# Interim Report

to September 30, 2006

KARSTADT QUELLE AG

# Facts

**The third quarter of 2006 saw the KarstadtQuelle Group make further progress in both operating business and strategic development.**

## Developments in the third quarter 2006:

### Karstadt beats the market trend with largest sales rise since the fall of the Berlin Wall

### Bank debts essentially reduced to zero

### Result of Group operating business segments markedly improved

- Department store sales rise by 6.5 % – EBITDA positive for the first time for years
- Decline in sales and earnings in mail order slowed
- Thomas Cook gains market shares, sales rise by 2.8 % – result virtually stable despite sharp rise in kerosine prices

### Strategy consistently further developed

- Inflow of further funds from real estate disposal
- Cooperation with Li & Fung set up
- Mail order agrees cooperation with PPR La Redoute

## Developments at September 30, 2006:

### Consolidated earnings reach 479 mill. €

### Net financial liabilities reduced by 91.5 %

### Working capital fallen by 66.7 %

### Equity ratio rises to 15.8 %

## Outlook:

### Good performance in the fourth quarter 2006 expected

### Earnings forecast 2006 confirmed

# At a glance *

| | | | 30.09.2006 | 30.09.2005 | Change in % |
|---|---|---|---|---|---|
| **Sales** [1] | Karstadt | mill. € | 3,320.0 | 3,182.4 | 4.3 |
| | Mail order | mill. € | 4,375.6 | 4,853.3 | -9.8 |
| | Thomas Cook | mill. € | 2,503.1 | 2,454.8 | 2.0 |
| | **Operating segments** | mill. € | **10,198.7** | **10,490.5** | -2.8 |
| | Services | mill. € | 213.1 | 221.6 | -3.8 |
| | Real estate | mill. € | 261.4 | 327.3 | -20.1 |
| | Reconciliation account | mill. € | -389.3 | -443.5 | – |
| | **Total** | mill. € | **10,283.9** | **10,595.9** | -2.9 |
| **Earnings** | **Net profit/loss after minority interests** | mill. € | **479.0** | **-253.0** | – |
| | Karstadt | mill. € | -35.9 | -73.6 | 51.2 |
| | Mail order | mill. € | -114.0 | -69.8 | -63.4 |
| | Thomas Cook | mill. € | 45.5 | 40.3 | 12.9 |
| | **Operating segments** | mill. € | **-104.4** | **-103.1** | -1.3 |
| | Services | mill. € | 15.4 | 28.8 | -46.7 [2] |
| | Real estate | mill. € | 136.0 | 248.2 | -45.2 [2] |
| | Reconciliation account/Holding company | mill. € | -44.5 | -28.6 | – |
| | **EBITDA** (adjusted) [1] | mill. € | **2.5** | **145.3** | -98.3 |
| | *EBITDA margin (adjusted)* | in % | *0.0* | *1.4* | – |
| **Financial situation** | Free cash flow | mill. € | 2,676.7 | 73.0 | – |
| | Cash and cash equivalents | mill. € | 965.6 | 655.2 | 47.4 |
| | Investments | mill. € | 167.4 | 146.6 | 14.2 |
| | Depreciation and amortization (not including amortization of goodwill) | mill. € | 243.3 | 314.1 | -22.5 |
| | Net financial liabilities | mill. € | 387.7 | 4,575.1 | -91.5 |
| | Working capital | mill. € | 759.1 | 2,279.7 | -66.7 |
| **Full-time employees at the balance-sheet date** | Karstadt | number | 25,453 | 26,045 | -2.3 |
| | Mail order | number | 23,091 | 25,742 | -10.3 |
| | Thomas Cook | number | 10,089 | 12,354 | -18.3 |
| | Services | number | 2,112 | 2,207 | -4.3 |
| | Real estate | number | 42 | 73 | -42.5 |
| | Holding company | number | 180 | 157 | 14.6 |
| | **Total** | number | **60,967** | **66,578** | -8.4 |
| **KARSTADT QUELLE AG share** | Shares on annual average | number in th. | 200,194 | 199,374 | 0.4 |
| | Earnings per share | € | 2.39 | -1.27 | – |
| | Market price at balance sheet date | € | 18.75 | 11.26 | 66.5 |
| | Highest price (01.01. - 30.09.) | € | 25.37 | 11.62 | – |
| | Lowest price (01.01. - 30.09.) | € | 12.93 | 7.08 | – |

* The figures were adjusted. The adjustments relate to special factors, divestments and joint ventures.

1) Comparison with previous year only limitedly possible because of radical restructuring.

2) Year-on-year comparison not possible due to extensive divestments.

# Performance in the first, second and third quarter of 2006

## Sales *) 1)

| Amounts shown in mill. € | Quarter I (01.01. – 31.03.) | | | Quarter II (01.04. – 30.06.) | | | Quarter III (01.07. – 30.09.) | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | Change in % | 2006 | 2005 | Change in % | 2006 | 2005 | Change in % |
| Karstadt | 1,111.5 | 1,105.5 | 0.5 | 1,068.9 | 1,007.2 | 6.1 | 1,139.6 | 1,069.8 | 6.5 |
| Mail order | 1,566.6 | 1,701.9 | –7.9 | 1,438.2 | 1,676.0 | –14.2 | 1,370.8 | 1,475.4 | –7.1 |
| Thomas Cook | 553.1 | 563.7 | –1.9 | 663.7 | 639.8 | 3.7 | 1,286.3 | 1,251.3 | 2.8 |
| **Operating segments** | **3,231.2** | **3,371.1** | –4.1 | **3,170.8** | **3,323.0** | –4.6 | **3,796.7** | **3,796.5** | 0.0 |
| Services | 78.1 | 68.9 | 13.3 | 73.4 | 73.5 | –0.1 | 61.6 | 79.2 | –22.2 |
| Real estate | 109.4 | 115.6 | –5.3 | 108.3 | 107.6 | 0.7 | 43.7 | 104.1 | –58.0 |
| Reconciliation account | –151.3 | –156.3 | – | –145.4 | –148.2 | – | –92.7 | –139.1 | – |
| **Total** | **3,267.4** | **3,399.3** | **–3.9** | **3,207.1** | **3,355.9** | **–4.4** | **3,809.3** | **3,840.7** | **–0.8** |

* The figures were adjusted. The adjustments relate to special factors, divestments and joint ventures.

1) Comparison with previous year only limitedly possible because of radical restructuring.

## Earnings before financial income, income taxes and depreciation and amortization (EBITDA)

| Amounts shown in mill. € | Quarter I (01.01. – 31.03.) | | | Quarter II (01.04. – 30.06.) | | | Quarter III (01.07. – 30.09.) | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | Change in % | 2006 | 2005 | Change in % | 2006 | 2005 | Change in % |
| Karstadt | –32.5 | –34.3 | 5.4 | –36.0 | –38.8 | 7.3 | –15.8 | –97.6 | 83.9 |
| Mail order | –36.2 | 14.2 | – | –107.5 | 1.2 | – | –88.1 | –39.3 | – |
| Thomas Cook | –41.8 | –51.9 | 19.6 | –19.2 | –19.5 | 1.1 | 101.5 | 111.3 | –8.8 |
| **Operating segments** | **–110.5** | **–72.0** | –53.4 | **–162.7** | **–57.1** | –185.1 | **–2.4** | **–25.6** | 91.0 |
| Services 1) | 6.9 | 9.8 | –29.6 | 7.7 | 24.0 | –68.1 | –6.6 | 9.0 | –172.5 |
| Real estate 1) | 66.5 | 84.0 | –20.8 | 917.4 | 74.7 | – | 140.9 | 156.4 | –9.9 |
| Reconciliation account/Holding company | –9.8 | –16.2 | – | –38.8 | –24.4 | – | –74.5 | –21.7 | – |
| **Total** | **–46.9** | **5.6** | **–** | **723.6** | **17.2** | **–** | **57.4** | **118.1** | **–51.4** |

1) Year-on-year comparison not possible due to extensive divestments.

## Adjusted earnings before financial income, income taxes and depreciation and amortization (adjusted EBITDA) *)

| Amounts shown in mill. € | Quarter I (01.01. – 31.03.) | | | Quarter II (01.04. – 30.06.) | | | Quarter III (01.07. – 30.09.) | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | Change in % | 2006 | 2005 | Change in % | 2006 | 2005 | Change in % |
| Karstadt | –27.2 | –29.6 | 8.1 | –8.9 | –29.6 | 70.0 | 0.1 | –14.4 | 101.0 |
| Mail order | –12.5 | 0.4 | – | –40.1 | –15.1 | –165.3 | –61.4 | –55.1 | –11.4 |
| Thomas Cook | –38.8 | –51.4 | 24.6 | –26.7 | –21.8 | –22.5 | 111.0 | 113.5 | –2.2 |
| **Operating segments** | **–78.5** | **–80.6** | 2.5 | **–75.7** | **–66.5** | –13.7 | **49.7** | **44.0** | 13.0 |
| Services 1) | 7.2 | 10.5 | –31.0 | 6.8 | 9.0 | –24.2 | 1.3 | 9.3 | –86.0 |
| Real estate 1) | 55.2 | 84.8 | –34.9 | 61.9 | 75.7 | –18.3 | 18.9 | 87.6 | –78.5 |
| Reconciliation account/Holding company | –7.9 | –9.2 | – | –10.7 | –4.3 | – | –25.7 | –15.0 | – |
| **Total** | **–24.0** | **5.5** | **–** | **–17.7** | **13.9** | **–227.7** | **44.2** | **125.9** | **–64.9** |

* The figures were adjusted. The adjustments relate to special factors, divestments and joint ventures.

