



ARCANDOR
COMMITTED TO CREATING VALUE

INTERIM REPORT
TO JUNE 30, 2007

IF YOU WANT TO BUILD THE FUTURE...



Performance in the first and second quarter of 2007

Sales*

Amounts shown in mill. €	Quarter I (01.01. - 31.03.)			Quarter II (01.04. - 30.06.)		
	2007	2006	Change in %	2007	2006	Change in %
KARSTADT	967.3	981.0	-1.4	917.3	954.2	-3.9
PRIMONDO	981.7	1,009.4	-2.7	888.2	878.6	1.1
THOMAS COOK	552.1	553.1	-0.2	2,538.4	663.7	-
Operating segments	2,501.1	2,543.5	-1.7	4,343.9	2,496.5	74.0
Other segments ¹⁾	75.3	78.1	-3.6	69.8	73.4	-4.8
Reconciliation account	-45.1	-41.6	-	-45.0	-41.5	-
	2,531.3	2,580.0	-1.9	4,368.7	2,528.4	72.8

* The figures were adjusted.

¹⁾ The Other segments comprise: Services and Real estate.

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

Amounts shown in mill. €	Quarter I (01.01. - 31.03.)			Quarter II (01.04. - 30.06.)		
	2007	2006	Change in %	2007	2006	Change in %
KARSTADT	-26.5	-27.2	2.6	-8.4	-8.9	5.1
PRIMONDO	-31.9	-1.8	-	-17.8	-33.6	47.0
THOMAS COOK	-67.6	-38.8	-74.5	53.7	-26.7	-
Operating segments	-126.0	-67.8	-86.1	27.5	-69.2	139.7
Other segments ¹⁾ / Reconciliation account/Holding company	0.1	54.6	-	-23.9	58.0	-
	-125.9	-13.2	-	3.6	-11.2	131.7

* 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. Data is not comparable because of the real estate transaction in 2006.

At a glance*

The following should be taken into account when interpreting the figures to June 30, 2007:

- █ Posting a negative result (EBITDA) in the Karstadt and Primondo trading segments is largely due to seasonal factors and is normal. Over the course of the year, it is always the fourth quarter of the year which posts the decisive earnings contribution.
- █ The half-year figures do not yet adequately reflect the dynamism of the turnaround in the Primondo segment, as the positive trend reversal only started in the second quarter after a weak first quarter.
- █ In the previous year, earnings per share were pushed strongly upward as a result of high profits from the real estate disposal. So as to make a meaningful comparison with the previous year, an adjustment was made for this effect.

			30.06.2007	30.06.2006	Change in %
Sales	KARSTADT	mill. €	1,884.6	1,935.2	-2.6
	PRIMONDO	mill. €	1,869.9	1,888.0	-1.0
	THOMAS COOK	mill. €	3,090.5	1,216.8	154.0
	Operating segments	mill. €	6,845.0	5,040.0	35.8
	Other segments ¹⁾	mill. €	145.1	151.5	-4.2
	Reconciliation account	mill. €	-90.2	-83.1	-
			6,899.9	5,108.4	35.1
Earnings	KARSTADT	mill. €	-34.9	-36.1	3.2
	PRIMONDO	mill. €	-49.7	-35.3	-40.5
	THOMAS COOK	mill. €	-14.0	-65.5	78.6
	Operating segments	mill. €	-98.6	-136.9	28.0
	Other segments ¹⁾ , Reconciliation account/Holding company	mill. €	-23.7	112.5	-
	EBITDA (adjusted)	mill. €	-122.3	-24.4	-
<i>EBITDA margin (adjusted)</i>	in %	-1.8	-0.5	-	
Financial situation	Free cash flow	mill. €	-715.1	-87.0	-
	Cash and cash equivalents	mill. €	1,903.4	770.6	147.0
	Investments	mill. €	128.6	81.1	58.5
	Depreciation and amortization (not including amortization of goodwill)	mill. €	-150.0	-134.8	-11.2
	Net financial liabilities	mill. €	500.5	3,004.1	-83.3
	Net interest income	mill. €	-83.4	-172.9	51.7
	Working capital	mill. €	-770.2	1,318.2	-158.4
Full-time employees at the balance-sheet date	KARSTADT	number	24,320	25,192	-3.5
	PRIMONDO	number	16,343	18,193	-10.2
	THOMAS COOK	number	31,743	9,974	218.3
	Operating segments	number	72,406	53,359	35.7
	Other segments ²⁾	number	441	1,455	-69.7
			72,847	54,814	32.9
ARCANDOR AG share	Earnings per share (undiluted)	€	-1.38	2.79	-149.6
	Earnings per share (undiluted/adjusted)	€	-1.38	-1.55 ³⁾	11.0
	Market price at balance sheet day	€	25.02	20.75	20.6
	Highest price (01.01. - 30.06.)	€	29.21	25.37	15.1
	Lowest price (01.01. - 30.06.)	€	20.71	12.93	60.2

