KARSTADT QUELLE AG

Neu

Interim report to September 30, 2005

Good progress in reorganization in the third quarter of 2005

- Divestment program largely completed – Over-the-counter retail fully focussed on the core portfolio
- Additional divestments to the value of 1.3 bill. € planned
- Visible progress in promoting the identity of the department stores
- Additional restructuring program in mail order being implemented – Fundamental agreement reached with the employee's representatives

Sales performance in the first nine months of 2005 going according to forecast

- Performance in July and August satisfactory – September in Mail order weak

Group earnings (adjusted EBITDA) at 158 mill. € reach forecast level after nine months – Four out of five segments above plan

- Over-the-counter retail, Real estate, Services and Thomas Cook above plan
- Mail order below plan

Important key figures improved

- Trade margin increased
- Staff costs cut
- Net debt and working capital reduced

Sales and earnings forecast for the whole year confirmed

Marc Oliver Sommer to head mail order from January 1, 2006

Secondary financing (second lien) at final negotiation stage

At a glance

			30.09.2005	30.09.2004	Change in %
Sales*	Over-the-counter retail				
	Department and sports stores	mill. €	2,984.4	3,156.6	-5.5
	thereof core department stores	mill. €	2,432.0	2,544.1	-4.4
	thereof core sports stores	mill. €	198.4	204.9	-3.2
	Transferred fine food departments	mill. €	-	288.2	-
	Karstadt Kompakt GmbH & Co. KG [1]	mill. €	383.7	467.5	n.c.
	Mail order	mill. €	4,985.5	5,431.5	-8.2
	Services	mill. €	307.5	935.5	n.c.
	Real estate	mill. €	382.2	433.0	n.c.
	Reconciliation account	mill. €	-563.9	-1.174.9	-
	Group sales	mill. €	8,479.4	9,537.4	n.c.
	Group sales (not including fine food departments and Karstadt Kompakt GmbH & Co. KG)	mill. €	**8,095.7**	**8,781.7**	**-7.8**
Earnings	EBITDA	mill. €	107.3	-440.6	124.3
	EBITDA (adjusted/not including special factors)	mill. €	158.0	126.1	25.3
Other information	Full-time staff				
	Over-the-counter retail				
	Department and sports stores	number	25,248	29,771	-15.2
	Fine food departments	number	-	2,579	-
	Karstadt Kompakt GmbH & Co. KG [1]	number	-	3,488	-
	Discontinued operations	number	-	4,912	-
	Mail order	number	26,360	27,106	-2.8
	Services	number	2,071	5,169	-59.9
	Real estate	number	97	104	-6.7
	Holding company	number	157	180	-12.8
	Total	number	**53,933**	**73,309**	**-26.4**
	Investments	mill. €	216.8	291.1	-25.5
	Net financial liabilities [2]	mill. €	4,301.6	5,171.6	-16.8
	Working capital	mill. €	2,641.5	2,992.0 [3]	-11.7
	Branches				
	Department stores	number	90	88	-
	Sports stores	number	31	32	-
	Project branches	number	24	26	-
	Karstadt Warenhaus AG	number	**145**	**146**	**-**
	Karstadt Kompakt GmbH & Co. KG [1]	number	-	77	-
	Discontinued operations	number	-	293	-
	Total	number	**145**	**516**	**-**
	Sales space				
	Karstadt Warenhaus AG	th. sq. m.	**1,779.2**	**1,843.3**	**-3.5**
	Karstadt Kompakt GmbH & Co. KG [1]	th. sq. m.	-	396.0	-
	Discontinued operations	th. sq. m.	-	382.6	-
	Total	th. sq. m.	**1,779.2**	**2,621.9**	**-32.1**
KARSTADT QUELLE AG Share	Market price at reporting date [4]	€	11.26	10.17	10.7
	Highest price [4] (01.01. - 30.09.)	€	11.62	17.51	-
	Lowest price [4] (01.01. - 30.09.)	€	7.08	9.92	-

* **Previous year's figures not comparable due to extensive reorganization (n.c.).**

1) Karstadt Kompakt GmbH & Co. KG was set up at the end of 2004 and sold with effect from the end of August 2005. Sales 2005 include the period 01.01. to 31.08.2005. The data for the period the previous year were a part of Karstadt Warenhaus AG.

2) Including ABS program.

3) Previous year's value after adjustment for divestments and including ABS program.

4) Information adjusted due to capital measure.

Dear Shareholders,

We can report to you today that the reorganization and realignment of your KarstadtQuelle Group is coming on rapidly and well. In the third quarter of the 2005 financial year we succeeded in making important progress, which for us means a breakthrough in the sustained reconstruction of the Group. These include:

- Conclusion and expansion of the divestment program
- Visible progress in the realignment of the department stores
- Start of implementation of the reconstruction program in mail order
- Four out of five segments are performing according to the forecasts
- New management culture is being implemented

We are now creating the framework conditions for stabilization and future expansion of the operational business in the department-store and mail-order segments.

Important events during the period under review

First phase of the divestment program completed successfully

In the third quarter we for the most part completed the focus on our core business and at the same time disposed of marginal operations and loss-makers. We completed our divestment program not only successfully but also faster than scheduled. We sold the 74 KarstadtKompakt department stores en bloc to reputable and professional buyers for a good price. Hardly anyone in our field had expected that we would be able to sell our Kompakt department stores at all. We also successfully disposed of the SinnLeffers, Runners Point, Wehmeyer and Golf House specialist retail chains. Furthermore, in the third quarter we disposed of three larger pieces of real estate under sale-and-lease-back agreements. Further sale-and-lease-back transactions (in the mail-order logistics sector) are to be concluded in the fourth quarter.

At the same time we shall be expanding our divestment program to include new, extensive components. Thus, we plan to dispose of KARSTADT Hypothekenbank AG and our instalment credit system in mail-order, including the ABS program, by mid-2006. We shall continue on our reorganization course, as planned, but faster, more efficiently and with a clear prospect of a successful turnaround. The funds accruing from the divestments are strengthening and securing our capital position.

Under our reorganization the number of our Group employees was reduced by about 25,000 (around 19,000 full-time employees). The greater majority were found new, stable employment – an achievement virtually unparalleled in Germany at the present time.

New management culture strengthens entrepreneurial responsibility

We shall be lastingly successful in the KarstadtQuelle Group only if we radically change our management culture. Accordingly, the company is currently being restructured. We want to radically shorten our cumbersome and lengthy decision channels. We need flat hierarchies and highly motivated managers with a pronounced sense of entrepreneurial responsibility. Their remuneration in future will therefore be geared to performance. Managers at KarstadtQuelle will in future be even more intensively required to keep in very close contact with staff. They will reach independent on-the-spot decisions with the backing of Group management.

On the legal side the operating corporations of Karstadt, Quelle and Neckermann will be replaced by more flexible limited liability companies. In this way planning and implementation times can be substantially reduced.

A new management structure naturally also involves dynamic forms of incentivization: In the department store segment we have accordingly begun decisively gearing branch managers' salaries to the success of their work. As well as results achieved by the respective department store, customer satisfaction is an essential management success factor. On the basis of an efficient customer survey system we shall determine weekly how our customers assess individual branch performance. This kind of success orientation is an essential motivating factor and must therefore in future not be restricted to managerial staff.

