

**KARSTADT QUELLE<sup>AG</sup>**  
**INTERIM REPORT**  
TO JUNE 30, 2004

- **Clear refocusing of the KarstadtQuelle Group initiated**
- **Package of measures announced for the third quarter of 2004; extraordinary, non-recurring burden on earnings expected**
- **German retail trade in first half of 2004 lacks impetus**
- **Group sales declining during the first half-year 2004 by 6 %**
  - General retailer formats feel consumer restraint
  - E-commerce, Specialty mail order and Foreign strategic growth segments continuing to grow
- **Effective cost-cutting measures limit earnings decrease**
  - Earnings in Over-the-counter retail on the same level as the previous year
  - Earnings in Mail order declining
  - Thomas Cook earnings improved as scheduled
- **Net financial debt decreased, working capital reduced by 27 %**
- **Sales and earnings expectations for the 2004 financial year adjusted**
  - Sales forecast: minus 4.5 % to minus 5 %
  - Earnings forecast (operating EBTA): minus 160 mill. € to minus 200 mill. €

# At a glance

|                           |   |            | 30.06.2004        | 30.06.2003     | Change<br>in % |  |
|---------------------------|---|------------|-------------------|----------------|----------------|--|
| <b>Sales</b>              | Over-the-counter retail                           | mill. €    | 2,986.8           | 3,205.5        | -6.8           |  |
|                           | Mail order  | mill. €    | 3,764.8           | 3,992.7        | -5.7           |  |
|                           | Services  | mill. €    | 624.7             | 661.8          | -5.6           |  |
|                           | Real estate                                       | mill. €    | 289.8             | 280.4          | 3.3            |  |
|                           | Reconciliation account                            | mill. €    | -792.0            | -828.2         | -              |  |
|                           | <b>Group sales</b>                                | mill. €    | <b>6,874.1</b>    | <b>7,312.2</b> | -6.0           |  |
| <b>Earnings</b>           | Earnings from ordinary activities                 | mill. €    | 33.8              | 432.7          | -92.2          |  |
|                           | EBITA   | mill. €    | -346.0            | 20.6           | -              |  |
|                           | EBTA  | mill. €    | -439.5            | -97.3          | -              |  |
|                           | EBTA (adjusted/<br>not including special factors) | mill. €    | -388.5            | -289.3         | -34.3          |  |
| <b>Other information</b>  | Employees at 30.06.                               | number     | 95,889            | 100,098        | -4.2           |  |
|                           | Full-time employees on average (01.01. - 30.06.)  | number     | 76,646            | 80,229         | -4.5           |  |
|                           | Sales space in Over-the-counter retail            | th. sq. m. | 2,599.6           | 2,631.8        | -1.2           |  |
|                           | Branches  |            |                   |                |                |  |
|                           | Department stores                                 | number     | 188 <sup>1)</sup> | 183*           | -              |  |
|                           | Sports stores                                     | number     | 34                | 31*            | -              |  |
|                           | <b>Karstadt Warenhaus AG</b>                      | number     | <b>222</b>        | <b>214</b>     | -              |  |
|                           | Specialty stores                                  | number     | 298               | 293            | -              |  |
|                           | <b>Total number of branches</b>                   |            | <b>520</b>        | <b>507</b>     | -              |  |
|                           | Investments                                       | mill. €    | 157.2             | 177.5          | -11.5          |  |
| <b>KARSTADT QUELLE AG</b> | Market price on 30.06.                            | €          | 17.89             | 18.64          | -4.0           |  |
| <b>Share</b>              | Highest price (01.01. - 30.06.)                   | €          | 21.62             | 19.47          | -              |  |
|                           | Lowest price (01.01. - 30.06.)                    | €          | 15.89             | 10.17          | -              |  |

\* The sports stores have been independent branches since 31.12.2003. The 2003 quarters are adjusted.

<sup>1)</sup> Including eight Schaulandt branches.

# Report of the Chairman of the Management Board

## Dear Shareholders,

This interim report is the first opportunity I have had in my new capacity as Chairman of the Management Board of KarstadtQuelle AG to communicate with you directly. I took over the helm at KarstadtQuelle on June 1, 2004, in a challenging phase for our group. I am conscious of the great responsibility of my new task, because it is about shaping the future of one of Germany's biggest retail groups with nearly 100,000 employees. It is a task which I shall perform with pleasure and a lot of optimism!

There is hard work ahead of us. On the basis of a comprehensive corporate appraisal which we have set in train in recent weeks we shall in the third quarter of the current year lay the cornerstones for the necessary reorientation of the KarstadtQuelle Group. Because of the current situation a distinct change of direction is needed in many areas and companies of the group. There must and will be no taboos during this reorientation! Refocusing on our strengths and core competences in the retail trade are of central importance. We must once more generate a large part of our real net output from Over-the-counter retail and Mail order. It is necessary to utilise and further develop the excellent assets and position of our retail segments. My priorities also include the speedy stepping up of our internationalisation. With a foreign contribution from mail order of about 27 % we already have a good expandable basis. However, from a group point of view our level of



international representation is inadequate. The transformation of our department store and universal mail order business models is indispensable. It will change the quality of sales in our core business segments for the better. Our outstanding position in e-commerce will assist us in this process. The share contributed by online demand already amounts in the first half of 2004 to over 12 % of our group sales. As a great advocate of this growth segment, I am convinced that KarstadtQuelle, as one of the market leaders in e-commerce, has great sales and profit potential. We shall consistently clear our long-term investment portfolio of marginal operations. At the same time we shall continue focussing on the reduction of the net financial debt and working capital as well as strengthening the free cash flow.

We are approaching matters systematically across all business segments and shall ask all those involved to contribute to the necessary recovery and to help substantially increase the real net output of our group. The implementation of this reorientation means a hard process of consolidation and reconstruction for the entire KarstadtQuelle Group in the 2004 and 2005 financial years.

However, the key to our success is and remains the customer. We must increase customer satisfaction and more sharply define the profile of our strong Karstadt, Quelle and Neckermann brands. We shall therefore focus all measures selectively on the customer, his needs and his wants.

Once talks with the respective representatives of the various interests are concluded and the approval of the corresponding bodies is obtained, my Management Board colleagues and I will immediately make known to the public what measures we intend to take and

explain the strategic orientation of the KarstadtQuelle Group. As announced, this will take place at the end of September.

In the second half of the current financial year, both on the sales and cost front, we are fighting for every euro. Although a significant operational improvement will not be easy to achieve against the background of a still difficult environment, we can and will in the coming months lay the foundation stone to ensure we reverse the trend from the recent difficult performance. One thing makes me especially optimistic: the KarstadtQuelle Group stands on a solid foundation and is highly competent. This is due not least to the contribution made by our staff.

I am pleased to have in Dr. Thomas Middelhoff an internationally experienced Supervisory Board Chairman at my side. Thomas Middelhoff, a partner in Investcorp International Ltd., London, was elected to the Supervisory Board by the shareholders at the Annual General Meeting of KarstadtQuelle AG on May 4, 2004. With effect from June 25, 2004, Thomas Middelhoff assumed the Chairmanship of the Supervisory Board. His predecessor, Dr. Hans Meinhardt, who performed this office for many years, has resigned his seat on grounds of age.

I thank you, Dear Shareholders, for your confidence and promise you that the management team under my leadership is working with full commitment to make your share in KarstadtQuelle again a worthwhile investment.

Your

Dr. Christoph Achenbach

# Report of the Management Board

## DOMESTIC DEMAND STILL LACKS IMPETUS

The dichotomy in the performance of the German economy continued in the second quarter of 2004. Whereas exports in the wake of the worldwide recovery show continuous growth, domestic demand remains sluggish. The decisive factors in the continuing dull climate of consumption were the still strained state of the jobs market, the neutralisation of the positive effects of the tax reform by increased expenditure on health and old-age pension provision and the general unease felt by consumers through the continuing reform debate. As a result, sales in the “true” retail trade decreased by 1.2 % in the first six months of 2004.

## GROUP SALES DURING FIRST HALF OF 2004 6 % DOWN ON THE PREVIOUS YEAR

The KarstadtQuelle Group was affected by German consumers’ reluctance to buy in the second quarter of 2004 too. Group sales came to 3.35 bill. € (previous year: 3.63 bill. €). This represents a decrease by 7.6 %. Over-the-counter retail, Mail order and the Services segment, which was affected by the reduced volume of orders in the retail segments, return a sluggish performance. The Real estate segment was able to further increase its sales. In e-commerce growth continued at two-digit rates.