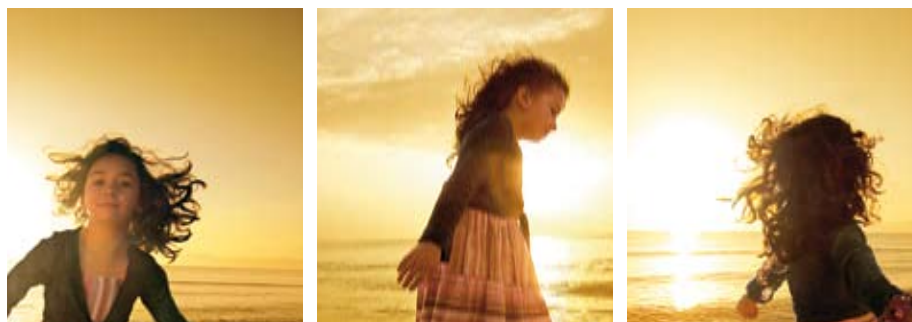
* The figures were adjusted. The adjustments relate to special factors and divestments and to EBITDA expenditure for restructuring.

¹⁾ The Other segments comprise: Services and Real estate. Data is not comparable because of the real estate transaction in 2006.

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

³⁾ Adjusted for the profit from real estate transaction amounting to 869.2 mill. €.

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Report of the Management Board

Dear shareholders,

The face of your company has changed radically over the past few months. Management rigorously implemented the measures announced in connection with the realignment of the group. In most cases, it announced successful transactions even earlier than expected. In this interim report, you can see the figures of this considerable change for the first time. Against the background of a satisfactory business trend and an accelerated realignment of the Group in the second quarter of 2007, we are on track and are maintaining our objective to achieve consolidated sales exceeding 23 bill. € and an EBITDA of more than 1.3 bill. € in the 2008/09 fiscal year.

On July 1, 2007, your company was renamed Arcandor AG. This new name consistently follows the changes within the Group, at the same time signaling a realignment of the holding company. The core functions of Arcandor are in improving the operating performance in the three key divisions, as well as in the further development on the basis of acquisitions and partnerships. It should be noted that the new name applies solely to the holding. The successful brands of Karstadt, Quelle and Thomas Cook are not impacted. On the contrary: We will do everything that they are strengthened and become even more attractive. In the future, the three divisions are to operate in an even more independent fashion. Thomas Cook Group plc will be managed from London by Manny Fontenla-Novoa as CEO and by myself as Non-executive Chairman. Karstadt, headed by Peter Wolf, and Primondo, with Marc Sommer at the helm, will be managed from Essen.

The new **Thomas Cook Group plc** has been listed on the London Stock Exchange on June 19, 2007. Arcandor has a 52% stake in the international tourism group. The initial share price was 326 pence (4.82 €). The largest division of the Arcandor Group was thus taken successfully and in record time onto the stock exchange. We are convinced that after its successful start, Thomas Cook Group plc will quickly realize its great appreciation potential. A few months before the end of the tourism year, Thomas Cook is developing to the full satisfaction of the Arcandor management. The company has an excellent positioning and high earnings momentum. The considerable synergy potential will impact positively on results. Also in strategic terms, Thomas Cook has great scope for action, as the company has no net financial liabilities. For you it also means that the Thomas Cook Group plc will be fully consolidated into the Arcandor AG group accounts. As a result, we expect a notable positive impact on sales, earnings, adjusted EBITDA and equity, some of which are already evident in these interim accounts.

Adjusted group sales increased by 73% in the second quarter of 2007
Adjusted EBITDA of the operating divisions improved by approximately 97 mill. € or 140%
- all operating divisions post an earnings upturn

In the second quarter, adjusted group sales increased by 73% to 4.37 bill. € (2.53 bill. € in the previous year). This strong sales plus reflects the positive changes as a result of the massive realignment within the group. At the same time, it shows that the Arcandor Group has become more international, thus considerably reducing its dependency on the German market. In the second quarter, adjusted EBITDA of the operating divisions was 27.5 mill. € (previous year: minus 69.2 mill. €). This is an improvement of approximately 97 mill. € or 140%. This more than compensated for the usual negative seasonal effects in the trading segments. All operating divisions improved adjusted EBITDA.

As a result of the first-time full consolidation of **Thomas Cook** (consolidated for the period from February 1 to June 30, 2007, three months of which fully), in the second quarter consolidated sales of the Tourism group increased to 2.54 bill. € (0.66 bill. € in the previous year, consolidated for the period from February 1 to April 30, 2006). In operating terms, Thomas Cook increased sales by 6.6% in the reporting period. In the second quarter, the adjusted EBITDA of the Thomas Cook Group plc consolidated in the Arcandor Group was 53.7 mill. € (minus 26.7 mill. € in the previous year).