Marc Oliver Sommer new Management Board member responsible for mail order

We have meanwhile succeeded in regaining the leading position in mail order. Marc Oliver Sommer, who will strengthen the KarstadtQuelle AG Management Board, will be heading up our mail-order operation from January 1, 2006, on. Sommer is at present a member of the Management Board of DirectGroup Bertelsmann and a managing director of Groupe France Loisirs (Paris) and Der Club Bertelsmann (Berlin/Rheda). He prevailed with impressive achievements both in Germany and in France. He knows the mail-order business in detail and is additionally a successful reconstructer.

Economic background conditions

Consumption in Germany continues unsatisfactory in the third quarter too

The economic background conditions for German retail continued difficult in the third quarter of 2005 also. Although sales in the true retail trade returned a slight rise in the first nine months of this year, this is mainly the result of business forms in the food retail sector.

The department-store and mail-order submarkets relevant for the KarstadtQuelle Group continued to decline, returning a nominal minus 5.4 % and 3.6 % respectively. Much indicates that domestic demand this year remains weak and will provide scarcely perceptible impetuses for general economic performance.

Sales and earnings performance

Reorganization measures bite

Our operating target was reached: the negative sales and earnings momentum was arrested in the third quarter. Sales reached their planned level, and earnings were increased through the successful reorganization measures. The gross income margin improved lastingly, staff costs were markedly reduced. Net financial liabilities were reduced by 16.8 %. Business performance in the third quarter was in full accord with our sales and earnings targets adjusted in line with the weak performance in universal mail order in Germany in July 2005.

Group sales: Core department stores at the planned level

The sales performance in the third quarter of 2005 began very promisingly for the KarstadtQuelle Group. In July and August we gained further ground. However, this positive performance slowed due to a poor sales performance in Mail order in September. New record levels in the price of oil and uncertainty about the formation of a government in Germany led to widespread unease amongst consumers in Germany. Mail order in particular could not fail to be affected by this.

Adjusted Group sales in the third quarter of 2005 amounted to 2.57 bill. €. In the first nine months they came to 8.10 bill. €. As our Group is in the process of radical transformation, the sales figures are not comparable with those of the previous year. Only the dimension of the sale of parts of the Group prevents a proper comparison. What is decisive for us is the adherence to planned targets for the 2005 financial year. We plan at Group level a sales decrease in the mid-single-digit percentage range on an adjusted basis. Sales at the large department stores will drop by about 2 %, while the Mail-order segment plans a decrease in sales by about 7 %.

The core portfolio of the 90 large department stores achieved this planned level after nine months. As at the end of September, universal mail order abroad and specialty mail order were nearly on plan, while universal mail order in Germany fell considerably short of the planned levels.

Earnings: EBITDA at planned level – Four out of five segments on or above plan

Our earnings (EBITDA) after nine months are at the planned level. In the Department-store segment, in Services, in the Real-estate operation and at Thomas Cook we are above plan, which means that four out of five Group segments performed better than planned. Owing to the weak performance in domestic universal mail order, Mail order is falling short of its earnings targets.

Only a limited comparison with earnings for the previous year is possible because of the extensive divestments. In the third quarter adjusted Group EBITDA came to 35.9 mill. € (previous year: 28.0 mill. €). Cumulatively, EBITDA came to 158.0 mill. € (previous year: 126.1 mill. €) in the first nine months. The gross margin decrease resulting from sales was more than made up for by effective cost-cutting measures. This trend, which was already evident in the first two quarters, thus continued.

Including the charge on income resulting on balance from special factors (reorganization expenditure, profits from sale), EBITDA stood at minus 107.3 mill. € (previous year: minus 440.6 mill. €). The unusually high burden in the previous year is due to the start of the comprehensive "KarstadtQuelle Neu" reconstruction program.

Financial situation

The gratifying progress made in the reduction of net financial liabilities and in working capital also continued in the third quarter. We are confident of achieving our planned targets in this sector too.

Net financial liabilities lastingly reduced, working capital decreased

The consistent reduction of net financial liabilities was also continued in the third quarter. Taking into account the ABS program disclosed on balance, they stood at 4.30 bill. € (previous year: 5.17 bill. €). This represents a decrease by 16.8 %.

Working capital (after adjustment for divestments and including ABS) was reduced by 11.7 % to 2.99 bill. € (previous year: 3.13 bill. €).

Strategy

Realignment of our business models in retail is showing success

We have intensified the battle for the customer and are ensuring that the friendliness, readiness to serve, competence and motivation of our employees will strengthen the ties between our customers and us and also open up new customer levels. To achieve this, we have to make some changes. We need the unqualified will to focus on the customer, because we are service providers in a customer-driven company. Accordingly, we also need a more flexible working model to enable us to offer our services and products when and where our customers expect it from us.

Stronger Karstadt brand identity is becoming increasingly evident

We have begun to consistently strengthen the identity of our large Karstadt department stores in prime inner-city locations. The Karstadt brand will be restored to its former glory. The product lines and thematic focuses are currently being realigned – with obvious success. Prices are being oriented towards the "value for money" concept of attractive inner-city locations. This means at the same time that we do not want to compete with purely price-oriented providers. A radical improvement in our service concept is being implemented by, amongst other things, a qualification offensive for employees in sales. A new advertising presence will shortly more strongly visualize and emotionalize the strengthened identity of Karstadt department stores. Cosmopolitan department stores – like KaDeWe in Berlin, Alsterhaus in Hamburg or Hertie am Bahnhof in Munich – represent special assets for promoting identity. Our Karstadt stores have the clear aim of achieving market leadership in their respective regions.

Action programs in universal mail order in Germany

Mail order is currently in a difficult situation. Our aim is firstly the stabilization – after the reconstruction of universal mail order in Germany – and the expansion of our growth segments. To stabilize universal mail order in Germany, in accordance with our announcement in May we analyzed the problem areas. At present we are in the process of rapidly implementing the developed action programs, following the radical management changes – five out of nine top managers were replaced. The focuses lie on strengthening the identity of the Quelle and Neckermann brands, the optimization of marketing, the streamlining and optimization of the product lines, customer care and focus and the reduction of the infrastructure costs by 20%. At present we are conducting negotiations with employees' representatives to accelerate the process of reconstruction in universal mail order. While retaining the reconstruction wage agreement of autumn 2004, we are following up possibilities for creating additional, urgently needed reorganization potential at an operational level. There is a fundamental agreement with the respective works councils on an accelerated reorganization.

We shall at the same time consistently use our growth opportunities in specialty mail order, in international universal mail order and in e-commerce to obtain sales and earnings growth. To achieve this, we are opening up new markets abroad. Cooperations and joint ventures are accelerating this process.

Repositioning forms the basis for future growth

KarstadtQuelle is a company with resonant brand names and a strong market position. We are currently undergoing a process of transition. The Group with its core competences in department stores, mail order, tourism, retail-related services and real estate is being repositioned. Each individual business segment will first be restored to health, focused on its core competence and repositioned in order to then grow. This will take place not consecutively, but simultaneously.

However, the cost reduction and streamlining phase must be followed again by investment. Amongst the most important tasks are the redesigning and modernization of our department stores. We see clearly that the redesigned stores are successful. Both the Alsterhaus in Hamburg and the new store in Potsdam are exceeding the planned sales and earnings targets.

As Number 2 in Germany, we have an outstanding initial advantage in e-commerce: the volume of orders is already above the 2 bill. € level. We shall consistently expand this business.

