

KARSTADT QUELLE^{AG}
INTERIM REPORT
TO MARCH 31, 2004

Facts

- **German retail trade weak also in the first quarter of 2004**
- **Group sales decreased by 4.4 %**
- **Moderate decrease in adjusted earnings**
 - Earnings in Over-the-counter retail improved
 - Earnings in Mail order declining
 - Thomas Cook earnings already profiting from structural changes
- **Gross income margin improved, costs lastingly reduced**
- **Net financial debt markedly decreased, working capital reduced**
- **“Challenge” programme focuses on sustained value enhancement**
 - Reduction of the net financial debt to optimise the capital structure
 - Change in the business models to secure earning power
- **Outlook dominated by economic uncertainty**

At a glance

			31.03.2004	31.03.2003	Change in %	
Sales	Over-the-counter retail	mill. €	1,540.3	1,602.9	-3.9	
	Mail order	mill. €	1,918.7	2,021.3	-5.1	
	Services	mill. €	309.7	324.2	-4.5	
	Real estate	mill. €	143.5	140.1	2.4	
	Reconciliation account	mill. €	-392.9	-405.4	-	
	Group sales	mill. €	3,519.3	3,683.1	-4.4	
Earnings	Earnings from ordinary activities	mill. €	69.6	249.9	-72.2	
	EBITA	mill. €	-122.1	24.8	-	
	EBTA	mill. €	-170.9	-35.3	-	
	EBTA (not including special factors)	mill. €	-170.9	-148.3	-15.2	
Other information	Employees at 31.03.	number	97,581	101,665	-4.0	
	Full-time employees on average (01.01.-31.03.)	number	74,309	80,369	-7.5	
	Sales space in Over-the-counter retail	th. sq. m.	2,615.0	2,636.4	-0.8	
	Branches					
	Department stores	number	188 ¹⁾	183*	-	
	Sports stores	number	33	31*	-	
	Karstadt Warenhaus AG	number	221	214	-	
	Specialty stores	number	298	294	-	
	Total number of branches		519	508	-	
	Investments	mill. €	75.1	82.5	-9.0	
	KARSTADT QUELLE AG	Market price on 31.03.	€	17.98	11.89	51.2
Share	Highest price (01.01.-31.03.)	€	21.62	17.19	-	
	Lowest price (01.01.-31.03.)	€	16.58	10.17	-	

* The sports stores have been independent branches since 31.12.2003, 31.03.2003 adjusted.

¹⁾ Including 8 Schaulandt branches

Report of the Chairman of the Management Board

WEAKNESS IN GERMAN RETAIL TRADE CONTINUED IN THE FIRST QUARTER OF 2004

The weakness which was apparent in the German retail trade in the second half of 2003 continued in the first quarter of 2004. The rise in disposable income as a result of the tax reform did not have the stimulating effect on the retail trade that the experts predicted. The reasons were, amongst other things, the price rises due to come into effect at the beginning of 2004, e.g. in the health sector, increased expenditure on old-age pensions and an increased savings-income ratio. Consumers continue to exercise the same degree of restraint as before and are very price-conscious. For this reason the price competition has lost none of its intensity. The "true" retail trade in the first quarter recorded a decrease in sales by 0.9 %.

GROUP SALES DECREASED BY 4.4 %

The KarstadtQuelle Group achieved sales of 3.5 bill. € (previous year 3.7 bill. €) in the first quarter of 2004. This represents a decrease by 4.4 %. After an extremely weak start to the year in January and February, March gained ground somewhat with a rise in sales by 4.4 %. Over-the-counter retail shows a sales decrease by 3.9 %. A year-on-year comparison is hindered by the closures at Schaulandt and WOM. Sales at Karstadt Warenhaus AG declined by minus 1% on comparable space. Mail order recorded a sales decrease of 5.1 %. In e-commerce growth continued. The shopping portals achieved an increase of 13.5 % in the value of orders online. The share contributed to group sales by online demand rose to 12.2 % (previous year: 10.3 %).

MODERATE DECREASE IN ADJUSTED EARNINGS

Quarterly EBTA stood at minus 171 mill. €. Compared with the previous year's earnings of minus 148 mill. €, which was adjusted to allow for special factors, this represents a decrease by 23 mill. €. Measured against sales performance, the earnings decrease is a moderate one. This is due to the once more increased gross income margin (plus 0.3 percentage points to 47.3 %) and an improved cost structure. Including positive special factors of 113 mill. € on balance – which resulted mainly from the reorganisation of the old-age pension provision – earnings in the previous year stood at minus 35 mill. €.

