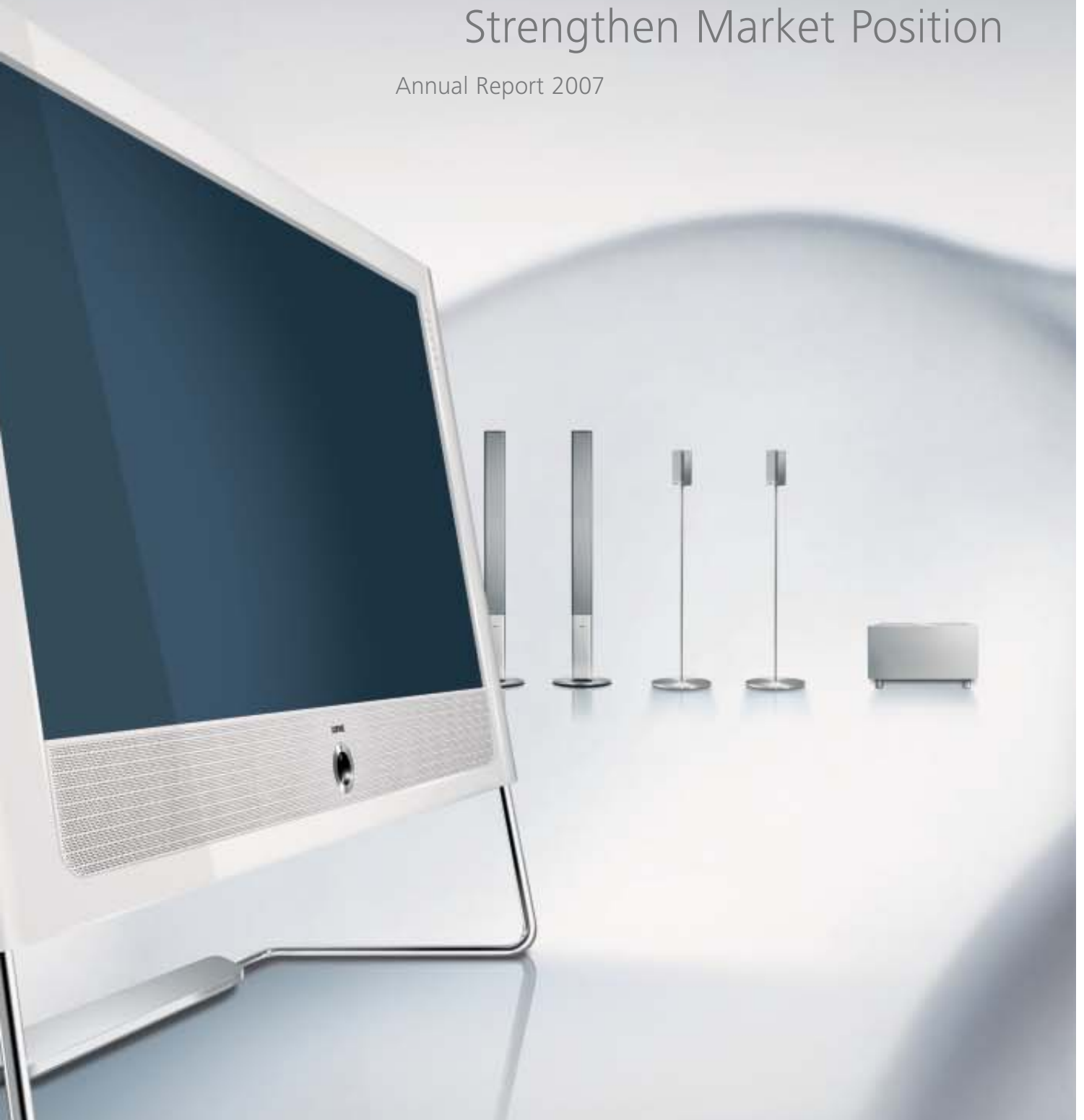


Maintain Premium Strategy – Strengthen Market Position

Annual Report 2007



LOEWE.

About Loewe

Outstanding design, innovative technology and superior quality are features of all products sold under the Loewe premium brand. Technological highlights include: Multimedia TVs with high-resolution picture quality, an integrated hard disk recorder and a digital TV receiver as well as ultra-flat LCD TVs. The Company was founded in Berlin in 1923. Today, Loewe is a listed Group with approx. 1,000 employees. In fiscal 2007, Loewe achieved sales of EUR 372.5 million and EBIT of EUR 21.1 million; about half of total sales are recorded internationally. Loewe manufactures and sells TVs, DVD recorders and Hi-Fi equipment, which are also offered as complete Home Cinema solutions.

The Loewe Group in numbers (IFRS)

Continuing division

EUR million	2007	2006	2005	2004	2003	2002	2001
Sales	372.5	341.9	319.1	267.8	283.2	366.8	372.6
thereof flat-panel display sets	319.7	296.0	218.5	89.7	21.5	13.6	17.8
thereof picture-tube display sets	0.0	6.6	47.6	138.7	219.0	353.2	354.8
inside Germany	184.8	161.7	144.6	136.4	148.5	181.4	189.1
outside Germany	187.7	175.4	154.1	131.4	134.7	185.4	183.5
TV, non branded	0.0	4.8	20.4				
Earnings before interest and taxes (EBIT)	21.1	13.2	2.1	- 25.7	- 26.9	24.9	26.6
Earnings per share (EUR)	0.55	0.50	- 0.15	- 2.71	- 3.25	2.12	2.07

Continuing and discontinued divisions

EUR million	2007	2006	2005	2004	2003	2002	2001
Sales	372.5	341.9	319.1	273.0	288.9	385.6	392.8
Earnings before interest and taxes (EBIT)	21.1	13.2	2.1	- 33.8	- 33.3	20.6	20.1
Net income/loss	7.2	6.5	- 1.9	- 29.4	- 29.7	10.9	10.4
Earnings per share (EUR)	0.55	0.50	- 0.15	- 3.74	- 4.14	1.52	1.45
Dividends per share (EUR)	0.27	0.00	0.00	0.00	0.00	0.85	0.85
Non-current assets	46.4	42.5	41.6	51.2	62.9	67.4	62.4
Shareholders' equity	71.6	64.4	57.9	19.4	44.7	80.5	75.2
Bank liabilities, net	1.7	3.5	- 3.5	34.1	29.2	11.1	4.8
Factoring	0.9	0.0	2.8	27.4	14.0	0.0	0.0
Capital expenditure	23.2	18.5	11.8	15.3	20.8	26.4	25.8
Depreciation and amortization	19.1	17.6	21.4	25.5	25.2	21.1	22.2
Free cash flow	1.8	- 4.2	21.7	- 8.8	- 4.2	- 1.3	- 1.8
Development costs	14.4	13.0	12.5	12.9	14.0	13.3	12.0
Interest expense, net	2.2	2.7	4.0	6.4	2.6	1.8	2.0
Number of employees	997	965	945	1,063	1,245	1,261	1,209

The Year 2007

■ Letter to the Shareholders	3
Report of the Supervisory Board	5
■ Corporate Governance Report	8
Declaration of Conformity	10
Executive Board and Supervisory Board Remuneration	11
Directors' Dealings	12
Compliance at Loewe	12
■ Loewe Stock	14
Stock Price Performance	18
Investor Relations Activities	20
Dividends	21
■ Management Report	22
Overall Economic Trend	24
The European Market	25
Key Performance Indicators	28
Risk Report	47
Outlook	51
■ A System for the Future	54
A Strong Presence in European Urban Centers	56
Connectivity Creates New Opportunities	58
Commitment to Quality and Corporate Responsibility	62
Perfect Match of Images and Sound	64
Loewe Design Is Ultimately Perfection	66
Loewe TVs Offer the Technology of Tomorrow	68
■ Consolidated Financial Statements, Notes	70
Consolidated Income Statement	72
Consolidated Balance Sheet	73
Consolidated Cash Flow Statement	74
Changes in Equity	75
Notes to the Consolidated Financial Statements	76
Corporate Bodies/Offices Held	112
Independent Auditor's Report	117
■ Contacts/Publication Credits	119



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

■ **Gerhard Schaas**
Engineer
Chief Technology Officer

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

Dear Ladies and Gentlemen, Dear Shareholders,

Our company developed very positively in the 2007 fiscal year and is pursuing a clear objective: As an established premium brand with attractive and individual home cinema solutions, Loewe will continue to expand its position of market leadership in home entertainment systems in Europe.

Loewe's current situation is very favorable; within the LCD TV growth market, the large-screen categories of such great importance to us are growing at an above average rate. In addition, the increased brand awareness of consumers, major sporting events, new digital audio/video products and the fascination with high-definition television (HDTV) will stimulate demand.

In this context, sales of the Loewe Group in fiscal 2007 rose by 9% from EUR 341.9 million to EUR 372.5 million, this being primarily attributable to the 15% higher sales of LCD TVs compared to the previous year. Sales of large-screen, highly profitable sets (37 inches and larger) more than doubled. Furthermore, the very good trend in Hi-Fi components – speakers, for example – as well as higher sales of OEM products had a favorable impact on sales.

We improved EBIT by EUR 7.9 million to EUR 21.1 million in the past fiscal year. Despite the moderate increase in sales, EBIT is thus 60% higher than the 2006 figure of EUR 13.2 million. The significant improvement in earnings is primarily due to the high demand for the high-quality and individual Loewe premium products, the further improvement

of the product mix and the systematic marketing of our products at stable prices.

Due to the very favorable earnings trend in fiscal 2007, we have decided to pay out an extraordinary bonus in the amount of EUR 1.5 million to all of our employees. The bonus is to be paid out in April 2008. In addition, Loewe will once again propose to the Annual Shareholders' Meeting on June 9, 2008 to pay a dividend of EUR 0.27 per bearer share.

The highlight of the past fiscal year was the International Consumer Electronics Fair (IFA) in Berlin, which was very successful for Loewe. Our trade show presentation in 2007 was targeted at reinforcing the premium positioning of the Loewe brand as a leader in individual home entertainment systems. With the motto "Loewe brings together what belongs together," we presented innovative home cinema solutions to the fair visitors, numerous retailers from within and outside of Germany as well as national and international media representatives. The new TV family Loewe Connect was the center of attention. Not only does Connect have a forward looking design, it takes off in completely new directions in "connectivity," the intelligent interaction of mobile devices such as digital cameras, game consoles, MP3 players and even PC networks. We also displayed a number of new and attractive audio solutions. For example, the Loewe Individual Sound Projector offers authentic 5.1 surround sound with just one single component. Furthermore, Loewe offers high-definition picture quality with double

image frequency (100Hz) in large-screen televisions – currently the best possible technology in the market. By displaying numerous home cinema solutions at the IFA, Loewe once again underscored its role as a leading brand for individual home entertainment systems in Europe.

What are our plans for the current fiscal year 2008?

Our general goal is to continue the very positive developments of the previous year and further advance Loewe's premium positioning. In order to be able to implement this goal more efficiently throughout the company and interdepartmentally, we will expand our strategic planning to include the Balanced Scorecard system. This strategy roadmap takes into account the dependencies between functional areas such as marketing and development or sales and production. As a central control instrument, it systematically defines the most important success factors as measurable target values.

In the market, we will persist in enhancing the strength of the Loewe brand and market our high-quality home cinema solutions with a focus on value. To that end, Loewe will systematically push ahead with the qualitative and quantitative expansion of distribution within and outside of Germany and gradually increase Loewe's premium presence at qualified retailers throughout European cities. In the future we will also gear our product portfolio even more closely to the individual desires and needs of our customers. For instance, already in this fiscal year we will launch a completely new product family, Loewe Art, and convert all large-screen LCD TVs to Full HD 100Hz, the highest quality level.

The European home cinema TV market will continue to show positive development in fiscal 2008 on account of the sustained high demand for large-screen flat-panel TVs, major sporting events such as the UEFA European Football Championship in Austria and Switzerland, new digital products and the

increased brand awareness of consumers. In order to systematically realize Loewe's premium positioning and the associated improvement of the margin, we will stand by our successful strategy and for the time being deliberately forego increases in sales and market share. For 2008 as a whole, Loewe anticipates that sales will grow by 7% to approximately EUR 400 million and that EBIT will improve by 14% to approximately EUR 24 million.

Loewe will systematically take advantage of the described perspectives and opportunities. Our qualified, highly motivated workforce in particular has earned our special thanks. We are all convinced that our company will successfully continue to grow profitably.

Sincerely yours,

Kronach, March 18, 2008



Dr. Rainer Hecker
Chief Executive Officer of Loewe AG



■ **Professor Dr. Eberhard Scheffler**

Chairman of the Supervisory Board

Dear Shareholders,

The sustained dynamic market growth of flat-panel display sets, the further improvement of the product mix and Loewe's stable and consistent price policy contributed appreciably to strengthening the company's earnings situation in fiscal 2007. We significantly improved EBIT by EUR 7.9 million to EUR 21.1 million. Loewe thus continued to grow profitably last year and is well on the way to expanding its strong market position in home entertainment systems in Europe.

Loewe owes this positive business development in particular to the high dedication of management and the workforce. The Supervisory Board wishes to express its gratitude and appreciation to everyone involved.

In exercising the responsibilities incumbent upon it in accordance with statutory regulations and the Company's by-laws as well as the principles of the German Corporate Governance Code, the Supervisory Board continuously oversaw the management of the Company and the Group and provided advice on basic policy issues. It received regular, timely and comprehensive information and was involved in all decisions of central importance to the further development of the Company. Significant subjects of discussion were the necessary measures for the sustained expansion of the Loewe premium positioning in home entertainment systems in Europe, the financing of the Loewe Group and the market launch of new home cinema solutions. Please refer to page 112 of the Notes to the Consolidated Financial Statements for a detailed summary of the composition and competencies of the Supervisory Board.

The Supervisory Board also reviewed the development of the Loewe Corporate Governance Principles. All recommendations of the German Corporate Governance Code issued by the Government Commission and most recently updated on June 14, 2007 will again be implemented without exception. On November 30, 2007 the Executive Board and Supervisory Board published the new Declaration of Conformity which is printed in the joint Corporate Governance Report on page 10 et seq.

Outside of the meetings, the Chairman of the Supervisory Board regularly exchanged information with the Executive Board, in particular regarding business strategy, corporate planning as well as significant single events such as the appointment of senior executives.

The Supervisory Board met a total of four times in the period under review. The audit committee and the personnel committee each met twice. The current position and the anticipated business development of the Loewe Group and its subsidiaries were discussed in each meeting of the Supervisory Board. All members of the Supervisory Board participated in the Supervisory Board meetings except for the meeting of September 19, 2007. The two members of the Supervisory Board who were absent from this meeting were provided information by the Executive Board separately and in a timely manner.

In preparation for the Supervisory Board's financial statements meeting, the audit committee of the Supervisory Board in its meeting of March 13, 2007 reviewed the accounting documents of Loewe AG and the Loewe Group as of

December 31, 2006. The order of events, essential findings and the results of the audit were discussed with the auditor. According to the conclusive result of its own review, the audit committee approved the presented accounting documents.

In its meeting of September 19, 2007, the audit committee of the Supervisory Board concentrated intensively on the current changes of the Corporate Governance Code, in particular with respect to compliance.

The meeting on March 22, 2007 focused on the presentation, discussion and review of the financial statements and management report of Loewe AG as well as the consolidated financial statements and the Group management report for the year ended December 31, 2006. The auditors were also present at this meeting to report on the course of the audit and were available to answer additional questions by the Supervisory Board. The Supervisory Board approved the accounting documents referred to and thus adopted the financial statements for the year ended December 31, 2006. Furthermore, the Supervisory Board adopted the recommendation for the agenda of the Annual Shareholders' meeting held in Munich on May 25, 2007.

In addition to the current reporting by the Executive Board, the Supervisory Board meeting on May 25, 2007 focused on the course and the result of the current credit negotiations. A significantly increased credit volume for approximately five years at considerably improved terms and conditions was agreed. In addition, the Supervisory Board discussed the current state of risk management in the Loewe Group. The risk areas affecting Loewe along with the persons responsible for those areas, the process of risk detection and subsequent definition and control of countermeasures were identified and discussed in detail.

The meeting on September 19, 2007 focused on the results of the International Consumer Electronics Fair in Berlin, which was once again very successful for Loewe, as well as the key points of the Loewe Strategy 2011. In addition to the financial targets, the expected market development served as a basis for a thorough discussion of the "Loewe Strategy Roadmap" which is a comprehensive control instrument for all strategic subject areas. At this meeting as well, the Executive Board presented and discussed the amendments to the

Corporate Governance Code which had been discussed earlier in the audit committee meeting. All current recommendations of the Code were and will be implemented. Among other things, a nominating committee was formed which will, if necessary, nominate suitable candidates to the Supervisory Board for the election of the Supervisory Board by the Annual Shareholders' Meeting.

The Supervisory Board Meeting of December 5, 2007 focused on a detailed discussion and adoption of the budget for 2008. Buoyed by major sporting events such as the UEFA European Football Championship in Switzerland and Austria and the Summer Olympic Games in China, Loewe expects its profitable growth will continue in fiscal 2008. Rather than pure sales development, the priority will continue to be a sustained expansion of the premium brand with a corresponding positive development of the margin.

The annual financial statements of Loewe AG for the year ended December 31, 2007 and the management report for fiscal year 2007 were prepared in accordance with the principles of the German Commercial Code and the German Stock Corporation Act. Pursuant to Section 315a of the German Commercial Code, the consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and supplemented by a Group management report pursuant to Section 315 of the German Commercial Code. The auditor appointed by the Annual Shareholders' Meeting on May 25, 2007 reviewed these documents. The auditor issued an unqualified audit opinion on the annual financial statements and management report of Loewe AG and its consolidated financial statements and Group management report.

In its meeting of March 11, 2008, the audit committee of the Supervisory Board analyzed and reviewed the accounting documents of Loewe AG and the Group for the year ended December 31, 2007. At the same time, the order of events, essential findings and the results of the audit were also discussed with the auditor. According to the conclusive result of its own review, the audit committee approved the presented accounting documents.

The annual financial statements and management report of Loewe AG and the consolidated financial statements and Group management report for the year ended December 31, 2007 including the auditor's report were presented to all members of the Supervisory Report in proper time. In the

financial statements meeting of March 18, 2008, the financial statements were discussed in detail and comprehensively in the presence of and following a report by the auditor. In addition, the audit committee chairman gave information concerning the committee's activities and the results of its review.

The Supervisory Board reviewed and approved the financial statements of Loewe AG for the year ended December 31, 2007 and the associated management report as well as the proposed appropriation of retained earnings. The financial statements of Loewe AG for the year ended December 31, 2007 prepared by the Executive Board have thus been adopted.

The Supervisory Board agrees with the Executive Board's proposal to distribute a dividend in the amount of EUR 0.27 per bearer share from the unappropriated retained earnings of approximately EUR 7 million.

The Supervisory Board also reviewed the consolidated balance sheets of Loewe AG for the year ended December 31, 2007 and the associated Group management report and approved them based on the conclusive results of its review.

Pursuant to Section 289 (4) and 315 (4) of the German Commercial Code, Loewe must make disclosures concerning its rules on public offerings, the purchase of securities and company takeovers. In the year under review, the Supervisory Board of Loewe AG saw no reason to address questions of a takeover or to disclose any specific information under the Takeover Bids Directive Implementation Act. See page 45 et seq. of the Group Management Report for further explanations.

As of the conclusion of this year's Annual Shareholders' Meeting on June 9, 2008, Dr. Rainer Hecker will resign from his position on the Executive Board of Loewe AG at his own request. Dr. Hecker was responsible for finance and administration at Loewe from 1982 to 1990. Subsequent to that period and until the time of his resignation, he was responsible for marketing and sales. In 1990, Dr. Hecker became Chairman of the Management Board and was appointed Chairman of the Executive Board of Loewe AG after the IPO in 1999. The Supervisory Board thanks Dr. Hecker for his great commitment of many years and his extraordinarily successful service for Loewe. Under his strong and consistent leadership, Loewe has become firmly established in recent years as a premium brand in home entertainment systems in Europe.

The Supervisory Board appointed Frieder C. Löhner, Engineer, as the new member of the Executive Board and designated chairman. On April 1, 2008, Mr. Löhner will assume responsibility for marketing and sales. At the conclusion of the Annual Shareholders' Meeting on June 9, 2008, he will also assume the chairmanship of the Executive Board with responsibility for quality, customer services and press relations/PR.

Through value-based marketing of its upscale home cinema solutions, the Loewe Group again significantly improved its profitability in the past fiscal year. The Supervisory Board is convinced that Loewe will continue its long-term development toward becoming the leading premium brand in home entertainment systems in Europe.

Kronach, March 18, 2008



Prof. Dr. Eberhard Scheffler
Chairman of the Supervisory Board

Declaration of Conformity	10
Remuneration of the Executive Board of Loewe AG	11
Directors' Dealings	12
Compliance at Loewe	12

Corporate Governance Report



+ + + Dedication to the Corporate Governance Code + + + Full compliance with the recommendations of the Code + + + Business risks handled conscientiously + + + Active implementation of all capital market regulations + + +

**Sustainable increase
in corporate value while
taking environmental
concerns into account**

Conscientious and transparent management

As an established premium brand, it is our goal to continue to expand our market leadership in home entertainment systems in Europe. In doing this, we will of course ensure that our product quality and marketing conform to the highest standards. Our Executive Board and Supervisory Board have set the same high standard with respect to the management of our company, which is characterized by responsible thinking and acting.

For Loewe, corporate governance has for years meant conscientious and efficient management and control of the Company, which includes all areas of the Loewe Group. Already in the 2001 Annual Report, we published the principles concerning cooperation based on trust between the Executive Board and the Supervisory Board. In the interest of the shareholders, customers and employees and while taking environmental concerns into account, our objective is to achieve a sustained increase of the company value. Effective corporate governance is an integral component of Loewe's corporate identity. We support the German Corporate Governance Code issued by the Government Commission and most recently updated on June 14, 2007 and will again implement all recommendations without exception.

Declaration of Conformity

Our principles conform to the recommendations of the Code without exception. On November 30, 2007, the Executive Board and Supervisory Board issued their declaration of conformity pursuant to Section 161 German Stock Corporation Act. The following declaration of conformity was made permanently available to the shareholders on the Company's web pages at www.loewe.de under Investor Relations at the proper time:

“The Executive Board and Supervisory Board of Loewe AG hereby issue the following declaration of conformity pursuant to Section 161 of the German Stock Corporation Act regarding the recommendations of the Government Commission of the German Corporate Governance Code:

1. Loewe AG will fully comply with the recommendations of the German Corporate Governance Code as amended on June 14, 2007.
2. Loewe AG has fully complied with the recommendations of the German Corporate Governance Code as amended on June 12, 2006 since its last declaration of conformity of December 1, 2006.”

Remuneration of the Executive Board of Loewe AG

In accordance with legal requirements, we publish the remuneration of the members of the Executive Board broken down into fixed and variable components. The members of the Executive Board of Loewe AG are simultaneously managing directors of Loewe Opta GmbH. For fiscal year 2007, the remuneration of the Company’s Executive Board totaled EUR 2.059.469 (2006: EUR 1,523,798). No separate remuneration was paid for the GmbH activity.

The amount of the incentive compensation for the Executive Board is based on the targets defined by the personnel committee of the Supervisory Board for the fiscal year in question. In addition to strategic goals, these targets primarily include economic figures of the Loewe Group. The Chairman of the Supervisory Board provided a detailed presentation of the remuneration policy principles and structure in the last Shareholders’ Meeting and such a presentation is also planned for the next one. See page 114 for comprehensive information on the individual remuneration of the Executive Board.

In general, the age limit for the three members of the Executive Board is 65 years. Directors & officers insurance exists. A deductible has been stipulated to be a component of the fixed annual remuneration of each member of the Executive Board.

Remuneration of the Supervisory Board of Loewe AG

In conformity with sub-section 5.4.7 of the German Corporate Governance Code, Loewe reports the compensation of the Supervisory Board individually and sub-divided according to components. Each member of the Supervisory Board of Loewe AG receives a fixed annual remuneration of EUR 15,000. Depending on business development, a variable remuneration based on the performance of the Group is added. Each member of the Supervisory Board receives an additional EUR 15,000 if Group earnings per share reach EUR 2.20. If earnings are lower or higher, the variable component is reduced or increased proportionally. This fixed and variable remuneration is doubled for the Chairman of the Supervisory Board, and the Deputy Chairman receives one and one-half times that amount. For fiscal 2007, the total remuneration of the Supervisory Board came to EUR 174.262 (2006: EUR 127.022). See page 113 of the Notes for detailed information on the individual remuneration of the Supervisory Board. The members of the Supervisory Board performed no consulting and mediation services or other services during the year under review. For that reason, no remuneration was granted in excess of the aforementioned components.

The Supervisory Board of Loewe AG includes six members and the same members were elected for a further five year term by the Shareholders’ Meeting in 2006. Directors & officers insurance also exists for the Supervisory Board. An appropriate deductible – geared to the Supervisory Board incentive compensation – has been stipulated.

