Report on the

First Half of Fiscal 2007

- **Sales of EUR 155.1 million in line with expectations**
- **Large-screen LCD-TVs more than double their share in total sales**
- **EBIT of EUR 7.9 million nearly at the 2006 level**
- **EBIT margin rises to 5.1 %**

LOEWE.

Dr. Rainer Hecker
Industrial Engineer
Chief Executive Officer

Oliver Seidl
Graduate in business administration
Chief Financial Officer

Gerhard Schaas
Engineer
Chief Technology Officer

Dear Shareholders,

Our company is pursuing a clear objective. As an established premium brand in the European television market, Loewe focuses on value-based marketing of its individualized products. By continuing our product offensive with large-screen, high-definition LCD-TVs and the strong expansion of our audio segment, we intend to become the leading brand for individualized home entertainment systems in Europe in the medium term. In order to systematically realize Loewe's premium positioning and the associated increase of the margin, Loewe at times deliberately foregoes increases in sales and market share.

Against this backdrop, the sales of the Loewe Group were, as expected, 9% lower in the first half of 2007, declining to EUR 155.1 million from EUR 171.3 million a year earlier. This was related to the strong boost in demand in the first half of 2006 from the FIFA World Cup in Germany. In addition, the first half of 2006 still included sales of picture-tube sets amounting to EUR 11.4 million and OEM TV deliveries to Sharp.

The value-based marketing of Loewe premium products at stable prices and the further improved product mix increased the EBIT margin for the first half of 2007 to 5.1% after 4.8% a year earlier. Despite the lower sales and production volume in the first six months of 2007, earnings before interest and taxes (EBIT) of EUR 7.9 million were only slightly below the figure for H1 2006. In the second quarter of 2007, we achieved an EBIT on the level of the same quarter of the previous year at EUR 3.0 million.

The big IFA preview events leading up to this September's International Consumer Electronics Fair in Berlin were a highlight of the period under review. On these occasions, we presented Loewe Connect, a new and unique TV concept, to numerous media representatives. Our new Connect TV family in screen sizes 32", 37" and 42" represents a completely new direction in connectivity with mobile devices such as digital cameras, MP3 players and even PC networks. The integrated media player enables the new LCD-TVs to have direct access to photos, images and videos on a PC or a network storage device – all in high-definition picture quality through the integrated HDTV receiver.

Another highlight of the IFA preview events is the new Loewe Individual Sound Projector which we presented to the public. With only one component, the Sound Projector delivers unbelievable virtual 5.1 surround sound. Automatic room measurement enables it to aim some of the sound waves directly to the listener, taking into account even sound wave reflections off the walls, thus creating an outstanding surround sound audio experience. Combined with a Loewe TV set, the new Sound Projector creates an authentic cinema atmosphere. By introducing the Sound Projector, Loewe underscores its expertise in the audio segment and in creating modern, convenient surround sound systems.

In the next few months, we will continue our focus on premium and value-based marketing of our high-quality and innovative home cinema solutions. We will push ahead with the qualitative and quantitative expansion of distribution within and outside of Germany and further step up the brand-adequate Loewe retail presentation with flagship stores all over Europe. In addition, we are concentrating on the launch of large-screen, high-definition LCD-TVs in the new screen sizes of 42", 46" and 52". Furthermore, a few days ago, Loewe began to equip the existing product lines with premium 100 Hz picture quality, starting with the Xelos family.

Prices for LCD-TVs continued their decline in the first six months of 2007. Nonetheless, the European TV market will continue to develop positively. This will be due to the sustained high demand for large-screen flat-panel TVs, new attractive digital products, the annually occurring International Consumer Electronics Fair (IFA) in Berlin and the increased brand awareness of consumers. For 2007 as a whole, Loewe continues to anticipate that sales will grow by approximately 10% to EUR 380 million and that EBIT will improve by at least 20% to EUR 16 to 18 million.

