Interim Report

to March 31, 2007

KARSTADT QUELLE AG

Facts

Expected value-added tax shock does not materialize at the KarstadtQuelle Group – Trend in all Group operating business segments on schedule

- Karstadt digests increase in value-added tax well – result slightly improved
- Primondo: number of active customers rising again, resulting in a sales upturn from the middle of 2007 – International, E-Commerce und Special Mail Order grow in first quarter
- Thomas Cook: sales stable – due to non-recurring effects result not comparable with previous year, but in line with plan – Sales and earnings upturn on whole-year basis scheduled

Net financial liabilities reduced year-on-year by 94.5 % – Successful working capital management

Fundamental strategic move in Tourism – Consolidated sales increase to 21 bill. €

Thomas Cook stake acquired from Deutsche Lufthansa AG

Thomas Cook acquires British MyTravel plc

- EU Commission approves merger
- New listed Thomas Cook Group plc
- 52 % stake held by KarstadtQuelle shareholders
- CEO, CFO and Chairman appointed by KarstadtQuelle

Primondo: Acquisition in homeshopping – divestments in Universal Mail Order

Strategic partnership EDS – Group IT costs to be reduced by 650 mill. € in eight years – Expansion of the strongly growing international online business with high global IT competence

Dispute with Jewish Claims Conference ended

KarstadtQuelle AG now called Arcandor AG

Financial year to start on October 1 – Short financial year 2007

Outlook

Group rigorously aligned to 2008/09 objectives:

- Consolidated sales of 23 bill. € planned
- EBITDA exceeding 1.3 bill. € expected

Value appreciation potential from active market consolidation

Improvement of operating performance across the year

Income exceeding 1.6 bill. € from conclusion of real estate transactions

At a glance *

			31.03.2007	31.03.2006*	Change in %
Sales	Karstadt	mill. €	967.3	981.0	-1.4
	Primondo	mill. €	981.7	1,009.4	-2.7
	Thomas Cook	mill. €	552.1	553.1	-0.2
	Operating segments	mill. €	**2,501.1**	**2,543.5**	-1.7
	Other segments [1]	mill. €	75.3	78.1	-3.6
	Reconciliation account	mill. €	-45.1	-41.6	–
		mill. €	**2,531.3**	**2,580.0**	-1.9
Earnings	Karstadt	mill. €	-26.5	-27.2	2.6
	Primondo	mill. €	-31.9	-1.8	–
	Thomas Cook	mill. €	-67.6	-38.8	-74.5
	Operating segments	mill. €	**-126.0**	**-67.8**	-86.1
	Other segments [1]	mill. €	12.1	62.5	–
	Reconciliation account/Holding company	mill. €	-12.0	-7.9	–
	EBITDA (adjusted) [1]	mill. €	**-125.9**	**-13.2**	–
	EBITDA margin (adjusted)	in %	*-5.0*	*-0.5*	–
	Group earnings after minorities	mill. €	**-140.9**	**-106.8**	-31.9
Financial situation	Free cash flow	mill. €	-238.9	-27.5	–
	Cash and cash equivalents	mill. €	901.7	671.6	34.3
	Investments	mill. €	46.6	37.2	25.3
	Depreciation and amortization (not including amortization of goodwill)	mill. €	58.2	73.1	20.4
	Net financial liabilities	mill. €	152.9	2,795.0	-94.5
	Working capital	mill. €	829.1	1,465.8	-43.4
Full-time employees at the balance-sheet date	Karstadt	number	24,804	25,185	-1.5
	Primondo	number	17,511	18,668	-6.2
	Thomas Cook	number	8,657	9,688	-10.6
	Operating segments	number	**50,972**	**53,541**	-4.8
	Other segments [2]	number	1,166	1,434	-18.7
	Total	number	**52,138**	**54,975**	-5.2
KARSTADT QUELLE AG share	Earnings per share (undiluted)	€	-0.70	-0.51	-38.8
	Rate applying at the balance sheet date (31.03.)	€	27.60	19.41	42.2
	Highest price (01.01. – 31.03.)	€	28.95	22.65	27.8
	Lowest price (01.01. – 31.03.)	€	20.71	12.93	60.2

* The figures were adjusted. The adjustments relate to special factors and divestments and to EBITDA expenditure for restructuring.

[1] The Other segments comprise: Services and Real estate.

[2] The Other segments comprise: Services, Real estate and Holding company.

Contents

Report of the Management Board

Dear Shareholders,

In the first quarter of 2007, we rigorously and successfully developed your company, considerably increasing its value. After the very good performance in 2006 (plus 71 %), the share price increased by a further 26 %. As a result, the market capitalization increased against the previous year by 43.9 % to 5.9 bill. €. In the first quarter, we not only implemented further operating improvements, but also completed successfully and rapidly a new, very important section of our strategic realignment.

Group consistently aligned to the 2008/09 targets

Our medium-term objectives are clearly defined. In the 2008/09 financial year, we want to achieve consolidated sales of over 23 bill. € and an EBITDA exceeding 1.3 bill. €. I am convinced that the path to these goals is much clearer for you today than it was one year ago.

Fundamental strategic positioning taken in Tourism

In the first quarter of 2007, we strongly extended our Tourism segment. The acquisition of the remaining 50 % stake in Thomas Cook held by Deutsche Lufthansa AG was completed at the beginning of February and approved by the EU anti-trust authorities at the end of March. We since announced the planned acquisition of the English travel group, MyTravel and the resulting listing of Thomas Cook on the London Stock Exchange. KarstadtQuelle will hold 52 % in the new Thomas Cook Group plc. Chairman, CEO and CFO are to be appointed by KarstadtQuelle. On May 4, we received the go-ahead for the transaction from the EU Commission. Thomas Cook has thus considerably improved its competitive position. At the same time, the competition in the European tourism market will be decisively strengthened. The volume of the synergies expected from the merger was raised from the previously anticipated figure of 110 mill. € by almost 30 % to at least 145 mill. € per year. This further increases the value of our participation in Thomas Cook, which has already risen considerably. However, in our opinion, even this increased figure for synergies with Thomas Cook Group plc is a conservative assumption.

Consolidated sales increase within a short period to 21 bill. € – 2007 and 2008 figures not comparable due to huge changes

Extending the Tourism segments takes us a big step closer to our targets for 2008/09. On the assumption of a Thomas Cook Group plc listing, consolidated sales move up to over 21 bill. €. The group equity ratio rises to over 20 % and our level of internationalization will top 50 %.

At the same time this means that our figures for 2007 and 2008 are not comparable to those of the previous year, or only to a limited extent and there can be incorrect interpretations. In addition to the radical changes in Tourism and Mail Order, the expected non-recurring revenues from real estate disposals, the reduction of net financial liabilities on net interest as well as planned M&A activities will impact considerably. What is decisive for management is not the previous-year figures, but achieving the planned values.

Further strategic steps taken

Primondo: acquisition in home shopping – disposals in Universal Mail Order

The KarstadtQuelle Mail Order group Primondo is rigorously continuing its strategic realignment. On May 9, 2007, an agreement was signed on the acquisition of the home shopping channel HSE24. In 2006, HSE24 generated net sales of 286 mill. € with approximately 1.3 million customers, successfully combining TV and Internet shopping under one roof. Teleshopping ideally supplements the Quelle multi-channel offer. The teleshopping market in Germany is posting strong growth rates on a sustained basis. After the integration of HSE24, Primondo is targeting a double-digit EBITDA margin. We could visualize multiplying the HSE24 format across Europe, targeting particularly the markets of Central Eastern Europe. The purchase price is being paid in the form of 5 million shares from Treasury stock. We are thus using Treasury stock as an acquisition currency for the first time and are benefiting from the strong upturn in the price of our share.

