KARSTADT QUELLE AG

Neu

Interim report to June 30, 2005

Facts

- Reorganization and realignment continued with good results
- New Group management structure being implemented
- Divestment program in Over-the-counter retail completed in early August – Karstadt Kompakt (75 department stores) and all specialty store chains sold
- Four of five segments on or above plan
- Sales of Over-the-counter retail in the second quarter ahead of plan, Mail order markedly behind plan
- Trade margin in the second quarter increased by 2.5 % compared with the previous year
- Quarterly earnings (adjusted EBITDA) markedly improved
- Net financial liabilities and working capital substantially reduced
- Additional strategic measures for universal mail order in Germany being implemented
- Outlook 2005:

  – Sales decrease in the middle single-digit percentage range

  – Adjusted EBITDA above 350 mill. €

At a glance

			30.06.2005	30.06.2004	Change in %
Sales**	Over-the-counter retail				
	Department and sports stores	mill. €	2,264.2	2,424.7	-6.6
	Transferred fine food departments	mill. €	-	199.4	-
	Mail order	mill. €	3,462.2	3,764.8	-8.0
	Services	mill. €	231.1	624.7	-63.0
	Real estate	mill. €	260.4	289.8	-10.1
	Reconciliation account	mill. €	-405.8	-792.0	-
	Group sales	mill. €	5,812.1	6,511.4	-10.7
	Group sales (not including fine food departments)	mill. €	**5,812.1**	**6,312.0**	**-7.9**
Earnings	EBITDA	mill. €	93.1	63.1	47.5
	EBITDA (adjusted/not including special factors)	mill. €	122.1	98.1	24.4
	EBTA	mill. €	-363.1	-404.8	10.3
Other information	Full-time staff (average 01.01.-30.06.)				
	Continued operations	number	61,481	72,002 [1)]	-14.6
	Discontinued operations	number	4,617	4,644	-0.6
	Total	number	**66,098**	**76,646**	**-13.8**
	Investments	mill. €	194.1	157.2	23.5
	Net financial liabilities *	mill. €	4,353.6	5,151.3	-15.5
	Working capital	mill. €	2,681.5	3,426.9 [2)]	-21.8
	Branches				
	Department stores	number	89	88	-
	Sports stores	number	32	29	-
	Project branches	number	25	28	-
	Karstadt Warenhaus AG	number	**146**	**145**	**-**
	Karstadt Kompakt GmbH & Co. KG	number	77	77	-
	Total	number	**223**	**222**	**-**
	Sales space of the aforementioned branches at 30.06.	th. sq. m.	2,189.4	2,229.2	-1.8
KARSTADT QUELLE AG Share	Market price at reporting date [3)] (30.06.)	€	11.00	14.49	-24.1
	Highest price [3)] (01.01. - 30.06.)	€	11.00	17.51	-
	Lowest price [3)] (01.01. - 30.06.)	€	7.08	12.87	-

* Including ABS program.
** Previous year's figures not comparable due to extensive reorganization.
1) Including fine food departments with 2,603 employees.
2) Previous year's value after adjustment for divestments and including ABS program.
3) Information adjusted due to capital measure.

Dear Shareholders,

At the start of this quarterly report I would like to give a brief overview of the situation. I have been Chairman of the Management Board of the KarstadtQuelle Group since May 12, 2005. Some may feel that it has been longer, although that may have something to do with my having been appointed Chairman of the Supervisory Board a year ago.

The challenges for the Group are great, but so are the opportunities

KarstadtQuelle has been sailing increasingly troubled waters in recent years. Despite repeated efforts the earnings performance has pointed only downwards. A continuing crisis in German over-the-counter retail which set in some years ago, miscalculations by the management and strategies which took belated and insufficient account of structural changes, particularly in German universal mail order, had a cumulative effect.

It was under these circumstances that I took over the helm – and I can tell you: it is a worthwhile job. The challenges are great, but so are the opportunities, and I am convinced that we shall get the Group back on a course to success.

100 day program being implemented – The Group is being given a new corporate and management structure

Since I took up office the management has been working on a 100 day program. It is one of our main aims to lastingly change the corporate and management structure of the Group in order to make our organization more effective. We need shorter planning and implementation times, more direct reporting channels, clearer responsibilities and greater transparency.

Accordingly, we are doing away with the legal structure of the intermediate holding companies and turning the Karstadt, Quelle and Neckermann corporations into more flexible limited liability companies – whilst retaining codetermination. We want to establish a new corporate and particularly a new management structure in the KarstadtQuelle Group: a model of participation. For this we are aiming at flat hierarchies and responsible managers who lead their employees independently to success and take independent decisions on the hoof. This new approach is already having a positive effect in the department store sector: we have begun to link the branch managers' salaries substantially to the success of their work.

Reorganization already showing success – with the exception of universal mail order in Germany Decisive break-through in divestments – Over-the-counter retail focuses on core business

Our Over-the-counter retail, Services (with emphasis on tourism) and Real-estate segments are now performing to plan or better than planned. This is a result of the reorganization work of the last ten months. Only the Mail-order business in Germany is performing unsatisfactorily and has fallen considerably short of expectations.

In the **department store sector** we can after many years at last feel ground under our feet. After a good start to July the core business of the 89 department stores has for the first time in years exceeded its target. The positive sales performance of the last few weeks and months is thus continuing. In the textiles sector we are for the first time for a long time gaining market shares. Business is once again manageable and responds to impulses – positively: this encourages us to consistently continue to focus on department stores at the best city-centre locations.

The **tourism business** is once again picking up, and we are making good headway with our 50-per cent share in Thomas Cook, the Number Two in Europe: the reconstruction is showing positive results; in the current financial year we are back in the black operatively and want to develop this business further. For that reason the investment in Thomas Cook is part of our core business.

In **Mail order** business abroad, in particular in Eastern Europe, and with the special catalogs is to a very great extent performing to plan. In e-commerce, online demand now amounts to more than 2 bill. € annually, and we have been growing in double digits for years. On the Management Board I shall be personally attending to the even more consistent development of this growth market. We already occupy second place behind eBay in this segment in Germany.

In German universal mail order some time ago we were registering disturbing signals, which were followed by a drastic decrease in sales in the first quarter of the current year. A short while later it became clear that the problems at Quelle were considerably more serious. My Management Board colleague Harald Pinger formed a task force to get to the bottom of the matter. Mid-July we presented to you a catalog of measures aimed at reducing the excessive complexity of the business model.

