KARSTADT QUELLE AG

Neu

Interim report to March 31, 2005

Facts

- **Reorganization and realignment of the Group well on track**
- **Financing assured**
- **Divestment program making marked progress**
- **Realignment of the department stores and mail order in progress**
  - New fashion and living concepts in the department stores off to a promising start
  - Neckermann brings out new catalog
  - Numerous, diverse advertising campaigns
- **Comparable sales in first quarter decreased by 8.4 % compared with the previous year**
  - Karstadt department stores virtually on plan
  - Domestic universal mail order considerably lower than planned
- **Comparison with the previous year rendered difficult by reorganization, early Easter business and fewer selling days**
- **Earnings (adjusted EBITDA) reach 73.4 mill. €**
  - Cost reductions take effect
  - Planned earnings exceeded
- **Net financial liabilities and working capital reduced**
- **Outlook 2005:**
  - Sales decrease in the lower to middle single-digit percentage range planned
  - Adjusted EBITDA above 500 mill. € anticipated

At a glance

			31.03.2005	31.03.2004	Change in %
Sales	Over-the-counter retail				
	Department and sports stores	mill. €	1,182.3	1,268.1	-6.8
	Transferred fine food departments	mill. €	-	103.7	-
	Total	mill. €	1,182.3	1,371.8	-13.8
	Mail order	mill. €	1,736.0	1,918.7	-9.5
	Services	mill. €	163.1	309.7	-47.3
	Real estate	mill. €	134.1	143.5	-6.5
	Reconciliation account	mill. €	-240.7	-392.9	-
	Group sales	mill. €	2,974.8	3,350.8	-11.2
	Group sales (not including fine food departments)	mill. €	**2,974.8**	**3,247.1**	**-8.4**
Earnings	EBITDA	mill. €	56.6	90.0	-37.1
	EBITDA (adjusted/not including special factors)	mill. €	73.4	90.0	-18.5
	EBTA	mill. €	-154.2	-145.7	-5.9
Other information	Full-time staff (average 01.01.-31.03.)				
	Continued operations	number	63,642	72,389 [1]	-12.1
	Discontinued operations	number	4,925	4,903	0.4
	Total	number	**68,567**	**77,292**	**-11.3**
	Investments [2]	mill. €	35.2	63.6	-44.6
	Net financial liabilities *	mill. €	4,358.0	4,988.5	-12.6
	Working capital	mill. €	2,873.7	3,504.6 [3]	-18.0
	Branches				
	Department stores	number	89	88	-
	Sports stores	number	32	29	-
	Project branches	number	26	27	-
	Karstadt Warenhaus AG	number	**147**	**144**	**-**
	Karstadt Kompakt GmbH & Co. KG	number	77	77	-
	Total	number	**224**	**221**	**-**
	Sales space of the aforementioned branches at 31.03.	th. sq. m.	2,210.1	2,244.9	-1.6
KARSTADT QUELLE AG Share	Market price at reporting date [4] (31.03.)	€	7.74	14.56	-46.8
	Highest price [4] (01.01. - 31.03.)	€	9.27	17.51	-
	Lowest price [4] (01.01. - 31.03.)	€	7.08	13.43	-

* Including ABS program.
1) Including fine food departments with 2,614 employees.
2) Not including financial assets.
3) Previous year's value after adjustment for divestments and including ABS program .
4) Information adjusted due to capital measure.

Dear Shareholders,

The first quarter of the 2005 financial year was dominated by the implementation of “KarstadtQuelle Neu”, the program for reorganizing and realigning the Group.

Reorganization and realignment running to schedule

The position of the KarstadtQuelle Group has considerably improved since the crisis in autumn 2004. All in all the reorganization of the Group is running to schedule. The realignment of the business models in retail is well on track, and the Group’s finances have been successfully reorganized, optimized and realigned for the long term. The Group’s financing is thus now assured. The Roland Berger managements consultancy likewise believe that visible progress is being made. As part of a validation, the management consultancy stated the following on April 11, 2005: “The basic concept for reorganizing and realigning the KarstadtQuelle Group has proved its worth: as the positive results show, implementation is well on track.”

Nevertheless, we want to further accelerate the pace of reorganization and realignment and particularly to boost sales. For this reason we have intensified the “KarstadtQuelle Neu” program and strengthened it by additional measures.

Considerable progress in the implementation of “KarstadtQuelle Neu” in the first quarter of 2005

In particular we considerably intensified the implementation of our divestment program in the first quarter of 2005. In the 2004 financial year we already undertook divestment amounting to 163 mill. €; in the first quarter of 2005 the volume of divestment increased to about 400 mill. €. The decisive factors here were in particular the successful sale of a comprehensive logistics package to Deutsche Post World Net and of our shares in DSF Deutsches Sportfernsehen and Home Shopping Europe. The proceeds from the sale in each case either came up to or even exceeded our expectations.