With our 50-percent share in Thomas Cook we shall further develop our travel operation as core business. After reorganization the tourism group is once more back on track to success, and we are confident of a good, profitable future.

In order to be able to rapidly apply the highly promising concepts to as many department stores as possible and to consistently utilize growth opportunities in mail order, we naturally need financial resources. Accordingly, we shall further stabilize the company's financial structure and further increase our financial freedom of action. We are therefore also continuing to pursue the second-level financing project.

We announced as early as May of this year that we were preparing second-level financing in the form of a second lien. Our enquiry drew a very positive response in the capital markets. Current negotiations are progressing well.

By the end of the first half of 2006 we shall have taken further important steps to lastingly improve the capital structure of the Group. These include, for example, the further planned divestments. As already repeatedly emphasized, we rule out any capital increase for the 2005 and 2006 financial years.

Outlook

We want not only to maintain our high rate of reorganization but also to further accelerate the reconstruction of the Group. The forthcoming Christmas business will be the first test of viability for our newly positioned retail segments. It contributes disproportionately to the annual sales and earnings of the KarstadtQuelle Group. We are best prepared for the decisive weeks of the financial year – with good product lines, an impressive ambience and a highly motivated, service-oriented team.

We continue to hold to our sales plan (decrease in the mid-single-digit percentage range) and our earnings target (adjusted EBITDA of at least 350 mill. €) for the 2005 financial year. We are also confident that, as planned, we shall be able to reduce our net financial liabilities (incl. ABS) to 3.3 bill. € (previous year: 3.9 bill. €).

Essen, November 2005

For the Management Board

Your

Thomas Middelhoff

Chairman of the Management Board

Investments

Investments in the first nine months of the current year amounted to 216.8 mill. € (previous year: 291.1 mill. €). Of this financial investments accounted for 74.4 mill. € (previous year: 4.0 mill. €). They relate mainly to Karstadt Feinkost GmbH & Co. KG.

Not including financial investments, 142.4 mill. € (previous year: 287.1 mill. €) were invested. Of this 80.4 mill. € went to Over-the-counter retail. This amount relates chiefly to the Alsterhaus in Hamburg, KaDeWe in Berlin, Oberpollinger in Munich and the main department store in Karlsruhe. The number of YornCasa shops (lifestyle-oriented shop concept) was rapidly expanded during the period under review to include 18 new locations.

Employees

The number of full-time employees decreased by 19,376 to 53,933 during the period under review through the implementation of “KarstadtQuelle Neu”. This represents a decrease by 26.4 %. The decisive factors here were divestments and outsourcing measures. The greater number of these leaving employees went into new employment.

	Full-time employees at 30.09.			
	2005	2004	Change	Change in %
Over-the-counter retail	25,248	40,750	-15,502	-38.0
Mail order	26,360	27,106	-746	-2.8
Services	2,071	5,169	-3,098	-59.9
Real estate/Holding company	254	284	-30	-10.6
Total	**53,933**	**73,309**	-19,376	-26.4

The KarstadtQuelle Share

KarstadtQuelle Share risen by 48.4 %

The price of the KarstadtQuelle Share rose by 48.4 % in the first nine months of the current year and at the end of September was quoted at 11.26 €. The German Share Index (DAX) went up by 18.5 % over this period, and the MDAX, the index of medium-sized companies, rose by 32%.

As well as the generally positive performance by the important German share indexes, the successful implementation of the measures for realignment of the KarstadtQuelle Group contributed most to the marked price rise. Additional buying by KarstadtQuelle’s major shareholder, the Madeleine Schickedanz Pool, had a positive effect on the price level. From the management’s point of view this is a powerful demonstration of confidence. While the KarstadtQuelle Share at the start of the year was quoted at prices of around 7€ and recorded its lowest price at 7.08€ on February 1, 2005, the price rose steadily over the following months and reached its yearly high so far at 11.62€ on July 13, 2005. Since then the price has levelled off at about 11€.

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 %	Quarter III (01.07. - 30.09.) 2005	2004	Change in %
Over-the-counter retail									
Department and sports stores	1,034.5	1,106.3	-6.5	942.6	1,007.1	-6.4	1,007.3	1,043.2	-3.4
Transferred fine food departments	-	103.7	-	-	95.7	-	-	88.8	-
Karstadt Kompakt GmbH & Co. KG [1)]	147.8	161.8	-8.6	139.4	149.6	-6.8	96.6	156.1	n.c.
Mail order	1,736.0	1,918.7	-9.5	1,726.3	1,846.1	-6.5	1,523.3	1,666.7	-8.6
Services	163.1	309.7	n.c.	68.0	315.0	n.c.	76.5	310.8	n.c.
Real estate	134.1	143.5	n.c.	126.4	146.3	n.c.	121.7	143.2	n.c.
Reconciliation account	-240.7	-392.9	-	-165.4	-399.2	-	-158.1	-382.7	-
Group sales	2,974.8	3,350.8	n.c.	2,837.3	3,160.6	n.c.	2,667.3	3,026.1	n.c.
Group sales (not including fine food departments and Karstadt Kompakt GmbH & Co. KG [1)])	**2,827.0**	**3,085.3**	-8.4	**2,697.9**	**2,915.3**	-7.5	**2,570.7**	**2,781.2**	-7.6

* **Previous year's figures not comparable due to extensive reorganization (n.c.).**

1) Karstadt Kompakt GmbH & Co. KG was set up at the end of 2004 and sold with effect from the end of August 2005.
Quarter III 2005 includes sales for the period 01.07. to 31.08.2005.
The data for the period the previous year were a part of Karstadt Warenhaus AG.

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 %	Quarter III (01.07. - 30.09.) 2005	2004	Change in %
Over-the-counter retail	-33.1	-6.3	-	-38.1	-77.1	50.5	-88.9	-348.1	74.5
Mail order	14.4	0,0	-	0.8	-31.1	102.5	-40.5	-216.3	81.3
Services	7.5	15.0	-50.1	23.6	13.2	79.6	8.8	-5.3	-
Real estate	84.0	98.4	-14.6	74.7	89.7	-16.7	156.4	90.4	73.0
Holding company	-16.2	-17.0	4.8	-23.0	-21.8	-5.7	-21.7	-24.4	11.1
Reconciliation account	-	-0.1	-	-1.5	0.2	-	0.1	-	-
	56.6	**90.0**	-37.1	**36.5**	**-26.9**	-	**14.2**	**-503.7**	102.8

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 %	Quarter III (01.07. - 30.09.) 2005	2004	Change in %
Over-the-counter retail	-28.1	-6.3	-	-29.1	-62.1	53.1	-5.7	-41.7	86.4
Mail order	19.4	0.0	-	-3.8	-22.1	82.7	-40.0	-33.2	-20.5
Services	7.5	15.0	-50.1	9.3	13.2	-29.1	9.1	27.5	-66.8
Real estate	84.0	98.4	-14.6	76.6	91.7	-16.5	87.5	88.4	-1.0
Holding company	-9.4	-17.0	44.8	-4.2	-12.8	66.8	-15.0	-13.0	-15.5
Reconciliation account	-	-0.1	-	-0.1	0.2	-	-	-	-
	73.4	**90.0**	-18.5	**48.7**	**8.1**	-	**35.9**	**28.0**	28.1