In the first half-year 2004 group sales stood at 6.87 bill. € (previous year: 7.31 bill. €) and thus 6 % below the level of the previous year.

## MEASURES TO OPTIMISE COSTS HAVE POSITIVE EFFECTS – GROUP EARNINGS DECREASE SUBPROPORTIONALLY

Group operating (adjusted) EBTA **in the second quarter** came to minus 217.6 mill. € (previous year: minus 141 mill. €). This represents an earnings decrease by 76.6 mill. €. Including special factors – mainly income from reorganisation of the old-age pension provision the previous year and cost of flexibilisation and portfolio adjustments –, EBTA for the quarter stood at minus 268.7 mill. € (the same quarter the previous year: minus 62 mill. €).

**In the first half** of 2004 group operating (adjusted) EBTA decreased to minus 388.5 mill. € (previous year: minus 289.3 mill. €). This earnings decrease of 99.2 mill. € is less than could have been expected given the reduction in sales of 438 mill. €, due to the efficiency and effectiveness of our programmes, particularly our cost cutting programme. Taking into account the special factors mentioned, EBTA for the first half-year stood at minus 439.5 mill. € (previous year: minus 97.3 mill. €).

Earnings per share at June 30, 2004 stood at minus 2.81 € (previous year: minus 0.50 €). After adjustment the earnings per share stood at minus 2.51 € (previous year: minus 1.59 €).

## NET FINANCIAL DEBT MARKEDLY DECREASED, WORKING CAPITAL REDUCED BY 27 %

The optimisation of net financial debt and working capital progressed well in past weeks and despite the difficult retail environment is already showing considerable success.

The net financial debt (including pension reserves) as at June 30, 2004, came to 4.7 bill. € (previous year: 5.3 bill. €). The decisive factor behind the marked decrease was the CTA programme.

The sluggish progress of business has not negatively affected the debt position, as its effects were neutralised by effective measures. Working capital thus decreased to 2.2 bill. € (previous year: 3.1 mill. €). This represents a reduction by 27 %. Inventories were further reduced by selective optimisation measures. Furthermore, trade receivables were reduced. This is particularly due to the ABS programme implemented in the fourth quarter of 2003. The rise in trade payables also had a positive effect. The decisive factor here was the successful implementation of a programme for extending payment targets.

Still unsatisfactory, on the other hand, is the development of free cash flow.

#### **PROGRAMME FOR RESTRUCTURING AND REORIENTATION BEING IMPLEMENTED**

The KarstadtQuelle Management Board will take extensive measures in the third quarter of 2004 on the basis of the outcomes of a comprehensive corporate appraisal. Their main thrust will be the clear refocusing of the KarstadtQuelle Group on its retailing operations. They will mainly include a fast programme to stabilise sales, stringent cost management, the improvement of the gross income margin, disinvestments, portfolio adjustments and the transformation of the department store and universal mail order business models. These measures will additionally have a one-off impact on earnings in the third quarter of 2004, but, if achieved as expected, will on balance represent no significant burden on liquidity for the

group in the 2004 financial year. The aim of the package of measures is the consistent restructuring and reorientation of the KarstadtQuelle Group to put it back squarely on the road to growth and profitability in the coming years. As announced, the Management Board will present this new strategic orientation to the public at the end of September of the current year.

#### **SALES AND EARNINGS FORECAST FOR THE 2004 FINANCIAL YEAR ADJUSTED**

Because of the performance in the second quarter of 2004 and the continuing weak domestic economy the Management Board has lowered its expectations for the 2004 financial year. Although on the basis of the present level of knowledge and forecasts we expect a slight improvement in the sales performance in the second half of the year, nevertheless group sales for the 2004 financial year will be between 4.5 % and 5 % lower than those of the previous year. On this basis the Management Board anticipates in the 2004 financial year operating earnings (EBTA, not including extraordinary restructuring costs) of between minus 160 mill. € and minus 200 mill. €.

Essen, August 2004

The Management Board

# Performance in quarter I and quarter II 2004

## SALES

| Amounts shown in mill. € | QUARTER I (01.01. - 31.03.) |                |             | QUARTER II (01.04. - 30.06.) |                |             |
|--------------------------|-----------------------------|----------------|-------------|------------------------------|----------------|-------------|
|                          | 2004                        | 2003           | Change in % | 2004                         | 2003           | Change in % |
| Over-the-counter retail  | 1,540.3                     | 1,602.9        | -3.9        | 1,446.5                      | 1,602.6        | -9.7        |
| Mail order               | 1,918.7                     | 2,021.3        | -5.1        | 1,846.1                      | 1,971.4        | -6.4        |
| Services                 | 309.7                       | 324.2          | -4.5        | 315.0                        | 337.6          | -6.7        |
| Real Estate              | 143.5                       | 140.1          | 2.4         | 146.3                        | 140.4          | 4.2         |
| Reconciliation account   | -392.9                      | -405.4         | -           | -399.2                       | -423.0         | -           |
|                          | <b>3,519.3</b>              | <b>3,683.1</b> | <b>-4.4</b> | <b>3,354.7</b>               | <b>3,629.0</b> | <b>-7.6</b> |

## EARNINGS BEFORE INTEREST, TAX AND AMORTISATION OF GOODWILL (EBITA)

| Amounts shown in mill. € | QUARTER I (01.01. - 31.03.) |             |             | QUARTER II (01.04. - 30.06.) |             |             |
|--------------------------|-----------------------------|-------------|-------------|------------------------------|-------------|-------------|
|                          | 2004                        | 2003        | Change in % | 2004                         | 2003        | Change in % |
| Over-the-counter retail  | -50.5                       | -90.4       | 44.1        | -105.9                       | -66.2       | -60.1       |
| Mail order               | -21.7                       | 22.2        | -198.0      | -52.9                        | -12.9       | -           |
| Services                 | -91.8                       | -105.1      | 12.6        | -69.6                        | -68.0       | -2.3        |
| Real Estate              | 76.0                        | 62.5        | 21.5        | 51.4                         | 62.2        | -17.4       |
| Holding                  | -17.6                       | 134.9       | -113.0      | -30.3                        | 80.0        | -137.9      |
| Reconciliation account   | -16.5                       | 0.7         | -           | -16.6                        | 0.7         | -           |
|                          | <b>-122.1</b>               | <b>24.8</b> | <b>-</b>    | <b>-223.9</b>                | <b>-4.2</b> | <b>-</b>    |

## EARNINGS BEFORE TAX AND AMORTISATION OF GOODWILL (EBTA)

| Amounts shown in mill. € | QUARTER I (01.01. - 31.03.) |              |             | QUARTER II (01.04. - 30.06.) |              |             |
|--------------------------|-----------------------------|--------------|-------------|------------------------------|--------------|-------------|
|                          | 2004                        | 2003         | Change in % | 2004                         | 2003         | Change in % |
| Over-the-counter retail  | -60.0                       | -104.2       | 42,4        | -119.0                       | -76.7        | -55.3       |
| Mail order               | -36.2                       | 5.1          | -           | -58.1                        | -29.6        | -96.5       |
| Services                 | -93.2                       | -107.3       | 13,2        | -71.0                        | -70.1        | -1.3        |
| Real Estate              | 65.5                        | 54.5         | 20,3        | 42.2                         | 54.7         | -22.9       |
| Holding                  | -30.6                       | 115.7        | -126,4      | -46.1                        | 58.8         | -178.3      |
| Reconciliation account   | -16.3                       | 0.7          | -           | -16.7                        | 0.9          | -           |
|                          | <b>-170.8</b>               | <b>-35.5</b> | <b>-</b>    | <b>-268.7</b>                | <b>-62.0</b> | <b>-</b>    |



# Over-the-counter retail

|                     |         | HALF YEAR I (01.01. - 30.06.) |          |             | QUARTER II (01.04. - 30.06.) |          |             |
|---------------------|---------|-------------------------------|----------|-------------|------------------------------|----------|-------------|
|                     |         | 2004                          | 2003     | Change in % | 2004                         | 2003     | Change in % |
| Sales               | mill. € | 2,986.8                       | 3,205.5  | -6.8        | 1,446.5                      | 1,602.6  | -9.7        |
| EBITA               | mill. € | -156.4                        | -156.6   | 0.1         | -105.9                       | -66.2    | -60.1       |
| EBTA                | mill. € | -179.1                        | -180.8   | 1.0         | -119.0                       | -76.7    | -55.3       |
| Employees (30.06.)  | number  | 54,823                        | 58,597   | -6.4        | 54,823                       | 58,597   | -6.4        |
| Segment assets      | mill. € | 2,672.7                       | 2,574.2* | 3.8         | 2,672.7                      | 2,574.2* | 3.8         |
| Segment liabilities | mill. € | 2,239.7                       | 2,468.5* | -9.3        | 2,239.7                      | 2,468.5* | -9.3        |