We had to adjust our business forecast for the current financial year downwards in view of the deviations from plan in mail order in Germany. However, we shall use the agreed package of measures to ensure that this gap is once more closed in the years to come.

Our divestment program is a central element of the reorganization. At the beginning of August we achieved the decisive break-through to its successful conclusion. We concluded the process of making the largest individual divestments by volume, the small department stores (Karstadt Kompakt GmbH & Co. KG) and the SinnLeffers specialty retail chain. The agreements were thus concluded considerably earlier than originally planned. Shortly before this we had already signed the agreements for the sale of the Golf House and Runners Point specialty retail store chains. Our Over-the-counter retail segment is thus now focused on the promising core business – the 89 large department stores. Meanwhile we are undertaking with great consistency further divestments over and above the existing program. There are opportunities for, in particular, our instalment credit system in mail order and the KARSTADT Hypothekenbank AG.

However, cost-cutting measures and divestments are not enough for us to be successful. We will also invest again! We are selectively setting our financial means to work to redesign and modernize our department stores and realign our mail-order business. We also want to generate these means by stabilizing or increasing sales in our core business segments.

KarstadtQuelle has a clear prospect of a successful turnaround

Both our major shareholder and our long-term-oriented institutional shareholders, particularly those in the Anglo-Saxon area, are by their share purchases showing great interest in the development of the company. The price of the KarstadtQuelle share rose by over 40 % in the second quarter of 2005. We regard these share purchases as a clear indication of confidence in our strategy of reorganization and realignment.

Your company, which only last year found itself in a financially extremely precarious position, has stabilized and is once more back in calm waters. We have a predictable operational framework, particularly in the area of financing.

We are in the process of radically changing the Group to meet present and future challenges: by means of active management, flat hierarchies, a participatory corporate culture and motivated staff. The excellent and constructive relations with our employees are a key support in this matter. We shall continue our reorganization course as planned, although faster, more efficiently and with a clear prospect of a successful turnaround.

Your
Thomas Middelhoff

Still no recovery of consumption in Germany

The retail economy in Germany continued unsatisfactory in the second quarter of 2005. One major reason was the continuing reduction in purchasing power caused by the high price of oil. Furthermore, there was no sign of an appreciable improvement in the labor market in Germany. Sales in the "true" retail trade rose by 0.8 % in real terms in the first five months of the year 2005, but this slight rise is due solely to the positive sales performance by discount businesses. The German submarkets which are of interest for the KarstadtQuelle Group (supermarkets and department stores or mail order) returned decreased sales.

Group sales stabilized in the second quarter of 2005

After the very weak start to the 2005 financial year the KarstadtQuelle Group succeeded in stabilizing sales and once more gaining ground in the second quarter. Over-the-counter retail (department store business) performed better than planned, while Mail order fell markedly short of the target as a result of weak universal mail order business in Germany.

Only a limited comparison with the previous year is possible because of the strategic realignment. As part of this realignment, the KarstadtQuelle Group is improving the competitiveness of its consumer segments, consistently reducing the complexity of its product lines and increasing the margin quality of its sales. Accordingly, particularly low-margin and unprofitable product ranges in department stores and mail order are no longer offered or offered only to a limited extent. The result is a selective reduction in sales. The success of this strategy is already apparent. This is shown in particular by the increase in the trade margin by 2.5 percentage points in the second quarter.

The group achieved sales of 2.84 bill. € in the second quarter. Sales in the previous year (adjusted by the department store fine food departments transferred at January 1, 2005) amounted to 3.06 bill. €. In the first six months of 2005 Group sales came to 5.81 bill. € (same period the previous year, not including delicatessen: 6.31 bill. €).

Reorganizational measures working – Earnings rising appreciably

Adjusted Group EBITDA in the second quarter came to 48.7 mill. € (previous year: 8.1 mill. €). Thus, earnings by comparison with the previous year were increased by a full 40 mill. €.

Accumulated adjusted Group earnings (EBITDA) in the first six months of the current financial year amounted to 122.1 mill. € (same period the previous year: 98.1 mill. €). The burden on earnings resulting from the sales decrease was thus not only offset but also turned into an earnings increase of 24 mill. €. This shows the increasing positive earnings effectiveness of the reorganizational measures already implemented. Besides the effective cost-cutting measures, the gross earnings margin (trade margin), which was increased by 1.2 percentage points in the first six months, is having a particularly positive effect on earnings. Taking into account special factors – non-recurring expenditure for redundancy payments, old-age part-time and other reorganizational measures –, EBITDA amounted to 93.1 mill. € (previous year: 63.1 mill. €).

The Over-the-counter retail, Services and Real-estate segments in part markedly exceeded their earnings targets, while Mail order fell short of its target by 73 mill. € and is thus responsible for a negative variance from target by 24 mill. € at a Group level. Following a detailed business review in mail order, we adjusted the target for the year as a whole downwards.

Net financial liabilities considerably reduced, working capital cut by nearly one third

The consistent reduction of net financial liabilities was also continued in the second quarter. Taking into account the ABS program disclosed on balance, they stood at 4.35 bill. € (previous year: 5.15 bill. €). This represents a decrease by 15.5 %.

Working capital (after adjustment for divestment and including ABS) was reduced by more than 21.8 % to 2.68 bill. € (previous year: 3.43 bill. €). A decrease of 13.6 % thereof relates to operational improvements.

Implementation of “KarstadtQuelle Neu” consistently continued in the second quarter – Further impetus from additional package of measures in Mail order – Marked progress in divestments

The implementation of “KarstadtQuelle Neu” (program of realignment and reorganization) was successfully continued in the second quarter of the 2005 financial year. We also launched additional reorganizational measures in Mail order.

The implementation of the divestment program showed good progress in the second quarter also. The sale of a logistics package to Deutsche Post World Net was approved by the Anti-Trust Office in June. The agreements are therefore effective. The Golf House specialty store chain was sold with effect from June 21, 2005. In July 2005 we sold the Wehmeyer specialty store chain with effect from August 1, 2005.

At the end of July/beginning of August 2005 we successfully concluded the comprehensive divestment program in over-the-counter retail. On August 3, 2005, we sold the Runners Point Warenhandelsgesellschaft mbH specialty sports chain and signed the agreement for the sale of the SinnLeffers textiles specialist. Also on August 3, 2005, we were able to conclude the most important part by volume of the divestments in over-the-counter retail. We sold Karstadt Kompakt GmbH & Co. KG with effect from September 1, 2005. The company operates the smaller department stores. We have thus completed the decisive step in focussing on the core portfolio of the large department stores.