We are convinced that we shall be able to bring the divestment program essentially to a conclusion during the 2005 financial year. The still outstanding divestment, the negotiations for which are well advanced, is focused on the sale-and-lease-back transactions in the logistics sector and on disposal of the specialty store chains and the smaller department stores. Altogether through the divestment program we want to achieve a liquidity inflow of 1.1 bill. €.

The realignment and focussing of the Department store and Mail-order segments took on definite forms during the first quarter. Visible examples are the new Fashion and Living concepts in the department stores, the newly developed Neckermann catalog, a series of effective marketing campaigns and markedly reduced business system costs. In all our measures we focus consistently on the wants and satisfaction of our customers.

Domestic economy continues weak

The German domestic economy continued weak in the first quarter of 2005. Consumers continued to regard the situation with scepticism and exercized financial caution accordingly. Particularly the weak labor market and increased crude oil and petrol prices had a burdening effect. Sales in the "true" retail trade in the first two months of 2005 rose nominally by 1 %, compared with the same period the previous year. Submarkets relevant for the KarstadtQuelle Group, however, performed considerably more weakly. Thus, textiles, shoes and leather goods in Germany recorded a decrease by 2 %. The German mail-order market lost 5 %.

Group sales in the first quarter decreased

The KarstadtQuelle group achieved sales of 2.97 bill. € in the first quarter of 2005. Sales in the previous year amounted to 3.35 bill. €, although they included sales in the department store fine food departments transferred to a separate company at the start of the year. Set against the previous year's sales of 3.25 bill. € adjusted for this effect, the result is a comparable sales decrease by 8.4 %. When comparing with the previous year, the early Easter business and the loss of 3 selling days in the current financial year must be taken into account.

The 2005 financial year began relatively weak with a two-digit percentage sales decrease in January. By the end of the first quarter we were once more gaining ground.

Over-the-counter retail with the 89 large Karstadt department stores and the 32 KarstadtSport stores (core portfolio) and the smaller department stores and project branches classified as held for sale achieved sales amounting to 1.18 bill. € (previous year after adjustment for fine foods departments: 1.27 bill. €). This represents a decrease by 6.8 % on the previous year. The 89 large department stores in the core portfolio, with a decrease by 5.2 % (after adjustment for space) performed nearly as planned. The plan takes due account of the smaller number of sales days. Mail order recorded sales decreased by 9.5 % to 1.74 bill. € (previous year: 1.92 bill. €). The decisive factor here was the sluggish business with the main catalogs in Germany, particularly at Quelle. Whereas Neckermann virtually achieved planned sales, Quelle remains under pressure.

Efficient cost-reducing measures largely offset burden on earnings resulting from sales

Earnings (EBITDA) amounted to 56.6 mill. € (previous year: 90.0 mill. € after adjustment for disclosure changes). Special factors burdened earnings for the current year by 16.8 mill. €. After adjustment EBITDA come to 73.4 mill. €. They are 16.6 mill. € below the previous year but 14.4 mill. € better than planned.

Markedly reduced costs, particularly in the staff sector, largely offset the burden on earnings resulting from sales. Mail order increased its earnings. Earnings in Over-the-counter retail were again below those of the previous year but were better than planned.

Net financial liabilities and working capital reduced

Net financial liabilities in the reference period were further reduced. Taking into account the ABS program disclosed on balance for the first time, they stood at 4.36 bill. € (previous year: 4.99 bill. €).

Working capital (previous year after adjustment for divestments and including ABS) was reduced by 18.0 % to 2.87 bill. € (previous year: 3.50 bill. €).

Outlook

Substantial earnings increase planned for the 2005 financial year

We anticipate positive effects from the realignment of the department stores and universal mail order in Germany, particularly in the second half of the current financial year. In view of the still difficult economic environment, however, we assume a sales decrease on a comparable basis in the lower to middle single-digit percentage range during the 2005 financial year as a whole.

Because of the positive performance of “KarstadtQuelle Neu” the KarstadtQuelle Group anticipates a substantial increase in earnings and adjusted EBITDA above 500 mill. € (same period the previous year: 414 mill. €) in the 2005 financial year.

Essen, May 2005
The Management Board

Over-the-counter retail

01.01. - 31.03.		2005	2004	Change in %
Sales				
Department and sports stores	mill. €	1,182.3	1,268.1	-6.8
Transferred fine food departments	mill. €	-	103.7	-
Total	mill. €	1,182.3	1,371.8	-13.8
EBITDA	mill. €	-33.1	-6.3	-
EBTA	mill. €	-71.6	-34.8	-105.5
Earnings from discontinued operations	mill. €	-11.0	-13.1	16.2
Staff (at 31.03.)	number	49,642	55,985	-11.3

Sales and earnings decreased

Realignment of the large department stores progressing well

With effect from January 1, 2005, we have concentrated the smaller department stores organizationally in Karstadt Kompakt GmbH & Co. KG. The 89 large and the smaller department stores held for sale now have separate organizations and separate managements.