Loewe fully complies with the recommendations of the German Corporate Governance Code

Remuneration of the Executive Board and the Supervisory Board is published individually

Avoidance of conflicts of interest

Both the members of the Executive Board and of the Supervisory Board are bound by the best interests of the enterprise Loewe and may not pursue personal interests in their decisions. Members may not, in connection with their work, demand nor accept from third parties payments or other advantages for themselves or for any other person nor grant third parties unlawful advantages. The members of the Executive Board shall disclose such transactions or sideline activities to the Supervisory Board without delay and they require the approval of the Supervisory Board. The Supervisory Board shall inform the Annual Shareholders' Meeting of any conflicts of interest which have occurred together with their treatment. No such conflicts of interests have occurred with members of the Executive Board or the Supervisory Board in the period under review.

Directors' dealings

The rule with respect to directors' dealings was significantly tightened due to the implementation of the Market Abuse Directive of the European Commission. Pursuant to Section 15 a German Securities Trading Act, persons having management responsibilities as well as persons in close association with them, including legal entities, must disclose the purchase or sale of securities of Loewe AG if the value of the transactions equals or exceeds EUR 5,000 in a calendar year. A total of two transactions were reported to Loewe between December 1, 2006 and December 31, 2007. Loewe promptly reported the details concerning these transactions and displays them permanently at www.loewe.de under Investor Relations. It also properly informed the German Federal Financial Supervisory Authority.

Shareholdings of members of the Executive Board and Supervisory Board

As of December 31, 2007, the Executive Board held 622,718 (previous year: 622,718) shares in Loewe AG. No options or similar incentive systems exist at this time. The Supervisory Board holds no Loewe shares.

Compliance at Loewe

In addition to the implementation of the Corporate Governance Code, Loewe also fulfills the documentation and publication requirements of the Investor Protection Improvement Act (AnSVG). We implement appropriate measures to prevent insider dealings and we comply with regulations under corporation law as well as those relevant to stock exchanges and capital markets. In accordance with Section 15b German Securities Trading Act, Loewe maintains a list of persons who have access to insider information of our company. We regularly inform corporate officers of their obligation to promptly report transactions with financial instruments of our company. Furthermore, the relevant groups of persons are informed regularly concerning insider trading issues, directors' dealings and ad hoc notifications. We proactively inform new employees about the possibility of coming into contact with insider information and the necessary course of conduct. Furthermore, Loewe publishes relevant information on the topic of "insider trading" for all employees on the Company's intranet pages.

Mandatory disclosures are published without delay

Responsible handling of risks

The conscientious and consistent handling of business risks in particular is a component of good corporate governance for Loewe. Loewe's risk management system is an integral component of the entire planning, controlling, and reporting process. A transparent reporting system makes it possible to identify discrepancies in key performance indicators at an early stage. This provides Loewe's management the ability to identify risks early, control them and initiate measures for their timely elimination. See page 47 et seq. in the "Risk Report" section of the Group Management Report for further details.

Further information on corporate governance at Loewe

Additional information concerning the cooperation of the Supervisory Board and Executive Board, the activity of the Supervisory Board and its committees as well as the accounting and audit can be found in the Report of the Supervisory Board. Extensive information concerning offices held by the members of the Supervisory Board and Executive Board of Loewe AG can be found on page 115 et seq. of the Notes to the Consolidated Financial Statements in the section Corporate Boards and Offices Held. We regularly inform our shareholders of significant dates in a financial calendar in the Annual Report. We continuously update this information on our web pages at www.loewe.de. Loewe also publishes current company developments, annual financial statements, interim reports, press releases as well as ad hoc notifications and reportable securities transactions on its web pages.

Kronach, March 18, 2008

For the Executive Board



Dr. Rainer Hecker
Chief Executive Officer

For the Supervisory Board



Professor Dr. Eberhard Scheffler
Chairman of the Supervisory Board

Loewe AG 2007

Stock Price Performance	16
Shareholder Structure of Loewe AG	18
Investor Relations Activities	20
Dividends	21

Loewe Stock



+++ Strong performance in a difficult market environment
 +++ Further increase in market capitalization
 +++ Stable and broad shareholder structure
 +++ Analyst coverage expanded +++

Capital market communication focuses on sustained positive earnings trend

Loewe's capital market communication in 2007 focused on increasing sales and the significant improvement in earnings through value-based and profit-oriented marketing of the Loewe premium products. The great interest in the high-quality, highly profitable Loewe home cinema solutions favored the sustained positive development of business. Moreover, Loewe benefited from the above-average market acceptance in Europe of large-screen categories in the LCD TV growth market, which are particularly important for Loewe.

Key data for Loewe stock

ISIN		DE 0006494107
WKN		649410
Frankfurt Stock Exchange		LOE
Reuters:	Xetra trading	LOEG.DE
	Frankfurt Stock Exchange	LOEG.F
Bloomberg:	Xetra trading	LOE GY
	Frankfurt Stock Exchange	LOE GF

Loewe stock holds firm

Loewe stock generally performed very well in 2007. Fortified by having significantly exceeded its earnings forecasts and the prospect of further growth, the stock started the year at EUR 14.33. Already in the first trading days of the year, it made robust gains and achieved a temporary high

of EUR 18.30 in January. The good economic conditions in the U.S. and Germany especially at the start of the year supported this trend. In addition, signals from the labor market were positive in both regions. Furthermore, the astoundingly sharp rise in the ZEW* economic indicators muted concerns that the German domestic economy could soften in the course of the year.

However, the upbeat mood did not last long. After reaching new highs on February 20, the indices in the U.S. and Germany experienced considerable losses as early as the end of the month. Burgeoning fears of recession, primarily with regard to the U.S., exerted massive downward pressure on the indices. This negative trend also affected the Loewe stock which receded to EUR 14 on the last trading day of February.

In the subsequent months, the stock price gradually recovered to a level of approximately EUR 18 in a return to a generally more optimistic market environment. Of course, the overall market continued to be marked by uncertainty concerning future developments – particularly in the U.S. – and initial problems in the U.S. real estate market became apparent. However, mergers and acquisitions of listed companies worldwide stimulated the stock markets and the stock indices reached new record highs. Moreover, in April the IFO Business Climate Index recorded the second best result since reunification. For its part, the Loewe stock benefited from favorable commentaries in the financial press as well as a number of buy recommendations by analysts and rose to its high for the year of EUR 18.86 by April 30.

Increasing volatility ruled the stock markets in the following months. From mid-July the stock exchanges came under increasing pressure due to growing fears of inflation and increasing uncertainty about interest rates. Furthermore, the lowered forecasts for gross domestic product by the U.S. Federal Reserve Bank, weak retail figures from the U.S. and increasing risk premiums for the financing of company takeovers exerted downward pressure. On July 26, the report of a drastic drop in profits by the largest U.S. subprime mortgage finance company sent the stock markets into a tailspin. The 2.3% decline was the highest one-day loss for the Dow Jones and S&P index in four years; the German indices also suffered severe losses of between 2.4% and 2.9%.

Loewe stock could not escape this negative market trend for more than a brief time. By the end of July, it was down 14.7% to EUR 15.85 after a high for the month of EUR 18.54 on July 20, 2007. Loewe again confirmed the financial targets for the current fiscal year and the London financial investor EQMC Fund informed us that it had acquired 10.1% of the share capital of Loewe AG via market transactions. Nonetheless, the stock market paid the positive company reports little notice in this environment.

In August, the subprime mortgage crisis intensified in the U.S., prompting the first reports of bankruptcies among mortgage banks. Some German banks were also not spared and reported the necessity to write down mortgage financing. A surprising reduction of the key lending rates by the U.S. Federal Reserve in mid-August brought only a brief respite in the financial markets. The liquidity situation of the banks remained strained; the stock markets reacted with commensurate nervousness.

Loewe's success at the IFA International Consumer Electronics Fair in Berlin in early September and the extremely positive media response to our new, individual home cinema solutions drove up Loewe stock to above EUR 17. At the end of the month, the Loewe stock was no longer included in the SDAX due to large IPOs. This again put pressure on our stock for a brief time, since index-based financial investors had to make adjustments. The positive feedback from many analysts and the financial press with regard to our IFA appearance again helped the Loewe stock price to rally starting in early October.

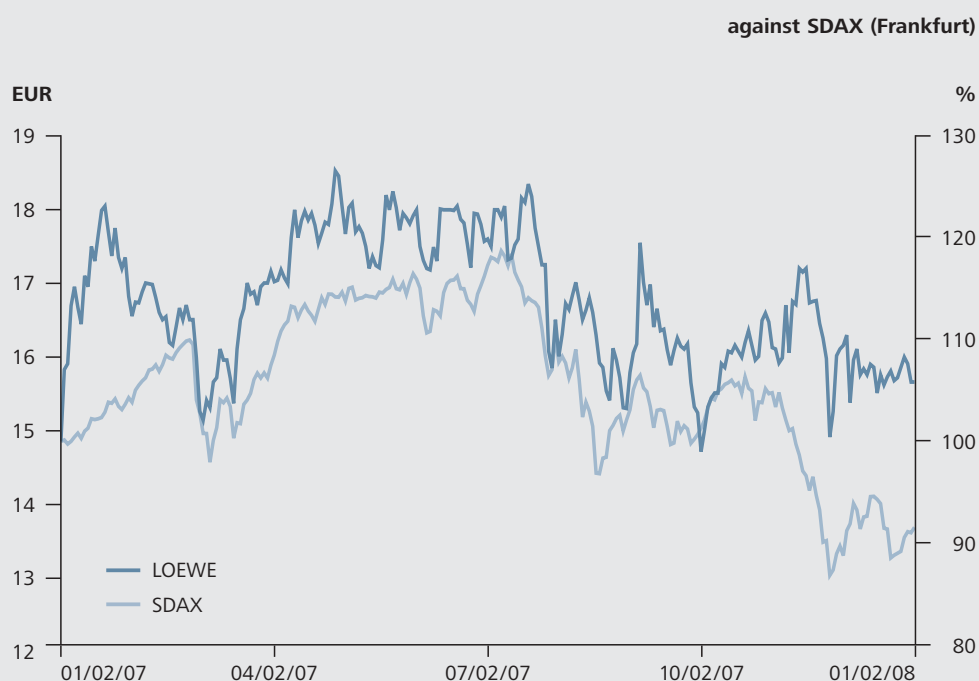
Share price surges at the beginning of the year after Loewe significantly exceeded earnings forecasts

Loewe is no longer listed in the SDAX following major IPOs

* Center for European Economic Research

The persistent financial crisis in the real estate market and the record oil price of USD 99.29 made November inauspicious for trading as well. Furthermore, the U.S. dollar dropped to a historical low of EUR 1.4967 against the euro on November 23. In addition, the disappointing ZEW index figures for Germany in November led to an out-and-out stock sell-off. The selling pressure was greatest on small-cap and mid-cap stocks in particular after they had benefited strongly from the high demand in previous years. In this market phase, the SDAX lost more than 14% compared to its highs at the beginning of the month. Loewe stock was also forced to nearly completely give up the price gains that it had built up since the end of September. Despite the volatile market environment, the stock price held firm in the narrow range between EUR 15.50 and 16.00 until year-end. For the year as a whole, the Loewe stock was up by 6.8%, clearly higher than the 6.7% decline of the most important benchmark index, the SDAX.

Loewe stock performance from January 2, 2007 to January 2, 2008



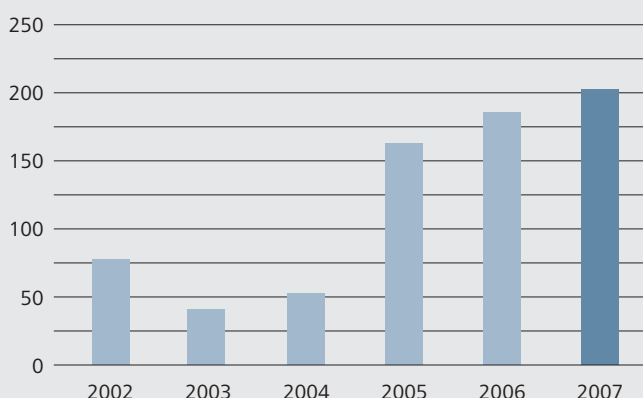
Shareholder structure continues to be stable and broad

In its ninth year as a publicly traded company, the shareholder structure of Loewe AG continues to be characterized by a free float of 56.1% of the share capital. Approximately 18,500 securities accounts with Loewe shares were registered for the Annual Shareholders' Meeting in Munich on May 25, 2007. All five items on the agenda were adopted with only a few opposing votes. A total of 225 Loewe shareholders and guests attended the Annual Shareholders' Meeting.

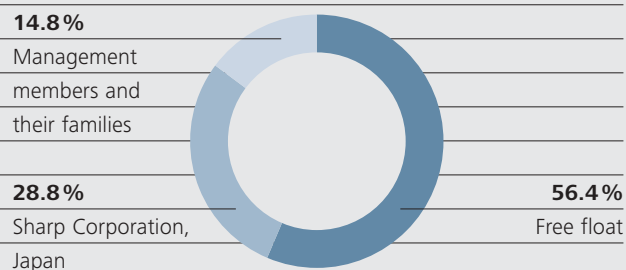
Since the most recent capital increase in October 2005, Sharp Corporation, Osaka, Japan, continues to hold its 28.8% stake in the Company, with Loewe management members and their families holding another 14.8%. In late July, London financial investor EQMC Fund (EQMC) informed us that as of June 20, 2007, it had acquired 10.1% of the share capital of

**British financial investor
EQMC purchases 10.1%
of Loewe stock**

**Market capitalization of Loewe AG
on December 31 (EUR million)**



Shareholder structure of Loewe AG



Loewe AG (corresponding to 1,318,050 shares) via market transactions. EQMC is generally a longer term investor and plans to support Loewe in the execution of the company's strategy. Typically, EQMC never requires more than a minority interest. Accordingly, the financial investor is a part of the stable and broad shareholder structure of Loewe and will participate in the future development of the company.

Other than this, Loewe has received no reports of holdings of 3% or more. In the wake of successful roadshows at the most important financial centers of Europe, the percentage of Loewe shares held by institutional investors from within and outside of Germany increased significantly compared to the previous year.

Share of domestic and foreign institutional investors further increased

Key figures for Loewe stock

	2007	2006	2005	2004	2003	2002
Year-end closing price (EUR)	15.65	14.65	12.50	6.61	5.70	11.10
Annual high (EUR)	18.86	20.45	13.92	9.04	13.20	34.00
Annual low (EUR)	14.03	10.35	6.30	4.06	5.25	9.99
Average daily trading volume (Xetra + Frankfurt)	37,907	54,349	28,132	25,465	26,858	17,745
Number shares as of December 31	13,009,229	13,009,229	13,009,229	7,876,600	7,176,600	7,176,600
Market capitalization on December 31 (EUR million)	203.6	162.6	52.1	40.9	79.7	207.3
Earnings per share (EUR)	0.55	- 0.15	- 2.71	- 3.25	2.12	2.07
Dividends per share (EUR)	0.27	0.00	0.00	0.00	0.85	0.85

Source: Bloomberg

Clear and transparent communication builds trust

Investor Relations activities

Our investor relations work is chiefly aimed at maintaining and continuously increasing the existing coverage of Loewe stock by prominent banks, thus nurturing investor interest. To further strengthen the confidence of the financial community in Loewe, we attach special importance to regular, comprehensible and transparent communication with investors, analysts and financial journalists.

In addition to the Annual Shareholders' Meeting on May 25, 2007 in Munich and the very successful Loewe "Investors' Conference" on September 3, 2007 during the IFA International Consumer Electronics Fair in Berlin, Loewe participated in the following presentations in 2007

- Two international capital market conferences
- One DVFA analysts' conference
- Eleven roadshows with more than 60 personal discussions with fund managers and sales managers in all the important financial centers in Europe
- Four English-speaking conference calls and
- 16 personal discussions with analysts and institutional investors at Loewe's headquarters in Kronach, Germany.

Furthermore, the Investor Relations section at www.loewe.de contains current information, information of interest on Loewe stock, the IR schedule, analysts' estimates, events and presentations and a separate service area.

IR events for 2008

February 12, 2008	Roadshow	Dublin
February 16, 2008	Nuremberg Investor Conference	Nuremberg
February 18, 2008	Roadshow	Copenhagen
March 6, 2008	CeBIT Small/Mid Cap Day	Hanover
March 27, 2008	DVFA Analysts' Conference	Frankfurt
March 28, 2008	Roadshow	Frankfurt
April 4, 2008	Roadshow	Zurich
May 7, 2008	1st quarter 2008	Kronach
May 27, 2008	Small & Midcap Conference	London
June 9, 2008	Annual Shareholders' Meeting	Munich
August 6, 2008	1st half 2008	Kronach
August 7, 2008	Roadshow	Frankfurt
November 5, 2008	1st – 3rd quarter 2008	Kronach
November 6/7, 2008	Roadshow	Munich/Vienna
November 10 – 12, 2008	German Equity Forum 2008	Frankfurt
November 28, 2008	Roadshow	London

Landesbank Baden-Württemberg resumes coverage of the Loewe share

As in years before, a large number of analysts intently observed and comprehensively evaluated Loewe during the 2007 fiscal year. Furthermore, we were pleased to note that Landesbank Baden-Württemberg (LBBW) resumed coverage of Loewe, giving our share the potential to reach new investors.

The following table lists banks that have prepared analyses and studies on Loewe in recent months. The table also provides information concerning significant key points of the analysts' assessment and lists them by name (revised: January 30, 2008):

		Sales		EBIT		EPS		Target price	Rating
		2008	2009	2008	2009	2008	2009		
DZ Bank									
B. Müll	January 30, 2008	403.0	432.4	25.4	29.4	1.26	1.49	18.8	Buy
LBBW									
S. Wittwer	January 30, 2008	392.6	403.2	23.1	24.7	1.16	1.24	22.0	Buy
Sal. Oppenheim									
A. Gronski	January 29, 2008	399.9	419.8	25.4	27.8	1.27	1.40	18.5	Buy
Berenberg Bank									
M. Haeckermann	January 29, 2008	412.0	457.0	26.0	30.0	1.32	1.57	22.0	Buy
Equinet									
I. Faust	January 28, 2008	456.0	493.0	27.0	36.0	1.47	1.93	20.0	Buy
Deutsche Bank									
N. Rountoleva	January 28, 2008	423.2	468.5	26.3	33.4	1.26	1.65	21.0	Buy
Credit Suisse									
M. Geiger	January 28, 2008	426.0	446.8	27.7	34.3	1.29	1.72	21.8	Outperform
Goldman Sachs									
P. Hargreaves	August 9, 2007	433.9	485.1	27.4	33.8	1.25	1.57	21.2	Buy
Consensus		418.3	450.7	26.0	31.2	1.29	1.57		

Trading volume somewhat lower

Loewe stock is traded daily on all German stock exchanges and on the XETRA electronic trading platform. The transaction levels are highest on XETRA and on the Frankfurt Stock Exchange. In 2007, an average number of just under 38,000 shares were traded per day, somewhat lower than in the same period of 2006. The reason for this is that Loewe stock was no longer included in the SDAX as of late September. Since January 2006, equinet AG has exercised the role of market maker.

Dividends

A resolution will be proposed to the Annual Shareholders' Meeting on June 9, 2008 that a dividend be distributed for fiscal 2007 in the amount of EUR 0,27 per share.

Loewe's IR Team

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Overall Economic Trend	24
The European Market	25
Key Performance Indicators	28
Risk Report	47
Outlook	51

Management Report



+ + + Market growth for large-screen LCD sets continues at dynamic pace + + + Loewe extremely well positioned in the LCD TV growth segment + + + Sales increase by 9% to EUR 372.5 million + + + EBIT rises by 60% to EUR 21.1 million + + +

Global economic outlook continues to be positive, private consumption in Germany on the rise

Despite a large number of negative factors impacting the economy, particularly in the industrialized countries, the global economic outlook continues to be generally positive. At approximately 5.2%, the pace of global economic growth for 2007 is expected to have been only slightly lower than in the year before. However, the global economy is to an ever increasing degree supported by the economic boom in many emerging economies, primarily China and India. Together with Russia, these two nations account for approximately one half of global economic growth. This is expected to continue in 2008.

Eurozone economy continues to grow at a high level

In the eurozone, the financial markets at the beginning of the year 2008 were drawn into the undertow of a recessionary scenario for the U.S. economy. At the same time, the mood in the non-monetary segments of the eurozone continued to be optimistic. The rate of growth for real gross domestic product (GDP) of the eurozone countries is likely to be 2.6% for 2007, down from 2.9% in 2006. At an annual rate of 2.1%, inflation in 2007 was slightly below the previous year's level. Nonetheless, the risks have continued to increase. Demand from the United States, the second largest consumer country of the European export sector, could unexpectedly drop off sharply. This would primarily affect the export-dependent economies such as Germany. In November and December 2007, consumer prices in the eurozone also increased by 3.1%. This hefty increase in prices was primarily due to another rise in the price of crude oil in the global markets.

The German economy stayed robust in 2007. The German Federal Statistical Office reported that GDP rose by 2.5% in 2007, although private consumption declined by 0.3% compared to the year before due to the increase in the value-added tax. However, due to the brightening of the labor market situation in 2007, private consumption is expected to grow significantly in 2008. At 9.0%, the average annual unemployment rate remained clearly below the 2006 level of 10.8% for all of Germany. The Ifo Business Climate Index reported in January 2008 that the business expectations of the German manufacturing sector remained at a high level. A good order position of the industrial companies also points to a sustained high level of industrial production in the coming months. Overall growth rates will likely be somewhat lower in 2008 than in the previous year, but the positive economic development in Germany will continue.

Positive economic trend in Germany continues

The European market for televisions continues to grow at a double-digit rate

Compared to the previous year, the European market for consumer electronics grew modestly by 2% to EUR 31.5 billion in 2007. The by far most significant and rapidly expanding product group continues to be television. In 2007, the market volume in Europe rose by 11% to EUR 21.9 billion. In contrast, the market segments DVD players and audio/Hi-Fi systems declined by 13% and 2%, respectively.

Consumer electronics market in Europe

EUR billion	2007	2006	± in %*
Televisions	21.9	19.6	+ 11
DVD players	2.9	3.3	- 13
Hi-Fi systems	2.9	3.0	- 2
Subtotal	27.7	25.9	+ 6
Video recorders, TV recorders, audio, etc.	3.8	5.1	- 24
Total	31.5	31.0	+ 2

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

(Source: GfK, European market)

The market trend in televisions is particularly important for Loewe because television represents more than 86% of Loewe's sales volume. In general, the European television market increased by 10% in volume in particular due to the strong growth in LCD TVs. The percentage of LCD sets increased from approximately 47% in 2006 to more than 70% in 2007. Despite the persistent price decline in all relevant product groups, the average price per TV set increased slightly to EUR 694 in 2007 because of the sustained trend to expensive, large-screen and well featured flat-panel display sets. As a consequence of higher volume and the higher average price, the European market for televisions grew by 11% in terms of value in 2007.

Television market in Europe by technology

	TV market in Europe (EUR billion)			Loewe market share (%)		
	2007	2006	± in %*	2007	2006	Change
Picture-tube	1.2	2.8	- 58			
LCD	17.2	13.1	+ 32	4.2	4.5	- 0.3
Plasma	3.4	3.6	- 4	1.0	1.5	- 0.5
Projection (front and rear)	0.1	0.2	- 73			
Total	21.9	19.7	+ 11	3.5	3.7	- 0.2

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

(Source: GfK, European market)

In 2007, only 6.8 million picture-tube sets were sold in Europe, 49% fewer than in the year before. Due to aggressive pricing, the average price of a picture-tube set was only EUR 173 in 2007. As a consequence of the sharp drop in prices for picture-tube sets, the value of this submarket declined by 58% to EUR 1.2 billion. On an annual average, it now represents only 5% of the total market for televisions in Europe.

Highest growth rate for LCD televisions

LCD televisions continued to evidence the highest growth rate in 2007. A total of 22.3 million LCD sets were sold in Europe in 2007, 67% more than in 2006. Sales of small-screen LCD sets (smaller than 22 inches) increased by approximately 42%. Nonetheless, their momentum for growth is slowing down due to the increased demand for large-screen LCD sets. Sales of 32 inch LCD sets rose to 7.6 million units, compared to 4.4 million units in 2006.

Highest growth rates in large-screen LCD TVs

Growth rates were highest for LCD sets of 37 inches and larger, increasing from 1.5 million units sold in 2006 to approximately 4.4 million in 2007. The proportion of LCD sets of 37 inches and larger in the LCD segment expanded to just over 20% in 2007 compared to 11% in 2006. Due to the strong price declines in the individual screen size categories, the average price per LCD television at EUR 772 was approximately 21% lower than in 2006 despite the sustained trend to large-screen and well featured sets. In the 26 to 40 inch screen sizes for instance, the market prices in 2007 declined between 30% and 34% year-on-year. The average price for a 32 inch LCD set was EUR 856, while in 2006 such sets were sold for an average price of EUR 1,256.

Sales in the plasma TV segment increased by 32% to 2.4 million sets year-on-year. Prices for plasma TVs continue to be in sharp decline due competition from increasingly large LCD TVs. The average price for a plasma set declined by over 27% to EUR 1,416 in 2007. Prices for high-definition TVs with a 42/43 inch screen diagonal were 37% lower than in the previous year. In the 50 inch screen size segment, prices dropped by as much as 43% in the period under review.

