Interim report

to March 31, 2006

KARSTADT QUELLE AG

Facts

Real estate portfolio to the value of 4.5 bill. € sold – total value of real estate 5.1 bill. €

- Shareholder value considerably increased
- Group has new, strategic options for action
- Group financial indebtedness in future reduced to zero
- Equity ratio is rising substantially to around 20 %
- High non-recurring income in the 2006 financial year

KarstadtQuelle Group operations started the 2006 financial year satisfactorily

- Figures not comparable with those of the previous year due to extensive restructuring (divestments)
- Consolidated earnings (adjusted EBITDA): above plan – Earnings (not including Real estate segment) at the same level as previous year
- Consolidated sales: department stores slightly higher, Thomas Cook slightly lower than previous year – Universal mail order Germany: 20 % of the advertizing budget directed to aggressive marketing campaigns in the second half of the year, sales decreasing as expected – Special mail order slightly above previous year
- Late Easter business has affected the year-on-year comparison
- Net financial liabilities and working capital markedly reduced
- Sales and earnings forecast for the 2006 financial year confirmed

As well as the operational realignment, KarstadtQuelle, as market leader, is accelerating the consolidation and active shaping of the markets

New “Procurement and Purchasing” Management Board department headed by Prof. Dr. Helmut Merkel – Increased purchasing volume in Asia aimed for – Reduction of working capital by 500 mill. € planned

Peter Wolf to assume responsibility for Over-the-counter retail on the Group Management Board

Outlook

- Sales of 17 - 18 bill. €
- EBITDA of more than 1.1 bill. €
- Equity ratio of around 20 %

At a glance *

			31.03.2006	31.03.2005	Change in %
Sales [1]	Karstadt	mill. €	1,111.5	1,105.5	0.5
	Mail order	mill. €	1,566.6	1,701.9	-7.9
	Thomas Cook	mill. €	553.1	563.7	-1.9
	Services	mill. €	78.1	68.9	13.3
	Real estate	mill. €	109.4	115.6	-5.4
	Reconciliation account	mill. €	-151.3	-156.3	-
	Total	mill. €	**3,267.4**	**3,399.3**	-3.9
Earnings	Karstadt	mill. €	-27.2	-29.6	8.1
	Mail order	mill. €	-12.5	0.4	-
	Thomas Cook	mill. €	-38.8	-51.4	24.6
	Services	mill. €	7.2	10.5	-31.0
	Real estate	mill. €	55.2	84.8	-34.9 [2]
	Reconciliation account	mill. €	-7.9	-9.2	-
	EBITDA adjusted	mill. €	**-24.0**	**5.5**	-
	EBITDA margin adjusted	in %	-0.7	0.2	-
	Loss for the year after minority interests	mill. €	-106.8	-111.1	3.9
Financial situation	Free cash flow	mill. €	-27.5	-266.1	89.7
	Cash and cash equivalents	mill. €	671.6	815.9	-17.7
	Investments	mill. €	37.2	39.5	-5.9
	Depreciation and amortization (not including amortization of goodwill)	mill. €	-79.0	-90.3	12.4
	Net financial liabilities	mill. €	3,077.9	4,827.8	-36.2
	Working capital	mill. €	1,506.8	2,754.0	-45.3
Full-time employees at the balance-sheet date	Karstadt	number	25,185	30,208	-16.6
	Mail order	number	24,208	27,846	-13.1
	Thomas Cook	number	9,688	10,489	-7.6
	Services	number	2,107	2,416	-12.8
	Real estate	number	75	80	-6.3
	Holding company	number	174	175	-0.6
	Total	number	**61,437**	**71,214**	-13.7
KARSTADT QUELLE AG share	Earnings per share	€	-0.51	-0.56	9.3
	Market price at balance sheet date	€	19.41	7.74	150.8
	highest price (01.01. - 31.03.)	€	22.65	9.27	-
	lowest price (01.01. - 31.03.)	€	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] Real estate earnings not comparable with those of the previous year due to extensive divestments. Net interest income improved accordingly.

Contents

Report of the Management Board

Dear Shareholders,

We made further, decisive progress in the restructuring and realignment of the KarstadtQuelle Group in the first quarter of 2006. The greatest success was without doubt the sale of our department store real estate portfolio. We were able to achieve this not only faster than expected but also for a price far above expectations. We thus substantially increased the shareholder value of KarstadtQuelle in your interest, dear Shareholders.

The situation and future prospects of the KarstadtQuelle Group were substantially improved at a stroke by this strategic move. Thanks to reduction of Group indebtedness to zero and a substantially increased equity ratio we now have the freedom of action we require to take KarstadtQuelle from the restructuring phase to a phase in which we actively help shape the consolidation of the markets or to a phase of growth.

The capital market acknowledged our successful restructuring with a further share price rise of 51 % in the first quarter of 2006. The sale of the real estate at first met with a negative response from some journalists and financial analysts here at home. However, in the meantime we were able to convince many international investors of the advantageousness of the strategic measure and so gain a number of new investors. The share price is once again rising.

Important events in the 1st quarter 2006

Real estate portfolio to the value of 4.5 bill. € sold – total value of real estate 5.1 bill. €

On December 8, 2005, we announced that we were checking all the options for the utilization of our real estate assets. Because, despite all the successes already achieved in our comprehensive restructuring program, we still had the problem which considerably engaged us and to which we had referred a number of times, namely that of a too low equity position. A group of this magnitude with 3 % equity is too vulnerable in the long run.

The Management Board therefore engaged first the US investment bank Goldman Sachs and a few weeks later also the investment bank Rothschild to develop concepts for the optimum utilization of our real estate portfolio. We looked at all forms of utilization: partial going public, complete sale, partial sale, and so forth.

Together with our advisers we finally came to the conclusion that our real estate portfolio (including pension funds), optimally marketed, would be worth 5.1 bill. €. To achieve this maximum value, we opted, with the support of a fairness option from Rothschild, for the following transaction structure.

In the first quarter of 2006 we sold real estate to the value of 4.5 bill. €. This is being achieved in two stages:

- **Sale to a joint entity formed by the Whitehall Fund (a subsidiary of Goldman Sachs) and KarstadtQuelle for 3.7 bill. €**
  A package of 174 items of real estate (85 department stores, 29 high-rise car parks, 12 sports stores, 15 office buildings and 33 other items). The joint entity finances this selling price. Whitehall (51 % participation) is responsible for the operational management of the entity and its financing. To utilize the value-enhancement potential, KarstadtQuelle has a 49 % participation but, apart from the equity contribution of around 120 mill. €, carries no further risk. The financial resources of 3.7 bill. € will accrue to the KarstadtQuelle Group, around 75 % as early as July 2006 (of which 0.6 bill. € will go to the pension fund), the residual amount to be collected in the second half of 2006. KarstadtQuelle will lease back the real estate package from the joint entity. The terms of the lease will be the same as hitherto.