Sales in the first quarter of 2005 amounted to 1.18 bill. € (previous year after adjustment for the transferred fine food departments: 1.27 bill. €). This represents a decrease by 6.8 %. The core portfolio with the 89 large department stores performed as planned. It returned a decrease by 5.2 % after adjustment for space (not including fine food departments, branches due for closure, newly opened outlets and converted branches), while the smaller department stores and the project branches return a total sales decrease by 9.4 %.

In the first quarter EBITDA stood at minus 33.1 mill. € (previous year: minus 6.3 mill. €). They are thus 26.8 mill. € below the previous year but 6 mill. € better than planned. The current year under review includes extraordinary reorganization expenditure amounting to 5 mill. €.

As part of the realignment of our Over-the-counter retail segment we are making the change from generalist to specialist. We are concentrating on a clearly defined format with 89 department stores and on the Fashion, Sports, Personality and Living consumer sectors. On the other hand we are disposing of the specialty stores and smaller department stores. We made good progress with the implementation of this strategy in the first quarter.

With effect from January 1, 2005, we have transferred the 72 fine food departments to Karstadt Feinkost GmbH & Co. KG, a joint venture with the REWE Group. The transition went off largely without problems. This partnership with a specialist will enable the business to be operated even more efficiently and more profitably.

In January of the current year we realigned our Fashion consumer sector in the 89 core department stores. The new, clearly structured concept offers our customers a much improved orientation. The newly designed fashion concept is based on a revision of the product lines in the direction of trend, a focus on demanded brands and concentration and strengthening of our own brands. It is complemented by an up-to-date advertizing presentation. The new presentation is meeting with a very favourable response among our customers. At the beginning of the season this segment is performing markedly better than average.

In the Living segment the realignment is likewise partly already implemented. The central feature is a highly emotionalized advertizing presentation. The product portfolio is consistently tailored to meet current lifestyle formats with a pronounced relevance to city centre locations. The core component of the realignment is our new shop concept under the brand name YornCasa. It offers product ranges in the Bath, Bed, Living and Table segments. By the end of the first quarter YornCasa had been introduced in 18 department stores. To further upgrade the lifestyle concept, we are integrating successful brand providers by means of concessions or agency trade. Our experience with the branches so far converted is positive.

A good idea of the new department store concept can be gained from our new store in the Stadtpalais, Potsdam. Since March 10, 2005, we have been offering our customers a contemporary department store in the middle to high price and product line bracket. The response by the customers has so far exceeded all expectations.

Mail order

01.01. - 31.03.		2005	2004	Change in %
Sales	mill. €	1,736.0	1,918.7	-9.5
EBITDA	mill. €	14.4	0.0	-
EBTA	mill. €	-31.2	-36.2	13.7
Staff (at 31.03.)	number	32,566	35,370	-7.9

Mail order is relying on new catalog strategies

Sales in domestic universal mail order sluggish
Earnings in the first quarter markedly improved

Performance in our Mail-order segment was decisively affected in the first quarter of 2005 by the implementation of our strategic realignment. Sales fell in the first three months by 9.5 % to 1.74 bill. € (previous year 1.92 bill. €).

Universal mail order in Germany with the Quelle and Neckermann brands recorded sales in the first quarter amounting to 980 mill. € (previous year: 1.14 bill. €). This represents a decrease by 13.8 %. The decisive factor here is the still weak sales performance at Quelle. Sales fell considerably short of the level planned. Neckermann, on the other hand, is performing virtually to plan. However, a comparison with the previous year is only limitedly possible. In contrast to the previous year, in the current financial year the Easter holiday period, which is traditionally a weak one for the mail-order trade, fell in the first quarter. Moreover, as planned, structural changes in the catalogs and advertizing campaign chain resolved in the course of the realignment had a burdening effect on sales. The measures focussed consistently on a sustained improvement in earnings. Accordingly, at Quelle and Neckermann the spring/summer catalogs were reduced in size by about 100 pages apiece and the product ranges streamlined.

In e-commerce further increases were achieved. Online demand rose in the first quarter by about 12 % to 603 mill. € (previous year: 540 mill. €).

Abroad Universal mail order recorded a sales decrease by 3.6% to 344.6 mill.€ (previous year: 357.5 mill.€). Mail-order business in Western Europe records a sales decrease by 7%, while in Central and Eastern Europe the gratifying trend continued with growth by 17%.

Sales by specialty mail-order suppliers fell by 3.1% to 411.2 mill.€ in the first quarter (previous year: 424.4 mill.€). After adjustment for divestment measures the result is a sales decrease of 2%.