At 3.5%, Loewe's market share in terms of value across all technologies among European retailers in the period under review was 0.2 percentage points below the 2006 figure. Loewe's market share in the LCD segment declined slightly to 4.2%, down from 4.5% a year earlier, as a result of Loewe's value-based marketing. In this segment, Loewe deliberately did not increase volume in order to avoid a negative impact on income. The concentration of Loewe's business on LCD technology reduced the plasma TV market share to 1.5% from 1.0%. In Germany, Loewe's most important market, the Company's market share for LCD TV was nearly unchanged from 2006 at 11.2%.

At 11%, growth in the European television market in fiscal 2007 was dynamic and attractive. A solid increase was experienced in nearly all major countries in Europe. The strongest growth was recorded in Austria (+29%), the Benelux countries (+18%), France (+18%) and United Kingdom (+12%). Due to higher sales in 2006 because of the FIFA World Cup in that year, the German market grew at a lower rate of only 5% in 2007. In terms of demand for new flat-panel display technologies, with a share of just under 93%, Germany now lies only slightly behind the European average of 94.6%. Already more than 98% of all expenditures for televisions in Switzerland were for flat-panel display sets.

Total television market in Europe by country

	TV market in Europe (EUR million)			Share of new display technologies (%)		
	2007	2006	± in %*	2007	2006	Change
United Kingdom	5,673.8	5,074.2	+ 12	96.6	89.0	+ 7.6
Germany	3,973.3	3,770.7	+ 5	92.7	82.3	+ 10.4
France	3,841.4	3,268.8	+ 18	94.0	84.1	+ 9.9
Spain	2,385.5	2,135.8	+ 12	94.4	86.3	+ 8.1
Italy	2,346.0	2,267.0	+ 3	91.5	82.4	+ 9.1
Benelux countries	1,882.5	1,590.7	+ 18	96.5	87.3	+ 9.2
Switzerland	554.4	529.8	+ 5	98.2	92.1	+ 6.1
Austria	468.4	361.8	+ 29	93.3	81.3	+ 12.1
Rest of Europe	787.7	663.0	+ 19	97.4	89.6	+ 7.8
Total Europe	21,913.0	19,661.8	+ 11	94.6	85.7	+ 8.9

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

(Source: GfK, European market)

In Germany, the price per television set increased by 3% to EUR 775 in 2007, thus barely exceeding the European average of EUR 694 by 12%. Prices in France, the Benelux countries and Austria were above the European average. As in the previous year, the by far highest price (EUR 1,006) was seen in Switzerland. Very high-end and well featured flat-panel display sets have been in demand there for years, which is also reflected in the very high proportion of flat TVs. In contrast, televisions were sold for only about EUR 522 per set in Italy. This lowest average price in Europe is due in particular to a larger percentage of small-screen sets as well as more intense price competition.

In 2007, Loewe's 4.2% LCD market share in terms of value in the European television market was somewhat lower than in the previous year due to the value-based marketing. We achieved our greatest progress in Switzerland and Austria in 2007 where we increased our retail market share to 6.2% and 6.5%, respectively. On the other hand, structural adjustments in Spain led to larger declines in market share.

Loewe share of the LCD television market in Europe by country

%	Loewe market share		
	2007	2006	Change
United Kingdom	0.3	0.6	- 0.3
Germany	11.2	11.7	- 0.5
France	1.9	1.9	0.0
Italy	1.2	2.0	- 0.8
Spain	4.9	6.5	- 1.6
Benelux countries	6.2	6.4	- 0.2
Switzerland	6.2	4.0	+ 2.2
Austria	6.5	5.1	+ 1.4
Europe	4.2	4.5	- 0.3

(Source: GfK, European market)

Profitable growth continues for Loewe

Once again, the Loewe Group's financial position improved considerably in fiscal year 2007. Sales rose by 9% to EUR 372.5 million. After phasing out the production and sales of picture-tube sets in 2006, Loewe only sold sets with flat screens. They represent approximately 86% of Loewe's total sales.

Robustly increased sales of flat screen TVs, in particular of large-screen LCD sets, more than compensated for the elimination of picture-tube sets and LCD-OEM sets for Sharp. Value-based marketing and a stable pricing policy made it possible for Loewe to largely escape the general market trend toward declining prices. Combined with a further optimization of the product mix and an improvement of the gross margin, it was possible to improve EBIT to EUR 21.1 million, or 60%, in 2007.

Financial position significantly improved due to value-oriented marketing

Key figures

EUR million	2007	2006	± in %
Sales	372.5	341.9	+ 9
EBIT	21.1	13.2	+ 60
Interest expense, net	- 2.2	- 2.7	- 19
Net income	7.2	6.5	+ 11
Capital expenditure	23.2	18.5	+ 25
Employees (annual average)	997	965	+ 3

The 2007 financial statements were impacted by a nonrecurring tax expense from the 2008 German business tax reform in the amount of approximately EUR 4.7 million. In spite of this, Group net income rose by EUR 0.7 million, or 11%, to EUR 7.2 million.

For the further expansion of the business, capital expenditure was increased by EUR 4.7 million to EUR 23.2 million. It exceeded depreciation/amortization by EUR 4.1 million. On an annual average, the number of employees increased by 32 or 3% compared to 2006 due to individual recruitments in development and marketing and the inclusion of the newly formed subsidiary Loewe UK Ltd.

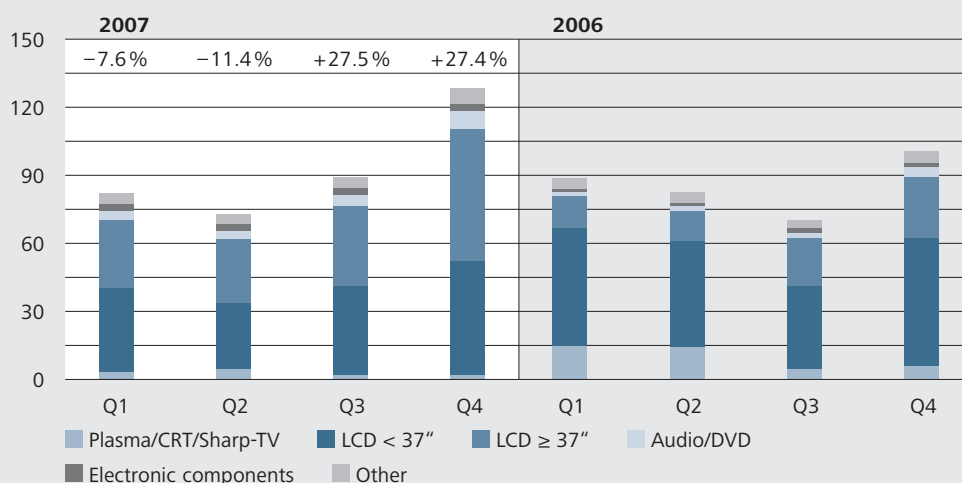
Strong growth in the second half

As expected, sales in the first two quarters of the fiscal year were lower than the high figures a year earlier. The decline was due primarily to the fact that the 2006 figures still included sales of picture-tube sets and sales of OEM-TV's to Sharp as well as the strong stimulation of demand from the FIFA World Cup which significantly favored the 2006 period. Actually, the sales of LCD TVs were approximately at the 2006 level in those two quarters. With the greater concentration on LCD technology, the production of plasma televisions was deliberately cut back, leading to reduced sales of plasma TVs. Overall, Loewe recorded a 9% decline in sales in the first half.

The third and fourth quarters with year-on-year increases in sales of approximately 27% were especially successful. The greatest increases were in the sales of large-screen LCD sets (37 inches and larger). The percentage of these TV sets in overall sales of LCD TV increased from 34% to 51% in the second half of 2007. The primary factors for the positive development were new product launches, the successful marketing of the high-end sets of the Individual product family and positive stimuli from the IFA International Consumer Electronics Fair in Berlin, which proved to be highly successful for Loewe.

Sales grew 27% in the second half of 2007

Sales by quarter (EUR million)



On an annual basis, Loewe increased sales of LCD flat-panel display sets by 15% to EUR 307.8 million. The 37 inch and larger screen sizes accounted for most of the growth in sales. The percentage of these large-format TVs in total sales of LCD sets increased from 28% in 2006 to 49% in the whole of 2007, substantiating the sustained trend toward larger displays. The majority of sales continued to be generated with 32 inch LCD sets in 2007. Loewe has a strong position in this segment with a large number of models.

Loewe sales with LCD TVs increased by 15%

Sales structure by product area

EUR million	2007	2006	± in %
Flat screen	319.7	296.0	+ 8
– LCD	307.8	267.0	+ 15
– Plasma/rear projection	11.9	29.0	– 59
Picture-tube	0.0	6.6	– 100
Total televisions, Loewe	319.7	302.6	+ 6
Televisions (non branded)	0.0	4.8	– 100
Audio/DVD	20.1	10.8	+ 86
Other	32.7	23.7	+ 38
Total sales	372.5	341.9	+ 9

Due to the concentration on LCD technology, sales of plasma TVs in 2007 were significantly lower than in 2006. Loewe discontinued, as planned, the production and sales of picture-tube sets in the second quarter of 2006. The discontinuance of this product line caused a reduction of sales of EUR 6.6 million compared to the previous year.

The delivery of (non branded) OEM TVs to Sharp was discontinued for the time being in the second quarter of 2006, leading to a reduction of sales of EUR 4.8 million year-on-year. On the other hand, since fall 2006 we have delivered electronic components (tuners) developed by Loewe and since fall 2007 we have produced and delivered complete chassis for Sharp, thus compensating for this decline in sales.

Other sales increased by 53% to EUR 52.8 million in 2007. The greatest contributors to this increase were attractive new audio components and DVD products. Sales in the audio/DVD segment increased commensurately by EUR 9.3 million to EUR 20.1 million. Other sales increased by 38% year-on-year.

Loewe grew both within and outside of Germany in 2007. The export share of Loewe's total sales revenue declined slightly to 50.4% due to the uneven business development in the foreign markets. The greatest increases were in Germany, Austria, the Benelux countries, France and Switzerland.

Audio sales nearly doubled

Sales structure by region

EUR million	2007	2006	± in %
Germany	184.8	161.7	+ 14
Spain	45.2	48.1	- 6
Benelux countries	43.6	38.4	+ 14
France	21.1	17.5	+ 21
Italy	20.8	21.5	- 3
Austria	14.1	9.5	+ 48
Switzerland	8.9	6.9	+ 29
United Kingdom	8.2	10.0	- 18
Other European countries	15.4	15.6	- 1
Europe (incl. Germany)	362.1	329.2	+ 10
CIS	4.8	2.0	+ 140
Australia	3.4	3.6	- 6
Other non-European countries	2.2	2.3	- 4
Countries outside Europe	10.4	7.9	+ 32
Total Loewe brand sales	372.5	337.1	+ 11
TV (non branded)	0.0	4.8	
Total sales	372.5	341.9	+ 9

In Germany, Loewe's most important market, sales grew by 14%. In the LCD TV segment in particular, Loewe's market share of 11.2% nearly equaled the previous year's level.

Outside of Germany, subsidiaries perform sales and service for Loewe in the Benelux countries, Italy, France, Austria, and since May 2007 also in the United Kingdom; in all other countries, this service is provided by external distribution partners.

In the Benelux countries, Loewe increased its sales by 14% to EUR 43.6 million in 2007. Development of business in Italy was partially influenced by aggressive competitor pricing. Loewe's sales of EUR 20.8 million were 3% lower than in the previous year. Sales at Loewe France rose by 21% in 2007 to EUR 21.1 million. Loewe Austria even increased sales by 48% to EUR 14.1 million.

In the United Kingdom, organizational adjustments related to the termination of the distribution agreement led to an 18% decline in sales to EUR 8.2 million. The commencement of business of our subsidiary Loewe UK Ltd. in May 2007 represented a restructuring of our sales organization in that country.

In the remaining countries, external distribution partners market Loewe products. Loewe's most important export market without a company-owned sales company is Spain. The EUR 45.2 million in sales revenues in Spain are made up of TV deliveries through our distribution partner and deliveries of components to the Sharp plant in Barcelona. Structural changes reduced sales by 6%. In cooperation with the local distribution partner, measures for increased growth are in the implementation phase.

Germany records highest growth in absolute terms

Austria grows just under 50% year-on-year

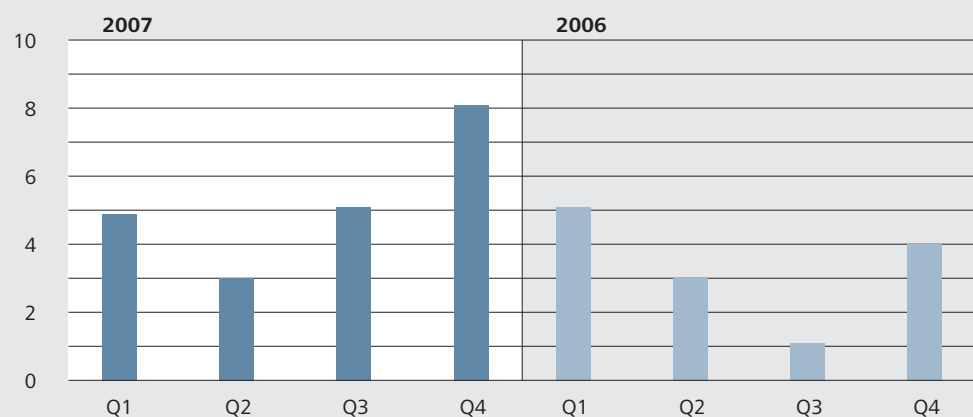
Loewe reports earnings jump

Despite its comparatively small size, the Swiss market is very attractive for high-end products. Loewe is well positioned in Switzerland and increased its sales by 29% to EUR 8.9 million.

Noticeably improved earnings in 2007

At EUR 21.1 million in 2007, EBIT was EUR 7.9 million, or 60%, higher than in the previous year. The improved earnings resulted primarily from the increased sales volume and the better product mix due to the high percentage of new, large-screen LCD TVs and audio components. In addition, the selling prices for the Loewe product line remained nearly stable compared to the competition; only in the lower price segment were moderate price adjustments made in relation to the previous year.

EBIT by quarter (EUR million)



Despite the reduced sales at largely stable selling prices, Loewe achieved EBIT of EUR 7.9 million in the first and second quarter of 2007, nearly equaling the previous year's level. With sales and production volume sharply up, the third quarter closed with EBIT of EUR 5.1 million, signifying a significant year-on-year improvement in earnings. In the fourth quarter, increased sales and a further optimization of the product mix led to a doubling of the previous year's earnings to EUR 8.1 million.

Higher margins due to value-based marketing, improved product mix and lower procurement costs

Manufacturing costs rise at a lower rate than sales

With 8.9% higher sales revenues, the manufacturing costs in the year under review were up only 4.9% compared to the previous year. This improved the cost-of-manufacturing ratio from 76.8% to 73.9% in 2007. The primary causes for this were an improved product mix, lower procurement costs due to the weakness of the U.S. dollar and the generally optimized cost structure. As a result, the gross margin improved overall from EUR 79.5 million in 2006 to EUR 97.2 million in 2007. As a percentage of sales, the gross margin improved from 23.2% to 26.1%.

Rise in selling expenses

Partially in response to increased sales, selling expenses rose by EUR 11.7 million to EUR 68.3 million in 2007. Increased efforts at further expanding the brand position, which were associated with higher expenses for communications and the expansion of the shop in shop systems at the

point of sale, contributed to this increase. Furthermore, higher warranty expenses and personnel expenses had an impact. As a percentage of sales, the selling expenses rose from 16.5% in 2006 to 18.3% in 2007.

Administrative expenses

Administrative expenses increased year-on-year by EUR 0.6 million, primarily due to personnel and social security costs. As a percentage of sales, administrative expenses were slightly below the level of the the previous year at 2.5%.

Other operating income, net

The balance of other operating income and expenses and income from equity investments of EUR 1.6 million exceeded the prior-year figure by EUR 2.4 million.

Other operating income, including income from equity investments, in a total amount of EUR 9.0 million was significantly lower than in 2006. In 2006, this item included income from a claim settlement of just under EUR 4 million paid by a Belgian insurance company for the fire in the freight warehouse located there. Lower expenses for development services passed on to Sharp also had an impact.

Other operating expenses, which for the most part correspond to other operating income, dropped by EUR 7.5 million to EUR 7.4 million in 2007. For that reason, the main differences between the claim adjustment in Belgium and development costs for Sharp are identical.

Net interest expense declines significantly

Net interest expense declined from EUR 2.7 million to EUR 2.2 million as borrowings were significantly reduced compared to the previous year and the financing conditions were substantially improved by the conclusion of a new credit agreement. In addition, there was an increase in interest income from bank balances as well as from overnight money and term money investments.

Higher capital expenditure

Capital expenditure and depreciation/amortization

EUR million	2007		2006	
	Capital expenditure	Depreciation/amortization	Capital expenditure	Depreciation/amortization
Intangible assets	8.5	8.0	6.7	7.2
Property, plant and equipment	14.6	11.1	11.8	10.4
Financial assets	0.1	0.0	0.0	0.0
Total	23.2	19.1	18.5	17.6

Capital expenditure rose by EUR 4.7 million to EUR 23.2 million year-on-year. Investment in property, plant, and equipment focused on tools for new products, presentation systems for retailers, streamlining measures in production and on capitalized development costs in intangible assets.

Capital expenditures focus on new products and positioning on the market

Depreciation and amortization in the amount of EUR 19.1 million in 2007 was EUR 1.5 million higher than in 2006. The increase in depreciation and amortization was primarily due to the higher investing activities in 2006.

Equity increased further to EUR 72.7 million; equity-to-assets ratio reaches 33%

Balance sheet ratios improved significantly – further increase in shareholders' equity

The net income for 2007 raised the shareholders' equity of the Loewe Group including minority interests from EUR 66.1 million to EUR 72.7 million. Total assets increased slightly to EUR 220.4 million. Trade accounts receivable were significantly higher due to the growth in sales in the fourth quarter.

Key figures of the consolidated balance sheet

EUR million	2007	2006	± in %
Non-current assets*	63.5	67.6	- 6
Current assets*	156.9	150.4	+ 4
Assets of the discontinued division	0.0	0.0	
Total assets	220.4	218.0	+ 1
Shareholders' equity incl. minority interests	72.7	66.1	+ 10
Non-current liabilities*	57.9	55.2	+ 5
Current liabilities*	89.8	96.3	- 7
Non-current/current liabilities of the discontinued division	0.0	0.4	
Total liabilities and shareholders' equity	220.4	218.0	+ 1

* continuing division only

Non-current assets reduced

The decline in non-current assets results for the most part from the reduction in deferred tax assets which were re-measured as a consequence of the German business tax reform of 2008 and the utilization of loss carryforwards. This more than compensated for the increase in property, plant and equipment.

Non-current assets

EUR million	2007	2006	± in %
Property, plant and equipment	39.6	36.3	+ 9
Deferred tax assets	16.4	24.1	- 32
Other non-current assets	7.5	7.2	+ 4
Total non-current assets	63.5	67.6	- 6
as a percentage of total assets	28.8%	31.0%	

Property, plant, and equipment includes land and buildings, production facilities, and other factory and office equipment primarily at the Kronach location. The increase is mainly due to investments in more efficient production facilities, shop in shop systems for a brand-adequate presentation at the point of sale and modernization of the IT infrastructure. The intangible assets included in the other non-current assets chiefly relate to development costs for new products to be recognized in accordance with IAS 38.

Increased current assets

Inventories were significantly reduced year-on-year. In contrast, trade accounts receivable were increased due to the significant increase in sales in the fourth quarter of 2007. Cash and cash equivalents as part of current assets decreased due to the repayment of long-term and short-term loans in 2007.

Current assets

EUR million	2007	2006	± in %
Inventories	52.3	59.9	- 13
Trade accounts receivable after factoring	98.1	81.9	+ 20
Current assets	6.5	8.6	- 24
Total current assets	156.9	150.4	+ 4
as a percentage of total assets	71.2%	69.0%	

Inventories reduced

Inventories declined 13% to EUR 52.3 million compared to the previous year. Inventories of finished goods increased due to the higher sales volume, the significantly increased share of large-screen LCD sets and stockpiling to ensure the market launch of the Connect 37 scheduled for early 2008. On the other hand, factory inventories in particular were reduced year-on-year. Lower inventories of raw materials and supplies were primarily due to the reduced stockpiling of LCD panels. Service inventories were at the same level as in 2006.

Composition of inventories

EUR million	2007	2006	± in %
Raw materials and supplies	16.0	28.1	- 43
Work in progress	2.1	1.4	+ 50
Finished goods and merchandise	34.2	30.4	+ 13
Total	52.3	59.9	- 13

Inventories are concentrated in the central warehouse in Germany because Loewe Opta Benelux is the only foreign company to maintain its own freight warehouse.

Higher sales cause higher receivables

Adjusted for factoring, trade accounts receivable rose 21 % year-on-year to EUR 99.0 million. The increase is primarily due to the significantly higher sales volume in the fourth quarter of 2007 compared to the fourth quarter of 2006.

Trade accounts receivable

EUR million	2007	2006	± in %
Trade accounts receivable before factoring	99.0	81.9	+ 21
Factoring	- 0.9	0.0	
Total trade accounts receivable*	98.1	81.9	+ 20
as a percentage of total assets	44.5%	37.6%	

Factoring was utilized to only a slight degree in the amount of EUR 0.9 million under the factoring agreement with Fortis Commercial Finance GmbH. The amount in 2006 was less than EUR 0.1 million.

Solid equity base

Due to the strong business performance in 2007, shareholders' equity including minority interests grew to EUR 72.7 million. The equity-to-assets ratio improved from 30.3 % to 33.0 %.

Non-current provisions increased, liabilities reduced

The higher share of non-current liabilities year-on-year results primarily from higher provisions and reduced financial liabilities.

Non-current liabilities

EUR million	2007	2006	± in %
Pension provisions	39.4	37.9	+ 4
Other provisions	15.2	13.1	+ 16
Financial liabilities	3.3	4.2	- 21
Total non-current liabilities	57.9	55.2	+ 5
as a percentage of total assets	26.3%	25.3%	

Pension provisions slightly increased

The EUR 1.5 million increase in pension provisions is primarily the result of adjusting the interest rate and the increase in wages and salaries and the rising pension trend. Other provisions increased primarily in the areas of warranty obligations, license fees and non-current provisions for personnel. The decline in financial liabilities relates to scheduled repayments of long-term liabilities to banks.

Decrease in current liabilities

Current liabilities

EUR million	2007	2006	± in %
Trade accounts payable	29.9	34.2	- 13
Other provisions	45.7	45.6	0
Other current liabilities	14.2	16.5	- 14
Total current liabilities	89.8	96.3	- 7
as a percentage of total assets	40.7 %	44.2 %	

The significant decline in trade accounts payable resulted primarily from LCD panel purchases from suppliers with European warehouses which led to shorter payment times. The purchasing volume from the Far East with a longer payment time continued to decline in 2007.

The decline in other liabilities relates primarily to the repayment of short-term bank loans and other liabilities.

Secure financing

Use of financing

EUR million	2007	2006	± in %
Cash and cash equivalents	3.9	6.5	- 40
Long-term liabilities to banks	- 3.3	- 4.2	- 21
Short-term liabilities to banks	- 2.3	- 5.8	- 60
Subtotal	- 1.7	- 3.5	
Factoring	- 0.9	0.0	

The net bank balance of the Loewe Group improved from EUR -3.5 million as of December 31, 2006 to EUR -1.7 million as of the 2007 balance sheet date. At year-end 2007, the use of factoring was limited at EUR 0.9 million.

The renegotiated syndicate agreement in the amount of EUR 50 million was concluded under improved conditions until mid-2012. The factoring agreement of EUR 35 million which had existed since year-end 2003 was confirmed until mid-2010 under improved conditions. The solid capital structure and financing agreements will support Loewe's growth targets in the years to come.

**New syndicated loan
agreed at significantly
improved conditions
until 2012**

Positive free cash flow

The free cash flow of EUR 1.8 million improved year-on-year by EUR 6.0 million. In particular the improved profit from ordinary activities was a deciding factor. Cash flow before changes in net current assets increased year-on-year by EUR 13.1 million to EUR 38.0 million.

Key figures of the consolidated cash flow statement

EUR million	2007	2006
Cash flow before changes in net current assets	38.0	24.9
Change in net current assets not incl. factoring	- 12.8	- 10.2
Net cash used for investing activities	- 23.1	- 18.5
Free cash flow of the continuing division	2.1	- 3.8
Free cash flow of the discontinued division	- 0.3	- 0.4
Total free cash flow	1.8	- 4.2

The increase in net current assets was almost completely due to due to increased trade accounts receivable. Lower trade accounts payable were more than offset by lower inventories.

Current assets, net

EUR million	2007	2006	Change
Inventories	52.3	59.9	- 7.6
Trade accounts receivable not incl. factoring	99.0	81.9	+ 17.1
Other assets*	2.0	1.3	+ 0.7
Trade accounts payable	- 29.9	- 34.2	+ 4.3
Other provisions	- 45.7	- 45.6	- 0.1
Other current liabilities*	- 7.9	- 6.3	- 1.6
Total net current assets	69.8	57.0	+ 12.8

* excluding income taxes

Marketing and sales

Loewe extends its market position as the leading premium brand with targeted marketing activities

All marketing activities in fiscal 2007 were targeted at advancing the Loewe premium strategy. The product portfolio, the presentation at the point of sale and communications were continuously enhanced to enable Loewe to expand its position as the leading European premium brand.

