



REPORT ON THE FIRST NINE MONTHS OF FISCAL YEAR 2002

- SALES GROW BY 3%
- EBIT DECREASES TO EUR 16.8 MILLION
- NEW PRODUCT LAUNCHES IN 2003

LOEWE.



Dear shareholders

Loewe did not reach its sales and earnings targets in the third quarter of 2002. The sluggish economic environment in Germany, Europe and the U.S., the continued lack of a recognizable upturn in consumer confidence and the delayed introduction of new Loewe products have resulted in a 5% decline in sales to EUR 84.4 million. At only EUR 2.3 million, earnings before interest and taxes (EBIT) also clearly failed to meet expectations in the third quarter. With EUR 259.7 million in sales, EBIT in the first three quarters was EUR 16.8 million overall. Earnings per share for the period January 1 to September 30, 2002 were EUR 1.29.

We have therefore decided to announce preliminary key figures for the first nine months on October 25, 2002 as well as the corrected projection for the entire year in an ad hoc disclosure. Against the backdrop of the current slowdown in consumption and the related difficulty in accurately predicting consumer behavior in the upcoming Christmas season, the projected sales and EBIT for the year 2002 as a whole have been revised.

2002 sales will be slightly above the prior year's total of EUR 372 million. In the Home Media Systems division, the prior year's EBIT of EUR 26 million will not be matched this year. But Group EBIT, which includes the discontinued Telecommunications division, is expected to be slightly above last year's amount of EUR 20.1 million.

It was also necessary to take into account that there were write-downs related to Loewe's pension fund coverage and startup losses in the U.S. market that were higher than anticipated in the third quarter of 2002. Combined with the inability to achieve sales growth and the associated lack of contribution margins, the unexpectedly weak third quarter of 2002 prevented us from reaching the targets for 2002 as a whole.

With our products, our technological lead and our German and international marketing structure, we are well positioned to successfully develop, produce and market high-end multimedia televisions and home cinema solutions. Loewe is active in growing market segments with attractive margins.

The award of the German Marketing Prize on November 8, 2002, the rating as a top brand by the German specialist retail trade as well as other design awards prove that Loewe is still on the right path.

In the third quarter, the Loewe plasma television Spheros was integrated into the new Systems product family. Loewe launched an additional flat display TV (20" LCD) as well as the new real flat product family Aventos in the mid-range price segment. In the European markets, sales of the high-margin segments large screen, 16 : 9 wide screen and 100 Hz continue to grow. Loewe is extraordinarily well positioned in this area. Early next year, we will launch more new products in the real flat TV market, which is also vigorously expanding.

In view of these product innovations and an anticipated mild economic recovery in the future, Loewe's mid-range financial targets are unchanged at growth rates of 8% in sales, 10% in EBIT and more than 10% in earnings per share.

The Loewe Executive Board is conscious of how ambitious these goals are, not least in view of the lower basis of 2002. Loewe's forward-looking capital expenditure program, its continued very sound financial and capital structure and highly motivated employees make it very well positioned to successfully meet the challenges of the market in an admittedly difficult consumer and economic environment beyond the year 2002.

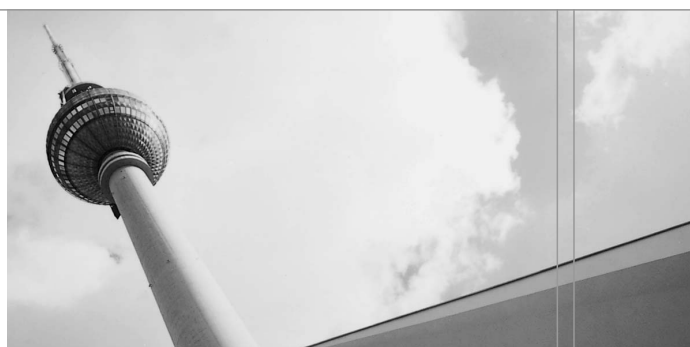
With a strengthened market presence, high cost consciousness and transparent and open communications, we will do everything we can to maintain and improve the confidence of investors and the financial community.

We would be happy to have you accompany us on this path.