EBITDA were improved to 14.4 mill.€ (previous year: minus 42 th.€). The current year under review includes extraordinary reorganization expenditure amounting to 5 mill.€. Overall the sales decrease was more than offset by strategic measures. Thus staff costs decreased by 10.3%. The gross income margin rose by 1.2 %-points to 50.8 %. The decisive factor here is amongst other things the streamlining of the catalogs by the discontinuation of marginal product lines. Nearly all subsegments contributed to the rise in earnings.

The focus of our strategy in Mail order is on the transformation of the two universal mail-order providers into a multispecialist. At the same time the Quelle and Neckermann brands will be given more strongly individualized identities. Moreover, we are changing the structure of the main catalogs with regard to product ranges, publication cycles and customer appeal. From April 22, 2005 on the newly designed Neckermann catalog was sent out in an impression of 5.5 million copies. It supplements the traditional main catalogs but differs markedly from these. The new catalog has an unmistakably different layout and is consistently aimed at a younger target group.

The preparations for the new Quelle catalog presentation are well advanced. The new autumn/winter 2005 main catalog will to a considerable extent be divided into a fashion catalog and a technology/furniture catalog. It is aimed at arresting the negative sales trend of previous months. Until then Quelle will be relying on a number of sales-promotive measures. This is currently being emphasized by, for example, the successful promotion campaign for the “Privileg” white goods range.

In Specialty mail order we shall be expanding by organic growth in the further course of the year. Besides further internationalization, we are growing particularly through strategic partnerships. Here we are combining strong over-the-counter brands with our competence in specialty mail order. Following the successful launch with the fashion designer Bogner, we expanded the business model in the first quarter by entering into a joint venture with Christ the jewellers and placed a further specialty catalog on the market.

To expand our market-leading position in universal mail order abroad, we want to implement Quelle’s and Neckermann’s entry into the markets in seven countries in 2005. The focus will be on Central and Eastern Europe. In the first quarter of the current year we intensified our activities in Russia and achieved Neckermann’s entry into the Polish and Ukrainian markets. The preparations for the expansion of Quelle into Romania and Serbia are virtually complete.

Services

01.01. - 31.03.		2005	2004	Change in %
Sales [1]	mill. €	163.1	309.7	-47.3
EBITDA	mill. €	7.5	15.0	-50.1
EBTA	mill. €	-72.2	-93.2	22.5
Staff (at 31.03.)	number	4,933	5,927	-16.8

[1] Not including Thomas Cook-Group.

Focus going well

Under the realignment the Services segment is focussing on information services, tourism purchasing, financial services and loyalty card programs.

Sales came to 163.1 mill. € in the first quarter (previous year 309.7 mill. €). The decisive factor for the decrease was the divestments in the IT and logistics sectors. Thomas Cook, which was consolidated at equity, financial services and loyalty card programs are not included in sales and EBITDA.

EBITDA decreased by 7.5 mill. € to 7.5 mill. € (previous year: 15.0 mill. €). The earnings decrease is likewise mainly attributable to the divestment program.

Earnings from long-term investments at the companies consolidated at equity came to minus 73.2 mill. € (previous year: minus 97.7 mill. €). They are largely determined by the earnings performance at the Thomas Cook tourism group (50 per cent holding). At Thomas Cook the positive performance continues. Group sales rose in the first tourism quarter (November 1, 2004, to January 31, 2005) by 4.5 % to 1.1 bill. €; the number of persons carried rose by 2.2 % to 1.4 million. Pro-rata earnings transferred (before tax) rose by 23.3 mill. € to minus 78.0 mill. € (previous year: minus 101.3 mill. €).

Real Estate

01.01. - 31.03.		2005	2004	Change in %
Sales	mill. €	134.1	143.5	-6.5
EBITDA	mill. €	84.0	98.4	-14.6
EBTA	mill. €	56.1	65.5	-14.4
Staff (at 31.03.)	number	111	105	5.7

Sales and earnings affected by divestment

The Real-estate segment achieved earnings from sales (rental income) to the value of 134.1 mill. € (previous year: 143.5 mill. €). This represents a sales decrease by 6.5 %. EBITDA fell by 14.4 mill. € to 84.0 mill. € (previous year: 98.4 mill. €). The decisive factor here is the sale of real estate under the divestment program.

Holding

01.01. - 31.03.		2005	2004	Change in %
EBITDA	mill. €	-16.2	-17.0	4.8
EBTA	mill. €	-30.3	-30.6	0.9
Staff (at 31.03.)	number	189	194	-2.6

Earnings slightly improved

The Holding segment is dominated by KARSTADT QUELLE AG as strategic management and investment holding company. The most important earnings factors are primary holding costs and staff expenditure.

EBITDA stood at minus 16.2 mill. € (previous year: minus 17.0 mill. €). After adjustment for non-recurrent consultancy costs amounting to 6.8 mill. € during the current year the result is an improvement in earnings by 7.6 mill. €.