\* Figures for previous year, as of 31.12.2003

## OPERATING RESULT CONTINUED DESPITE WEAK SALES PERFORMANCE – IMPORTANT STRATEGIC MEASURES IMPLEMENTED

Over-the-counter retail came to feel the weak economic environment in the second quarter of 2004 too. Our department stores and specialist stores achieved sales worth 1.45 bill. € (previous year: 1.60 bill. €). This represents a decrease by 9.7%. Cumulatively sales in the first half of 2004 fell by 6.8% to 2.99 bill. € (previous year: 3.21 bill. €). Sales of the 188 department stores fell 5.8% to 2.61 bill. € (previous year: 2.77 bill. €). After adjustment for space – here the integration of the remaining eight Schaulandt branches in particular is an important factor – the result was a sales decrease of 4.6%. The 298 specialty stores with the SinnLeffers and Wehmeyer (fashion), Runners Point and Golf House (sports) as well as LeBuffet (system catering) brands achieved sales of 401.2 mill. €. After adjustment for space this represents a decrease by 12.0%.

In the first half of 2004 EBTA stood at minus 179.1 mill. € (previous year: minus 180.8 mill. €). This represents an increase by 1.8 mill. €. Like the previous year, the current financial year is burdened by special factors (flexibilisation and closure costs). Earnings after adjustment for these factors come to minus 164.1 mill. € (previous year: minus 157.8 mill. €).

Thanks to a number of operative measures it more than made up in earnings for the marked decrease in sales. Thus, as a result of improvements in purchasing conditions, the gross earnings margin rose by 0.5 percentage points to 42.8%. Furthermore, staff and material costs were further reduced.

As part of the Challenge programme in the department stores, two important strategic measures were implemented in the second quarter of 2004:

The optimisation of the department store business model was stepped up by implementing the new strategic orientation for the loss-making Food, Drink and Tobacco consumer segment. Karstadt Warenhaus AG and the Cologne commercial group Rewe will operate the food departments in 72 Karstadt stores in a joint venture from January 1, 2005, on. Karstadt Feinkost GmbH, in which Karstadt holds a 74.9% and Rewe a 25.1% participating interest, anticipates annual sales of about 500 mill. € and will profit particularly from the purchasing conditions, systems and logistics of the Rewe Commercial Group, which is one of Europe's leading food retailers.

The second measure will reduce the volume of costs in Karstadt department stores by about 145 mill. € and so bring the cost structure into line with market developments. As part of the "Zero Base" project administrative functions and organisational structures in administration will be optimised. Staff costs can thus be cut by about 95 mill. €. Implementation is to be completed by 2006. In sales the cost structures will be brought into line with decreased sales levels, depending on location. This will reduce staff costs by a further approx. 50 mill. €. At the same time the efficiency of the sales staff will be boosted by further measures for the customer-focused flexibilisation of working time. Furthermore, the introduction of the new point-of-sale and merchandise management system is relieving sales staff of subordinate activities.

# Mail order

|                     |         | HALF YEAR I (01.01. - 30.06.) |          |             | QUARTER II (01.04. - 30.06.) |          |             |
|---------------------|---------|-------------------------------|----------|-------------|------------------------------|----------|-------------|
|                     |         | 2004                          | 2003     | Change in % | 2004                         | 2003     | Change in % |
| Sales               | mill. € | 3,764.8                       | 3,992.7  | -5.7        | 1,846.1                      | 1,971.4  | -6.4        |
| EBITA               | mill. € | -74.7                         | 9.3      | -           | -52.9                        | -12.9    | -           |
| EBTA                | mill. € | -94.3                         | -24.4    | -           | -58.1                        | -29.6    | -96.5       |
| Employees (30.06.)  | number  | 34,897                        | 35,306   | -1.2        | 34,897                       | 35,306   | -1.2        |
| Segment assets      | mill. € | 3,942.2                       | 4,019.9* | -1.9        | 3,942.2                      | 4,019.9* | -1.9        |
| Segment liabilities | mill. € | 3,509.1                       | 3,719.1* | -5.6        | 3,509.1                      | 3,719.1* | -5.6        |

\* Figures for previous year, as of 31.12.2003

## STRATEGIC GROWTH SEGMENTS PERFORMING WELL – UNIVERSAL MAIL ORDER AFFECTED BY WEAK MARKET

The mail-order market in Germany recorded a weak second quarter for 2004. In May alone the nominal sales decrease amounted to about 16 % acc. to the Federal Statistics Office.

This generally weak demand also affected the business performance of the economy-sensitive universal mail-order suppliers Quelle and Neckermann very negatively. The Specialty mail-order and Internationalisation strategic growth segments, on the other hand, once again returned the same gratifying performance and continued the long-term growth trend even in the markedly more difficult environment. The e-commerce sector continues to perform extremely well and in the second quarter recorded a two-digit growth.

The Mail-Order segment achieved sales of 1.85 bill. € during the second quarter. This represents a decrease by 6.4 %. Sales thus reached 3.76 bill. € (previous year: 3.99 bill. €) during the first six months. EBTA came to minus 94.3 mill. € in the first half year (previous year: minus 24.4 mill. €).

The special mail-order suppliers pushed up sales by 1.4 % to 844.4 mill. € contrary to the general trend of the market. QuelleNeckermann Spezialversand GmbH, under whose roof Quelle's and Neckermann's 20 special mail-order suppliers at home and abroad are concentrated, launched the partnership with the Munich sports company Willy Bogner. Accordingly, the first Bogner Homeshopping Magazine will shortly be appearing in an impression of 250,000.

To further boost growth in foreign Specialty mail order, we acquired, as scheduled, the remaining share of approx. 20 % in the Afibel Group, France, held by the company founders. This resulted in an increase in investment compared with the previous year.

In universal mail order international growth continues. In 16 European countries Quelle und Neckermann achieved a growth by 1.6 % to 709.6 mill. €. Central-Eastern Europe remains one of the main growth areas. One year after the setting up of Quelle Estonia followed the entry into the Latvian market. Quelle in the launch phase is utilising the already established Estonian organisation. Accordingly, parcels are sent to Latvia through Tallinn.

Universal mail order in Germany, on the other hand, was unable to break free of the poor consumption environment. Sales fell in the first six months by 10.4 % to auf 2.23 bill. €. Comprehensive measures were therefore initiated, amongst other things, to optimise structures and costs and bring them into line with the changed volume of business.

# Services

|                                 | HALF YEAR I (01.01. - 30.06.) |         |          | QUARTER II (01.04. - 30.06.) |         |          |             |
|---------------------------------|-------------------------------|---------|----------|------------------------------|---------|----------|-------------|
|                                 |                               | 2004    | 2003     | Change in %                  | 2004    | 2003     | Change in % |
| Sales                           |                               |         |          |                              |         |          |             |
| not including Thomas Cook Group | mill. €                       | 624.7   | 661.8    | -5.6                         | 315.0   | 337.6    | -6.7        |
| EBITA                           | mill. €                       | -161.4  | -173.1   | 6.8                          | -69.6   | -68.0    | -2.3        |
| EBTA                            | mill. €                       | -164.2  | -177.4   | 7.4                          | -71.0   | -70.1    | -1.3        |
| thereof Thomas Cook             | mill. €                       | -171.6  | -196.3   | 12.6                         | -70.3   | -78.9    | 10.9        |
| Employees (30.06.)              | number                        | 5,862   | 5,929    | -1.1                         | 5,862   | 5,929    | -1.1        |
| Segment assets                  | mill. €                       | 1,754.2 | 1,278.2* | 37.2                         | 1,754.2 | 1,278.2* | 37.2        |
| Segment liabilities             | mill. €                       | 944.0   | 895.8*   | 5.4                          | 944.0   | 895.8*   | 5.4         |

\* Figures for previous year, as of 31.12.2003

## THOMAS COOK EARNINGS CONTINUE TO IMPROVE

The Services segment is subdivided into the following subsegments: B2B services (business with corporate customers) with information services, e- and TV commerce, logistics, purchasing and IT, as well as B2C-Services (business with consumers) with tourism, financial services and loyalty card programmes.