The realignment of the business models presents a varied picture. In Department stores it is already bearing fruit, while the performance in Mail order has so far been unsatisfactory. Accordingly, in the second quarter we conducted a thorough business review of the situation in Mail order, reorganized the management and developed an additional catalog of measures to accelerate reorganization. We presented the results to the public on July 14, 2005.

The main result is that the core business in Mail order is healthy and the trade margin more than averagely good. There is still particular potential for growth and development in the e-commerce, foreign business and Eastern Europe, and special mail-order sectors.

German universal mail order, however, has been negatively affected by the structural changes and changes in consumer habits. Its performance was finally considerably below expectations. We therefore established a comprehensive package of measures to appreciably accelerate the realignment. Its core features are a clear reduction in the complexity of the business models, enhancement of the Quelle and Neckermann brand identities and substantial cost reduction.

To reduce the complexity of the business systems, hierarchies and management structure in Mail order are being lastingly optimized. Thus, the number of Management Board posts was cut by more than half. Quelle AG and Neckermann Versand AG are being changed into limited liability companies. Furthermore, the product ranges were streamlined by about 30 % and the infrastructure costs adjusted or reduced at an even faster pace.

The most important positive effects of these measures include improvement of the EBITDA margin and reduction of the infrastructure costs in universal mail order in Germany. The aim is a reduction of the overall volume amounting to 1.5 bill. € of 20 %, by 2008.

Outlook

Forecast lowered owing to weak universal mail order in Germany – Adherence to covenants not at risk

Because universal mail order in Germany has so far not reached its target figures in the current financial year, we already announced in July of this year a significant sales and earnings variance from our original forecast for the year as a whole. The Over-the-counter retail, Services and Real-estate segments, on the other hand, have reached or even exceeded their targets.

It is now expected that Group sales will have decreased from the comparable level of 12.7 bill. € for the 2004 financial year (after adjustment for sales of fine foods and not including sales at the small department stores in the fourth quarter) by percentages in the middle single-digit range. The decrease is thus at the upper negative limit of the sales forecast so far published, which provided for a sales decrease in the lower to middle single-digit percentage range.

The earnings forecast – and we take adjusted EBITDA as a basis here – will be reduced from over 500 mill. € so far to over 350 mill. €. The additional strategic measures in Mail order are aimed at gradually making up the budget variance sustained in the 2005 financial year in the years to come. We want to close the earnings gap before 2008.

The financing of the KarstadtQuelle Group is assured. It will not in any way be affected by the earnings target shortfall in universal mail order in Germany. Planned adjusted EBITDA in the remaining quarters of the current financial year will continue to ensure that the financial covenants are adhered to.

Essen, August 2005
The Management Board

Sales

Amounts shown in mill. €	Quarter I (01.01. - 31.03.) 2005	2004	Change in %	Quarter II (01.04. - 30.06.) 2005	2004	Change in %
Over-the-counter retail						
Department and sports stores	1,182.3	1,268.1	-6.8	1,082.0	1,156.7	-6.5
Transferred fine food departments	-	103.7	-	-	95.7	-
Mail order	1,736.0	1,918.7	-9.5	1,726.3	1,846.1	-6.5
Services	163.1	309.7	-47.3	68.0	315.0	-78.4
Real estate	134.1	143.5	-6.5	126.4	146.3	-13.6
Reconciliation	-240.7	-392.9	-	-165.4	-399.2	-
Group sales	2,974.8	3,350.8	-11.2	2,837.3	3,160.6	-10.2
Group sales (not including fine food departments)	**2,974.8**	**3,247.1**	**-8.4**	**2,837.3**	**3,064.9**	**-7.4**

Earnings before interest, tax, depreciation and amortization (EBITDA)

Amounts shown in mill. €	Quarter I (01.01. - 31.03.) 2005	2004	Change in %	Quarter II (01.04. - 30.06.) 2005	2004	Change in %
Over-the-counter retail	-33.1	-6.3	-	-38.1	-77.1	50.5
Mail order	14.4	-	-	0.8	-31.1	102.5
Services	7.5	15.0	-50.1	23.6	13.2	79.6
Real estate	84.0	98.4	-14.6	74.7	89.7	-16.7
Holding company	-16.2	-17.0	4.8	-23.0	-21.8	-5.7
Reconciliation	-	-0.1	-	-1.5	0.2	-
	56.6	**90.0**	**-37.1**	**36.5**	**-26.9**	**235.7**

Adjusted earnings before interest, tax, depreciation and amortization (EBITDA adjusted / not including special factors)

Amounts shown in mill. €	Quarter I (01.01. - 31.03.) 2005	2004	Change in %	Quarter II (01.04. - 30.06.) 2005	2004	Change in %
Over-the-counter retail	-28.1	-6.3	-	-29.1	-62.1	53.1
Mail order	19.4	-	-	-3.8	-22.1	82.7
Services	7.5	15.0	-50.1	9.3	13.2	-29.1
Real estate	84.0	98.4	-14.6	76.6	91.7	-16.5
Holding company	-9.4	-17.0	44.8	-4.2	-12.8	66.8
Reconciliation	-	-0.1	-	-0.1	0.2	-
	73.4	**90.0**	**-18.5**	**48.7**	**8.1**	**-**

Over-the-counter retail

		Half year I (01.01. - 30.06.)			Quarter II (01.04. - 30.06.)		
		2005	2004	Change in %	2005	2004	Change in %
Sales							
Department and sports stores	mill. €	2,264.2	2,424.7	-6.6	1,082.0	1,156.7	-6.5
Transferred fine food departments	mill. €	-	199.4	-	-	95.7	-
EBITDA	mill. €	-71.2	-83.4	14.6	-38.1	-77.1	50.5
EBITDA (adjusted/ not including special factors)	mill. €	-57.2	-68.4	16.3	-29.1	-62.1	53.1
EBTA	mill. €	-140.1	-148.5	5.6	-68.5	-113.6	39.7
Loss from discontinued operations	mill. €	-21.0	-18.7	-12.2	-10.0	-5.6	-79.1
Staff (as at June 30)	number	46,232	54,823	-15.7	46,232	54,823	-15.7

Reorganization and realignment of the department stores successful

Sales more or less as planned, earnings higher than planned

Sales in the Over-the-counter retail segment in the second quarter came to 1.08 bill. € (previous year, after adjustment for the transferred fine food departments: 1.16 bill. €). In the core portfolio of the 89 large department stores the decrease was 4.2 %. Accumulated sales in the first half of 2005 decreased to 2.26 bill. € (previous year after adjustment for the transferred fine food departments: 2.42 bill. €). The sales performance is thus close to plan.