Sincerely yours,

R. Hecker

Dr. Rainer Hecker
Chief Executive Officer of Loewe AG

The Loewe Group at a glance*

EUR million	2nd quarter 2007	2nd quarter 2006	± in %	1st half 2007	1st half 2006	± in %
Sales	73.1	82.6	− 12	155.1	171.3	− 9
EBIT	3.0	3.0	0	7.9	8.1	− 2
Net income after minority interests	1.5	1.4	+ 7	4.1	4.0	+ 3
Earnings per share in euros**	0.12	0.11	+ 7	0.32	0.31	+ 3
Free cash flow	5.4	− 6.3		18.6	1.2	
Number of employees	981	952	+ 3	973	970	0

* All figures relate to the continuing division.
The consolidated financial statement as of December 31, 2006 and the interim consolidated financial statements were prepared in accordance with IFRS using uniform accounting policies.

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

Sales of EUR 155.1 million in line with expectations

As expected, sales of the Loewe Group were 9% lower in the first half of 2007, declining to EUR 155.1 million from EUR 171.3 million a year earlier. This was related to the strong boost in demand in the first half of the previous year from the FIFA World Cup 2006. In addition, the figures for H1 2006 still included sales of picture-tube sets amounting to EUR 11.4 million and deliveries of OEM TVs to Sharp. Other sales increased significantly by 46% to EUR 22.7 million, primarily due to the contribution of stereo products and deliveries of modules.

EBIT of EUR 7.9 million nearly at the 2006 level

In the first six months of 2007, earnings before interest and taxes (EBIT) amounted to EUR 7.9 million. Despite the lower sales, the value-based marketing of Loewe products at stable prices and the further improvement of the product mix made it possible to almost reach the high 2006 figure of EUR 8.1 million. Accordingly, the EBIT margin climbed to 5.1%, after 4.8% in 2006. At EUR 4.1 million, net income after minority interests in the first six months of 2007 was slightly higher than in 2006. Earnings per share came to EUR 0.32.

Positive free cash flow

In the first six months of 2007, Loewe AG generated EUR 18.6 million in free cash flow. This significant year-on-year increase resulted primarily from the reduction of working capital.

Modest increase in the number of employees

The average number of employees was only slightly higher than in the same period of 2006. The increase in the second quarter resulted primarily from the inclusion of the newly formed subsidiary Loewe UK Ltd. and isolated hirings in development and marketing.

Market growth continues at dynamic rate

In the first half of 2007, the value of the European consumer electronics market grew by 3% compared to the same period in 2006*. The most important segment by far was the dynamic television segment, which gained 9% in the first half of 2007 in response to the strong growth in the market for LCD-TVs. In the first six months of 2007, sales of LCD televisions in Europe increased by 36% year-on-year. As of June, sales of plasma TVs were 10% below the level of the comparable period of the previous year. Sales of picture-tube sets continued to decline rapidly, falling by 53% year-on-year. The percentage of flat-panel sets in TV sales increased to 92% in H1 2007 from approximately 80% in H1 2006.

Prices for LCD sets continued to decline. In the important 32” and 40” segments, prices for LCD-TVs have fallen by 37% and 32%, respectively. On a year-on-year comparison, the decline in prices for 42” LCD sets, which are in direct competition with the 40” screen size, has been particularly steep. At 21%, the price decline for 46” has been less pronounced. In this case, the value-based marketing of Loewe Individual Compose sets has had a stabilizing effect on prices.

Prices for HD plasma TVs also continued to decline and prices were 41% lower than in 2006 for units with 42” and 43” screen diagonals. In the 50” segment, prices dropped by as much as 45% in the period under review.

Except for Germany and Switzerland, the market for TV sets grew significantly in the first half of 2007 in all important countries in Europe. The strongest growth was recorded in the Benelux countries (+17%) and Spain (+15%). The modest decline in the German and Swiss markets in the first six months of 2007 was a reflection of the higher sales brought about by the FIFA World Cup in the first half of 2006.

At 3.3%, Loewe’s market share in terms of value across all technologies among European retailers in the first half of 2007 was 0.8 percentage points below the 2006 figure. Loewe’s market share in the important LCD segment declined to 4% in H1 2007, down from 5% a year earlier, as a result of Loewe’s value-based product marketing. As expected, the concentration of Loewe’s business on LCD technology further reduced the plasma TV market share to 1.1% from 1.8% in H1 2006. In Germany, Loewe’s most important market, the Company maintained its significant market share – in terms of retail value – for LCD-TV at 11.3% as in the previous year.

* All market data relate to the sales achieved in the European electronics retail trade from January to June 2007. Source: GfK.