The market launch of Individual 46 Compose marked the start of the first quarter in 2007. In screen sizes of 40 and 46 inches, the Individual Compose line is equipped with the high-resolution Digital+ platform, an individual sound concept and the integrated and HDTV-capable hard disk recorder DR+. Very good test results for picture and sound quality also underscore the set's technological added value compared to the competition. The new product line Individual Compose became another chapter in Loewe's success story. With a 24.9% share of retail sales, Loewe took over market leadership in Germany in the rapidly growing 46/47 inch LCD TV segment in May 2007.

Loewe's audio expertise was developed concurrently. The Individual Sound audio line has enabled Loewe to position itself as one of the leading premium segment audio providers within a short time. Whether in traditional 5.1 configuration or with the innovative Individual Sound Projector, Loewe offers its premium customers the highest level of individual sound experience possible. This is also evidenced by increasing market share in Germany to 6.7% in December 2007, after 2.4% a year before.

With the market launch of the first Blu-ray player BluTech Vision, Loewe is taking another decisive step in the direction of system leadership in home entertainment systems. BluTech Vision offers cinema content in unique definition and resolution. Loewe system integration enables the customer to control BluTech vision and the Loewe TV set with only one remote control – the Loewe Assist.

Loewe's stated goal is to significantly enhance its brand image even further, especially in the retail market. For that reason, another focus in 2007 was the qualitative expansion of the Loewe points of sale to make comprehensive, value-oriented marketing possible. Highlights of the point of sale offensive included the openings of the Loewe Galleries in Zurich, Paris, Copenhagen, Istanbul and Zagreb. In doing this, Loewe is laying the groundwork for an international urban strategy that will be continued in 2008.

In order to motivate Loewe retailers sustainably and specifically in the direction of premium positioning, we announced the "Premium Dealer of the Year" award for the first time in 2007. After intensively reviewing the applications received, we recognized three dealers for their outstanding point of sale activities by granting them the Premium Award in May 2007.

"Learn from the best" describes the basic concept of the retailer events, which we staged starting with the second quarter of 2007. More than 150 retailers met in seven galleries all over Germany. These events gave rise to a valuable exchange of ideas and experience between leading retailers and Loewe managers. The knowledge gained was used to convincingly convey the great potential of the Loewe brand to other retailers.

Furthermore, the dealer tour in May 2007 again pointed the way to future cooperation with Loewe in decisive ways and more intensively reinforced the loyalty of the most important retailers from all over Europe to the premium brand Loewe. The new course was successful throughout the summer months and was extended into the seasonal shopping season.

The communications highlight in 2007 was Loewe's appearance at IFA in Berlin. The primary objective was to reinforce the Loewe brand's premium positioning in individual home entertainment systems and also attract a young, affluent target group for Loewe through the new product line Loewe Connect. Attention was focused on the growing need for connectivity. More and more customers want to be able to easily transfer individual multimedia content to their home entertainment system. Loewe's key motto at the IFA was "Loewe brings together what belongs together." Of primary importance for the communication concept was the new Loewe Connect, which is for the first time capable of connecting digital peripheral devices such as digital cameras, MP3 players, game consoles or external network memories through a wired or wireless connection, and of course in perfect Loewe quality. This innovative approach was already honored during the IFA PreView events in Hamburg and Munich with the "PreView Award" for the "Innovation IFA 2007." In addition, the "PreView Award" for design also went to Loewe for the Individual 52 Compose.

New strategy for international metropolises

IFA PreView Awards for innovation and design awarded to Loewe

Loewe is first manufacturer of high-definition 100 Hz LCD TVs with integrated HDTV receiver

The dealers' area in the exhibition stand was a brand-adequate environment for dialogue between Loewe and its retail partners. Strengthened by the successful trade show appearance and the broad and extremely positive media response, the IFA highlights were marketed in the fourth quarter as part of the annual business. The Connect campaign represents the opening event for closely interconnected and integrated communication. The campaign focuses on the unique connectivity of Loewe Connect and is attracting a great deal of attention through ads in high-circulation publications such as Stern. Together with online and dialogue marketing activities, interested persons were specifically guided to retail shops where they could experience the sets live in retailing events.

Development and production

In 2007, Loewe focused on the introduction of new, large-screen, high-definition LCD TVs. In addition to analog and digital television, the sets are also capable of receiving and playing high-definition television (HDTV). Most of the screens have a resolution of 1920 by 1080 pixels (full HD) and if desired can be equipped with the Loewe hard disk recorder DR+ which can be used to record HDTV broadcasts in their original resolution. An integrated photo viewer for high-resolution photos rounds out the features of these top-notch products.

In the third quarter of 2007, Loewe was the first manufacturer to develop high-definition 100 Hz LCD television sets (full HD 100 Hz) with an integrated receiver for HDTV to production readiness and successfully launch them on the market. The heart of the new TV generation is the L2710 electronics platform. Initially, one set each of the Individual Compose and Individual Selection product families (both with a 46 inch screen diagonal) was equipped with this new electronics platform. The new 100 Hz technology will further improve picture quality. Motion blur, which can occur when the camera is panned rapidly, is significantly reduced even further. Movies are shown judder-free. Videos recorded on high-resolution Blu-ray DVDs in 24p format are played back perfectly.

Development provided prototypes of the new TV family Loewe Connect just in time for the International Consumer Electronics Fair in Berlin. Although the production release for the Connect 37 Media was originally planned for early 2008, it could be issued already in December 2007. The innovative Connect sets have an additional module (media player) that makes it possible to connect them to an (even wireless) home network. Music, photos and videos that are stored, for example, on the computer can be transferred to the television set and played back there.

By developing a sound projector, Loewe has expanded its broad range of system solutions. The Individual Sound Projector now makes it possible to produce authentic surround sound without distributed speakers. In addition, the range of use of the current Individual Sound line was expanded to make it possible to supply the rear speakers with sound wirelessly by developing a digital wireless link.

Advance development is continuing work on the subsidized research projects according to plan. These projects are primarily focused on novel software systems, an intelligent on-screen menu and integration of the television set into a home network. The INTCER research project was successfully concluded. INTCER led to new approaches for making it possible for the viewer to choose his or her favorite programs from the variety of programming available in a simple manner.

Number of employees slightly higher

Loewe employed 997 people on an annual average, most of them at the Company's headquarters in Kronach. The average number of employees increased by 32 persons over the average for 2006. The reinforcements in marketing and development were necessary to support the continued market launch of new products and to further advance brand presence, in particular in the key European markets.

The proportion of trainees in the entire workforce at Kronach was maintained at a constantly high level. On an annual average, approximately 7% of the workforce again completed vocational training.

Employees by division

Annual average	2007	2006	±
Marketing, sales, service, quality	255	220	+ 35
Development	129	118	+ 11
Production	395	404	- 9
Administration and services	96	88	+ 8
Trainees	72	70	+ 2
Other (permanently absent, part-time retirement)	50	65	- 15
Total employees	997	965	+ 32

Compared to the previous year, the average workforce in the foreign subsidiaries increased by 29 persons to 97 employees. The establishment and first-time consolidation of the subsidiary Loewe UK contributed in particular to the significant increase in personnel. The Glasgow-based sales subsidiary employed 21 persons on average. The buildup in other companies was strongest in marketing and sales, primarily in Italy and France. In these significant markets for Loewe, it is intended to increase the brand presence among retailers in the years to come.

Employees by country

Annual average	2007	2006	±
Germany	900	897	+ 3
Benelux countries	34	33	+ 1
France	19	17	+ 2
Italy	14	12	+ 2
Austria	9	6	+ 3
UK	21	-	+ 21
Total employees	997	965	+ 32

Employee development remains in focus

In 2007, we focused on appropriate personnel cost management and strategic answers to the challenges of demographic change. In addition to high-quality professional training, the human resources staff use additional activities for recruiting and retaining qualified employees and staff development.

To attract young talent, Loewe is continuing to expand its marketing in schools and universities. In addition to regional career information seminars for students in all types of schools, contacts with universities are being further intensified. Thus Loewe is already perceived as a potentially attractive employer in the early phase of career decision-making and can attract promising candidates at an early stage.

Particular highlights in 2007 were the active participation in the summer school and the company contact event of the Bayerische Elite Akademie. In this connection, the expansion of the dual system activities in the universities of applied sciences in the region to include the fields of informatics and electrical engineering is a further important contribution. Specific supportive measures such as stipends or networks and active participation in national committees and activities such as "Jugend forscht" ("Youth Researches" – a German youth science competition) and "Arbeitskreis Schule/Wirtschaft" (an established network of school-business partnerships) develop and implement forward-looking ideas. High-achieving students are supported and integrated into the Company's operations. In addition to fostering loyalty, these measures have positive effects with regard to the transfer of knowledge from the universities to the Company.

In order to take into account the increasing average age of the workforce in the future, priority was given in 2007 to work on a number of internal projects intended to respond to the special challenges of aging workforces. The key points are competency management, company support of health and sports and the avoidance of improper stresses at the workstation.

To counteract the possibility of an excessively high rise in personnel expenses for 2007 due to the expiration of the reorganization collective agreement in late 2006, an additional supplemental collective agreement was negotiated with the IG Metall labor union. All non-union employees were included in this measure to hold down personnel expenses, which significantly reduced such expenses.

Work was started on preparations for the introduction of the joint master collective pay agreement (ERA) for hourly and salaried employees with the objective of converting the remuneration system on January 1, 2009. In employee development, the focus was on intercultural competence, leadership and technical training content.

The outlook for the current fiscal year also shows that a lean and flexible organization is an essential prerequisite for sustained, profitable growth. The Executive Board is confident that the Company will continue to develop favorably and expresses its thanks to all employees for their successful personal dedication.

Due to the very favorable earnings performance in fiscal 2007, Loewe will this year distribute a special bonus of EUR 1.5 million to all of its employees. The payout is scheduled for April 2008.

**Bonus of EUR 1.5 million
for all Loewe employees**

Sustained environmental orientation and quality management

Continuous reduction of the environmental impact of all corporate activities is an essential goal at Loewe. For that reason, we expect and promote environmental awareness and personal responsibility among all our employees. Beyond the legal requirements, Loewe participates in "Umweltpakt Bayern," a Bavarian government and industry initiative committed to continuous improvement of the environment, and has certified its environmental management system under DIN ISO 14001 and its quality management system under DIN ISO 9001. Loewe employs specific annual safety and environmental improvement measures to actively increase its energy efficiency.

Several of the most important activities from this area are:

- Planning for a new central compressed air plant to minimize expenditure of energy
- Installation of additional energy measuring points for recording and controlling energy consumption
- In-house workshops with outside energy consultants to discuss and implement more extensive energy saving potentials

Loewe's involvement in committees of the German Electrical and Electronic Manufacturers' Association (ZVEI) prepares it extremely well to implement the EU's environmental directives. In collaboration with Philips and Sharp, Loewe established the manufacturers' cooperative arrangement ProReturn. Its objective is to fulfill obligations arising from the Act Governing the Sale, Return and Environmentally Sound Disposal of Electrical and Electronic Equipment (ElectroG) of March 23, 2005 in a more efficient manner both in terms of economics and the environment. By year-end 2007, Loewe had taken back approximately 3,500 tons of used equipment and disposed of them in accordance with environmental standards.

Another focal point in the development of technically high quality and environmentally safe products was the early implementation of the Restriction of Hazardous Substances Directive (RoHS). By early 2006, all Loewe assemblies were already being soldered without lead and 100% of the components were in conformity with RoHS. Of course, Loewe uses no halogen-containing flame retardants in circuit boards and in plastic parts. Already in the design and development stage, it is considered very important for the products to contain no pollutants and be recycled as easily as possible.

Great progress has also been made in making Loewe products more energy efficient. Standby consumption has been significantly reduced. Operating consumption was also reduced through the use of a light sensor that measures ambient brightness and adjusts the backlighting of the screen, making it possible to save 30–50% compared to conventional sets. The high integration of additional functions such as the hard disk recorder DR+ or various DVB tuners also makes it possible for the Loewe products to save electricity compared to comparable single components. Not to be disregarded is the lower use of materials, which contributes to the protection of our environment's resources.

Suppliers are involved at an early stage in order to select suitable packaging materials to minimize waste. In this connection, a standard for reusable packaging will go into effect with several suppliers. Loewe has underscored its efforts to actively support new environmental technologies by installing an emergency power system based on fuel-cell technology in October 2005.

**Energy efficiency
significantly improved**

**Active promotion of
new environmental
technologies**

Manual defines actions to ensure a sustained high level of product quality

Loewe's Quality Management passed re-certification in 2007 without objections. The audit confirmed Loewe's target and process-oriented quality management system, which is aptly monitored by performing internal audits. Highlights of 2007 included:

- Optimization of the entire product planning process, including project processes. The restructuring was completed and laid down in the project manual
- Supplier management and the supply chain were newly structured, and the relevant processes were adjusted to reflect the new requirements
- Qualification processes and qualification tests were completed with a view to software qualification in response to the challenges of the digital world

In order to consistently and sustainably maintain product quality on a daily basis, a catalogue of 17 critical issues was compiled for interdisciplinary application. For Loewe, this is part of its consistent focus on Loewe as a premium brand.

Shareholders' Meeting on May 25, 2007

At the Shareholders' Meeting of Loewe AG held in Munich on May 25, 2007, all five items on the agenda were adopted with only a few opposing votes. Among other things, the agenda included the resolution concerning transfer of information to shareholders by electronic transmission.

Events after the balance sheet date

Dr. Rainer Hecker, Chairman of the Executive Board of Loewe AG, will resign voluntarily from the Executive Board of Loewe AG after 25 years of service. He will resign from his position as member and Chairman of the Executive Board as of the conclusion of this year's Annual Shareholders' Meeting on June 9, 2008. The Supervisory Board appointed Frieder C. Löhner, Engineer, as the new member of the Executive Board and designated chairman. As of April 1, 2008, he will assume responsibility for marketing and sales at Loewe and the chairmanship of the Executive Board as of the conclusion of this year's Annual Shareholders' Meeting on June 9, 2008. Gerhard Schaas (CTO) and Oliver Seidl (CFO) will continue to serve as members of the Executive Board.

The changes described above apply on an equal scale to the functions at Loewe Opta GmbH.

Explanatory report of the Executive Board on the disclosures pursuant to Sections 289 (4) and 315 (4) of the German Commercial Code (HGB)

The Second Amendment to the Conversion Act, which has been in force since April 25, 2007, has also brought about a change to Sections 120 (3) sentence 2; 171 (2) sentence 2 and 175 (2) sentence 1 of the German Stock Corporation Act (AktG). Accordingly, it is the duty of the Executive Board of a listed company to explain the disclosures pursuant to Sections 289 (4) and 315 (4) of the German Commercial Code (HGB). Except for clause 3c, the information of the following explanatory report is unchanged from fiscal year 2006.

1. On December 31, 2007, the Company's share capital amounted to EUR 13,009,229. It is divided into 13,009,229 no-par value bearer shares. All shares confer the same rights. Each share confers one vote in the Annual Shareholders' Meeting and the same participation in profits.
2. No voting rights restrictions exist. No restrictions relating to the transfer of shares are known.
3. The following "direct" or "indirect" interests in the share capital of Loewe AG which exceed 10% of the voting rights were reported to the Company.
 - a) Sharp Corporation, 22-22, Nagaike-Cho, Abeno-Ku, Osaka 545-8522, Japan ("Sharp") reported on February 3, 2005 that it directly and indirectly holds 28.83% of the voting rights in Loewe. Of that amount, pursuant to Section 22 (1) sentence 1 No. 1 of the German Securities Trading Act (WpHG), 6.73% of the voting rights must be attributed to Sharp, which are held by its fully owned subsidiary Sharp International Finance (UK) Plc, Sherbourne House, The Croxley Centre, Watford, Hertfordshire, WD18 8WT, United Kingdom.
 - b) Dr. Rainer Hecker, Joseph-Haydn-Straße 9, 96317 Kronach, reported on November 2, 2005 that he holds 13.95% of the voting rights in Loewe AG. This percentage includes 9.72% of the voting rights in Loewe AG which were attributable to him in accordance with Section 22 (1) No. 1 of the German Securities Trading Act and that are held by J & A Vermögensverwaltung GmbH, Joseph-Haydn-Straße 9, 96317 Kronach.
 - c) In the name of Electra QMC Europe Development Capital Fund plc, Dublin, Ireland as well as in the name of and by order of the additional persons named, it was reported to the company on June 25, 2007 pursuant to Sections 21 (1) and 22 of the German Securities Trading Act, that the share in the voting rights in Loewe AG held by the persons named in the notification on June 20, 2007 exceeded the thresholds of 3%, 5% and 10% of the voting rights and subsequently amounts to 10.132% of the voting rights (corresponding to 1,318,050 voting rights from the same number of shares).
4. No shares with special rights exist, in particular such conferring supervisory powers.
5. No system of control of voting rights exists for the event that employees hold an interest in the capital and do not directly exercise their control rights.
6. The members of the Company's Executive Board are appointed and removed by the Supervisory Board pursuant to the provisions of Section 84 of the German Stock Corporation Act. The Articles of Incorporation of Loewe AG provide no further provisions in this regard. The Shareholders' Meeting decides on amendments to the Articles of Incorporation using a simple majority of the votes cast and of the share capital represented, unless the law mandatorily requires other procedures.

7. Pursuant to Section 76 (1) of the German Stock Corporation Act, the Executive Board is required to manage the Company under its own responsibility and represents the Company judicially and extra-judicially pursuant to Section 78 (1) of the German Stock Corporation Act.

Pursuant to Section 5 of the Articles of Incorporation, authorized and conditional capital exists.

- a) By resolution of the Annual Shareholders' Meeting on June 2, 2005, new authorized capital was created in the amount of EUR 5,200,000. This resolution authorized the Executive Board, with the consent of the Supervisory Board, to increase the Company's share capital by up to a total of EUR 5,200,000 through the issue of up to 5,200,000 no-par value bearer shares in exchange for contributions in kind or cash contributions on one or more occasions until no later than June 1, 2010 (2005 Authorized Capital). The shareholders must be granted a subscription right. The Executive Board is authorized, with the consent of the Supervisory Board, to establish the conditions for the issue of shares and to exclude the subscription right of the shareholders in the following cases:
- aa) for the evening out of fractional amounts;
 - bb) as consideration for contributions in kind, in particular in the form of companies or business units;
 - cc) 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.

After the partial utilization through the capital increase in October 2005, the authorized capital still amounts to EUR 2,598,154.

- b) Additional conditional capital of up to EUR 398,400, divided in up to 398,400 shares, exists for the implementation of a stock option plan. The conditional capital increase was used to grant subscription rights to members of the Executive Board, authorized signatories and executives of the Company as well as managing directors, authorized signatories and executives of affiliated companies in accordance with the transformation resolution of April 20, 1999. The option program expired on July 1, 2005. The option rights were forfeited without the Company being obligated to provide any form of compensation.

In the cases referred to in Section 71 (1) of the German Stock Corporation Act, the Executive Board may acquire treasury shares. No authorization by the Shareholders' Meeting exists for the acquisition of treasury shares pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act.

8. Public Offerings for the purchase of shares of the Company are governed solely by the Articles of Incorporation and the law, including the provisions of the German Securities Purchase and Takeover Act (WpÜG). The Shareholders' Meeting has not authorized the Executive Board to take any actions falling within the former's sphere of responsibility in order to thwart the success of potential takeovers.
9. No compensation agreements of the Company have been entered into with members of the Executive Board or employees for the event of a takeover bid.

Risks of future development

Risk management at Loewe

Intense global competition characterizes the market for consumer electronics. As a comparatively small company, it is all the more important for Loewe to identify risks that are inseparable from business activity and reduce them to an acceptable level. Anticipatory risk management contributes to Loewe's success in increasing its earning power.

By clearly defining risk areas and fields, Loewe is able to systematically identify, evaluate and document existing individual risks. At the same time, the system models their impacts on the Company's financial position and performance. The remaining residual risk is determined by evaluating existing safeguards and estimating probabilities of occurrence. The responsibility of every person responsible for risks is to promptly develop measures for avoiding, reducing and hedging risk and to implement them promptly if necessary. In the subsequent risk monitoring process, the efficiency of the countermeasures is reviewed and their implementation is monitored. By incorporating risk management into a document-management system, we have integrated our IT, enabling those responsible for risks to process individual risks in a decentralized fashion. IT integration also provides for central reporting.

Loewe's risk management system is an integral component of the entire planning, controlling, and reporting process. A transparent reporting system of managerial accounting makes it possible to detect discrepancies in key data early so that actions can be initiated or operational changes implemented in time.

Despite such measures, a functioning risk management system cannot guarantee that all risks are completely ruled out. The major risks are described below.

Premium positioning in the flat-panel display market

Loewe's core business is the marketing of high-quality televisions and home entertainment systems. In doing so, the price premiums achievable, the costs of manufacturing the products and the sales volumes possible must be kept in reasonable balance. Only if customers identify with Loewe products based on their quality and product characteristics will they also be willing to pay a higher price. This is the only way to compensate for the higher costs and generate an adequate contribution to margin.

In recent years, a premium segment has become established in the flat-panel display market. This opens up attractive opportunities for Loewe to differentiate itself through high-end, fully featured sets and generate attractive margins. In the meantime, however, several rivals have increased competition in Loewe's target segment in both design and features. In this scenario, the potential for sales and thus attainable contributions to margin could be limited for Loewe. In the future, it will be necessary for Loewe to set itself apart from the competition through unique selling points and differentiating features and increase earnings through value-based marketing of individual home cinema solutions at stable prices.

Forward-looking risk management

Premium brand offers Loewe opportunity for clear differentiation in the market

Product design and individual design and equipment features will continue to be an important differentiating and positioning criterion. Loewe will continue to use these differentiating features in the future to obtain a price premium. In particular, the modular flexibility of Loewe products (recording to hard disk, digital reception of high-definition media, connectivity to MP3 players and PC networks, etc.) will provide customers individual and customized solutions with added value. As part of a balanced product mix, the clear focus is on the high-definition digital media of the future.

However, sales and earnings risks can also arise if new products are not launched in time or if production of current products is started late due to unavailability of materials. Loewe precludes such risks by systematic project controlling. Constant monitoring of critical success factors makes it possible to detect discrepancies early so that appropriate countermeasures can be initiated. Ongoing review of sales forecasts using market analyses, intense market observation, etc. increases planning predictability in production.

The standardized, high-quality retail presentation of Loewe products will also make an important contribution to premium positioning and differentiation.

Expansion of technological differentiation potentials

Sustainable and credible premium positioning requires that important product features of flat-panel display sets and home entertainment systems, such as, for example picture and sound quality, user interfaces or system capability, are judged positively in direct competition. Should this not be convincingly possible over an extended period, there is the risk that this will have a negative impact on the achievable price premiums and sales potentials. In development, there is a risk that insufficient resources will be available to develop technological differentiation opportunities.

Loewe therefore concentrates on areas of technology that offer customers added value and present opportunities for differentiation. To minimize the risks of increasing complexity of technical platforms and further increase the reliability of new product generations, new chip concepts, for example, are also selected by taking into account the provided software. Human resources were increased in software development in particular, especially in order to be able to generate technical differentiation potentials on a lasting basis. Modules and components are outsourced if it is not possible to achieve a better result for the customer through our own efforts. Furthermore, the development cooperation with Sharp contributes to the ability to develop chassis platforms. Taking a jointly developed chassis platform as a basis, Sharp and Loewe will be able to concentrate more on deriving brand-specific products from them. However, Loewe faces the risk that the jointly developed chassis platform will limit the potential for differentiation from comparable Sharp products.

The establishment of strategic partnerships, among others with Sharp, cooperation with research institutions on subsidized projects and constant observation of the activities of the technology leaders makes it possible to identify and select relevant technologies in good time.

Furthermore, we are attempting to exploit existing contacts with institutions, universities and research facilities of significant companies more intensively and also to expand them.

Development cooperations for brand-specific products

Attractive purchasing conditions and availability of materials

Our lower purchasing volume of flat panels and important components compared with the competition makes it more difficult to achieve attractive purchasing conditions. Supplier delays, delivery shortfalls or quality defects can also lead to temporary production disruptions and thereby negatively impact the earnings situation. Furthermore, there is a risk that future cost reductions on the purchasing side will not compensate for the negative impact of lower sales volumes and declining sales prices.

Loewe counteracts these problems by systematically bundling volume with key suppliers, reducing component diversity and qualifying alternative components and suppliers. Supplier selection, evaluation and control procedures are used to limit such risks. Such evaluation regularly includes criteria such as the performance of each supplier.

Because Loewe is under no contractual constraints in selecting its panel suppliers, Sharp is in direct competition with alternative suppliers. This enables Loewe to switch to LCD panels from alternative suppliers. On the other hand, the purchase of a portion of the LCD panels from second source suppliers from other countries also includes a certain decoupling from technologies.

Furthermore, we are systematically expanding existing agreements and continuously coordinating demand directly with suppliers and their partner organizations.