Primondo concentrates its activities on markets with a Number 1 or Number 2 position, while at the same time rigorously implementing its strategy of focusing the international business on the growth markets of Central Eastern Europe and Russia and the German-speaking countries. Retroactively to January 1, 2007, the Quelle Universal Mail Order units in France and Spain, which have been posting losses for years, were sold. In the two countries, total sales of 290 mill. € were generated in 2006.

Strategic partnership with EDS – Group IT costs can be reduced by 650 mill. € in eight years – Expansion of our strongly growth international online business with high global IT competence

By cooperating with Li & Fung, we placed Group purchasing on a new competitive basis. We have now also done this in the area of IT. On May 7, 2007, we concluded a strategic partnership with EDS, one of the world's leading IT service providers. The object is the optimization, modernization and further development of information technology at KarstadtQuelle. We thus are securing the global expertise we need for the rapid and rigorous expansion of our online business in the operating segments. This applies especially at international level. On the basis of the partnership with EDS, we expect costs savings totaling 650 mill. € over the next eight years. In line with our strategic alignment, we are now also concentrating on our core competences in the IT area. For this reason, we have disposed of the 74.9 % stake in the IT service provider Itellium. Strategic IT development (SAP Retail etc.) remains within the KarstadtQuelle Group. On the basis of existing contracts with ATOS Origin, there is no change to the IT infrastructure (mainframe business) until 2011. At this point it should also be transferred to the new service provider EDS.

Operating trend in the first quarter of 2007 on schedule in all segments

Normally the first quarter of the financial year tends to be of subordinate importance. In view of the highest increase in value-added tax in the history of the Federal Republic of Germany, the first quarter of 2007 was a special quarter. On the basis of previous experience with value-added tax increases in Germany, retail sales should have declined considerably in the first quarter of 2007. In the run-up to the rise, many of those involved were concerned about a slump in sales. In terms of your company, these fears were unfounded. Of course, we did feel a certain restraint among consumers in the first six weeks of 2007, but since then, sales at Karstadt, Primondo and Thomas Cook are moving upwards again. In all three operating segments, the development is in line with planning over the first quarter. Like-for-like consolidated sales totaled 2.53 bill. € (2.58 bill. € in the previous year), equivalent to a 1.9 % decline. Due to seasonal factors adjusted EBITDA of the operating segments was negative in the first quarter, totaling 126.0 mill. € (minus 67.8 mill. € in the previous year). Key factors were the lack of non-recurring income at Thomas Cook in comparison to the previous year and a considerable year-on-year increase in kerosene costs. In the Primondo Group increased marketing expenditure and advance costs for introducing the monthly catalogue resulted in an initial charge on earnings. We are convinced that sales and adjusted EBITDA of the three operating segments can be improved for the whole of 2007.

Karstadt digests increase in value-added tax well – result slightly improved

At Karstadt the trend is now showing upwards again. After a weak January induced by the increase in value-added tax, sales subsequently increased strongly. To the end of the first quarter, at a minus of 0.8 %, sales of the core portfolio were virtually at the level of the previous year. Karstadt thus digested the hike in value-added tax well and is moving into the rest of the year optimistically. A contributory factor here was the great success of staging themes which started in February. Premium Group sales continued to move well with a plus of 5.8 %. Segment sales, including fine food and LeBuffet, totaled 967.3 mill. € (981.0 mill. € in the previous year). Despite the squeeze on margins resulting from the higher value-added tax and start-up costs for theme marketing, adjusted EBITDA improved slightly to minus 26.5 mill. € (minus 27.2 mill. € in the previous year). A key factor here was optimized, increasingly flexible business system costs. At the same time, measures to change the business model are increasingly impacting (e.g. sourcing, systems).

Primondo: Number of active Quelle customers rising again. Thus sales to increase from the middle of 2007 – International, E-Commerce and Special Mail order growth in the first quarter

Primondo Group is growing. We see this clearly in the rising number of Quelle customers since the second half of 2006. Thus sales will also move upwards with a slight time lag in the second half of 2007.

Like-on-like sales totaled 981.7 mill. € in the first quarter of 2007 (1.01 bill. € in the previous year). This represents a 2.7 % decline, in line with planning. Special Mail Order improved slightly, international business is growing strongly, E-Commerce posted steady growth rates, while Quelle sales lagged behind those of the previous year as expected. However, at Quelle a year-on-year comparison in the first and second quarters is not very meaningful. Decisive is the number of active customers in comparison to the previous-year period. This indicator is the decisive basis for the sales trend and provides good forecast security in the mail order business. After the considerable decline of active customers was stopped to the middle of 2006, and the number of active customers since rising again, a sales upturn at Quelle is to be expected from the middle of 2007. In order to increase the number of active customers and gain new ones, the marketing budget was increased in the first quarter of 2007. Another factor which is negatively impacting results in the initial stage is the very promising switch to monthly catalogues. For this reason, adjusted EBITDA at minus 31.9 mill. € is lower than the previous year figure of minus 1.8 mill. € as planned.

Thomas Cook: sales stable – earnings trend in line

In the first Tourism quarter, Thomas Cook AG strengthened its good market position in Europe. Proportionate sales were virtually stable at 552.1 mill. €. In Germany, the company no longer had the competitive advantage of the previous year when it published its advance catalogues for early bookers. For this reason Continental Europe sales declined slightly. Sales were steady in Great Britain. Condor posted higher sales. The pro rata seasonally-related negative result (adjusted EBITDA) was 67.6 mill. €, 28.8 mill. € lower than the figure of the previous year. Decisive for the earnings decline was the lack of income from disposals. But this resulted in an improved net interest position in the current year. Furthermore, the higher kerosene prices in comparison to the previous year negatively impact the result. At Thomas Cook the earnings trend was in plan for the first quarter of the year. For the whole of 2006/07 an improved result is expected.

Net financial liabilities reduced by 94.5 %, successful working capital management

Group net financial liabilities decreased by 94.5 % against the previous year. They totaled only 0.2 bill. € (2.8 bill. € in the previous year). Working capital management is posting good results. This key ratio was reduced by 43.4 % to 0.8 bill. €.

Dispute with Jewish Claims Conference ended

After a public legal dispute lasting for years, we came to an agreement with the Jewish Claims Conference, as representative for the Wertheim heirs in March 2007. The focus of the agreement is the regulation of the legal dispute about the so-called “Lenné Dreieck” in Berlin and all other real estate that used to belong to the Wertheim department store group. The agreement brings to an end all contentious issues between the parties.

KarstadtQuelle AG is now Arcandor AG

At our Annual General Meeting on May 10, 2007, you voted with an overwhelming majority to approve renaming our group holding to Arcandor AG. Arcandor is the new umbrella for strong and independent business segments, at the same time epitomizing the clear separation between the holding and the operating business. Parallel to this, the strong operating brands of Thomas Cook, Karstadt and Quelle are to be strengthened. In the future, Arcandor will operate as a financial holding with a lean, effective management structure.