Loewe sales down by 9%

As expected, the sales of EUR 155.1 million in the first half of 2007 were lower than the high figure a year earlier (down 9%). The decline was due primarily to the fact that the 2006 figures still included sales of picture-tube sets and sales of OEM-TVs to Sharp totaling EUR 11.4 million. In addition, the strong boost in demand due to the FIFA World Cup stimulated sales in 2006.

Sales structure by product area

EUR million	2nd quarter 2007	2nd quarter 2006	± in %	1st half 2007	1st half 2006	± in %
Flat screen	62.2	69.5	– 11	132.4	144.3	– 8
– LCD	57.4	60.0	– 4	124.5	126.2	– 1
– Plasma/ rear projection	4.8	9.5	– 49	7.9	18.1	– 56
Picture-tube	0.0	2.3		0.0	6.6	
Total Loewe televisions	**62.2**	**71.8**	**– 13**	**132.4**	**150.9**	**– 12**
Televisions (non branded)	0.0	2.7		0.0	4.8	
Other	10.9	8.1	+ 35	22.7	15.6	+ 46
Total sales	**73.1**	**82.6**	**– 12**	**155.1**	**171.3**	**– 9**
thereof: Loewe Germany	33.2	35.7	– 7	74.7	74.5	0
thereof: Loewe export	39.9	44.2	– 10	80.4	92.0	– 13
thereof: non branded	0.0	2.7		0.0	4.8	

Televisions are the primary source of sales for Loewe, representing more than 85% of total sales. After phasing out the production and sales of picture-tube sets in 2006, Loewe now only sells sets with flat screens.

In the first half of 2007, sales of LCD-TVs nearly equaled those of the first half of 2006. The greatest improvements were in the sales of large-screen LCD sets (37” and larger). The percentage of these TV sets in sales more than doubled to 47%, up from 22% in the first six months of 2006. In particular, the high-end sets of the Individual family continued their successful track record. Loewe does not follow the general market trend toward lower prices and sometimes deliberately accepts lower volumes in favor of results-oriented marketing.

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

Other sales rose by 46% year-on-year to EUR 22.7 million, due to the positive development in stereo components (up EUR 3.5 million) and the EUR 3.2 million higher sales of OEM products (electronic modules, tuners) to Sharp and others.

While sales in Germany (EUR 74.7 million in the period under review) slightly exceeded the strong figure for H1 2006, the business trend in the export markets was uneven. Structural and organizational adjustments in Spain and the United Kingdom in particular led to a 13% decline in export sales to EUR 80.4 million. The commencement of business of our subsidiary Loewe UK Ltd. in May 2007 represented a restructuring of our sales organization in the United Kingdom.

Operating income nearly at the 2006 level – EBIT margin rises to 5.1%

Earnings before interest and taxes (EBIT) amounted to EUR 7.9 million in the first six months of 2007, down only slightly from the previous year. However, the EBIT margin improved by 0.3 percentage points to 5.1%. Despite the comparatively lower sales and production volume in the second quarter of 2007, EBIT remained at the 2006 level of EUR 3.0 million.

Our robust price policy and the further improvement of the product mix have contributed to strengthening our earnings situation. Compared with the competition, the selling prices of the Loewe product line have hardly declined at all. Only in the lower and medium price segments were moderate price adjustments implemented as compared to same period of the previous year. Increasing the share of large-screen TV sets also supported the positive development. This made it possible to increase the gross margin to 25.7% in the first six months of 2007, up from 24.5% in H1 2006. In absolute terms, however, the gross margin declined by EUR 2.0 million to EUR 39.9 million as a consequence of the lower business and production volume.

Selling expenses declined by EUR 1.1 million year-on-year. Higher marketing costs were offset by lower sales-related freight and warranty costs. As a percentage of sales, selling expenses at 17.6% were at a slightly higher level than in the previous year.

The administrative expenses were slightly higher than a year earlier. As a percentage of sales, they came to 2.8%.

The other operating loss in the first six months of 2007 was EUR 0.4 million. The loss of EUR 1.4 million recorded in H1 2006 primarily contained a one-time payment made in the first quarter of 2006 to the principal banks in connection with the termination of the security pooling arrangement as of February 28, 2006.

The high liquidity in the first half of 2007 made it possible to improve the interest expense by EUR 0.3 million to EUR −1.3 million. See pages 20 and 21 of the Notes for a comprehensive description of the financing situation.