1) Year-on-year comparison not possible due to extensive divestments.

# Contents

# Report of the Management Board

## Dear Shareholders,

The third quarter of 2006 saw the KarstadtQuelle Group make further progress in both operating business and strategic development. Department store business and Thomas Cook continued to perform well. In mail order the downward trend in sales slowed. Working capital and net financial indebtedness were further reduced. We are working through our strategic roadmap step by step. In the third quarter of 2006 we gained further funds from the disposal of real estate, the strategic cooperation with Li & Fung, the world leader in the purchasing sector, was contractually finalized and in mail order we agreed the start of a business cooperation with PPR La Redoute. We are therefore entering the important fourth quarter of 2006, in which we achieve a disproportionate share of our annual sales, with optimism.

## Sales and earnings performance

### Karstadt achieves largest rise in sales since the fall of the Berlin Wall – EBITDA of operating segments rises by 13.0 %

Adjusted Group sales came to 3.81 bill. € (previous year: 3.84 bill. €) in the third quarter of 2006. Returns from sales thus virtually reached the previous year's level. Adjusted Group EBITDA stood at 44.2 mill. € (previous year: 125.9 mill. €). A comparison with the previous year's result is not meaningful, since the result for the real estate segment decreased significantly because of the disposal of the real estate portfolio. Set against this, however, the Real estate segment shows, apart from the EBITDA, a marked improvement in adjusted net interest income (01.01. – 30.09.) by 51.9 mill. € to plus 16.5 mill. €. In the third quarter adjusted EBITDA (not including special factors) of the three operating segments (i.e. Karstadt, Mail order, Thomas Cook) reached 49.7 mill. € (previous year: 44.0 mill. €). This represents an increase by 13.0 %.

### Sales at Karstadt during third quarter rose by 6.5 % – Marked improvement in earnings – Adjusted EBITDA positive

Department store business performed gratifyingly. In sales terms Karstadt can look back on the most successful third quarter since the fall of the Berlin Wall. Adjusted sales at the Karstadt department and sports stores rose by 6.5 % to 1.14 bill. € (previous year: 1.07 bill. €) in the third quarter of 2006. September was particularly successful. After adjustment for space Karstadt increased sales by 15.2 %. Karstadt also successfully improved sales in the Fashion segment, while the German market as a whole suffered from a decline in sales. From quarter to quarter the success of the repositioning and realignment of the department stores is becoming more and more apparent. The newly aligned stores, especially in the premium segment, are performing particularly successfully. Here above-average sales rises were achieved. The strategic focus on the Fashion and Sports segments is proving to be right. Both segments achieved strong sales increases.

The "125 Years of Karstadt" anniversary launched at the start of September 2006 was successfully implemented. The marketing was emotional, effective and consistent, aimed at creating added value for customers. The customer is now definitely aware of how much Karstadt has changed for the positive. Impressive product ranges, an appealing ambience, a focus on service and numerous in-store events mark out the new Karstadt in the anniversary year. Adjusted EBITDA in the department store sector improved on the previous year by 14.5 mill. € to 0.1 mill. € during the third quarter 2006. It is positive in a third quarter for the first time for many years (previous year: minus 14,4 mill. €). Usually, because of the marked seasonality of the business, a positive result is not achieved until the fourth quarter of the year.

### Sales decrease in mail order slowed – Success in cost management stabilize result

The KarstadtQuelle mail-order suppliers achieved adjusted sales of 1.37 bill. € (previous year: 1.48 bill. €) in the third quarter of 2006. This represents a decrease by 7.1 %. The fall in sales recorded in the first half of the year was thus slowed. International business at Quelle and neckermann.de returns a good performance in Central and Eastern Europe. E-commerce boosted its business by 17.6 % and thus continues to grow strongly. In the third quarter of 2006 adjusted EBITDA stood at minus 61.4 mill. € (previous year: minus 55.1 mill. €). A slow-down of the negative trend is thus also reflected in earnings.

### Thomas Cook gains market shares, sales rise by 2.8 % – result virtually stable despite sharp rise in kerosine prices

Thomas Cook increased its proportionate sales during the third quarter of 2006 by 2.8 % to 1.29 bill. € (previous year: 1.25 bill. €). After adjustment for divestments (Aldiana, Thomas Cook India a. o.) the rise in sales amounts to 3.4 %. The decisive factors here were the good performance by the German tour operators and the strong seat-only business at Condor. Overall Thomas Cook AG outperformed the competition in nearly all the important markets. However, the football world cup and the thwarted terrorist attacks in London held back sales in the UK market.

In the third quarter of 2006 adjusted (proportionate) EBITDA stood at 111.0 mill. € (previous year: 113.5 mill. €). The result was positively affected by a good price-performance ratio, new products and efficient cost-cutting and portfolio adjustment measures. A better result was prevented by the unexpected, temporarily sharp rise in the price of kerosine, which in the third quarter of 2006 alone led to proportionate higher costs of around 26 mill. € than in the previous year.

### Consolidated earnings stand at 479 mill. € after nine months

Total adjusted consolidated sales after nine months came to 10.28 bill. € (previous year: 10.60 bill. €). This represents a decrease by 2.9 %. Consolidated earnings (after minority interests) came to plus 479.0 mill. € (previous year: minus 253.0 mill. €) in the first nine months. Extraordinary income from the successful stepwise disposal of real estate had positive effects. On the other hand, the result was depressed by significant restructuring costs.

Adjusted EBITDA of the three operational business segments for seasonal reasons came to minus 104.4 mill. € during the first nine months. Earnings are thus performing at the same level as the previous year.

### Net financial liabilities further reduced – working capital strongly reduced – equity ratio reaches 15.8 %

The reduction of net financial liabilities continued to progress well in the third quarter of 2006, too. Net financial liabilities, which stood at no less than 4.58 bill. € at the end of the same period the previous year, were successfully reduced to 388 mill. € in the period to September 30, 2006. This positive performance is particularly a result of the real estate sales. Bank liabilities have meanwhile essentially been reduced to zero. The further decrease in net financial liabilities achieved in the third quarter is also to be rated highly because in the third quarter in preparation for Christmas business the Group naturally shows the highest in-year indebtedness. This positive development is also reflected in working capital. Consequently, the Group did not have to utilize the loan facility made available to it for the usual working capital increase in the third quarter. Working capital was reduced by 67 % from 2.28 bill. € the previous year to 0.76 bill. €. The purely operational improvement came to 7.4 %. The targets were thus exceeded. The equity ratio rose over the period to the review date to 15.8 % (previous year: 3.4 %).

## Important events during the third quarter

### Sourcing agreement with Li & Fung was signed

By the signing of the sourcing agreement with Li & Fung, the world's biggest purchasing company, a partnership of importance for the Group as a whole was launched. As agent, Li & Fung will undertake the entire international purchasing for the Group. The collaboration will enable purchasing prices to be markedly brought down and working capital to be reduced in the long term by 500 mill. €. Collaboration with Li & Fung will enable purchasing to considerably gain in flexibility. Faster goods procurement will particularly bring advantages in competition with vertical marketers. In imports KarstadtQuelle will in future be concentrating on the core competences of design, product range configuration and goods presentation. The advantages of the new collection model, which is aimed at multiplying the collections during the year, were already impressively demonstrated in the department store during the implementation of the anniversary in the third quarter.

## Karstadt is visibly changing its brand image

The realignment of the Karstadt brand is intensifying. The standard in the department stores is being constantly raised and the department store portfolio further optimized. The premium group was strengthened in the third quarter by the new opening of the “Oberpollinger” store in Munich. A further cosmopolitan Karstadt store is being set up in Essen. The foundation stone for the new Essen Limbecker Platz city center shopping attraction was laid in the third quarter. Complete opening is planned for autumn 2009. As a cross-regional shopping attraction, our new store in Leipzig is setting new standards in shopping experiences. In Hamburg we further expanded our market leadership. Following the first part-conversion of the Karstadt store in the Mönckebergstrasse in Hamburg in September 2006, Karstadt is now, with the Alsterhaus store, represented at the Hamburg location by two future-focused department stores.

An agreement was signed with the French company Vinci Park for operation of the 70 Karstadt high-rise car parks containing over 20,000 parking spaces. The agreement is for a term of 15 years, and its total volume is around 500 mill. €. Linked to this is also an immediate, extensive modernization of the high-rise car parks. The high-rise car parks are an important service component of our department stores. This service to the customer is being considerably improved by the new operator. At the same time Karstadt is receiving from Vinci Park high rent returns.

The realignment in the department store is technologically accompanied by measures for process and structural optimization. One of the priority aims is the further reduction of working capital. An important step was the start in August 2006 of the new Karstadt merchandize management system, which was developed as part of a strategic partnership with SAP. It enables Karstadt to link purchasing planning with the operative control of merchandize processes. Thus, for the first time complete business processes are being created which will secure significant advantages for us, particularly in costs. Karstadt’s realignment also includes intensified fostering of junior staff. Accordingly, in 2006 Karstadt virtually doubled the number of trainees in the Department store segment.

## Mail-order cooperation with the French PPR Group launched

The KarstadtQuelle mail-order group and Redcats, a company of the French PPR group, have launched various joint business initiatives in Germany.

neckermann.de will strengthen its position as provider of attractive fashion wear. To this end La Redoute fashions will be featured in the catalog and on neckermann.de’s e-commerce site in Germany. After a test phase neckermann.de will from 2007 on offer La Redoute’s complete fashion range in addition to the existing fashion range. neckermann.de will also integrate La Redoute fashions into its own range in Central Eastern European countries. The two mail-order companies have further agreed on international collaboration in special mail order. As part of a joint venture, the range of the Vertbaudet brand from the Redcats Group will be marketed in Germany via a multichannel concept.