Kronach, November 2002



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



THE LOEWE GROUP AT A GLANCE^{*)}

in EUR million	3rd Quarter 2002	3rd Quarter 2001	Change in %	1st 9 months 2002	1st 9 months 2001	Change in %
Sales	84.4	88.6	- 5	259.7	251.1	+ 3
Germany	43.7	46.8	- 7	123.7	124.5	- 1
Foreign	40.7	41.8	- 3	136.0	126.6	+ 7
Earnings before interest and taxes (EBIT)	2.3	7.3	- 68	16.8	20.3	- 17
Net income after minority interests	1.1	4.2	- 74	9.2	11.4	- 19
Earnings per share in EUR^{**)}	0.16	0.57	- 72	1.29	1.59	- 19
Further key figures						
Cash flow provided by operating activities	- 1.6	3.7	~	17.0	18.0	- 6
Capital expenditure	7.1	8.1	- 12	17.4	17.6	- 1
Depreciation and amortization	5.0	5.1	- 2	14.1	14.6	- 3
Development costs	3.7	3.0	+ 23	9.8	8.4	+ 17
Number of employees	1,270	1,190	+ 7	1,237	1,153	+ 7

^{*)} Following the resolution passed in December 2001 concerning the closing of the Telecommunications division, only the figures for the Home Media Systems to be continued are reported. The previous year's figures were adjusted accordingly.

All consolidated financial statements are in accordance with IAS and were compiled using the same accounting and valuation methods.

^{**) Net income in relation to the number of shares outstanding totaling 7,158,200 shares (previous year: 7,149,400 shares).}

SALES GROW SLIGHTLY BY 3% TO EUR 260 MILLION

The economic environment in Germany and Europe did not improve in the third quarter. In addition, the delayed launch of new products was a negative factor for Loewe. In the third quarter of 2002, the sales of EUR 84.4 million were 5% under the comparable period of the previous year. Favored

by the successful first half of 2002, sales in the first nine months were up 3% to EUR 259.7 million.

Third quarter sales declined by 7% to EUR 43.7 million in Germany and by 3% to EUR 40.7 million outside of Germany. In the first nine months of 2002, sales in Germany are just barely at the previous year's level. Outside of Germany, however, sales rose by 7% to EUR 136.0 million.



EARNINGS BELOW PREVIOUS YEAR'S LEVEL

At EUR 2.3 million in the third quarter of 2002, earnings before interest and taxes (EBIT) in the Home Media Systems division to be continued were EUR 5.0 million lower than in the comparable period of the previous year. This is primarily attributable to a lower sales volume, a worsened product mix and higher than anticipated startup costs for the new U.S. subsidiary. It was also necessary to make allowances for price losses in the financial assets of Loewe Opta Unterstützungskasse e.V. amounting to EUR 0.9 million.

EBIT of EUR 16.8 million was generated in the first nine months of fiscal year 2002. This is lower than the EBIT of the comparable period of the previous year by EUR 3.5 million. In the first nine months of 2002, the EBIT margin was down by 1.6 percentage points to 6.5% in relation to the comparable period of the previous year.

Primarily as a consequence of the lower EBIT, the net income after minority interests of the division to be continued was down by 19% to EUR 9.2 million in the first nine months of 2002 compared to the same period of the previous year.

As expected, the results of the Telecommunications division to be discontinued were nil. The sale of the inventories and the disposal of the assets were completed for the most part.

The consolidated net income after minority interests declined by 12% to EUR 9.2 million.

At EUR 1.29 in the first nine months of 2002, the undiluted earnings per share of the division to be continued were 19% lower than in the comparable period of the previous year.

Under the employee stock option program started in 1999, which involved a total of 500,000 stock options, 416,800 options can still be exercised by 2005. Including these still unexercised options, the fully diluted earnings came to EUR 1.21 per share for the first nine months of 2002.

BUSINESS DEVELOPMENT IN THE FIRST NINE MONTHS OF 2002

1. DECLINE IN SALES IN THE THIRD QUARTER OF 2002

TELEVISION/MULTIMEDIA PRODUCT AREA

According to German market research firm GfK, the European market for televisions climbed by 4% from February to July. With 3% growth, the development in Germany shows a similar trend. The markets that posted large increases over the previous year were Spain (11%), UK (7%) and the Netherlands (6%). In contrast, the market was down in export countries of

Sales in EUR million	3rd Quarter 2002	3rd Quarter 2001	Change in %	1st 9 months 2002	1st 9 months 2001	Change in %
Home Media Systems						
Televisions and multimedia	71.6	75.3	- 5	219.2	212.2	+ 3
DVDs, video recorders, stereo systems, accessories	12.8	13.3	- 4	40.5	38.9	+ 4
Total	84.4	88.6	- 5	259.7	251.1	+ 3



importance to Loewe: Italy (2%) and Austria (3%). In Belgium, the market volume remained stable at the previous year's level.¹

Loewe was only partially able to participate in this growth since televisions with real flat picture tubes have penetrated the most important European markets faster than anticipated. At present, Loewe only offers such products in the higher-end price groups and the Systems family. Loewe will gradually switch the entry level and mid-range segments of its product line to real flat picture tubes in the coming months.

The presently incomplete line of real flat sets has resulted in market share declines² in some key European markets. Consequently, Loewe's market share in the Western European markets is down by 0.2 percentage points to 6.7% in relation to the comparable period of the previous year.