Financial year to start on October 1 – Short financial year 2007

At the Annual General Meeting you also enacted the change of the financial year to the period from October 1 to September 30. The fourth quarter of each calendar year and especially the Christmas business which is so important for retail will now be immediately effective to the start of our new financial year. As a result, we increase the transparency and forecast quality and ensure that our sales staff are not occupied with stocktaking activities in this important period and can devote themselves completely to servicing the customers. As part of the changeover, there will be a short financial year in 2007 for the period January 1 to September 30.

Outlook

Further value appreciation potential from active market consolidation

The Thomas Cook acquisition of MyTravel already generated considerable increased value for the group, even before the IPO. On the basis of the market positioning and our strong brands, we see additional strategic development potential and want to participate actively in the market consolidation across all operating segments.

Work is proceeding strongly for the planned neckermann.de IPO. It is receiving tailwind from the pleasing development in the first quarter of 2007. neckermann.de improved sales by 7.4 %. We now have several options about the timing for this IPO. At the same time, we are offering interested investors the chance to bid for the company or parts of it. Whatever option will be utilized, we will realize optimum value for you as shareholders.

For the Primondo Service Group we are aligning our focus towards cooperation, but parallel to this are pursuing the option of a sale or partial sale. Relevant negotiations on the matter are currently being held and we expect to be able to present an attractive solution during this year.

Further improvement of operating performance across the year

We will further improve the result at Karstadt. Important here is the rapid implementation of the realignment of the Karstadt brand, strengthening our innovative marketing and the further change of the department stores in the direction of high value.

We anticipate that Primondo will continue its recovery during the course of the year and achieve a sales upturn on a whole-year basis. Adjusted EBITDA will reach a balanced level during the course of the year. In addition to pushing the brand re-launches and improving the customer basis, the rigorous expansion of the multi-channel network (including the integration of home shopping) and the expansion into Central East Europe is the focus. As scheduled, Primondo is making good progress to achieve the targeted medium-term sales of 1 bill. € with a focus in Russia.

We anticipate that Thomas Cook Group plc will be listed on the London Stock Exchange in June 2007. The management is working hard on the successful merger of Thomas Cook and MyTravel. Here decisive factors are not only pushing sales, but also exploiting high synergies, with the focus being the UK market.

Income exceeding 1.6 bill. € from the conclusion of real estate transactions

We are confident of being able to sell our 49 % stake in the Highstreet real estate company (joint venture with Whitehall Funds) at an attractive price during the course of the year and expect proceeds to exceed 800 mill. €. Accordingly, taking into account the first tranch of the transaction which has not been recognized in earnings, we will realize further extraordinary income exceeding 1.6 bill. €.

Essen, May 2007

For the Management Board
Your

Dr. Thomas Middelhoff
Chairman of the Management Board

Further information

Investments

In the first quarter of 2007, investments for acquiring tangible and intangible assets totaled 46.6 mill. € (previous year: 37.2 mill. €). They related primarily to Karstadt (18.1 mill. €) and Primondo (21.3 mill. €).

In the Karstadt segment, investments were made primarily in modernizing the stores. Further important investments were made in developing existing software systems. In the Primondo segment, investments related primarily to e-commerce portals and infrastructure of mail order service companies.

Employees

In the first quarter of 2007, the number of full-time employees decreased from 55,572 (December 31, 2006) by 3,434 to 52,138. The key factors for the 6.2 % decline were disinvestments and restructuring measures.

In comparison to the equivalent quarter of the previous year, the decline in number of employees was due primarily to restructuring measures and disinvestments in the Primondo und Thomas Cook segments. As of March 31, 2007, the number of full time equivalents declined year-on-year by 5.2 % to 52,138.

Full-time employees *

Number at 31.03.	2007	2006	Change	Change in %
Karstadt	24,804	25,185	-381	-1.5
Primondo	17,511	18,668	-1,157	-6.2
Thomas Cook	8,657	9,688	-1,031	-10.6
Operating segments	**50,972**	**53,541**	**-2,569**	-4.8
Other segments	1,166	1,434	-268	-18.7
Total	**52,138**	**54,975**	**-2,837**	-5.2

* The figures were adjusted. The adjustments relate to divestments and transfers.

The KarstadtQuelle Share

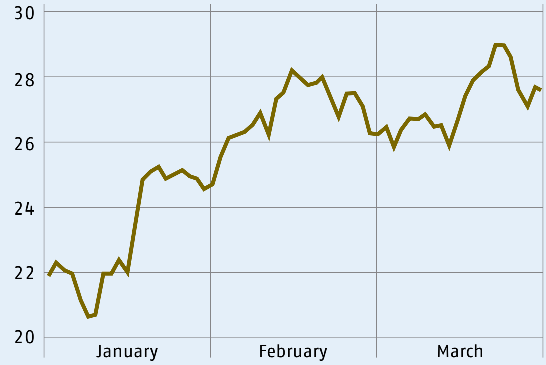
KarstadtQuelle share increased by a further 26 % in the first quarter

With a price gain of 26 % in the first three months of the current year, the KarstadtQuelle share again posted a very good performance and was one of top stocks in the German equity market. In the same period, the German Share Index (DAX) increased by 5 %, the MDAX by 8 %.

On January 9, 2007, the KarstadtQuelle share posted its year low with a price of 20.71 € and on March 22, 2007 the highest point of the year so far, 28.95 €. At the reporting date, the share was priced at 27.60 €. The market capitalization is thus approximately 5.9 bill. € (previous year: 4.1 bill. €). After the reporting date the KarstadtQuelle share traded at prices around 28 € to 29 €.

As a result of the exercise of the convertible bond, the number of outstanding KarstadtQuelle shares increased by 1,010,273 to 213,190,696 in the first quarter.

Stock Exchange price performance January to March 2007 in €



Karstadt

From March sales again increasing strongly

The value-added tax increase to January 1, 2007, negatively impacted the Karstadt business only for a short period. Customer purchasing restraint, which was exacerbated by the lack of winter, only impacted to the middle of February. After this time, Karstadt again posted higher sales. In March alone, sales in shops comparable to the previous year increased by 7.7 %. In the first quarter, sales of the core portfolio, at minus 0.8 %, were virtually at the level of the previous year.

In March, the **Karstadt Premium Group** generated a sales upturn of approximately 20 % in comparison to the previous year. Particularly outstanding here was KaDeWe in Berlin, favored particularly by the 100-year anniversary. In the first quarter, the Karstadt Premium Group continued the positive trend of the previous year, improving sales by 5.8 %.

The department stores combined under the **Karstadt** brand (Boulevard Plus / Boulevard), posted a 3.7 % up-turn in like-for-like sales. This is partly due to the positive impact of the marketing campaign started on February 28 with its rigorous theme marketing.

In March, **KarstadtSports** improved sales by 12.1 %, thus largely offsetting the weak start into the first quarter as a result of the weather. The KarstadtSports concept is on the right track. This is demonstrated by the outlets which have already been refitted. They posted considerable growth rates in the first quarter.

Key figures *

01.01. – 31.03.		2007	2006	Change in %
Sales				
Core department stores and KarstadtSports	mill. €	858.8	865.6	-0.8
Segment total [1]	mill. €	967.3	981.0	-1.4
Earnings				
EBITDA (adjusted)	mill. €	-26.5	-27.2	2.6
EBITDA margin (adjusted)	in %	*-2.7*	*-2.8*	–
Full-time employees at the balance sheet date	number	24,804	25,185	-1.5
Branches				
Premium	number	4	4	–
Karstadt				
Boulevard Plus	number	62	62	–
Boulevard	number	25	26	–
Department stores	number	**91**	**92**	–
KarstadtSports	number	29	29	–
Project branches	number	13	16	–
Sales space				
Group-operated space without third-party leasing	th. sq. m	1,644.0	1,668.5	-1.5

* The figures were adjusted. The adjustments relate to special factors and divestments and to EBITDA expenditure for restructuring.