Over-the-counter retail

		01.01. - 30.09.			Quarter III (01.07. - 30.09.)		
		2005	2004	Change in %	**2005**	2004	Change in %
Sales							
Department and sports stores	mill. €	2,984.4	3,156.6	-5.5	1,007.3	1,043.2	-3.4
Transferred fine food departments	mill. €	-	288.2	-	-	88.8	-
Karstadt Kompakt GmbH & Co. KG [1]	mill. €	383.7	467.5	- [2]	96.6	156.1	- [2]
EBITDA	mill. €	-160.1	-431.5	62.9	-88.9	-348.1	74.5
EBITDA (adjusted/ not including special factors)	mill. €	-62.9	-110.1	42.8	-5.7	-41.7	86.4
Loss from discontinued operations	mill. €	-1.2	-433.9	99.7	19.8	-415.1	104.8
Staff (reporting date)							
Continued operations	number	34,207	39,826	-14.1	34,207	39,826	-14.1
Transferred fine food departments	number	-	3,453	-	-	3,453	-
Karstadt Kompakt GmbH & Co. KG [1]	number	-	4,669	-	-	4,669	-
Discontinued operations	number	-	6,770	-	-	6,770	-
Total	number	**34,207**	**54,718**	- [2]	**34,207**	**54,718**	- [2]

[1] Karstadt Kompakt GmbH & Co. KG was set up at the end of 2004 and sold with effect from the end of August 2005. Sales 2005 include the period 01.01. to 31.08.2005. The data for the period the previous year were a part of Karstadt Warenhaus AG.

[2] Not comparable due to divestments.

Sales are going to plan

Sales at our department and sports stores, as planned, came to 1.01 bill. € (previous year: 1.04 bill. €). In the first nine months, as provided for in our planning, sales amounted to 2.98 bill. € (previous year: 3.16 bill. €). Department-store business is thus going to schedule.

Earnings better than planned and above those of the previous year

Adjusted EBITDA was above plan. It stood at minus 5.7 mill. € (previous year: minus 41.7 mill. €) in the third quarter of 2005. This represents an increase by 36.0 mill. €. In the first nine months of 2005 accumulated adjusted EBITDA stood at minus 62.9 mill. € (previous year: minus 110.1 mill. €). Earnings were thus improved by 47.2 mill. €.

Realignment well advanced – Concentration on core business fully achieved – Strengthening of department store identity is progressing

The focus on the large department stores and their strategic realignment was successfully pressed ahead with with great consistency in the third quarter. Following divestment of the small department stores and all the specialty stores, the focus on the core business has been almost fully achieved. The emphasis now is on strengthening the identity of the Karstadt brand. Karstadt's aim is to offer customers the fascination of an inspiring world of goods through ever new, modern trends, themes and brands. Accordingly, the continuous transformation of the large department stores with an emphasis on the fashion, sports, personality and living product lines was further implemented. The new presentation in the fashion segment is marked mainly by stronger customer orientation, the streamlining of the product lines and strengthening of own brands and a new advertising presence. Since the launch of the new fashion concept in the first quarter of 2005 sales have performed considerably better than the market as a whole.

One element of the strategic realignment is the Alsterhaus, Hamburg, which was re-opened in September 2005. The high-quality orientation of the cosmopolitan store stands for international brands, exclusive adventure shopping and culinary delights. Likewise the Stadtpalais, Potsdam, opened in March 2005, represents with its clear, customer-focused space design and presentation of current trends and themes the new look of the Karstadt department stores and the success of the realignment. Sales are yet again considerably above the planned level. In October 2005 one of Germany's largest sports stores was opened in Karlsruhe on about 6,000 sq. m. of space. By opening the new store Karstadt is underlining its leading market position as a sports goods retailer. Thus, with a particular eye to the football world championship Germany's largest and, from the point of view of the depth of its product lines, most competent football department was opened on 700 sq. m. of space. The number of Official 2006 FIFA World Cup™ Shops was meanwhile expanded to 180. By the time of the football world championship in summer 2006 more than 300 sales outlets will have been opened throughout Germany to meet the enormous demand for licensed products related to the world's greatest sporting event.

The realignment is also reflected by the customer satisfaction measured weekly in all the department stores. The customer satisfaction index rose by eight percentage points to 83 % during the first 9 months. Furthermore, all department store staff are being assisted, particularly in regard to consistent customer orientation, by a qualification offensive. Here above all the communicative competence of staff in sales is being strengthened.

Mail order

		01.01. - 30.09.			Quarter III (01.07. - 30.09.)		
		2005	2004	Change in %	**2005**	2004	Change in %
Sales	mill. €	4,985.5	5,431.5	-8.2	1,523.3	1,666.7	-8.6
EBITDA	mill. €	-25.4	-247.5	89.8	-40.5	-216.3	81.3
EBITDA (adjusted/ not including special factors)	mill. €	-24.5	-55.4	55.8	-40.0	-33.2	-20.5
Staff (reporting date)	number	32,774	34,064	-3.8	32,774	34,064	-3.8

Planned sales performance abroad and in e-commerce

The Group's Mail-order sector achieved sales of 1.52 bill. € in the third quarter of 2005. This represents a decrease by 8.6 % compared with the same quarter the previous year. While sales in Central and Eastern Europe continued to perform positively, the performance in Western Europe, particularly in universal mail order in Germany, remained unsatisfactory. As at the end of September, universal mail order abroad and specialty mail order were nearly on plan, while universal mail order in Germany fell considerably short of the planned levels. Overall sales in mail order achieved 4.99 bill. € (same period previous year: 5.43 bill. €) during the first nine months.

Earnings after nine months below plan

In the third quarter earnings (on an adjusted EBITDA basis) fell by 6.8 mill. € to minus 40.0 mill. € on the previous year, and cumulatively over the period to September earnings stand at minus 24.5 mill. €. This represents an increase by 30.9 mill. €. Nevertheless, earnings are below the planned level.

Further strong growth in e-commerce

The e-commerce sales channel continues to grow strongly. The KarstadtQuelle mail-order suppliers are Number 2 in the German market. In the first nine months the volume of orders at the Internet portals reached 1.8 bill. €. Marketing promotions like "Milliardenfieber" or "Technik – einfach besser", but above all technical innovation raised online demand further. Thus, the product lines offered at Quelle and Neckermann's online shops are available via all mobile terminal devices as well as the Internet. The shopping portals of both mail-order suppliers received a number of awards in 2005. The e-commerce operations are being further expanded both abroad and by stepping up the development of the SMS order channel. Neckermann is consistently maintaining its multi-channel strategy with interactive shopping on digital television.

Consistent continuation of reorganization measures in universal mail order

In the course of the reorganization Quelle AG and Neckermann AG are being changed into liability limited companies and separately managed. Also linked to this is a complete reorganization and structure of both companies as well as merging of the back-office functions.

The program for reorganization of universal mail order in Germany, extended mid-year, is being pressed ahead with. Quelle and Neckermann are positioning themselves as multi-specialists for the "Established family" (Quelle) and "Young at Heart" (Neckermann) target groups with corresponding promotive ranges: electrical, classic fashion and classic living at Quelle; young fashion, young living and extra-large sizes at Neckermann. Both companies have fundamentally modified their catalog structures and ranges for this purpose. The currency and presentation of the catalogs were tailored to the product lines, the page numbers reduced, product lines weeded out and promotive lines expanded. Both mail-order suppliers are thereby sharpening their brand and competence identities. In September the "Exxtragröße" special catalog was issued for the first time. It represents something new in the German mail-order market and increases Neckermann's competence in the extra-large size segment.