Group Profit and Loss Account

for the period from January 1 to March 31, 2005

Amounts shown in th. €	2005	2004*	Change in %
Sales	2,974,803	3,350,793	-11.2
Cost of sales	-1,557,990	-1,752,905	11.1
Gross income	**1,416,813**	**1,597,888**	-11.3
Other capitalized own work	10,757	9,085	18.4
Operating income	156,552	158,266	-1.1
Staff costs	-580,483	-680,871	14.7
Operating costs	-941,352	-987,183 [1]	4.6
Other taxes	-5,700	-7,159	20.4
Earnings before interest, tax, depreciation and amortization (EBITDA)	**56,587**	**90,026**	-37.1
Depreciation and amortization (not including goodwill)	-68,388	-87,578	21.9
Earnings before interest, tax and amortization of goodwill (EBITA)	**-11,801**	**2,448**	-
Amortization of goodwill	-	-	-
Earnings before interest and tax (EBIT)	**-11,801**	**2,448**	-
Income from investments	-75,008	-94,652	20.8
thereof from associated companies	-75,147	-97,679	23.1
Net interest income	-69,252	-52,905 [1]	-30.9
Other financial income	1,825	-546	-
Earnings before taxes (EBT)	**-154,236**	**-145,655**	-5.9
Taxes on income	58,369	52,968	10.2
Loss from continued operations	**-95,867**	**-92,687**	-3.4
Loss from discontinued operations	-13,182	-15,327	14.0
Group loss before minority interests	**-109,049**	**-108,014**	-1.0
Profit/loss due to other shareholders	-2,250	-2,259	0.4
Group loss after minority interests	**-111,299**	**-110,273**	-0.9
Earnings per share in €	**-0.56**	**-0.55** [2]	-1.8
thereof from continued operations	-0.48	-0.46 [2]	-4.3
thereof from discontinued operations	-0.07	-0.08 [2]	12.5

* The 2004 values were adjusted according to the separate statement “Earnings from discontinued operations”.
[1] Adjustment of values due to the change in ABS program accounting.
[2] Values adjusted owing to capital increase during the 2004 financial year.

Group balance sheet

for the period ended March 31, 2005

Assets

Amounts shown in th. €	31.03.2005	31.03.2004	Change in %	31.12.2004*
Intangible assets	472,383	564,510	-16.3	468,334
Tangible assets	2,110,455	3,454,258	-38.9	2,172,905
Shares in subsidiaries	394,187	366,876	7.4	376,190
Other financial assets	730,816	562,703	29.9	667,367
thereof securities	392,107	149,513	162.3	280,838
Other long-term financial assets	76,970	57,915	32.9	65,784
Deferred taxes	133,582	66,033	102.3	98,162
Long-term assets	**3,918,393**	**5,072,295**	-22.7	**3,848,742**
Inventories	1,748,483	2,463,097	-29.0	1,811,682
Trade receivables	2,000,064	2,095,229 [1)]	-4.5	1,783,958 [1)]
Tax claims	36,027	42,423	-15.1	27,509
Other Receivables and other assets	601,824	615,634 [1)]	-2.2	624,898 [1)]
Liquid funds and securities	514,738	225,785	128.0	518,212
Short-term assets	**4,901,136**	**5,442,168**	-9.9	**4,766,259**
Assets classified as held for sale	1,252,779	-	-	1,204,707
Balance sheet total	**10,072,308**	**10,514,463**	-4.2	**9,819,708**

Equity and liabilities

Amounts shown in th. €	31.03.2005	31.03.2004	Change in %	31.12.2004*
Subscribed share capital	510,398	272,212	87.5	510,398
Reserves	-67,341	1,256,734	-105.4	41,752
Minority interests	63,557	73,072	-13.0	67,606
Equity	**506,614**	**1,602,018**	-68.4	**619,756**
Long-term financial liabilities	2,926,371	2,304,142	27.0	2,913,781
Other long-term liabilities	488,628	375,055	30.3	469,237
Pension provisions	763,932	819,928	-6.8	794,017
Other long-term provisions for liabilities and charges	354,392	233,317	51.9	365,334
Deferred taxes	10,931	189,706	-94.2	11,275
Long-term liabilities	**4,544,254**	**3,922,148**	15.9	**4,553,644**
Short-term financial liabilities	2,373,312	3,046,595 [1)]	-22.1	1,738,936 [1)]
Trade payables	991,063	886,248	11.8	1,110,970
Short-term tax liabilities	218,372	195,443	11.7	286,489
Other short-term liabilities	541,719	670,828 [1)]	-19.2	524,058 [1)]
Short-term provisions	414,957	191,183 [1)]	117.0	463,563 [1)]
Short-term liabilities	**4,539,423**	**4,990,297**	-9.0	**4,124,016**
Liabilities from assets classified as held for sale	482,017	-	-	522,292
Balance sheet total	**10,072,308**	**10,514,463**	-4.2	**9,819,708**

* Values adjusted under IAS 1.
[1)] Inclusion of ABS program under IAS 39 (revised).