In the second quarter of 2005 adjusted EBITDA stood at minus 29.1 mill. € (the same period the previous year: minus 62.1 mill. €). This represents an increase by 33.0 mill. €. In the first half of 2005 accumulated adjusted EBITDA stood at minus 57.2 mill. € (the same period the previous year: minus 68.4 mill. €). Planned earnings in the first half of the year were thus exceeded by 12 mill. €.

The alignment of the 89 core department stores towards a clear identity and concentration on the Fashion, Sports, Personality and Living consumer sectors was pressed ahead with.

In April 2005 work began on the construction of the new Leipzig Karstadt department store. The completion and opening of the new department store are planned for the end of October 2006. The new Karstadt store in Potsdam, a prototype for the new identity, is being well received by customers and is performing positively. Sales are 26 % above plan.

The comprehensive conversions in the KaDeWe, Alsterhaus, Munich Oberpollinger and Karlsruhe department stores and the refitting-out of branches, particularly under the program for redesigning the fashion sectors, are already showing initial success. Thus, thanks to the new presentation the Fashion segment increased its sales in the second quarter by 2.3 % on those of the previous year. In the Living egment the realignment towards the Lifestyle concept was consistently continued by the opening of a further 16 YornCasa shops. Karstadt is well prepared for the 2006 football world championship in Germany. At the start of the Confederations Cup in Germany we opened the official 2006 FIFA World Cup™ Online Store.

The successful reorganization was intensified by accompanying, customer-focused measures. Thus, customer satisfaction was measured in all the core department stores at weekly intervals. More than half a million Karstadt customers have meanwhile given their opinions on such key topics as service and advice, check-out procedures, product lines and advertising. The knowledge gained serves as the basis for sustained optimization measures – in just the first six months the customer satisfaction index was raised by 5 percentage points.

Mail order

		Half year I (01.01. - 30.06.)			Quarter II (01.04. - 30.06.)		
		2005	2004	Change in %	**2005**	2004	Change in %
Sales	mill. €	3,462.2	3,764.8	-8.0	1,726.3	1,846.1	-6.5
EBITDA	mill. €	15.2	-31.2	148.6	0.8	-31.1	102.5
EBITDA (adjusted/ not including special factors)	mill. €	15.6	-22.2	170.2	-3.8	-22.1	82.7
EBTA	mill. €	-85.7	-94.2	9.0	-54.5	-58.0	6.1
Staff (as at June 30)	number	34,446	34,897	-1.3	34,446	34,897	-1.3

Reorganization brings about positive earnings performance – Planned earnings not achieved

Sales performance unsatisfactory

Sales in Mail order reached 1.73 bill. € (previous year: 1.85 bill. €) during the second quarter of 2005. The sales decrease was thus reduced below that of the first quarter, however, the performance remains unsatisfactory. As well as a declining overall market, particularly the continuing weakness in universal mail order in Germany had a burdening effect. Here planned targets were clearly fallen short of.

During the first half sales came to 3.46 bill. € (previous year: 3.76 bill. €). After six months Mail order is considerably below plan.

In specialty mail order, after a weak first quarter the business performance has now stabilized. After six months sales are at the previous year's level. Marked increases were recorded particularly by Afibel, Elégance, Happy Size, Hess Natur and Mode & Preis.

In the second quarter adjusted EBITDA stood at minus 3.8 mill. € (the same period the previous year: minus 22.1 mill. €). Adjusted accumulated earnings after six months come to 15.6 mill. € (previous year: minus 22.2 mill. €). This represents an increase by 37.8 mill. €. On the trade margin and cost side Mail order is thus already responding positively to the reorganization. The weak sales performance, however, meant that the results were considerably below plan.

The strategic realignment in universal mail order in Germany was evident to our customers in the second quarter of 2005 from the market presentation. Thus, at the end of April Neckermann published the first repositioned "Summer 2005" catalog in an impression of over 5 million copies. The catalog yielded good results, particularly in its "Young at heart" target group. The level of response exceeded expectations. Furthermore, through this third main catalog important information was obtained for future advertising media and product line planning.

Quelle, for the first time in the company's history, divided the main catalog into two parts. The new catalog is divided up into a roughly 850-page fashion catalog which is valid for six months and an over 1,100-page catalog for homes and technology with a period of validity of twelve months. The initial effects of this repositioning on sales are expected to be felt in the second half of the year.

A positive development is apparent also from the average levels of orders and the level of returns in universal mail order at Quelle and Neckermann. Sales in the Fashion sector were weak. The "40 Years of Privilege" campaign led to a perceptible revival in the sale of Quelle electrical goods.

In foreign universal mail order a varied performance is recorded. In Western Europe Quelle returned markedly decreased sales, while in Switzerland, Poland, Slovenia, Croatia and The Netherlands partly high increases were achieved. Neckermann's foreign companies ended the first half of the year with sales levels only just below those of the previous year.

The e-commerce sales channel continued to put in a gratifying performance in the first six months of this year. Quelle and Neckermann once again markedly increased online demand. Altogether, in the Mail-order segment online demand amounting to around 1.2 bill. € (previous year: 1.1 bill. €) was achieved. This represents a growth by 12 %. The number of visits rose by more than 50 %. These amounted to more than 110 million (71 million during the first half of 2004).

Services

		Half year I (01.01. - 30.06.)			Quarter II (01.04. - 30.06.)		
		2005	2004	Change in %	2005	2004	Change in %
Sales [1]	mill. €	231.1	624.7	- [2]	68.0	315.0	- [2]
EBITDA	mill. €	31.1	28.2	10.5	23.6	13.2	79.6
EBITDA (adjusted/ not including special factors)	mill. €	16.8	28.2	-40.3	9.3	13.2	-29.1
EBTA	mill. €	-99.2	-164.2	39.6	-27.0	-71.0	62.0
Staff (as at June 30)	number	2,244	5,862	- [2]	2,244	5,862	- [2]

[1] Not including companies consolidated at equity (Thomas Cook Group and other).
[2] Not comparable due to divestments.