Further measures under the reorganization were the streamlining of over-the-counter distribution units and the closure of unprofitable operations.

During the third quarter Quelle launched its mail-order operations in Serbia and Romania and expanded its business in Russia. In Bulgaria and the Ukraine expansion will be continued shortly. At the beginning of the autumn/winter season Neckermann will be operating in Estonia and Latvia and will thus already be represented in 17 European countries. Market entry in Greece, Lithuania, Poland, Romania, Russia, the Ukraine and Hungary is planned by the end of 2006.

Services

		01.01. - 30.09.			Quarter III (01.07. - 30.09.)		
		2005	2004	Change in %	**2005**	2004	Change in %
Sales [1]	mill. €	307.5	935.5	- [2]	76.5	310.8	- [2]
EBITDA	mill. €	39.9	22.9	74.4	8.8	-5.3	-
EBITDA (adjusted/ not including special factors)	mill. €	25.9	55.6	-53.4	9.1	27.5	-66.8
Income from investments in companies consolidated at equity	mill. €	-32.0	-83.1	61.5	84.6	85.3	-0.8
Staff (reporting date) [1]	number	2,174	5,692	- [2]	2,174	5,692	- [2]

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

The Services segment comprises the Tourism segment (share in the Thomas Cook tourism group) and retail-related services. These are mainly information and financial services, loyalty card programs and purchasing, logistics and IT services.

Sales performance affected by streamlining of portfolio

Sales and earnings in the Thomas Cook, Financial Services and Loyalty-card programs segments, which were consolidated at equity, are not included in sales and EBITDA. The earnings contribution is disclosed under interest income (income from investments). Sales in the sectors remaining after the divestments amounted to 76.5 mill. € in the third quarter of 2005 (previous year: 310.8 mill. €). Cumulatively, sales in the first nine months of 2005 come to 307.5 mill. € (previous year: 935.5 mill. €). Decisive for the decrease in sales are the selective portfolio adjustments. These relate in particular to the transfers of Optimus Logistics GmbH in logistics and of parts of the IT services.

Earnings slightly better than planned

Adjusted EBTDA decreased by 18.4 mill. € to 9.1 mill. € (previous year: 27.5 mill. €). Cumulatively, EBITDA comes to 25.9 mill. €, which is slightly above plan.

Income from long-term investments at companies consolidated at equity improved by 61.5 % to minus 32.0 mill. € during the first nine months of 2005 thanks to the continuing positive earnings performance at Thomas Cook in the third quarter of 2005.

Thomas Cook AG: Reconstruction program successfully completed

The Thomas Cook Group improved its performance in the third quarter of the current financial year too. Sales rose during the first nine months of the tourist operator financial year (November 1, 2004, to July 31, 2005) by 1.5 % to 4.9 bill. €. Pro-rata transferred earnings (before tax) rose by 83 mill. € to minus 36.9 mill. €. Because of the current booking situation and the successfully completed reconstruction program Thomas Cook will for the first time in four years once more achieve a substantial profit before and after tax in a full financial year.

Real Estate

		01.01. - 30.09.			Quarter III (01.07. - 30.09.)		
		2005	2004	Change in %	**2005**	2004	Change in %
Sales	mill. €	382.2	433.0	- [1]	121.7	143.2	- [1]
EBITDA	mill. €	315.1	278.5	13.1	156.4	90.4	73.0
EBITDA (adjusted/ not including special factors)	mill. €	248.1	278.5	-10.9	87.5	88.4	-1.0
Staff (reporting date)	number	104	110	-5.5	104	110	-5.5

[1] Not comparable due to divestments.

Earnings better than planned

The Real-estate segment achieved sales to the value of 121.7 mill. € (previous year: 143.2 mill. €) during the third quarter of 2005. The sales decrease is due to extensive divestments. The assets disposed of were items of real estate in Over-the-counter retail (Karstadt Kompakt, specialty store chains) and, as a sale-and-lease-back transaction, three larger items of department store logistics real estate. Accordingly, the figures of the current year cannot be compared with those for the previous year.

With adjusted EBITDA of 248.1 mill. € earnings are going better than planned.

In September the planning application was submitted for the projected development of the shopping and service centre, Limbecker Platz, Essen. Germany's largest inner-city shopping centre will be brought into being in partnership with ECE in the next few years.

Holding company

		01.01. - 30.09.			Quarter III (01.07. - 30.09.)		
		2005	2004	Change in %	**2005**	2004	Change in %
EBITDA	mill. €	-61.0	-63.3	3.6	-21.7	-24.4	11.1
EBITDA (adjusted/ not including special factors)	mill. €	-28.7	-42.8	33.1	-15.0	-13.0	-15.5
Staff (reporting date)	number	169	195	-13.3	169	195	-13.3

Earnings further improved

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

Adjusted EBITDA was increased to minus 28.7 mill. € during the first nine months (previous year: minus 42.8 mill. €).

Group Profit and Loss Account

for the period from January 1 to September 30, 2005

	01.01. - 30.09.			Quarter III (01.07. - 30.09.)		
Amounts shown in th. €	**2005**	2004*	Change in %	**2005**	2004*	Change in %
Sales	8,479,427	9,537,443	-11.1	2,667,310	3,026,083	-11.9
Cost of sales	-4,374,644	-5,011,637	12.7	-1,384,513	-1,584,485	12.6
Gross income	**4,104,783**	**4,525,806**	-9.3	**1,282,797**	**1,441,598**	-11.0
Other capitalized own work	18,943	38,623	-51.0	-3,299	13,732	-124.0
Operating income	648,751	414,736	56.4	298,778	113,101	164.2
Staff costs	-1,654,631	-2,001,872	17.3	-516,468	-639,821	19.3
Operating costs	-2,991,874	-3,394,676 [1]	11.9	-1,040,285	-1,427,652 [1]	27.1
Other taxes	-18,713	-23,215	19.4	-7,372	-4,675	-57.7
Earnings before interest, tax, depreciation and amortization (EBITDA)	**107,259**	**-440,598**	124.3	**14,151**	**-503,717**	102.8
Depreciation and amortization (not including goodwill)	-249,468	-333,937	25.3	-62,707	-141,035	55.5
Earnings before interest, tax and amortization of goodwill (EBITA)	**-142,209**	**-774,535**	81.6	**-48,556**	**-644,752**	92.5
Amortization of goodwill	-1,160	-76,063	98.5	-1,160	-74,128	98.4
Earnings before interest and tax (EBIT)	**-143,369**	**-850,598**	83.1	**-49,716**	**-718,880**	93.1
Income from investments	-41,641	-80,655	48.4	77,842	90,903	-14.4
thereof from associated companies	-31,944	-78,293	59.2	88,131	90,082	-2.2
Net interest income	-207,714	-155,870 [1]	-33.3	-70,873	-54,203 [1]	-30.8
Other financial income	-9,897	-175,958	94.4	3,203	-174,196	101.8
Earnings before taxes (EBT)	**-402,621**	**-1,263,081**	68.1	**-39,544**	**-856,376**	95.4
Taxes on income	160,483	179,659	-10.7	35,088	45,476	-22.8
Loss from continued operations	**-242,138**	**-1,083,422**	77.7	**-4,456**	**-810,900**	99.5
Profit/Loss from discontinued operations	-1,249	-439,971	99.7	24,103	-417,179	105.8
Group profit/loss before minority interests	**-243,387**	**-1,523,393**	84.0	**19,647**	**-1,228,079**	101.6
Profit/Loss due to other shareholders	-3,857	-2,574	-49.8	-1,426	503	-
Group profit/loss after minority interests	**-247,244**	**-1,525,967**	83.8	**18,221**	**-1,227,576**	101.5
Earnings per share in €	**-1.24**	**-7.65** [2]	83.8	**0.09**	**-6.15** [2]	101.5
thereof from continued operations	-1.21	-5.43 [2]	77.7	-0.02	-4.06 [2]	99.5
thereof from discontinued operations	-0.01	-2.21 [2]	99.5	0.12	-2.10 [2]	105.7