Product quality and liability risks

Successful and long-term implementation of a premium strategy presupposes a high level of quality. High standards apply to the reliability and safety of products. If such standards are fallen short of by a large margin, there is a risk of damage to the reputation of the Loewe brand with a long-term adverse impact on the Company's earning power. Technical problems can lead to time-intensive and expensive rework and repair measures. In addition, deteriorating product quality can result in higher warranty expenses and replacements as a gesture of goodwill.

It has become more difficult to achieve high quality goals in recent years because measures to increase performance led to greater stress on the assemblies used. The chief causes for defects in picture-tube sets in the past related to the picture-tubes used, line output transformers and soldering. Quality problems exist in 100Hz picture-tube sets that were manufactured between 1999 and 2001. To limit latent risks, we initiated another inspection campaign of these sets in early 2007. On the other hand, the now sole production of flat-panel display products should make a higher quality level possible.

In the production process, Loewe products are under constant quality monitoring. Intensive tests are performed on the pilot series. In addition, a control and tracking system makes it possible to determine the need for spare parts and the failure rates of the products on the market at an early time. This enables us to initiate countermeasures early and avoid subsequent errors.

Because of the high material component in flat-panel display sets, the quality of our suppliers becomes increasingly important. In addition to detailed supplier evaluations, Loewe regularly performs product/system audits and on-site acceptance inspections.

Permanent and consistent quality assurance

**New syndicated loan
secures financing for the
medium term**

Personnel risks

An aging and simultaneously shrinking population in Germany contains the risk that it will not be possible to recruit adequately qualified personnel in the future. In addition, inadequate succession policies could give rise to locational disadvantages or loss of know-how.

Loewe made preparations early on for counteracting this demographic change. We continuously establish contacts with potential future employees by building up close relations with schools, vocational schools and regional universities. At the same time, Loewe regularly participates in vocational training and marketing events. Another important pillar is in-house training. Furthermore, the active workforce is supported by specific employee development and support of career growth.

IT risks

In information technology, protection against unauthorized data access or data abuse is becoming more and more important. Loewe attempts to counteract these risks through technical protective measures such as use of virus scanners, firewall systems and access controls at the company and user level.

Foreign subsidiaries

Loewe generates roughly 50% of its sales abroad. In Belgium, France, Italy, the Netherlands, Austria and the UK, marketing of Loewe's products is performed by subsidiaries. In all other countries, independent distribution companies perform this function. The advantage of having its own subsidiaries is the more direct relationship with the customer, facilitating better implementation of Loewe's premium strategy and higher sales. This is associated with higher operational risk because the marketing organization's fixed costs are incurred independent of the sales revenue achieved.

To limit these risks, we have avoided costly decentralized warehousing by shipping directly to customers in Italy, France, Austria and the UK. Essential administrative functions are supported from Germany in order to keep fixed costs of Loewe's foreign companies at a minimum. In addition to the current reporting, quarterly meetings are held with the persons responsible for the countries in order to detect deviations early and to initiate countermeasures.

Financing risks

A syndicate agreement in the amount of EUR 50 million (term to maturity until June 30, 2012) was concluded with the principal banks in mid-2007. A factoring agreement (term to maturity until June 30, 2010) with an additional financing volume of EUR 35 million is available for additional medium-term financing.

This has ensured Loewe's medium-term financing. The solid capital structure and financing agreements should not limit Loewe's growth potential in the years to come.

Only small liabilities to banks existed as of December 31, 2007, and hardly any use has been made of factoring. Given the fact that Loewe's need for financing reaches its seasonal high in the fourth quarter, this provides clear proof of the existing financial latitude. Monthly Group liquidity planning is prepared for one year in advance for regular liquidity control.

Currency risks

The currency risk for Loewe is essentially limited to the procurement of LCD panels that are predominantly settled in U.S. dollars. To limit the associated exchange rate risk, guidelines were established that guarantee a proportional hedge of the price risk. To this end, the anticipated foreign currency volume is determined using a rolling 12 month projection and up to approximately 60 – 70% was hedged by forward exchange transactions, call options and zero cost options.

Legal risks

Legal risks arise primarily from complaint and warranty claims, claims for compensatory damages and lawsuits. Recognizable legal risks are covered either by insurance or – if recognizable liabilities already exist – to an adequate degree by provisions. However, losses can arise that are not or are only inadequately insured or significantly exceed the provisions.

Tax law changes

Legal changes are usually difficult to forecast and they carry the risk of worsening the balance sheet of the Loewe Group. After the passage of the German Business Tax Act of 2008, the capitalized deferred tax assets were remeasured in the third quarter of 2007. In accordance with International Financial Reporting Standards and current tax laws, deferred taxes on loss carryforwards amounted to EUR 12.2 million and were recognized in the consolidated balance sheet. This carrying amount is based on the current tax legislation. Both the deferred taxes on loss carryforwards as well as the total amount are explained in detail on page 92 of the Notes.

Overall estimation of the risk situation

The described risks have the potential of having a significant adverse impact on the financial position and financial performance of the Loewe Group. Compared to the previous year, the risk situation has improved in particular due to the new financing agreements. From the present perspective and considering all the known facts and circumstances, there are currently no risks that could endanger the continued existence of the Loewe Group in the foreseeable future.

Outlook

Despite increasing risks for the economy, in particular in the industrialized countries, the global economic outlook for 2008 and 2009 continues to be generally positive. However, the global economy is to an ever increasing degree supported by the economic boom in Asia. At approximately 4.8%, the global growth rate in the current year in general will be only slightly below the 2006 value of 5.2%. In particular in the U.S., the real estate market continues to be in a tailspin so that banks in the U.S. and Europe may be expected to continue to make large write-downs in the next few quarters. In addition, food prices all over the world are trending upwards and the oil price persists at a very high level.

In the eurozone, the economic upswing will nonetheless continue although the GDP growth rates for 2008 and 2009 at 2.0% and 1.9%, respectively, are forecast to be somewhat lower than in the previous year. European exports in particular might continue to benefit from the boom in Asia and the robust growth of many trading partners. However, slightly weaker demand must be expected from the United States. Even after the price increase in 2007, the strain in the global oil markets is not likely to ease for the time being. Especially due to the high oil price, the inflation rate is expected to increase from 2.1% in 2007 to 2.4% in 2008.

Global economic trend is positive on the whole

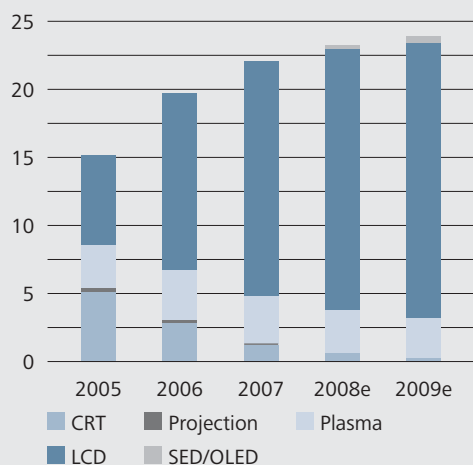
**Dynamic growth
in LCD-TVs**

The somewhat weaker growth stimuli from the exports will cause economic momentum to weaken slightly in the next two years. GDP growth should be at about 1.8% in 2008 and 2009. Since the labor market situation brightened significantly last year and even a tight labor market within specific occupational groups is being observed at the moment, private consumption in Germany might also be expected to recover noticeably due to the improved income situation. The Ifo Business Climate Index reported in January 2008 that the German economy was set for a stable trend in response to high order volumes. Overall, this reliable leading indicator continues at a high level.

The consumer electronics market in Europe should continue to grow at a moderate pace in the current financial year. In Loewe's most important product group, television, the substitution process from picture-tube sets to flat-panel TVs will continue. The declining sales of picture-tube sets will be more than compensated by the sustained dynamic growth of LCD sets. Accordingly, market volume in Europe should continue at a high level for the medium term. Despite the persistent price decline in the individual screen size categories, the increasing share of high-end and well featured LCD TVs in particular and the general trend to large-screen sets should cause the European television market to grow in the years to come. On this basis, Loewe's objective is to continue to grow profitably.

Television market in Europe

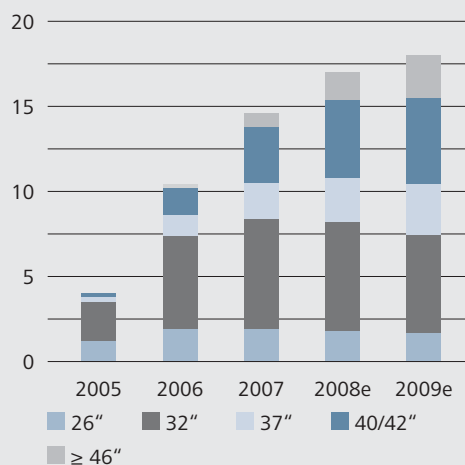
Market volume (EUR billion)



e = estimate

Source: Loewe market research

**Market volume (EUR billion)
LCD-TV-Market Europe ≥ 26"**



Consumers' increased brand awareness, new digital products, the annually occurring IFA and the fascination with high-definition television (HDTV) should continue to stimulate sales of Loewe home cinema solutions. On this basis, there are excellent growth opportunities for Loewe in the years to come.

In the current fiscal year, Loewe continues to be well-positioned. Within the LCD-TV market, Loewe's important large-screen categories are growing at a very high rate. In addition, Loewe will deliberately push ahead with the qualitative and quantitative expansion of distribution within and outside of Germany and further increase its retail presence with flagship stores in selected European cities. Furthermore, in the future Loewe will gear its product portfolio even more closely to the individual desires and needs of its customers. Loewe's attractive product portfolio puts it in a very good position in the important LCD segment and the planned product launches in all major European countries should make it possible to achieve profitable sales growth.

The supplemental collective agreement negotiated with the IG Metall labor union for 2007 expired at the end of the year. This will cause the personnel costs basis to increase in the current fiscal year.

Advertising expenditures and cost of materials can be expected to rise slightly. Capacity adjustments in marketing and development in particular will cause the number of employees to slightly exceed the level for 2007. In view of the increasing business volume, another moderate increase in the number of employees is expected for 2008 as a whole. Capital expenditure in 2008 will primarily be concentrated on tools for new products, factory and production facilities and shop systems for qualified retailers for adequate presentation of the brand. To stimulate further growth, capital expenditure will exceed depreciation and amortization.

The sustained high demand for large-screen LCD-TVs, major sporting events such as the UEFA 2008 European Football Championship in Austria and Switzerland, new attractive digital products and the increased market awareness of consumers make Loewe confident about the further development of business. For 2008 as a whole, Loewe anticipates that sales will grow by 7% to approximately EUR 400 million and that EBIT will improve by 14% to approximately EUR 24 million.

Kronach, February 22, 2008

The Executive Board


Dr. Rainer Hecker

Gerhard Schaas

Oliver Seidl

Further increase in sales and earnings is planned





A System for the Future

A Strong Presence in European Urban Centers	56
Connectivity Creates New Opportunities	58
Commitment to Quality and Corporate Responsibility	62
Perfect Match of Images and Sound	64
Loewe Design Is Ultimately Perfection	66
Loewe TVs Offer the Technology of Tomorrow	68

Expansion of Brand Leadership

A Strong Presence in European Urban Centers

Sophisticated customers in Europe and in selected global metropolises cherish Loewe as the leading premium brand in home entertainment systems. Loewe TVs and Systems are characterized by timeless elegance, intelligent technology and ease of use. The Loewe premium brand is based on minimalist design, meaningful innovation and exclusive individuality.

To this end, we create a fascinating world of brand experience that in addition to the products themselves, primarily includes brand communication and premium service. It is imperative for our customer to experience the Loewe brand unambiguously and uniquely wherever he comes into contact with it. That is why we continue to expand the brand's presence, especially in retail shops.

The premium brand strategy is the most important driver of our international growth. In international urban centers, we increasingly present our brand in flagship stores and we also use these exemplary retail shops to train dealers in the countries where they are located. In this way, we continue to expand our international premium leadership step by step.



Strategy



“Our most important features are in constant interaction. This makes Loewe so distinctive and at the same time highlights our position as the leading premium brand in Europe. Design gives the innovative technology in our products a perfect shape.”

Dr. Rainer Hecker, Chief Executive Officer

Added Value Brings Lasting Value

Connectivity Creates New Opportunities

Loewe is a trend setter. The connectivity approach redefined home entertainment and set new standards, as journalist Sabine Saphörster-Heimbach discovered in the following interview with Loewe’s management. Rainer Hecker, Gerhard Schaas and Oliver Seidl talk about design and technology at Loewe, explain the company’s strategy and look to the future.

What are your expectations of a modern TV set?

Rainer Hecker We are experiencing a trend away from the TV set as an independent unit toward attractive home cinema solutions. Large, high-quality flat-panel display sets – coupled with a sophisticated modular sound system and with the possibility of adding many user-friendly features – make it possible to experience home entertainment in completely new ways. Loewe has even gone one step further by adding a new dimension of connectivity. The television becomes the intelligent media center, the heart of a home network that makes it possible to gain access to film, music and image files from a central location.

Your product portfolio is distinguished by innovation and perfection making Loewe products technical benchmarks. With the kind of connectivity you just described, Loewe is now taking the technical step beyond tomorrow. Are your customers ready for this?

Gerhard Schaas Absolutely! No television has ever opened up so many possibilities and linked so many sources together as the Connect. We have begun an extensive seminar program in order to assist our dealers in becoming



Perspectives



familiar with these new digital applications. Similarly at the point of sale we put the new possibilities on display. Meaningful progress is a core value for Loewe. Our products have always combined the greatest possible ease-of-use with innovative technology and maximum quality. We remain true to this standard with our new connectivity.

How will this connectivity impact the market between home entertainment and IT communication?

Oliver Seidl We are convinced that this concept will reach new target groups, people who want digital and mobile networking and who are just as attracted to entertainment electronics as they are to the computer world. The number of technical devices will be reduced to a minimum. The computer will stay in the office, while the multi-talented television set in the living room will simultaneously be a piece of designer furniture. Aesthetics and function will form a synthesis, reflecting our customers' attitude toward life, demanding convincing and self-contained solutions – with no compromises. Our connectivity creates perspectives – in a multitude of aspects, including of course sales, and Loewe's future results.

What is of greater importance for your customers today: innovation and technology – or design?

Rainer Hecker Fortunately, our customers do not have to decide between design and technology. Our most important features are in constant interaction. This makes Loewe so distinctive and at the same time highlights our position as the leading premium brand in Europe. Design gives the innovative technology in our products a perfect shape.

What makes Loewe design so unique?

Gerhard Schaas Certainly our design is distinctive and its timeless modernity makes it appealing to our customers. The use of high-quality materials plays a great role in this, underscoring the classic lines and design vocabulary that is completely inseparable from the function of our sets. The fact that our design regularly receives prominent awards certainly confirms this approach. However, the vote of our customers is more important for us. They value Loewe sets as objects that blend perfectly into their living concept.

“The Loewe brand has never been so much in demand as it is today. It has appeal because it embodies – without affectations – clarity of design and refined development as well as the realization of advanced technology.”

Gerhard Schaas, Chief Technology Officer

Loewe is the leading premium brand in home entertainment systems in Europe. Part of this strategy is your concept of Loewe Galleries in selected urban centers. What has been the response of your customers?

Rainer Hecker Our premium strategy has been confirmed in its entirety. The expectation of quality that we have of our products – from technical features, to design and finish – expressly includes presentation of the product at a suitable dealers’ store. There, in front of the customer, our innovative products must be presented in such an amazing way that the technology and design make an effective and lasting impression on the customer. The experience of our dealers confirms this because the correct presentation and advice at the point of sale measurably increases their success. For that reason, we plan to substantially increase the number of Loewe Galleries in selected European urban centers in the next few years.

In Germany, we are again experiencing a trend toward placing a greater emphasis on lasting value, from which Loewe is also benefiting. Will this trend last?

Oliver Seidl Loewe is clearly positioned as a premium brand not only in Germany, but also internationally. Our

customers invest more money in the certainty that they receive added value, which at the same time brings lasting value. The lasting value of our products is a guiding principle in all areas – including our advanced technology, our highly developed sound and image quality as well as our exacting material and processing quality, all of which support our distinctive design. This is our core competence. We would like to permanently expand this lead and further sharpen our image through innovative solutions. The trendsetting step that we have taken with Connect is current confirmation of this. We are firmly convinced that we will continue to meet the expectations of our customers with this strategy and we will continue our focus on value-based marketing.

Innovation has its price – the market is fiercely contested. Do you see your positioning as a premium provider as a permanent safeguard?

Gerhard Schaas The claim to premium quality can only be sustained if it is consistently and comprehensively implemented. This is the aim of our work and we see confirmation of it. The Loewe brand has never been so much in demand as it is today. It has appeal because it embodies – without



“The lasting value of our products is a guiding principle in all areas – including our advanced technology, our highly developed sound and image quality as well as our exacting material and processing quality, all of which support our distinctive design. This is our core competence.”

Oliver Seidl, Chief Financial Officer



affectations – clarity of design and refined development as well as the realization of advanced technology. The development of our specific product features noticeably contributes to our positioning as the leading premium brand in Europe. Of course the overall concept must be backed up by a high technical standard and oriented to the customer. This is what we mean by meaningful progress. We plan to achieve differentiation through innovations with added value. They have their price which our customers are willing to pay as is demonstrated by our steady and consistent pricing policy. Another important success factor is respect for our customers’ design wishes. We place great stock in individuality and we do our utmost to achieve it.

Loewe’s business within and outside of Germany is currently of almost equal strength. Where do you see the focus in the future?

Rainer Hecker In addition to the economic upturn, the positive development of the German market has primarily been supported by a number of major sporting events that took place in Germany in recent years. The FIFA World Cup noticeably stimulated demand for large-screen sets. We expect that

Euro 2008, to be held in our neighboring countries of Austria and Switzerland, will keep demand steady not only in Germany but also from our neighbors. The trend to large-screen LCDs and high-end home entertainment solutions is making itself felt throughout Europe. This offers significant growth potential for Loewe which we intend to use to our advantage. Our core European markets will be our primary focus. For instance, we intend to realize our market potentials in the UK, Italy and France in the same manner as in our top markets. This will open up significant perspectives. We are currently upgrading retail stores to flagship stores in several international urban centers, including several in the Asian growth regions such as Singapore and Hong Kong. In addition to this, we are intensifying projects in the hotel television area.

Targets

Commitment to Quality and Corporate Responsibility

Sustained profitable growth can only be achieved when the interests of employees, shareholders, customers and the public are in balance. This principle is nothing new for Loewe.



During a difficult period of time, all employees including the Executive Board were ready to accept wage and salary reductions in order to avoid additional job cuts. In profitable years such as 2007, this money was repaid at 25 percent interest. For 2007, all employees will receive a performance-linked bonus and a dividend will again be paid to the shareholders.

Loewe customers receive top-notch products with award-winning design and the products frequently achieve top marks in tests. Loewe products offer added value which is also something of value to the customer. In the region surrounding the company's headquarters in Kronach, Loewe is a committed sponsor of the competition Jugend forscht ("Youth Researches" – a German youth science competition), is dedicated to art and culture and is active in promoting its home region. At the company's initiative, the city of Kronach received the internationally renowned video sculpture "Waterfire" by the Italian sculptor Fabrizio Plessi – the first of its kind to continuously stand in the open air.

Balance



The Absolute TV Experience

Perfect Match of Images and Sound

Loewe is the leading company in the premium market
for home cinema solutions in Europe.



The television set is increasingly developing into an intelligent media center that integrates many functions and opens up digital, multimedia applications. This includes the uncomplicated networking of iPods, digital cameras, HD camcorders and personal computers – and controlling them easily using a single remote control. Perfect picture and perfect sound increasingly belong together. In combination with very diverse, customizable speaker systems, the television set is developing into a comprehensive home cinema system. Loewe speaker

systems range from Sound Projector that produces authentic 5.1 surround sound with a single component, to the sub-woofer and satellite speakers that can be set up anywhere and connected by a wireless link. Distinct colors, materials and mounting solutions make it into a highly individual total system. A partnership with the furniture manufacturer Interlübke ensures that the consumer electronics will be optimally integrated into the living environment.





System



Design



Sophisticated Design

Loewe Design Is Ultimately Perfection

Loewe Design is distinctive. Its clear lines make it concise, elegant and refined.

Its functionality reflects a passion for intelligent technology – coupled with outstanding craftsmanship, employing the finest materials. The products created become design objects with uncompromising simplicity. We see design as a process of elimination that focuses on the essential while respecting detail.

Functionality is the standard this design consciously sets for itself and answers by communicating an independent form whose perfect lines capture the eye – and thereby define any space. Our design is a gesture of respect toward people with high standards of aesthetics and perfection. It is a declaration of fidelity to timeless modernity.

Already Today Loewe Televisions Offer the Technology of Tomorrow

HDTV

HDTV is a digital standard in 16:9 format that takes the customary television picture one step further. It is broadcast in a resolution up to five times higher than conventional signals. Instead of the customary 400,000 pixels in the PAL standard, the new HDTV pictures have as many as 2,000,000. The Loewe Full-HD panels have the capability to display this high resolution of two million pixels and the specially developed Digital+ HD platforms make reception possible.

100 Hz technology

A normal television picture refreshes 50 times per second. Loewe LCD TVs with 100 Hz technology double this image frequency, meaning that an interim image is calculated from two images, taking the flow of time into account. This results in more flowing movements, more high-contrast details and undreamt-of sharpness of movement. This is of a particular benefit for broadcasts of sporting events when the camera is panned rapidly.



Technology

Digital+

In addition to having a HDTV receiver and the digital hard disk recorder DR+, Loewe TV sets operating on the Digital+ HD platform have already integrated the reception of DVB-T and DVB-C and optionally DVB-S. Moreover, they can also receive registration-free pay-TV channels and ground-coded programs – of course without an additional set-top box. Loewe's systematic integration strategy reduces peripheral devices to a minimum, thus reducing power consumption and ensuring ease of use with only one remote control.

DR+

An important feature of the new Loewe Digital+ HD platform is the integrated hard disk recorder DR+ that can record both HDTV and standard definition (SD)-TV programs. DR+ continuously records the current broadcast, regardless of whether it is pre-programmed or during a running program. This process makes time shift viewing possible. If something like a phone call interrupts the current program, a press of a button is enough to stop the program and restart it later without any loss of information.

Connect+

More and more customers want to use their living room television set as their digital media center. Loewe is a pioneer in this area also and has again set standards for the industry. Connect+ is Loewe's new departure in connectivity to mobile devices such as digital cameras, MP3 players and even PC networks. Moreover, the integrated Network Media Player enables the devices to have direct access to photos, images and videos on a PC or network storage device – even wirelessly if desired – in high-definition picture and sound quality through the integrated HDTV receiver.

Image+

Loewe LCD TVs use a number of coordinated image enhancement technologies to constantly optimize all parameters including contrast, sharpness of movement and color. Image+ optimizes the images depending on the current content, making them sharper, with richer contrast and greater color fidelity. It is of course also available in the new HDTV standard. A contrast sensor measures the brightness in the room and adjusts the television's contrast accordingly. All Loewe Image+ image optimizations share only one goal: the best picture quality technically possible today.