- **Participation in the further marketing of the real estate portfolio to the value of at least 0.8 bill. €**
  The joint entity which is under the control of Whitehall will market the complete real estate portfolio package. Our partner and we believe that a provisional time frame of three to five years is realistic. We expect from this further marketing a further 800 mill. € of sales revenue.

By selling the real estate we have successfully combined and attained two strategic objectives. For one thing, we have gained in the short term a high cash inflow which will enable us to meet the Group's financial liabilities in full. At the same time we shall retain access to the full increased value of our real estate, which is being achieved by, amongst other things, the considerable improvement in our financial standing as tenants.

Moreover, we shall achieve further positive effects:
- A substantial increase in the equity ratio to 20 % in this financial year
- High non-recurring income in the 2006 financial year
- A lasting improvement in results by a full 100 mill. € annually (before tax)
- An improvement in important key balance sheet ratios

Why was the short-term sale of the real estate a better alternative than a protracted auction process and why was it a good deal for you as shareholders?

- We achieved a maximum price well above market expectations and so lastingly increased shareholder value. The multiplier achieved is high, even by comparison with comparable European transactions.
- The timing was optimum. We took consistent advantage of the currently high demand for German real estate.
- We significantly reduced the transaction risk – and with it your risk as a KARSTADT QUELLE AG shareholder. It should be noted that globally interest rates are rising, and so the returns for potential purchasers of real estate are falling. Furthermore, further real estate packages of other major German companies will shortly be coming into the market. As a result, real estate prices are expected to fall.
- We have created space in the short term for the Group to advance the growth of its core business.

Independently of the aforementioned real estate package we expect to be putting further business real estate, e.g. the Neckermann headquarters in Frankfurt, our headquarters in Essen and a number of other smaller items of business real estate, with a total value of 600 mill. €, on the market in the current year.

Altogether we shall gain 5.1 bill. € from our Group real estate. Including the real estate already sold in the 2005 financial year, we shall have realized over 7 bill. € in total for the entire real estate portfolio under the restructuring.

Department stores reorganized – Division into three types of business – Growth in the Premium Group

Our Department store segment is undergoing a phase of repositioning. As part of a strategic focus linked to it, we have split our department store portfolio into three different types of business, which will be organized and managed separately:

- Premium (5 locations)
- Boulevard Plus (60 locations)
- Boulevard (27 locations and 5 project stores

Within this portfolio we shall be carrying out further realignment. Eight Boulevard Plus locations will be upgraded to Premium locations. In this way we shall achieve a strong department store portfolio organized as a profit center. Sales to space ratio in the Premium segment comes to 3,500 € per square meter, in the Boulevard Plus segment 2,800 € per square meter and in the Boulevard stores a full 2,100 € per square meter.

With our Premium stores, which include e.g. KaDeWe in Berlin or Alsterhaus in Hamburg, we want to provide world-city style at prime locations and believe attractive, international product ranges and top-quality service to be the best way of achieving this. Our German locations are a unique selling feature, and we are convinced that our premium concept offers a unique opportunity for growth and profit. Accordingly, sales performance at locations where we have already put this strategy into effect is considerably better than the previous year and better than planned. In the Boulevard Plus format we offer at first-class central city locations a competent service, a modern shopping atmosphere and strong brands in the middle to higher price segment. The Boulevard stores are the local providers with a traditional ambience and offering common brands up to the middle price segment.

Increase in purchasing volume in Asia aimed for – New Procurement and Purchasing Management Board department set up – Reduction of working capital by 500 mill. € planned

The KarstadtQuelle Group is restructuring its procurement and purchasing processes. The volume of purchases in South Asia is to be substantially expanded. Purchasing is being centralized and in future will be undertaken in collaboration with an international partner. The necessary negotiations were substantially progressed in the first quarter.

At the same time we shall be improving our design competence. Accordingly, we are developing our own design teams and extending existing know-how. We are setting up local design centers from Europe to South Asia. We aim to move with the trend and increase the timing of our collections. Thus, we are making our product ranges more fashionable and reducing working capital at the same time. By means of new structures and collaboration with a partner we want to lastingly reduce working capital by 500 mill. €. At the same time we naturally expect a positive effect on our purchase prices. Because we consider this task and its effect on the development of Group value, so important, we have set up a separate Management Board department, "Procurement and Purchasing". All operations will be concentrated in this. The segment will be headed by Professor Dr. Helmut Merkel.

Sales and earnings performance

KarstadtQuelle Group operations started the 2006 financial year satisfactorily. Earnings (adjusted EBITDA) were slightly above plan. The late Easter business considerably affected the year-on-year comparison. The first quarter of a financial year is naturally of less importance for the KarstadtQuelle Group. Business in the second and particularly in the fourth quarter is decisive for the realization of our plan targets in 2006 as a whole.

Consolidated sales: Department stores slightly higher, Thomas Cook slightly lower than previous year, Universal mail order decreasing as expected

Karstadt department stores succeeded in increasing their sales slightly. Sales at the Premium stores increased substantially. Thomas Cook (November 1, 2005 to January 31, 2006) achieved sales slightly lower than those of the previous year. A negative effect resulted from the fact that the New Year holidays fell at week-ends and severe hurricanes impaired tourism sales in the Caribbean. In Mail order the pace of the sales decrease was reduced. Special mail order returns a slight growth in sales. E-Commerce again grew in two-digit figures. Sales in Universal mail order in Germany, as expected, decreased markedly. However, part of this sales decrease was brought about specifically by the discontinuance of catalog pages and unprofitable product groups as well as the transfer of marketing campaigns to the second half of the year. Adjusted Consolidated sales in the first quarter came to 3.27 bill. € (previous year: 3.40 bill. €). This represents a decrease by 3.9 %.

The sales performance in the Karstadt and Mail order segments in January and February was respectively satisfactory and much as expected. In March the entire German retail trade, particularly the textiles sector, suffered from the unusually unfavourable weather conditions. Furthermore, Easter business, which fell later than the previous year, negatively affected the sales comparison. In April the sales performance in Department stores was once more positive owing to the inclusion of Easter business and there was also an improvement at Quelle and Neckermann.

Earnings: EBITDA – not including Real estate segment – at previous year's level

The three core business segments are performing to plan and despite the late Easter business between them return earnings at the same level as the previous year. The reduction in gross income due to sales was made up for by restructuring successes. Karstadt and Thomas Cook return a rise in earnings, while Mail order, as expected, fell short of the previous year. The decisive factor behind the earnings decrease at Group level is the Real estate segment, where, as planned, earnings decreased markedly as a result of the extensive divestments. On the other hand, they led to a considerable improvement in net interest. This positive development is, however, not reflected in EBITDA. In the first quarter Consolidated earnings after adjustment for restructuring charges (EBITDA) stood at minus 24.0 mill. €. The planned figures were thus exceeded.