Positive performance at Thomas Cook continues

Sales decrease due to divestments - Earnings above plan

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

Sales decreased on the previous year largely because of selective portfolio adjustments. In the second quarter of 2005 they amounted to 68.0 mill. € (previous year: 315.0 mill. €). Accumulated sales in the first half of 2005 come to 231.1 mill. € (previous year: 624.7 mill. €). The Thomas Cook, Financial services and Loyalty card program segments, which are consolidated at equity, are not included in sales and EBITDA but instead shown under Financial income (income from long-term investments).

Due to the divestments adjusted EBITDA in the second quarter of 2005 decreased by 3.9 mill. € to 9.3 mill. € (previous year: 13.2 mill. €). Accumulated adjusted EBITDA comes to 16.8 mill. € (previous year: 28.2 mill. €). Due to the positive earnings performance at Thomas Cook income from long-term investments at companies consolidated at equity increased during the second quarter of 2005 by 35.0 % to minus 44.3 mill €.

The economic situation at Thomas Cook continued to improve. Group sales rose during the first six months of the 2004/2005 financial year (November 1, 2004, to April 30, 2005) by 0.7 % to 2.4 bill. €. Pro-rata transferred earnings (before tax) rose by 49.1 % to minus 122.5 mill. € (previous year: minus 171.6 mill. €). Thomas Cook will achieve its targets for the 2004/2005 financial year. A profit both before and after tax is expected for the first time in four years.

Real Estate

		Half year I (01.01. - 30.06.)			Quarter II (01.04. - 30.06.)		
		2005	2004	Change in %	**2005**	2004	Change in %
Sales	mill. €	260.4	289.8	- [1]	126.4	146.3	- [1]
EBITDA	mill. €	158.7	188.0	-15.6	74.7	89.7	-16.7
EBITDA (adjusted/ not including special factors)	mill. €	160.6	190.0	-15.5	76.6	91.7	-16.5
EBTA	mill. €	37.9	107.7	-64.9	-18.2	42.2	-143.2
Staff (as at June 30)	number	111	111	-	111	111	-

[1] Not comparable due to divestments.

Performance stabilized

The Real-estate segment achieved sales (rental income) to the value of 260.4 mill. € (previous year: 289.8 mill. €) during the first half of 2005. Adjusted EBITDA decreased by 29.4 mill. € to 160.6 mill. € (previous year: 190.0 mill. €). The decisive factor here is the sale of real estate under the divestment program.

Holding company

		Half year I (01.01. - 30.06.)			Quarter II (01.04. - 30.06.)		
		2005	2004	Change in %	**2005**	2004	Change in %
EBITDA	mill. €	-39.2	-38.8	-1.1	-23.0	-21.8	-5.7
EBITDA (adjusted/ not including special factors)	mill. €	-13.6	-29.8	54.2	-4.2	-12.8	66.8
EBTA	mill. €	-69.7	-76.6	9.0	-39.5	-46.1	14.4
Staff (as at June 30)	number	182	196	-7.1	182	196	-7.1

Costs reduced

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

In the first six months adjusted EBITDA increased to minus 13.6 mill. € (previous year: minus 29.8 mill. €). Decisive for the increase in earnings has been the effective cost reduction.

Group Profit and Loss Account

for the period from January 1 to June 30, 2005

	Half year I (01.01. - 30.06.)			Quarter II (01.04. - 30.06.)		
Amounts shown in th. €	**2005**	2004*	Change in %	**2005**	2004*	Change in %
Sales	5,812,117	6,511,360	-10.7	2,837,314	3,160,567	-10.2
Cost of sales	-2,990,131	-3,427,152	12.8	-1,432,141	-1,674,247	14.5
Gross income	**2,821,986**	**3,084,208**	-8.5	**1,405,173**	**1,486,320**	-5.5
Other capitalized own work	22,242	24,891	-10.6	11,485	15,806	-27.3
Operating income	349,973	301,635	16.0	193,421	143,369	34.9
Staff costs	-1,138,163	-1,362,051	16.4	-557,680	-681,180	18.1
Operating costs	-1,951,589	-1,967,024 1)	0.8	-1,010,237	-979,841 1)	-3.1
Other taxes	-11,341	-18,540	38.8	-5,641	-11,381	50.4
Earnings before interest, tax, depreciation and amortization (EBITDA)	**93,108**	**63,119**	47.5	**36,521**	**-26,907**	235.7
Depreciation and amortization (not including goodwill)	-186,761	-192,902	3.2	-118,373	-105,324	-12.4
Earnings before interest, tax and amortization of goodwill (EBITA)	**-93,653**	**-129,783**	27.8	**-81,852**	**-132,231**	38.1
Amortization of goodwill	-	-1,935	-	-	-1,935	-
Earnings before interest and tax (EBIT)	**-93,653**	**-131,718**	28.9	**-81,852**	**-134,166**	39.0
Income from investments	-119,483	-171,558	30.4	-44,475	-76,906	42.2
thereof from associated companies	-120,075	-168,375	28.7	-44,928	-70,696	36.4
Net interest income	-136,841	-101,667 1)	-34.6	-67,589	-48,762 1)	-38.6
Other financial income	-13,100	-1,762	-	-14,925	-1,216	-
Earnings before taxes (EBT)	**-363,077**	**-406,705**	10.7	**-208,841**	**-261,050**	20.0
Taxes on income	125,395	134,183	-6.5	67,026	81,215	-17.5
Loss from continued operations	**-237,682**	**-272,522**	12.8	**-141,815**	**-179,835**	21.1
Loss from discontinued operations	-25,352	-22,792	-11.2	-12,170	-7,465	-63.0
Group loss before minority interests	**-263,034**	**-295,314**	10.9	**-153,985**	**-187,300**	17.8
Profit due to other shareholders	-2,431	-3,077	21.0	-181	-818	77.9
Group loss after minority interests	**-265,465**	**-298,391**	11.0	**-154,166**	**-188,118**	18.0
Earnings per share in €	**-1.33**	**-1.50** 2)	11.3	**-0.77**	**-0.95** 2)	18.9
thereof from continued operations	-1.19	-1.37 2)	13.1	-0.71	-0.91 2)	22.0
thereof from discontinued operations	-0.13	-0.11 2)	-18.2	-0.06	-0.03 2)	-100.0

* The 2004 values were adjusted according to the separate disclosure of "Loss 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 June 30, 2005

