- **HELMUT RICKE**
Businessman, Krefeld
- **PROF. DR. EBERHARD SCHEFFLER**
Auditor, Hamburg
- **DR. MARK WÖSSNER**
Former Chairman of the Executive Board and former Chairman of the Supervisory Board of Bertelsmann AG, Munich

In its constituting meeting, the Supervisory Board member Prof. Dr. Scheffler was elected Chairman and Dr. Mark Wössner Deputy Chairman. Prof. Dr. Scheffler, Dr. Wössner and Mr. Ricke were elected to be members of the Personnel Committee.

In the light of the Corporate Governance Principles, the Supervisory Board elected an audit committee from among its members in its meeting of September 10, 2002. It includes Professor Dr. Scheffler, Dr. Mehrgardt and Mr. Ricke.

EXECUTIVE BOARD

The following are Members of the Company's Executive Board:

- **DR. RAINER HECKER**
Industrial Economist, Kronach
Chairman of the Executive Board
- **DR. BURKHARD BAMBERGER**
MBA, Kronach
- **THOMAS BENDER, M.A.**
Economist, Igensdorf
- **GERHARD SCHAAS**
Engineer, Rödental

The Executive Board also constitutes the management of Loewe Opta GmbH.

The other offices held by members of the Supervisory Board are listed on pages 117 and 118; those held by members of the Executive Board are shown on page 118. Information concerning the shares held by the Company's management bodies is shown on page 119.

The remuneration of the Company's Executive Board is in three parts. It comprises fixed payments (EUR 1,003 thousand), annual performance-based variable remuneration (EUR 457 thousand) and long-term compensation in the form of stock options (EUR 118 thousand). In financial year 2002, the total remuneration was EUR 1,578 thousand (2001: EUR 1,577 thousand). The remuneration of the Supervisory Board totaled EUR 87 thousand (2001: EUR 87).

In the Group, retirement income was paid during the financial year to a former member of the Executive Board in the amount of EUR 77 thousand (2001: EUR 64 thousand). The provisions made for this came to EUR 1,310 thousand (2001: EUR 1,335 thousand).

In 2002, Professor Dr. Rolf-Dieter Leister received compensation for consulting services amounting to EUR 64 thousand.

Other offices held by members of the Supervisory Board of Loewe AG:

- **PROF. DR. EBERHARD SCHEFFLER**
Loewe Opta GmbH, Kronach
(Chairman of the Supervisory Board)
Europa Carton AG, Hamburg
(Member of the Supervisory Board)
Smurfit-Stone Verwaltungsgesellschaft mbH, Hamburg
(Member of the Supervisory Board)
- **DR. MARK WÖSSNER**
DaimlerChrysler AG
(Member of the Supervisory Board)
Dussmann AG & Co. KG aA, Berlin
(Member of the Supervisory Board)
eCircle AG, Munich
(Chairman of the Supervisory Board)
thorborgnet GmbH & Co. KG aA, Frankfurt
(Chairman of the Supervisory Board)

■ **GUIDO ALT**

M-W Zander Holding AG
(Member of the Supervisory Board)
PT Sigma Cipta Carake, Jakarta, Indonesia
(Member of the Supervisory Board)

■ **PROF. DR. ROLF-DIETER LEISTER**

Loewe Opta GmbH, Kronach
(Member of the Supervisory Board)
Berlinwasser Holding AG, Berlin
(Chairman of the Supervisory Board)
BÖWE Systec AG, Augsburg
(Member of the Supervisory Board)
Deutsche Beteiligungs AG, Frankfurt
(Deputy Chairman of the Supervisory Board)
DaimlerChrysler Services AG, Berlin
(Member of the Supervisory Board)
Südwestdeutsche Medien Holding GmbH, Stuttgart
(Member of the extended Supervisory Board)
ASCOM AG, Bern
(Member of the Board of Directors)

■ **DR. SOENKE MEHRGARDT**

Loewe Opta GmbH, Kronach
(Member of the Supervisory Board)

■ **HELMUT RICKE**

Loewe Opta GmbH, Kronach
(Deputy Chairman of the Supervisory Board)
IHH Industrie- und Handelsholding AG, Osnabrück
(Deputy Chairman of the Supervisory Board)

Offices held by members of the Executive Board of Loewe AG:

■ **DR. RAINER HECKER**

Gesellschaft für Unterhaltungs- und
Kommunikationselektronik (gfu) mbH, Frankfurt
(Chairman of the Supervisory Board)
ihk.online&medien.gmbh, Bayreuth
(Member of the Supervisory Board)

■ **GERHARD SCHAAS**

SZ Testsysteme AG, Amerang
(Deputy Chairman of the Supervisory Board)
IGR Interessengemeinschaft für Rundfunkrechte GmbH, Düsseldorf
(Deputy Chairman of the Supervisory Board)

SHARES HELD BY THE EXECUTIVE BOARD AND SUPERVISORY BOARD

ON DECEMBER 31, 2002:

As of December 31, 2002, the Executive Board held 581,425 (2001: 572,025) shares in Loewe AG. The Supervisory Board held 1,260 (2001: 1,510) shares.