[1] Including Karstadt Feinkost and LeBuffet.

Adjusted EBITDA slightly higher

Adjusted EBITDA totaled minus 26.5 mill. € (previous year: minus 27.2 mill. €), in line with planning. An even better result was prevented by the temporary negative effects resulting from the increase in value-added tax and by start-up costs for theme marketing.

In the first quarter, working capital was reduced year-on-year by an additional 73 mill. €.

Strong start for strategic realignment

With a large cross-media marketing campaign, on February 28 Karstadt started the decisive phase of its realignment. Under the new claim "Schöner Shoppen in der Stadt – Karstadt" a new clear marketing positioning was implemented. The Karstadt theme world "An exotic city" marked the start in February. With a customer-oriented, high-quality range of products, Karstadt presented itself to the customers as the modern market place in the city. The appeal of the repositioning is backed by a 16 % increase in customer traffic. The themes change on a monthly basis. On March 21 came the turn of "A blooming city". Backed by an exciting presentation of the stores inside and outside, these themes are making Karstadt the talk of the town.

Organization aligned to four sales types

On the market side, the realignment and intensified profile is underlined by differentiation into four sales types. Since the beginning of 2007, Premium Group, Karstadt, KarstadtSports and karstadt.de are operating as individual format types. The decisive features here are greater individual responsibility and decentralized management. Parallel to this, central purchasing was reorganized and customized for the respective purchasing unit. The units relating to product ranges were concentrated and are thus better aligned to the customer worlds in the department stores.

Outlet network optimized

In the first quarter of 2007, work started in Hamburg on the second of the three building stages in the Karstadt Mönckebergstrasse store. The last building stage will be completed in 2008. In Munich, the realignment of the Hertie Munich am Bahnhofplatz has started. With an upgraded product range, this traditional store will trade under the "Karstadt" brand from the fall of 2007. In Berlin, modernization of the Steglitzer Wertheim on Schlossstraße was concluded with new brands, further shops and additional lifestyle products.

The stores in Halle, Hoyerswerda and in the Hamburg Hamburger Straße shopping center (a total of approximately 32,000 sq. m sales space) which had been loss making for years were closed in April 2007.

Reinforced management

The management team of CEO Peter Wolf and CFO Jan-Christoph Maiwaldt has been strengthened. In March 2007, Heinz Hackl assumed purchasing as planned. In June 2007, Dr. Emmanuel Siregar will be appointed as Human Resources director at Karstadt Warenhaus GmbH.

Outlook – continuation of the realignment with a focus on increased customer frequency and higher sales

Karstadt moves into the coming months optimistically and on an active basis. Combined with a clear customer address, the appeal of the monthly theme staging and their cross-industry presentation will further strengthen Karstadt's market position. Central category management, whose cross-sector purchasing units reflect the customer worlds of Karstadt department stores will also push the increased focus of the product ranges. Karstadt is now presenting the trends important to customers quicker and in a more targeted fashion and will implement these on a sustained basis to improve sales and achieve higher customer frequency in the stores.

Primondo

Sales increased expected in the second half of the year

In the first quarter of 2007, Primondo generated adjusted sales of 981.7 mill. €, a decline of 2.7 %. While sales in Special Mail Order increased slightly, Quelle sales have not yet reached the level of the previous year, due to the lower number of active customers. What is more, the higher value-added tax also impacted negatively for a short period. The Mail Order business in Central Eastern Europe and Russia developed in an outstanding fashion, with an increase of almost 50 %. The E-Commerce business continued its long-term growth trend with high momentum.

From the third quarter of 2007, Primondo expects increasing sales, resulting from a higher number of customers in comparison to the previous year.

Result impacted by marketing measures

In the first quarter of 2007, adjusted EBITDA at Primondo was minus 31.9 mill. € (previous year: minus 1.8 mill. €). In the first quarter, as scheduled the result was impacted by the higher marketing budget for gaining new customers and the launch phase of the monthly catalogues.

Primondo as new holding company for KarstadtQuelle Mail Order

Since March 1, 2007, the KarstadtQuelle Mail Order group has operated under the name Primondo. As holding company, Primondo bundles the universal and special mail order companies of the Karstadt-Quelle Group and aligns them to profitable growth on the basis of modern mail order strategy. Primondo is managed by a lean Corporate Center headquartered in Essen. The key objectives are transforming the business model in universal mail order, extending leading market positions of the European universal and specialty mail order companies, growing electronic distribution channels, expanding into growth markets and specialty segments as well as generating competitive services. As distribution brand, Primondo will not appear to the end customer. The well-known mail order brands such as Quelle will be further strengthened.

Key figures *

01.01. – 31.03.		2007	2006	Change in %
Sales	mill. €	981.7	1,009.4	-2.7
Earnings				
EBITDA (adjusted)	mill. €	-31.9	-1.8	–
EBITDA margin (adjusted)	in %	*-3.2*	*-0.2*	–
Full-time employees at the balance sheet date	number	17,511	18,668	-6.2

* The figures were adjusted. The adjustments relate to special factors and divestments and to EBITDA expenditure for restructuring.

New positioning of the Quelle brand and strengthened image

After a successful brand relaunch which was initiated with a broad-based image campaign in the fall of 2006, Quelle repositioned itself as a modern provider to the target group of family-oriented women, considerably improving its brand image. The Quelle positioning is more modern, quicker, more up-to-date. The newly introduced monthly catalogues allow for more topicality and trends. Independently positioned Quelle brands, innovative product ideas and pronounced quality management will further increase the appeal of the Quelle brand.

Quelle expands top position as multi-channel provider – Start of Internet campaign – Entry into teleshopping

In the year of its 80th anniversary, Quelle will extend its leading position as a multi-channel provider in Germany and Europe with e-commerce, monthly catalogues, teleshopping, an over-the-counter network and a product-oriented advertising campaign.

In E-Commerce, Quelle is already one of the Top 5 suppliers in Germany. In the first quarter, the e-commerce share in sales increased to 42.7 %. The quelle.de Internet portal won the 2007 Newsletter Prize in the "Shopping und Fashion" category. In 2007, Quelle will expand its Internet activities on a large scale, integrate additional renowned partners on the distribution platform and introduce further Web 2.0 elements. Existing and new cooperation partners will push up the number of articles which can be ordered from the current number of 200,000 to 1,000,000 by the end of the year. The objective of the Internet campaign is to strengthen and consolidate the top position in online shopping. In addition, Quelle intends to access another important distribution channel in the form of teleshopping .

Cooperation initiated with strong partners

In March 2007, Quelle and ElectronicPartner are initiating reciprocal delivery of selected sales outlets with the groups large electronic goods, kitchens, consumer electronics, IT and telecommunication. If the cooperation develops successfully, it will be successively expanded to further common purchasing, marketing and sales activities. The expectations are for higher customer frequency and sales in the stores, higher space productivity and a positive impact on earnings.

Quelle also agreed a cooperation with Redcats and for the first time in the 2007 Fall/Winter season will present women's fashion from the product range of the Redcats mail order company La Redoute. In a first stage, top fashion from the largest French mail order company will be available to Quelle customers via catalogue and Internet from the end of June.