Sales (not including Thomas Cook, financial services and DSF, because consolidated at equity) in the first half year decreased by 5.6 % to 624.7 mill. € (previous year: 661.8 mill. €).

In the first half year EBTA stood at minus 164.2 mill. € (the same period the previous year: minus 177.4 mill. €). The reduction of the deficit by 13.2 mill. € is due mainly to the positive performance at Thomas Cook.

Thomas Cook continued to recover in the second quarter too and improved both its sales and its earnings. The tourism group thus returned in the winter half-year (November 1, 2003, to April 30, 2004) a sales increase by 1.5 % to 2.4 bill. €. Thomas Cook returns for the period under review a pro-rata deficit (EBTA) of 171.6 mill. € (previous year: 196.3 mill. €) reduced by 12.6 % or 24.7 mill. €. Bookings have so far shown themselves to be firmly on a growth course. Accordingly, Thomas Cook once again expects to achieve an above market-average increase in the number of customers, to increase sales slightly and to markedly improve earnings – particularly through the successful cost-cutting programmes – during the current financial year.

The other service companies show EBTA amounting to 7.4 mill. € (previous year: 18.9 mill. €). The decisive factor behind the earnings decrease is the reduced volume of orders for internal service-providers because of the sales performance in the retail segments. The new service-providing sectors (information and financial services, loyalty card programmes), on the other hand, return an EBTA increase by 4 mill. € to 2.6 mill. €.

KarstadtQuelle Financial Services (KQFS) is performing well. Over 500,000 mediated insurance policies in the first half of 2004 are proof of this. Four finance centres were opened in department stores, bringing the number of finance centres to 35.

KarstadtQuelle Information Services (KQIS) is strengthening its unique positioning as an integrated provider of marketing and risk solutions by a new market presentation and product innovations. At the same time the sales organisation has been optimised. A sector-focused customer appeal will guarantee an even more effective market penetration in future

The “HappyDigits” loyalty card programme has proved successful, gaining over 21 million card holders, more than two thirds of whom are regular users. For the KarstadtQuelle Group the multi-partner network is a highly efficient tool: the number of introduced customers has been substantially increased and customer loyalty strengthened by systematic customer communication.

The German Sports TV Channel (DSF) continues to perform positively. Sales rose by 48 % in comparison with the first half of 2003. DSF will achieve positive EBTA in the 2004 financial year for the first time since setting up.

# Real estate

|                     |         | HALF YEAR I (01.01. - 30.06.) |          |             | QUARTER II (01.04. - 30.06.) |          |             |
|---------------------|---------|-------------------------------|----------|-------------|------------------------------|----------|-------------|
|                     |         | 2004                          | 2003     | Change in % | 2004                         | 2003     | Change in % |
| Sales               | mill. € | 289.8                         | 280.4    | 3.3         | 146.3                        | 140.4    | 4.2         |
| EBITA               | mill. € | 127.4                         | 124.7    | 2.1         | 51.4                         | 62.2     | - 17.4      |
| EBTA                | mill. € | 107.7                         | 109.2    | - 1.3       | 42.2                         | 54.7     | - 22.9      |
| Employees (30.06.)  | number  | 111                           | 89       | 24.7        | 111                          | 89       | 24.7        |
| Segment assets      | mill. € | 5,501.9                       | 5,285.8* | 4.1         | 5,501.9                      | 5,285.8* | 4.1         |
| Segment liabilities | mill. € | 3,110.0                       | 2,782.2* | 11.8        | 3,110.0                      | 2,782.2* | 11.8        |

\* Figures for previous year, as of 31.12.2003

## SALES UP SLIGHTLY, EARNINGS PERFORMANCE STEADY

The Real estate segment achieved earnings from sales (income from rent) worth 289.8 mill. € (previous year: 280.4 mill. €). This represents a sales growth by 3.3 %. The decisive factor here is the direct letting, taken over the previous year, of real estate not in group ownership.

EBTA decreased by 1.5 mill. € to 107.7 mill. € (previous year: 109.2 mill. €). Not including special factors, earnings were 4.5 mill. € higher than those of the previous year.

# Holding

|                     |         | HALF YEAR I (01.01. - 30.06.) |          |             | QUARTER II (01.04. - 30.06.) |          |             |
|---------------------|---------|-------------------------------|----------|-------------|------------------------------|----------|-------------|
|                     |         | 2004                          | 2003     | Change in % | 2004                         | 2003     | Change in % |
| EBITA               | mill. € | - 47.8                        | 214.8    | - 122.3     | - 30.3                       | 80.0     | - 137.9     |
| EBTA                | mill. € | - 76.6                        | 174.6    | - 143.9     | - 46.1                       | 58.8     | - 178.3     |
| Employees (30.06.)  | number  | 196                           | 177      | 10.7        | 196                          | 177      | 10.7        |
| Segment assets      | mill. € | 3,394.5                       | 3,478.0* | - 2.4       | 3,394.5                      | 3,478.0* | - 2.4       |
| Segment liabilities | mill. € | 5,185.9                       | 4,017.5* | 29.1        | 5,185.9                      | 4,017.5* | 29.1        |

\* Figures for previous year, as of 31.12.2003

## EARNINGS PERFORMANCE AFFECTED BY SPECIAL INCOME IN THE PREVIOUS YEAR

The Holding segment is dominated by KarstadtQuelle AG as strategic management and investment holding company. The main earnings factors are expenditure on financing and pensions, and other participating interests.

EBTA stood at minus 76.6 mill. € (previous year: 174.6 mill. €). The earnings decrease by 251.2 mill. € is due mainly to the discontinuation of special income from the CTA programme during the previous year.

# Group profit and loss account

GROUP ACCOUNT

for the period from January 1 to June 30, 2004

HALF YEAR I (01.01. - 30.06.)

QUARTER II (01.04. - 30.06.)

| Amounts shown in th. €  | 2004             | 2003             | Change<br>in % | 2004             | 2003             | Verände-<br>rung in % |
|---|------------------|------------------|----------------|------------------|------------------|-----------------------|
| Sales   | 6,874,062        | 7,312,153        | -6.0           | 3,354,732        | 3,629,032        | -7.6                  |
| Cost of sales   | -3,621,681       | -3,902,488       | 7.2            | -1,768,746       | -1,952,100       | 9.4                   |
| <b>Gross earnings</b>   | <b>3,252,381</b> | <b>3,409,665</b> | -4.6           | <b>1,585,986</b> | <b>1,676,932</b> | -5.4                  |
| Other capitalised own work  | 24,891           | 33,517           | -25.7          | 15,806           | 25,794           | -38.7                 |
| Operating income  | 276,941          | 512,530          | -46.0          | 128,028          | 237,431          | -46.1                 |
| Staff costs   | -1,446,645       | -1,478,598       | 2.2            | -723,465         | -736,518         | 1.8                   |
| Operating costs   | -2,055,124       | 2,028,105        | -1.3           | -1,030,701       | -1,013,073       | -1.7                  |
| Other taxes   | -18,648          | -16,321          | -14.3          | -11,441          | -7,778           | -47.1                 |
| <b>Earnings from ordinary activities</b>  | <b>33,796</b>    | <b>432,688</b>   | -92.2          | <b>-35,787</b>   | <b>182,788</b>   | -119.6                |
| Income from investments   | -168,968         | -190,856         | 11.5           | -74,316          | -77,448          | 4.0                   |
| thereof from associated companies   | -165,828         | -199,744         | 17.0           | -68,149          | -80,891          | 15.8                  |
| <b>Earnings before interest, tax and<br/>depreciation and amortisation (EBITDA)</b> | <b>-135,172</b>  | <b>241,832</b>   | -155.9         | <b>-110,103</b>  | <b>105,340</b>   | -                     |
| Depreciation and amortisation<br>(not including goodwill)                           | -210,850         | -221,185         | 4.7            | -113,776         | -109,497         | -3.9                  |
| <b>Earnings before interest, tax and<br/>amortisation of goodwill (EBITA)</b>       | <b>-346,022</b>  | <b>20,647</b>    | -              | <b>-223,879</b>  | <b>-4,157</b>    | -                     |
| Amortisation of goodwill  | -1,935           | -32,261          | 94.0           | -1,935           | -15,987          | 87.9                  |
| <b>Earnings before interest and tax (EBIT)</b>                                      | <b>-347,957</b>  | <b>-11,614</b>   | -              | <b>-225,814</b>  | <b>-20,144</b>   | -                     |
| Net interest income   | -91,671          | -117,620         | 22.1           | -43,532          | -57,599          | 24.4                  |
| Other financial income  | -1,814           | -349             | -              | -1,244           | -217             | -                     |
| <b>Earnings before taxes (EBT)</b>  | <b>-441,442</b>  | <b>-129,583</b>  | -              | <b>-270,590</b>  | <b>-77,960</b>   | -                     |
| Taxes on income   | 146,070          | 77,064           | 89.5           | 83,232           | 49,491           | 68.2                  |
| <b>Net income before minority shareholdings</b>                                     | <b>-295,372</b>  | <b>-52,519</b>   | -              | <b>-187,358</b>  | <b>-28,469</b>   | -                     |
| Loss/Profit due to other shareholders   | -3,019           | -590             | -              | -760             | 679              | -                     |
| <b>Net income after minority shareholdings</b>                                      | <b>-298,391</b>  | <b>-53,109</b>   | -              | <b>-188,118</b>  | <b>-27,790</b>   | -                     |
| <b>Earnings per share in €</b>  | <b>-2.81</b>     | <b>-0.50</b>     | -              | <b>-1.77</b>     | <b>-0.27</b>     | -                     |