Financial situation

Net financial liabilities decreased by around 36 %, working capital reduced operatively by around 7 %

Net financial liabilities at the balance sheet date came to 3.08 bill. € (previous year: 4.83 bill. €). This represents a decrease by 36.2 %. The decisive factors here were the receivables of the ABS program shown on the balance sheet the previous year and the reduction of working capital. Working capital fell by 45 % to 1.51 bill. € (previous year: 2.75 bill. €). The operating improvement (adjusted for divestments and the ABS program) comes to 7 %. This value will rise further after Easter business.

Strategy

KarstadtQuelle will once again grow and actively shape the consolidation of the markets

Group

The Management's aim is to control the Group with an optimized, lowest possible capital utilization on the basis of an asset-light model. For this we have fulfilled a further precondition by selling the real estate. We shall settle our financial liabilities in full in the current financial year. Thus, we shall reduce a considerable interest burden and be mainly able to further develop the Group free of outside control. The successful completion of the real estate sale will enable the Group to go forward once more.

Where do we stand today operationally? The first phase of reconstruction has been successfully completed. Our Premium and Boulevard Plus department stores, Thomas Cook, Special mail order and Financial services, for example, are performing well. Universal mail order Germany and the Boulevard stores return an unsatisfactory performance.

Karstadt

We already decisively intensified the focus in the Department store segment in the past year by selling the smaller department stores. We are now giving priority to prime locations, repositioning our stores and standardizing processes and have launched a further qualification campaign for our employees. We are creating further room for growth by means of a trading-up strategy. On the basis of international benchmarks we set EBITDA margin targets differentiated for the three department store types in the medium term. The target for the Premium group is 10 %, for Boulevard-Plus 8 % and for Boulevard 3 %.

Mail order

One important task for the Mail order segment now is the implementation and further development of the program of measures initiated in mid-2005. The targets are brand profiling and reduction of infrastructure costs.

Marc Sommer, who has headed this segment since January 1, 2006, is also concentrating on the further development of the business model and in particular on the brand and marketing sectors. Furthermore, additional cost-reducing potential has been identified. One area of emphasis is printing costs, where we are around 30 % higher than usual market conditions, and another is structures relating to the logistics service cost block. Marc Sommer will be putting forward his strategic concept in the next few months. Since, however, because of the length of catalog cycles mail order has a relatively long lead time, the fruits of this work will, as often already stated, not become apparent until the end of 2007 financial year.

The initiated measures will substantially reduce the share of sales contributed by Universal mail order in Germany. The Special mail order, E-commerce and International growth segments, on the other hand, are to be expanded. From the brand positioning point of view Quelle will be a multispecialist offering high brand attractiveness. neckermann.de is an e-driven company, and international universal mail order will develop further growth sectors in Central and Eastern Europe. One area of emphasis will be the increase of the business volume in Russia. Here we are assuming sales potential of up to 1 bill. € by 2009. The continuously rising share contributed by e-commerce will radically alter the Mail order segment. Catalog business is to decrease to 50 %, while E-commerce will expand to 50 %.

The EBITDA margin for the Mail order business will be between 6 and 7 %. A major part of the improvement will be achieved by cost reduction. Furthermore, we shall increase the trade margin and expand in the defined growth segments.

Thomas Cook

Thomas Cook is without question a core business for KarstadtQuelle. Consideration is being given to expanding our operations in the tourism business. We shall discuss these plans together with our joint venture partner Deutsche Lufthansa AG.

Services

Because of its excellent positioning the KarstadtQuelle Group possesses assets which have already been developed into successful business models at comparable competitors at an international level. These assets include, for example, a high customer footfall at Karstadt stores, several million customer contacts, strong, confidence-inspiring retail brands and information about customer preferences.

By using these assets KarstadtQuelle has already successfully positioned itself in a number of sectors. These include the instalment credit business, information services (profitable direct marketing), financial services (wide range of financial and insurance services – a position as largest issuer of Master Cards in Germany) and customer relations management (“Happy Digits” cross-sector loyalty card bonus program). We want to expand these business models both organically and by additional purchases. Judging by the evaluation of comparable international companies, we discern high value potential in these sectors.

Outlook

The success of the KarstadtQuelle Group under our planning for the year depends heavily on the business performance in the summer months (football world cup as well as brand and marketing campaign in Mail order), from August on (Karstadt anniversary) and in the fourth quarter (Christmas business and carry-forward effects of the planned VAT increase). We are expecting a positive sales performance over these periods. At the same time we are expecting the restructuring successes to have an increasing effect during the year. Since business in the first quarter of the year went according to plan, we are holding to our sales and earnings targets for the 2006 financial year.

The KARSTADT QUELLE AG portfolio will be substantially changed by the real estate sale. We are abandoning the Real estate segment and concentrating on three core business segments. There we are aiming for profitable expansion of our leading market positions.

- The first business segment is the Karstadt brand department store business. We are market leaders in Germany, we are Number 1 in the German textile and sports market and we have prime store locations.
- The second segment is Mail order, with the Quelle and Neckermann brands and a large number of special mail-order suppliers. We are market leaders in Germany, and we are Number 2 in e-commerce. We enjoy leading market positions in many countries, particularly in Central and Eastern Europe, and have a strong special mail-order portfolio.
- The third segment is the Tourism segment. Thomas Cook is Number 2 in Germany and Europe.

The KarstadtQuelle Group, including acquisitions, will achieve sales of 17 to 18 bill. € in the middle term. EBITDA will come to over 1.1 bill. € and the EBITDA margin be 6 to 7 %. Net financial indebtedness will be close to zero. The equity ratio is moving towards around 20 %.

The Management is convinced that KarstadtQuelle has at its disposal hitherto unutilized strategic options for further development of the core business. Thus, for example, we shall make consistent use of the market consolidation in our business segments. We also believe that the actual shareholder value of your KarstadtQuelle AG is not yet adequately reflected in the present share price. I personally consider it one of the Management's main tasks to close this value gap. Accordingly Management remuneration will be more closely linked to share price performance.

Essen, May 2006

For the Management Board
Your
Thomas Middelhoff
Chairman

Other information

Investments

Investments in the first three months of the current year totalled 38.4 mill. € (previous year: 44.5 mill. €). The decrease compared with the first quarter of 2005 is mainly due to reduced investments in financial assets.

Not including financial assets, 37.2 mill. € were invested (previous year: 39.5 mill. €). Of this amount 21.7 mill. € went to Karstadt. These investments are mainly being used to realign department stores. The most important of these were KaDeWe in Berlin, Mönckebergstraße in Hamburg and Oberpollinger in Munich.