# Outlook

### Good performance in the fourth quarter 2006 expected

- **Earnings forecast for 2006 confirmed**
- **Dynamic development in department stores gathers pace**
- **Mail order benefiting from brand campaign**
- **Thomas Cook anticipates further market share gains**
- **Demanding targets are being reached in net financial debt and working capital**

The management expects that operating and financial targets will be reached in the 2006 financial year. Accordingly, we are planning for the adjusted consolidated EBITDA (not including the Real estate segment) to exceed the previous year's level of 199 mill. € by around 10 %.

We anticipate a good performance in all business segments during the fourth quarter of 2006. This optimism is based on the positive change in general economic conditions. Thus, in particular the improved situation in the labor market and the falling level of unemployment in Germany are for the KarstadtQuelle Group the most important indicators, because of its high domestic share and its firmly established position in German society.

Karstadt is increasingly gaining shares of the market in 2006 and is earning for itself an exceptional position on the German retail scene. The good performance in the third quarter of 2006 means at the same time a flying start in the very important fourth quarter. After the exceptionally successful start in September the Karstadt anniversary will achieve its full positive effect in the fourth quarter of 2006, particularly over the Christmas period. Furthermore, the large department stores in Munich, Hamburg and Leipzig which were realigned in the third quarter of 2006 will for the first time in the current financial year make a full contribution to sales and earnings. Karstadt is also expected to profit in some product groups from advance effects of the imminent value-added tax increase.

Mail order will consistently push forward the initiated reconstructuring measures in the fourth quarter of 2006. Following a good business performance in July and August of the current year our mail-order suppliers, like most retailers, suffered sales decreases in September owing to the general weakness of the market. In view of this strong market volatility the mail-order management is planning further stabilizing measures. These are aimed at strategically and operationally flanking and additionally supporting the forecast improvement in the result in the 2007 and 2008 financial years. Details will be announced as early as in November.

We expect positive effects in the fourth quarter of 2006 from the Quelle brand campaign launched on September 20, which has as its aim image promotion in the core target groups until the end of the year. The marketing campaigns will be continued with increasing intensity until the end of 2006. From January 2007 on the campaign will become increasingly product- and sales-focused. neckermann.de is strengthening its position as an attractive fashion provider in Germany by amongst other things the close collaboration with the French mail-order supplier La Redoute announced in October. In e-commerce, we expect the two-digit growth to continue. Likewise in mail order positive advance effects in the form of purchase of durable goods such as kitchens, electrical kitchen appliances and furniture are to be expected in the fourth quarter of 2006 from the imminent value-added tax increase.

Thomas Cook AG is outperforming the competition in nearly all the important markets in the fourth quarter of 2006, too. This applies particularly to the levels of bookings in Germany. For the year as a whole Thomas Cook AG's management board expects sales to grow by between 2 % and 3 % and financial and earnings targets to be reached.

Annual earnings in the current financial year, and likewise in the next few years, will be positively affected by the progressive realization of the proceeds from the disposal of the real estate portfolio and the further marketing of real estate.

Essen, November 2006

For the Management Board
Your

Dr. Thomas Middelhoff
Chairman

# Other information

## Investments

Investments in the first nine months of the 2006 financial year came to 167.4 mill. € (previous year: 146.6 mill. €). Of this 100.2 mill. € was in Karstadt and 43.3 mill. € in mail order. Investments at Karstadt relate to the realignment of the department stores and then mainly to IT projects. Karstadt invested especially in the Premium stores Oberpollinger, Munich, and KaDeWe, Berlin, and in the Boulevard-Plus stores Mönckebergstrasse, Hamburg, and the new department store in Leipzig.

Including financial assets, investments come to 324.6 mill € (previous year: 261.9 mill. €) on the balance-sheet date. Decisive for the increase was in particular the addition of shares of associated companies arising from the real estate transaction (Highstreet Holding GbR) to the value of 139.5 mill. €.

## Employees

The number of full-time employees on the balance-sheet date was 60,967 (previous year: 66,578). Year on year the result is a decrease by 5,611 full-time employees. Here the further adjustment measures at Karstadt, in mail order and at Thomas Cook are making themselves felt.

**Full-time employees**

| Number at 30.09. | 2006 | 2005 | Change | Change in % |
|---|---|---|---|---|
| Karstadt | 25,453 | 26,045 | -592 | -2.3 |
| Mail order | 23,091 | 25,742 | -2,651 | -10.3 |
| Thomas Cook | 10,089 | 12,354 | -2,265 | -18.3 |
| Services | 2,112 | 2,207 | -95 | -4.3 |
| Real estate | 42 | 73 | -31 | -42.5 |
| Holding company | 180 | 157 | 23 | 14.6 |
| **Total** | **60,967** | **66,578** | **-5,611** | **-8.4** |

In the third quarter of 2006 the number of full-time employees, at 60,942, was unchanged from the second quarter.

Gratifyingly, the number of training posts taken at Karstadt was nearly double that in the previous year. On September 1, 1,000 school leavers began their three-year training period at one of Karstadt's 92 department stores and at Karstadt's administrative headquarters. The previous year there were 600 trainees. Karstadt is thus more than two percentage points higher than the training quota for the trade as a whole.

## The KarstadtQuelle share

### KarstadtQuelle share rises 46 % in 2006

With a price rise of 46 % in the first nine months of the current year the KarstadtQuelle share performed very well and was amongst the high fliers on the MDAX. During the same period the German Share Index (DAX) rose by 11 %, the MDAX by 17 %.

The KarstadtQuelle share recorded its yearly low on January 2, 2006, with a price of 12.93 € and achieved a yearly high at 25.37 € on May 11, 2006. At the balance-sheet date the share was being quoted at 18.75 €. Market capitalization thus stood at about 4 bill. €. After the balance-sheet date the KarstadtQuelle share went on to achieve quotations at between 18 and 20 €.

**Stock Exchange price performance**
**January to September 2006 in €**

# Karstadt

## Good performance in third quarter of 2006 – sales rise by 6.5 %

Adjusted sales at the Karstadt department and sports stores rose by 6.5 % to 1.14 bill € (previous year: 1.07 bill. €) in the third quarter of the current year. In September 2006 sales returns at Karstadt after adjustment for space exceeded those of the previous year by no less than 15.2 %. The Fashion and Sports segments performed exceptionally positively in the third quarter, achieving increases of +6 % and +9.5 % respectively.

Adjusted sales totaled 3.32 bill. € (previous year: 3.18 bill. €) in the first nine months of 2006. This represents a growth of 4.3 %. The premium stores continued to perform better than average. Their sales performance in the first nine months exceeded that of the previous year by 5.2 % and is rising.

### Key figures *

| | | 01.01. - 30.09. | | | Quarter III (01.07. - 30.09.) | | |
|---|---|---|---|---|---|---|---|
| | | 2006 | 2005 | Change in % | 2006 | 2005 | Change in % |
| **Sales** | mill. € | 3,320.0 | 3,182.4 | 4.3 | 1,139.6 | 1,069.8 | 6.5 |
| **Earnings** | | | | | | | |
| EBITDA (adjusted) | mill. € | -35.9 | -73.6 | 51.2 | 0.1 | -14.4 | 101.0 |
| *EBITDA margin (adjusted)* | in % | *-1.1* | *-2.3* | – | *0.0* | *-1.3* | – |
| **Full-time employees at the balance sheet date** | number | 25,453 | 26,045 | -2.3 | 25,453 | 26,045 | -2.3 |

### Branches

| | | 01.01. - 30.09. | | |
|---|---|---|---|---|
| | | 2006 | 2005 | Change in % |
| Department stores | number | 92 | 90 | – |
| Sports stores | number | 28 | 31 | – |
| Project branches | number | 12 | 24 | – |
| **Total** | number | **132** | **145** | **–** |
| **Sales space [1)]** | th. sq. m | 1,662.9 | 1,670.2 | -0.4 |

* The figures were adjusted. The adjustments relate to special factors, divestments and joint ventures.

[1)] Figures relate to own-used space and do not include space leased to third parties.

### Adjusted EBITDA in the first nine months up 51.2 %

Sales (adjusted EBITDA) at the Karstadt department and sports stores rose by 14.5 mill. € to plus 0,1 mill. € (previous year: minus 14.4 mill. €) in the third quarter of 2006. In the first nine months of the financial year adjusted EBITDA rose on the previous year by 37.7 mill. € to minus 35.9 mill. € (previous year: minus 73.6 mill. €) due to seasonal effects. This represents an increase by 51.2 %.

### 125 years of Karstadt – anniversary impressively shows the strategic realignment

As part of its anniversary, Karstadt is presenting itself to the public as strong and positive by means of a clearly focused marketing campaign. The main focus is on impressive product ranges, service orientation and numerous customer-focused events in the stores. In particular the concept of theme-related configuration of products from the individual sectors immediately brought excellent results and was well received by the customer. Accordingly, in the case of the attractive high-quality anniversary product ranges the trade margin was successfully maintained by the selective involvement of suppliers. The start of the anniversary is at the same time the beginning of a new marketing campaign, which will continue to be run in 2007.