Statement of changes in Group equity and minority interests

for the period from January 1 to March 31, 2005

Amounts shown in th. €	Issued capital	Additional paid-in capital	Revenue reserves	Revaluation reserve	Adjustment items Foreign currency translation	**Total Group equity**	Minority interests	**Total**
Opening balance at 01.01.2005	**510,398**	**629,424**	**-577,421**	**-1,345**	**-8,906**	**552,150**	**67,606**	**619,756**
Dividends	-	-	-	-	-	-	-6,250	-6,250
Generated capital/Group earnings	-	-	-111,299	-	-	-111,299	2,250	-109,049
Differences from foreign currency translation	-	-	-	-	-221	-221	-49	-270
Changes resulting from the disposals and the valuation of primary and derivative financial instruments	-	-	-	4,735	-	4,735	-	4,735
Due to changes in consolidated companies	-	-	-2,308	-	-	-2,308	-	-2,308
Closing balance at 31.03.2005	**510,398**	**629,424**	**-691,028**	**3,390**	**-9,127**	**443,057**	**63,557**	**506,614**

for the period from January 1 to March 31, 2004

Amounts shown in th. €	Issued capital	Additional paid-in capital	Revenue reserves	Revaluation reserve	Adjustment items Foreign currency translation	**Total Group equity**	Minority interests	**Total**
Opening balance at 01.01.2004	**272,212**	**317,471**	**1,127,622**	**-64,130**	**-13,781**	**1,639,394**	**69,299**	**1,708,693**
Dividends	-	-		-	-	-	-1,122	-1,122
Generated capital/Group earnings	-	-	-110,273	-	-	-110,273	2,259	-108,014
Differences from foreign currency translation	-	-	-	-	734	734	-	734
Changes resulting from the disposals and the valuation of primary and derivative financial instruments	-	-	-	8,378	-	8,378	-	8,378
Due to changes in consolidated companies	-	-	-9,287	-	-	-9,287	2,636	-6,651
Closing balance at 31.03.2004	**272,212**	**317,471**	**1,008,062**	**-55,752**	**-13,047**	**1,528,946**	**73,072**	**1,602,018**

Group cash flow statement

for the period from January 1 to March 31, 2005

Amounts shown in th. €	2005	2004
EBITDA	**56,587**	**90,026**
Earnings/Loss from the disposal of fixed assets	-1,045	-454
Profit/Loss from foreign currency	-3,060	-3,605
Increase/decrease of long-term provisions for liabilities and charges (not including pension and tax provisions)	-11,806	-2,573
Utilization of the provision for reorganization effects	-36,828	-10,919
Other costs/earnings not affecting cash flow	41,441	46,268
Gross cash flow	**45,289**	**118,743**
Changes in working capital (adjusted for changes in the group of consolidated companies)	-346,055	-351,106
Changes in other short-term assets and liabilities	-67,920	-45,016
Dividends received	1,190	3,256
Payments/refunds of tax on income	2,409	-7,323
Cash flow from operating activities	**-365,087**	**-281,446**
Cash flow from acquisitions/divestments of subsidiaries	9,742	766
Purchase of tangible, intangible and non-current assets	-40,824	-59,528
Purchase of investments in financial assets	-77,989	-6,069
Proceeds from sale of tangible, intangible and non-current assets	6,153	3,416
Proceeds from sale of financial assets	21,029	93
Cash flow from investing activities	**-81,889**	**-61,322**
Free cash flow	**-446,976**	**-342,768**
Interest received	29,687	27,769
Interest paid	-79,582	-64,559
Pension provisions and appropriation to plan assets	-41,546	-34,503
Payments of/Proceeds from dividends, capital increase and share repurchase programme	-6,250	-
Amounts paid in/paid out under mortgage bond program and for (finance) loans	542,718	470,631
Payments of liabilities due under finance lease	-1,511	987
Cash flow from financing activities	**443,516**	**400,325**
Changes in cash and cash equivalents affecting cash flow	**-3,460**	**57,557**
Changes in the flow of cash due to changes in exchange rates or other changes in cash and cash equivalents caused by the consolidated companies*	-13	2,079
Cash and cash equivalents at the beginning of the period*	518,171	166,108
Cash and cash equivalents at the end of the period	**514,698**	**225,744**

* Cash and cash equivalents adjusted, due to separation of short- and long-term assets, by cash held long-term at banks.