In Over-the-counter retail earnings improved despite the sales decrease. The Services segment likewise increased its earnings thanks to progress at Thomas Cook. Mail order shows a marked earnings decrease due to reduced sales.

NET FINANCIAL DEBT MARKEDLY DECREASED, WORKING CAPITAL REDUCED

The net financial debt (including pension reserves) as at March 31, 2004 came to 4.6 bill. € (5.5 bill. € the previous year). The decisive factor for the marked decrease was the CTA programme. Working capital came to 2.5 bill. €. This represents a decrease by about 19% on the previous year at 3.1 bill. €. The inventory was selectively cut back. Furthermore, trade receivables were reduced. Here particularly the ABS programme extended in the fourth quarter of 2003 had an effect.

CHALLENGE FOCUSES ON SUSTAINED VALUE ENHANCEMENT

To counter the sustained and rapid changes in the German retail trade, we have developed a programme of measures and structures named “Challenge”. The programme focuses on strategically significant improvements with the aim of sustained value enhancement.

“Challenge” is based on two pillars:

- **REDUCTION OF THE NET FINANCIAL DEBT
TO OPTIMISE THE CAPITAL STRUCTURE**

Reduction of net financial debt (including pension provisions) by between 0.5 and 0.8 bill. € to a level of 3.3 to 3.6 bill. € is planned in the 2004 financial year. We want to achieve this by the reduction of working capital, limiting our budget, concentration on strategically important investments, by disinvestments and the continuation or conclusion of the CTA programme.

- **CHANGE IN THE BUSINESS MODELS
TO SECURE EARNING POWER**

Optimisation measures alone will not be enough to counter the economy-driven developments in the retail trade. Rather, a change of business models is required.

In the Department store sector we are, with “Challenge”, changing the business system by focusing on four main areas: Partnership models, reduction of loss-making segments, product range innovation and reduction of fixed costs. The separation of the foodstuffs consumer sector as part of a partnership with the REWE Group has already been agreed. Finished concepts have been developed for the optimisation of space in the Living and Multimedia consumer sectors. By the reorientation of the deficit-ridden Foodstuffs and Multimedia consumer sectors we are achieving the elimination of losses running into hundreds of millions of euros. Product range innovations in the form of YornCasa (living) and a partnership with s.Oliver (“She” fashion concept) are ready for launching onto the market. By the end of 2004 our department stores will be enhanced by the addition of 1,500 concession shops and provided with new contents. “Challenge” will take about three years to

implement. Then about half of department store space will be operated more profitably and the risk and capital employed appreciably reduced. In this way we are securing earning power even in a difficult environment.

OUTLOOK

Any forecast for the current financial year would be difficult and beset by uncertainty due to the many economic imponderables. A lot depends upon whether consumers’ pleasure in consumption once more increases and sales in the “true” retail trade in Germany really do rise by about 1% in the 2004 financial year as the experts expect. Furthermore, the retail trade must succeed in bringing the lastingly destructive price competition under control and reducing the dominance of discount wars over the Christmas period.

If the aforementioned factors develop positively over the year, we believe that there will be a chance during the 2004 financial year of achieving a level of group sales slightly below that of the previous year. For safety’s sake we have also adjusted our cost structures to fit a less favourable performance and a resulting sales decrease by about 3%.

After adjustment to allow for special factors our earnings (EBTA) during the 2003 financial year came to 9 mill. €. With group sales at the upper end of expectations, a still positive margin development and aided by the optimisation measures initiated, our earnings will rise significantly. If group sales only reach the lower end of expectations, this would, as things stand, result in negative operating earnings in the middle tens-of-millions range.