### Three new openings emphasize the new Karstadt concept

Karstadt opened the department stores in Munich and Leipzig in the third quarter. The newly aligned München-Oberpollinger store (53,000 sq. m. of sales space) is the third premium store after KaDeWe in Berlin and Alsterhaus in Hamburg. The new department store in Leipzig (33,000 sq. m. of sales space) shows the strategic reconfiguration through clear expansion of the fashion component. Both stores impressively demonstrate the successful realignment. After the opening they returned a clear two-digit increase in sales returns.

The first part-conversion of the Karstadt store in the Mönckebergstrasse in Hamburg was completed in September 2006. Thus with two department stores Karstadt presents itself at the Hamburg location as modern and customer-focused. The second phase of the conversion will be completed in 2007. In Essen, the location of the Group headquarters, the foundation stone was laid for the new Limbecker Platz shopping center. The 300 million euro project in the heart of Essen's city center is being implemented jointly with real estate partners. Karstadt will be present as anchor tenant with a department store (20,000 sq. m.) and a sports store (4,000 sq. m.).

### Service quality constantly improving

The central focus of the realignment of our department stores is customer satisfaction. This was once again successfully improved in the third quarter of 2006 and came to 86 % (96 % for the premium stores). The management is also actively promoting direct communication with the customer by the introduction of a central e-mail address for customer concerns.

### Karstadt integrates a further strong collaboration partner

Strong collaborations are part of the Karstadt strategy. Examples such as the joint venture with REWE in the Food segment have already proved the success of this strategy. Karstadt wants to clearly focus its core competences and draw on best-of-class partners in marginal segments. In this way it is ensured that the department store range – coordinated by Karstadt – features product lines which perfectly reflect the spirit of the times. Thus at the end of the quarter Karstadt expanded collaboration with dm-drogerie markt GmbH + Co. KG. After completion of a test phase plans are to integrate dm as supplier for the entire health and body care market segment.

### Changes in management

Peter Wolf took over the chairmanship of department store business on August 1, 2006, as member of the management board of KarstadtQuelle AG. He is a former member of the Management Board of Tchibo GmbH, Hamburg, where he was responsible for the Food, Central and Eastern Europe and Brand Management departments. Likewise at the start of August 2006 Heinz Hackl, former CEO of Joop! GmbH, started as director designate for purchasing. After a period of transition he will succeed Helmut Klier.

### Outlook – anniversary boosts sales performance

Karstadt is entering the fourth quarter of 2006 with optimism. The anniversary is showing its full positive effect in the fourth quarter. The large department stores realigned in the third quarter will make a significant contribution to sales in the fourth quarter. Furthermore, Karstadt will profit from the advance effects of the value-added tax increase.

Karstadt will be entering the next phase of its realignment with clear brand positioning and a major marketing campaign from March 2007. Karstadt will again become even more the top place to go in the city center. Here Karstadt can rely on one of its greatest strengths, the excellent prime locations of its department stores. Karstadt wants to become the talk-of-the-town once more and thus a central point with the most interesting product offering in town and a place where people can meet and feel good. As part of this strategy, the Fashion component in particular is to be increased from 38 % at present to 50 %.

Thanks to the right product ranges, cross-sector thematic presentation and friendly service and advice, Karstadt is consistently focusing on the needs of an urban lifestyle. Thanks to the realignment the recently positive sales performance is to be continued, in particular by the acquisition of new customers.

# Mail order

### Mail order slows sales decrease in the third quarter of 2006 – Quelle media campaign launched at end of September 2006

The KarstadtQuelle mail-order suppliers achieved adjusted sales of 1.37 bill. € in the third quarter (previous year: 1.48 bill. €). This represents a decrease by 7.1 %. Following a sales decrease by 11 % in the first half of 2006 the downward trend in the third quarter of 2006 was thus slowed.

Quelle, neckermann.de and the special mail-order suppliers started autumn business with gratifying sales in July and August 2006. In September the entire textile industry in Germany suffered from a marked reluctance to spend. Quelle especially was affected by this. International business at Quelle and neckermann.de returns a good performance in Central and Eastern Europe. E-commerce at the major mail-order suppliers boosted its business by 17.6 % and thus continues to grow strongly.

Sales in the first nine months amounted to 4.38 bill. € (previous year: 4.85 bill. €).

### Negative earnings trend in the third quarter of 2006 likewise slowed

In the third quarter of 2006 adjusted EBITDA stood at minus 61.4 mill. € (previous year: minus 55.1 mill. €). Thus, earnings, too, show a slowing-up of the negative trend. Cumulatively after nine months earnings stand at minus 114.0 mill. € (previous year: minus 69.8 mill. €).

**Key figures***

| | | 01.01. – 30.09. | | | Quarter III (01.07. – 30.09.) | | |
|---|---|---|---|---|---|---|---|
| | | 2006 | 2005 | Change in % | 2006 | 2005 | Change in % |
| **Sales** | mill. € | 4,375.6 | 4,853.3 | –9.8 | 1,370.8 | 1,475.4 | –7.1 |
| Share contributed by international sales | in % | 30.1 | 28.3 | – | 29.6 | 27.1 | – |
| **Earnings** | | | | | | | |
| EBITDA (adjusted) | mill. € | –114.0 | –69.8 | – | –61.4 | –55.1 | – |
| *EBITDA margin (adjusted)* | in % | *–2.6* | *–1.4* | – | *–4.5* | *–3.7* | – |
| **Full-time employees at the balance sheet date** | number | 23,091 | 25,742 | –10.3 | 23,091 | 25,742 | –10.3 |

* The figures were adjusted. The adjustments relate to special factors, divestments and joint ventures.

### Repositioning of the Quelle and neckermann.de brands progressing – Quelle to bring out monthly catalogs from 2007 on

Quelle pressed ahead with the transformation process in the third quarter of 2006 and emphasized the repositioning of the brand by clear profiling and target group alignment. At the start of the third quarter of 2006 Quelle sent out around 10 million copies of the redesigned main catalog with the fashion, living and technology promotional ranges. Under the strategic realignment the advertizing campaign chain will be substantially changed and product ranges and advertizing varied more frequently. In this way Quelle will further increase its up-to-dateness and attractiveness by the issue of monthly catalogs in the 2007 financial year.

At the end of September 2006 Quelle launched a brand and media campaign targeted at the main purchase decision-makers in German households, namely, family-focused and price-conscious women. To this end Quelle developed a consistently uniform presentation via all the communication channels. One focus of the advertizing is on fashion.

### neckermann.de is making a mark as an online player

At neckermann.de the first successes of the transformed e-driven business model already became apparent in the third quarter of 2006. For the first time Internet sales were higher than those of the main catalog, our strongest print advertizing medium. The business model is thus starting to work.

With the opening to the sales platform for partner companies neckermann.de expanded its shopping range. Numerous partner companies such as Mexx and Yves Rocher chose integration on the neckermann.de sales platform with over ten million visits a month, and new partners are coming all the time. neckermann.de also intensified its multichannel strategy in mobile commerce.

### International business developing positively in Central and Eastern Europe

In international business the growth markets in Central and Eastern Europe continue to develop positively, while in Western Europe France and Spain report a restrained performance. In line with the focus on growth markets Quelle is looking at different strategic options in these countries. Russia is amongst Quelle's strategic growth markets. Sales are growing very dynamically. Business was markedly expanded and the infrastructure and management strengthened. Since the start of mail order in August 2005 Quelle in Rumania has acquired around 70,000 customers. Demand and sales have considerably exceeded expectations.

### Specialty mail order: Portfolio optimization is progressing

With EMILIA LAY the TriStyle Group in August 2006 successfully launched a new high-quality women's fashion brand. Sales exceeded expectations markedly. In September 2006 Peter Hahn published the first catalog in Great Britain in an impression of 150,000 copies. Elégance, a special mail-order supplier of prêt-à-porter collections, opened a boutique in the Galeries Lafayette in Paris, the world's largest department store, as well as a boutique in Helsinki. The special marketer thirty and more was discontinued.

### Restructuring of the Service Group started

A first step in the direction of the announced realignment of the Service Group into a competitive European service provider with a focus on logistics and customer care was taken by the setting up of an innovative service center in Berlin. The new service center with around 1,000 employees and the latest call center technology is scheduled to come fully into operation in January 2007. Its function is the high-quality, efficient support of customers both inside and outside the Group.

### Outlook – reconstruction being consistently implemented

The reconstruction measures already set in train will continue to be consistently pushed forward in the fourth quarter of 2006. The e-commerce, teleshopping and mobile commerce growth drivers will be further expanded, while the transformation of the existing business models at Quelle and neckermann.de will be accelerated. Advance effects in the form of purchase of durable products such as kitchens, electrical kitchen appliances and furniture are to be expected in the fourth quarter of 2006 from the imminent value-added tax increase by 3 % on January 1, 2007.

From 2007 on Quelle will run a completely revised advertizing campaign chain of main, special and monthly catalogs to draw customers' attention to seasonal themes, current product lines and promotional highlights.

neckermann.de will strengthen its position as an attractive fashion supplier in Germany by means of the close collaboration with the French mail-order supplier La Redoute announced in October 2006. Following the success of the test in autumn 2006, from 2007 on La Redoute's fashion range will lastingly expand the neckermann.de ranges. A collaboration is also planned for the Central and Eastern European markets.

Special mail order has completed its portfolio optimization strategy. The expansion is being pressed ahead with by means of selective acquisitions and further organic growth. Early 2007 will see the launch of the special mail-order supplier Vertbaudet. This catalog for expectant mothers and for children from the Redcats portfolio is already successful in a large number of European countries.