Capital expenditure

Capital expenditure/depreciation and amortization

EUR million	Capital expenditure		Depreciation/amortization	
	1st half 2007	1st half 2006	1st half 2007	1st half 2006
Intangible assets	3.8	2.8	3.3	3.0
Property, plant and equipment	4.3	6.3	4.6	4.6
Financial assets	0.0	0.1	0.0	0.0
Total	**8.1**	**9.2**	**7.9**	**7.6**

At EUR 8.1 million, capital expenditure in the first half of 2007 was EUR 1.1 million lower than a year earlier. It primarily concerned presentation systems for retailers, modernization investments in production and replacement investments in IT as well as development costs subject to mandatory capitalization. In the current year, the greatest share of capital expenditure will be in the second half due to the numerous product launches. For 2007 as a whole, we anticipate higher capital expenditure than in 2006.

Net current assets

Net current assets

EUR million	June 30, 2007	Dec. 31, 2006	June 30, 2006
Inventories	49.6	59.9	57.8
Trade accounts receivable and other assets	56.6	83.1	71.7
Other provisions	– 34.9	– 45.6	– 33.0
Trade accounts payable and other liabilities	– 27.7	– 40.4	– 46.0
Total	**43.6**	**57.0**	**50.5**

Net current assets decreased by EUR 6.9 million from June 30, 2006, primarily caused by the lower trade accounts receivable due to the lower level of sales and the reduced inventories. Inventories were reduced because most LCD panels are now purchased from central warehouses in Europe and only a small portion is purchased from the Far East. The associated shorter payment periods brought a reduction in trade accounts payable. Other provisions primarily relate to warranties and bonus agreements.

Development and production

In the early months of 2007, the new television line Individual Compose was developed to market readiness with the integrated L2700 TV platform and very successfully launched in screen sizes 40” and 46”. In addition to analog and digital programming, this new electronic platform also makes it possible to receive high-definition television (HDTV), and as a global innovation, it records HDTV digitally to the Loewe DR+ hard disk recorder and plays it back at a resolution of 1920 x 1080 (full HD). In addition, sets of the Spheros and Individual lines were launched with this unique electronic system.

Series production of the Modus L 32 and 42 television sets also started in the first half of 2007. Furthermore, the Center Floor Stand I Compose represented a significant addition to the Sound Solutions product range and the continued development of the L2700 electronic platform as Version L2710 was expedited. The L2710 will improve picture quality even further in the future, doubling the frame repetition rate from 50 Hz to 100 Hz. This will significantly reduce motion blur which can occur when the camera is panned rapidly. Initially, sets of the Individual line with 46” and 52” screen diagonals will be equipped with this new technology.

By introducing a sound projector, Loewe will expand its broad range of system solutions. The Loewe Sound Projector makes it possible to produce surround sound without distributed speakers. To complement the traditional surround sound solutions, the development of wireless speakers was also begun.

Furthermore, we launched a new media player which is integrated in the new product family Loewe Connect. The media player makes it possible to connect the television set to a home network so that music, photos or videos can be transferred directly from the PC to the television set and played back.

Software development has worked intensively on the operating software for the new products. In addition, work was necessary for adaptations to the various European markets. The development for the UK market deserves special emphasis. Here it was necessary to develop a software version for the multimedia standard MHEG5. Good progress was also made on the MusicBox software which makes it possible to play back MP3 files on the television set.

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.

Marketing and sales

The new product line Individual Compose is another chapter in Loewe's success story. With a 24.9% share of retail sales, Loewe took over market leadership in the rapidly growing 46"/47" LCD-TV segment in May 2007.

Loewe's stated goal is to significantly enhance its brand image even further, especially in the retail market. For that reason, the focus of the second quarter of 2007 continued to be on the international expansion of the Loewe points of sale (PoS). Highlights of the PoS offensive were the openings of the Loewe Galleries in Zurich, Switzerland and in Wels, Austria.

In order to continue to motivate Loewe retailers 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 PoS activities by granting them the Premium Award in May.

"Learn from the best" describes the basic concept of the retailer events, which we staged starting in the second quarter. 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 could be used to convincingly convey the great potential of the Loewe brand to other retailers.