# Group balance sheet

GROUP ACCOUNT

as at June 30, 2004

## ASSETS

| Amounts shown in th. €                | 30.06.2004       | 30.06.2003       | Change<br>in % | 31.12.2003       |
|---------------------------------------|------------------|------------------|----------------|------------------|
| Intangible assets                     | 590,892          | 518,714          | 13.9           | 549,668          |
| Tangible assets                       | 3,398,768        | 3,543,552        | -4.1           | 3,500,609        |
| Financial assets                      | 544,091          | 629,896          | -13.6          | 661,596          |
| <b>Fixed assets</b>                   | <b>4,533,751</b> | <b>4,692,162</b> | <b>-3.4</b>    | <b>4,711,873</b> |
| Inventories                           | 2,391,298        | 2,480,556        | -3.6           | 2,417,169        |
| Receivables and other assets          | 1,629,494        | 2,278,852        | -28.5          | 1,724,420        |
| Securities                            | 293,188          | 33,279           | -              | 130,934          |
| Liquid funds                          | 106,028          | 213,322          | -50.3          | 156,692          |
| <b>Current assets</b>                 | <b>4,420,008</b> | <b>5,006,009</b> | <b>-11.7</b>   | <b>4,429,215</b> |
| <b>Deferred taxes</b>                 | <b>55,056</b>    | <b>13,121</b>    | <b>-</b>       | <b>15,347</b>    |
| <b>Prepayments and accrued income</b> | <b>35,458</b>    | <b>49,331</b>    | <b>-28.1</b>   | <b>36,264</b>    |
| <b>Balance sheet total</b>            | <b>9,044,273</b> | <b>9,760,623</b> | <b>-7.3</b>    | <b>9,192,699</b> |

## EQUITY AND LIABILITIES

| Amounts shown in th. €                                 | 30.06.2004       | 30.06.2003       | Change<br>in % | 31.12.2003       |
|--|------------------|------------------|----------------|------------------|
| <b>Equity</b>  | <b>1,285,265</b> | <b>1,501,931</b> | <b>-14.4</b>   | <b>1,639,394</b> |
| <b>Minority shareholdings</b>                          | <b>69,522</b>    | <b>68,426</b>    | <b>1.6</b>     | <b>69,299</b>    |
| Long-term financial liabilities                        | 2,326,564        | 2,014,436        | 15.5           | 2,125,877        |
| Other long-term liabilities                            | 365,042          | 53,734           | -              | 368,397          |
| Pension provisions                                     | 794,446          | 1,510,892        | -47.4          | 838,335          |
| Other long-term provisions for liabilities and charges | 226,697          | 245,571          | -7.7           | 239,686          |
| <b>Long-term liabilities</b>                           | <b>3,712,749</b> | <b>3,824,633</b> | <b>-2.9</b>    | <b>3,572,295</b> |
| Short-term financial liabilities                       | 1,939,579        | 2,067,055        | -6.2           | 1,471,132        |
| Trade payables   | 883,026          | 748,769          | 17.9           | 1,011,334        |
| Other short-term liabilities                           | 812,478          | 1,092,689        | -25.6          | 1,000,742        |
| Short-term provisions for liabilities and charges      | 227,091          | 275,909          | -17.7          | 258,506          |
| <b>Short-term liabilities</b>                          | <b>3,862,174</b> | <b>4,184,422</b> | <b>-7.7</b>    | <b>3,741,714</b> |
| <b>Deferred taxes</b>                                  | <b>108,293</b>   | <b>176,945</b>   | <b>-38.8</b>   | <b>165,709</b>   |
| <b>Accruals and deferred income</b>                    | <b>6,270</b>     | <b>4,266</b>     | <b>47.0</b>    | <b>4,288</b>     |
| <b>Balance sheet total</b>                             | <b>9,044,273</b> | <b>9,760,623</b> | <b>-7.3</b>    | <b>9,192,699</b> |

# Changes in group equity and minority shareholdings

## HALF YEAR I (01.01. - 30.06.2004)

| Amounts shown in th. €   | Issued capital | Capital reserve | Revenue reserves | Revaluation reserve | Adjustments foreign currency translation | Total group equity | Minority shareholdings | Total            |
|--|----------------|-----------------|------------------|---------------------|--|--------------------|------------------------|------------------|
| <b>Opening balance at 01.01.2004</b>   | <b>272,212</b> | <b>317,471</b>  | <b>1,127,622</b> | <b>-64,130</b>      | <b>-13,781</b>                           | <b>1,639,394</b>   | <b>69,299</b>          | <b>1,708,693</b> |
| Dividends  | -              | -               | -75,496          | -                   | -  | -75,496            | -1,231                 | -76,727          |
| Generated capital/<br>group earnings   | -              | -               | -298,391         | -                   | -  | -298,391           | 3,019                  | -295,372         |
| Differences from foreign<br>currency translation                               | -              | -               | -                | -                   | 4,021                                    | 4,021              | -                      | 4,021            |
| Change due to valuation<br>of original and derivative<br>financial instruments | -              | -               | -                | 24,011              | -  | 24,011             | -                      | 24,011           |
| Other changes  | -              | -               | -8,274           | -                   | -  | -8,274             | -1,565                 | -9,839           |
| <b>Closing balance at 30.06.2004</b>   | <b>272,212</b> | <b>317,471</b>  | <b>745,461</b>   | <b>-40,119</b>      | <b>-9,760</b>                            | <b>1,285,265</b>   | <b>69,522</b>          | <b>1,354,787</b> |

## HALF YEAR I (01.01. - 30.06.2003)

| Amounts shown in th. €   | Issued capital | Capital reserve | Revenue reserves | Revaluation reserve | Adjustments foreign currency translation | Total group equity | Minority shareholdings | Total            |
|--|----------------|-----------------|------------------|---------------------|--|--------------------|------------------------|------------------|
| <b>Opening balance at 01.01.2003</b>   | <b>277,855</b> | <b>343,289</b>  | <b>1,103,715</b> | <b>-49,253</b>      | <b>801</b>                               | <b>1,676,407</b>   | <b>69,820</b>          | <b>1,746,227</b> |
| From the purchase of shares  | -5,643         | -25,818         | -                | -                   | -  | -31,461            | -                      | -31,461          |
| Dividends  | -              | -               | -75,496          | -                   | -  | -75,496            | -1,003                 | -76,499          |
| Generated capital/<br>group earnings   | -              | -               | -53,109          | -                   | -  | -53,109            | 590                    | -52,519          |
| Differences from foreign<br>currency translation                               | -              | -               | -                | -                   | -1,611                                   | -1,611             | -654                   | -2,265           |
| Change due to valuation<br>of original and derivative<br>financial instruments | -              | -               | -                | -12,443             | -  | -12,443            | 105                    | -12,338          |
| Due to changes in<br>consolidated companies                                    | -              | -               | -356             | -                   | -  | -356               | -432                   | -788             |
| <b>Closing balance at 30.06.2003</b>   | <b>272,212</b> | <b>317,471</b>  | <b>974,754</b>   | <b>-61,696</b>      | <b>-810</b>                              | <b>1,501,931</b>   | <b>68,426</b>          | <b>1,570,357</b> |