Essen, May 2004

The Management Board

Over-the-counter retail

		01.01. - 31.03. 2004	01.01. - 31.03. 2003	Change in %
Sales	mill. €	1,540.3	1,602.9	-3.9
EBITA	mill. €	-50.5	-90.4	44.1
EBTA	mill. €	-60.0	-104.2	42.4
Employees (31.03.)	number	55,985	59,730	-6.3
Segment assets	mill. €	2,827.5	2,574.2*	9.8
Segment liabilities	mill. €	2,276.7	2,468.5*	-7.8

* Figures for previous year, as of 31.12.2003

EARNINGS APPRECIABLY IMPROVED

Over-the-counter retail recorded a sluggish sales performance in the first quarter of 2004 because of the state of the economy. Moreover, business, particularly in January, was dominated by ferocious discount competition. Although the ferocity of discount competition diminished somewhat in the following months, consumers remained highly price-conscious. Our department stores and specialist stores achieved sales worth 1.54 bill. € (previous year 1.60 bill. €). This represents a decrease by 3.9%. The department store segment shows a decrease in sales amounting to 2.8% to 1.37 bill. € (previous year 1.40 bill. €). After adjustment for space – here a number of large-area conversions as well as the integration of the remaining eight Schaulandt branches is an important factor – a sales decrease of 1.0% resulted at Karstadt Warenhaus. The 298 specialty stores with the SinnLeffers and Wehmeyer (fashion), Runners Point and Golf House (sports) as well as Le Buffet (system catering) brands achieved sales of about 192 mill. €. On comparable space sales decreased by 7.8%.

Earnings (EBTA) came to minus 60 mill. €. Compared with the previous year's earnings of minus 89 mill. €, which were adjusted to allow for special factors, this represents an improvement in earnings by 29 mill. €. Including special factors (mainly portfolio streamlining), the previous year's earnings stood at minus 104.2 mill. €.

Over-the-counter retail was able to make good the effect on earnings of the sales decrease by initiating a number of measures. The gross earnings margin was further increased by around 1 percentage point to 43.2% by improving purchasing conditions. Furthermore, costs overall were further lastingly reduced.

Work is consistently being done on the implementation of our "Challenge" programme of structures and measures. As well as on the now completed realisation of the partnership with the REWE group, the emphasis was on product range innovation and the further implementation of concessions. We consistently continued to enhance the attractiveness of our department stores in the first quarter of the current year, too. As well as reshaping our cosmopolitan-city stores in Berlin (KaDeWe), Munich (Oberpollinger) and Hamburg (Alsterhaus), we also made a start on the modernisation of the large department stores in Wiesbaden, Leipzig and Karlsruhe. In Hanau KarstadtSport opened a new sports store on 3,000 sq. m. of space. The number of large-area sports specialty stores thus rose to 33.

Mail order

		01.01. - 31.03. 2004	01.01. - 31.03. 2003	Change in %
Sales	mill. €	1,918.7	2,021.3	-5.1
EBITA	mill. €	-21.7	22.2	-198.0
EBTA	mill. €	-36.2	5.1	-
Employees (31.03.)	number	35,370	35,763	-1.1
Segment assets	mill. €	4,079.9	4,019.9*	1.5
Segment liabilities	mill. €	3,563.4	3,719.1*	-4.2

* Figures for previous year, as of 31.12.2003

SPECIALTY MAIL ORDER CONTINUES TO GROW, UNIVERSAL MAIL ORDER UNDER PRESSURE

Mail order, too, came to feel consumers' reluctance to purchase. Sales came to 1.92 bill. € (previous year 2.02 bill. €). This represents a decrease in sales by 5.1%. The Universal mail-order and Specialty mail-order segments, however, recorded contrary business performances. Specialty mail-order suppliers maintained their long-term growth course and increased their sales by 1%. The much more economy-dependent Universal mail order, by contrast, shows a volume of business decreased by 6.6%. Abroad Quelle and Neckermann further improved their performances. The European foreign subsidiaries achieved a sales increase of 2%. Here again the mail-order companies in Central-Eastern Europe recorded a good business performance with a sales increase by 18%. In e-commerce, too, further increases were achieved.

Due to the reduced sales earnings (EBTA) decreased by 41.3 mill. € to minus 36.2 mill. € (previous year 5.1 mill. €).

In Universal mail order new sales and marketing formats were introduced to underline the different positioning of Quelle and Neckermann. In February 2004 Quelle launched the "Thursday is Quelle Day" format. Every Thursday since mid-March "Quelle Moments" have been presenting a new shopping world. The promotions are aimed at the increased acquisition of new customers by means of innovative, exclusive, emotive and seasonal products. Demand amongst customers for individual promotional offers has exceeded all expectations. Neckermann at the beginning of the 2004 spring/summer season launched a comprehensive product and brand offensive which emphasises in particular the emotive character of the new market entry. For instance, the television presenter Thomas Gottschalk is fronting Neckermann's big dream campaign.