# Thomas Cook

## Positive sales performance – Thomas Cook gains shares of markets Europewide

Sales (proportionate) at the Thomas Cook Group rose by 2.8 % to 1.29 bill € (previous year:1.25 bill. €) in the third quarter of the current year. In the first nine months of the tourism financial year (November 1, 2005 to July 31, 2006) the Thomas Cook Group increased its (proportionate) sales by 2.0 % to 2.50 bill. € (previous year: 2.45 bill. €). The decisive factors here were the good performance by the German tour operators and the strong seat-only business at Condor. Return per customer rose by 2 % to 570.10 € during the first nine months. Overall Thomas Cook AG outperformed the competition in nearly all the important markets. However, the football world championship and the thwarted terrorist attacks in London held back sales.

### Key figures * 1)

| | | 01.11. - 31.07. | | | Quarter III (01.05. - 31.07.) | | |
|---|---|---|---|---|---|---|---|
| | | 2005/2006 | 2004/2005 | Change in % | 2006 | 2005 | Change in % |
| **Sales** | mill. € | 2,503.1 | 2,454.8 | 2.0 | 1,286.3 | 1,251.3 | 2.8 |
| of which foreign contribution | in % | 46.1 | 55.5 | – | 54.5 | 58.4 | – |
| thereof tour operators | mill. € | 2,077.5 | 2,052.9 | 1.2 | 1,097.8 | 1,083.3 | 1.3 |
| thereof flights | mill. € | 289.7 | 254.6 | 13.8 | 124.9 | 108.7 | 14.9 |
| **Earnings** | | | | | | | |
| EBITDA (adjusted) | mill. € | 45.5 | 40.3 | 12.9 | 111.0 | 113.5 | –2.2 |
| *EBITDA margin (adjusted)* | in % | *1.8* | *1.6* | – | *8.6* | *9.1* | – |
| **Full-time employees at the balance sheet date** | number | 10,089 | 12,354 | –18.3 | 10,089 | 12,354 | –18.3 |

### Other information 1)

| | | 01.11. - 31.07. | | |
|---|---|---|---|---|
| | | 2005/2006 | 2004/2005 | Change in % |
| Operators' customers carried | number in th. | 7,266.5 | 7,286.9 | –0.3 |
| Operators' return per customer | € | 570.10 | 558.90 | 2.0 |
| Average holiday duration | days | 8.9 | 8.9 | – |

* The figures were adjusted. The adjustments relate to special factors.

1) Key figures shown proportionate, other information given in full.

### Earnings improved on previous year by 12.9 % in the first nine months

In the third quarter of 2006 adjusted (proportionate) EBITDA stood at 111.0 mill. € (previous year: 113.5 mill. €). The good price-performance ratio, new products and efficient cost-cutting and portfolio adjustment measures had a positive effect on the result. However, the sharp rise in the price of kerosine, which in the third quarter of 2006 alone led to higher costs proportionately of around 26 mill. € than in the previous year, depressed earnings. Total earnings for the first nine months of the tourist year came to 45.5 mill. € (previous year: 40.3 mill. €). This represents a rise by 12.9 %.

### Further improvement in financial position

Thomas Cook AG's financial position was successfully further improved in the first nine months of the financial year. Thomas Cook now has a robust, positive net financial position of 101.3 mill. € proportionately. The decisive factors for the surplus of liquid funds are especially an optimized advanced payment policy towards hotel partners and returns from divestment.

### MOVE growth program improves competitiveness

To boost consolidated growth, a package of measures was initiated under the MOVE future program. Accordingly, as part of the sales drive, Thomas Cook is pursuing a consistent multichannel strategy. At the forefront are the Group's own sales channels and a strong travel agency sales system, in which the number of contractually tied sales outlets is to be increased from 800 at present to 1,900. E-commerce also offers high growth potential. Thomas Cook will expand the www.thomascook.de tourism portal into a full-scale online travel agency offering not only Group products but nearly all the relevant tourism brands in Germany. Furthermore, a European online travel agency will be set up at the www.thomascook.com portal.

### Outlook – further market share acquisitions expected

Thomas Cook will continue its consistent cost management and focus strategically on a highly flexible business model with the lowest possible capital tie-up. Reaction speed will be increased and new growth segments opened up. Thomas Cook is outperforming the competition in nearly all the important markets in the fourth quarter of 2006, too. The levels of bookings in Germany are markedly exceeding those of the market as a whole. For the year as a whole Thomas Cook AG's management board expects sales to grow by between 2 and 3 % and financial and earnings targets to be reached.

# Services

The KarstadtQuelle Group's retail-related service operations are concentrated in this segment. The core competences include financial and information services as well as customer relations management.

Sales returns, including proportionately incorporated companies, in the period under review came to 213.1 mill. € (previous year, adjusted: 221.6 mill. €). Adjusted EBITDA stood at 15.4 mill. € (previous year: 28.8 mill. €).

On September 30, 2006, KarstadtQuelle AG signed an agreement with Li & Fung Ltd., Hong Kong. Under this, Li & Fung will in future undertake the entire international purchasing for KarstadtQuelle. The existing purchasing organization, which was concentrated in KarstadtQuelle International Services AG (St. Gallen), together with its around 1,000 employees, will be taken over by Li & Fung.

**Key figures ***

| | | 01.01. - 30.09. | | | Quarter III (01.07. - 30.09.) | | |
|---|---|---|---|---|---|---|---|
| | | 2006 | 2005 | Change in % | 2006 | 2005 | Change in % |
| **Sales** | mill. € | 213.1 | 221.6 | -3.8 | 61.6 | 79.2 | -22.2 |
| **Earnings** | | | | | | | |
| EBITDA (adjusted) | mill. € | 15.4 | 28.8 | -46.7 [1)] | 1.3 | 9.3 | -86.0 [1)] |
| *EBITDA margin (adjusted)* | in % | *7.2* | *13.0* | – | *2.1* | *11.7* | – |
| **Full-time employees at the balance sheet date** | number | 2,112 | 2,207 | -4.3 | 2,112 | 2,207 | -4.3 |

* The figures were adjusted. The adjustments relate to special factors, divestments and joint ventures.

1) Year-on-year comparison not possible due to extensive divestments.

# Real estate

The Real estate Group segment in the first nine months of 2006 achieved sales amounting to 261.4 mill. € (previous year, adjusted: 327.3 mill. €). Adjusted EBITDA stood at 136.0 mill. € (previous year: 248.2 mill. €). A year-on-year comparison of EBITDA is not possible due to extensive divestments. At the same time divestments considerably increased net interest income of the Real estate segment by 51.9 mill. € to plus 16.5 mill. €.

KarstadtQuelle AG in March 2006 sold real estate with a total value of 4.5 bill. € to a joint venture set up with the Whitehall real estate fund. On July 3, 2006, payments totaling 2.87 bill. € out of the first tranche of 3.7 bill. € were received. In the third quarter the KarstadtQuelle Group collected a further 0.21 bill. €. Thus altogether payments amounting to 3.08 bill. € were collected at September 30, 2006. Of this, 2.89 bill. € is due to the Group; 0.19 bill. € is due to the KarstadtQuelle pension fund.

**Key figures ***

| | | 01.01. - 30.09. | | | Quarter III (01.07. - 31.09.) | | |
|---|---|---|---|---|---|---|---|
| | | 2006 | 2005 | Change in % | 2006 | 2005 | Change in % |
| **Sales** | mill. € | 261.4 | 327.3 | -20.1 | 43.7 | 104.1 | -58.0 |
| **Earnings** | | | | | | | |
| EBITDA (adjusted) | mill. € | 136.0 | 248.2 | -45.2 [1] | 18.9 | 87.6 | -78.5 [1] |
| *EBITDA margin (adjusted)* | in % | *52.0* | *75.8* | – | *43.1* | *84.1* | – |
| **Full-time employees at the balance sheet date** | number | 42 | 73 | -42.5 | 42 | 73 | -42.5 |

* The figures were adjusted. The adjustments relate to special factors and divestments.

[1] Year-on-year comparison not possible due to extensive divestments.