# Group cash flow statement

GROUP ACCOUNT

as at June 30, 2004

| Amounts shown in th. €  | 30.06.2004      | 30.06.2003      |
|---|-----------------|-----------------|
| Net income for the period (including minority interests in earnings) before tax on income and before extraordinary items                        | -441,442        | -129,583        |
| Depreciation or appreciation of fixed assets  | 212,785         | 245,911         |
| Profits/losses from the disposal of fixed assets  | 1,146           | -6,829          |
| Profits/losses from currencies  | 753             | -361            |
| participating interest/expenses from transfer of losses   | 168,967         | 190,856         |
| Interest income/expenses  | 66,142          | 64,410          |
| Increase/decrease of long-term provisions (not including tax provisions)  | -59,615         | -26,094*        |
| Other expenses and income with no effect for payments   | 67,667          | -122,344*       |
| <b>Gross Cash Flow</b>  | <b>16,403</b>   | <b>215,966</b>  |
| Increase/decrease of inventories, trade receivables and other assets, not attributable to the investment or financing activity                  | 7,273           | -105,245        |
| Increase/decrease of trade payables and other liabilities not attributable to the investment or financing                                       | -274,613        | -147,718*       |
| <b>Cash flow from current business</b>  | <b>-250,937</b> | <b>-36,997</b>  |
| Dividends received  | 5,583           | 8,888           |
| Interest received   | 56,610          | 30,403          |
| Interest paid   | -119,672        | -106,557        |
| Payments/refunds of tax on income and earnings  | -13,034         | -12,788         |
| <b>Cash flow from current activity</b>  | <b>-321,450</b> | <b>-117,051</b> |
| Cash flow from acquisition/disinvestments of subsidiaries   | -17,727         | -               |
| Outpayments for the acquisition of tangible fixed assets and intangible and long-term assets  | -154,731        | -157,624        |
| Outpayments for investments in financial assets   | -2,433          | -19,923         |
| Inpayments from the sale of tangible fixed assets and intangible and long-term assets   | 6,182           | 23,953          |
| Inpayments from the disposal of financial assets  | 9,189           | 475             |
| <b>Cash flow from investment activities</b>   | <b>-159,520</b> | <b>-153,119</b> |
| Outpayments/inpayments for dividends, capital increases and share repurchase programme  | -75,496         | -106,957        |
| Inpayments/outpayments from mortgage bond programme and the take-up of (financing) loans  | 559,564         | 541,314*        |
| Payments of liabilities due under finance lease   | -1,754          | -39,111         |
| <b>Cash flow from financing activities</b>  | <b>482,314</b>  | <b>395,246</b>  |
| <b>Changes in cash and cash equivalents affecting cash flow</b>   | <b>1,344</b>    | <b>125,076</b>  |
| 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 | 909             | -48,293         |
| Cash and cash equivalents at the beginning of the period  | 166,118         | 168,813         |
| <b>Cash and cash equivalents at the end of the period</b>   | <b>168,371</b>  | <b>245,596</b>  |

\* values adjusted for CTA effects.



# Segment information

GROUP ACCOUNT

KarstadtQuelle Group

| QUARTER II (01.04. - 30.06.)                              | KarstadtQuelle Group |                  | Reconciliation account |                 | Holding        |               |
|---|----------------------|------------------|------------------------|-----------------|----------------|---------------|
|   | 2004                 | 2003             | 2004                   | 2003            | 2004           | 2003          |
| Amounts shown in th. €                                    |                      |                  |                        |                 |                |               |
| Sales   | 3,932,978            | 4,242,752        | -                      | -               | -              | -             |
| Interest from credit operations                           | 51,153               | 50,046           | -                      | -               | -              | -             |
| Internal sales  | -629,399             | -663,766         | -399,192               | -422,933        | -              | -             |
| <b>Group sales</b>  | <b>3,354,732</b>     | <b>3,629,032</b> | <b>-399,192</b>        | <b>-422,933</b> | <b>-</b>       | <b>-</b>      |
| Cost of sales   | -1,768,746           | -1,952,100       | 170,526                | 177,781         | -              | -             |
| <b>Gross earnings</b>                                     | <b>1,585,986</b>     | <b>1,676,932</b> | <b>-228,666</b>        | <b>-245,152</b> | <b>-</b>       | <b>-</b>      |
| Other capitalised own work                                | 15,806               | 25,794           | 10,445                 | 20,581          | -              | -             |
| Operating income and expenditure                          | -902,673             | -775,642         | 217,550                | 225,658         | -11,383        | 85,514        |
| Staff costs   | -723,465             | -736,518         | 692                    | -1,053          | -10,408        | -6,528        |
| Other taxes   | -11,441              | -7,778           | -                      | -               | -8             | -12           |
| <b>Earnings from operations</b>                           | <b>-35,787</b>       | <b>182,788</b>   | <b>21</b>              | <b>34</b>       | <b>-21,799</b> | <b>78,974</b> |
| Income from investments                                   | -74,316              | -77,448          | -17,099                | -               | -7,565         | 1,133         |
| <b>EBITDA</b>   | <b>-110,103</b>      | <b>105,340</b>   | <b>-17,078</b>         | <b>34</b>       | <b>-29,364</b> | <b>80,107</b> |
| Depreciation and amortisation<br>(not including goodwill) | -113,776             | -109,497         | 475                    | 769             | -909           | -156          |
| <b>EBITA</b>  | <b>-223,879</b>      | <b>-4,157</b>    | <b>-16,603</b>         | <b>803</b>      | <b>-30,273</b> | <b>79,951</b> |
| Amortisation of goodwill                                  | -1,935               | -15,987          | -                      | -               | -              | -             |
| <b>EBIT</b>   | <b>-225,814</b>      | <b>-20,144</b>   | <b>-16,603</b>         | <b>803</b>      | <b>-30,273</b> | <b>79,951</b> |
| Net interest income                                       | -43,532              | -57,599          | 21                     | 99              | -14,523        | -21,782       |
| Other financial income                                    | -1,244               | -217             | -22                    | -78             | -1,280         | 648           |
| <b>EBT</b>  | <b>-270,590</b>      | <b>-77,960</b>   | <b>-16,604</b>         | <b>824</b>      | <b>-46,076</b> | <b>58,817</b> |
| EBIT margin in %  | -6.7                 | -0.6             | -                      | -               | -              | -             |
| EBT margin in %   | -8.1                 | -2.1             | -                      | -               | -              | -             |
| <b>EBTA</b>   | <b>-268,655</b>      | <b>-61,973</b>   | <b>-16,604</b>         | <b>824</b>      | <b>-46,076</b> | <b>58,817</b> |
| EBTA margin in %  | -8.0                 | -1.7             | -                      | -               | -              | -             |
| Investments   | 82,069               | 94,998           | -                      | -               | 499            | 636           |

# Segment information

GROUP ACCOUNT

KarstadtQuelle Group

| QUARTER II (01.04. - 30.06.)                              | Over-the-counter retail |                  | Mail order       |                  |
|---|-------------------------|------------------|------------------|------------------|
|   | 2004                    | 2003             | 2004             | 2003             |
| Amounts shown in th. €                                    |                         |                  |                  |                  |
| Sales   | 1,459,698               | 1,630,533        | 1,999,132        | 2,122,770        |
| Interest from credit operations                           | -                       | -                | 51,153           | 50,046           |
| Internal sales  | -13,173                 | -27,914          | -204,192         | -201,403         |
| <b>Group sales</b>  | <b>1,446,525</b>        | <b>1,602,619</b> | <b>1,846,093</b> | <b>1,971,413</b> |
| Cost of sales   | -832,911                | -924,488         | -910,731         | -1,003,789       |
| <b>Gross earnings</b>                                     | <b>613,614</b>          | <b>678,131</b>   | <b>935,362</b>   | <b>967,624</b>   |
| Other capitalised own work                                | 3,596                   | 2,432            | 203              | 442              |
| Operating income and expenditure                          | -308,424                | -303,193         | -707,455         | -681,110         |
| Staff costs   | -383,010                | -401,916         | -261,584         | -270,663         |
| Other taxes   | -137                    | -5               | -6,459           | -2,657           |
| <b>Earnings from operations</b>                           | <b>-74,361</b>          | <b>-24,551</b>   | <b>-39,933</b>   | <b>13,636</b>    |
| Income from investments                                   | 4,929                   | 284              | 12,330           | -350             |
| <b>EBITDA</b>   | <b>-69,432</b>          | <b>-24,267</b>   | <b>-27,603</b>   | <b>13,286</b>    |
| Depreciation and amortisation<br>(not including goodwill) | -36,465                 | -41,893          | -25,335          | -26,196          |
| <b>EBITA</b>  | <b>-105,897</b>         | <b>-66,160</b>   | <b>-52,938</b>   | <b>-12,910</b>   |
| Amortisation of goodwill                                  | -                       | -1,092           | -                | -3,586           |
| <b>EBIT</b>   | <b>-105,897</b>         | <b>-67,252</b>   | <b>-52,938</b>   | <b>-16,496</b>   |
| Net interest income                                       | -13,042                 | -10,339          | -5,252           | -16,953          |
| Other financial income                                    | -94                     | -170             | 85               | 292              |
| <b>EBT</b>  | <b>-119,033</b>         | <b>-77,761</b>   | <b>-58,105</b>   | <b>-33,157</b>   |
| EBIT margin in %  | -7.3                    | -4.2             | -2.9             | -0.8             |
| EBT margin in %   | -8.2                    | -4.9             | -3.1             | -1.7             |
| <b>EBTA</b>   | <b>-119,033</b>         | <b>-76,669</b>   | <b>-58,105</b>   | <b>-29,571</b>   |
| EBTA margin in %  | -8.2                    | -4.8             | -3.1             | -1.5             |
| Investments   | 37,205                  | 33,064           | 40,283           | 32,604           |