Consolidated Income Statement	72
Consolidated Balance Sheet	73
Consolidated Cash Flow Statement	74
Changes in Equity	75
Notes to the Consolidated Financial Statements	76
Corporate Bodies/Offices Held	112
Independent Auditor's Report	117

Consolidated Financial Statements, Notes



Consolidated Income Statement for the Year Ended December 31, 2007

	Notes No.	2007		2006	
		EUR thousands	%	EUR thousands	%
Sales	1	372,534	100.0	341,934	100.0
Cost of sales	2	- 275,316	- 73.9	- 262,446	- 76.8
Gross margin		97,218	26.1	79,488	23.2
Selling expenses	3	- 68,253	- 18.3	- 56,540	- 16.5
General administrative expenses	4	- 9,441	- 2.5	- 8,852	- 2.6
Other operating income	5	8,948	2.4	13,920	4.1
Other operating expenses	6	- 7,418	- 2.0	- 14,884	- 4.3
Income from investments		30	0.0	98	0.0
EBIT		21,084	5.7	13,230	3.9
Interest and similar income	7	508	0.1	203	0.1
Interest and similar expenses	8	- 2,706	- 0.7	- 2,911	- 0.9
Profit from ordinary activities (EBT)		18,886	5.1	10,522	3.1
Income tax expense	9	- 11,514	- 3.1	- 3,639	- 1.1
Net income before minority interests		7,372	2.0	6,883	2.0
Minority interests		- 202	- 0.1	- 343	- 0.1
Net income	10	7,170	1.9	6,540	1.9
Profit/loss carried forward		4,445		- 2,095	
Allocation to retained earnings		- 3,600		0	
Distributable profit		8,015		4,445	

Earnings per share				
Basic*	10	0.55	0.50	
Diluted**		0.55	0.50	
* Number of shares issued as of December 31		13,009,229	13,009,229	
** Weighted average number of shares pursuant to IFRS		13,009,229	13,009,229	

Consolidated Balance Sheet as of December 31, 2007

EUR thousands	Notes No.	Dec. 31, 07	Dec. 31, 06
Assets			
Non-current assets*			
Intangible assets	11	5,964	5,485
Property, plant and equipment	12	39,642	36,269
Financial assets	13	787	728
Other non-current receivables	14	745	968
Deferred tax assets	15	16,382	24,131
		63,520	67,581
Current assets*			
Inventories	16	52,274	59,937
Trade accounts receivable	17	98,115	81,886
Other current receivables	18	2,583	2,111
Cash and cash equivalents	19	3,883	6,455
		156,855	150,389
Assets of the discontinued division	20	0	47
Total assets		220,375	218,017
Liabilities and shareholders' equity			
Shareholders' equity			
Equity attributable to equity holders of the parent			
Subscribed capital		13,009	13,009
(Conditional capital EUR 398,400)			
Capital reserve		46,986	46,986
Other retained earnings		3,600	0
Distributable profit		8,015	4,445
		71,610	64,440
Minority interests	22	1,061	1,653
		72,671	66,093
Non-current liabilities*			
Provisions for pensions and similar obligations	23	39,434	37,906
Other provisions	24	15,182	13,052
Financial liabilities	25	3,281	4,219
		57,897	55,177
Current liabilities*			
Tax provisions	26	4,084	3,979
Other provisions	27	45,733	45,576
Financial liabilities	28	2,258	5,782
Trade accounts payable	29	29,874	34,212
Other liabilities	30	7,858	6,824
		89,807	96,373
Provisions and liabilities of the discontinued division	20	0	374
Total liabilities and shareholders' equity		220,375	218,017

* of the continuing division

Consolidated Cash Flow Statement for the Year Ended December 31, 2007

EUR thousands	2007	2006
Operating activities*		
EBIT	21,084	13,230
Interest paid	- 998	- 1,326
Interest received	508	203
Depreciation and amortization of non-current assets	19,139	17,604
Book profits (-) on disposals of non-current assets	0	- 31
Other non-cash effects	- 1,692	- 1,585
Increase (+)/decrease (-) in other non-current provisions	2,130	- 1,976
Decrease (+) of non-current receivables	223	0
Increase (+) in pension provisions	1,528	1,107
Income taxes paid	- 3,942	- 2,359
Cash flow before changes in net current assets	37,980	24,867
Change in net current assets		
Decrease (+)/increase (-) in inventories	7,663	- 20,487
Increase (-)/decrease (+) in trade accounts receivable and other assets	- 17,840	9,379
Increase (+) in other current provisions	134	11,337
Decrease (-) in trade accounts payable and other liabilities	- 2,716	- 10,495
Change in net current assets	- 12,759	- 10,266
Net cash from operating activities	25,221	14,601
Investing activities		
Payments for purchases of intangible assets and property, plant and equipment	- 23,053	- 18,472
Payments for purchases of financial assets	- 101	- 28
Proceeds from disposals of intangible assets and property, plant, and equipment	104	73
Net cash from investing activities	- 23,050	- 18,427
Free cash flow of the continuing division	2,171	- 3,826
Free cash flow of the discontinued division**	- 327	- 416
Total free cash flow	1,844	- 4,242
Financing activities		
Payment of purchase price for remaining shares of Loewe France	- 800	0
Capital increase	0	- 5
Repayment (-) of loans	- 938	- 5,325
Net cash from financing activities of the continuing division	- 1,738	- 5,330
Cash-effective change in liquidity	106	- 9,572

Composition of liquidity:	Dec. 31, 07	Dec. 31, 06	Change
Cash and cash equivalents	3,883	6,459	- 2,576
Short-term bank loans	- 1,320	- 4,844	3,524
Use of factoring	- 891	- 49	- 842
Liquidity	1,672	1,566	106

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

** The free cash flow of the discontinued division is itemized in the Notes on page 111.

Changes in Equity

Group equity changed as follows in the years 2006 and 2007:

	Number of shares	Subscribed capital	Capital reserve	Retained earnings	Accumulated profit/loss	Equity attributable to equity holders of the parent	Minority interests	Total equity
	units	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands
Balance as of December 31, 2005	13,009,229	13,009	46,991	0	- 2,095	57,905	1,310	59,215
Subsequent costs of the capital increase 2005			- 5			- 5		- 5
Net income 2006					6,540	6,540	343	6,883
Balance as of December 31, 2006	13,009,229	13,009	46,986	0	4,445	64,440	1,653	66,093
Purchase of the remaining shares in Loewe France							- 794	- 794
Net income 2007					7,170	7,170	202	7,372
Transfer to retained earnings				3,600	- 3,600			
Balance as of December 31, 2007	13,009,229	13,009	46,986	3,600	8,015	71,610	1,061	72,671

The amount of EUR 3,600 thousand was transferred from accumulated profits to retained earnings. The remaining amount is carried forward to a new account.

Loewe will propose to the Annual Shareholders' Meeting on June 9, 2008 to pay a dividend of EUR 0.27 per share. The total dividend payout will amount to EUR 3,512 thousand.

The capital reserve contains the premium received on the issuance of shares.

Due to the existing level of the capital reserve there is no need to present the legal reserve as a separate item in accordance with Section 150 (1 and 2) of the German Stock Corporation Act (AktG).

About Loewe

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

The parent company is recorded under the name of Loewe AG in the Commercial Register (HRB 3004) of the Local Court Coburg, Germany.

The Company's registered offices are located at Industriestrasse 11, 96317 Kronach, Germany.

The Executive Board prepared the final version of the consolidated financial statements on February 22, 2008 and they have been released for publication.

Basis of presentation

As an exchange-listed parent company, Loewe AG participates in the organized market (listed in the Prime Standard) as defined by Section 2 (5) of the German Securities Trading Act (WpHG). Pursuant to Section 315a of the German Commercial Code (HGB), the consolidated financial statements were prepared (as in the previous year) in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union.

All International Financial Reporting Standards (IFRS, formerly IAS) whose application is mandatory for fiscal 2007 as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC, formerly SIC) were duly considered.

In recent years, the IASB made various changes to the existing IFRS and published new IFRS and interpretations of the International Financial Reporting Interpretation Committee (IFRIC).

The regulations of relevance to Loewe which are required to be applied for the annual financial statements as well as their effects on the consolidated financial statements are described below. Amendments to the IFRS which are not explicitly listed are not of relevance to the Company's annual financial statements and they have no impact on accounting and measurement.

On August 18, 2005, the IASB published the standard IFRS 7 "Financial Instruments: Disclosures." It supersedes the existing IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and takes over all regulations with respect to disclosures in the notes from IAS 32 "Financial Instruments: Presentations and Disclosure." In this connection, additional revisions or additions were made to IAS 1 "Presentation of Financial Statements" with regard to capital disclosures. The standard brings about a fundamental restructuring of the disclosure requirements for financial instruments. The new or amended disclosures arising from this affect the entire financial statements. The new disclosures with respect to the management of financial risks are shown on page 103 (Risk Report).

The application of the new IFRS 7 has no effect on Loewe's accounting.

In addition to the IFRS whose application is mandatory, there are additional published IFRS and IFRIC whose application will not become mandatory until a later date. Neither IFRIC 11 "IFRS 2 Group and Treasury Share Transactions" published on November 2, 2007 (share-based payments in which entities receive services or goods for the surrender of their own equity instruments) nor IFRS 8 "Operating Segments" published on November 30, 2006 (replaces the earlier segment reporting requirement of IAS 14 "Segment Reporting") has any impact on Loewe's accounting or measurement.

The obligations for the disposal of electrical and electrical equipment arising from the "Act Governing the Sale, Return and Environmentally Sound Disposal of Electrical and Electronic Equipment (ElectroG)" are accounted in conformity with IFRIC Interpretation 1.

Since Loewe has opted for the pay-as-you-go financing model through participating in a collective disposal system, the placing on the market of electrical and electronic equipment does not give rise to an obligation to recognize a provision.

The presentation of the financial position and financial performance is dependent on the recognition and measurement methods as well as assumptions and estimations. The actual amounts can deviate from the estimations. However, no estimation uncertainties are known which could necessitate a significant change of the reported assets and liabilities within the next fiscal year.

The consolidated financial statements have been prepared in euros. The figures in the consolidated balance sheet, the consolidated income statement, the notes and the consolidated cash flow statement as well as the consolidated statement of shareholders' equity have been rounded to thousands of euros (EUR thousands).

Scope of consolidation

The following companies were consolidated as of the reporting date of December 31, 2007.

	Subscribed capital	Interest 2007	Interest 2006
Parent company			
Loewe AG, Kronach	EUR 13,009,229.00		
Subsidiaries			
Loewe Opta GmbH, Kronach	EUR 23,010,000.00	99%	99%
Loewe Opta Benelux N.V./S.A., Antwerp, Belgium	EUR 61,973.38	90%	90%
Subsidiary of Loewe			
Opta Benelux N.V./S.A.:			
Loewe Opta Netherland B.V.			
Nieuwegein, Netherlands			
(uncalled capital			
EUR 72,604.83)	EUR 90,756.04	100%	100%
Loewe France S.A.S., Strasbourg, France	EUR 150,000.00	100%	75%
In the third quarter of 2007, Loewe AG acquired the 25% minority interest in Loewe France S.A.S. still held by third parties for a purchase price of EUR 0.8 million and now holds all the shares in the Company. This also reduced minority interests by EUR 0.8 million.			
	Subscribed capital	Interest 2007	Interest 2006
Loewe Italiana S.r.l., Bozen/Verona, Italy	EUR 100,000.00	100%	100%
1% of the shares are held in trust by Dr. Rainer Hecker for Loewe AG.			
Loewe Austria GmbH, Vienna, Austria	EUR 35,000.00	100%	100%
Loewe UK Ltd., Glasgow, Scotland	GBP 50,000.00	100%	–
The subsidiary Loewe UK was established in April 2007 and has been responsible for Loewe sales activities in the UK since May 1, 2007. The equity is fully paid in. All shares are held by Loewe AG.			
Loewe Opta, Inc., City of Wilmington, County of New Castle, Delaware, USA	USD 1,000.00	100%	100%
The subsidiary ceased business activities in 2004. By year-end 2007, the company had settled the remaining warranty obligations in the U.S. The company will now be maintained solely for the purpose of maintaining Loewe brand rights in the U.S.			

Principles of Consolidation

The financial statements of the consolidated Group companies were prepared in accordance with uniform accounting policies and included in the consolidated financial statements.

All companies were included in the scope of consolidation and were fully consolidated. The financial statements of the individual subsidiaries are included using the purchase method, with the costs of acquiring the investment offset against the value of the shareholders' equity at the time of acquisition.

Each company within the company group represents an integrated unit. The functional currency is the reporting currency, the euro. The items of the annual financial statements of the group companies are measured using this functional currency. Possible foreign currency transactions are first translated using the spot rate of the day of the transaction. Assets and liabilities are translated from the foreign currency to the functional currency using the rate prevailing on the reporting date.

Intercompany expenses and income, receivables and payables as well as intercompany earnings between the companies included in the consolidated financial statements have been eliminated. All translation differences are recognized in income.

Currency Translation

All consolidated companies except Loewe UK Ltd., Glasgow, Scotland and Loewe Opta, Inc., USA are in the euro zone. In accordance with IAS 21 "The Effects of Changes in Foreign Currency Exchange Rates," the currency translation in the balance sheet was based on the reference rate of the European Central Bank (ECB) as of the closing date and on the average rate for the year 2007 in the income statement.

Currency rates

Country	Currency	EUR	Closing rate		Average rate	
			2007	2006	2007	2006
United Kingdom	GBP	EUR 1	0.7333	*	0.6873	*
USA	USD	EUR 1	1.4721	1.3170	1.3797	1.2630

* Rates for GBP were not relevant in 2006

Accounting Policies

The accounting policies detailed below remain unchanged from those used in fiscal 2006. In accordance with IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations," the expenses and income reported due to the cessation of the activities of Loewe Opta, Inc., USA were reported separately as those of a discontinued division.

The useful life of software and other **intangible assets** is limited. They are capitalized at cost and amortized on a straight-line basis over their estimated useful life.

The Group's development costs are capitalized insofar as they meet the criteria specified in IAS 38 "Intangible Assets." They are capitalized at the personnel and materials costs incurred for their specific projects. If capitalized development costs are no longer covered by future cash flows, write-downs are recognized under cost of sales.

Amortization is charged on a straight-line basis over the period during which the developed products are likely to be produced and sold.

The following useful lives and amortization rates are applied:

	Useful life		Amortization rates, p.a.	
	2007	2006	2007	2006
Software	1.5 – 6 years	1.5 – 5 years	17 – 66%	20 – 66%
Development costs	2 – 3 years	2 – 3 years	33 – 50%	33 – 50%

Property, plant and equipment

Loewe AG prepared its consolidated financial statements in accordance with IFRS/IAS for the first time as of December 31, 1997. At that time, 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 balance sheet items. Production facilities and machinery as well as other equipment, factory and office equipment are reported at cost less accumulated depreciation.

Additions during the fiscal year are reported at cost.

Buildings are depreciated on a straight-line basis over their estimated useful life. Production facilities, machinery, other equipment, factory and office equipment are depreciated over their useful life, in some cases on a straight-line basis and in other cases under the declining-balance method. Write-downs are recognized on product-related investments that cannot be expected to be fully used, or used at all, due to a shortening of the product lives or a reduction or phase-out of the production volumes.

For additions to depreciable non-current assets, depreciation is taken only pro rata temporis for the period between purchase or manufacture and at year-end. Low-value assets costing less than EUR 410 are immediately written off in full.

The following depreciation rates are applied for straight-line depreciation (per annum):

Buildings	2 % to 10 %
Production facilities and machinery	10 % to 20 %
Other equipment, factory and office equipment	5 % to 33 %

Equity investments and investment securities recognized as **financial assets** are measured at cost or fair value. Other loans are reported at cost less redemption payments and are individually written down to the extent necessary.

Other non-current receivables are recognized at their nominal value. Non-interest bearing receivables are recognized at present value. No valuation allowances were required.

Under IAS 12 "Income Taxes," **deferred tax assets** are computed on the basis of the temporary differences between the consolidated financial statements and the tax accounts. Deferred tax claims from loss carryforwards are capitalized in the scope permitted by law if it is likely that they can be realized.

The German business tax reform which took effect on January 1, 2008 reduces the tax rate uniformly applicable to the Group to approximately 27.5% (previous year: 37.0%).

Under the new tax legislation, the previously untaxed equity (EK 02) of a subsidiary is taxed and reported as a discounted tax provision.

Inventories are shown at cost. In addition to cost of materials and labor, costs of conversion also include necessary material and production overheads. Interest on debt capital is not included in the costs of conversion. Inventories that cannot be sold or those for which their likely selling price, after deduction of costs still to be incurred, would not cover their cost, are written down as necessary.

Financial instruments are recognized in principle as soon as a Loewe Group company becomes a party to the contractual regulations of the financial instrument.

Financial assets and financial liabilities are reported by applying IAS 39 "Financial Instruments: Recognition and Measurement." As a general rule, these items are not set off against each other, but presented as separate items. They are set off only if a netting option exists with regard to the amounts at the time and the Company intends to settle on a net basis.

Trade accounts receivable are reported at nominal value less specific valuation allowances for credit risks. Cash discounts, interest and processing costs are accounted for by general valuation allowances. Receivables in foreign currencies are measured at the rate prevailing on the reporting date.

Other current receivables are reported at their nominal value less specific valuation allowances.

Forward exchange transactions, spread options and call options are concluded as a proportional hedge of the currency risk for existing purchase contracts. They are measured at fair value using the marking-to-market method. The asset value of the hedged items is recognized in the current receivables. Any negative net asset value of these financial derivatives is shown in current liabilities. The hedging transactions are recognized in accordance with IAS 39 and explained in accordance with IFRS 7.

Cash and cash equivalents in the form of cash on hand and bank balances are shown at their nominal value. Foreign currency balances are reported at the ask price as of the reporting date.

Subscribed capital is reported at nominal value.

Minority interests relate to minority interests in subsidiaries. They are reported at their pro rata value in equity.

Provisions for pensions and similar obligations are calculated in accordance with IAS 19 "Employee Benefits" using the projected unit credit method and are substantiated by actuarial reports.

Other **noncurrent provisions** relate to economic obligations that will become due after more than 12 months after the reporting date. They are recognized at the anticipated amounts to be payable.

Non-current financial liabilities reflect bank loans with a term to maturity longer than one year. They are shown in the balance sheet at the repayment amounts.

Tax provisions contain taxes likely to be payable. It was not necessary to report deferred tax liabilities because there were country-based possibilities for setting them off against deferred tax assets.

Other current provisions relate to economic obligations that will become due within one year. The level of the provisions is set at the amounts anticipated to be payable in 2008.

Financial liabilities, trade accounts payable and all other current liabilities are also recognized at their repayment amounts.

Government grants are recognized if there is reasonable assurance that the grants will be provided and the existing conditions have been met. In both years under review, only expense-related grants from grants received for research and development costs were reported applying IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance." According to plan, expense-related grants are recognized as income for the period of time necessary to offset them against the corresponding expenses they are intended to compensate.

Notes to the Income Statement

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

Sales (1)*

Revenues from the sale of our products are realized only when delivered to the customer (dealer).

Sales represent net revenues from the sale of the Company's own products, merchandise, and related services after all sales deductions. Sales revenues are reported excluding value added tax.

Sales broken down by product group are as follows:

	2007		2006	
	EUR thousands	%	EUR thousands	%
LCD televisions, Loewe	307,814	82.7	266,967	78.1
Plasma televisions, Loewe	11,845	3.1	28,962	8.5
CRT televisions, Loewe	0	0.0	6,594	1.9
Flat-panel televisions, non branded	0	0.0	4,835	1.4
DVD players/recorders	7,152	1.9	5,279	1.5
Audio	13,035	3.5	5,482	1.6
Accessories and other revenues	32,688	8.8	23,815	7.0
Total	372,534	100.0	341,934	100.0

Sales by region were as follows:

	2007		2006	
	EUR thousands	%	EUR thousands	%
Germany	184,836	49.6	161,744	47.3
Europe excluding Germany	177,297	47.6	167,420	49.0
Rest of the world	10,401	2.8	7,935	2.3
TV, non branded	0	0.0	4,835	1.4
Total	372,534	100.0	341,934	100.0

* The numerals refer to the numbers indicated in the balance sheet and income statement.

Cost of Sales (2)

The cost of sales comprises the cost of materials for the manufacture of Loewe products, the cost of purchased merchandise as well as the cost of labor and non-personnel costs needed to achieve these sales, unless these costs are shown under administrative and selling expenses, which are reported separately.

Cost of sales break down as follows:

EUR thousands	2007	2006
Raw materials and supplies	210,531	206,772
Merchandise	14,044	10,591
	224,575	217,363
Purchased services	1,513	1,223
Personnel and social security costs	33,510	30,968
Depreciation of property, plant and equipment and amortization of software	9,170	8,603
Amortization of capitalized development costs	7,116	6,721
Capitalized development costs	-7,451	-6,318
Other non-personnel costs	6,883	3,886
Total	275,316	262,446

The increase in other non-personnel costs is primarily due to higher licensing expenses.

Selling Expenses (3)

Selling expenses comprise the following:

EUR thousands	2007	2006
Advertising costs	20,080	16,572
Freight	8,124	8,254
Warranty expenses	6,128	5,029
Personnel and social security costs	16,978	14,094
Depreciation of property, plant and equipment and amortization of software	2,210	1,750
Travel and hospitality expenses	2,097	1,810
Contributions, charges and fees	3,433	2,607
Other non-personnel costs	9,203	6,424
Total	68,253	56,540

General Administrative Expenses (4)

The following expenses were incurred for administration:

EUR thousands	2007	2006
Personnel and social security costs	7,706	5,786
Depreciation of property, plant and equipment and amortization of software	628	526
Other non-personnel costs and overheads	1,107	2,540
Total	9,441	8,852

The following fees of the Group auditor are included as an expense within the administrative expenses:

EUR thousands	2007	2006
Audits	216	251
Audit-related services (interim and special audits)	97	71
Tax consultancy services	7	6
Other services	4	4
Total	324	332

The fees of other auditors for the separate financial statements of the foreign subsidiaries are not included.

Other Operating Income (5)

Other operating income comprises the following:

EUR thousands	2007	2006
Damages received	0	3,856
Grants to the Joint Development Center (jointly with Sharp)	1,033	3,062
Income from the release of provisions	3,627	2,727
Billed goods and services	2,008	1,799
Subsidies for development projects	603	732
Other income	1,677	1,744
Total	8,948	13,920

The damages reported in the previous year relate to insurance payments for a fire loss in the finished goods warehouse of the Belgian subsidiary.

Income from the release of provisions mainly relates to statute-barred known risks and provisions for licenses that are no longer needed.

Other Operating Expenses (6)

Other operating expenses relate to:

EUR thousands	2007	2006
Costs for damages received	0	3,593
Expenses for the Joint Development Center	1,033	3,062
Expenses for rework of company-manufactured products	1,882	2,650
Billed goods and services as well as rental income	2,008	1,799
Restructuring costs	0	861
Expenses for subsidies received for development projects	603	732
Costs for cancelled purchase contracts	13	539
Severance payments to employees	209	254
Miscellaneous operating expenses	1,670	1,394
Total	7,418	14,884

The expenses for rework of company-manufactured products primarily relate to an inspection campaign of 100Hz CRT sets from the production period March 1999 to October 2001. The sets were inspected by authorized workshops to rule out existing residual long-term risks from manufacturing-related weak points in specific soldered rivet joints.

Interest and Similar Income (7)

Interest and similar income results from:

EUR thousands	2007	2006
Overnight money and term money investments	222	100
Interest on current bank balances	250	92
Interest and bank charges passed on	36	11
Total	508	203

Interest and Similar Expenses (8)

Interest and similar expenses comprise the following:

EUR thousands	2007	2006
Interest on amounts allocated to provisions for pensions, anniversary bonuses and death benefits	1,708	1,677
Interest, commitment fees and processing fees paid to banks	511	728
Factoring interest and fees	378	486
Other expenses equivalent to interest	109	20
Total	2,706	2,911

Operating Result of the Discontinued Division Loewe USA

The operating activities of the discontinued division Loewe USA were ended in 2004. In 2007, the last warranty obligations were met by a service company on behalf of Loewe Opta, Inc., USA and were charged to the provisions recognized in previous years. The company will now be maintained solely for the purpose of maintaining Loewe brand rights in the U.S.

As in the previous year, no earnings were generated.

Income Taxes (9)

Income taxes for Germany and outside of Germany are broken down as follows:

EUR thousands	2007	2006
Actual taxes		
Germany	2,569	596
Outside of Germany	1,197	1,444
	3,766	2,040
Deferred taxes		
Germany	8,013	1,744
Outside of Germany	- 265	- 145
	7,748	1,599
Income tax expense	11,514	3,639

Income taxes include both the income taxes to be paid directly as well as deferred taxes. Deferred tax assets and liabilities are recognized for temporary differences between figures stated in the consolidated balance sheet and the tax accounts as well as for tax loss carryforwards.

The breakdown by types is as follows:

EUR thousands	2007	2006
Current tax expenses	3,616	2,581
Tax expenses (+) and income (-) unrelated to the accounting period	150	- 541
Deferred tax expenses	3,007	1,599
Revaluation effect from the tax rate change due to the business tax reform	4,741	0
Total	11,514	3,639

The applicable average tax rate for the current taxation is determined as follows:

	2007	2006	(2008)
Trade tax	14.4%	14.4%	(11.7%)
Corporation tax	21.4%	21.4%	(15.0%)
Solidarity surcharge	1.2%	1.2%	(0.8%)
	37.0%	37.0%	(27.5%)

For comparison, the reduced effective tax rate valid as of 1/1/2008 due to the 2008 Business Tax Act is also shown.

The average effective tax rate is 61.0% and is accordingly 24.0 percentage points higher than the applicable tax rate of 37.0%.

Reconciliation of the applicable tax rate to the average effective tax rate:

	2007	2006
Applicable income tax rate	37.0%	37.0%
Tax effects from previous years	0.8%	– 5.1%
Tax effects from outside of Germany	– 0.7%	0.6%
Tax effects from tax rate changes due to the 2008 business tax reform	25.1%	0.0%
Other tax effects	– 1.2%	2.1%
	61.0%	34.6%

Earnings Per Share (10)

The net income of EUR 7,170 thousand is divided by the 13,009,229 outstanding shares of Loewe. This results in earnings per share of EUR 0.55 in the year under review (previous year: EUR 0.50).

Based on the weighted average number of shares in accordance with IAS 33 “Earnings per Share,” the earnings per share are EUR 0.55 (2006: EUR 0.50).

Breakdown	2007	2006
Net income (EUR thousands)	7,170	6,540
Basic/diluted earnings per share in EUR	0.55	0.50
Basic/diluted earnings per share (weighted average) determined according to IAS in EUR	0.55	0.50
Number of shares issued	13,009,229	13,009,229
Weighted average number of shares issued determined according to IAS	13,009,229	13,009,229
Number of shares issued and options	13,009,229	13,009,229
Authorized capital still available (2005 Authorized Capital)	2,598,154	2,598,154
Available capital from employee options (conditional capital)	398,400	398,400

Diluted earnings per share are not shown due to the fact that no rights of third parties to subscribe to the securities are associated with the available 2005 Authorized Capital and the conditional capital.