* The 2004 values were adjusted according to the separate disclosure of “Profit/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 September 30, 2005

Assets

Amounts shown in th. €	30.09.2005	30.09.2004*	Change in %	31.12.2004*
Intangible assets	487,897	469,509	3.9	468,334
Tangible assets	2,053,343	2,359,594	-13.0	2,172,905
Investments in associated companies	449,840	340,644	32.1	376,190
Other financial assets	814,759	1,329,947	-38.7	1,289,867
thereof securities	4,209	294,555	-98.6	280,838
Other long-term assets	132,405	50,100	164.3	65,784
Deferred taxes	237,922	38,575	-	98,162
Long-term assets	**4,176,166**	**4,588,369**	-9.0	**4,471,242**
Inventories	1,747,266	2,118,124	-17.5	1,811,682
Trade receivables	1,247,027	1,214,349 [1]	2.7	1,161,458 [1]
Current tax assets	52,742	29,928	76.2	27,509
Other receivables and other assets	786,550	662,141 [1]	18.8	624,898 [1]
Cash and cash equivalents, securities	152,820	91,461	67.1	518,212
Short-term assets	**3,986,405**	**4,116,003**	-3.1	**4,143,759**
Assets classified as held for sale	1,508,939	1,053,583	43.2	1,204,707
Balance sheet total	**9,671,510**	**9,757,955**	-0.9	**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	-148,290	-189,492	-21.7	41,752
Minority interests [2]	13,323	19,107	-30.3	8,623
Equity	**375,431**	**101,827**	-	**560,773**
Long-term capital minority interests [2]	47,938	49,311	-2.8	58,983
Long-term financial liabilities	2,443,918	2,326,755	5.0	2,913,781
Other long-term liabilities	511,137	447,039	14.3	469,237
Pension provisions	734,744	793,104	-7.4	794,017
Other long-term provisions	338,511	203,053	66.7	365,334
Deferred taxes	7,096	10,432	-32.0	11,275
Long-term liabilities	**4,083,344**	**3,829,694**	6.6	**4,612,627**
Short-term financial liabilities	2,028,377	3,159,004 [1]	-35.8	1,738,936 [1]
Trade payables	1,048,204	1,022,770	2.5	1,110,970
Short-term tax liabilities	186,092	160,507	15.9	286,489
Other short-term liabilities	526,696	560,586 [1]	-6.0	524,058 [1]
Short-term accruals and provisions	392,314	461,449 [1]	-15.0	463,563 [1]
Short-term liabilities	**4,181.683**	**5,364,316**	-22.0	**4,124,016**
Liabilities from assets classified as held for sale	1,031,052	462,118	-	522,292
Balance sheet total	**9,671,510**	**9,757,955**	-0.9	**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 September 30, 2005

Amounts shown in th. €	Subscribed share capital	Additional paid-in capital	Revenue reserves	Revaluation reserve	Adjustment items Foreign currency translation	Minority interests	**Total Group equity**
Opening balance at 01.01.2005 – as previously reported	**510,398**	**629,424**	**-577,421**	**-1,345**	**-8,906**	**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**	**8,623**	**560,773**
Dividends	-	-	-	-	-	-276	-276
Generated capital/Group earnings	-	-	-247,244	-	-	3,857	-243,387
Differences from foreign currency translation	-	-	-	-	1,473	-113	1,360
Changes resulting from the disposals and the valuation of primary and derivative financial instruments	-	-	-	48,258	-	-	48,258
Due to changes in consolidated companies	-	-	7,471	-	-	1,232	8,703
Closing balance at 30.09.2005	**510,398**	**629,424**	**-817,194**	**46,913**	**-7,433**	**13,323**	**375,431**

for the period from January 1 to September 30, 2004

Amounts shown in th. €	Subscribed share capital	Additional paid-in capital	Revenue reserves	Revaluation reserve	Adjustment items Foreign currency translation	Minority interests	**Total Group equity**
Opening balance at 01.01.2004 – as previously reported	**272,212**	**317,471**	**1,127,622**	**-64,130**	**-13,781**	**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**	**19,922**	**1,659,316**
Dividends	-	-	-75,496	-	-	-1,231	-76,727
Generated capital/Group earnings	-	-	-1,525,967	-	-	2,640	-1,523,327
Differences from foreign currency translation	-	-	-	-	1,555	-	1,555
Changes resulting from the disposals and the valuation of primary and derivative financial instruments	-	-	-	51,545	-	-	51,545
Due to changes in consolidated companies	-	-	-8,311	-	-	-2,224	-10,535
Closing balance at 30.09.2004	**272,212**	**317,471**	**-482,152**	**-12,585**	**-12,226**	**19,107**	**101,827**

Group cash flow statement

for the period from January 1 to September 30, 2005

Amounts shown in th. €	**2005**	2004
EBITDA	**107,257**	**-440,598**
Earnings/Loss from the disposal of fixed assets	-91,650	11,692
Profit/Loss from foreign currency	-5,542	497
Increase/decrease of long-term provisions for liabilities and charges (not including pension and tax provisions)	-17,074	-9,326
Utilization of the provision for reorganization effects	-125,842	435,443
Other costs/earnings not affecting cash flow	201,051	-33,757
Gross cash flow	**68,200**	**-36,049**
Changes in working capital (adjusted for changes in the group of consolidated companies)	-325,812	-251,107
Changes in other short-term assets and liabilities	-27,373	-42,825
Dividends received	1,929	12,707
Payments/refunds of tax on income	-16,895	-59,173
Cash flow from operating activities	**-299,951**	**-376,447**
Cash flow from acquisitions/divestments of subsidiaries	211,859	-19,951
Purchase of tangible, intangible and non-current assets	-142,371	-220,535
Purchase of investments in financial assets	-83,497	-50,641
Proceeds from sale of tangible, intangible and non-current assets	210,812	13,800
Proceeds from sale of financial assets	39,973	13,283
Cash flow from investing activities	**236,776**	**-264,044**
Free cash flow	**-63,175**	**-640,491**
Interest received	86,649	85,087
Interest paid	-250,904	-142,313
Pension provisions and appropriation to plan assets	-95,287	19,536
Amounts paid out/paid in for dividends, capital increase and share repurchase program	-276	-76,727
Amounts paid in/paid out under mortgage bond program and for (finance) loans	179,933	682,503
Payments of liabilities due under finance lease	-4,868	-3,372
Cash flow from financing activities	**-84,753**	**564,714**
Changes in cash and cash equivalents affecting cash flow	**-147,928**	**-75,777**
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	6,527	1,090
Cash and cash equivalents at the beginning of the period*	518,171	166,108
Cash and cash equivalents at the end of the period	**376,770** [1)]	**91,431**