In Europe (including Germany), the share of real flat units in market volume by value is over 40% compared to 28% in Germany alone. Accordingly, it was possible to increase the market share in Germany by 0.9 percentage points to 14% in the corresponding period. On the other hand, the market share declines in Italy by 1.4 percentage points to 5.6%, in Belgium by 0.6 percentage points to 9.6%, in Spain by 1.0 percentage points to 7.7% and in the Netherlands by 0.6 percentage points to 10.7% are a reflection of the presently incomplete product line in the real flat segment.

Overall, sales declined by 5% to EUR 71.6 million in the television/multimedia product area in the third quarter of 2002 while there was an increase of 3% to EUR 219.2 million in the first nine months.

DVDS, VIDEO RECORDERS, STEREO SYSTEMS AND ACCESSORIES PRODUCT AREAS

Sales in these product areas grew by 4% in the first nine months of fiscal year 2002. The 4% lower sales in the third quarter are primarily due to the market-related decline in video recorders.

As expected, sales of video recorders were slow due to the substitution effects of DVD players. Sales of DVD players could not offset the sales decline in video recorders since Loewe did not follow a more than 30% decline in average market prices out of profitability considerations.

In stereo systems, the introduction of the new Concertos sound system developed in collaboration with Bose and the Certos stereo system launched in the third quarter made it possible to generate significant sales growth. The technology and design of both products are matched to the new Systems product family.

The retail trade has accepted the new Systems line very well. The now complete line has already been launched with qualified German retail partners. A fourth quarter launch is planned outside of Germany. This creates excellent conditions for positioning Loewe as a systems supplier of home cinema products in the highest price segment.

Sales in the Telecommunications division to be discontinued were EUR 9.5 million in the first nine months of fiscal year 2002 after EUR 14.4 in the comparable period of the previous year. These sales are not included in the figures of the Home Media Systems division to be continued.

GROWTH IN EXPORT SALES

Sales in Germany declined by 7% in the third quarter. The fact that Loewe did not participate in the definite move to reduce prices in most product areas resulted in lower sales volume. At the same time,

¹ Source GfK: Market growth by value in Europe in the period February to July 2002 in terms of sales to end consumers.

² Source GfK: Retail market share by value in the period February to July 2002 in terms of sales to end consumers.



the product mix was affected by a particularly strong demand for entry-level Loewe products.

Foreign sales in the third quarter were down by 3% in relation to the comparable period of the previous year. Except for the continued very pleasing developments in Australia (up EUR 1.2 million or 47%), the U.S. (up EUR 0.5 million or 30%) and the United Kingdom (up EUR 0.4 million or 17%), sales in the key export countries declined as a result of the product line gap in real flat televisions.

In the first nine months of fiscal year 2002, total sales were up 3% while there was a slight 1% decline in Germany. With 7% growth in sales in the foreign business, the highest increases were recorded in the U.S. (up EUR 3.6 million or 100%), Australia (up EUR 3.9 million or 49%), United Kingdom (up EUR 2.2 million or 29%) and Spain (up EUR 2.7 million or 17%). There were significant declines in Switzerland (down EUR 2.1 million or 30%) and in the Benelux countries (down EUR 1.8 million or 6%).

2. SPECIAL EFFECTS INTENSIFY DECLINE IN EARNINGS

At EUR 2.3 million in the third quarter of 2002, earnings before interest and taxes (EBIT) in the Home Media Systems division to be continued were EUR 5.0 million lower than in the comparable period of the previous year. The sales volume, which is EUR 4.2 million lower than in the third quarter of the previous year, and the resulting coverage losses adversely affected third quarter EBIT in the amount of EUR 1.0 million. Added to this is the worsening of the product

mix due to the still incomplete product line in the entry-level and mid-price range of the real flat segment, which contributed to EBIT being EUR 0.8 million lower than in the previous year. Moreover, startup losses of EUR 0.8 million at Loewe Opta, Inc. USA and price losses of EUR 0.9 million in the financial assets of Loewe Unterstützungskasse e.V. negatively affected earnings.

EBIT of EUR 16.8 million was generated in the first nine months of fiscal year 2002. This is lower than the comparable period of the previous year by EUR 3.5 million.

Compared to the first nine months of the previous year, the gross margin increased by 1.8 percentage points to 29.3%. The takeover of sales activities in the U.S. and in France by our own subsidiaries and the associated elimination of the margin of the former distributors as well as the lower prices for materials are the major factors in this increase. This was offset by the higher costs for the planned but not implemented increases in production as well as the lower price of the U.S. dollar.