Kronach, February 28, 2003

The Executive Board

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

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated financial statements – consisting of the balance sheet, income statement, notes to the consolidated financial statements, cash flow statement, segmental reporting as well as consolidated changes in shareholders' equity for the business year from January 1 to December 31, 2002. The preparation and content of the consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion, based on our audit, as to whether the consolidated financial statements are consistent with the International Accounting Standards (IAS).

We conducted our audit of the consolidated financial statements in accordance with the International Standards on Auditing (ISA), German auditing principles and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW/Institute of German Auditors). Those standards require that we plan and perform the audit such that we can detect with reasonable assurance whether the consolidated financial statements are free of material misstatements. The evidence supporting the disclosures in the consolidated financial statements is examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group during the business year in accordance with the International Accounting Standards (IAS).

Our audit, which covered the Group management report prepared by the management for the business year from January 1 to December 31, 2002, has not led to any reservations. In our opinion, the Group management report on the whole provides a suitable understanding of the Group's position and suitably presents the risks of future development. Furthermore, we confirm that the consolidated financial statements and the Group management report for the business year from January 1 to December 31, 2002 meet the requirements exempting the Company from the obligation to prepare consolidated financial statements and a Group management report in accordance with German law.

Mönchengladbach, March 4, 2003

Abstoß & Wolters OHG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Grage
Auditor

Straaten
Auditor

FINANCIAL CALENDAR

PUBLICATION OF THE KEY FIGURES FOR THE 2002 FINANCIAL YEAR
Monday, January 20, 2003

PUBLICATION OF THE 2002 FINANCIAL STATEMENTS OF THE LOEWE GROUP
Thursday, April 24, 2003, 10.00 a.m., Munich

DVFA ANALYSTS' CONFERENCE
Thursday, April 24, 2003, 4.00 p.m., Frankfurt

**PUBLICATION OF THE Q1 2003 REPORT
(JANUARY 1, 2003 – MARCH 31, 2003)**
Conference call at 10.00 a.m., Wednesday, May 14, 2003

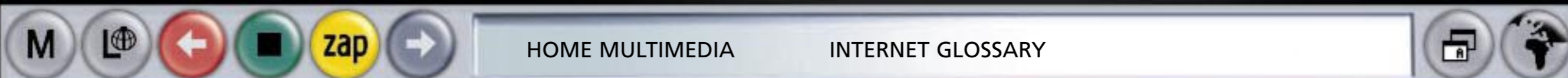
FOURTH ANNUAL SHAREHOLDERS' MEETING OF LOEWE AG
Wednesday, June 25, 2003, 11.00 a.m., Munich, Forum Hotel

**PUBLICATION OF THE Q2 2003 REPORT
(JANUARY 1, 2003 – JUNE 30, 2003)**
Conference call at 10.00 a.m., Wednesday, August 13, 2003

INVESTORS' DAY AT INTERNATIONAL CONSUMER ELECTRONICS FAIR (IFA)
Monday, September 1, 2003, Berlin

**PUBLICATION OF THE Q3 2003 REPORT
(JANUARY 1, 2003 – SEPTEMBER 30, 2003)**
Conference call at 10.00 a.m., Wednesday, November 12, 2003

PUBLICATION OF THE KEY FIGURES FOR THE 2003 FINANCIAL YEAR
Conference call at 10.00 a.m., Monday, January 26, 2004



TELEVISION'S FUTURE TODAY

TELEVISION, THE INTERNET AND MULTIMEDIA ARE STEADILY GROWING CLOSER TOGETHER. AN ENTIRELY NEW WORLD OF ENTERTAINMENT, INFORMATION AND COMMUNICATION IS EVOLVING, AND IT COVERS AN INCREDIBLY BROAD SPECTRUM OF GOODS AND SERVICES. INTELLIGENT LOEWE TECHNOLOGY OPENS THE DOOR TO THIS NEW AND FASCINATING WORLD AND TRANSFORMS VISIONS INTO REALITY.

■ 100 HZ TECHNOLOGY

TV images are transmitted with a frame repetition rate of 50 Hz. The digital 100 Hz technology doubles the frame frequency so that large picture areas are transmitted flicker-free – the optimal condition for no-fatigue viewing pleasure. 100 Hz televisions from Loewe combine digital 100 Hz technology with the 8 bit digital technology of the equipment chassis. Many expensive analog circuit elements can be eliminated. A microprocessor monitors the preset default values and counteracts possible aging. This means that the picture quality stays at a top-notch level for a long time.