* 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 III (01.07. - 30.09.)	KarstadtQuelle Group		Reconciliation account		Holding company	
Amounts shown in th. €	**2005**	2004	**2005**	2004	**2005**	2004
Sales	3,041,297	3,585,505	-	-	-	-
Interest from credit operations	44,644	47,642	-	-	-	-
Internal sales	-418,631	-607,064	-158,034	-382,738	-	-
Group sales	**2,667,310**	**3,026,083**	**-158,034**	**-382,738**	**-**	**-**
Cost of sales	-1,384,513	-1,584,485	39,711	145,417	-	-
Gross income	**1,282,797**	**1,441,598**	**-118,323**	**-237,321**	**-**	**-**
Other capitalized own work	-3,299	13,732	-4,481	8,159	-	-
Operating income and costs	-741,507	-1,314,551	122,629	229,552	-17,975	-18,830
Staff costs	-516,468	-639,821	187	-360	-3,736	-5,606
Other taxes	-7,372	-4,675	-	-1	-17	-9
EBITDA	**14,151**	**-503,717**	**12**	**29**	**-21,728**	**-24,445**
EBITDA margin *in %*	*0.5*	*-16.6*	-	-	-	-
EBITDA (adjusted/not incl. special factors)	**35,880**	**28,012**	**-41**	**29**	**-15,012**	**-12,997**
EBITDA margin (adjusted/not incl. special factors) in %	*1.3*	*0.9*	-	-	-	-
Depreciation and amortization (not incl. goodwill)	-62,707	-141,035	216	18,946	-595	-606
EBITA	**-48,556**	**-644,752**	**228**	**18,975**	**-22,323**	**-25,051**
Amortization of goodwill	-1,160	-74,128	-	-	-	-
EBIT	**-49,716**	**-718,880**	**228**	**18,975**	**-22,323**	**-25,051**
Profit/Loss from discontinued operations	24,103	-417,179	4,350	-2,038	-	-
EBTA	**-38,384**	**-782,248**	**221**	**3,849**	**-36,781**	**-175,872**
Investments 1)	35,478	132,366	-	-	1,269	758

01.01. - 30.09.	KarstadtQuelle Group		Reconciliation account		Holding company	
Amounts shown in th. €	**2005**	2004	**2005**	2004	**2005**	2004
Sales	9,877,205	11,280,063	-	-	-	-
Interest from credit operations	145,875	148,451	-	-	-	-
Internal sales	-1,543,653	-1,891,071	-563,904	-1,174,801	-	-
Group sales	**8,479,427**	**9,537,443**	**-563,904**	**-1,174,801**	**-**	**-**
Cost of sales	-4,374,644	-5,011,637	130,983	485,007	-	-
Gross income	**4,104,783**	**4,525,806**	**-432,921**	**-689,794**	**-**	**-**
Other capitalized own work	18,943	38,623	14,295	23,645	-	-
Operating income and costs	-2,343,123	-2,979,940	416,585	665,965	-45,974	-41,298
Staff costs	-1,654,631	-2,001,872	697	517	-14,947	-21,911
Other taxes	-18,713	-23,215	-	-	-52	-53
EBITDA	**107,259**	**-440,598**	**-1,344**	**333**	**-60,973**	**-63,262**
EBITDA margin *in %*	*1.3*	*-4.6*	-	-	-	-
EBITDA (adjusted/not incl. special factors)	**157,988**	**126,131**	**3**	**333**	**-28,657**	**-42,814**
EBITDA margin (adjusted/not incl. special factors) in %	*1.9*	*1.3*	-	-	-	-
Depreciation and amortization (not incl. goodwill)	-249,468	-333,937	683	19,877	-1,675	-2,052
EBITA	**-142,209**	**-774,535**	**-661**	**20,210**	**-62,648**	**-65,314**
Amortization of goodwill	-1,160	-76,063	-	-	-	-
EBIT	**-143,369**	**-850,598**	**-661**	**20,210**	**-62,648**	**-65,314**
Loss from discontinued operations	-1,249	-439,971	-	-6,113	-	-
EBTA	**-401,461**	**-1,187,018**	**-5,984**	**-25,164**	**-106,506**	**-252,500**
Segment assets	7,195,050	9,186,151*	239,579	-19,530*	- 3)	- 3)
Segment liabilities	2,704,182	2,951,082*	110,160	136,481*	- 3)	- 3)
Investments 1)	142,371	287,097	-	-	1,269	2,366
Staff in full-time terms number	53,933	73,309	-	-	157	180

* 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.

Over-the-counter retail		Mail order		Services		Real estate	
2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
1,153,321	1,303,955	1,661,971	1,812,186	104,281	326,124	121,724	143,240
-	-	44,644	47,642	-	-	-	-
-49,429	-15,829	-183,348	-193,128	-27,820	-15,369	-	-
1,103,892	**1,288,126**	**1,523,267**	**1,666,700**	**76,461**	**310,755**	**121,724**	**143,240**
-635,282	-721,725	-750,909	-823,934	-38,033	-184,243	-	-
468,610	**566,401**	**772,358**	**842,766**	**38,428**	**126,512**	**121,724**	**143,240**
741	2,790	67	373	374	2,410	-	-
-315,041	-602,234	-567,346	-805,528 [2)]	-4,788	-68,966	41,014	-48,545
-243,198	-315,053	-243,275	-251,931	-24,598	-64,899	-1,848	-1,972
22	-27	-2,325	-2,029	-584	-315	-4,468	-2,294
-88,866	**-348,123**	**-40,521**	**-216,349**	**8,832**	**-5,258**	**156,422**	**90,429**
-8.1	*-27.0*	*-2.7*	*-13.0*	*11.6*	*-1.7*	*128.5*	*63.1*
-5,684	**-41,680**	**-40,049**	**-33,238**	**9,124**	**27,469**	**87,542**	**88,429**
-0.5	*-3.2*	*-2.6*	*-2.0*	*11.9*	*8.8*	*71.9*	*61.7*
-21,701	-35,985	-23,020	-23,368	-5,308	-20,396	-12,299	-79,626
-110,567	**-384,108**	**-63,541**	**-239,717**	**3,524**	**-25,654**	**144,123**	**10,803**
-	-	-1,160	-18,525	-	-55,603	-	-
-110,567	**-384,108**	**-64,701**	**-258,242**	**3,524**	**-81,257**	**144,123**	**10,803**
19,753	-415,141	-	-	-	-	-	-
-128,101	**-390,616**	**-100,939**	**-248,161**	**86,752**	**64,835**	**140,464**	**-36,283**
21,128	45,513	15,363	31,763	-78	5,752	-2,204	48,580