The disproportionately high increase in selling expenses of EUR 8.5 million or 2.6 percentage points to 19.8% of sales in the first nine months of fiscal year 2002 in relation to the comparable period of the previous year was primarily related to the costs for the sales organizations in the U.S. and in France, which are reported for the first time in 2002.

The increased U.S. business since the end of last year and the newly organized sales and marketing company in the U.S. have not yet met expectations.

EBIT in EUR million	3rd Quarter 2002	3rd Quarter 2001	Change in %	1st 9 months 2002	1st 9 months 2001	Change in %
Home Media Systems	2.3	7.3	- 68	16.8	20.3	- 17
EBIT margin in %	2.7	8.2		6.5	8.1	



At EUR 7.2 million, sales in the first nine months of 2002 did in fact double in relation to the comparable period of the previous year; however, the internal growth targets could not be attained since the still limited product line in the U.S. is exposed to severe market price erosion. Due to insufficient sales, the negative EBIT contribution of EUR -0.8 million incurred in the first half of 2002 increased to EUR -1.6 million in the third quarter.

Due to wage scale increases affecting personnel costs and higher insurance premiums, general administrative expenses in the first nine months increased by EUR 0.5 million in relation to the comparable period of the previous year. Referring to sales, this means an increase of 0.1 percentage points to 3.0% of sales.

The balance of other operating income and expenses, which was lower by EUR 1.4 million in the first nine months, results in part from EUR 0.5 million in costs for a special safety inspection of TV sets but primarily from price losses in the financial assets of Loewe Opta Unterstützungskasse e.V. caused by the sharp drop in prices in the European stock markets.

Loewe Opta Unterstützungskasse e.V. manages roughly 40% of Loewe's pension commitments. If the assets of the pension fund prove insufficient to meet these commitments, the sponsoring company Loewe Opta GmbH is liable. The value of the assets,

30% of which are invested in diversified equity funds, was reduced in the amount of EUR 0.9 million due to the price declines in the third quarter. EBIT is adversely affected in the same amount in this time period. In the first nine months of 2002, the EBIT burden resulting from the price declines of the securities amounts to EUR 1.3 million. On September 30, 2002, the book value of the assets invested in equity funds amounts to EUR 2.1 million. Even if stock prices continue to fall, Loewe's risks in this area are limited.

The higher commitment of funds in working capital is offset by lower tax payments. The balance of interest expenses and income as a percentage of sales was unchanged at 0.4%.

3. CAPITAL EXPENDITURE AT THE PREVIOUS YEAR'S LEVEL

At EUR 17.4 million, the capital expenditure in the first nine months of fiscal year 2002 was 1% below that of the comparable prior year period. In addition to development costs subject to mandatory capitalization in accordance with International Accounting Standards (IAS) (EUR 3.6 million), it relates to the first phase in the construction of a warehouse for the production area (EUR 1.9 million). The total volume of this building project, which should contribute to an improvement of the logistics processes at

Home Media Systems

in EUR million

Intangible assets

Property, plant, and equipment

Financial assets

Total

	Capital expenditure		Depreciation and amortization	
	1st 9 months 2002	1st 9 months 2001	1st 9 months 2002	1st 9 months 2001
Intangible assets	4.6	3.9	4.6	4.3
Property, plant, and equipment	12.6	13.7	9.5	10.3
Financial assets	0.2	–	–	–
Total	17.4	17.6	14.1	14.6



Kronach, is EUR 4.0 million. In addition, investments were made in high-quality presentation systems for the retail trade (EUR 0.9 million), automatic placement machines in production (EUR 0.6 million) and in projects primarily aimed at streamlining production. An additional focus is investments in tooling for new products (EUR 3.6 million), which are planned to be launched on the market in late 2002 and 2003.

At EUR 14.1 million, depreciation and amortization for the first nine months of fiscal year 2002 was below the level of the previous year by EUR 0.5 million primarily due to lower depreciation on tools and facilities under construction (warehouse).

4. NET FINANCIAL DEBT BELOW PREVIOUS YEAR'S LEVEL

Compared to September 30, 2001, the balance sheet structure as of September 30, 2002 improved slightly. The net financial debt was reduced since the increase in working capital was overcompensated by the repatriation of the assets tied up in the division to be discontinued. At the same time, the equity ratio went up by one percentage point to 38%.

The increase in inventories compared to September 30, 2001 reflects both the reduced sales in the third quarter compared to the same prior year period as well as structural changes in the sales organization. In addition to the buildup of the finished goods inventory for the direct supply of retailers in France, the buildup of the finished goods inventory at the newly founded Loewe Opta, Inc., USA also had an effect in the first nine months of fiscal year 2002. Of the buildup in inventories compared to the previous year, EUR 6.4 million is attributed to televisions, EUR 1.7 million to video recorders and DVDs as well as EUR 3.0 million to accessories and service inventories. On the other hand, it was possible to reduce the inventories of raw materials and supplies, unfinished goods by EUR 1.5 million.