Notes to the Balance Sheet

If not reported separately, the balance sheet items refer to the continuing division Home Media Systems.

Intangible assets (11)

The changes in intangible assets were as follows:

EUR thousands	Software and similar assets	Development costs	Intangible assets
Carrying amounts on January 1, 2006	826	5,182	6,008
Cost (accumulated)	7,055	15,809	22,864
Additions	358	6,318	6,676
Disposals (at cost)	29	6,785	6,814
Current amortization/impairment			
– amortization	477	4,437	4,914
– impairment	0	2,284	2,284
Accumulated amortization/impairment	6,677	10,564	17,241
Carrying amounts on December 31, 2006	707	4,778	5,485
Cost (accumulated)	7,385	15,342	22,727
Additions	531	7,955	8,486
Disposals (at cost)	280	5,952	6,232
Current amortization/impairment			
– amortization	457	6,951	7,408
– impairment	200	398	598
Accumulated amortization/impairment	7,056	11,961	19,017
Carrying amounts on December 31, 2007	580	5,384	5,964

Intangible assets include product and IT software and development costs. Project expenses for in-house product developments recorded in detail are shown in the capitalized development expenses. The total cost of development in 2007 came to EUR 14,435 thousand (2006: EUR 12,981 thousand), not including development cost subsidies received and transferred costs.

Total amortization/impairment of intangible assets includes impairment losses of EUR 598 thousand (2006: EUR 2,284 thousand) due to phase-outs of equipment and capitalizable development costs no longer covered by future income.

Property, plant and equipment (12)

The changes in property, plant and equipment were as follows:

EUR thousands	Land and buildings	Production facilities and machinery	Other equipment, factory and office equipment	Property, plant and equipment
Carrying amounts on January 1, 2006	21,993	545	12,317	34,855
Cost (accumulated)	40,780	15,497	97,906	154,183
Additions	0	2,007	9,789	11,796
Disposals (at cost)	0	1,250	12,867	14,117
Reclassifications	0	- 33	33	0
Current depreciation/impairment				
- depreciation	990	856	8,079	9,925
- impairment	0	0	477	477
Accumulated depreciation/impairment	19,777	14,525	81,291	115,593
Carrying amounts on December 31, 2006	21,003	1,696	13,570	36,269
Cost (accumulated)	40,780	16,221	94,857	151,858
Additions	0	1,965	12,602	14,567
Disposals (at cost)	0	313	10,417	10,730
Reclassifications	0	7	- 7	0
Current depreciation/impairment				
- depreciation	973	845	8,446	10,264
- impairment	0	0	854	854
Accumulated depreciation/impairment	20,750	15,054	80,249	116,053
Carrying amounts on December 31, 2007	20,030	2,826	16,786	39,642

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 furniture, factory and office equipment, high-quality presentation systems for sales as well as tools used by suppliers. Advance payments on tools in construction amounting to EUR 2,337 thousand (2006: EUR 1,458 thousand) are included.

Total depreciation/impairment on property, plant and equipment includes impairment losses of EUR 854 thousand (2006: EUR 477 thousand) due to phase-outs of equipment and capitalized tools no longer needed or no longer covered by future income.

Financial assets (13)

The changes in financial assets were as follows:

EUR thousands	Equity investments	Investment securities	Other loans	Financial assets
Carrying amounts on January 1, 2006	25	640	100	765
Cost (accumulated)	25	640	109	774
Additions	0	18	10	28
Disposals (at cost)	0	3	58	61
Current amortization				
– amortization	0	4	0	4
Accumulated amortization	0	4	9	13
Carrying amounts on December 31, 2006	25	651	52	728
Cost (accumulated)	25	655	61	741
Additions	0	99	2	101
Disposals (at cost)	0	2	34	36
Current amortization				
– amortization	0	15	0	15
Accumulated amortization	0	19	0	19
Carrying amounts on December 31, 2007	25	733	29	787

Equity investments in sector-specific interest groups are between 7% and 10% of the share capital of the investees and refer to investments in poolings of interests for business purposes of the Group.

The portfolio of securities and funds has been assigned for the most part as collateral (15% guarantee) for part-time retirement obligations and employee-financed pension benefits.

Other non-current Receivables (14)

The following are shown as other non-current receivables with a residual maturity of more than one year:

EUR thousands	2007	2006
Claim for payment of the corporation tax credit (Section 37 (5) of the Corporation Tax Act)	377	388
Purchase price residual receivable from the disposal of equity interests in subsidiaries	0	250
Receivables from investees	154	154
Pension plan cost insurance	214	176
Total	745	968

The corporation tax credit is recognized at fair value.

Deferred Tax Assets (15)

The deferred tax assets reported in the Group primarily include income taxes on anticipated nettable loss carryforwards with a deferred tax claim of EUR 12,159 thousand (2006: EUR 18,322 thousand) as well as temporary differences between the amounts recognized in the consolidated financial statements and those reported in the tax accounts at EUR 4,223 thousand (2006: EUR 5,809 thousand).

The deferred taxes are apportioned to the following significant balance sheet items and loss carryforwards:

EUR thousands	2007		2006	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	4,935	1,357	7,051	1,702
Property, plant and equipment	0	1,258	60	1,806
Inventories	210	218	471	0
Other assets	0	1,780	0	2,496
Pension provisions	3,698	0	4,445	0
Other provisions	2,465	421	3,370	430
Liabilities	0	2,051	0	3,154
	11,308	7,085	15,397	9,588
Loss carryforwards	12,159	0	18,322	0
	23,467	7,085	33,719	9,588
Netting	- 7,085	- 7,085	- 9,588	- 9,588
Amount shown on the balance sheet	16,382	0	24,131	0

Because country-based possibilities for setting off exist (IAS 12.74), deferred tax liabilities are set off against deferred tax assets.

As of the reporting date, loss carryforwards of EUR 44.2 million still existed (2006: EUR 49.5 million). As in the previous year, they are considered nettable.

As in 2006, no deferred tax assets are recognized on existing loss carryforwards of Loewe Opta Inc., USA in the amount of EUR 8.1 million (2006: EUR 9.0 million) due to low possibilities for realization.

Inventories (16)

The inventories are broken down as follows:

EUR thousands	2007	2006
Raw materials and supplies	16,014	28,132
Work in progress	2,116	1,445
Finished goods and merchandise	34,144	30,360
Total	52,274	59,937

The costs of inventories include write-downs of EUR 6,410 thousand (2006: EUR 6,390 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 1,872 thousand (2006: EUR 3,109 thousand) on raw materials and supplies and on work in progress have been recognized.

Inventories of finished goods and merchandise were increased by EUR 3,784 thousand in 2007 compared to the year before to ensure stable supply availability at the start of the new fiscal year. Lower inventories of raw materials and supplies were primarily due to the reduced stockpiling of LCD panels.

Trade Accounts Receivable (17)

Trade accounts receivable consist entirely of accounts receivable from business operations. Factoring reduced the accounts receivable by a total of EUR 891 thousand (2006: EUR 49 thousand).

The amount reported for trade accounts receivable includes adequate allowances for insolvency risks, cash discount reductions, processing costs and interest.

Allowances for potential insolvency risks are measured individually. The existing credit insurance is recognized as are available letters of credit, bank guarantees and credit insurance for international receivables. Moreover, the default risks are low due to the fact that the receivables portfolio is broadly diversified. In addition, credit limit checks contribute to limiting risk. Furthermore, the factoring company bears the default risk for assigned receivables.

The maximum remaining default risk for Loewe is equal to the value of the carrying amount.

The allowances changed as follows:

EUR thousands	2007	2006
Balance as of January 1	3,875	4,699
Allocations (expenses for allowances)	463	127
Utilization	- 94	- 370
Releases	- 211	- 581
Balance as of December 31	4,033	3,875

Of the total amount of trade accounts receivable, EUR 98,115 thousand (2006: EUR 81,886 thousand) is due within one year.

EUR thousands	2007	2006
Carrying amount of the trade accounts receivable	98,115	81,886
thereof neither impaired nor past due on the closing date	91,502	77,222
thereof not impaired and past due on the closing date in the following time ranges		
- less than 30 days	5,945	3,721
- between 30 and 90 days	410	266
- between 91 and 180 days	78	113
- more than 180 days	180	564

Receivables past due for more than 30 days primarily refer to VAT amounts that can only be reclaimed from the tax authorities after final derecognition of the respective trade accounts receivable.

With regard to the trade accounts receivable that were neither impaired nor in past due, as of the closing date there was no evidence to suggest that the debtors would not comply with their payment obligations.

Of trade accounts receivable that had been written off, EUR 73 thousand (2006: EUR 98 thousand) was still collected in the fiscal year.

Other Current Receivables (18)

Other current receivables relate to:

EUR thousands	2007	2006
Credit balances from income tax	216	525
Credit balances from VAT and other consumption taxes	11	262
Credit balances with suppliers	464	202
Claims on insurance companies	30	128
Advances for travel expenses and personnel	130	130
Carrying amounts of hedged items	677	331
Assets arising from advance payments	621	150
Other current claims	434	383
Total	2,583	2,111

All other current receivables are due within one year.

Cash and Cash Equivalents (19)

The cash and cash equivalents consist of current deposits with the commercial banks of EUR 3,883 thousand (2006: EUR 6,455 thousand) which can be withdrawn on short notice.

Assets, Provisions, and Liabilities of the Discontinued Division Loewe USA (20)

As of the reporting date December 31, 2007, the following balance sheet items apply to the discontinued division:

Assets

EUR thousands	2007	2006
Other non-current receivables	0	20
Other current receivables (advance payments for services)	0	23
Cash and cash equivalents	0	4
Assets of the discontinued division	0	47

Provisions and liabilities

EUR thousands	2007	2006
Other non-current provisions		
Cost of warranties	0	90
Other current provisions		
Cost of warranties	0	247
Miscellaneous provisions	0	37
Provisions and liabilities of the discontinued division	0	374

The subsidiary in the U.S. ceased business operations in 2004. By year-end 2007, the company had settled the remaining warranty obligations in the U.S. The company will now be maintained solely for the purpose of maintaining Loewe brand rights in the U.S.

Shareholders' Equity

Equity attributable to equity holders of the parent (21)

As of the reporting date, the Company's share capital of EUR 13,009,229 is fully paid in and has not changed from the previous year. It is divided into 13,009,229 no-par value bearer shares.

The capital reserve exclusively contains premium on the capital stock issued. The reporting of a separate legal reserve in accordance with Section 150 (1) and (2) of the German Stock Corporation Act is not necessary owing to the size of the existing capital reserve.

Of the net income generated by Loewe AG in 2007, EUR 3,600 thousand was allocated to retained earnings.

Together with the group profit carried forward of EUR 4,445 thousand as of December 31, 2006, the remaining amount of EUR 3,570 thousand will be reported as group distributable profit of EUR 8,015 thousand as of December 31, 2007.

Additional conditional capital of 398,400 shares exists for the implementation of a stock option plan. In accordance with the resolution of the Shareholders' Meeting, the conditional capital increase was used to grant pre-emptive rights to the members of the Executive Board, authorized signatories and executives of the Company as well as managing directors, authorized signatories and executives of affiliated companies. The option program expired on July 1, 2005. The option rights were forfeited without the Company being obligated to provide any form of compensation.

By resolution of the Shareholders' Meeting on June 2, 2005, new authorized capital was created in the amount of EUR 5,200,000. This resolution authorized the Executive Board, with the consent of the Supervisory Board, to increase the Company's share capital by up to a total of EUR 5,200,000 through the issue of up to 5,200,000 no-par value bearer shares in exchange for contributions in kind or cash contributions on one or more occasions until no later than June 1, 2010 (2005 Authorized Capital). The shareholders must be granted a subscription right. However, the Executive Board is authorized, with the consent of the Supervisory Board, to exclude the subscription right of the shareholders for fractional amounts as well as establish the further content of the rights inherent in shares and the conditions for the issue of shares.

After the partial utilization, the authorized capital of June 2, 2005 (2005 Authorized Capital) is still EUR 2,598,154.

The statement of changes in equity is shown as a separate table on page 75.

Minority Interests (22)

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

EUR thousands	2007	2006
Balance at the beginning of the period	1,653	1,310
Additions	202	343
Disposal through acquisition of shares	- 794	0
Balance at the end of the period	1,061	1,653
thereof:		
Loewe Opta GmbH	272	272
Loewe Opta Benelux N.V./S.A.	789	641
Loewe France S.A.S.	0	740
	1,061	1,653

Under the terms of the profit transfer agreement between Loewe AG and Loewe Opta GmbH of April 21, 2001, Dr. Hecker, CEO of Loewe AG, who has held a 1% interest in the share capital of Loewe Opta GmbH since 1997, receives an annual equalization payment in the amount of EUR 73.6 thousand pursuant to Section 304 of the German Stock Corporation Act.

Provisions for Pensions and Similar Obligations (23)

Pension provisions relate to individual and collective commitments to pay pensions to employees. The earned pension claims are basically salary-dependent (predominantly with a stipulated upper limit) and are based on the duration of employment of entitled employees. Provisions for pension obligations have been established according to actuarial standards. The "Richttafeln 2005 G" (mortality tables) by Dr. Klaus Heubeck were used to determine mortality and invalidity.

With regard to a long-term development, the discount rate and the expected increases in wages and salaries as well as pensions were reevaluated and the pension obligations were consequently based on the following economic assumptions.

%	2007	2006
Discount rate p.a.	4.75	4.5
Anticipated annual increases in wages and salaries	3.0	2.0
Anticipated annual increases in pensions	2.0	1.5

The present value of the pension obligations of the Loewe Group was recognized as a provision in the amount of EUR 39,434 thousand (2006: EUR 37,906 thousand).

The pension obligations were determined for both reporting dates on the basis of actuarial valuations under the projected unit credit method in accordance with IAS 19.

The changes in pension provisions were as follows:

EUR thousands

Balance as of January 1, 2006		36,799
a) Changes not recognized in income		
Pension payments in 2006	– 2,071	
Additions for employee-financed pension commitments	116	– 1,955
		34,844
b) Changes recognized in income		
Reported under interest expenses		
– Interest expense for own commitments		1,586
Reported as personnel expenses under cost of sales, selling expenses and administrative expenses		
– Current service cost	414	
– Actuarial losses	1,062	1,476
Balance as of December 31, 2006		37,906
a) Changes not recognized in income		
Pension payments in 2007	– 2,083	
Additions for employee-financed pension commitments	24	– 2,059
		35,847
b) Changes recognized in income		
Reported under interest expenses		
– Interest expense for own commitments		1,646
Reported as personnel expenses under cost of sales, selling expenses and administrative expenses		
– Current service cost	424	
– Actuarial losses	1,517	1,941
Balance as of December 31, 2007		39,434

Actuarial gains and losses are recognized in income when incurred.

The following is anticipated for 2008:

EUR thousands

Pension payments	2,395
Interest expense for own commitments	1,795
Current service cost	518

Other Provisions (non-current) (24)

Other non-current provisions comprise the following:

EUR thousands	2007	2006
Cost of warranties	4,448	3,726
Personnel costs	4,616	4,136
License fees	6,096	4,985
Miscellaneous provisions	22	205
Total other non-current provisions	15,182	13,052

Non-current provisions for warranties are set aside for services that must be provided 12 to 39 months after the reporting date. They are recognized on the basis of a general warranty period of three years plus a three-month grace period.

Non-current provisions for personal costs are set aside primarily for part-time retirement contracts with employees (term of 2 to 6 years), employment anniversary payments (term of 2 to 25 years) and restructuring costs under collective bargaining agreements (term of 2 years).

License fee provisions are set aside for risks resulting from possible infringements of industrial property rights and the probable payment of license fees that will be incurred in two to three years.

Financial Liabilities (non-current) (25)

Non-current financial liabilities relate exclusively to a bank loan which exists with Loewe Opta GmbH.

The change in non-current financial liabilities is shown together with the current financial liabilities in Note 28.

Tax Provisions (26)

The tax provisions in the amount of EUR 4,084 thousand (2006: EUR 3,979 thousand) result from the taxable income of Loewe AG and of the foreign subsidiaries. The not yet complete tax audit for the years 1996 to 2000 in Germany contains an additional item in dispute. This could result in a payment in arrears including incurred interest in the amount of EUR 1,900 thousand (2006: EUR 1,800 thousand) which is fully included in the tax provisions.

Other Provisions (Current) (27)

Other provisions comprise the following:

EUR thousands	2007	2006
Provisions for:		
Annual sales compensation	21,458	23,513
Cost of warranties	7,268	5,881
Personnel costs	8,042	8,473
Rework of company-manufactured products	1,300	2,650
Miscellaneous provisions	7,665	5,059
Total other current provisions	45,733	45,576

Provisions for annual sales compensation were determined based on the agreements covering bonuses and other compensation. They apply largely to Germany. The elimination of special bonuses in 2007 caused the amount to be lower than in 2006 despite the increased sales.

Provisions for warranties are calculated based on anticipated warranty costs in the future, allowing for a general warranty period of three years. The increase results for the most part from the increased sales volume. However, only the portions of the expenses expected to be incurred in 2008 were recognized.

Provisions for personnel costs essentially comprise holiday pay, variable remuneration and the agreed special payment in connection with the wage and salary concessions in 2007.

Provisions for rework of company-manufactured products are primarily recognized for a safety inspection campaign of 100Hz CRT sets from the production period March 1999 to October 2001.

The sets are inspected by authorized workshops to rule out existing residual long-term risks from manufacturing-related weak points in specific soldered rivet joints.

The miscellaneous provisions include, among other things, items for cancellation costs, rework and additional costs that may be incurred.

The total other provisions (non-current and current) changed as follows in 2007:

EUR thousands	Annual sales compensation	Cost of warranties	Personnel costs	License fees	Miscellaneous provisions	Total other provisions
Balance as of January 1, 2006	18,589	8,456	11,936	3,606	6,679	49,266
Additions	23,420	7,051	5,835	2,318	7,277	45,901
Utilization	17,832	5,317	5,106	470	3,709	32,434
Releases	664	583	56	469	2,333	4,105
Balance as of December 31, 2006	23,513	9,607	12,609	4,985	7,914	58,628
thereof: non-current	0	3,726	4,136	4,985	205	13,052
thereof: current	23,513	5,881	8,473	0	7,709	45,576
Balance as of January 1, 2007	23,513	9,607	12,609	4,985	7,914	58,628
Additions	21,437	7,990	8,522	3,542	8,529	50,020
Utilization	23,301	5,796	8,182	0	6,872	44,151
Releases	191	85	291	2,431	584	3,582
Balance as of December 31, 2007	21,458	11,716	12,658	6,096	8,987	60,915
thereof: non-current	0	4,448	4,616	6,096	22	15,182
thereof: current	21,458	7,268	8,042	0	8,965	45,733

Financial Liabilities (Current) (28)

The table below shows the significant financial liabilities as of the reporting dates.

EUR thousands	Total	Residual maturity less than 1 year	Residual maturity more than 1 year	Total	Residual maturity less than 1 year	Residual maturity more than 1 year
	2007			2006		
Drawing credits	1,320	1,320	0	4,844	4,844	0
Long-term loans	4,219	938	3,281	5,157	938	4,219
Total	5,539	2,258	3,281	10,001	5,782	4,219

The drawing credits are reported by one foreign subsidiary. The long-term loans from banks relate to a loan from a German bank.

The existing long-term loans and drawing credits are at market interest rates. Interest expense from the long-term loan is expected to be EUR 164 thousand for 2008 and EUR 261 thousand for the residual maturity. With a comparable utilization of the lines, the interest from short-term drawing credits will not exceed the expense of fiscal 2007.

Trade Accounts Payable (29)

The trade accounts payable of EUR 29,874 thousand (2006: EUR 34,212 thousand) result primarily from deliveries of materials, services and deliveries of merchandise. They are all due within one year.

Other Liabilities (Current) (30)

Other current liabilities are due in less than one year and can be broken down as follows:

EUR thousands	2007	2006
Taxes and social security charges due	2,869	2,415
Customer credit balances	2,225	2,238
License fee liabilities	1,101	1,210
Fair value of financial hedging transactions	677	331
Liabilities to personnel	265	159
Sundry liabilities	721	471
	7,858	6,824

Additional disclosures on financial instruments in accordance with IFRS 7

The following table shows the carrying amounts and fair values of all financial instruments of the Group recognized in its financial statements.

Amount recognized in the balance sheet

EUR thousands		December 31, 2007			December 31, 2006		
	Category in accordance with IAS 39	Carrying amount	Amortized cost	Fair value through profit or loss	Carrying amount	Amortized cost	Fair value recognized as income
Assets							
Non-current assets							
Equity investments	(1)	25	25		25	25	
Investment securities	(1)	733	733		651	651	
Other loans	(2)	29	29		52	52	
Other non-current receivables	(3)	745	745		968	968	
Current assets							
Trade accounts receivable	(3)	98,115	98,115		81,886	81,886	
Other current receivables	(3)	1,897	1,897		1,780	1,780	
Derivative financial assets							
Positive value of financial derivatives	n.a.	9		9	20		20
Carrying amount of hedged items	n.a.	677		677	311		311
Cash and cash equivalents	(3)	3,883	3,883		6,455	6,455	
Liabilities and shareholders' equity							
Non-current liabilities							
Financial liabilities	(4)	- 3,281	- 3,281		- 4,219	- 4,219	
Current liabilities							
Financial liabilities	(4)	- 2,258	- 2,258		- 5,782	- 5,782	
Trade accounts payable	(4)	- 29,874	- 29,874		- 34,212	- 34,212	
Other liabilities	(4)	- 7,172	- 7,172		- 6,493	- 6,493	
Derivative financial liabilities							
Negative value of financial derivatives	n.a.	- 677		- 677	- 311		- 311
Carrying amount of hedged items	n.a.	- 9		- 9	- 20		- 20

(1) Held-to-Maturity Investments (HtM)

(2) Available-for-Sale Financial Assets (AFS)

(3) Loans and Receivables (LaR)

(4) Financial Liabilities Measured at Amortised Cost (FLAC)

Cash and cash equivalents, trade accounts receivable and other receivables primarily have short residual maturities. For that reason, the carrying amounts as of the closing date correspond to fair value.

The fair values of the non-current assets with residual maturities longer than one year correspond to the discounted repayment amounts.

Notes to the Cash Flow Statement

The cash flow statement was prepared in accordance with IAS 7 "Cash Flow Statements." The changes of cash and cash equivalents or the cash flows of significance to them are broken down by operating, investing and financing activity. Cash flows from operating activities are reported using the indirect method.

The change and composition of the cash flows are shown in a cash flow statement as a separate component of the consolidated financial statements on page 110 et seq.

The individual items of the cash flow statement are as follows:

Net cash from operating activities

Net cash from operating activities increased by EUR 10,620 thousand to EUR 25,221 thousand. The increase in operating income primarily reflects an increase in receivables due to the higher sales in the fourth quarter of 2007. The other non-cash effects result primarily from the interest expenses of the pension provisions.

Net cash from investing activities

The Loewe Group capitalized intangible assets (EUR 8,486 thousand) and property, plant and equipment (EUR 14,567 thousand) in fiscal 2007.

Net cash from financing activities

The cash-effective changes comprise the purchase price payment for the remaining shares of Loewe France S.A.S. and the scheduled repayments of long-term loans.

Cash-effective change in liquidity

Cash and cash equivalents increased overall by EUR 106 thousand to EUR 1,672 thousand. The factoring agreement is handled like a drawing credit and is therefore included in the cash and cash equivalents.

Risk Management and financial derivatives

Risk management

Loewe AG has a centralized risk management approach for identifying, measuring and controlling risks. With respect to its assets, liabilities and planned transactions, Loewe AG is in particular subject to market and price risks as well as risks arising from interest rate and exchange rate changes. Currency risks arising from planned foreign-currency expenditures are largely hedged by forward exchange transactions, call options and zero cost options using a rolling 12 month projection. Approximately 60% to 70% of the expected foreign currency expenditures are covered in this manner.

The effectiveness of the risk control is reviewed on a regular basis. The goals, principles, responsibilities and competencies for the finance department are set down in Group internal guidelines with binding effect and following the principle of segregation of functions.

Derivative financial instruments (hedge accounting)

The hedging transactions used to hedge the currency risk for existing purchase contracts are based on the following figures:

	Hedge volume		Longest residual maturity until	Intrinsic value EUR thousands	
	USD million	EUR million		Positive	Negative
Forward exchange transactions	21.0	14.7	Oct. 31, 2008	8	402
Spread options (zero cost options)	12.5	9.5	Oct. 31, 2008	1	252
Call options	13.0	9.9	Sept. 30, 2008	0	23
Total	46.5	34.1		9	677

The derivative financial instruments are used for hedging the risk of purchases in foreign currency. Their use is in compliance with relevant corporate guidelines which specify that derivative financial instruments may be concluded only for hedging existing hedged items.

The positive value of the forward exchange transactions and spread options is recognized in other receivables, the negative value in other liabilities. The offsetting values of the hedged items are shown by analogy.

Credit risks

Credit risks are generally low due to the broad diversification of the receivables portfolio and transactions are only entered into with business partners who have an excellent credit rating. In addition, risk is mitigated by a system of credit lines. In all cases, the maximum default risk is limited to the carrying amounts.