## Consolidated income statement

**for the period from January 1 to September 30, 2006**

| Amounts shown in th. € | 01.01. – 30.09. 2006 | 01.01. – 30.09. 2005 | 01.01. – 30.09. Change in % | Quarter III (01.07. – 30.09.) 2006 | Quarter III (01.07. – 30.09.) 2005 | Quarter III (01.07. – 30.09.) Change in % |
|---|---|---|---|---|---|---|
| Sales | 10,283,897 | 11,155,974 | -7.8 | 3,809,346 | 3,989,872 | -4.5 |
| Cost of sales and expenses for tourism services | -5,890,976 | -6,208,855 | 5.1 | -2,276,844 | -2,297,100 | 0.9 |
| **Gross income** | **4,392,921** | **4,947,119** | -11.2 | **1,532,502** | **1,692,772** | -9.5 |
| Other capitalized own costs | 25,724 | 18,943 | 35.8 | 11,737 | -3,299 | – |
| Operating income | 1,696,831 | 708,235 | 139.6 | 381,361 | 319,949 | 19.2 |
| Staff costs | -1,768,565 | -2,028,469 | 12.8 | -587,722 | -645,906 | 9.0 |
| Operating expenses | -3,598,000 | -3,482,260 | -3.3 | -1,276,358 | -1,236,357 | -3.2 |
| Other taxes | -14,813 | -22,658 | 34.6 | -4,111 | -9,014 | 54.4 |
| **Earnings before interest, tax and depreciation and amortization (EBITDA)** | **734,098** | **140,910** | – | **57,409** | **118,145** | -51.4 |
| Depreciation and amortization (not including amortization of goodwill) | -243,290 | -314,086 | 22.5 | -97,486 | -84,708 | -15.1 |
| of which impairment loss | -27,075 | -57,585 | 53.0 | -26,568 | -35 | – |
| **Earnings before interest, tax and amortization of goodwill (EBITA)** | **490,808** | **-173,176** | – | **-40,077** | **33,437** | -219.9 |
| Amortization of goodwill | -23,009 | -875 | – | -23,009 | -1,080 | – |
| **Earnings before interest and tax (EBIT)** | **467,799** | **-174,051** | – | **-63,086** | **32,357** | – |
| Income from investments | 483 | 2,612 | -81.5 | -2,257 | 353 | – |
| Income from investments in associates | 5,763 | 10,820 | -46.7 | 1,504 | 2,285 | -34.2 |
| Net interest income | -214,151 | -229,686 | 6.8 | -22,096 | -76,149 | 71.0 |
| Other financial results | 14,808 | -9,814 | 250.9 | -4,826 | 3,097 | – |
| **Earnings before tax (EBT)** | **274,702** | **-400,119** | 168.7 | **-90,761** | **-38,057** | -138.5 |
| Taxes on income | 206,161 | 152,284 | 35.4 | 11,661 | 35,231 | -66.9 |
| **Earnings from continuing operations** | **480,863** | **-247,835** | – | **-79,100** | **-2,826** | – |
| Result from discontinued operations | – | -1,249 | – | – | 24,103 | – |
| **Net profit/loss before minority interests** | **480,863** | **-249,084** | – | **-79,100** | **21,277** | – |
| Profit/loss due to minority interests | -1,835 | -3,960 | – | 12 | -2,445 | -100.5 |
| **Net profit/loss after minority interests** | **479,028** | **-253,044** | – | **-79,088** | **18,832** | – |
| **Earnings per share in €** | **2.39** | **-1.27** | – | **-0.40** | **0.09** | – |
| thereof from continuing operations | 2.40 | -1.24 | – | -0.40 | -0.01 | – |
| thereof from discontinued operations | 0.00 | -0.01 | – | 0.00 | 0.12 | – |

# Consolidated balance sheet

**for the period ended September 30, 2006**

## Assets

| Amounts shown in th. € | 30.09.2006 | 30.09.2005 | Change in % | 31.12.2005 |
|---|---|---|---|---|
| Intangible assets | 1,068,462 | 1,117,202 | -4.4 | 1,104,831 |
| Tangible assets | 1,138,794 | 2,621,816 | -56.6 | 2,452,839 |
| Shares in associates | 83,686 | 115,220 | -27.4 | 98,398 |
| Other financial assets | 481,339 | 942,980 | -49.0 | 535,220 |
| thereof securities | 13,016 | 12,708 | 2.4 | 11,684 |
| Other non-current assets | 95,061 | 206,921 | -54.1 | 94,167 |
| Deferred taxes | 216,685 | 303,303 | -28.6 | 228,249 |
| **Non-current assets** | **3,084,027** | **5,307,442** | -41.9 | **4,513,704** |
| Inventories | 1,607,343 | 1,773,391 | -9.4 | 1,621,095 |
| Trade receivables | 587,654 | 1,430,085 | -58.9 | 844,385 |
| Tax receivables | 106,320 | 94,261 | 12.8 | 50,430 |
| Other receivables and other assets | 1,075,827 | 1,242,688 | -13.4 | 1,139,128 |
| Cash and cash equivalents and securities | 965,579 | 655,162 | 47.4 | 707,163 |
| **Current assets** | **4,342,723** | **5,195,587** | -16.4 | **4,362,201** |
| Assets classified as held for sale | 611,171 | 1,513,818 | -59.6 | 262,658 |
| **Balance sheet total** | **8,037,921** | **12,016,847** | -33.1 | **9,138,563** |

## Equity and liabilities

| Amounts shown in th. € | 30.09.2006 | 30.09.2005 | Change in % | 31.12.2005 |
|---|---|---|---|---|
| Subscribed share capital | 514,592 | 510,398 | 0.8 | 510,398 |
| Reserves | 743,779 | -137,835 | – | -237,068 |
| Minority interests | 11,273 | 30,985 | -63.6 | 16,745 |
| **Equity** | **1,269,644** | **403,548** | 214.6 | **290,075** |
| Long-term capital of minority interests | – | 47,938 | – | – |
| Non-current financial liabilities | 1,012,927 | 2,905,152 | -65.1 | 3,012,793 |
| Other non-current liabilities | 705,011 | 589,460 | 19.6 | 566,606 |
| Pension provisions | 887,343 | 846,676 | 4.8 | 906,756 |
| Other non-current provisions | 351,385 | 339,062 | 3.6 | 383,784 |
| Deferred taxes | 636 | 10,869 | -94.1 | 11,673 |
| **Non-current liabilities** | **2,957,302** | **4,739,157** | -37.6 | **4,881,612** |
| Current financial liabilities | 271,212 | 2,346,990 | -88.4 | 724,776 |
| Trade payables | 1,648,019 | 1,704,116 | -3.3 | 1,600,870 |
| Current tax liabilities | 107,969 | 130,353 | -17.2 | 201,746 |
| Other current liabilities | 1,105,927 | 1,108,231 | -0.2 | 768,855 |
| Current provisions | 426,213 | 551,524 | -22.7 | 609,677 |
| **Current liabilities** | **3,559,340** | **5,841,214** | -39.1 | **3,905,924** |
| Liabilities from assets classified as held for sale | 251,635 | 1,032,928 | -75.6 | 60,952 |
| **Balance sheet total** | **8,037,921** | **12,016,847** | -33.1 | **9,138,563** |

# Changes in Group equity

**for the period from January 1, 2005/2006 to September 30, 2005/2006**

| Amounts shown in th. € | Subscribed share capital | Additional paid-in capital | Revenue reserves: Other revenue reserves | Revenue reserves: Reserve for intercompany profit and loss elimination | Revenue reserves: Revaluation reserve | Revenue reserves: Cumulative foreign currency differences | Minority interests | Group equity Total |
|---|---|---|---|---|---|---|---|---|
| **Opening balance 01.01.2005** | **510,398** | **629,424** | **-561,095** | **–** | **3,911** | **-13,577** | **26,783** | **595,844** |
| Differences from foreign currency translation | – | – | – | – | – | 3,460 | -113 | 3,347 |
| Changes resulting from disposals and the measurement of primary and derivative financial instruments | – | – | – | – | 46,279 | – | – | 46,279 |
| Changes in consolidated companies | – | – | 6,807 | – | – | – | 1,477 | 8,284 |
| **Equity capital changes without effect for income** | **–** | **–** | **6,807** | **–** | **46,279** | **3,460** | **1,364** | **57,910** |
| Consolidated earnings | – | – | -253,044 | – | – | – | 3,960 | -249,084 |
| | **–** | **–** | **-246,237** | **–** | **46,279** | **3,460** | **5,324** | **-191,174** |
| Dividends | – | – | – | – | – | – | -1,122 | -1,122 |
| **Closing balance 30.09.2005** | **510,398** | **629,424** | **-807,332** | **–** | **50,190** | **-10,117** | **30,985** | **403,548** |
| **Opening balance 01.01.2006** | **510,398** | **629,424** | **-883,103** | **–** | **26,479** | **-9,868** | **16,745** | **290,075** |
| Differences from foreign currency translation | – | – | – | – | – | -4,322 | -4 | -4,326 |
| Changes resulting from disposals and the measurement of primary and derivative financial instruments | – | – | – | – | -1,164 | – | – | -1,164 |
| Changes in consolidated companies | – | – | -4,786 | – | -15,787 | 867 | -7,303 | -27,009 |
| **Equity capital changes without effect for income** | **–** | **–** | **-4,786** | **–** | **-16,951** | **-3,455** | **-7,307** | **-32,499** |
| Consolidated earnings | – | – | 479,028 | – | – | – | 1,835 | 480,863 |
| Eliminated interim results | – | – | – | 516,866 | – | – | – | 516,866 |
| | **–** | **–** | **474,242** | **516,866** | **-16,951** | **-3,455** | **-5,472** | **965,230** |
| Exercise of convertible bond/ stock options* | **4,194** | **10,145** | **–** | **–** | **–** | **–** | **–** | **14,339** |
| **Closing balance 30.09.2006** | **514,592** | **639,569** | **-408,861** | **516,866** | **9,528** | **-13,323** | **11,273** | **1,269,644** |

* 257,250 own shares were issued to employees under the Incentive Stock Option Plan in the second and third quarter of 2006. The amount of stock held by the company thus fell to 11,167,633 shares.