Assets

Amounts shown in th. €	30.06.2005	30.06.2004*	Change in %	31.12.2004*
Intangible assets	485,858	590,892	-17.8	468,334
Tangible assets	2,076,861	3,398,768	-38.9	2,172,905
Investments in associated companies	375,762	322,782	16.4	376,190
Other financial assets	903,649	1.391,273	-35.0	1,289,867
thereof securities	4,091	230,845	-98.2	280,838
Other long-term assets	73,415	54,921	33.7	65,784
Deferred taxes	195,703	55,056	-	98,162
Long-term assets	**4,111,248**	**5,813,692**	-29.3	**4,471,242**
Inventories	1,675,148	2,391,298	-29.9	1,811,682
Trade receivables	1,208,763	1,299,727 [1]	-7.0	1,161,458 [1]
Current tax assets	40,344	38,713	4.2	27,509
Other receivables and other assets	655,667	512,630 [1]	27.9	624,898 [1]
Cash and cash equivalents, securities	169,495	168,766	0.4	518,212
Short-term assets	**3,749,417**	**4,411,134**	-15.0	**4,143,759**
Assets classified as held for sale	1,937,383	-	-	1,204,707
Balance sheet total	**9,798,048**	**10,224,826**	-4.2	**9,819,708**

Equity and liabilities

Amounts shown in th. €	30.06.2005	30.06.2004	Change in %	31.12.2004
Subscribed share capital	510,398	272,212	87.5	510,398
Reserves	-203,490	1,013,053	-120.1	41,752
Minority interests [2]	13,183	20,203	-34.7	8,623
Equity	**320,091**	**1,305,468**	-75.5	**560,773**
Long-term capital minority interests [2]	53,203	49,319	7.9	58,983
Long-term financial liabilities	2,901,739	2,326,564	24.7	2,913,781
Other long-term liabilities	512,840	369,061	39.0	469,237
Pension provisions	748,880	794,446	-5.7	794,017
Other long-term provisions for liabilities and charges	350,219	226,697	54.5	365,334
Deferred taxes	7,384	108,293	-93.2	11,275
Long-term liabilities	**4,574,265**	**3,874,380**	18.1	**4,612,627**
Short-term financial liabilities	1,858,500	3,142,116 [1]	-40.9	1,738,936 [1]
Trade payables	950,818	883,026	7.7	1,110,970
Short-term tax liabilities	218,754	217,672	0.5	286,489
Other short-term liabilities	463,166	620,158 [1]	-25.3	524,058 [1]
Short-term provisions	406,570	182,006 [1]	123.4	463,563 [1]
Short-term liabilities	**3,897,808**	**5,044,978**	-22.7	**4,124,016**
Liabilities from assets classified as held for sale	1,005,884	-	-	522,292
Balance sheet total	**9,798,048**	**10,224,826**	-4.2	**9,819,708**

* Values adjusted under IAS 1.
[1] Inclusion of ABS program under IAS 39 (revised).
[2] Change of disclosure in accordance with IAS 32.

Statement of changes in Group equity and minority interests

for the period from January 1 to June 30, 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, as previously reported	**510,398**	**629,424**	**-577,421**	**-1,345**	**-8,906**	**552,150**	**67,606**	**619,756**
Effect of implementation of new accounting standards	-	-	-	-	-	-	-58,983	-58,983
Opening balance at 01.01.2005, as adjusted	**510,398**	**629,424**	**-577,421**	**-1,345**	**-8,906**	**552,150**	**8,623**	**560,773**
Dividends	-	-	-	-	-	-	-276	-276
Generated capital/Group earnings	-	-	-265,465	-	-	-265,465	2,431	-263,034
Differences from foreign currency translation	-	-	-	-	2,203	2,203	-63	2,140
Changes resulting from the disposals and the valuation of primary and derivative financial instruments	-	-	-	23,441	-	23,441	-	23,441
Due to changes in consolidated companies	-	-	-5,421	-	-	-5,421	2,468	-2,953
Closing balance at 30.06.2005	**510,398**	**629,424**	**-848,307**	**22,096**	**-6,703**	**306,908**	**13,183**	**320,091**

for the period from January 1 to June 30, 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, as previously reported	**272,212**	**317,471**	**1,127,622**	**-64,130**	**-13,781**	**1,639,394**	**69,299**	**1,708,693**
Effect of implementation of new accounting standards	-	-	-	-	-	-	-49,377	-49,377
Opening balance at 01.01.2004, as adjusted	**272,212**	**317,471**	**1,127,622**	**-64,130**	**-13,781**	**1,639,394**	**19,922**	**1,659,316**
Dividends	-	-	-75,496	-	-	-75,496	-1,231	-76,727
Generated capital/Group earnings	-	-	-298,391	-	-	-298,391	3,077	-295,314
Differences from foreign currency translation	-	-	-	-	4,021	4,021	-	4,021
Changes resulting from the disposals and the valuation of primary and derivative financial instruments	-	-	-	24,011	-	24,011	-	24,011
Due to changes in consolidated companies	-	-	-8,274	-	-	-8,274	-1,565	-9,839
Closing balance at 30.06.2004	**272,212**	**317,471**	**745,461**	**-40,119**	**-9,760**	**1,285,265**	**20,203**	**1,305,468**

Group cash flow statement

for the period from January 1 to June 30, 2005

Amounts shown in th. €	**2005**	2004
EBITDA	**93,108**	**63,119**
Earnings/Loss from the disposal of fixed assets	-20,381	1,228
Profit/Loss from foreign currency	-6,141	753
Increase/decrease of long-term provisions for liabilities and charges (not including pension and tax provisions)	-20,026	-16,978
Utilization of the provision for reorganization effects	-83,391	-16,222
Other costs/earnings not affecting cash flow	82,649	63,904
Gross cash flow	**45,818**	**95,804**
Changes in working capital (adjusted for changes in the group of consolidated companies)	-81,998	-309,375
Changes in other short-term assets and liabilities	-113,331	44,171
Dividends received	1,029	5,609
Payments/refunds of tax on income	8,931	-13,034
Cash flow from operating activities	**-139,551**	**-176,825**
Cash flow from acquisitions/divestments of subsidiaries	9,920	-17,727
Purchase of tangible, intangible and non-current assets	-106,893	-154,731
Purchase of investments in financial assets	-80,183	-2,433
Proceeds from sale of tangible, intangible and non-current assets	118,337	6,182
Proceeds from sale of financial assets	38,435	9,189
Cash flow from investing activities	**-20,384**	**-159,520**
Free cash flow	**-159,935**	**-336,345**
Interest received	57,989	56,474
Interest paid	-171,421	-134,028
Pension provisions and appropriation to plan assets	-81,914	-67,107
Payments of/Proceeds from dividends, capital increase and share repurchase program	-276	-75,496
Amounts paid in/paid out under mortgage bond program and for (finance) loans	265,656	559,564
Payments of liabilities due under finance lease	-3,739	-1,754
Cash flow from financing activities	**66,295**	**337,653**
Changes in cash and cash equivalents affecting cash flow	**-93,640**	**1,308**
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*	5,923	909
Cash and cash equivalents at the beginning of the period*	518,171	166,108
Cash and cash equivalents at the end of the period	**430,454** [1]	**168,325**

* Cash and cash equivalents adjusted, due to separation of short- and long-term assets, by cash held long-term at banks.
[1] Liquid funds of KARSTADT Hypothekenbank AG taken into account in cash and cash equivalents.