Segment information

for the period from January 1 to March 31, 2005

	KarstadtQuelle Group		Reconciliation account		Holding company	
Amounts shown in th. €	**2005**	2004	**2005**	2004	**2005**	2004
Sales	3,541,618	3,955,744	-	-	-	-
Interest from credit operations	54,077	49,656	-	-	-	-
Internal sales	-620,892	-654,607	-240,642	-392,871	-	-
Group sales	**2,974,803**	**3,350,793**	**-240,642**	**-392,871**	**-**	**-**
Cost of sales	-1,557,990	-1,752,905	66,818	169,986	-	-
Gross income	**1,416,813**	**1,597,888**	**-173,824**	**-222,885**	**-**	**-**
Other capitalized own work	10,757	9,085	8,770	5,041	-	-
Operating income and costs	-784,800	-828,917	164,593	217,672	-11,270	-11,085
Staff costs	-580,483	-680,871	473	184	-4,913	-5,897
Other taxes	-5,700	-7,159	-3	1	-18	-36
EBITDA	**56,587**	**90,026**	**9**	**13**	**-16,201**	**-17,018**
EBITDA margin *in %*	*1.9*	*2.7*	-	-	-	-
Depreciation and amortization (not including goodwill)	-68,388	-87,578	255	455	-531	-537
EBITA	**-11,801**	**2,448**	**264**	**468**	**-16,732**	**-17,555**
Amortization of goodwill	-	-	-	-	-	-
EBIT	**-11,801**	**2,448**	**264**	**468**	**-16,732**	**-17,555**
Loss from discontinued operations	-13,182	-15,327	-2,174	-2,191	-	-
EBTA	**-154,236**	**-145,655**	**-5,052**	**-16,490**	**-30,269**	**-30,552**
Segment assets	7,199,259	7,045,676*	-21,623	-142,606*	193,279	- [3]
Segment liabilities	2,645,553	3,927,082*	-4,818	136,481*	122,295	- [3]
Investments [1]	35,243	63,606	-	-	37	1,134
Staff in full-time terms (average 01.01.-31.03.) number	68,567	77,292	-	-	175	181

* Previous year's figure: as at 31.12.2004, adjustment due to the change in "ABS program" accounting.
[1] Not including financial assets.
[2] Adjustment due to the change in "ABS program" accounting.
[3] Owing to the differring activity of the holding company the segment assets and segment liabilities are recorded under the reconciliation account.

Over-the-counter retail		Mail order		Services		Real estate	
2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
1,282,035	1,391,240	1,955,977	2,099,273	169,546	321,776	134,060	143,455
-	-	54,077	49,656	-	-	-	-
-99,744	-19,468	-274,071	-230,204	-6,435	-12,064	-	-
1,182,291	**1,371,772**	**1,735,983**	**1,918,725**	**163,111**	**309,712**	**134,060**	**143,455**
-679,726	-776,494	-853,980	-967,928	-91,102	-178,469	-	-
502,565	**595,278**	**882,003**	**950,797**	**72,009**	**131,243**	**134,060**	**143,455**
1,121	2,690	287	65	579	1,289	-	-
-243,402	-259,250	-631,061	-687,116 [2)]	-18,810	-49,977	-44,850	-39,161
-293,304	-344,772	-234,528	-261,326	-46,286	-67,345	-1,925	-1,715
-77	-233	-2,308	-2,462	-7	-210	-3,287	-4,219
-33,097	**-6,287**	**14,393**	**-42**	**7,485**	**15,000**	**83,998**	**98,360**
-2.8	*-0.5*	*0.8*	-	*4.6*	*4.8*	*62.7*	*68.6*
-26,954	-27,243	-22,308	-25,899	-4,952	-12,192	-13,898	-22,162
-60,051	**-33,530**	**-7,915**	**-25,941**	**2,533**	**2,808**	**70,100**	**76,198**
-	-	-	-	-	-	-	-
-60,051	**-33,530**	**-7,915**	**-25,941**	**2,533**	**2,808**	**70,100**	**76,198**
-11,008	-13,136	-	-	-	-	-	-
-71,599	**-34,846**	**-31,184**	**-36,155**	**-72,222**	**-93,157**	**56,090**	**65,545**
1,228,297	1,262,802*	4,053,675	3,780,543*	205,264	162,276*	1,540,367	1,697,449*
847,765	1,012,913*	1,247,157	2,315,225*	121,152	99,702*	312,002	362,761*
19,594	29,332	13,934	19,945	1,479	11,890	199	1,305
37,456	43,318	26,216	28,188	4,615	5,506	105	99

Accounting policies

The accounting policies are identical to those applied in the last annual account with the following exceptions.

IAS 1 in the version of the Improvement Project to be bindingly applied in the 2005 financial year requires that the balance sheet be structured according to the terms-to-realization of assets and liabilities. This requirement was observed in the present Group Account, while at the same time a more detailed structure was applied than the previous year. The comparable figures for the previous year or last annual account have been adjusted.