Employees

The number of persons employed full-time decreased by 6,753 to 61,437 in the first quarter of 2006. The decisive factors behind the decrease by 9.9 % were mainly staff reductions due to closures and restructuring measures.

Particularly the comprehensive divestments and restructuring and outsourcing measures have had an effect by comparison with the same quarter the previous year. Most of the leaving employees were transferred to new employment.

Full-time employees

Number as at 31.03.	2006	2005	Change	Change in %
Karstadt	25,185	30,208	-5,023	-16.6
Mail order	24,208	27,846	-3,638	-13.1
Thomas Cook	9,688	10,489	-801	-7.6
Services	2,107	2,416	-309	-12.8
Real estate	75	80	-5	-6.3
Holding company	174	175	-1	-0.6
Total	**61,437**	**71,214**	**-9,777**	-13.7

The KarstadtQuelle Share

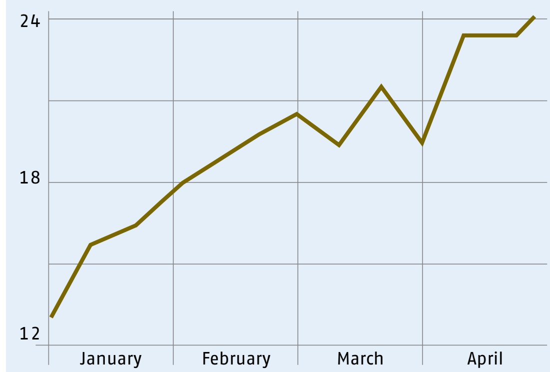
KarstadtQuelle share price rises by 51 % in the first quarter of 2006

After a rapid price rise the previous year and thanks to a substantial price rise of 51.3 % in the first three months of the current year the KarstadtQuelle share is once again one of the top performers in the German share market. The German Share Index (DAX) went up by 10.4 % over this period, and the MDAX, the index of medium-sized companies, rose by 18.6 %.

The price rise is primarily due to the further successful implementation of the KarstadtQuelle Group's realignment strategy. In addition, the generally positive performance of the German share market had an effect.

The KarstadtQuelle share began the new calendar year on January 2, 2006 at a price of 12.93 €. On March 24, 2006, it returned a quarterly high of 22.65 €. At the end of the quarter the price had settled at between 23 and 24 €. Market capitalization is stable at around 5 bill. €.

Stock exchange performance January to April 2006 in €



Events after the balance sheet date

Supervisory Board approves sale of real estate

On April 25, 2006, the Supervisory Board of KarstadtQuelle AG approved the sale of 174 items of Group real estate to the Whitehall real estate fund.

Peter Wolf is to assume responsibility for Over-the-counter real estate on the Group Management Board

Peter M. Wolf, 47, member of the Management Board of Tchibo GmbH, Hamburg, will transfer to the Management Board of KarstadtQuelle AG on August 1, 2006. He will assume responsibility for Over-the-counter retail on the Management Board and also succeed Prof. Dr. Helmut Merkel as Chairman of the Board of Karstadt Warenhaus GmbH. Prof. Merkel will concentrate on the Procurement, Logistics and IT department, which he took over additionally in March 2006.

Special mail-order supplier Fritz Berger sold

KarstadtQuelle AG is selling Fritz Berger GmbH & Co. KG, Neumarkt, with effect from May 1, 2006. The purchaser is Arques Industries AG, Starnberg.

Karstadt

Karstadt sales rise slightly

In the first quarter of the current year adjusted sales at Karstadt department and sports stores came to 1.11 bill. €. This represents a rise of 0.5 % on the previous year. Karstadt was thus able to gain shares of the market. Karstadt naturally profits considerably from Easter business, and so the fact that Easter this year falls in the second quarter made the year-on-year comparison difficult. A positive business performance in April meant that the lag was duly made up for.

The season's start set trends and appealed to customers with contemporary, attractive product ranges. The Premium Group returned an above-average performance and confirmed the Premium segment's high market potential. Compared with the previous year, the sales performance of the Boulevard Plus stores was negatively affected by four refurbishments.

Earnings performance boosted by realignment

In the first quarter of 2006 earnings (adjusted EBITDA) stood at minus 27.2 mill. € (previous year: minus 29.6 mill. €). This represents an increase by 2.4 mill. €. Earnings are showing a gratifying development due to operating progress resulting from the realignment. Levels of earnings at the project stores not forming part of the core business, however, fell markedly short of those of the previous year. These stores are, as already announced, to be sold or closed as soon as possible.

Key figures *

01.01. – 31.03.		2006	2005	Change in %
Sales	mill. €	1,111.5	1,105.5	0.5
Earnings				
EBITDA (adjusted)	mill. €	-27.2	-29.6	8.1
EBITDA margin (adjusted)	in %	-2.4	-2.7	-
Full-time employees at the balance sheet date	number	25,185	30,208	-16.6
Branches				
Department stores	number	92	89	-
Sports stores	number	29	32	-
Project stores	number	16	26	-
Total	number	**137**	**147**	**-**
Sales space	th. sq. m.	1,777.0	1,822.5	-2.5

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

Repositioning of the department stores

Department store business concentrates on the large department stores and sports stores at excellent central locations in German cities. Thanks to the grouping of the department stores in **Premium, Boulevard Plus** and **Boulevard** formats the ambience and product standard is being precisely adjusted to suit the wants of our customers. Separate marketing concepts tailored to the types of business are being developed accordingly. The Premium Group will initially comprise the cosmopolitan stores KaDeWe in Berlin, Alsterhaus in Hamburg, Frankfurt Zeil, Munich and Dresden. The aim is to multiply the profitable KaDeWe model. The conversion of further stores to the Premium format is already planned for this year.

Customer satisfaction rising steadily

As part of a second qualification initiative, sales staff are being trained to advise, assist and focus on customers in the current financial year. The qualification initiative will reinforce the training content of 2005. The visible effect of the measures already taken is the still rising customer satisfaction. Since measurements began at the start of 2005 the customer satisfaction index has improved by 10 percentage points to 85 %.

Karstadt fit for FIFA World Cup

All the preparations for the football World Cup have been successfully completed. These included the opening of over 300 FIFA WM 2006™ shops in the stores and in outside space. We are also marketing successful product lines relating to football in special space and have agreed special opening times during the World Cup. In addition, numerous events are planned in city centers, football stadiums and train stations. Our staff are highly motivated and will welcome the international public with enthusiasm.

125th Karstadt anniversary brings further opportunities

February 16, 2005, saw the celebration of Rudolf Karstadt's 150th birthday in Wismar and the re-opening of the original Karstadt store there. To commemorate 125 years of its existence, in the second half of the year Karstadt will be putting on an extensive anniversary program. Amongst the highlights will be the re-opening of the modernized stores at Munich, Leipzig and Hamburg-Mönckebergstrasse.