Under the internationalisation strategy Quelle launched a country-wide mail-order operation in the Russian Federation. The first Quelle catalogue in the national language offers about 100 different items. Quelle is aiming for market leadership in the Russian mail-order market. An entry into markets in other Central-Eastern European countries is being planned.

		01.01. - 31.03. 2004	01.01. - 31.03. 2003	Change in %
Sales ¹⁾	mill. €	309.7	324.2	-4.5
EBITA	mill. €	-91.8	-105.1	12.6
thereof Thomas Cook	mill. €	-101.3	-117.4	13.7
EBTA	mill. €	-93.2	-107.3	13.2
Employees (31.03.) ¹⁾	number	5,927	5,922	0.1
Segment assets	mill. €	1,774.7	1,278.2*	38.8
Segment liabilities	mill. €	919.8	895.8*	2.7

* Figures for previous year, as of 31.12.2003 ¹⁾ not including Thomas Cook Group

IMPROVEMENT IN EARNINGS BY THOMAS COOK

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

Sales (not including Thomas Cook, financial services and DSF) in the first quarter came to 309.7 mill. € (previous year 324.2 mill. €). This represents a sales decrease of 4.5 %. The decisive factor here was the reduction in the volume of the logistics and forwarding companies as a result of sales decreases in both retail segments.

Earnings (EBTA) were improved by 14.1 mill. € to minus 93.2 mill. € (previous year minus 107.3 mill. €). The improvement in earnings is largely accounted for by Thomas Cook. Earnings at the other service companies are, at 8 mill. €, virtually on the same level as the previous year and thus according to schedule.

At Thomas Cook the structural changes initiated already had positive effects. Group sales decreased, as expected, by 5.1% to 1.1 bill. €. The decisive factor here was the reduction in the average price and average length of holiday. The number of tourists, by contrast, rose by 2.8% to 1.6 million. Thanks to cost-cutting measures and capacity reduction expenses for leisure services and all other cost items were successfully reduced by a disproportionate amount. Earnings (EBTA) decreased due to seasonal effects, in the first tourism quarter (1.11.2003 to 31.1.2004) they were however increased by a good 12% to minus 203 mill. €. We, together with the management of Thomas Cook, also anticipate a marked improvement in earnings for the 2003/2004 financial year as a whole, too.

Further-development of the new Services segments is progressing very well. The “HappyDigits” loyalty-card programme recorded a sharp rise in the number of subscribers. Already more than 20 million card holders are currently taking advantage of the attractive services and bonus offers.

KarstadtQuelle Financial Services (KQFS) will increase the number of finance service centres in Karstadt department stores to 40 during the current financial year. In them 150 advisers will sell bank and insurance products.

Planning is under way with the new “HappyDigits” partner Sixt for the launch of a co-branding MasterCard programme. The launch of the FIFA WORLD CUP 2006™ MasterCard is planned for September 2004, to coincide with the opening of the first Official FIFA WM 2006™ shops.

KarstadtQuelle Information Services (KQIS) launched a strategic partnership with the internationally networked DDB/Rapp Collins agency. The joint venture offers strategic consultancy services in the area of direct marketing for branded goods retailers.

Deutsches Sportfernsehen (DSF) already achieved a positive operating result in the 2003 financial year and continues to perform well in the current year, too.

Real estate

		01.01. - 31.03. 2004	01.01. - 31.03. 2003	Change in %
Sales	mill. €	143.5	140.1	2.4
EBITA	mill. €	76.0	62.5	21.5
EBTA	mill. €	65.5	54.5	20.3
Employees (31.03.)	number	105	76	38.2
Segment assets	mill. €	5,442.9	5,285.8*	3.0
Segment liabilities	mill. €	2,898.5	2,782.2*	4.2

* Figures for previous year, as of 31.12.2003

SALES AND EARNINGS INCREASED

The Real estate segment achieved earnings from sales (income from rent) worth 143.5 mill. € (previous year 140.1 mill. €). This represents a sales growth by 2.4%. The decisive factor here is the direct letting, taken over the previous year, of real estate not in group ownership.