The decline in trade accounts receivable and other assets compared to September 30, 2001 reflects an increase arising from the changed marketing structure and a reduction due to the reduced sales in the third quarter. The sharp reduction of EUR 20.3 million compared to the balance as of December 31, 2001 is in line with the seasonal trend of sales.

Compared to the balance as of September 30, 2001, the other provisions increased with the business

in EUR million	September 30, 2002	December 31, 2001	September 30, 2001
Fixed assets	65.7	62.4	61.4
Working Capital	54.7	47.1	48.6
Assets/liabilities of the division to be discontinued	1.4	5.1	10.6
Shareholders' equity	78.5	75.2	75.3
Minority interests	1.1	0.8	0.8
Net financial debt	42.2	38.6	44.5

Working capital. Home Media Systems in EUR million	September 30, 2002	December 31, 2001	September 30, 2001
Inventories	65.2	45.1	55.6
thereof: raw materials and supplies, unfinished goods	14.7	14.5	16.2
thereof: finished goods and merchandise	50.5	30.6	39.4
Trade accounts receivable and other assets	70.6	90.9	71.2
Other provisions	- 41.5	- 50.2	- 40.5
Trade accounts payable and other liabilities	- 39.6	- 38.7	- 37.7
Working capital	54.7	47.1	48.6



volume by 2%. The decline in other provisions since December 31, 2001 relates primarily to annual bonuses to dealers, which were paid according to plan in the first quarter of 2002.

The assets tied up in the Telecommunications division to be discontinued, after deduction of liabilities, primarily relate to trade accounts receivable as well as other provisions. The decrease in relation to yearend 2001 results primarily from the reduction in inventories by EUR 6.4 million to EUR 0.2 million and the reduction in trade accounts payable by EUR 3.2 million to EUR 0.2 million. The trade accounts receivable reported as of September 30, 2002 in the amount of EUR 2.4 million will fall due in the fourth quarter of 2002.

The net income generated in the first nine months of 2002 and the dividend for fiscal year 2001 distributed in June 2002 are netted in the EUR 3.3 million increase in shareholders' equity to EUR 78.5 million. In addition, EUR 0.2 million accrued to Loewe AG in May 2002 through the issue of new shares under the still existing options of the first tranche of the stock option program.

5. CASH FLOW ONLY SLIGHTLY BELOW PREVIOUS YEAR

At EUR 17.0 million, the cash flow from operating activities for the first nine months is slightly lower than in the comparable prior year period. The lower income and the greater increase in working capital in the amount of EUR 1.7 were almost completely offset by the tax payments, which were lower than in the comparable prior year period by EUR 3.9 million.

The net cash used by investing activities of EUR 17.4 million is approximately the same amount as in the comparable prior year period.

in EUR million

	1st 9 months 2002	1st 9 months 2001
Cash flow from		
Operating activities of the Home Media Systems division	17.0	18.0
Investing activities of the Home Media Systems division	- 17.4	- 17.5
Free cash flow of Home Media Systems division	- 0.4	0.5
Free cash flow of Telecommunications division	3.7	- 9.3
Net cash used by financing activities	- 5.9	- 4.9
Cash-effective change in liquidity	- 2.6	- 13.7

Shareholders' equity in EUR million	Subscribed capital	Capital reserve	Retained earnings	Profit brought forward	Total shareholders' equity
Balance as of 12/31/01	7.1	44.9	5.5	17.7	75.2
Capital increase	0.1	0.1			0.2
Net income 1st nine months 2002				9.2	9.2
Dividend for 2001				- 6.1	- 6.1
Balance as of 9/30/02	7.2	45.0	5.5	20.8	78.5



At EUR 3.7 million, the free cash flow of the Telecommunications division to be discontinued was clearly better than the comparable prior year value of EUR -9.3 million. The positive development is due to the almost complete reduction in inventories and the noticeable reduction in accounts receivable.

Overall, the cash and cash equivalents of the Loewe Group were reduced by EUR 2.6 million to EUR -1.9 million in the first nine months of fiscal year 2002.

DEVELOPMENT AND PRODUCTION

The third quarter of 2002 was marked by numerous product launches, particularly for the export market. The real flat Vitros 6270 television went into production as an export version and production was started on several televisions destined for the Australian market after already having been introduced in the European market.

In the third quarter, a special priority was the work to expand the product line to include additional real flat models in the entry-level and mid-range. Development on the Aventos 81 was completed; production was started in October. The completion of development of additional products is concentrated on the first half of 2003.

The OnlinePlus Internet module went into full production. At the same time, the software for the international market was completed.