# Consolidated cash flow statement

**for the period from January 1 to September 30, 2006**

| Amounts shown in th. € | 2006 | 2005 |
|---|---|---|
| **EBITDA** | **734,098** | **140,908** |
| Profit/loss from the disposal of fixed assets | -1,014,390 | -96,900 |
| Profit/loss from foreign currency | -6,198 | 496 |
| Decrease of non-current provisions (not including pension and tax provisions) | -23,725 | -16,835 |
| Utilization of restructuring provision | -178,091 | -130,732 |
| Other expenses/income not affecting cash flow | -136,119 | 101,584 |
| **Gross cash flow** | **-624,425** | **-1,479** |
| Changes in working capital | 249,437 | -157,139 |
| Changes in other current assets and liabilities | 296,278 | 78,579 |
| Dividends received | 1,448 | 4,402 |
| Payments/refunds of taxes on income | -104,852 | -11,978 |
| **Cash flow from operating activities** | **-182,114** | **-87,615** |
| Purchase of acquisitions of subsidiaries less liquid funds acquired | -425 | – |
| Cash receipts from divestment of subsidiaries less liquid funds sold | 97,532 | 10,080 |
| Purchase of tangible and intangible assets | -167,439 | -146,563 |
| Purchase of investments in non-current financial assets | -157,128 | -115,369 |
| Cash receipts from sale of tangible and intangible assets | 3,069,392 | 321,209 |
| Cash receipts from sale of non-current financial assets | 16,882 | 91,221 |
| **Cash flow from investing activities** | **2,858,814** | **160,578** |
| **Free cash flow** | **2,676,700** | **72,963** |
| Interest received | 86,177 | 96,776 |
| Interest paid | -227,845 | -279,226 |
| Pension payments | -75,032 | -102,638 |
| Cash receipts/payments of (financial) loans | -2,170,375 | 242,074 |
| Payments of liabilities due under finance lease | -19,166 | -50,707 |
| Cash payments/cash receipts for dividends and capital increase | 4,291 | -1,122 |
| **Cash flow from financing activities** | **-2,401,950** | **-94,843** |
| **Changes in cash and cash equivalents affecting cash flow** | **274,750** | **-21,880** |
| Changes in cash and cash equivalents due to changes in exchange rates or other changes caused by the consolidated companies | -16,334 | 14,831 |
| Cash and cash equivalents at the beginning of the period* | 707,163 | 662,211 |
| **Cash and cash equivalents at the end of the period** | **965,579** | **655,162** |

* Method of calculation changed.

## Segment report

**Quarter III (July 1 to September 30, 2006)**

| Amounts shown in th. € | KarstadtQuelle Group | | Reconciliation account * | | Karstadt | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Sales | 4,263,037 | 4,382,083 | – | – | 1,145,756 | 1,220,854 |
| Interest from lending business | 50,266 | 49,261 | – | – | – | – |
| Internal sales | -503,957 | -441,472 | -92,644 | -159,256 | -6,198 | -54,547 |
| **Consolidated sales** | **3,809,346** | **3,989,872** | **-92,644** | **-159,256** | **1,139,558** | **1,166,307** |
| ***Consolidated sales (adjusted)*** [1] | ***3,809,346*** | ***3,840,724*** | ***-92,644*** | ***-139,107*** | ***1,139,558*** | ***1,069,777*** |
| Cost of sales and expenses for tourism services | -2,276,844 | -2,297,100 | 20,617 | 39,719 | -677,993 | -680,784 |
| **Gross income** | **1,532,502** | **1,692,772** | **-72,027** | **-119,537** | **461,565** | **485,523** |
| Other capitalized own costs | 11,737 | -3,299 | 10,771 | -4,480 | 648 | 740 |
| Operating income and costs | -894,997 | -916,408 | -8,128 | 105,851 | -242,006 | -325,400 |
| Staff costs | -587,722 | -645,906 | -5,202 | -3,550 | -235,959 | -258,469 |
| Other taxes | -4,111 | -9,014 | -21 | -8 | -5 | 20 |
| **EBITDA** | **57,409** | **118,145** | **-74,607** | **-21,724** | **-15,757** | **-97,586** |
| ***EBITDA*** *(adjusted)* [1]<br>*EBITDA margin in % (adjusted)* | ***44,196***<br>*1.2* | ***125,856***<br>*3.3* | ***-25,681***<br>*–* | ***-15,060***<br>*–* | ***146***<br>*0.0* | ***-14,373***<br>*-1.3* |
| Depreciation and amortization (not including goodwill) | -97,486 | -84,708 | -345 | -377 | -26,569 | -21,301 |
| Amortization of goodwill | -23,009 | -1,080 | – | – | – | – |
| **EBIT** | **-63,086** | **32,357** | **-74,952** | **-22,101** | **-42,326** | **-118,887** |
| **Earnings from discontinued operations** | **-** | **24,103** | **-** | **4,349** | **-** | **19,754** |
| Investments | 86,312 | 61,878 | 172 | -442 | 57,269 | 37,340 |

* The reconciliation account also includes the holding company.

1) The figures were adjusted. The adjustments relate to special factors, divestments and joint ventures.

| Mail order | | Thomas Cook | | Services | | Real estate | |
|---|---|---|---|---|---|---|---|
| 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| 1,666,991 | 1,658,889 | 1,334,818 | 1,273,754 | 71,783 | 106,862 | 43,689 | 121,724 |
| 50,266 | 49,261 | – | – | – | – | – | – |
| -346,437 | -180,266 | -48,481 | -22,444 | -10,197 | -24,959 | – | – |
| **1,370,820** | **1,527,884** | **1,286,337** | **1,251,310** | **61,586** | **81,903** | **43,689** | **121,724** |
| ***1,370,820*** | ***1,475,422*** | ***1,286,337*** | ***1,251,310*** | ***61,586*** | ***79,184*** | ***43,689*** | ***104,138*** |
| -673,257 | -750,912 | -927,360 | -867,087 | -18,851 | -38,036 | – | – |
| **697,563** | **776,972** | **358,977** | **384,223** | **42,735** | **43,867** | **43,689** | **121,724** |
| 522 | 67 | – | – | -204 | 374 | – | – |
| -575,278 | -570,493 | -145,809 | -159,366 | -22,642 | -8,014 | 98,866 | 41,014 |
| -208,356 | -243,473 | -110,873 | -111,970 | -26,358 | -26,596 | -974 | -1,848 |
| -2,526 | -2,394 | -757 | -1,577 | -84 | -587 | -718 | -4,468 |
| **-88,075** | **-39,321** | **101,538** | **111,310** | **-6,553** | **9,044** | **140,863** | **156,422** |
| ***-61,421***<br>*-4.5* | ***-55,131***<br>*-3.7* | ***111,001***<br>*8.6* | ***113,510***<br>*9.1* | ***1,301***<br>*2.1* | ***9,300***<br>*11.7* | ***18,850***<br>*43.1* | ***87,610***<br>*84.1* |
| -43,474 | -23,023 | -19,108 | -22,373 | -6,993 | -5,335 | -997 | -12,299 |
| -9,926 | -1,160 | – | 87 | -13,083 | -7 | – | – |
| **-141,475** | **-63,504** | **82,430** | **89,024** | **-26,629** | **3,702** | **139,866** | **144,123** |
| **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| 17,866 | 10,735 | 7,613 | 5,522 | 3,354 | 5,569 | 38 | 3,154 |

# Segment report

**for the period from January 1 to September 30, 2006**

| Amounts shown in th. € | KarstadtQuelle Group 2006 | KarstadtQuelle Group 2005 | Reconciliation account * 2006 | Reconciliation account * 2005 | Karstadt 2006 | Karstadt 2005 |
|---|---|---|---|---|---|---|
| Sales | 11,732,035 | 12,601,985 | – | – | 3,346,274 | 3,820,430 |
| Interest from lending business | 160,313 | 157,254 | – | – | – | – |
| Internal sales | -1,608,451 | -1,603,265 | -389,346 | -568,697 | -26,312 | -254,252 |
| **Consolidated sales** | **10,283,897** | **11,155,974** | **-389,346** | **-568,697** | **3,319,962** | **3,566,178** |
| ***Consolidated sales (adjusted)*** [1] | ***10,283,897*** | ***10,595,940*** | ***-389,346*** | ***-443,493*** | ***3,319,962*** | ***3,182,442*** |
| Cost of sales and expenses for tourism services | -5,890,976 | -6,208,855 | 62,039 | 130,983 | -1,958,923 | -2,053,060 |
| **Gross income** | **4,392,921** | **4,947,119** | **-327,307** | **-437,714** | **1,361,039** | **1,513,118** |
| Other capitalized own costs | 25,724 | 18,943 | 22,846 | 14,295 | 1,753 | 2,686 |
| Operating income and costs | -1,901,169 | -2,774,025 | 196,295 | 375,423 | -741,455 | -836,409 |
| Staff costs | -1,768,565 | -2,028,469 | -15,085 | -14,252 | -705,464 | -850,075 |
| Other taxes | -14,813 | -22,658 | -61 | -53 | -79 | -67 |
| **EBITDA** | **734,098** | **140,910** | **-123,312** | **-62,301** | **-84,206** | **-170,747** |
| ***EBITDA*** *(adjusted)* [1]<br>*EBITDA margin in % (adjusted)* | ***2,528***<br>*0.0* | ***145,253***<br>*1.4* | ***-44,397***<br>*–* | ***-28,688***<br>*–* | ***-35,912***<br>*-1.1* | ***-73,558***<br>*-2.3* |
| Depreciation and amortization (not including goodwill) | -243,290 | -314,086 | -879 | -992 | -71,121 | -73,024 |
| Amortization of goodwill | -23,009 | -875 | – | – | – | – |
| **EBIT** | **467,799** | **-174,051** | **-124,191** | **-63,293** | **-155,327** | **-243,771** |
| **Earnings from discontinued operations** | **–** | **-1,249** | **–** | **–** | **–** | **-1,249** |
| Segment assets | 5,906,569 | 9,216,610 | 107,482 | 238,393 | 1,438,950 | 1,319,390 |
| Segment liabilities | 4,294,729 | 4,117,895 | 82,348 | 110,148 | 843,611 | 840,820 |
| Investments | 167,439 | 146,563 | 1,340 | 464 | 100,169 | 81,578 |
| Employees (on average) number | 88,202 | 98,062 | 190 | 176 | 34,049 | 37,361 |
| Employees (on average) adjusted [1] number | 75,636 | 83,888 | 190 | 176 | 33,297 | 36,536 |

* The reconciliation account also includes the holding company.