Segment information

Quarter II (April 1 to June 30, 2005)	KarstadtQuelle Group		Reconciliation account		Holding company	
Amounts shown in th. €	**2005**	2004	**2005**	2004	**2005**	2004
Sales	3,294,290	3,738,814	-	-	-	-
Interest from credit operations	47,154	51,153	-	-	-	-
Internal sales	-504,130	-629,400	-165,228	-399,192	-	-
Group sales	**2,837,314**	**3,160,567**	**-165,228**	**-399,192**	**-**	**-**
Cost of sales	-1,432,141	-1,674,247	24,454	169,604	-	-
Gross income	**1,405,173**	**1,486,320**	**-140,774**	**-229,588**	**-**	**-**
Other capitalized own work	11,485	15,806	10,006	10,445	-	-
Operating income and costs	-816,816	-836,472	129,363	218,741	-16,729	-11,383
Staff costs	-557,680	-681,180	37	693	-6,298	-10,408
Other taxes	-5,641	-11,381	3	-	-17	-8
EBITDA	**36,521**	**-26,907**	**-1,365**	**291**	**-23,044**	**-21,799**
EBITDA margin in %	*1.3*	*-0.9*	-	-	-	-
EBITDA (adjusted/not incl. special factors)	**48,721**	**8,093**	**35**	**291**	**-4,244**	**-12,799**
EBITDA margin (adjusted/not incl. special factors) in %	*1.7*	*0.3*	-	-	-	-
Depreciation and amortization (not incl. goodwill)	-118,373	-105,324	212	476	-549	-909
EBITA	**-81,852**	**-132,231**	**-1,153**	**767**	**-23,593**	**-22,708**
Amortization of goodwill	-	-1,935	-	-	-	-
EBIT	**-81,852**	**-134,166**	**-1,153**	**767**	**-23,593**	**-22,708**
Loss from discontinued operations	-12,170	-7,465	-2,176	-1,884	-	-
EBTA	**-208,841**	**-259,115**	**-1,153**	**-12,523**	**-39,456**	**-46,076**
Investments [1]	71,650	91,125	-	-	-37	474

Half year I (January 1 to June 30, 2005)	KarstadtQuelle Group		Reconciliation account		Holding company	
Amounts shown in th. €	**2005**	2004	**2005**	2004	**2005**	2004
Sales	6,835,908	7,694,558	-	-	-	-
Interest from credit operations	101,231	100,809	-	-	-	-
Internal sales	-1,125,022	-1,284,007	-405,870	-792,063	-	-
Group sales	**5,812,117**	**6,511,360**	**-405,870**	**-792,063**	**-**	**-**
Cost of sales	-2,990,131	-3,427,152	91,272	339,590	-	-
Gross income	**2,821,986**	**3,084,208**	**-314,598**	**-452,473**	**-**	**-**
Other capitalized own work	22,242	24,891	18,776	15,486	-	-
Operating income and costs	-1,601,616	-1,665,389	293,956	436,413	-27,999	-22,468
Staff costs	-1,138,163	-1,362,051	510	877	-11,211	-16,305
Other taxes	-11,341	-18,540	-	1	-35	-44
EBITDA	**93,108**	**63,119**	**-1,356**	**304**	**-39,245**	**-38,817**
EBITDA margin in %	*1.6*	*1.0*	-	-	-	-
EBITDA (adjusted/not incl. special factors)	**122,108**	**98,119**	**44**	**304**	**-13,645**	**-29,817**
EBITDA margin (adjusted/not incl. special factors) in %	*2.1*	*1.5*	-	-	-	-
Depreciation and amortization (not incl. goodwill)	-186,761	-192,902	467	931	-1,080	-1,446
EBITA	**-93,653**	**-129,783**	**-889**	**1,235**	**-40,325**	**-40,263**
Amortization of goodwill	-	-1,935	-	-	-	-
EBIT	**-93,653**	**-131,718**	**-889**	**1,235**	**-40,325**	**-40,263**
Loss from discontinued operations	-25,352	-22,792	-4,350	-4,075	-	-
EBTA	**-363,077**	**-404,770**	**-6,205**	**-29,013**	**-69,725**	**-76,628**
Segment assets	6,946,002	9,186,151*	221,586	-19,530*	- [3]	- [3]
Segment liabilities	2,604,927	2,951,082*	108,411	136,481*	- [3]	- [3]
Investments [1]	106,893	154,731	-	-	-	1,608
Staff in full-time terms (average 01.01.-30.06.) number	66,098	76,646	-	-	173	183

* 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 differing activity of the holding company the segment assets and segment liabilities are disclosed under the reconciliation account.

Quarter II (April 1 to June 30, 2005)

Over-the-counter retail		Mail order		Services		Real estate	
2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
1,158,414	1,265,534	1,938,154	1,999,132	71,348	327,852	126,374	146,296
-	-	47,154	51,153	-	-	-	-
-76,459	-13,174	-259,045	-204,192	-3,398	-12,842	-	-
1,081,955	**1,252,360**	**1,726,263**	**1,846,093**	**67,950**	**315,010**	**126,374**	**146,296**
-606,321	-737,490	-819,033	-910,731	-31,241	-195,630	-	-
475,634	**514,870**	**907,230**	**935,362**	**36,709**	**119,380**	**126,374**	**146,296**
824	3,596	137	203	518	1,562	-	-
-247,960	-254,759	-646,045	-698,657 [2)]	11,098	-40,264	-46,543	-50,150
-266,615	-340,726	-258,163	-261,584	-24,697	-67,297	-1,944	-1,858
-10	-77	-2,386	-6,459	-7	-228	-3,224	-4,609
-38,127	**-77,096**	**773**	**-31,135**	**23,621**	**13,153**	**74,663**	**89,679**
-3.5	*-6.2*	*-*	*-1.7*	*34.8*	*4.2*	*59.1*	*61.3*
-29,127	**-62,096**	**-3,827**	**-22,135**	**9,321**	**13,153**	**76,563**	**91,679**
-2.7	*-5.0*	*-0.2*	*-1.2*	*13.7*	*4.2*	*60.6*	*62.7*
-23,167	-28,014	-24,157	-25,335	-4,823	-13,506	-65,889	-38,036
-61,294	**-105,110**	**-23,384**	**-56,470**	**18,798**	**-353**	**8,774**	**51,643**
-	-	-	-	-	-1,935	-	-
-61,294	**-105,110**	**-23,384**	**-56,470**	**18,798**	**-2,288**	**8,774**	**51,643**
-9,994	-5,581	-	-	-	-	-	-
-68,527	**-113,632**	**-54,502**	**-58,047**	**-26,968**	**-71,006**	**-18,235**	**42,169**
39,685	37,087	19,453	40,911	6,530	12,588	6,019	65