Mail order

Sales performance in Universal mail order Germany decreasing, as expected – Special mail order sales once again growing

Special mail order sales in the first quarter exceeded those of the previous year. This was due mainly to the positive performance at Peter Hahn, Bon' A Parte and in a few international markets.

E-Commerce again grew in two-digit figures. Online demand came to 686 mill. € (plus 15 %). Sales in Universal mail order in Germany, as expected, decreased markedly. However, part of this sales decrease was brought about specifically by the discontinuance of catalog pages and unprofitable product groups. Furthermore, extensive marketing campaigns were conducted in the second half instead of the first quarter of 2006. Thus, 20 % of the entire advertizing budget was directed to an aggressive marketing campaign, which will be conducted in the summer months. In accordance with our plans sales were delayed at the expense of the first quarter. The Mail-order segment in the first quarter of 2006 achieved adjusted sales of 1.57 bill. € (previous year: 1.70 bill. €). This represents a decrease by 7.9 %.

Earnings decreased only moderately due to initial restructuring progress

Special mail order succeeded in maintaining its earnings. The fall in gross income through sales in Universal mail order was largely made up for by initial visible successes in restructuring. Particularly worth mentioning in this connection is the improvement in the trade margin and the reduction of staff costs. Adjusted EBITDA in the Mail order segment stood at minus 12.5 mill. € (previous year: 0.4 mill. €) in the first quarter of 2006.

Restructuring in Universal mail order Germany running to plan

In Universal mail order Germany at mid-2006 the implementation of the programs of measures is continuing to go to plan. The measures are aimed particularly at brand profiling, the product ranges, the focus on the customer and a reduction of infrastructure costs by 300 mill. € by 2007. Measures to

Key figures*

01.01. – 31.03.		2006	2005	Change in %
Sales	mill. €	1,566.6	1,701.9	-7.9
International sales contribution	in %	29.0	28.1	-
Earnings				
EBITDA (adjusted)	mill. €	-12.5	0.4	-
EBITDA margin (adjusted)	in %	-0.8	0.0	-
Full-time employees at the reporting date	number	24,208	27,846	-13.1

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

improve the cost structure have already partly been implemented or prepared. Thus, for example, agreement was reached with the Works Council on the staff adjustments necessary in German universal mail order. Marc Sommer and his team will decide in the course of the year whether further restructuring measures are necessary.

The realignment also includes the consistent streamlining of the long-term investment and catalog portfolio. We are disposing of unprofitable or unpromising investments on a larger scale. Thus, in April 2006, for example, we sold off the special mail order supplier Fritz Berger.

The planned restructuring measures for the organization of neckermann.de have mostly been completed.

Brand campaign in progress

The core element of Quelle's realignment is clear, unmistakable brand positioning. Quelle is being even more clearly positioned as part of a brand campaign. The relaunch is a symbiosis of traditional Quelle values and a new, contemporary profile. The Quelle brand concentrates on the technology, fashion, kitchen and home product ranges. Fashion will once more play the leading role, while own brands will be given considerably more profile. In the operating business customer focus will be firmly embedded in the organization as the most important guiding principle. The aim is the improvement of all relevant key performance indicators. This includes, for example, a decrease in customer complaints and the reduction of part deliveries. The customer can shop at Quelle wherever, however and whenever he or she wants. This is made possible by, amongst other things, an organizational overall responsibility for sales marketing and an efficient area marketing concept. Emphasis is also being given to the further expansion of e-commerce.

The conversion of neckermann.de into an e-driven company continues to progress well. A future collaboration with partners on the newly installed marketing platform is also featured. The first partners have already been integrated. Furthermore, the expansion of e-commerce abroad is developing successfully.

E-commerce continues to grow strongly

The e-commerce growth segment continues to perform well. Online demand was increased to 686 mill. € (previous year: 599 mill. €) in the first quarter of 2006. This represents a growth by around 15 %. The number of visits rose by 75 % to 86 million compared with the same quarter the previous year.

Further excellent growth abroad

Abroad growth in Central Eastern Europe continues. The Quelle subsidiary in Romania has performed successfully, since mail order was launched in August 2005. Also particularly gratifying is neckermann.de's sales performance in Ukraine; market entry here was in 2005. In the first quarter of 2006 neckermann.de also entered the Greek market. At the end of February 2006 the special mail order supplier Mode & Preis began trading in France. Following successful tests, further market entries are planned in the coming months.

Thomas Cook

Sales decreased slightly for technical reasons, sales per passenger risen

(Proportionate) sales in the first quarter of the tourism year (November 1, 2005 to January 31, 2006) decreased slightly by 1.9 % to 553.1 mill. €. The comparison was unfavourably distorted by the holidays' falling at week-ends and severe hurricanes negatively affecting tourism sales at the start of the main season in the Caribbean. Operator sales per passenger went up by 2 % on the same quarter the previous year.

Earnings further improved

Earnings (proportionate EBITDA) in the first quarter of the tourism year further improved by 18.8 % on the previous year. The decisive factor behind this positive development was the reduction in operating expenses. Expenditure on materials and services for tourism were kept virtually at the same level as the previous year despite the sharp rises in the cost of aircraft fuel. For seasonal reasons earnings stood at minus 41.8 mill. € (previous year: minus 51.9 mill. €).

Strategic concentration on Europe

To enable the company to concentrate further on the core business in Europe, on December 21, 2005, the entire shareholding (60 %) in Thomas Cook India Ltd. was sold. After the end of the quarter (March 10, 2006) Thomas Cook sold off its 100 %-held subsidiary in Canada.

Furthermore, in February 2005 shares in Aldiana GmbH (75.1 %) were sold.

Key figures

01.11.05 – 31.01.06		2006	2005	Change in %
Sales	mill. €	553.1	563.7	-1.9
of which international contribution	in %	49.7	52.2	-
thereof tour operators	mill. €	426.8	437.1	-2.4
thereof flights	mill. €	78.2	75.3	3.7
Earnings				
EBITDA	mill. €	-41.8	-51.9	18.8
EBITDA margin	in %	-7.5	-9.2	-
Other information [1)]				
Operator passengers carried	number in th.	1,344.1	1,416.8	-5.1
Operator sales per passenger	€	625.90	613.40	2.0
Average holiday duration	days	8.8	8.8	0.0
Full-time employees at the reporting date	number	9,688	10,489	-7.6

[1)] 100 % disclosure.

Rise in sales and income expected in current year

At the end of February 2006 bookings (passengers) for the current financial year stood 3.3 % higher than the same period the previous year. Booking figures in Germany, at 11.8 %, were positive. In Great Britain (minus 1.9 %) and Western Europe (minus 3.4 %) bookings were lower than in the same period the previous year. Summer (April to October 2006) promises a considerably better business. For this reason sales and income in the next three quarters of the current 2005/2006 tourism year are expected to increase further.