Concentration of international business on growth regions and segments

The French Quelle subsidiary, Quelle S.A.S., including the business in Spain, was sold to the Munich-based private equity company, Aurelius AG. The disposal is in line with the strategic concentration on Central Eastern Europe, Russia and German-speaking countries. In January 2007, Quelle Switzerland acquired the brand rights and the addresses from Ackermann, a well-known Swiss mail order brand, epitomizing top products and service quality. Quelle will expand the product range and offer various specialty catalogues.

Optimization of the Special Mail Order portfolio

In Specialty Mail Order, the focus on the three growth segments "Golden Ager / 60+", "Premium" und "Communities", announced in November 2006 is being rigorously implemented. The sale of special mail order suppliers which are no longer part of the core portfolio is on schedule and should be concluded in 2007. At the same time, opportunities are being examined for acquisitions or start-up activities.

At the beginning of March, the first catalogue from Vertbaudet, the French specialty market leader for baby equipment, children's wear and fashion for mothers-to-be went to 500,000 households in Germany. Customer reaction was considerably better than expected. The successful market entry of Vertbaudet is one result of the cooperation between Primondo and the Redcats Group which started in November 2006. Redcats supplies the brand, product range and the catalogue; Primondo Specialty Group supplies the mail order expertise for a successful positioning in the German market. The Vertbaudet range ideally supplements the products of the Primondo special mail order company, Baby Walz.

Primondo Service Group

The necessary separation of Primondo companies and neckermann.de due to the pending IPO of neckermann.de was largely completed in the first quarter. At the same time, preparation for the measures announced in the Mail Order Service Group are in full swing. The new customer center in Berlin started operations to the end of the first quarter. The new customer center in Magdeburg will open soon.

Outlook

Primondo will rigorously extend its position in the growth areas of e-commerce and teleshopping as well as in the growth regions of Central Eastern Europe and Russia. It is planned to more than double Russia sales against the previous year. In the area of strategic cooperation, Primondo and the Redcats Group are planning further common projects. Cooperation is to be intensified both in universal and in special mail order. Quelle is using the 80^{th} brand anniversary for a large advertising campaign, attractive anniversary offers, a new customer promotion and a focus on service quality. As a result of the strategic and operating measures, Primondo plans to generate a balanced result at EBITDA level during 2007.

Thomas Cook

Thomas Cook strengthens position in the European market

In the first three months of the 2006/2007 financial year (November 1 to January 31, 2007), Thomas Cook AG strengthened its position on the European market. For all the key ratios, the company is at the level of the previous year, thus confirming its consistent development. In the first three months, Thomas Cook proportionate sales were almost stable at 552.1 mill. € (minus 0.2 %). In the Continental Europe segment, overall sales declined slightly, by 1.0 %. A key factor here was the fact that in the previous year Thomas Cook went onto the German market as the first operator with advance catalogues for early bookers, generating very high growth as a result. This year, competitors followed suit so that the discontinuation of this non-recurring effect results in a statistical shift of the booking pattern. Sales were steady in Great Britain. Condor posted a pleasing sales upturn totaling 1.1 %.

Earnings trend for the first quarter in plan

In the first quarter of the financial year, the earnings trend at Thomas Cook is in line with planning. From November 1, 2006 to January 31, 2007, Thomas Cook generated a seasonally related negative proportionate result (adjusted EBITDA) of minus 67.6 mill. €. Adjusted EBITDA was thus 28.8 mill. € below that of the previous year. Decisive for this was disposal effects. However, these were partially offset by an improved net interest position. The 13.9 % increase on kerosene expenditure impacted negatively.

The number of passengers (tour operator without sale of single seats) remained virtually stable at 1.33 million. There were considerable increases, particularly in Great Britain (plus 4.9 %) and France (plus 4.7 %).

Key figures *

01.11.06 – 31.01.07		2006/2007	2005/2006	Change in %
Sales (proportionate)	mill. €	552.1	553.1	-0.2
thereof tour operators	mill. €	422.6	411.9	2.6
thereof flights	mill. €	85.7	78.2	9.6
Earnings (proportionate)				
EBITDA (adjusted)	mill. €	-67.6	-38.8	-74.5
EBITDA margin (adjusted)	in %	*-12.3*	*-7.0*	-
Other information [1]				
Passengers carried	number in th.	1,332.7	1,344.1	-0.8
Sales per passenger	€	626.30	625.90	0.1
Average holiday duration	days	8.6	8.8	-2.3
Full-time employees at the balance sheet date	number	8.657	9.688	-10.6

* The figures were adjusted.

[1] 100 % disclosure.

Further improvement in financial situation – higher sales per employee

Net financial liabilities were reduced further. As a result of the excellent financial situation at Thomas Cook, in the winter season bank credit facilities were not utilized for the first time. Proportionate net interest in the first quarter improved year-on-year by 4.4 mill. € to minus 1.4 mill. €. This reflects the rigorous financial consolidation of the Group.

As a result of participations being sold, the average number of employees in the Thomas Cook Group declined to a proportionate figure of 9,632 (previous year: 10,811). This equates to a 10.9 % decline. At the same time, sales productivity per employee improved by approximately 12 %.

Changes provide perspectives for the future

At Thomas Cook there were major changes in the management and ownership structure in the group during the first quarter. On December 12, 2006, there was a change at the top: Manny Fontenla-Novoa, member of the Management Board and CEO at Thomas Cook UK & Ireland, took over from Thomas Holtrop as CEO of Thomas Cook. Over the last few years, Manny Fontenla-Novoa was responsible for the British business and successfully implemented the turnaround, concluding the 2005/2006 financial year with a record result. With a return on sales exceeding 5 %, Thomas Cook UK is now one of the most profitable tourism companies on the European market.

A milestone in the development of Thomas Cook was the successful conclusion of the negotiations between the partners on the sale of the 50 % stake held by Lufthansa to KarstadtQuelle AG. On December 22, 2006, the owners announced an agreement in principle which provides Thomas Cook with new perspectives and allows long-term planning. Together with KarstadtQuelle after the successful turnaround, a viable growth strategy is being pursued. Thus Thomas Cook will be able to participate actively in the consolidation of the European travel market.

The Thomas Cook business model is based on an asset-light approach. On this basis, the concentration on the core business was continued in the first quarter, with the reduction in committed capital being pushed. In January, the 100 % stake in AGA Founty Investissement S.A., a single purpose company for operating a hotel in Agadir, Morocco, was sold. At the same time, Thomas Cook disposed of its majority stake in Spanish Royal Beach Club, an apartment hotel in Magaluf, Mallorca.

Outlook

For the current financial year, Thomas Cook expects to increase sales and profits. With the merger of Thomas Cook and MyTravel additional earnings potential can be achieved this year. At the same time, Thomas Cook is working of advancing the strategically important e-commerce business. In the process, existing web sites of travel operators are being extended and optimized. In April, the Neckermann-Reisen.de website was relaunched in Germany with new user prompts and additional user-focused contents such as guest evaluations on hotels. In Great Britain the Financial Services area is being developed. It is planned to set up further change offices at various British airports.

Other segments

Other Segments comprise Services, Real Estate and Holding.