Over-the-counter retail		Mail order		Services		Real estate	
2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
3,593,770	3,960,729	5,556,102	5,910,591	345,175	975,752	382,158	432,991
-	-	145,875	148,451	-	-	-	-
-225,632	-48,471	-716,464	-627,524	-37,653	-40,275	-	-
3,368,138	**3,912,258**	**4,985,513**	**5,431,518**	**307,522**	**935,477**	**382,158**	**432,991**
-1,921,329	-2,235,709	-2,423,922	-2,702,593	-160,376	-558,342	-	-
1,446,809	**1,676,549**	**2,561,591**	**2,728,925**	**147,146**	**377,135**	**382,158**	**432,991**
2,686	9,076	491	641	1,471	5,261	-	-
-806,403	-1,116,243	-1,844,452	-2,191,301 [2)]	-12,500	-159,207	-50,379	-137,856
-803,117	-1,000,551	-735,966	-774,841	-95,581	-199,541	-5,717	-5,545
-65	-337	-7,019	-10,950	-598	-753	-10,979	-11,122
-160,090	**-431,506**	**-25,355**	**-247,526**	**39,938**	**22,895**	**315,083**	**278,468**
-4.8	*-11.0*	*-0.5*	*-4.6*	*13.0*	*2.4*	*82.4*	*64.3*
-62,908	**-110,063**	**-24,483**	**-55,415**	**25,930**	**55,622**	**248,103**	**278,468**
-1.9	*-2.8*	*-0.5*	*-1.0*	*8.4*	*5.9*	*64.9*	*64.3*
-71,822	-91,242	-69,485	-74,602	-15,083	-46,094	-92,086	-139,824
-231,912	**-522,748**	**-94,840**	**-322,128**	**24,855**	**-23,199**	**222,997**	**138,644**
-	-	-1,160	-18,525	-	-57,538	-	-
-231,912	**-522,748**	**-96,000**	**-340,653**	**24,855**	**-80,737**	**222,997**	**138,644**
-1,249	-433,858	-	-	-	-	-	-
-268,227	**-539,094**	**-186,625**	**-342,363**	**-12,438**	**-99,328**	**178,319**	**71,431**
1,287,600	1,990,871*	3,852,808	4,213,070*	175,262	226,229*	1,639,801	2,775,511*
827,353	1,012,913*	1,348,527	1,339,225*	68,489	99,702*	349,653	362,761*
80,407	111,932	48,750	92,619	7,931	30,230	4,014	49,950
25,248	40,750	26,360	27,106	2,071	5,169	97	104

Accounting policies

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

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

A review of the quarterly account has been carried out.

Companies consolidated/Segment report

In the third quarter of 2005 important changes in the consolidated companies resulted from divestments. Deconsolidations were effected at the respective disposal date.

As already mentioned in the interim report for the period to June 30, 2005, shares in WEHMEYER GmbH & Co. KG and the associated unlimited partner GmbH were sold in July 2005. The deconsolidation of the companies was effected with effect from July 31, 2005.

Furthermore, in August the negotiations on the disposal of shares in specialty stores (discontinued operations) and Karstadt Kompakt GmbH & Co. KG together with the associated unlimited partner GmbH were successfully concluded. Settlement of the contractual stipulations was mainly concluded by the time of publication. The deconsolidations resulting from it were, in accordance with the contractual stipulations, effective as at August 31, 2005.

Income totalling 723 mill. € resulted from all the divestments during the current 2005 financial year. Over and above the liabilities disposed of in connection with these divestments 216 mill. € were available to cover financial liabilities.

Altogether the number of consolidated companies in the KarstadtQuelle Group decreased by 26.

Over-the-counter retail

In the Over-the-counter retail segment the following thirteen companies were disposed of:

- with effect from July 31, 2005:
  WEHMEYER GmbH & Co. KG, Aachen;
  Wehmeyer Verwaltungs-GmbH, Aachen.
- with effect from August 31, 2005:
  Runners Point Warenhandelsgesellschaft mit beschränkter Haftung, Essen;
  Sinn Leffers Aktiengesellschaft, Hagen;
  WHG Westdeutsche Handelsgesellschaft m.b.H., Hagen;
  SinnLeffers Modehaus Verwaltungs-GmbH, Hagen;
  SinnLeffers Markentextilien-Vertrieb GmbH, Hagen;
  SinnLeffers Logistik B.V., Venlo, Netherlands;
  Gebr. Sinn Versicherungs-Vermittlungs-Gesellschaft mit beschränkter Haftung, Hagen;
  Leffers Immobilien Leasing GmbH, Bielefeld;
  PELOG Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Grünwald, Landkreis München;
  Karstadt Kompakt GmbH & Co. KG, Essen;
  Karstadt Kompakt Verwaltungs GmbH, Essen.

Mail order

In the Mail-order segment the following three companies were consolidated for the first time in the third quarter of 2005:

Neckermann Baltic OÜ, Harju, Estonia;
Quelle S.R.L., Petin, Kreis Satu Mare, Romania;
Atelier Gyldne Snittet AS, Grimstad, Norway.

Real estate

In the Real-estate segment 16 real-estate companies were returned as disposals.

Assets and liabilities classified as held for sale and disposal groups

The Group's assets are substantially affected as follows by the deconsolidations already explained. They are reflected in the reduction of the book value disclosed in the balance sheet for the assets classified as held for sale and the liabilities linked to them.

The changes in assets to the value of 428.4 mill. € and liabilities to the value of 25.2 mill. € relative to the previous quarterly report relate to the disposal groups as follows:

Movement of assets held for sale and related liabilities and disposal groups

Amounts shown in th. €	As of 30.06.2005	Change at Quarter III, 2005 Discontinued operations	Karstadt Kompakt GmbH & Co. KG	Other changes	**As of 30.09.2005**
ASSETS					
Long-term assets	888,919	-70,068	-15,465	-210,764	592,622
Inventories	201,336	-93,718	-107,618	-	-
Other short-term assets	780,872	-30,449	-13,645	165,211	901,989
Deferred taxes	66,256	-42,015	-4,503	-5,410	14,328
Assets classified as held for sale	**1,937,383**	**-236,250**	**-141,231**	**-50,963**	**1,508,939**
LIABILITIES					
Financial liabilities	564,995	-40,273	-	408,402	933,124
Pension provisions	114,109	-82,781	-25,404	-5,676	248
Other liabilities	208,959	-150,263	-49,675	12,884	21,905
Deferred taxes	117,821	-9,490	-	-32,556	75,775
Liabilities from assets classified as held for sale	**1,005,884**	**-282,807**	**-75,079**	**383,054**	**1,031,052**

Furthermore, the assets classified as held for sale and the liabilities of KARSTADT Hypothekenbank AG linked to them continue to be disclosed under the corresponding items in the balance sheet.

Contingent liabilities, Other financial commitments

Contingent liabilities and Other financial commitments have changed substantially from the annual account owing to the agreements between the KarstadtQuelle Group and DHL Solutions GmbH. Discounted financial commitments to the value of 3.31 bill. € result from the full logistics service agreements concluded for terms of ten and eleven years respectively.

Important events after the reporting date

On October 25, 2005, the Federal Administration Court rejected an appeal by KARSTADT QUELLE AG regarding a judgment of the Berlin Administration Court. The judgment related to claims filed by successors of the Wertheim family for the assignment back of various pieces of land in Berlin.

At about the same time the appeal court in Philadelphia, Pennsylvania, USA, rejected a lawsuit filed by the Wertheim heirs for hearing in the USA. The court thus followed our legal position.

These decisions have not caused us to alter our December 31, 2004 estimate which underlies the provisions set up.

Calendar

2006

Balance sheet press conference/ Analysts' Meeting March 27, 2006

Annual General Meeting
Düsseldorf May 8, 2006

Imprint

Publisher

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