"Market-oriented companies increase their market capitalization much more effectively than others." This is the conclusion of a study by the Professorship for Innovative Brand Management of the University of Bremen which was conducted in cooperation with the management consultancy BBDO Consulting. Of 254 listed companies in the study, Loewe reached first place and is accordingly the "most market-oriented company" in Germany. This recognition underscores the success of our focus on marketing activities and is an incentive to systematically continue the premium brand strategy we have followed.

On the marketing side, the first half of 2007 was primarily focused on the widespread introduction of the Individual Compose product line. The response to these elegant home cinema solutions was outstanding in all key markets, and the high demand made it possible to market them at stable prices.

The markets themselves continued to be characterized by significant price erosion with the result that Loewe entry level sets also came under pressure. Nonetheless, the good positioning of the Loewe brand has so far made it possible to maintain the high price level of the past year except for isolated price adjustments.

A highlight of the first half of 2007 was the international dealers meeting held on Mallorca in May which was attended by more than 250 retailers from Europe. Even closer cooperation was agreed to in various workshops, in particular with respect to new products. The high point of the dealers meeting was a comprehensive presentation of the Loewe premium brand in terms of strategy, market and product line as well as the concentration on cooperation with qualified retail partners.

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 has been the duty of the Executive Board of a listed company to explain the disclosures pursuant to Sections 289 (4) and 315 (4) German Commercial Code (HGB). Except for clause 3c, the information of the following explanatory report is unchanged from fiscal year 2006.

1. On June 30, 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 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 WE18 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 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), 22 German Securities Trading Act (WpHG), 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 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 Shareholders' Meeting on June 2, 2005, new authorized capital was created in the amount of EUR 5,200,000. Through this resolution, the Executive Board was authorized, with the consent of the Supervisory Board, to increase the Company's share capital up to a total of EUR 5,200,000 through the issue of up to 5,200,000 no-par value bearer shares in exchange for non-cash or cash contribution on one or several 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 property, plant and equipment, 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.

Opportunities and risks of future development

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

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

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

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

Outlook for the fiscal year 2007

Despite the continued decline in prices for LCD sets, Loewe is confident about the current fiscal year due to the sustained high demand for large-screen flat-panel TVs in Europe, new attractive digital products, the annually occurring International Consumer Electronics Fair in Berlin and the increased brand awareness of consumers. For 2007 as a whole, Loewe has not changed its projection that sales will grow by approximately 10% to EUR 380 million and that EBIT will improve by at least 20% to EUR 16 to 18 million.

Kronach, August 7, 2007

The Executive Board

Dr. Rainer Hecker	Gerhard Schaas	Oliver Seidl

Consolidated Income Statement

	April – June 2007		April – June 2006		January – June 2007		January – June 2006	
	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Sales of the continuing division	**73.1**	**100.0**	**82.6**	**100.0**	**155.1**	**100.0**	**171.3**	**100.0**
Cost of sales	– 54.4	– 74.5	– 63.4	– 76.8	– 115.2	– 74.3	– 129.4	– 75.5
Gross margin	**18.7**	**25.5**	**19.2**	**23.2**	**39.9**	**25.7**	**41.9**	**24.5**
Selling expenses	– 13.4	– 18.3	– 13.9	– 16.8	– 27.3	– 17.6	– 28.4	– 16.6
General administrative expenses	– 2.0	– 2.7	– 1.9	– 2.3	– 4.3	– 2.8	– 4.0	– 2.3
Other operating income	– 0.3	– 0.4	– 0.4	– 0.5	– 0.4	– 0.3	– 1.4	– 0.8
EBIT	**3.0**	**4.1**	**3.0**	**3.6**	**7.9**	**5.1**	**8.1**	**4.8**
Interest and similar income	0.1	0.1	0.1	0.1	0.2	0.1	0.2	0.1
Interest and similar expenses	– 0.6	– 0.8	– 0.7	– 0.8	– 1.3	– 0.8	– 1.6	– 1.0
Profit from ordinary activities (EBT)	**2.5**	**3.4**	**2.4**	**2.9**	**6.8**	**4.4**	**6.7**	**3.9**
Income taxes	– 1.0	– 1.4	– 0.9	– 1.1	– 2.6	– 1.7	– 2.5	– 1.5
Net income before minority interests	**1.5**	**2.0**	**1.5**	**1.8**	**4.2**	**2.7**	**4.2**	**2.4**
Minority interests	0.0	0.0	– 0.1	– 0.1	– 0.1	– 0.1	– 0.2	– 0.1
Net income	**1.5**	**2.0**	**1.4**	**1.7**	**4.1**	**2.6**	**4.0**	**2.3**