Further realignment defined

Following the successful completion of its two-year reconstruction phase, Thomas Cook has defined the basic features of the future realignment: Thomas Cook will be detaching itself step by step from the model of the integrated tourism group. The new business model is highly flexible and will be operated with as little capital commitment as possible. Sales and marketing will be done through a large number of channels. As a central element of Group strategy, a campaign was launched in the product, marketing and production sectors to further develop the operators:

- The product campaign aims at setting up a service portfolio consisting of a healthy mix of package business and contemporary special business with a wide diversity of high-quality offers.
- The sales and marketing campaign will strengthen multi-channel sales and marketing.
- As part of the production campaign, IT services and production methods in particular will be modernized.

E-commerce as growth driver

E-commerce will be established even more firmly as a sales and marketing channel alongside the classic travel agency sales operation. In order to further accelerate planned growth throughout the Group, Thomas Cook has set up a new "E-commerce" function under the control of the Chairman of the Management Board.

Strong brand portfolio

Thomas Cook's growth strategy is based on strong brands. Thomas Cook thus enjoys a decisive competitive advantage. Under the groupwide brand strategy Thomas Cook, with a tradition going back more than 160 years, is the oldest and at the same time best-known brand in the tourism industry internationally. It is used in all markets and at all levels of the tourism value-added chain. Amongst the operator brands the Neckermann Reisen brand is the clear price leader in the market. All the operator brands offer high product quality and also enjoy a high level of product differentiation.

Sales are to rise annually by around 4 % over the next three years, while EBIT is to improve by 5 to 10 % per annum.

Services

The KarstadtQuelle Group's retail-related service operations are concentrated in this segment. The Services segment concentrates on profitable business models. Core competences include financial and information services, tourism sales as well as customer relations management and procurement services.

Adjusted sales, including those of the proportionately consolidated companies, in the first quarter of 2006 came to 78.1 mill. €. Adjusted earnings (EBITDA) stood at 7.2 mill. €.

Key figures*

01.01. – 31.03.		2006	2005	Change in %
Sales	mill. €	78.1	68.9	13.3
Earnings				
EBITDA (adjusted)	mill. €	7.2	10.5	-34.9
EBITDA margin (adjusted)	in %	9.3	15.2	-
Full-time employees at the reporting date	number	2,107	2,416	-12.8

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

Real estate

The Real estate Group segment achieved sales amounting to 109.4 mill. € (previous year: 115.6 mill. €) in the first quarter. Adjusted EBITDA decreased by 29.6 mill. € to 55.2 mill. € (previous year: 84.8 mill. €). A year-on-year comparison of earnings is no longer possible because of the extensive divestments (small department stores, SinnLeffers, logistics real estate). Not including this effect, earnings in the Real estate segment are at the same level as the previous year.

In March KarstadtQuelle AG sold to the Whitehall real estate fund 174 items of real estate to a total value of 4.5 bill. €. Furthermore the Group will be selling a further real estate portfolio with a value of 600 mill. € by the end of the year.

Key figures*

01.01. – 31.03.		2006	2005	Change in %
Sales	mill. €	109.4	115.6	-5.4
Earnings				
EBITDA (adjusted)	mill. €	55.2	84.8	-29.6
EBITDA margin (adjusted)	in %	50.5	73.4	–
Full-time employees at the reporting date	number	75	80	-6.3

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

Consolidated income statement

for the period from January 1 to March 31, 2006

Amounts shown in th. €	2006	2005	Change in %
Sales	3,267,431	3,616,562	-9.7
Cost of sales and expenses for tourism services	-1,821,761	-1,997,978	8.8
Gross income	**1,445,670**	**1,618,584**	-10.7
Other capitalized own costs	8,495	10,757	-21.0
Operating income	205,214	176,583	16.2
Staff costs	-594,283	-701,484	15.3
Operating expenses	-1,106,644	-1,091,973	-1.3
Other taxes	-5,397	-6,874	21.5
Earnings before interest, tax and depreciation and amortization (EBITDA)	**-46,945**	**5,593**	-
Depreciation and amortization (not including amortization of goodwill)	-79,037	-90,256	12.4
of which impairment loss	-	-	-
Earnings before interest, tax and amortization of goodwill (EBITA)	**-125,982**	**-84,663**	-48.8
Amortization of goodwill	-	-	-
Earnings before interest and tax (EBIT)	**-125,982**	**-84,663**	-48.8
Income from investments	432	341	26.7
Income from investments in associates	1,958	4,583	-57.3
Net interest income	-62,827	-77,203	18.6
Other financial results	13,817	1,896	-
Earnings before tax (EBT)	**-172,602**	**-155,046**	-11.3
Taxes on income	65,506	58,192	12.6
Earnings from continuing operations	**-107,096**	**-96,854**	-10.6
Result from discontinued operations	-	-13,182	-
Net loss before minority interests	**-107,096**	**-110,036**	2.7
Profit/loss due to minority interests	312	-1,104	-
Net loss after minority interests	**-106,784**	**-111,140**	3.9
Earnings per share in €	**-0.51**	**-0.56**	9.3
thereof from continuing operations	-0.51	-0.49	-4.4
thereof from discontinued operations	0.00	-0.07	-

Consolidated balance sheet

for the period ended March 31, 2006

Assets

Amounts shown in th. €	31.03.2006	31.03.2005	Change in %	31.12.2005
Intangible assets	1,089,229	1,103,383	-1.3	1,104,831
Tangible assets	1,093,407	2,714,661	-59.7	2,452,839
Shares in associates	88,823	105,356	-15.7	98,398
Other financial assets	542,666	856,334	-36.6	535,220
thereof securities	11,429	400,595	-97.1	11,684
Other non-current assets	98,694	126,767	-22.1	94,167
Deferred taxes	285,047	224,290	27.1	228,249
Non-current assets	**3,197,866**	**5,130,791**	-37.7	**4,513,704**
Inventories	1,597,688	1,775,911	-10.0	1,621,095
Trade receivables	814,988	2,176,462	-62.6	844,385
Tax receivables	77,218	76,601	0.8	50,430
Other receivables and other assets	1,034,062	887,882	16.5	1,139,128
Cash and cash equivalents and securities	671,598	815,899	-17.7	707,163
Current assets	**4,195,554**	**5,732,755**	-26.8	**4,362,201**
Assets classified as held for sale	1,484,298	1,262,498	17.6	262,658
Balance sheet total	**8,877,718**	**12,126,044**	-26.8	**9,138,563**