Specific valuation allowances are only set up for customer receivables. At a level of receivables before valuation allowances of EUR 102,148 thousand (2006: EUR 85,761 thousand), specific valuation allowances in the amount of EUR 3,770 thousand (2006: EUR 3,747 thousand) were set up. The portfolio of receivables for which no specific valuation allowances were set up contains no receivables with significant payment disruptions.

Market risks

Currency risks

The foreign currency risk for Loewe is essentially limited to the procurement of LCD panels and components that are settled in U.S dollars. To this end, the anticipated foreign currency volume is determined using a rolling 12-month projection with the objective of hedging approximately 60–70% by forward exchange transactions, call options and zero-cost options. As of 2008, the foreign currency risks of our new subsidiary in the United Kingdom are included in the currency hedging.

Interest rate risks

Primarily fixed interest rates are stipulated for the Company's non-current financial liabilities. The other interest-bearing receivables and liabilities are at variable interest.

Other price risks

Loewe possessed only insignificant shares in other listed companies as of both reporting dates. These consisted of fixed-interest securities and investment funds for hedging purposes in connection with part-time employment agreements and pension commitments.

Liquidity risks

To ensure long-range financing, a syndicate agreement with a total volume of EUR 50 million was concluded with a banking syndicate in April 2007. This line of credit is intended for the financing of the business operations as well as planned capital expenditure of the Loewe Group and has been committed until June 30, 2012. The lending commitment is tied to compliance with covenants.

The loans granted may be utilized either by Loewe Opta GmbH or Loewe AG.

The factoring agreement with Fortis Commercial Finance may be utilized for up to EUR 35 million and runs until June 30, 2010.

Furthermore, independent lines of credit totaling EUR 6.3 million were granted to foreign companies in the Group by their banks.

The existing lines have been appropriately rated so that no significant liquidity risks are identifiable.

Contingent liabilities

Contingencies and Other Financial Obligations

Contingencies and other financial obligations of the continuing division are broken down as follows:

EUR thousands	2007	2006
Total liabilities from tenancy and servicing agreements and leases		
– due in 2008	2,655	
(previous year 2007)		2,489
– due between 2009 and 2012	2,686	
(previous year between 2008 and 2011)		2,772
– due after 2012	1,148	
(previous year after 2011)		996

The Loewe Group has entered into various operating lease agreements for production facilities and motor vehicles. The terms range between two and three years. Most of the leases provide no renewal option.

Outstanding contributions for affiliated companies pursuant to Section 24 of the German Private Limited Companies Act amount to EUR 31 thousand (2006: EUR 31 thousand).

Transactions with shareholders

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

- Sharp supplies Loewe with panels.
- Loewe supplies Sharp with components.
- Services for joint developments are provided in the Joint Development Center (JDC) in Kronach.

Sharp has no influence over management, is not represented on the Supervisory Board and does not participate in any decision-making processes. Furthermore, all transactions and agreements are settled on an arm's length basis. Therefore, as a shareholder, Sharp cannot be classified as a related party as defined by IAS 24 "Related Party Disclosures."

Other disclosures

Staff and Personnel Costs

The average number of employees breaks down as follows:

Employees	2007	2006
Home Media Systems division		
Industrial workers	396	403
Salaried employees	529	492
Employees as defined by Section 314 (1) sub-section No. 4 HGB	925	895
Trainees	72	70
Total employees	997	965

The **discontinued division** no longer had any employees in either year.

The operating expenses incurred in the continuing division (Home Media Systems) for personnel costs are broken down as follows:

EUR thousands	2007	2006
Wages and salaries	47,685	41,309
Social security contributions	8,325	8,133
Expenses for pensions and other employee benefits	2,184	1,867
Total	58,194	51,309

The personal cost rose in particular due to structural changes in sales (Loewe UK), expiration of the collective restructuring agreement, higher variable remuneration and a special payment to the employees.

Events after the Reporting date

Dr. Rainer Hecker, Member and Chairman of the Executive Board of Loewe AG, will resign voluntarily from the Executive Board of Loewe AG after 25 years of service. He will resign from his position as Chairman of the Executive Board as of the conclusion of this year's Annual Shareholders' Meeting on June 9, 2008. The Supervisory Board appointed Frieder C. Löhner, Engineer, as the new member of the Executive Board and designated chairman. As of April 1, 2008, he will assume responsibility for marketing and sales at Loewe and the chairmanship of the Executive Board as of the conclusion of this year's Annual Shareholders' Meeting on June 9, 2008. Gerhard Schaas (CTO) and Oliver Seidl (CFO) will continue to serve as members of the Executive Board.

The described changes apply to the same degree for the functions at Loewe Opta GmbH.

Information Pursuant to Section 160 (1) No. 8 of the German Stock Corporation Act

The Company published the following announcement in Börsen-Zeitung No. 28 of February 10, 2005:

“Notification pursuant to § 25 (1) WpHG (German Securities Trading Act)

In accordance with Section 21 (1) of the German Securities Trading Act, the Company has received a notification concerning shareholdings exceeding 10% and 25% of the voting rights.

Sharp Corporation, 22-22, Nagaike-Cho, Abeno-Ku, Osaka 545-8522, Japan (“Sharp”) has notified us that with the recording of the implementation of a capital increase of Loewe AG (“Loewe”) on February 3, 2005, it has exceeded the threshold of 10% and 25% of the voting rights in Loewe and now directly and indirectly holds 28,83% of the voting rights in Loewe. Of that amount, pursuant to § 22 (1) sentence 1 No. 1 of the German Securities Trading Act, 6.73% of the voting rights must be attributed to Sharp, which are held by its fully owned subsidiary Sharp International Finance (UK) Plc, Sherbourne House, The Croxley Centre, Watford Hertfordshire WD 188 WT, United Kingdom.”

The Company published the following announcement in Börsen-Zeitung No. 213 of November 4, 2005:

“Notification pursuant to § 25 (1) WpHG (German Securities Trading Act)

In accordance with Section 21 (1) of the German Securities Trading Act, the Company has received a notification concerning shareholdings not meeting 10% of the voting rights.

J & A Vermögensverwaltung GmbH has notified us that it fell short of the threshold of 10% of the voting rights in Loewe AG on November 2, 2005 and now holds 9.72% of the voting rights in Loewe AG. These voting rights are attributable to Dr. Rainer Hecker in accordance with Section 22 (1) No. 1 of the German Securities Trading Act.”

The Company published the following announcement in Börsen-Zeitung No. 216 of November 9, 2005:

“Publication pursuant to Section 25 (1) of the German Securities Trading Act

The Company has received a voluntary notification pursuant to Section 21 of the German Securities Trading Act.

Dr. Rainer Hecker, Joseph-Haydn-Straße 9, 96317 Kronach, has notified us that with the recording of the capital increase of Loewe AG on February 3, 2005, he held 17.11% of the voting rights in Loewe AG and with the recording of the capital increase of Loewe AG on November 2, 2005, he now holds 13.95% of the voting rights in Loewe AG.

Of the voting rights in Loewe AG held by J & A Vermögensverwaltung GmbH, Joseph-Haydn-Straße 9, 96317 Kronach, 12.15% were attributable to him on February 3, 2005 and 9.72% on November 2, 2005 in accordance with Section 22 (1) No. 1 of the German Securities Trading Act.”

The Company made the following notification to the German Financial Supervisory Authority (BaFin) on June 25, 2007 and simultaneously conveyed it to the Commercial Register:

Publication of a voting rights announcement pursuant to Section 26 (1) of the German Securities Trading Act (WpHG) with the goal of Europe-wide dissemination.

“In the name of Electra QMC Europe Development Capital Fund plc, Dublin, Ireland as well as in the name of and by order of the additional persons named below, the following was reported to the Company on June 25, 2007 pursuant to Sections 21 (1), 22 of the German Securities Trading Act:

The share of the voting rights in Loewe AG with registered offices in Kronach (address: Industriestr. 11, D-96317 Kronach) held by the persons named below on June 20, 2007 exceeded the thresholds of 3%, 5% and 10% of the voting rights (corresponding to 1,318,050 voting rights from the same number of shares):

1. Electra QMC Europe Development Capital Fund plc with registered offices in Dublin, Ireland (address: c/o RBC Europe Dexia Investor Services Ireland, Georges Quay House, 43 Townsend Street, Dublin 2, Ireland);
2. Electra Quoted Management Ltd. with registered offices in London, United Kingdom (address: Paternoster House, 65 St. Paul’s Churchyard, London EC4M 8AB, United Kingdom);
3. Electra Kingsway Holdings Ltd. with registered offices in London, United Kingdom (address: Paternoster House, 65 St. Paul’s Churchyard, London EC4M 8AB, United Kingdom);
4. Electra Partners Group Ltd. with registered offices in London, United Kingdom (address: Paternoster House, 65 St. Paul’s Churchyard, London EC4M 8AB, United Kingdom);
5. Nmas1 Agencia de Valores S.A. with registered offices in Madrid, Spain (address: Padilla 17, 28006 Madrid, Spain); and
6. Nmas Uno IBG S.A. with registered offices in Madrid, Spain (address: Padilla 17, 28006 Madrid, Spain).

All of the aforementioned 1,318,050 voting rights are directly held by Electra QMC Europe Development Capital Fund plc.

Pursuant to Section 22 (1) sentence 1 No. 1 in conjunction with sentence 3 of the German Securities Trading Act, each of the aforementioned 1,318,050 voting rights from the shares held by Electra QMC Europe Development Capital Fund plc are fully attributable to persons named above in sub-sections 2 to 6.

These shares are held by the persons named above in sub-sections 2 to 6 as follows through Electra QMC Europe Development Capital Fund plc, a company directly or indirectly controlled by them:

- Electra QMC Europe Development Capital Fund plc is a company directly under the joint control of Electra Quoted Management Ltd. and Nmas1 Agencia de Valores S.A.
- For its part, Electra Quoted Management Ltd. is directly controlled by Electra Kingsway Holdings Ltd. and the latter is directly controlled by Electra Partners Group Ltd.
- Nmas1 Agencia de Valores S.A. is in turn directly controlled by Nmas Uno IBG S.A.”

Information Pursuant to Section 161 of the German Stock Corporation Act

Joint declaration by the Executive Board and Supervisory Board of Loewe AG pursuant to Section 161 of the German Stock Corporation Act regarding the recommendations of the "Government Commission of the German Corporate Governance Code"

The Executive Board and Supervisory Board of Loewe AG hereby issue the following declaration of conformity pursuant to Section 161 of the German Stock Corporation Act regarding the recommendations of the "Government Commission of the German Corporate Governance Code":

1. Loewe AG will fully comply with the recommendations of the German Corporate Governance Code as amended on June 14, 2007.
2. Loewe AG has fully complied with the recommendations of the German Corporate Governance Code as amended on June 12, 2006 since its last declaration of conformity of December 1, 2006.

This declaration of conformity has been continuously accessible to the shareholders on the Internet (www.loewe.de) since November 30, 2007.

The notifications concerning directors' dealings pursuant to Section 15a of the German Securities Trading Act were not necessary in 2007. The Company received no notifications or information concerning transactions of this nature. The annual document pursuant to Section 10 German Securities Prospectus Act (WpPG) is published on the Internet (www.loewe.de).

Segment reporting

The Home Media Systems division is engaged in the sale of television sets manufactured internally and under cooperative agreements as well as DVD players/recorders, audio components and other consumer electronics products. This division is the only segment in terms of industries.

Following the discontinuation of the U.S. business, the continuing Home Media Systems division is almost exclusively organized in the European region with the subgroups Loewe Opta Benelux N.V./S.A., Loewe AG, Loewe Opta GmbH, Loewe France S.A.S., Loewe Austria GmbH, Loewe UK Ltd. and Loewe Italiana S.r.l.

The Group is active only in one continuing division. Due to the decision taken in 2004 to cease marketing for the geographic territory of the U.S., these discontinued activities are reported separately as a discontinued division in accordance with IFRS 5.

As there is only a single segment by industry and a single segment by region, we have refrained from presenting a detailed segment report.

For information on the mandatory disclosures for the single business segment, please refer to the relevant sections of the consolidated financial statements and notes.

Statement of Income by Division

The results by division are shown below:

EUR thousands	Continuing division January – December		Discontinued division January – December		Total January – December	
	2007	2006	2007	2006	2007	2006
Sales	372,534	341,934	0	0	372,534	341,934
Cost of sales	– 275,316	– 262,446	0	0	– 275,316	– 262,446
Gross margin	97,218	79,488	0	0	97,218	79,488
Selling expenses	– 68,253	– 56,540	0	0	– 68,253	– 56,540
General administrative expenses	– 9,441	– 8,852	0	0	– 9,441	– 8,852
Other operating income	8,948	13,920	0	31	8,948	13,951
Other operating expenses	– 7,418	– 14,884	0	– 31	– 7,418	– 14,915
Income from investments	30	98	0	0	30	98
EBIT	21,084	13,230	0	0	21,084	13,230
Interest and similar income	508	203	0	0	508	203
Interest and similar expenses	– 2,706	– 2,911	0	0	– 2,706	– 2,911
Profit from ordinary activities (EBT)	18,886	10,522	0	0	18,886	10,522
Income tax expense	– 11,514	– 3,639	0	0	– 11,514	– 3,639
Net income before minority interests	7,372	6,883	0	0	7,372	6,883
Minority interests	– 202	– 343	0	0	– 202	– 343
Net income	7,170	6,540	0	0	7,170	6,540
Profit/loss carried forward	4,445	– 2,095	0	0	4,445	– 2,095
Allocation to retained earnings	– 3,600	0	0	0	– 3,600	0
Distributable profit	8,015	4,445	0	0	8,015	4,445

Cash Flow Statement

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

EUR thousands	Continuing division		Discontinued division		Total	
	2007	2006	2007	2006	2007	2006
Operating activities						
EBIT	21,084	13,230	0	0	21,084	13,230
Interest paid	- 998	- 1,326	0	0	- 998	- 1,326
Interest received	508	203	0	0	508	203
Depreciation and amortization of non-current assets	19,139	17,604	0	0	19,139	17,604
Book profits (-) on disposals of non-current assets	0	- 31	0	0	0	- 31
Other non-cash effects	- 1,692	- 1,585	0	0	- 1,692	- 1,585
Increase (+)/decrease (-) in other non-current provisions	2,130	- 1,976	- 90	- 168	2,040	- 2,144
Decrease (+) of non-current receivables	223	0	0	0	223	0
Increase (+) in pension provisions	1,528	1,107	0	0	1,528	1,107
Income taxes paid	- 3,942	- 2,359	0	0	- 3,942	- 2,359
Cash flow before changes in net current assets	37,980	24,867	- 90	- 168	37,890	24,699
Decrease (+)/increase (-) in inventories	7,663	- 20,487	0	0	7,663	- 20,487
Increase (-)/decrease (+) in trade accounts receivable and other assets	- 17,840	9,379	24	36	- 17,816	9,415
Decrease (-)/increase (+) in other current provisions	134	11,337	- 261	- 284	- 127	11,053
Decrease (-) in trade accounts payable and other liabilities	- 2,716	- 10,495	0	0	- 2,716	- 10,495
Change in net current assets	- 12,759	- 10,266	- 237	- 248	- 12,996	- 10,514
Net cash from operating activities	25,221	14,601	- 327	- 416	24,894	14,185

EUR thousands	Continuing division		Discontinued division		Total	
	2007	2006	2007	2006	2007	2006
Investing activities						
Payments for purchases of intangible assets and property, plant and equipment	- 23,053	- 18,472	0	0	- 23,053	- 18,472
Payments for purchases of financial assets	- 101	- 28	0	0	- 101	- 28
Proceeds from disposals of intangible assets and property, plant, and equipment	104	73	0	0	104	73
Net cash from investing activities	- 23,050	- 18,427	0	0	- 23,050	- 18,427
Free cash flow	2,171	- 3,826	- 327	- 416	1,844	- 4,242
Financing activities						
Payment of purchase price for remaining shares of Loewe France	- 800	0	0	0	- 800	0
Capital increase	0	- 5	0	0	0	- 5
Repayment (-) of loans	- 938	- 5,325	0	0	- 938	- 5,325
Internal financing	- 327	- 405	327	405	0	0
Net cash from financing activities	- 2,065	- 5,735	327	405	- 1,738	- 5,330
Cash-effective change in liquidity	106	- 9,561	0	- 11	106	- 9,572

EUR thousands	Dec. 31, 2007	Dec. 31, 2006	Change
Composition of liquidity:			
Cash and cash equivalents	3,883	6,459	- 2,576
Short-term bank loans	- 1,320	- 4,844	3,524
Use of factoring	- 891	- 49	- 842
Liquidity	1,672	1,566	106

Since the possibility of financing through factoring can change the cash and cash equivalents as of the closing date, the use of financing through factoring is included in the amount of liquidity. This provides more reliable and more relevant information concerning the Group's cash flows.

Supervisory Board

The following are members of the Supervisory Board:

Chairman

- **Professor Dr. Eberhard Scheffler**
Auditor, Hamburg,
Former President of the German Finance Reporting
Enforcement Panel

Deputy Chairman

- **Professor Dr. Mark Wössner**
Former Chairman of the Executive Board and former Chairman
of the Supervisory Board of Bertelsmann AG, Munich

Additional members of the Supervisory Board

- **Dr. Gerhard Heinrich**
Partner and Managing Director of Heinrich & Cie. Unternehmensberatungs GmbH,
Frankfurt/Main
- **Dr. Sönke Mehrgardt**
Former member of the Executive Board of Infineon Technologies AG, Munich
- **Helmut Ricke**
Businessman, Krefeld,
Former Chairman of the Executive Board of Deutsche Telekom AG, Bonn
- **Dr. Michael Witzel**
Partner of Lovells Law Firm, Munich

Under its rules of procedure, the Supervisory Board has formed three committees. Members of the personnel committee are Prof. Dr. Eberhard Scheffler, Prof. Dr. Mark Wössner and Mr. Helmut Ricke.

The audit committee includes Prof. Dr. Eberhard Scheffler, Dr. Sönke Mehrgardt and Mr. Helmut Ricke.

In September 2007, a nominating committee was formed to propose to the Annual Shareholders' Meeting a list of candidates for election to the Supervisory Board. Members of the nominating committee are Prof. Dr. Eberhard Scheffler, Prof. Dr. Mark Wössner and Mr. Helmut Ricke.

The other offices held by members of the Supervisory Board are shown on page 115; those held by members of the Executive Board are shown on page 116. Information concerning the shares held by the Company's corporate boards is shown on page 116.

The remuneration of the Supervisory Board is made up of fixed remuneration and performance-linked payments. The members of the Supervisory Board of Loewe AG received the following remuneration for all Supervisory Board positions within the Loewe Group for 2007:

EUR	Total remuneration for 2007	Thereof:	
		Fixed remuneration for 2007	Performance-linked remuneration for 2007
Prof. Dr. Eberhard Scheffler	50,093	36,610	13,483
(2006)	(37,216)	(36,148)	(1,068)
Prof. Dr. Mark Wössner	32,613	22,500	10,113
(2006)	(23,300)	(22,500)	(800)
Dr. Gerhard Heinrich	21,743	15,000	6,743
(2006)	(15,533)	(15,000)	(533)
Dr. Sönke Mehrgardt	21,743	15,000	6,743
(2006)	(15,533)	(15,000)	(533)
Helmut Ricke	26,327	19,584	6,743
(2006)	(19,907)	(19,374)	(533)
Dr. Michael Witzel	21,743	15,000	6,743
(2006)	(15,533)	(15,000)	(533)
Total	174,262	123,694	50,568
(2006)	(127,022)	(123,022)	(4,000)

Executive Board

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

- **Dr. Rainer Hecker**
Industrial Engineer, Kronach
Chief Executive Officer
- **Gerhard Schaas**
Engineer, Rödental
- **Oliver Seidl**
Graduate in business administration, Bad Boll

Remuneration of the Company's Executive Board members is broken down as follows:

EUR	Total remuneration for 2007	Thereof:		Additional remuneration through allocation to provisions for pensions
		Fixed monthly remuneration for 2007	Variable remuneration for 2007	
Dr. Rainer Hecker	846,332	321,332	525,000	195,039
(2006)	(621,320)	(291,320)	(330,000)	(291,963)
Gerhard Schaas	617,638	267,638	350,000	153,378
(2006)	(457,627)	(237,627)	(220,000)	(144,420)
Oliver Seidl	595,499	245,499	350,000	76,084
(2006)	(114,311)	(59,311)	(55,000)	(13,588)
Dr. Burkhard Bamberger	0	0	0	0
(2006)	(330,540)	(165,540)	(165,000)	(- 67,489)
Total	2,059,469	834,469	1,225,000	424,501
(2006)	(1,523,798)	(753,798)	(770,000)	(382,482)

The provision for pensions for the active Executive Board members comes to EUR 3,395 thousand (2006: EUR 2,971 thousand). The entitlement arising from the pension commitment is based on the general principles of company pension commitments.

The members of the Executive Board are simultaneously managing directors of Loewe Opta GmbH. No additional remuneration is paid for these activities.

Amounts totaling EUR 77 thousand (2006: EUR 77 thousand) were paid as pensions to former members of the Executive Board in the year under review. Provisions set aside for pensions for former members of the Executive Board come to EUR 1,566 thousand (previous year: EUR 1,554 thousand).

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

■ **Professor Dr. Eberhard Scheffler**

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

■ **Professor Dr. Mark Wössner**

Citigroup Global Markets Deutschland AG & Co. KGaA,
Frankfurt/Main and Munich
(Member of the Advisory Council and Chairman)
DaimlerChrysler AG, Stuttgart
(Member of the Supervisory Board)
Douglas Holding AG, Hagen
(Member of the Supervisory Board)
eCircle AG, Munich
(Chairman of the Supervisory Board)
Heidelberger Druckmaschinen AG, Heidelberg
(Chairman of the Supervisory Board)
Reuters Founders Share Company Ltd., London, UK
(Member of the Board of Trustees)

■ **Dr. Gerhard Heinrich**

Prevent AG, Hamburg
(Chairman of the Supervisory Board)

■ **Dr. Sönke Mehrgardt**

Fludicon GmbH, Darmstadt
(Chairman of the Advisory Board)
Agnion Energy Inc., Pfaffenhofen
(Chairman of the Advisory Board)
Silicon Line GmbH, Munich
(Chairman of the Advisory Board)

■ **Helmut Ricke**

Loewe Opta GmbH, Kronach
(Deputy Chairman of the Supervisory Board)

■ **Dr. Michael Witzel**

Eramon AG, Gersthofen
(Chairman of the Supervisory Board)
AP-Stiftung gGmbH, Speyer
(Member of the Advisory Board)
Metallgesellschaft AG, Elsteraue
(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-Akademie Oberfranken GmbH, Bayreuth
(Member of the Supervisory Board)
Bayerische Landeszentrale für neue Medien (BLM), Munich
(Member of the Administrative Council)

■ **Gerhard Schaas**

IGR Interessengemeinschaft für Rundfunkschutzrechte GmbH,
Düsseldorf
(Chairman of the Supervisory Board)
IGR Interessengemeinschaft für Rundfunkschutzrechte e.V.,
Düsseldorf
(Chairman of the Board of Directors)
Chairman of the Executive Board of the German TV Platform

Shares held by the Executive Board and Supervisory Board on December 31, 2007:

As of December 31, 2007, the Executive Board held 622,718 (previous year: 622,718) shares in Loewe AG. The Supervisory Board holds no Loewe shares.

Responsibility statement pursuant to Section 37 y No. 1 WpHG and Sections 297 (2) sentence 4, 315 (1) sentence 6 HGB

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Kronach, February 22, 2008

The Executive Board



Dr. Rainer Hecker



Gerhard Schaas



Oliver Seidl

Independent Auditor's Report

We have audited the consolidated financial statements prepared by Loewe AG, Kronach – consisting of the income statement, balance sheet, statement of changes in shareholders' equity, cash flow statement, notes and segment reporting for the business year from January 1 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with the International Financial Reporting Standards (IFRS), as applicable in the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB) is the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit in accordance with Section 317 of the German Commercial Code and 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 in such a way that we can detect with reasonable assurance any misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test bases within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply with the IFRSs as applicable in the EU, the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code and the IFRS in their entirety and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Mönchengladbach, February 22, 2008

Abstoß & Wolters OHG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Quacken
Auditor

Cramer
Auditor

Publication of the 2007 Financial Statements of the Loewe Group

Thursday, March 27, 2008, 9:30 a.m., Munich

DVFA Analysts' Conference

Thursday, March 27, 2008, 4 p.m., Frankfurt/Main

Publication of the Q1 Report

(January 1 – March 31, 2008)

Conference call on Wednesday, May 7, 2008, 10:00 a.m.

Ninth Annual Shareholders' Meeting of Loewe AG

Monday, June 9, 2008, 11:00 a.m., Munich, ArabellaSheraton Grand Hotel

Publication of the Q2 Report

(January 1 – June 30, 2008)

Conference call on Wednesday, August 6, 2008, 10:00 a.m.

Publication of the Q3 Report

(January 1 – September 30, 2008)

Conference call on Wednesday, November 5, 2008, 10:00 a.m.

Publication of the Key Figures for the 2008 financial year

Conference call on Tuesday, January 27, 2009, 10:00 a.m.

Contacts/Publication Credits

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

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