1) The figures were adjusted. The adjustments relate to special factors, divestments and joint ventures.

| Mail order | | Thomas Cook | | Services | | Real estate | |
|---|---|---|---|---|---|---|---|
| 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| 5,315,160 | 5,545,473 | 2,569,230 | 2,498,809 | 239,934 | 355,115 | 261,437 | 382,158 |
| 160,313 | 157,254 | – | – | – | – | – | – |
| -1,099,838 | -705,835 | -66,119 | -44,036 | -26,836 | -30,445 | – | – |
| **4,375,635** | **4,996,892** | **2,503,111** | **2,454,773** | **213,098** | **324,670** | **261,437** | **382,158** |
| ***4,375,635*** | ***4,853,268*** | ***2,503,111*** | ***2,454,773*** | ***213,098*** | ***221,603*** | ***261,437*** | ***327,347*** |
| -2,112,315 | -2,423,922 | -1,793,303 | -1,702,480 | -88,474 | -160,376 | – | – |
| **2,263,320** | **2,572,970** | **709,808** | **752,293** | **124,624** | **164,294** | **261,437** | **382,158** |
| 1,125 | 491 | – | – | – | 1,471 | – | – |
| -1,843,327 | -1,853,555 | -347,518 | -388,689 | -37,367 | -20,416 | 872,203 | -50,379 |
| -645,822 | -736,573 | -319,749 | -319,892 | -78,916 | -101,960 | -3,529 | -5,717 |
| -7,038 | -7,190 | -1,991 | -3,770 | -360 | -599 | -5,284 | -10,979 |
| **-231,742** | **-23,857** | **40,550** | **39,942** | **7,981** | **42,790** | **1,124,827** | **315,083** |
| ***-114,027***<br>*-2.6* | ***-69,793***<br>*-1.4* | ***45,524***<br>*1.8* | ***40,307***<br>*1.6* | ***15,366***<br>*7.2* | ***28,805***<br>*13.0* | ***135,974***<br>*52.0* | ***248,180***<br>*75.8* |
| -83,436 | -69,497 | -58,617 | -62,771 | -15,342 | -15,716 | -13,895 | -92,086 |
| -9,926 | -1,160 | – | 292 | -13,083 | -7 | – | – |
| **-325,104** | **-94,514** | **-18,067** | **-22,537** | **-20,444** | **27,067** | **1,110,932** | **222,997** |
| **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 2,392,132 | 3,952,302 | 1,573,184 | 1,780,803 | 211,358 | 293,317 | 183,463 | 1,632,405 |
| 1,628,094 | 1,351,841 | 1,403,505 | 1,379,963 | 76,717 | 82,470 | 260,454 | 352,653 |
| 43,332 | 34,438 | 16,378 | 14,016 | 5,803 | 12,217 | 417 | 3,850 |
| 29,861 | 33,624 | 21,623 | 24,297 | 2,405 | 2,521 | 74 | 83 |
| 29,032 | 32,609 | 10,812 | 12,149 | 2,231 | 2,335 | 74 | 83 |

# Notes to the consolidated financial statements

## Accounting policies

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

The previous year's figures have been adjusted to take account of the proportionate consolidation of the joint ventures until now recognized at equity. Thomas Cook AG, Oberursel, in deviation from the Group's balance-sheet date, was included on the basis of the sub-group consolidated financial statements for the period to July 31, 2006. The most important changes to September 30, 2006, are taken into account.

The TriStyle subgroup fully consolidated the previous year was changed to proportionate consolidation at December 31, 2005, due to loss of control over the group.

In consequence of the revised IAS 32 (rev. 2004 "Financial instruments: Disclosure and presentation") minority interests in limited partnerships in the TriStyle Group are recognized as "Long-term capital of minority interests". As reliable fair values cannot be determined, measurement is made at the carrying amount. As at September 30, 2005, this commitment stood at 47.9 mill. €. Income from these shareholdings is accordingly recognized under net interest income.

The treatment of the sale of trade receivables is the same as that for quarters of the previous year. In the current year, because of the reorganization of the domestic sale of receivables program at the end of 2005, trade receivables are again recognized off balance by qualifying as an actual derecognition. The charges linked with them are shown as an operating expense, while the previous year they were recognized according to the treatment on the balance sheet as financing under interest expenses. As at September 30, 2005, trade receivables to the value of 1.02 bill. € which were sold under the ABS program are recognized. Short-term financial liabilities related to these amount to 0.78 bill. € at the balance-sheet date the previous year.

The foreign ABS program was also changed at September 30, 2006. After the change it satisfies the derecognition criteria of IAS 39, so these receivables are likewise shown off balance. The amounts entered in this connection under Trade receivables on September 30, 2005, come to 238.4 mill €; short-term financial liabilities amounted to 154.7 mill. € at the end of the period the previous year.

As at September 30, 2006, the amounts received from the ABS transactions and shown off balance come to 1.32 bill. € of trade receivables.

The structure of the income statement contains the most important items also disclosed at the end of the year.

A review of the quarterly financial statements has been carried out.

### Goodwill

In the Services segment an amount of 13.1 mill. € for goodwill was written off to zero due to closure of the business and planned discontinuance of operations. Furthermore, further amortization of goodwill amounting to 9.9 mill. € resulted in connection with the disposal group reclassified in accordance with IFRS 5.

### Real estate transaction

In the third quarter further plots of land and buildings to the value of 196 mill. € were sold under the real estate transaction. Interim profits amounting to 51.7 mill. € were achieved and were treated analogously to the second quarter. As in the second quarter, the deferred taxes incurred by the transaction are likewise eliminated in the amount of interim profit and recorded directly in equity. The net interim profit recorded directly in equity comes to 516.7 mill. € at September 30, 2006.

The real estate transaction gave rise to finance lease agreements amounting to 21.6 mill. €, which have been capitalized accordingly in the present financial statement.

### Deferred taxes

Because of the real estate transaction the assessment changed with regard to the recoverability of deferred tax assets on tax loss carry-forwards. As a result, allowances for deferred tax assets amounting to 290 mill. € were reversed in the second quarter 2006.

### Companies consolidated/Segment report

No material changes resulted to the group of consolidated companies from investment or divestment during the period under review.

In the third quarter the group of consolidated companies was increased by one company. The change relates to the Mail-order segment, where one company was consolidated proportionately for the first time. The group of consolidated companies thus grew by nine companies during the first three quarters.

Deconsolidation effects of net 11.9 mill. € result from divestments during the period under review.

### Assets and liabilities classified as held for sale and disposal groups

Aside from further disposals under the real estate transaction, no disposals were effected in the third quarter.

At September, 30, 2006, some companies in Western Europe fulfill the criteria of IFRS 5. The assets and liabilities of the disposal group which relate to these were reclassified to the respective items on the balance sheet. As a result of the requalification, the disposal group is measured in accordance with the principles of IFRS 5, that is, at fair value, less costs to sell, at September 30, 2006. This results in depreciation and amortization totaling 35 mill. €.

Furthermore, due to a discontinued disposal plan a mail-order-related service company within the disposal groups was transferred back to its former classification.

The increase in asset values to the value of 129.7 mill. € and the increase in liabilities to the value of 220.3 mill. € relative to the quarterly statement to June 30, 2006, were spread between the disposal groups as follows:

### Assets classified as held for sale and liabilities from assets which are classified as held for sale

| Amounts shown in th. € | As at 01.07.2006 | Additions | Disposals | | As at 30.09.2006 |
|---|---|---|---|---|---|
| | | | Real estate | Other | |
| **Assets classified as held for sale** | | | | | |
| Intangible assets | 1,511 | 12,474 | – | -13,769 | 216 |
| Tangible assets | 444,118 | 76,202 | -156,754 | -55,990 | 307,576 |
| Other financial assets | 1,609 | 679 | – | -1,609 | 679 |
| Deferred taxes | 1,916 | 17,721 | -3,569 | -6,871 | 9,197 |
| Current assets | 32,352 | 286,046 | – | -24,895 | 293,503 |
| | **481,506** | **393,122** | **-160,323** | **-103,134** | **611,171** |
| **Liabilities from assets classified as held for sale** | | | | | |
| Pension provisions | 4,690 | – | – | -4,690 | – |
| Deferred taxes | – | 9,618 | – | – | 9,618 |
| Current financial liabilities | 3,175 | 137,188 | – | -8,443 | 131,920 |
| Other liabilities | 23,474 | 106,732 | – | -20,109 | 110,097 |
| | **31,339** | **253,538** | **–** | **-33,242** | **251,635** |

### Contingent liabilities, Other financial commitments

Contingent liabilities and other financial commitments have not substantially changed since the quarterly statement to June 30, 2006.

No essential changes occurred in the position of litigation in the third quarter.

### Major events after September 30, 2006

Under the agreement of September 30, 2006, shares in KarstadtQuelle International Service AG and its subsidiaries were sold to Li & Fung. The agreement will take effect after approval by the German Monopolies Office and the Turkish Monopolies Authorities. The group will thus continue to be recognized in KarstadtQuelle AG's consolidated financial statements. At the same time a long-term delivery agreement for future purchasing volumes of up to 2 bill. € was signed with Li & Fung.

# Calendar 2007

| | |
|---|---|
| **Trading statement** | Early January, 2007 |
| **Balance sheet press conference/ Analysts' meeting** | March 29, 2007 |
| **Annual general meeting** Düsseldorf | May 10, 2007 |

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