The sale of receivables under asset-backed securitization transactions (ABS), which has until now been treated as a disposal, is under the new IAS 39 shown as a secured loan transaction. Of these, besides trade receivables not disposed of, short-term financial liabilities, other current assets, short-term liabilities and short-term provisions are affected. At the same time the charge for implementation of the ABS program is no longer disclosed under Operating expenses but as an element of Net-interest income. Here, too, the comparable figures have been adjusted on the balance sheets and in the profit and loss account. For the period to the review key date trade receivables to the value of 1.39 bill. € have been sold under the ABS program. The value in the previous year amounted to 1.43 bill. €. Short-term financial liabilities at the balance sheet date accordingly include 1.13 bill. €. Those of the previous year at 1.16 bill. € were adjusted.

The structure of the profit and loss account contains the most important items also disclosed in the annual account. The previous year's figures have been adjusted due to treatment of the specialty stores as discontinued operations.

An examination of the quarterly account has been carried out.

Companies consolidated/Segment report

Over-the-counter retail

In the Over-the-counter retail segment the group of consolidated companies was formally expanded by the inclusion of the business operation of Karstadt Feinkost GmbH & Co. KG, Cologne, as a joint venture with the REWE retail group. As Karstadt Feinkost is consolidated at equity, however, sales turnover and corresponding expenses are no longer included with the individual items of the profit and loss account but with income from long-term investment. The earnings effect (EBITDA) from this joint venture in the first quarter of 2005 amounted to minus 2,069 th. €.

Mail order

In the Mail-order segment eight companies are consolidated for the first time, while one company was finally consolidated under the divestment program. Since these are mainly newly flotations, the effect on the financial position is not material.

Real estate

Due to the withdrawal of the unlimited partners and accrual of assets to the limited partners land, which was disclosed under real estate management companies in the Real estate segment, is now recognized in Mail-order segment assets. Accordingly the number of consolidated companies has fallen, resulting in a material change in Real estate and Mail-order segment assets. As the accrual occurred in the period to February 28, 2005, the effect on segment earnings is immaterial. The previous year's figure in the segment report with regard to segment assets was not adjusted. Pro-forma disclosure of the effects of this shift on the segment assets of the previous year is provided by the following table:

Pro-forma disclosure of segment assets

	Mail order		Real estate	
Amounts shown in th. €	**31.03.2005**	31.12.2004	**31.03.2005**	31.12.2004
Segment assets (as shown)	4,053,675	4,281,365	1,540,367	2,783,875
Land	-	101,634	-	-101,634
Other assets	-	300	-	-300
	4,053,675	**4,383,299**	**1,540,367**	**2,681,941**

Services

In the Services segment twelve companies, in which the operations of the purchasing offices of Over-the-counter retail and Mail order are concentrated, were consolidated for the first time. In previous years the earnings of these companies were shown under the parent company in Group Income from long-term investments. The EBITDA effect of these first-time inclusions in the group of consolidated companies amounted to 2,284 th. €. In the previous year these operations were recognized with an amount of 2,613 th. € in Income from long-term investments.

The contract terms and conditions for the sale of Euro-Papier N.V., Temse, Belgium, were fulfilled during the first quarter, so that the company was finally consolidated by the review key date. As the sale was already resolved in the financial year ended, the assets and liabilities of Euro-Papier N.V., Temse, Belgium, were already disclosed under Assets classified as held for sale and associated liabilities in the last annual account.

Moreover, in the first quarter the participating interest in Sport Media Holding GmbH, Essen, shown on the balance sheet at equity was sold. The purchase price came to 27 mill. €. Because antitrust approval was still outstanding at the review key date the sale has not yet been recognized on the balance sheet. In the meantime, however, the conditions have arisen for performance of this transaction.

Assets and liabilities classified as held for sale and disposal groups

Disposals by divestment of assets and liabilities classified as held for sale have already been essentially dealt with under the notes to the group of consolidated companies. In addition the participating interest in Home Shopping Europe AG, Ismaning, was also sold in the first quarter. The purchase price came to 10 mill. €.

The Group intends disposing of the financing operations concentrated in KARSTADT Hypothekenbank AG, Essen, to potential buyers outside the Group. As at present neither the precise terms and conditions nor the time of such divestment has been fixed, the preconditions for treatment as assets and liabilities classified as held for sale were not yet fulfilled at the review key date. For this reason no reclassification of the assets and liabilities at KARSTADT Hypothekenbank AG, Essen, under items to be disclosed separately under IFRS 5 was undertaken.

Contingent liabilities, Other financial commitments

Contingent liabilities and Other financial commitments have not substantially changed since the annual account.

Important events after the review key date

The takeover by DHL Solutions of the logistics operation in both the Over-the-counter retail and Mail-order segments took effect economically at the beginning of the second quarter of 2005. Assets and liabilities connected to this are disclosed on the balance sheet for the period to the review key date under Assets and liabilities classified as held for sale.

The Group is currently involved in negotiations for a further financing facility of up to 300 mill. €. A conclusion to the negotiations is expected by the end of May 2005.

Calendar 2005

Annual General Meeting

(Düsseldorf)	May 24, 2005

Interim reports

2nd Quarter	August 3, 2005
3rd Quarter	November 3, 2005

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