Equity and liabilities

Amounts shown in th. €	31.03.2006	31.03.2005	Change in %	31.12.2005
Subscribed share capital	512,078	510,398	0.3	510,398
Reserves	-339,305	-50,429	-	-237,068
Minority interests	10,037	27,759	-63.8	16,745
Equity	**182,810**	**487,728**	-62.5	**290,075**
Long-term capital of minority interests	-	52,953	-	-
Non-current financial liabilities	2,928,767	3,395,185	-13.7	3,012,793
Other non-current liabilities	563,208	570,802	-1.3	566,606
Pension provisions	890,578	871,481	2.2	906,756
Other non-current provisions	372,283	355,700	4.7	383,784
Deferred taxes	7,206	12,053	-40.2	11,673
Non-current liabilities	**4,762,042**	**5,258,174**	-9.4	**4,881,612**
Current financial liabilities	862,714	2,674,897	-67.7	724,776
Trade payables	1,286,193	1,386,965	-7.3	1,600,870
Current tax liabilities	127,007	152,966	-17.0	201,746
Other current liabilities	1,157,304	1,105,663	-4.7	768,855
Current provisions	474,282	576,928	-17.8	609,677
Current liabilities	**3,907,500**	**5,897,419**	-33.7	**3,905,924**
Liabilities from assets classified as held for sale	25,366	482,723	-94.7	60,952
Balance sheet total	**8,877,718**	**12,126,044**	-26.8	**9,138,563**

Statement of changes in equity

for the period from January 1, 2005/2006 to March 31, 2005/2006

Amounts shown in th. €	Subscribed share capital	Additional paid-in capital	Revenue reserves: Other revenue reserves	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	–	–	–	–	-220	-49	-269
Changes resulting from disposals and the measurement of primary and derivative financial instruments	–	–	–	4,745	–	–	4,745
Changes in consolidated companies	–	–	-2,466	–	-11	74	-2,403
Equity capital changes without effect for income	**–**	**–**	**-2,466**	**4,745**	**-231**	**25**	**2,073**
Consolidated earnings	–	–	-111,140	–	–	1,104	-110,036
	–	**–**	**-113,606**	**4,745**	**-231**	**1,129**	**-107,963**
Dividends	–	–	–	–	–	-153	-153
	–	**–**	**–**	**–**	**–**	**-153**	**-153**
Closing balance 31.03.2005	**510,398**	**629,424**	**-674,701**	**8,656**	**-13,808**	**27,759**	**487,728**
Opening balance 01.01.2006	**510,398**	**629,424**	**-883,103**	**26,479**	**-9,868**	**16,745**	**290,075**
Differences from foreign currency translation	–	–	–	–	-2,274	-2	-2,276
Changes resulting from disposals and the measurement of primary and derivative financial instruments	–	–	–	4,050	–	–	4,050
Changes in consolidated companies	–	–	-2,485	21	1,165	-6,394	-7,693
Equity capital changes without effect for income	**–**	**–**	**-2,485**	**4,071**	**-1,109**	**-6,396**	**-5,919**
Consolidated earnings	–	–	-106,784	–	–	-312	-107,096
	–	**–**	**-109,269**	**4,071**	**-1,109**	**-6,708**	**-113,015**
Capital increase and issue of convertible bond	**1,680**	**4,070**	**–**	**–**	**–**	**–**	**5,750**
Closing balance 31.03.2006	**512,078**	**633,494**	**-992,372**	**30,550**	**-10,977**	**10,037**	**182,810**

Consolidated cash flow statement

for the period from January 1 to March 31, 2006

Amounts shown in th. €	2006	2005
EBITDA	**-46,945**	**5,593**
Profit/loss from the disposal of fixed assets	3,600	-1,767
Profit/loss from foreign currency	-2,213	1,619
Decrease of non-current provisions (not including pension and tax provisions)	-716	-9,907
Utilization of restructuring provision	-120,322	-38,351
Other expenses/income not affecting cash flow	-29,923	7,159
Gross cash flow	**-196,519**	**-35,654**
Changes in working capital	-246,592	-350,572
Changes in other current assets and liabilities	389,248	120,609
Dividends received	844	1,694
Payments/refunds of taxes on income	-35,211	2,018
Cash flow from operating activities	**-88,230**	**-261,905**
Cash flow from acquisitions/divestments of subsidiaries less acquired/disposed cash and cash equivalents	89,221	10,260
Purchase of tangible and intangible assets	-37,157	-39,467
Purchase of investments in non-current financial assets	-1,266	-5,021
Cash receipts from sale of tangible and intangible assets	9,526	9,042
Cash receipts from sale of non-current financial assets	392	21,029
Cash flow from investing activities	**60,716**	**-4,157**
Free cash flow	**-27,514**	**-266,062**
Interest received	24,502	32,444
Interest paid	-74,685	-89,592
Pension payments	-31,177	-42,696
Cash receipts/payments of (financial) loans	86,567	540,071
Payments of liabilities due under finance lease	-7,958	-13,055
Cash payments/cash receipts for dividends and capital increase	–	-153
Cash flow from financing activities	**- 2,751**	**427,019**
Changes in cash and cash equivalents affecting cash flow	**-30,265**	**160,957**
Changes in cash and cash equivalents due to changes in exchange rates or other changes caused by the consolidated companies	-5,300	-7,269
Cash and cash equivalents at the beginning of the period	707,163	662,211
Cash and cash equivalents at the end of the period	**671,598**	**815,899**

Segment report

for the period from January 1 to March 31, 2006

Amounts shown in th. €	KarstadtQuelle Group		Reconciliation account *		Karstadt	
	2006	2005	2006	2005	2006	2005
Sales	3,782,400	4,196,286	–	–	1,123,634	1,363,915
Interest from lending business	57,913	56,967	–	–	–	–
Internal sales	-572,882	-636,691	-151,284	-242,540	-12,172	-110,687
Consolidated sales	**3,267,431**	**3,616,562**	**-151,284**	**-242,540**	**1,111,462**	**1,253,228**
Consolidated sales (adjusted) [1]	***3,267,431***	***3,399,292***	***-151,284***	***-156,240***	***1,111,462***	***1,105,478***
Cost of sales and expenses for tourism services	-1,821,761	-1,997,978	17,255	66,818	-654,814	-725,944
Gross income	**1,445,670**	**1,618,584**	**-134,029**	**-175,722**	**456,648**	**527,284**
Other capitalized own costs	8,495	10,757	7,809	8,770	459	1,121
Operating income and costs	-901,430	-915,390	121,127	155,225	-251,385	-253,203
Staff costs	-594,283	-701,484	-4,844	-4,440	-238,137	-309,455
Other taxes	-5,397	-6,874	-12	-20	-57	-77
EBITDA	**-46,945**	**5,593**	**-9,949**	**-16,187**	**-32,472**	**-34,330**
EBITDA (adjusted) [1] *EBITDA margin in % (adjusted)*	**-23,961** *-0.7*	**5,530** *0.2*	**-7,945** *–*	**-9,271** *–*	**-27,180** *-2.4*	**-29,580** *-2.7*
Depreciation and amortization (not including goodwill)	-79,037	-90,256	-203	-276	-22,146	-28,001
Amortization of goodwill	–	–	–	–	–	–
EBIT	**-125,982**	**-84,663**	**-10,152**	**-16,463**	**-54,618**	**-62,331**
Earnings from discontinued operations	**–**	**-13,182**	**–**	**-2,174**	**–**	**-11,008**
Segment assets	6,207,192	8,928,934	141,372	170,456	1,308,538	1,256,410
Segment liabilities	3,547,446	3,756,751	85,176	117,993	746,856	874,069
Investments	37,157	39,467	-92	37	21,694	19,593
Employees (on average) number	89,193	108,488	183	189	34,307	47,322
Employees (on average) adjusted [1] number	76,628	84,524	183	189	33,526	36,284