Earnings (EBTA) rose by 11 mill. € to 65.5 mill. € (previous year 54.5 mill. €). The growth in earnings is based on the discontinuation of special charges during the previous year.

Holding

		01.01. - 31.03. 2004	01.01. - 31.03. 2003	Change in %
EBITA	mill. €	-17.6	134.9	-113.0
EBTA	mill. €	-30.6	115.7	-126.4
Employees (31.03.)	number	194	174	11.5
Segment assets	mill. €	3,428.9	3,478.0*	-1.4
Segment liabilities	mill. €	5,301.8	4,017.5*	32.0

* Figures for previous year, as of 31.12.2003

PREVIOUS YEAR INCLUDED POSITIVE SPECIAL EFFECTS

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

EBTA stood at minus 30.6 mill. € (previous year: 115.7 mill. €). The earnings decrease by 146.3 mill. € is due to the discontinuation of special income from the CTA programme during the previous year.

Group profit and loss account

GROUP ACCOUNT

for the period from January 1 to March 31, 2004

Amounts shown in th. €	01.01. - 31.03. 2004	01.01. - 31.03. 2003	Change in %
Sales	3,519,330	3,683,121	-4.4
Cost of sales	-1,852,935	-1,950,388	-5.0
Gross earnings	1,666,395	1,732,733	-3.8
Other capitalised own work	9,085	7,723	17.6
Operating income	148,913	275,099	-45.9
Staff costs	-723,180	-742,080	2.5
Operating costs	-1,024,423	-1,015,032	-0.9
Other taxes	-7,207	-8,543	15.6
Earnings from ordinary activities	69,583	249,900	-72.2
Income from investments	-94,652	-113,408	16.5
thereof from associated companies	-97,679	-118,853	17.8
Earnings before interest, tax and depreciation and amortisation (EBITDA)	-25,069	136,492	-118.4
Depreciation and amortisation (not including goodwill)	-97,074	-111,688	13.1
Earnings before interest, tax and amortisation of goodwill (EBITA)	-122,143	24,804	-
Amortisation of goodwill	-	-16,274	-
Earnings before interest and tax (EBIT)	-122,143	8,530	-
Net interest income	-48,139	-60,021	19.8
Other financial income	-570	-132	-
Earnings before taxes (EBT)	-170,852	-51,623	-231.0
Taxes on income	62,838	27,573	127.9
Net income before minority shareholdings	-108,014	-24,050	-
Loss/Profit due to other shareholders	-2,259	-1,269	-78.0
Net income after minority shareholdings	-110,273	-25,319	-
Earnings per share in €	-1.04	-0.23	-

Group balance sheet

GROUP ACCOUNT

as at March 31, 2004

ASSETS

Amounts shown in th. €	31.03.2004	31.03.2003	Change in %	31.12.2003
Intangible assets	564,510	502,433	12.4	549,668
Tangible assets	3,454,258	3,649,120	-5.3	3,500,609
Financial assets	587,204	699,019	-16.0	661,596
Fixed assets	4,605,972	4,850,572	-5.0	4,711,873
Inventories	2,463,097	2,607,101	-5.5	2,417,169
Receivables and other assets	1,833,093	2,361,896	-22.4	1,724,420
Securities	158,335	23,743	-	130,934
Liquid funds	216,931	202,474	7.1	156,692
Current assets	4,671,456	5,195,214	-10.1	4,429,215
Deferred taxes	66,033	12,402	-	15,347
Prepayments and accrued income	31,100	43,793	-29.0	36,264
Balance sheet total	9,374,561	10,101,981	-7.2	9,192,699

EQUITY AND LIABILITIES

Amounts shown in th. €	31.03.2004	31.03.2003	Change in %	31.12.2003
Equity	1,528,946	1,635,094	-6.5	1,639,394
Minority shareholdings	73,072	69,863	4.6	69,299
Long-term financial liabilities	2,304,142	1,786,558	29.0	2,125,877
Other long-term liabilities	371,605	52,919	-	368,397
Pension provisions	819,928	1,699,160	-51.7	838,335
Other long-term provisions for liabilities and charges	233,317	255,326	-8.6	239,686
Long-term liabilities	3,728,992	3,793,963	-1.7	3,572,295
Short-term financial liabilities	1,883,995	2,216,979	-15.0	1,471,132
Trade payables	770,679	786,085	-2.0	1,011,334
Other short-term liabilities	951,370	1,076,884	-11.7	1,000,742
Short-term provisions for liabilities and charges	241,402	302,048	-20.1	258,506
Short-term liabilities	3,847,446	4,381,996	-12.2	3,741,714
Deferred taxes	189,706	217,533	-12.8	165,709
Accruals and deferred income	6,399	3,532	81.2	4,288
Balance sheet total	9,374,561	10,101,981	-7.2	9,192,699