Key figures*

01.01. – 31.03.		2007	2006	Change in %
Sales				
Services	mill. €	75.3	78.1	-3.6
Earnings				
EBITDA				
Services (EBITDA adjusted)	mill. €	2.3	7.2	-67.7
Real estate (EBITDA adjusted)	mill. €	9.8	55.2	-82.3
Real estate	mill. €	18.9	66.5	-71.6
Holding company/Reconciliation account (EBITDA adjusted)	mill. €	-12.0	-7.9	-
Full-time employees at the balance sheet date				
Services	number	981	1,185	-17.2
Real estate	number	14	75	-81.3
Holding company	number	171	174	-1.7

* The figures were adjusted. The adjustments relate to special factors and divestments and to EBITDA expenditure for restructuring.

Consolidated income statement

for the period from January 1 to March 31, 2007

Amounts shown in th. €	2007	2006*	Change in %
Sales	2,632,751	2,758,074	-4.5
Cost of sales and expenses for tourism services	-1,569,935	-1,586,064	1.0
Gross income	**1,062,816**	**1,172,010**	-9.3
Other capitalized own costs	13,016	8,451	54.0
Operating income	182,307	196,377	-7.2
Staff costs	-521,881	-547,436	4.7
Operating expenses	-870,685	-859,739	-1.3
Other taxes	-1,538	-4,279	64.1
Earnings before interest, tax and depreciation and amortization (EBITDA)	**-135,965**	**-34,616**	-
Depreciation and amortization (not including amortization of goodwill)	-58,208	-73,137	20.4
of which impairment loss	-1,650	-	-
Earnings before interest and tax (EBIT)	**-194,173**	**-107,753**	-80.2
Income from investments	-1,905	432	-
Income from investments in associates	2,480	1,958	26.7
Net interest income	-35,967	-57,750	37.7
Other financial results	522	13,817	-96.2
Earnings before tax (EBT)	**-229,043**	**-149,296**	-53.4
Taxes on income	92,877	61,172	51.8
Earnings from continuing operations	**-136,166**	**-88,124**	-54.5
Result from discontinued operations	-5,658	-18,972	70.2
Group earnings before minority interests	**-141,824**	**-107,096**	-32.4
Profit/loss before minority interests	973	312	-
Group earnings after minority interests	**-140,851**	**-106,784**	-31.9
Earnings per share (undiluted) in €	**-0.70**	**-0.51**	-38.8
thereof from continuing operations	-0.68	-0.42	-62.6
thereof from discontinued operations	-0.03	-0.09	68.6

* The figures were adjusted.

Consolidated balance sheet

for the period ended March 31, 2007

Assets

Amounts shown in th. €	31.03.2007	31.03.2006*	Change in %	31.12.2006*
Intangible assets	977,045	1,089,229	-10.3	973,233
Tangible assets	986,376	1,093,407	-9.8	1,024,549
Shares in associates	96,397	88,823	8.5	96,852
Other financial assets	456,183	542,666	-15.9	388,649
thereof securities	11,487	11,429	0.5	11,648
Non-current income taxes	21,790	21,808	-0.1	21,763
Other non-current assets	123,617	76,886	60.8	110,777
Deferred taxes	348,639	269,211	29.5	262,901
Non-current assets	**3,010,047**	**3,182,030**	-5.4	**2,878,724**
Inventories	1,250,627	1,535,288	-18.5	1,242,458
Trade receivables	526,478	836,388	-37.1	397,376
Current income tax receivables	38,161	29,044	31.4	26,545
Other receivables and other assets	970,849	1,185,336	-18.1	971,373
Cash and cash equivalents and securities	901,696	671,598	34.3	1,152,091
Current assets	**3,687,811**	**4,257,654**	-13.4	**3,789,843**
Assets classified as held for sale	1,438,948	1,484,298	-3.1	1,302,191
Balance sheet total	**8,136,806**	**8,923,982**	-8.8	**7,970,758**

Passiva

Amounts shown in th. €	31.03.2007	31.03.2006*	Change in %	31.12.2006*
Subscribed share capital	517,179	512,078	1.0	514,592
Reserves	485,116	-310,441	–	639,102
Minority interests	9,215	10,037	-8.2	11,073
Equity	**1,011,510**	**211,674**	–	**1,164,767**
Non-current financial liabilities	957,970	2,928,767	-67.3	1,000,927
Other non-current liabilities	815,482	563,208	44.8	712,078
Pension provisions	806,538	890,578	-9.4	821,145
Other non-current provisions	346,946	372,283	-6.8	353,205
Deferred taxes	8,861	7,206	23.0	6,043
Non-current liabilities	**2,935,797**	**4,762,042**	-38.4	**2,893,398**
Current financial liabilities	258,278	862,714	-70.1	192,148
Trade payables	1,170,617	1,286,193	-9.0	1,404,136
Current tax liabilities	17,787	20,637	-13.8	28,749
Other current liabilities	1,380,018	1,281,074	7.7	952,132
Current provisions	436,506	474,282	-8.0	447,982
Current liabilities	**3,263,206**	**3,924,900**	-16.9	**3,025,147**
Liabilities related to assets classified as held for sale	926,293	25,366	–	887,446
Balance sheet total	**8,136,806**	**8,923,982**	-8.8	**7,970,758**

* The figures were adjusted.

Statement of changes in equity

for the period from January 1, 2006/2007 to March 31, 2006/2007

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 01.01.2006 *	**510,398**	**629,424**	**-854,239**	**–**	**26,479**	**-9,868**	**16,745**	**318,939**
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**
Exercize of convertible bond/ stock options	1,680	4,070	–	–	–	–	–	5,750
Closing balance 31.03.2006	**512,078**	**633,494**	**-963,508**	**–**	**30,550**	**-10,977**	**10,037**	**211,674**
Opening balance 01.01.2007 *	**514,592**	**639,630**	**-523,896**	**548,674**	**-15,475**	**-9,831**	**11,073**	**1,164,767**
Differences from foreign currency translation	–	–	–	–	–	-888	–	-888
Changes resulting from disposals and the measurement of primary and derivative financial instruments	–	–	–	–	-10,564	–	–	-10,564
Changes in consolidated companies	–	–	–	–	–	–	-98	-98
Equity capital changes without effect for income	**–**	**–**	**–**	**–**	**-10,564**	**-888**	**-98**	**-11,550**
Consolidated earnings	–	–	-140,851	–	–	–	-973	-141,824
Eliminated interim results			–	-6,794	–	–	–	-6,794
	–	**–**	**-140,851**	**-6,794**	**-10,564**	**-888**	**-1,071**	**-160,168**
Exercize of convertible bond	2,587	5,111	–	–	–	–	–	7,698
Dividends	–	–	–	–	–	–	-787	-787
Closing balance 31.03.2007	**517,179**	**644,741**	**-664,747**	**541,880**	**-26,039**	**-10,719**	**9,215**	**1,011,510**

* The figures were adjusted.