* 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
1,900,078	1,952,213	562,934	573,482	86,355	172,616	109,399	134,060
57,913	56,967	–	–	–	–	–	–
-391,383	-270,307	-9,826	-9,797	-8,217	-3,360	–	–
1,566,608	**1,738,873**	**553,108**	**563,685**	**78,138**	**169,256**	**109,399**	**134,060**
1,566,608	***1,701,873***	***553,108***	***563,685***	***78,138***	***68,936***	***109,399***	***115,560***
-751,983	-853,980	-394,985	-394,163	-37,234	-90,709	–	–
814,625	**884,893**	**158,123**	**169,522**	**40,904**	**78,547**	**109,399**	**134,060**
172	287	–	–	55	579	–	–
-629,986	-633,840	-93,812	-117,833	-8,047	-20,889	-39,327	-44,850
-218,714	-234,722	-105,436	-102,491	-25,892	-48,451	-1,260	-1,925
-2,289	-2,374	-627	-1,109	-136	-7	-2,276	-3,287
-36,192	**14,244**	**-41,752**	**-51,911**	**6,884**	**9,779**	**66,536**	**83,998**
-12,543 *-0.8*	**441** *0.0*	**-38,754** *-7.0*	**-51,384** *-9.1*	**7,229** *9.3*	**10,482** *15.2*	**55,232** *50.5*	**84,842** *73.4*
-20,539	-22,315	-20,245	-20,610	-4,603	-5,156	-11,301	-13,898
–	–	–	–	–	–	–	–
-56,731	**-8,071**	**-61,997**	**-72,521**	**2,281**	**4,623**	**55,235**	**70,100**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2,817,503	4,043,223	1,527,985	1,659,371	306,076	319,273	105,718	1,480,201
1,267,298	1,220,640	1,023,245	1,097,561	90,270	134,486	334,601	312,002
10,897	13,722	3,114	4,206	1,165	1,710	379	199
30,646	34,626	21,621	23,514	2,356	2,726	80	111
29,824	33,634	10,811	11,757	2,204	2,574	80	86

Notes to the Consolidated financial statements

Accounting policies

The accounting policies are identical to those applied in the last annual and quarterly accounts 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 Consolidated balance sheet date, was included on the basis of the sub-group consolidated financial statements for the period to January 31, 2006. The most important changes to March 31, 2006 are taken into account.

The TriStyle subgroup fully consolidated the previous year was turned to proportionate consolidation due to loss of control of 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 March 31, 2005, this commitment stood at 53.0 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 shown off balance by qualifying as an actual derecognition under IAS 39. The charges linked with them are shown as an operating expense, while the previous year they are recognized according to the treatment on the balance sheet as financing under interest expenses. As at March 31, 2005, trade receivables to the value of 1.39 bill. € which were sold under the ABS program are recognized. Short-term financial liabilities related to these amount to 1.13 bill. € at the balance sheet date the previous year.

The structure of the income statement contains the most important items also disclosed in the annual account.

The quarterly financial statement has been examined for the fully consolidated companies.

Consolidated companies

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

In the Thomas Cook subgroup Thomas Cook India Ltd. (60 %) and Aldiana GmbH (75.1 %) were deconsolidated in the first quarter of 2006. The disposal of the Aldiana shares represents a material change after the balance sheet date of the Thomas Cook subgroup's financial statement in that the sale only became effective after January 31, 2006.

The disposal of Thomas Cook Canada will take effect at May 1, 2006. Deconsolidation will thus take place in the second quarter of 2006.

A total of seven companies were added to the group of consolidated companies. The changes relate to the Mail-order segment with seven companies fully consolidated for the first time and one proportionately consolidated company. In the Real estate segment one company was disposed of.

Deconsolidation profits of 13.1 mill. € and losses of 1.0 mill. € resulted from total divestments in the first quarter of 2006.

Assets and liabilities classified as held for sale and disposal groups

The Group's assets are substantially affected as follows by the deconsolidations already explained and the intended sale of the real estate portfolio. These effects are reflected mainly by the increase of the "Assets classified as held for sale".

The changes in asset values to the value of 1,221.6 mill. € and liabilities to the value of minus 35.6 mill. € relative to the annual report to December 31, 2005, were spread between the disposal groups as follows:

Assets classified as held for sale and liabilities from assets classified as held for sale

Amounts shown in th. €	As at 01.01.2006	Additions		Disposals	As at 31.03.2006
		Real estate	Other		
Assets classified as held for sale					
Intangible assets	7,327	–	1,220	-7,327	1,220
Tangible assets	205,731	1,227,791	269,513	-240,594	1,462,441
Other financial assets	15,891	–	–	-15,891	–
Deferred taxes	2,309	–	9,038	-791	10,556
Current assets	31,400	–	10,081	-31,400	10,081
	262,658	**1,227,791**	**289,852**	**-296,003**	**1,484,298**
Liabilities from assets classified as held for sale					
Pension provisions	2,761	–	5,520	-2,761	5,520
Deferred taxes	6,297	–	5,252	-6,297	5,252
Current financial liabilities	30,790	–	–	-30,790	–
Other liabilities	21,104	–	14,590	-21,100	14,594
	60,952	**–**	**25,362**	**-60,948**	**25,366**

Contingent liabilities, other financial commitments

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

Important events after the reporting date

On March 27, 2006, a large part of KarstadtQuelle AG's real estate assets was sold to a company in which 49 % of the shares are still held. This company is under the control of the contracting partner Whitehall, a company of the Goldman Sachs Group. The planned closing date for the fulfillment of the greater part of the transaction is July 1, 2006, while the remaining assets are to be transferred by the end of 2006. The assets concerned are recognized at March 31, 2006, as "Assets classified as held for sale".

Calendar 2006

Annual General Meeting	
Düsseldorf	May 8, 2006
Interim reports	
2nd Quarter	August 9, 2006
3rd Quarter	November 8, 2006

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