Changes in group equity and minority shareholdings

01.01. - 31.03.2004

Amounts shown in th. €	Issued capital	Capital reserve	Revenue reserves	Revaluation reserve	Adjustments foreign currency translation	Total group equity	Minority shareholdings	Total
Opening balance at 01.01.2004	272,212	317,471	1,127,622	-64,130	-13,781	1,639,394	69,299	1,708,693
Dividends	-	-	-	-	-	-	-1,122	-1,122
Generated capital/ group earnings	-	-	-110,273	-	-	-110,273	2,259	-108,014
Differences from foreign currency translation	-	-	-	-	734	734	-	734
Change due to valuation of original and derivative financial instruments	-	-	-	8,378	-	8,378	-	8,378
Other changes	-	-	-9,287	-	-	-9,287	2,636	-6,651
Closing balance at 31.03.2004	272,212	317,471	1,008,062	-55,752	-13,047	1,528,946	73,072	1,602,018

01.01. - 31.03.2003

Amounts shown in th. €	Issued capital	Capital reserve	Revenue reserves	Revaluation reserve	Adjustments foreign currency translation	Total group equity	Minority shareholdings	Total
Opening balance at 01.01.2003	277,855	343,289	1,103,715	-49,253	801	1,676,407	69,820	1,746,227
From the purchase of shares	-3,229	-14,079	-	-	-	-17,308	-	-17,308
Dividends	-	-	-	-	-	-	-1,003	-1,003
Generated capital/ group earnings	-	-	-25,319	-	-	-25,319	1,269	-24,050
Differences from foreign currency translation	-	-	-	-	-752	-752	-223	-975
Change due to valuation of original and derivative financial instruments	-	-	-	2,066	-	2,066	-	2,066
Closing balance at 31.03.2003	274,626	329,210	1,078,396	-47,187	49	1,635,094	69,863	1,704,957

Group cash flow statement

GROUP ACCOUNT

as at March 31, 2004

Amounts shown in th. €	31.03.2004	31.03.2003
Earnings for the period (including shares of earnings of minority shareholders) before taxes on income and extraordinary items	-170,855	-51,623
Depreciation and amortisation/revaluations fixed assets	97,304	122,254
Earnings/Loss from disposal of assets	-454	-7,664
Profit/Loss from foreign currency	-3,605	777
Earnings/Losses absorbed from participating interests	94,423	113,408
Interest income/expenses	30,909	25,973
Increase/Decrease long-term provisions for liabilities and charges (not including tax provisions)	-23,217	-8,900
Other costs/earnings not affecting cash flow	47,348	-80,454
Gross cash flow	71,853	113,771
Increase/Decrease of inventories, trade receivables and other assets, not attributable to investment or financing activities	-198,283	-295,585
Increase/Decrease of trade payables and other liabilities not attributable to investment or financing activities	-273,567	-110,060*
Cash flow from current business activities	-399,997	-291,874
Dividends received	3,256	5,445
Interest received	27,772	21,293
Interest paid	-57,471	-50,630
Payments/Refunds of taxes on income	-7,323	-10,532
Cash flow from current business activities	-433,763	-326,298
Cash flow from acquisitions/disinvestment of subsidiaries	766	-
Amounts paid out for acquisition of tangible fixed, intangible fixed and long-term assets	-69,026	-64,650
Amounts paid for investment in financial assets	-6,069	-14,402
Amounts paid in from sale of tangible fixed, intangible fixed and long-term assets	3,416	2,231
Amounts paid in from sale of financial assets	93	15,785
Cash flow from investment activities	-70,820	-61,036
Amounts paid out to/paid in for dividends, capital increase and share repurchase programme	-	-17,308
Amounts paid in/paid under mortgage bond programme and for (finance) loans	561,152	542,003*
Amounts paid in/paid out for liabilities under finance lease	987	-36,634
Cash flow from financing activities	562,139	488,061
Changes in cash and cash equivalents affecting cash flow	57,556	100,727
Changes in cash and cash equivalents due to changes in exchange rates and consolidated companies	2,079	-44,281
Cash and cash equivalents at the beginning of the period	166,118	168,813
Cash and cash equivalents at the end of the period	225,753	225,259