Consolidated cash flow statement

for the period ended March 31, 2007

Amounts shown in th. €	2007	2006*
EBITDA	**-135,965**	**-34,616**
Profit/loss from the disposal of fixed assets	-13,578	3,570
Profit/loss from foreign currency	-2,127	-1,644
Decrease of non-current provisions (not including pension and tax provisions)	-1,333	-716
Utilization of restructuring provision	-28,563	-120,322
Other expenses/income not affecting cash flow	-26,758	-30,636
Changes in working capital	-369,995	-246,592
Changes in other current assets and liabilities	389,026	381,298
Dividends received	1,270	844
Payments/refunds of taxes on income	-17,524	-39,416
Cash flow from operating activities	**-205,547**	**-88,230**
Payments received for divestment of subsidiaries less cash & cash equivalents sold	1,338	89,221
Purchase of tangible and intangible assets	-46,559	-37,157
Purchase of investments in non-current financial assets	-10,936	-1,266
Cash receipts from sale of tangible and intangible assets	18,870	9,526
Cash receipts from sale of non-current financial assets	3,970	392
Cash flow from investing activities	**-33,317**	**60,716**
Free cash flow	**-238,864**	**-27,514**
Interest received	17,080	24,502
Interest paid	-24,017	-74,685
Pension payments	-41,358	-31,177
Take-up/reduction of (financial) loans	54,450	86,567
Payments of liabilities due under finance lease	-29,332	-7,958
Cash payments/cash receipts for dividends	-787	-
Cash flow from financing activities	**-23,964**	**-2,751**
Changes in cash and cash equivalents affecting cash flow	**-262,828**	**-30,265**
Changes in cash and cash equivalents due to changes in exchange rates or other changes caused by the consolidated companies	-153	-5,300
Cash and cash equivalents at the beginning of the period	1,203,721	707,163
Cash and cash equivalents at the end of the period	**940,740**	**671,598**
thereof from discontinued operations	**39,044**	**-**

* The figures were adjusted.

Segment report

Quarter I (January 1, 2007 to March 31, 2007)

Amounts shown in th. €	KarstadtQuelle Group 2007	KarstadtQuelle Group 2006 [2]	Reconciliation account * 2007	Reconciliation account * 2006 [2]	Karstadt 2007	Karstadt 2006
Sales	3,009,040	3,170,575	–	–	1,063,857	1,123,634
Interest from lending business	25,903	27,764	–	–	–	–
Internal sales	-402,192	-440,265	-78,795	-147,954	-13,204	-12,172
Group sales	**2,632,751**	**2,758,074**	**-78,795**	**-147,954**	**1,050,653**	**1,111,462**
Group sales (adjusted) [1]	***2,531,257***	***2,579,971***	***-45,093***	***-41,725***	***967,349***	***981,044***
Cost of sales and expenses for tourism services	-1,569,935	-1,586,064	2,709	14,186	-608,187	-654,814
Gross income	**1,062,816**	**1,172,010**	**-76,086**	**-133,768**	**442,466**	**456,648**
Other capitalized own costs	13,016	8,451	12,212	7,809	612	459
Operating income and costs	-688,378	-663,362	43,115	120,873	-244,323	-251,385
Staff costs	-521,881	-547,436	-6,290	-4,851	-225,867	-238,137
Other taxes	-1,538	-4,279	-11	-12	-14	-57
EBITDA	**-135,965**	**-34,616**	**-27,060**	**-9,949**	**-27,126**	**-32,472**
EBITDA (adjusted) [1]	***-125,889***	***-13,175***	***-11,999***	***-7,945***	***-26,475***	***-27,180***
EBITDA margin in % (adjusted) [1]	*-5.0*	*-0.5*	*–*	*–*	*-2.7*	*-2.8*
Depreciation and amortization (not including goodwill)	-58,208	-73,137	-551	-203	-24,348	-22,146
EBIT	**-194,173**	**-107,753**	**-27,611**	**-10,152**	**-51,474**	**-54,618**
Income from investments in associates	2,480	1,958	–	–	–	–
Earnings from discontinued operations	-5,658	-18,972	–	–	–	–
Segment assets	5,143,222	6,201,940	90,503	140,220	1,322,215	1,308,495
Segment liabilities	4,127,883	3,726,656	127,789	85,176	772,926	746,856
Investments	46,559	37,157	1,592	-92	18,142	21,694
Employees (on average) number	82,838	89,194	195	183	33,556	34,307
Employees (on average) adjusted [1] number	65,805	69,208	195	183	32,824	33,526

* The reconciliation account also includes the holding company.

[1] The figures were adjusted. The adjustments relate to special factors and divestments and to EBITDA expenditure for restructuring.

[2] The figures were adjusted.

Primondo		Thomas Cook		Services		Real estate	
2007	2006 2)	2007	2006	2007	2006	2007	2006
1,274,668	1,288,253	558,738	562,934	75,698	86,355	36,079	109,399
25,903	27,764	–	–	–	–	–	–
-303,106	-262,096	-6,681	-9,826	-406	-8,217	–	–
997,465	**1,053,921**	**552,057**	**553,108**	**75,292**	**78,138**	**36,079**	**109,399**
981,652	***1,009,406***	***552,057***	***553,108***	***75,292***	***78,138***	***–***	***–***
-496,169	-513,217	-444,427	-394,985	-23,861	-37,234	–	–
501,296	**540,704**	**107,630**	**158,123**	**51,431**	**40,904**	**36,079**	**109,399**
192	128	–	–	–	55	–	–
-369,240	-391,664	-69,717	-93,812	-31,574	-8,047	-16,639	-39,327
-166,181	-171,860	-104,864	-105,436	-18,358	-25,892	-321	-1,260
-759	-1,171	-547	-627	–	-136	-207	-2,276
-34,692	**-23,863**	**-67,498**	**-41,752**	**1,499**	**6,884**	**18,912**	**66,536**
-31,882 *-3.2*	***-1,757*** *-0.2*	***-67,636*** *-12.3*	***-38,754*** *-7.0*	***2,332*** *3.1*	***7,229*** *9.3*	***9,771*** *–*	***55,232*** *–*
-10,989	-14,639	-17,776	-20,245	-2,060	-4,603	-2,484	-11,301
-45,681	**-38,502**	**-85,274**	**-61,997**	**-561**	**2,281**	**16,428**	**55,235**
–	–	10	–	1,827	1,958	643	–
-5,658	-18,972	–	–	–	–	–	–
1,841,770	2,871,858	1,461,506	1,514,346	189,247	268,177	237,981	98,844
1,709,720	1,284,698	1,213,698	1,185,055	53,834	90,270	249,916	334,601
21,286	10,897	3,860	3,114	1,679	1,165	–	379
28,614	30,647	19,265	21,621	1,188	2,356	20	80
22,100	23,328	9,632	10,811	1,034	1,280	20	80

Notes to the consolidated financial statements

General information
KarstadtQuelle is one of the largest retail and tourism groups in Europe. KARSTADT QUELLE AG, as the holding company, is registered as KARSTADT QUELLE AG at the Essen District Court (HRB 1783). The company is domiciled in Essen under the address KARSTADT QUELLE AG, Theodor-Althoff-Straße 2, 45133 Essen, Germany.

Accounting principles
The consolidated financial statements of KARSTADT QUELLE AG and its subsidiaries were prepared for the interim report on March 31, 2007, in accordance with the International Financial Reporting Standards (IFRS) in force at the reporting date and as they are to be applied in the European Union, and the relevant interpretations of the International Accounting Standards Board (IASB).

The consolidated financial statements were prepared in euros. All amounts are expresses in thousands of euros (th. €) unless specifically indicated. Assets and liabilities are classified as current or noncurrent in accordance with their duration. The income statement is structured in accordance with the total expenditure method.

General accounting policies
General accounting policies are in line with those of the last consolidated financial statements to the end of the 2006 financial year, with the exception of the change described below.

Since January 1, 2007, sales relating to the 14-day return period from the "purchase on approval" in the Primondo segment are recognized in line with IAS 18.16d in connection with IAS 18 Appendix 2 (b) in line with the historical return rate. The recognition of the returns ratio from the "purchase on approval" now also includes the cancellation period in line with the Mail Order and E-Commerce Act and voluntary returns.