The development work on the next generation of the integrated DVB television was continued on schedule. Its function was expanded to include the reception of pay-TV programming from Premiere. The development of the 20" LCD television, which went into production in October 2002, also proceeded on schedule.

In the field of basic development projects, the current projects in home multimedia terminal, display processes, graphic user interfaces and networking were continued. A special focus was on the acquisition of new support projects involving networking and server technologies for solutions in smart home networking.

SALES AND MARKETING

Loewe will be awarded the German Marketing Prize for 2002. This well-known prize, which is being awarded to a consumer electronics company for the first time, rewards marketing performance that is exemplary of a consistent market orientation concept. The prize will be awarded at the German Marketing Conference on November 8, 2002.

In the third quarter, the Loewe premium product, the flat Spheros 42 plasma television was integrated into the new Systems product family. Now the customer can choose between real flat screens and the new plasma technology as the core module of a complete Home Cinema system. The total system of the Systems product family has now been introduced in the Western European countries and Russia. The response to this unique integration of picture and audio was also very positive in the U.S. Loewe was independently represented at the CEDIA Expo for the first time this September. In Germany, the magazine Heimkino rated the Systems product family as "best in class" (09/2002 issue).

In September, the range of the Aconda product family was expanded. With the Aconda Living 9272 ZP, this high-end real flat class now includes a more economical model. To strengthen Loewe's position in the European markets outside Germany, the Vitros real flat product family was expanded to include the new color "platinum monochrome", following the trend to brighter set designs.



By introducing the new Internet module OnlinePlus, which can be used to upgrade all premium Loewe televisions to Internet TV, Loewe is again setting a milestone in the convergence of television and Internet. OnlinePlus is an unrivalled and powerful Internet platform integrated in the Loewe television for the convenient utilization of information, communications and entertainment.

Every year, more than 3,500 employees in the retail trade gain familiarity with our products in our "Pro College" training center. Now all participants can prepare for and assess their training online. In addition, pure online courses are offered. We have made fast access a special priority to support the retail sales talk online.

In our most important single market of Germany, we were able to further increase the quality of distribution in the third quarter of 2002. As of the end of September, 1,100 retail partners had signed the Loewe partner agreement. The acquisition of the former distribution partner in France set the stage for further developing this key market independently.

NEW JOBS CREATED

The 7% increase in the average number of employees in the first nine months in relation to the comparable prior year period was disproportionate to the 3% growth in sales. Of the 84 employees added, 37 are primarily involved in expanding sales and marketing, 16 are in development and 12 are in production. The buildup of human resource capacities includes 13 persons at the newly founded Loewe Opta, Inc., USA and five persons on a yearly average at Loewe France S.A.

As of September 30, 2002, three persons were still employed in the former Telecommunications division. They will not leave the Company until December 31, 2002 due to existing agreements.

CORPORATE GOVERNANCE

In their meeting held on September 10, 2002, the Executive Board and Supervisory Board of Loewe AG adopted the following: The recommendations of the Government Commission of the German Corporate Governance Code as officially published in the electronic Federal Gazette of August 30, 2002 will be followed except for the recommendation concerning sub-section 7.1.2, sentence 2, clause 1 (publication of the consolidated financial statements within 90 days of the end of the financial year). In the interest of the quality of Loewe accounting, the Company will publish its consolidated financial statements within four weeks after March 31, 2003. From the present perspective, it may be assumed that in 2004, the consolidated financial statements will be published within the 90-day period.

RISKS OF FUTURE DEVELOPMENT

The most important risk areas include market risk, the technology and design position, dependence on important suppliers and employees in key positions, product liability, interest, and currency risks as well as the potential effects of the EU Electronic Waste Directive as of 2005. The individual risks are in part interrelated and can overlap.

A comprehensive risk report can be found on pages 48 to 51 of the annual report for 2001.

There were no significant changes from the previous year in the first three quarters of fiscal year 2002.



IMPORTANT EVENTS AFTER THE END OF THE QUARTER

EUR 0.2 million accrued to Loewe AG in early October 2002 from the second tranche of the employee stock option program.

In October, we initiated safety testing on a maximum of 28,000 television sets at end consumers' premises both within and outside of Germany. The anticipated costs of this testing are included in the results.

No additional events of special significance occurred after the end of the third quarter of 2002.

OUTLOOK FOR ALL OF 2002

Against the backdrop of the current slowdown in consumption and the related difficulty in predicting consumer behavior in the upcoming Christmas season, we have revised our projected sales and EBIT for 2002 as a whole in an ad hoc announcement published on October 25, 2002.