* Amounts adjusted to allow for CTA effects

Segment information

GROUP ACCOUNT

KarstadtQuelle Group

Amounts shown in th. €	KarstadtQuelle Group		Reconciliation account		Holding	
	01.01. - 31.03. 2004	01.01. - 31.03. 2003	01.01. - 31.03. 2004	01.01. - 31.03. 2003	01.01. - 31.03. 2004	01.01. - 31.03. 2003
Sales	4,124,282	4,295,740	-	-	-	-
Interest from credit operations	49,656	52,862	-	-	-	-
Internal sales	-654,608	-665,481	-392,871	-405,376	-	-
Group sales	3,519,330	3,683,121	-392,871	-405,376	-	-
Cost of sales	-1,852,935	-1,950,388	169,065	176,820	-	-
Gross earnings	1,666,395	1,732,733	-223,806	-228,556	-	-
Other capitalised own work	9,085	7,723	5,041	3,213	-	-
Operating income and expenditure	-875,510	-739,933	218,865	222,900	-11,085	140,240
Staff costs	-723,180	-742,080	184	2,401	-5,897	-5,478
Other taxes	-7,207	-8,543	1	-	-36	-5
Earnings from operations	69,583	249,900	285	-42	-17,018	134,757
Income from investments	-94,652	-113,408	-17,226	-	-	258
EBITDA	-25,069	136,492	-16,941	-42	-17,018	135,015
Depreciation and amortisation (not including goodwill)	-97,074	-111,688	455	763	-537	-146
EBITA	-122,143	24,804	-16,486	721	-17,555	134,869
Amortisation of goodwill	-	-16,274	-	-	-	-
EBIT	-122,143	8,530	-16,486	721	-17,555	134,869
Net interest income	-48,139	-60,021	20	83	-12,536	-19,519
Other financial income	-570	-132	-20	-75	-461	397
EBT	-170,852	-51,623	-16,486	729	-30,552	115,747
EBIT margin in %	-3.5	0.2	-	-	-	-
EBT margin in %	-4.9	-1.4	-	-	-	-
EBTA	-170,852	-35,349	-16,486	729	-30,552	115,747
EBTA margin in %	-4.9	-1.0	-	-	-	-
Segment assets	9,308,528	9,177,352*	-8,245,491	-7,458,771*	3,428,943	3,478,021*
Segment liabilities	7,655,909	7,387,596*	-7,304,340	-6,495,605*	5,301,793	4,017,516*
Investments	75,095	82,549	-	-	1,135	3,665
Full-time employees (average 01.01.-31.03.)	74,309	80,369	-	-	181	161

* Figures for previous year, as of 31.12.2003

Segment information

GROUP ACCOUNT

KarstadtQuelle Group

Amounts shown in th. €	Over-the-counter retail		Mail order	
	01.01. - 31.03. 2004	01.01. - 31.03. 2003	01.01. - 31.03. 2004	01.01. - 31.03. 2003
Sales	1,559,778	1,646,347	2,099,273	2,174,127
Interest from credit operations	-	-	49,656	52,862
Internal sales	-19,469	-43,420	-230,204	-205,694
Group sales	1,540,309	1,602,927	1,918,725	2,021,295
Cost of sales	-875,603	-925,784	-967,928	-1,014,098
Gross earnings	664,706	677,143	950,797	1,007,197
Other capitalised own work	2,690	1,598	65	284
Operating income and expenditure	-298,994	-324,389	-695,158	-689,488
Staff costs	-387,081	-402,799	-261,326	-267,406
Other taxes	-281	-323	-2,462	-2,507
Earnings from operations	-18,960	-48,770	-8,084	48,080
Income from investments	5,190	288	12,244	-516
EBITDA	-13,770	-48,482	4,160	47,564
Depreciation and amortisation (not including goodwill)	-36,739	-41,926	-25,899	-25,382
EBITA	-50,509	-90,408	-21,739	22,182
Amortisation of goodwill	-	-1,087	-	-3,598
EBIT	-50,509	-91,495	-21,739	18,584
Net interest income	-9,445	-13,674	-14,493	-17,146
Other financial income	-93	-82	77	108
EBT	-60,047	-105,251	-36,155	1,546
EBIT margin in %	-3.3	-5.7	-1.1	0.9
EBT margin in %	-3.9	-6.6	-1.9	0.1
EBTA	-60,047	-104,164	-36,155	5,144
EBTA margin in %	-3.9	-6.5	-1.9	0.3
Segment assets	2,827,506	2,574,189*	4,079,944	4,019,929*
Segment liabilities	2,276,722	2,468,482*	3,563,403	3,719,110*
Investments	29,332	31,180	22,711	25,953
Full-time employees (average 01.01.-31.03.)	40,335	46,625	28,188	27,958