Recognition in line with historical return rates provides more reliable and relevant information as they show the actual economic risk and are consistent with industry practice. The change also takes place in the context of the alignment of administrative processes in the Primondo segment.

The following positions were adjusted for the comparable period:

Amounts shown in mill. €	31.03.2006	31.12.2006
Inventories	-62.4	-38.2
Trade receivables	21.4	9.6
Other receivables and other assets	103.1	28.6
Deferred tax assets	-15.8	-9.6
Assets classified as held for sale	-	-12.0
Reserves	28.9	13.6
Other current liabilities	17.4	-23.7
Liabilities related to assets classified as held for sale	-	-11.5

There was no material impact on the income statement of the previous quarter.

The previous year figures for the income statement and cash flow statement were adjusted in line with IFRS 5. The results of the neckermann.de, Quelle Region West unit and the special mail order suppliers no longer included in the core business were reported for 2006 and 2007 in the position "Results from discontinued operations".

In deviation from the reporting date of the KarstadtQuelle Group, the consolidation of Thomas Cook AG, Oberursel, and its subsidiaries takes place on the basis of the Thomas Cook subgroup financial statements as of January 31, 2007. Material changes to March 31, 2007, were included.

In preparing the consolidated financial statements for the interim report, assumptions and estimates were made. They had an effect on the recognition and measurement of assets and liabilities as well as earnings and expenses. In individual cases, actual values may differ from the assumption and estimates made.

An audit review of the interim report was made for the fully consolidated companies.

Consolidated companies

In the reporting period there were no major changes to the companies included in the consolidated financial statements as a result of acquisitions or disinvestments.

In the first quarter, the group of consolidated companies increased by eleven companies. The changes relate to the Primondo segment where ten companies were fully consolidated for the first time and the Services segment with one newly founded company.

In the Thomas Cook subgroup the companies accounted for using the equity method Thomas Cook Thailand Ltd., Falstacen S.L. and Troll Tours Reisen GmbH were disposed of in the first quarter (November 1, 2006 to January 31, 2007). The disposal of Thomas Cook Thailand Ltd. and Falstacen S.L represents a material change after the reporting date of the Thomas Cook subgroup financial statements as the disposal was only effective after January 31, 2007.

In addition to the disposals in the Thomas Cook subgroup, eleven companies in the Primondo segment were deconsolidated. One of these was included in the group of consolidated companies on a proportionate basis. No material deconsolidate profits or losses resulted from the disposals.

Two companies in the Primondo segment which had previously been fully consolidated were merged in the first quarter with other fully consolidated companies.

Important events

On February 9, 2007, KarstadtQuelle acquired the Deutsche Lufthansa AG stake in Thomas Cook AG. The Deutsche Lufthansa AG Supervisory Board approved the sale in March 2007. In a simplified procedure, the EU anti-trust authorities approved the acquisition of the 50 % Lufthansa stake on March 27, 2007. As the transaction closing took place in April 2007 according to the contractual agreement, there were no accounting effects as of March 31, 2007.

On February 12, 2007, an agreement was made on the merger of the KarstadtQuelle Tourism subsidiary, Thomas Cook, with the British travel company, MyTravel. The newly-founded company is to be traded on the London Stock Exchange and carries the name Thomas Cook Group plc. KarstadtQuelle will hold 52 % in the new company, the shareholders of MyTravel will hold a 48 % stake. The merger must still be approved by the MyTravel shareholders and is subject to the approval of the anti-trust authorities.

On March 27, 2007, KARSTADT QUELLE AG and Axel Springer AG founded a joint e-commerce company in which KarstadtQuelle holds 74.9 % and Axel Springer 25.1 %. With this joint venture, both companies want to expand their core competencies in digital sales. As of March 31, 2007, the company had not commenced operations.

At the end of March 2007, after a legal dispute lasting for years, the KarstadtQuelle Group came to an agreement with the Jewish Claims Conference (JCC), as representative for the Wertheim heirs. The focus of the agreement is the regulation of the legal dispute about the so-called “Lenné Dreieck” in Berlin and all other real estate that belonged to the Wertheim department store group, including the so-called “Post-Block” in Berlin-Mitte. This agreement brings to an end all contentious issues between the parties. This also includes the withdrawal of all claims for damage initiated by the Wertheim family in the USA and a compensation payment.

Available for sale assets and liabilities

There were the following changes in the assets and liabilities classified as held for sale:

Amounts shown in th. €	31.03.2007	31.03.2006	31.12.2006*
Assets classified as held for sale			
Intangible assets	29,718	1,220	19,198
Tangible assets	341,733	1,462,441	332,141
Other financial assets	6,379	–	5,106
Deferred taxes	36,995	10,556	35,962
Non-current assets	**414,825**	**1,474,217**	**392,407**
Inventories	238,534	–	224,296
Other current assets	785,589	10,081	685,488
Current assets	**1,024,123**	**10,081**	**909,784**
	1,438,948	**1,484,298**	**1,302,191**
Liabilities related to assets classified as held for sale			
Pension provisions	64,831	5,520	64,628
Deferred taxes	29,601	5,252	45,089
Non-current liabilities	**94,432**	**10,772**	**109,717**
Current financial liabilities	154,418	–	147,066
Other liabilities	677,443	14,594	630,663
Current liabilities	**831,861**	**14,594**	**777,729**
	926,293	**25,366**	**887,446**

* The figures were adjusted.

The reporting as of March 31, 2007, contains primarily the planned disposals of the neckermann.de, the Quelle Region West unit and the special mail order suppliers no longer included in the core business. Additionally, a disposal group formed by some mail order service companies is included in the assets and liabilities classified as held for sale. In the Thomas Cook subgroup a airplane of Condor Berlin fulfilled the conditions of IFRS 5 for the first time in the first quarter and was reclassified. There were no other material changes in comparison to December 31, 2006.

The reclassifications as of March 31, 2006, related primarily to the sale of specific real estate portfolios.

Contingent liabilities and other financial liabilities

In comparison to the 2006 annual financial statements, there were no material changes in contingent liabilities and other financial liabilities.

Important events after the balance sheet date

Am April 3, 2007, a contract on the sale of Quelle Region West was signed with the industry holding AURELIUS. Aurelius which is domiciled in Munich assumes all shares in the French Quelle subsidiary S.A.S. domiciled in Saran, including the business in Spain. The new owner intends to continue the mail order business in France and Spain under the "Quelle" brand.

On May 4, 2007, the EU competition authorities granted their approval for the planned merger of Thomas Cook and MyTravel.

On May 7, 2007, KarstadtQuelle concluded a strategic partnership with the world's leading IT service provider EDS. The object of this partnership is the optimization, modernization and further development of information technology at KarstadtQuelle. In connection with this partnership, a 74.9 % stake in the IT service provider Itellium was sold to EDS.

On May 9, 2007, KarstadtQuelle signed an agreement to acquire the home shopping channel, HSE 24.

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Interim report	
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Future-focused statements

Also to be found in this Interim report are future-focused statements based on estimates by the KarstadtQuelle management. Such statements reflect KarstadtQuelle's view with regard to future events at the time at which they were undertaken and are subject to risks and uncertainties. Many factors may cause the actual results to deviate not inconsiderably from the estimates given here. Such factors include – besides other changes in general economic and business conditions – changes in exchange rates, prices of fuel and interest levels or changes in corporate strategy. KarstadtQuelle rejects any intention or obligation to update these statements about the future made at a specific point in time.