# Segment information

KarstadtQuelle Group

| QUARTER II (01.04. - 30.06.)                              | Services       |                | Real estate    |                |
|---|----------------|----------------|----------------|----------------|
| Amounts shown in th. €                                    | 2004           | 2003           | 2004           | 2003           |
| Sales   | 327,852        | 349,071        | 146,296        | 140,378        |
| Interest from credit operations                           | -              | -              | -              | -              |
| Internal sales  | -12,842        | -11,516        | -              | -              |
| <b>Group sales</b>  | <b>315,010</b> | <b>337,555</b> | <b>146,296</b> | <b>140,378</b> |
| Cost of sales   | -195,630       | -201,604       | -              | -              |
| <b>Gross earnings</b>                                     | <b>119,380</b> | <b>135,951</b> | <b>146,296</b> | <b>140,378</b> |
| Other capitalised own work                                | 1,562          | 2,339          | -              | -              |
| Operating income and expenditure                          | -42,811        | -61,395        | -50,150        | -41,116        |
| Staff costs   | -67,297        | -54,806        | -1,858         | -1,552         |
| Other taxes   | -228           | -9             | -4,609         | -5,095         |
| <b>Earnings from operations</b>                           | <b>10,606</b>  | <b>22,080</b>  | <b>89,679</b>  | <b>92,615</b>  |
| Income from investments                                   | -66,681        | -78,515        | -230           | -              |
| <b>EBITDA</b>   | <b>-56,075</b> | <b>-56,435</b> | <b>89,449</b>  | <b>92,615</b>  |
| Depreciation and amortisation<br>(not including goodwill) | -13,506        | -11,614        | -38,036        | -30,407        |
| <b>EBITA</b>  | <b>-69,581</b> | <b>-68,049</b> | <b>51,413</b>  | <b>62,208</b>  |
| Amortisation of goodwill                                  | -1,935         | -11,100        | -              | -209           |
| <b>EBIT</b>   | <b>-71,516</b> | <b>-79,149</b> | <b>51,413</b>  | <b>61,999</b>  |
| Net interest income                                       | -1,425         | -2,020         | -9,311         | -6,604         |
| Other financial income                                    | -              | -              | 67             | -909           |
| <b>EBT</b>  | <b>-72,941</b> | <b>-81,169</b> | <b>42,169</b>  | <b>54,486</b>  |
| EBIT margin in %  | -22.7          | -23.4          | 35.1           | 44.2           |
| EBT margin in %   | -23.2          | -24.0          | 28.8           | 38.8           |
| <b>EBTA</b>   | <b>-71,006</b> | <b>-70,069</b> | <b>42,169</b>  | <b>54,695</b>  |
| EBTA margin in %  | -22.5          | -20.8          | 28.8           | 39.0           |
| Investments   | 4,017          | 28,185         | 65             | 509            |

# Segment information

GROUP ACCOUNT

KarstadtQuelle Group

| HALF YEAR I (01.01. - 30.06.)                             | KarstadtQuelle Group |                  | Reconciliation account |                 | Holding        |                |
|---|----------------------|------------------|------------------------|-----------------|----------------|----------------|
|   | 2004                 | 2003             | 2004                   | 2003            | 2004           | 2003           |
| Amounts shown in th. €                                    |                      |                  |                        |                 |                |                |
| Sales   | 8,057,260            | 8,538,492        | -                      | -               | -              | -              |
| Interest from credit operations                           | 100,809              | 102,908          | -                      | -               | -              | -              |
| Internal sales  | -1,284,007           | -1,329,247       | -792,063               | -828,309        | -              | -              |
| <b>Group sales</b>  | <b>6,874,062</b>     | <b>7,312,153</b> | <b>-792,063</b>        | <b>-828,309</b> | <b>-</b>       | <b>-</b>       |
| Cost of sales   | -3,621,681           | -3,902,488       | 339,591                | 354,601         | -              | -              |
| <b>Gross earnings</b>                                     | <b>3,252,381</b>     | <b>3,409,665</b> | <b>-452,472</b>        | <b>-473,708</b> | <b>-</b>       | <b>-</b>       |
| Other capitalised own work                                | 24,891               | 33,517           | 15,486                 | 23,794          | -              | -              |
| Operating income and expenditure                          | -1,778,183           | -1,515,575       | 436,415                | 448,558         | -22,468        | 225,754        |
| Staff costs   | -1,446,645           | -1,478,598       | 876                    | 1,348           | -16,305        | -12,006        |
| Other taxes   | -18,648              | -16,321          | 1                      | -               | -44            | -17            |
| <b>Earnings from operations</b>                           | <b>33,796</b>        | <b>432,688</b>   | <b>306</b>             | <b>-8</b>       | <b>-38,817</b> | <b>213,731</b> |
| Income from investments                                   | -168,968             | -190,856         | -34,325                | -               | -7,565         | 1,391          |
| <b>EBITDA</b>   | <b>-135,172</b>      | <b>241,832</b>   | <b>-34,019</b>         | <b>-8</b>       | <b>-46,382</b> | <b>215,122</b> |
| Depreciation and amortisation<br>(not including goodwill) | -210,850             | -221,185         | 930                    | 1,532           | -1,446         | -302           |
| <b>EBITA</b>  | <b>-346,022</b>      | <b>20,647</b>    | <b>-33,089</b>         | <b>1,524</b>    | <b>-47,828</b> | <b>214,820</b> |
| Amortisation of goodwill                                  | -1,935               | -32,261          | -                      | -               | -              | -              |
| <b>EBIT</b>   | <b>-347,957</b>      | <b>-11,614</b>   | <b>-33,089</b>         | <b>1,524</b>    | <b>-47,828</b> | <b>214,820</b> |
| Net interest income                                       | -91,671              | -117,620         | 41                     | 182             | -27,059        | -41,301        |
| Other financial income                                    | -1,814               | -349             | -42                    | -153            | -1,741         | 1,045          |
| <b>EBT</b>  | <b>-441,442</b>      | <b>-129,583</b>  | <b>-33,090</b>         | <b>1,553</b>    | <b>-76,628</b> | <b>174,564</b> |
| EBIT margin in %  | -5.1                 | -0.2             | -                      | -               | -              | -              |
| EBT margin in %   | -6.4                 | -1.8             | -                      | -               | -              | -              |
| <b>EBTA</b>   | <b>-439,507</b>      | <b>-97,322</b>   | <b>-33,090</b>         | <b>1,553</b>    | <b>-76,628</b> | <b>174,564</b> |
| EBTA margin in %  | -6.4                 | -1.3             | -                      | -               | -              | -              |
| Segment assets  | 8,989,217            | 9,177,352*       | -8,276,180             | -7,458,771*     | 3,394,477      | 3,478,021*     |
| Segment liabilities                                       | 7,650,715            | 7,387,596*       | -7,337,975             | -6,495,605*     | 5,185,921      | 4,017,516*     |
| Investments   | 157,164              | 177,547          | -                      | -               | 1,634          | 4,301          |
| Full-time employees<br>(average 01.01. - 30.06.)          | number               | 76,646           | 80,229                 | -               | 183            | 165            |