Earnings per share of the continuing division	0.12		0.11		0.32		0.31	
Number of shares issued as of June 30	13,009		13,009		13,009		13,009	

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

Consolidated Balance Sheet

EUR million	June 30, 2007	Dec. 31, 2006	June 30, 2006
Assets			
Non-current assets*			
Intangible assets	6.0	5.5	5.8
Property, plant and equipment	36.0	36.3	36.7
Financial assets	0.7	0.7	0.7
Other non-current receivables	1.0	1.0	0.6
Deferred tax assets	22.8	24.1	24.1
Total non-current assets	**66.5**	**67.6**	**67.9**
Current assets*			
Inventories	49.6	59.9	57.8
Trade accounts receivable	53.8	81.9	65.7
Other current receivables	3.5	2.1	5.4
Cash and cash equivalents	20.6	6.5	8.6
Total current assets	**127.5**	**150.4**	**137.5**
Assets of the discontinued division	**0.0**	**0.0**	**0.1**
Total assets	**194.0**	**218.0**	**205.5**
Liabilities and shareholders' equity			
Shareholders' equity			
Equity attributable to equity holders of the parent			
Subscribed capital	13.0	13.0	13.0
Capital reserve	47.0	47.0	47.0
Distributable profit	8.5	4.4	1.9
	68.5	**64.4**	**61.9**
Minority interests	1.8	1.7	1.5
	70.3	**66.1**	**63.4**
Non-current liabilities*			
Provisions for pensions and similar obligations	37.9	37.9	36.9
Other provisions	13.1	13.1	15.6
Financial liabilities	4.0	4.2	4.7
Total non-current liabilities	**55.0**	**55.2**	**57.2**
Current liabilities*			
Tax provisions	4.4	3.9	3.7
Other provisions	34.9	45.6	33.0
Financial liabilities	1.3	5.8	1.6
Trade accounts payable	23.4	34.2	40.2
Other liabilities	4.4	6.8	5.8
Total current liabilities	**68.4**	**96.3**	**84.3**
Provisions and liabilities of the discontinued division	**0.3**	**0.4**	**0.6**
Total liabilities and shareholders' equity	**194.0**	**218.0**	**205.5**

* of the continuing division

Consolidated Cash Flow Statement for the First Half

EUR million	2007	2006
Operating activities		
EBIT	7.9	8.1
Interest paid	– 1.1	– 1.4
Depreciation and amortization of non-current assets	7.9	7.6
Increase of non-current provisions	0.0	0.5
Increase in pension provisions	0.0	0.1
Income taxes paid	– 1.4	– 1.3
Cash flow before changes in net current assets	**13.3**	**13.6**
Change in net current assets		
Decrease (+)/increase (–) in inventories	10.3	– 18.3
Decrease in trade accounts receivable and other assets	26.5	21.2
Decrease in other provisions	– 10.7	– 1.2
Decrease in trade accounts payable and other liabilities	– 12.7	– 4.9
Change in net current assets	**13.4**	**– 3.2**
Net cash from operating activities	**26.7**	**10.4**
Investing activities		
Payments for purchases of intangible assets and property, plant and equipment	– 8.1	– 9.2
Net cash from investing activities	**– 8.1**	**– 9.2**
Free cash flow of the continuing division	**18.6**	**1.2**
Free cash flow of the discontinued division	**– 0.1**	**– 0.2**
Total free cash flow	**18.5**	**1.0**
Financing activities		
Repayment of loans	– 0.2	– 4.7
Net cash from financing activities	**– 0.2**	**– 4.7**
Cash-effective change in liquidity	**18.3**	**– 3.7**

Composition of liquidity:	June 30, 2007	Dec. 31, 2006	±
Cash and cash equivalents	20.6	6.5	14.1
Drawing credits	– 0.4	– 4.9	4.5
Use of factoring	– 0.3	0.0	– 0.3
Liquidity	**19.9**	**1.6**	**18.3**

About Loewe

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

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

Basis of presentation

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

The same basis of presentation used for the consolidated financial statements for fiscal year 2006 was applied to the interim consolidated financial statements. These interim consolidated financial statements contain all necessary adjustments necessary for a true and fair view of the financial position and financial performance of the first six months. The income tax expense was recognized based on the currently valid tax rate, which is expected for the fiscal year as a whole.