■ DIGITAL TV UPGRADE KIT

The 2 Sat-CI P or Twin-Sat-CI P digital upgrade kits open up the total spectrum of freely accessible unencrypted digital satellite channels (Digital Video Broadcasting Satellite). Furthermore, via the common interface and using the properly cleared smart card, they make it possible to receive encrypted digital programming including Premiere. In addition, all digital TV upgrade kits starting with MediaPlus-Chassis Q 2500 offer an additional 1,270 channels – besides the 200 regular channels – so that with a total of

1,470 memory locations, there is an adequate long-term reserve, even with the rapidly growing availability of channels.

■ DVB – DIGITAL VIDEO BROADCASTING

As a standard for digital television, DVB regulates the transmission and reception of TV and radio content in digital form. To receive these programs, the Loewe digital TV upgrade kits contain not only a sat or twin-sat receiver with an analog tuner and a second digital/analog combination tuner, but also an MPEG-2 decoder card. The decoder card converts the digital data back into pictures and sounds of the highest quality.

■ HIGH-SPEED INTERNET

OnlinePlus is very well prepared for the rapid development of the online networks. In addition to the integrated ISDN card and the possibility to connect an external analog modem via the serial connector, DSL modems or cable modems can also be connected via the integrated LAN interface for the use of high-speed Internet. Of course, TV-OnlinePlus can also be integrated into an existing cable network via the LAN interface in order to use the Internet.

■ HOME CINEMA

The combination of a large screen television in 16:9 wide screen format and the surround sound from several speakers conveys the atmosphere of cinema at home. Maximum picture and sound quality is achieved when playing back films recorded on DVD.

■ HOMESERVER

OnlinePlus can be connected to a HomeServer, from GIRA for example, via the LAN interface of the module. The HomeServer is used to control and monitor domestic infrastructure based on the European Installation Bus (EIB). TV-Online can be used, for example, to control blinds, lighting, heat and even security systems via a user interface suitable for a television. If you have detailed questions concerning HomeServer or EIB, please contact your electrician or GIRA directly.

■ LOEWE CHANNEL

The Loewe Channel is an Internet-based service for the users of TV-OnlinePlus and the MultiMedia kit. With the content tailored to TV, you use a simple and straightforward navigation bar to select TV program tips, current news and financial, entertainment and sports news, a detailed search engine and your personalized My Channel. You can use the Loewe Channel via any conventional PC with an Internet connection: <http://channel.loewe.de>.

■ MEDIAPLUS CHASSIS

As the basis of the top-of-the-line Loewe televisions, the MediaPlus chassis offers services such as split

screen, PCS Plus and EPG (electronic program guide). Moreover, MediaPlus makes it possible to upgrade your TV set individually by integrating the upgrade kits for digital TV, Sat/Twin-Sat, OnlinePlus, VGA, Dolby Digital, wireless audio, wireless home automation and the MultiMedia kit.

■ ONLINEPLUS UPGRADE KIT

An integrated OnlinePlus upgrade kit makes it possible to use Internet applications such as Loewe Channel (the portal to the Worldwide Web), e-mail and newsgroups.

■ WIRELESS HOME AUTOMATION

It makes it possible to conveniently operate many wireless-based electrical equipment in the home such as the control of lighting systems, awnings and blinds via a TV screen menu and/or the remote control.

■ ZAP2WEB

This function of OnlinePlus makes it possible for you to retrieve Internet pages while a program is playing on your TV by pressing a button. In cooperation with ZDF, Internet addresses related to the program showing on the screen are sent to you free of charge and displayed in the TV menu. When you press the HMM button on your remote control, OnlinePlus automatically establishes a connection with the Internet address that was sent. Of course, you can continue to watch the current TV program in PiP and obtain important additional information from the Internet at the same time.

LOEWE.

CONTACTS

LOEWE AG
Industriestrasse 11
D-96317 Kronach


PO Box 15 54
D-96305 Kronach

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

Public Relations: +49 (0) 92 61/99-217
Customer Care Center: +49 (0) 18 01/22 25 63 93
Telephone switchboard: +49 (0) 92 61/99-0
Internet: www.loewe.de

Ticker symbol: LOE
Security code number: 649410
ISIN code: DE 0006494107

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

Indices:  SDAX®
Classic All share®
Prime All share
CDAX®

In addition to the annual report, Loewe publishes interim reports on a quarterly basis (reviewed by the auditor) that include the consolidated financial statements. The quarterly reports are complemented by conference calls with journalists and analysts.

PUBLICATION CREDITS

Published by: Loewe AG, Kronach

Design: Kuhn, Kammann & Kuhn AG, Köln/München
Photography: Günter Pfannmüller, Frankfurt
Michael Wiegmann, Köln
With kind support of Rolf Benz AG & Co. KG, Nagold;
Sofa: Rolf Benz EGO, pages 84/85

English translation: ETS – English Translation Services GmbH, Frankfurt
Photo credits: artur architekturbilder agentur GmbH, Köln/Jochen Helle
Deutsches Filminstitut – DIF, Frankfurt; page 71
Kai-Uwe Gundlach, Hamburg
Roland Halbe, Stuttgart
laif, photonica

Printing: Druckhaus Kirchner, Kirchlengern