Half year I (January 1 to June 30, 2005)

Over-the-counter retail		Mail order		Services		Real estate	
2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
2,440,449	2,656,774	3,894,131	4,098,405	240,894	649,628	260,434	289,751
-	-	101,231	100,809	-	-	-	-
-176,203	-32,642	-533,116	-434,396	-9,833	-24,906	-	-
2,264,246	**2,624,132**	**3,462,246**	**3,764,818**	**231,061**	**624,722**	**260,434**	**289,751**
-1,286,047	-1,513,984	-1,673,013	-1,878,659	-122,343	-374,099	-	-
978,199	**1,110,148**	**1,789,233**	**1,886,159**	**108,718**	**250,623**	**260,434**	**289,751**
1,945	6,286	424	268	1,097	2,851	-	-
-491,362	-514,009	-1,277,106	-1,385,773 [2)]	-7,712	-90,241	-91,393	-89,311
-559,919	-685,498	-492,691	-522,910	-70,983	-134,642	-3,869	-3,573
-87	-310	-4,694	-8,921	-14	-438	-6,511	-8,828
-71,224	**-83,383**	**15,166**	**-31,177**	**31,106**	**28,153**	**158,661**	**188,039**
-3.1	*-3.2*	*0.4*	*-0.8*	*13.5*	*4.5*	*60.9*	*64.9*
-57,224	**-68,383**	**15,566**	**-22,177**	**16,806**	**28,153**	**160,561**	**190,039**
-2.5	*-2.6*	*0.4*	*-0.6*	*7.3*	*4.5*	*61.7*	*65.6*
-50,121	-55,257	-46,465	-51,234	-9,775	-25,698	-79,787	-60,198
-121,345	**-138,640**	**-31,299**	**-82,411**	**21,331**	**2,455**	**78,874**	**127,841**
-	-	-	-	-	-1,935	-	-
-121,345	**-138,640**	**-31,299**	**-82,411**	**21,331**	**520**	**78,874**	**127,841**
-21,002	-18,717	-	-	-	-	-	-
-140,126	**-148,478**	**-85,686**	**-94,202**	**-99,190**	**-164,163**	**37,855**	**107,714**
1,165,575	1,990,871*	3,909,381	4,213,070*	178,386	226,229*	1,471,074	2,775,511*
741,094	1,012,913*	1,335,974	1,339,225*	71,960	99,702*	347,488	362,761*
59,279	66,419	33,387	60,856	8,009	24,478	6,218	1,370
35,251	42,690	28,343	28,195	2,226	5,475	105	103

Accounting policies

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

IAS 32 (rev. 2004 Financial Instruments: Disclosure and Presentation) under revised criteria for the classification of equity and borrowed capital requires the Group to treat share capital in the case of German partnerships as borrowed capital. Accordingly, minority interests in a number of limited partnerships are now disclosed as borrowed capital under the balance sheet item "Long-term capital minority interests." The previous year's figures have been adjusted accordingly. The calculation of a reliable market value is not possible. Accordingly this liability has been assessed at book value. As at January 1, 2005, this liability stood at 58,983 th. €; as at June 30, 53,203 th. € were reclassified.

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

A review of the quarterly account has been carried out.

Companies consolidated/Segment report

Over-the-counter retail

The sale of shares in Karstadt Sport Handelsgesellschaft mbH, Essen, and in GOLF HOUSE Direktversand GmbH, Hamburg, was undertaken at the end of the period under review. The companies were consequently deconsolidated.

Mail order

In the Mail-order segment one company was consolidated for the first time, while a company until now valued at equity has been disposed of under the divestment program. The resulting effect on the company's assets and earnings is immaterial.

Mail order and Services

Two companies whose activities consisted in mail-order-related services were in accordance with the requirements for segment reporting assigned from the Services segment to the Mail-order segment at the beginning of the second quarter of 2005. The effect on the company's assets was immaterial. EBITDA of the two segments concerned are accordingly affected in favour of the Mail-order segment to the value of 299 th. €.

Assets and liabilities classified as held for sale

The Group intends disposing of the financing operations concentrated in KARSTADT Hypothekenbank AG, Essen, to potential buyers outside the Group. Realization of this divestment is expected within a year, for which reason the assets and liabilities from the KARSTADT Hypothekenbank AG, Essen, are disclosed under the balance sheet items "Assets classified as held for sale" and "Liabilities from assets classified as held for sale". Liabilities transferred to intra-group were not reclassified, as the financial position of the Group will not change by the planned divestment.

Accordingly, the Group's assets are affected as follows:

Net financial liabilities as a balance of interest-bearing liabilities and cash and securities realizable in the short term include reclassified financial liabilities resulting from the third-party business of KARSTADT Hypothekenbank AG, Essen, amounting to 524.7 mill. €. Also disclosed under the item "Assets classified as held for sale" are liquid funds to the value of 261 mill. € and securities of the "available for sale" category to the value of 464.1 mill. €.

Contingent liabilities, Other financial commitments

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

Subsequent events

The sale of shares in WEHMEYER GmbH & Co. KG, Aachen, was undertaken in mid-July. In early August the shares in the SinnLeffers group, in Karstadt Kompakt GmbH & Co. KG, Essen, as well as in Runners Point Warenhandelsgesellschaft mbH, Essen, were sold. As at June 30, the assets and liabilities connected with this were still shown in the balance sheet as a disposal group.

Calendar

2005

Interim report

3rd Quarter — November 3, 2005

2006

Balance sheet press conference/ Analysts' Meeting

March 27, 2006

Annual General Meeting

Düsseldorf — May 8, 2006

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