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

These interim consolidated financial statements as of June 30, 2007 were reviewed by an auditing firm. A report to that effect can be seen at the end of this report.

Scope of consolidation

In the first quarter of 2007, the existing agreement with the distributor in the United Kingdom was terminated on April 30, 2007. A subsidiary was established under the name Loewe UK Ltd. with registered offices in Glasgow. It took over Loewe sales activities in the United Kingdom on May 1, 2007.

The shareholders' equity amounts to GBP 50,000 and the full amount is held by Loewe AG, Kronach. Like all other subsidiaries, this company is included in the consolidation and is fully consolidated. The currency translation in the balance sheet was based on the reference rate of the European Central Bank (ECB) as of June 30, 2007 and in the income statement, it was based on the average rate of the first six months of 2007.

All other consolidated companies are in the euro zone.

Financial position

Financial position

EUR million	June 30, 2007	Dec. 31, 2006	June 30, 2006
Non-current assets	66.5	67.6	67.9
Current assets	127.5	150.4	137.5
Assets of the discontinued division	0.0	0.0	0.1
Total assets	**194.0**	**218.0**	**205.5**
Equity including minority interests	70.3	66.1	63.4
Non-current liabilities	55.0	55.2	57.2
Current liabilities	68.4	96.3	84.3
Non-current/current liabilities of the discontinued division	0.3	0.4	0.6
Total liabilities and shareholders' equity	**194.0**	**218.0**	**205.5**

The reduction in non-current assets is primarily due to the use of deferred tax assets based on the positive results.

The value of the non-current assets increased only slightly in the first half of 2007. The additions to intangible assets principally concern development services subject to mandatory capitalization. Investments in property, plant and equipment primarily include presentations systems for retailers, investment in tools and modernization in production and replacement investments in IT.

Current assets were lower than in the year before primarily due to the lower inventories (EUR 8.2 million) and trade receivables, which decreased by EUR 11.9 million. This was compensated by the increase in cash and cash equivalents, which climbed by EUR 12.0 million.

Shareholders' equity

EUR million	Subscribed capital	Capital reserve	Accu-mulated profit/loss	Equity attributable to equity holders of the parent	Minority interests	Share-holders' equity
Balance as of Dec. 31, 2005	**13.0**	**47.0**	**– 2.1**	**57.9**	**1.3**	**59.2**
Net income, 1st half 2006			4.0	4.0	0.2	4.2
Balance as of June 30, 2006	**13.0**	**47.0**	**1.9**	**61.9**	**1.5**	**63.4**
Net income, 2nd half 2006			2.5	2.5	0.2	2.7
Balance as of Dec. 31, 2006	**13.0**	**47.0**	**4.4**	**64.4**	**1.7**	**66.1**
Net income, 1st half 2007			4.1	4.1	0.1	4.2
Balance as of June 30, 2007	**13.0**	**47.0**	**8.5**	**68.5**	**1.8**	**70.3**

The net income in the first half of 2007 improved equity by EUR 4.2 million to EUR 70.3 million. As a result of the lower amount of total assets, the equity-to-assets ratio rose to 36.2%.

For the first half of 2007, the basic earnings per share were EUR 0.32. The number of shares is unchanged from 2006 at 13,009,229. Diluted earnings per share are not shown as no rights have been associated with the available 2005 authorized capital and the conditional capital.

The further reduction in trade accounts payable is principally due to the purchase of panel shipments from European central warehouses, for which the credit terms are shorter. Other provisions were reduced to approximately the 2006 level due to the distribution of the bonuses for the previous year and other utilizations.

Cash flow and financing

Cash flow

EUR million	Jan. – June 2007	Jan. – June 2006
Net cash from operating activities	26.7	10.4
Investing activities	– 8.1	– 9.2
Free cash flow	**18.6**	**1.2**
Free cash flow of the discontinued division	– 0.1	– 0.2
Net cash from financing activities	– 0.2	– 4.7
Cash-effective change in liquidity	**18.3**	**– 3.7**

Loewe generated significantly higher positive free cash flow in the first six months of 2007 compared to a year earlier. This is primarily due to the reduction of net current assets. Liquidity was consequently higher by EUR 18.3 million than at year-end 2006.