* Figures for previous year, as of 31.12.2003

Segment information

GROUP ACCOUNT

KarstadtQuelle Group

Amounts shown in th. €	Services		Real estate	
	01.01. - 31.03. 2004	01.01. - 31.03. 2003	01.01. - 31.03. 2004	01.01. - 31.03. 2003
Sales	321,776	335,216	143,455	140,050
Interest from credit operations	-	-	-	-
Internal sales	-12,064	-10,991	-	-
Group sales	309,712	324,225	143,455	140,050
Cost of sales	-178,469	-187,326	-	-
Gross earnings	131,243	136,899	143,455	140,050
Other capitalised own work	1,289	2,628	-	-
Operating income and expenditure	-49,977	-53,074	-39,161	-36,122
Staff costs	-67,345	-67,509	-1,715	-1,289
Other taxes	-210	-2	-4,219	-5,706
Earnings from operations	15,000	18,942	98,360	96,933
Income from investments	-94,630	-113,438	-230	-
EBITDA	-79,630	-94,496	98,130	96,933
Depreciation and amortisation (not including goodwill)	-12,192	-10,590	-22,162	-34,407
EBITA	91,822	-105,086	75,968	62,526
Amortisation of goodwill	-	-11,586	-	-3
EBIT	-91,822	-116,672	75,968	62,523
Net interest income	-1,313	-2,204	-10,372	-7,561
Other financial income	-22	-	-51	-480
EBT	-93,157	-118,876	65,545	54,482
EBIT margin in %	-29.6	-36.0	53.0	44.6
EBT margin in %	-30.1	-36.7	45.7	38.9
EBTA	-93,157	-107,290	65,545	54,485
EBTA margin in %	-30.1	-33.1	45.7	38.9
Segment assets	1,774,743	1,278,182*	5,442,883	5,285,802*
Segment liabilities	919,819	895,845*	2,898,512	2,782,248*
Investments	20,612	9,990	1,305	11,761
Full-time employees (average 01.01.-31.03.)	5,506	5,554	99	71

* Figures for previous year, as of 31.12.2003

ACCOUNTING AND VALUATION METHODS

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

For the first time the IFRS 3 “Business Combinations”, IAS 36 “Impairment of Assets” and IAS 38 “Intangible Assets” standards newly approved and revised by the IASB were applied in the quarterly account. Scheduled amortisation of goodwill capitalised in connection with company acquisition was accordingly not included. As a result, earnings before tax improved by 15,548 th. €. The profit and loss account for the previous year was not adjusted in accordance with the transitional IFRS 3 provisions. Quarterly earnings after minorities would have amounted in the previous year to minus 35,348 th. €.

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

An examination of the quarterly account has been carried out.

CONSOLIDATED COMPANIES

The number of consolidated companies rose by ten, mainly from the Mail-order segment. Furthermore, one participating interest is entered on the balance sheet at equity for the first time.

The presentation of the net worth, financial position and earnings is not materially affected by this.

EQUITY

Revenue reserves were reduced as a result of final-consolidation entries in 2003.

CONTINGENT LIABILITIES, OTHER FINANCIAL COMMITMENTS

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

IMPORTANT EVENTS AFTER THE REPORTING DATE

With economic effect from April 1, 2004, the KarstadtQuelle Group has acquired the remaining shares in AFIGEST S.A., France. Since this participating interest had already been fully consolidated beforehand, this had no significant effect on the group balance sheet as a whole.

Calendar 2004

Interim reports

2nd quarter August 4, 2004

3rd quarter November 3, 2004

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