As explained in this announcement and in a subsequent teleconference, Loewe's 2002 sales in the Home Media Systems division to be continued will be slightly above the prior year's total of EUR 372 million. The prior year's EBIT of EUR 26 million will not be matched this year due, among other things, to the startup losses in the U.S. Including the

discontinued Telecommunications division, Group EBIT for 2002 is expected to be slightly above last year's amount of EUR 20.1 million. Accordingly, the earnings per share for 2002 will also somewhat exceed the previous year's value of EUR 1.45 (including the division to be discontinued).

In view of planned product innovations and an anticipated mild economic recovery in the medium term, Loewe's mid-range financial targets are unchanged at growth rates of 8% in sales, 10% in EBIT and more than 10% in earnings per share based on the current 2002 figures.

OTHER INFORMATION

These interim financial statements were drawn up in accordance with DRS (German Accounting Standard) No. 6.

This report for the first nine months of 2002 was thoroughly reviewed by the group auditor Abstoß & Wolters OHG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Mönchengladbach. No objections were raised.

As of September 30, 2002, the Executive Board held 572,025 shares in Loewe AG, which was unchanged from the balance as of December 31, 2001.

Kronach, October 25, 2002

The Executive Board

Dr. R. Hecker

Dr. B. Bamberger

T. Bender

G. Schaas

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD JANUARY 1 THROUGH SEPTEMBER 30, 2002

in EUR million	3rd Quarter 2002		3rd Quarter 2001		Jan. – Sept. 2002		Jan. – Sept. 2001	
		%		%		%		%
Sales	86.0		94.4		269.2		265.5	
Division to be discontinued	- 1.6		- 5.8		- 9.5		- 14.4	
Home Media Systems division	84.4	100.0	88.6	100.0	259.7	100.0	251.1	100.0
Manufacturing cost of goods and services produced in order to generate sales ^{*)}	- 59.1	- 70.0	- 65.2	- 73.6	- 183.7	- 70.7	- 182.1	- 72.5
Gross margin	25.3	30.0	23.4	26.4	76.0	29.3	69.0	27.5
Selling expenses	- 19.2	- 22.8	- 15.1	- 17.0	- 51.6	- 19.8	- 43.1	- 17.2
General administrative expenses	- 2.6	- 3.1	- 2.3	- 2.6	- 7.8	- 3.0	- 7.3	- 2.9
Other operating income/expense	- 1.2	- 1.4	1.2	1.3	0.1	0.0	1.5	0.6
Income from participating interests	0.0	0.0	0.1	0.1	0.1	0.0	0.2	0.1
EBIT of the division to be continued	2.3	2.7	7.3	8.2	16.8	6.5	20.3	8.1
Interest and similar income	0.1	0.1	0.0	0.0	0.4	0.1	0.3	0.1
Interest and similar expenses	- 0.5	- 0.6	- 0.3	- 0.3	- 1.4	- 0.5	- 1.3	- 0.5
Profit from ordinary activities (EBT) of the division to be continued	1.9	2.2	7.0	7.9	15.8	6.1	19.3	7.7
Profit from ordinary activities (EBT) of the division to be discontinued	0.0	0.0	- 0.9	- 1.0	0.0	0.0	- 1.5	- 0.6
Profit from ordinary activities (EBT)	1.9	2.2	6.1	6.9	15.8	6.1	17.8	7.1
Income taxes	- 0.8	- 0.9	- 2.4	- 2.7	- 6.5	- 2.5	- 7.1	- 2.8
Net income before minority interests	1.1	1.3	3.7	4.2	9.3	3.6	10.7	4.3
Minority interests	0.0	0.0	- 0.1	- 0.1	- 0.1	- 0.1	- 0.2	- 0.1
Net income after minority interests	1.1	1.3	3.6	4.1	9.2	3.5	10.5	4.2
thereof:								
Division to be continued	1.1	1.3	4.2	4.7	9.2	3.5	11.4	4.5
Division to be discontinued	0.0	0.0	- 0.6	- 0.6	0.0	0.0	- 0.9	- 0.3

^{*)} the following items up to and including interest and similar expenses only contain information concerning the division to be continued

Basic earnings per share	0.16	0.49	1.29	1.47
Basic earnings per share of the division to be continued	0.16	0.57	1.29	1.59
Diluted earnings per share of the division to be continued	0.14	0.55	1.21	1.50
Number of shares issued	7,158,200	7,149,400	7,158,200	7,149,400
Number of shares and options issued	7,575,000	7,575,000	7,575,000	7,575,000

CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2002

in EUR million	9/30/2002	12/31/2001	9/30/2001
ASSETS			
Fixed assets^{*)}			
Intangible assets	9.5	9.5	9.1
Property, plant, and equipment	55.7	52.6	52.0
Financial assets	0.5	0.3	0.3
	65.7	62.4	61.4
Current assets^{*)}			
Inventories	65.2	45.1	55.6
Trade accounts receivable	66.7	86.1	68.7
Other short-term receivables	3.9	4.8	2.5
Cash and cash equivalents	1.2	9.5	0.0
	137.0	145.5	126.8
Deferred tax assets^{*)}	1.9	1.3	0.6
Assets of the division to be discontinued	2.7	11.7	14.1
Total ASSETS	207.3	220.9	202.9
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Subscribed capital	7.2	7.1	7.1
Capital reserve	45.0	44.9	44.9
Retained earnings	5.5	5.5	2.5
Distributable profit	20.8	17.7	20.8
	78.5	75.2	75.3
Minority interests	1.1	0.8	0.8
Provisions^{*)}			
Provisions for pensions and similar obligations	28.1	27.7	26.6
Tax provisions	3.3	1.9	1.0
Other provisions	41.5	50.2	40.5
	72.9	79.8	68.1
Liabilities^{*)}			
Long-term debt	3.4	4.3	4.9
Trade accounts payable	32.8	29.8	31.8
Other short-term liabilities	17.3	24.4	18.5
	53.5	58.5	55.2
Provisions and liabilities of the division to be discontinued	1.3	6.6	3.5
Total LIABILITIES AND SHAREHOLDERS' EQUITY	207.3	220.9	202.9

^{*)} of the division to be continued

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD JANUARY TO SEPTEMBER 2002

in EUR million	2002	2001
Operating activities¹⁾		
Profit from ordinary activities	15.8	19.3
Depreciation and amortization of fixed assets	14.1	14.6
Increase in pension provisions	0.4	- 0.4
Income taxes paid	- 5.7	- 9.6
Net cash before changes in net current assets	24.6	23.9
Change in net current assets		
Increase in inventories	- 20.1	- 12.5
Decrease in trade accounts receivable and other assets	20.3	11.5
Decrease in other provisions	- 8.7	- 1.0
Decrease in trade accounts payable and other liabilities	0.9	- 3.9
Change in net current assets	- 7.6	- 5.9
Net cash provided by operating activities	17.0	18.0
Investing activities		
Payments for purchases of intangible assets and property, plant, and equipment	- 17.4	- 17.6
Proceeds from disposals of investments	0.0	0.1
Net cash used by investing activities	- 17.4	- 17.5
Free cash flow of the division to be continued	- 0.4	0.5
Free cash flow of the division to be discontinued	3.7	- 9.3
Total free cash flow	3.3	- 8.8
Financing activities		
Increase in minority interests	0.2	0.0
Capital increase	0.2	1.3
Repayment of loans	- 0.2	- 0.2
Dividend payment	- 6.1	- 6.0
Net cash used by financing activities	- 5.9	- 4.9
Cash-effective change in liquidity	- 2.6	- 13.7

Composition of cash and cash equivalents (in EUR million):	9/30/2002	12/31/2001	Change
Liquid funds	1.2	9.5	- 8.3
Short-term bank loans	- 3.1	- 8.8	5.7
Cash and cash equivalents	- 1.9	0.7	- 2.6

¹⁾ The following items up to and including net cash used by investing activities only contain data of the division to be continued

REVIEW REPORT

To: the Executive Board of Loewe AG, Kronach

We have reviewed the interim consolidated financial statements consisting of the balance sheet, income statement and statement of changes in shareholders' equity and the group management report for the period January 1 to September 30, 2002.

The preparation of the interim consolidated financial statements and the group management report according to International Accounting Standards (IAS) is the responsibility of the company's management. Our responsibility is to issue a report concerning the interim consolidated financial statements and the group management report on the basis of our review.

We conducted our review of the interim consolidated financial statements and management report in accordance with the German principles for the review of financial statements established by the "Institut der Wirtschaftsprüfer" (IDW). These standards require that we plan and perform the review such that with a critical evaluation, we can obtain reasonable assurance that no indications are present that the consolidated interim financial statements were not prepared in all material aspects in conformity with IAS or that in accordance with the principles of orderly accounting, the group management report does not convey overall a suitable understanding of the Group's assets, financial position and earnings or does not suitably present the risks of future development.

A review is limited primarily to inquiries of the employees of the Group and analytical audit evaluations and therefore does not provide the assurance achievable through an audit. Since in accordance with our engagement, we have not performed an audit, we cannot issue an audit opinion.

On the basis of our review, we certify that no matters became known to us which give us cause to believe that the consolidated interim financial statements were not prepared in all material aspects in conformity with IAS or that in accordance with the principles of orderly accounting, the group management report does not convey overall a suitable understanding of the Group's assets, financial position and earnings or does not suitably present the risks of future development.

Mönchengladbach, October 28, 2002

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Wirtschaftsprüfungsgesellschaft
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Stock market trading with official listing
and participation in the MDAX

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