\* Figures for previous year, as of 31.12.2003

# Segment information

KarstadtQuelle Group

| HALF YEAR I (01.01. - 30.06.)                             | Over-the-counter retail |                  | Mail order       |                  |        |
|---|-------------------------|------------------|------------------|------------------|--------|
| Amounts shown in th. €                                    | 2004                    | 2003             | 2004             | 2003             |        |
| Sales   | 3,019,476               | 3,276,880        | 4,098,405        | 4,296,897        |        |
| Interest from credit operations                           | -                       | -                | 100,809          | 102,908          |        |
| Internal sales  | -32,642                 | -71,334          | -434,396         | -407,097         |        |
| <b>Group sales</b>  | <b>2,986,834</b>        | <b>3,205,546</b> | <b>3,764,818</b> | <b>3,992,708</b> |        |
| Cost of sales   | -1,708,514              | -1,850,272       | -1,878,659       | -2,017,887       |        |
| <b>Gross earnings</b>                                     | <b>1,278,320</b>        | <b>1,355,274</b> | <b>1,886,159</b> | <b>1,974,821</b> |        |
| Other capitalised own work                                | 6,286                   | 4,030            | 268              | 726              |        |
| Operating income and expenditure                          | -607,418                | -627,582         | -1,402,613       | -1,370,598       |        |
| Staff costs   | -770,091                | -804,715         | -522,910         | -538,069         |        |
| Other taxes   | -418                    | -328             | -8,921           | -5,164           |        |
| <b>Earnings from operations</b>                           | <b>-93,321</b>          | <b>-73,321</b>   | <b>-48,017</b>   | <b>61,716</b>    |        |
| Income from investments                                   | 10,119                  | 572              | 24,574           | -866             |        |
| <b>EBITDA</b>   | <b>-83,202</b>          | <b>-72,749</b>   | <b>-23,443</b>   | <b>60,850</b>    |        |
| Depreciation and amortisation<br>(not including goodwill) | -73,204                 | -83,819          | -51,234          | -51,578          |        |
| <b>EBITA</b>  | <b>-156,406</b>         | <b>-156,568</b>  | <b>-74,677</b>   | <b>9,272</b>     |        |
| Amortisation of goodwill                                  | -                       | -2,179           | -                | -7,184           |        |
| <b>EBIT</b>   | <b>-156,406</b>         | <b>-158,747</b>  | <b>-74,677</b>   | <b>2,088</b>     |        |
| Net interest income                                       | -22,487                 | -24,013          | -19,745          | -34,099          |        |
| Other financial income                                    | -187                    | -252             | 162              | 400              |        |
| <b>EBT</b>  | <b>-179,080</b>         | <b>-183,012</b>  | <b>-94,260</b>   | <b>-31,611</b>   |        |
| EBIT margin in %  | -5.2                    | -5.0             | -2.0             | 0.1              |        |
| EBT margin in %   | -6.0                    | -5.7             | -2.5             | -0.8             |        |
| <b>EBTA</b>   | <b>-179,080</b>         | <b>-180,833</b>  | <b>-94,260</b>   | <b>-24,427</b>   |        |
| EBTA margin in %  | -6.0                    | -5.6             | -2.5             | -0.6             |        |
| Segment assets  | 2,672,658               | 2,574,189*       | 3,942,200        | 4,019,929*       |        |
| Segment liabilities                                       | 2,239,695               | 2,468,482*       | 3,509,112        | 3,719,110*       |        |
| Investments   | 66,537                  | 64,244           | 62,994           | 58,557           |        |
| Full-time employees<br>(average 01.01. - 30.06.)          | number                  | 42,690           | 46,084           | 28,195           | 28,352 |

\* Figures for previous year, as of 31.12.2003

# Segment information

KarstadtQuelle Group

| HALF YEAR I (01.01. - 30.06.)                             | Services        |                 | Real estate    |                |    |
|---|-----------------|-----------------|----------------|----------------|----|
| Amounts shown in th. €                                    | 2004            | 2003            | 2004           | 2003           |    |
| Sales   | 649,628         | 684,287         | 289,751        | 280,428        |    |
| Interest from credit operations                           | -               | -               | -              | -              |    |
| Internal sales  | -24,906         | -22,507         | -              | -              |    |
| <b>Group sales</b>  | <b>624,722</b>  | <b>661,780</b>  | <b>289,751</b> | <b>280,428</b> |    |
| Cost of sales   | -374,099        | -388,930        | -              | -              |    |
| <b>Gross earnings</b>                                     | <b>250,623</b>  | <b>272,850</b>  | <b>289,751</b> | <b>280,428</b> |    |
| Other capitalised own work                                | 2,851           | 4,967           | -              | -              |    |
| Operating income and expenditure                          | -92,788         | -114,469        | -89,311        | -77,238        |    |
| Staff costs   | -134,642        | -122,315        | -3,573         | -2,841         |    |
| Other taxes   | -438            | -11             | -8,828         | -10,801        |    |
| <b>Earnings from operations</b>                           | <b>25,606</b>   | <b>41,022</b>   | <b>188,039</b> | <b>189,548</b> |    |
| Income from investments                                   | -161,311        | -191,953        | -460           | -              |    |
| <b>EBITDA</b>   | <b>-135,705</b> | <b>-150,931</b> | <b>187,579</b> | <b>189,548</b> |    |
| Depreciation and amortisation<br>(not including goodwill) | -25,698         | -22,204         | -60,198        | -64,814        |    |
| <b>EBITA</b>  | <b>-161,403</b> | <b>-173,135</b> | <b>127,381</b> | <b>124,734</b> |    |
| Amortisation of goodwill                                  | -1,935          | -22,686         | -              | -212           |    |
| <b>EBIT</b>   | <b>-163,338</b> | <b>-195,821</b> | <b>127,381</b> | <b>124,522</b> |    |
| Net interest income                                       | -2,738          | -4,224          | -19,683        | -14,165        |    |
| Other financial income                                    | -22             | -               | 16             | -1,389         |    |
| <b>EBT</b>  | <b>-166,098</b> | <b>-200,045</b> | <b>107,714</b> | <b>108,968</b> |    |
| EBIT margin in %  | -26.1           | -29.6           | 44.0           | 44.4           |    |
| EBT margin in %   | -26.6           | -30.2           | 37.2           | 38.9           |    |
| <b>EBTA</b>   | <b>-164,163</b> | <b>-177,359</b> | <b>107,714</b> | <b>109,180</b> |    |
| EBTA margin in %  | -26.3           | -26.8           | 37.2           | 38.9           |    |
| Segment assets  | 1,754,188       | 1,278,182*      | 5,501,874      | 5,285,802*     |    |
| Segment liabilities                                       | 943,976         | 895,845*        | 3,109,986      | 2,782,248*     |    |
| Investments   | 24,629          | 38,175          | 1,370          | 12,270         |    |
| Full-time employees<br>(average 01.01. - 30.06.)          | number          | 5,475           | 5,552          | 103            | 76 |

\* Figures for previous year, as of 31.12.2003

## ACCOUNTING AND VALUATION METHODS

The accounting and measurement principles are largely identical to those applied in the last annual account.

As already reported in the quarterly account for the period to March 31, 2004, the application of IFRS 3 in conjunction with the new versions of IAS 36 and IAS 38 results in an inclusion of goodwill from unscheduled value impairments alone. During the quarter ended impairments to the value of 1,935 th. € were undertaken. During the same period the previous year there was no unscheduled goodwill amortisation.

Payables from invoices not yet received are shown uniformly for the group under trade payables in the present account. The previous year they were shown under other short-term liabilities. Comparable figures for the previous year were not adjusted. The increase in trade payables and impairment of other short-term liabilities would have come to 65,519 th. € the previous year.

The structure of the balance sheet and the profit and loss account contains the most important items also shown in the annual account.

An examination of the quarterly account has been carried out.

## CONSOLIDATED COMPANIES

The number of consolidated companies has decreased by three companies, the influence of which on the net worth, financial and earnings position is immaterial.

The remaining shares in AFIGEST S.A., France, were acquired by QuelleNeckermann Spezialversand GmbH in the quarter ended. Since this participating interest had already been fully consolidated beforehand, this had no significant effects on the group balance sheet as a whole.

## CONTINGENT LIABILITIES, OTHER FINANCIAL COMMITMENTS

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

## IMPORTANT EVENTS AFTER THE REPORTING DATE

The Management Board announces for the third quarter of 2004 a package of measures from which extraordinary, non-recurring burdens on earnings are to be expected.

# Calendar

2004

**Interim report**

3<sup>rd</sup> quarter

November 3, 2004

2005

**Balance sheet  
press conference/  
Analysts' meeting**

April 12, 2005

**Annual General Meeting**

May 24, 2005

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