Financing

EUR million	June 30, 2007	Dec. 31, 2006	June 30, 2006
Cash and cash equivalents	20.6	6.5	8.6
Long-term liabilities to banks	– 4.0	– 4.2	– 4.7
Short-term liabilities to banks	– 1.3	– 5.8	– 1.6
Subtotal	**15.3**	**– 3.5**	**2.3**
Factoring	– 0.3	0.0	– 0.7

As of June 30, 2007, cash and cash equivalents exceeded short-term and long-term liabilities to banks by EUR 15.3 million.

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

To ensure long-range financing, a syndicate agreement with a total volume of EUR 50 million was concluded with a banking syndicate in April 2007. This line of credit is intended for the financing of the business operations as well as planned capital expenditure of the Loewe Group. The formerly existing credit lines of EUR 19.25 million were cancelled and replaced by the new agreement which has considerably improved conditions and runs until June 30, 2012.

The significant income items of the income statement for the first half of 2007 are explained in the interim group management report.

Contingent liabilities

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

Related party transactions

The following business relations exist with companies of the Sharp Group:
- Sharp supplies Loewe with panels
- Loewe supplies Sharp with components
- Services for joint developments are provided in the Joint Development Center (JDC).

Other disclosures

The average number of employees rose modestly from 970 to 973 in H1 2007 as compared to H1 2006. The production workforce has declined slightly. On the other hand, in addition to the inclusion of the employees of the new sales subsidiary in the United Kingdom, isolated hirings were necessary in development and marketing.

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

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

Events of special significance after June 30, 2007

From a business perspective, no events of special significance occurred after the end of the first six months.

However, the adoption by the German Bundesrat of the Business Tax Reform Act 2008 on July 6, 2007 changes the conditions relating to corporation tax and trade tax. Loewe's corporation tax rate will be reduced as of January 1, 2008. Therefore, it will be necessary to adjust the tax assets capitalized on the basis of the current higher corporation tax rate to the new circumstances – probably in connection with the reporting for the third quarter of 2007.

Kronach, August 7, 2007

The Executive Board

Dr. Rainer Hecker	Gerhard Schaas	Oliver Seidl

Responsibility statement

"To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the interim 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 for the remaining months of the fiscal year."

Kronach, August 7, 2007

The Executive Board

Dr. Rainer Hecker	Gerhard Schaas	Oliver Seidl

Auditors’ Review Report to Loewe AG

We have reviewed the consolidated interim financial statements (short form) – comprising the balance sheet (short form), income statement (short form), cash flow statement (short form), statement of changes in equity (short form) and selected explanatory notes to the financial statements – and the interim group management report of Loewe AG for the period from January 1 to June 30, 2007, which are part of six month financial reports in accordance with Section 37w of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act). The preparation of the consolidated interim financial statements (short form) in accordance with the IFRS for interim reporting, as adopted in the EU, and of the interim group management report in accordance with the provisions of the WpHG applicable to interim group management reports is the responsibility of the company’s legal representatives. Our responsibility is to issue a report on the consolidated interim financial statements (short form) and the interim group management report based on our review.

We conducted our review of the consolidated financial statements (short form) and interim group management report in accordance with the generally accepted standards for the review of financial statements as promulgated by the Institut der Wirtschaftsprüfer (IDW/Institute of German Auditors). Those standards require that we plan and perform the review to obtain a certain level of assurance that nothing has come to our attention that causes us to believe that the consolidated interim financial statements (short form) are not presented fairly, in all material respects, in accordance with the IFRSs for interim reporting, as adopted in the EU, and that the interim group management report is not presented fairly, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and thus does not provide the assurance for an affirmative audit opinion obtainable from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, cannot express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements (short form) are not presented fairly, in all material respects, in accordance with the IFRSs for interim reporting, as adopted in the EU, or that the interim group management report is not presented fairly, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Mönchengladbach, August 8, 2007

Abstoß & Wolters OHG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Quacken	Cramer
Wirtschaftsprüfer	Wirtschaftsprüfer
(German public auditor)	(German public auditor)

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Ticker symbol:	LOE
WKN:	649410
ISIN:	DE 0006494107

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

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

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