In the second quarter, the **Primondo Group** was considerably up on the previous year and performed better than planned. The transformation to a multi-channel provider with a focus on E-Commerce, Catalogue and Teleshopping is progressing successfully, international business is growing strongly, the decisive operating indicators for the future sales and earnings trend continue to develop in a positive fashion. The Management Board is thus optimistic for the coming quarters. As stated in the last interim report, Primondo achieved a trend reversal in the second quarter, posting a sales upturn in the second quarter for the first time in five years. This is driven primarily by the sustained, considerable increase of the relevant indicators in Universal Mail Order Germany (new customers, active customer rate and ability to deliver). What is more, the strong upturn in the textile share, the new marketing concept with the monthly catalogues, the ongoing strong E-Commerce performance and the strongly growing business in Central Eastern Europe impacted positively. In the second quarter, adjusted sales increased by 1.1 % to 888.2 mill. €. Primondo also underscored the positive situation in the Mail Order business with a considerable improvement in its results. Due to seasonal factors, adjusted EBITDA was minus 17.8 mill. € (minus 33.6 mill. € in the previous year). This means that the result was some 16 mill. € higher, with the loss being almost halved. This clearly shows the earnings impact of the new marketing concept and the measures implemented to optimize the product portfolio. Furthermore, the realignment in the area of infrastructure costs is also impacting positively. The competitive edge was improved particularly at the call centers.

At **Karstadt** we forced the pace of the repositioning in the second quarter of 2007. As a result of extensive branch modernization, sales were shifted in the direction of higher-margin consumer areas, with lower-margin sales being reduced on a targeted basis. The core department stores (Premium and Boulevard Plus/Boulevard) achieved sales of 750.5 mill. €, equivalent to a decline of 1.6%. Factors impairing a comparison with the previous year include the increase in VAT and the closure or disposal of a number of unprofitable stores with total sales space of approximately 32,000 square meters. Positive effects resulted from the staging of themes on a monthly basis and the ongoing good development at the Premium stores (plus 4.4% year-on-year), with their sales focus in areas with higher margins. At KarstadtSports sales moved in line with planning. A comparison with the previous-year quarter is predominated by the higher sport sales (World Cup) generated in the previous year which means that they are not comparable. In the second quarter, the entire Karstadt segment generated adjusted sales of 917.3 mill. € (954.2 mill. € in the previous year).

The loss in the second quarter due to seasonal factors (adjusted EBIDTA) declined to 8.4 mill. € (minus 8.9 mill. € in the equivalent quarter of the previous year). Despite the temporary negative sales impact from the ongoing repositioning, the company managed to stabilize the result. What was decisive here was the increased share of higher-margin sales in the product mix, improvements in purchasing conditions and efficient cost management.

On a cumulative basis from January 1 to June 30, 2007, the **Group** achieved adjusted sales of 6.90 bill. € (5.11 bill. € in the previous year). This is a sales upturn of 35.1%. Adjusted EBITDA of the operating divisions was minus 98.6 mill. € (minus 136.9 mill. € in the previous year). This equates to a 28.0% improvement.

Solid finance situation - Highstreet sale results in net financial assets

As of June 30, 2007, net financial liabilities of the Arcandor Group totaled 501 mill. €. Against the equivalent previous-year date, this represents a reduction by 2.5 bill. €. On the basis of the planned disposal of the 49% stake in the Highstreet real estate company, the Group will again have a positive assets situation.

Significant improvement in working capital

For the first time, the Arcandor Group has negative working capital. As of June 30, 2007, it totaled minus 770 mill. € (plus 1.32 bill. € in the previous year). The considerable improvement of roughly 2.1 bill. € clearly shows the advantages of the new group structure as well as progress on the operating front. The individual divisions supplement and optimize the working capital flows within the Arcandor Group in an ideal fashion.

Positive cash flow

Cash flow from operating activities was 157 mill. €. This is a considerable improvement against the previous-year figure of minus 16 mill. €, something which also reflects the changed Group structure.

All strategic projects being implemented on schedule

The Group realignment is being continued rapidly. All strategic projects are being implemented on schedule. As the relevant transactions have since reached an advanced stage and negotiations are taking place only in respect to offers with solid financial backing, the management does not expect any notable negative influence as a result of the current turbulence on bond markets.

Focus on market consolidation in European department store segment

The Arcandor management is convinced that the department store market in Europe offers outstanding opportunities for value enhancing consolidation. At European level, we see advantages particularly in an international multiplication of the Premium segment. In addition a high level of synergies can be generated with purchasing advantages, for example with brand products and in the luxury segments. Within Germany, synergy potential covers to further areas such as marketing. For this reason we have developed appropriate concepts and have initiated talks with potential partners.

Highstreet disposal far advanced

We are at an advanced stage in respect to the planned disposal of our 49% stake in the Highstreet real estate company. To the beginning of 2007, we received an attractive offer for our 49% stake in the Highstreet real estate joint venture. Shortly afterwards there were signals from the market that there was strong interest from other parties as well. In order to maximize the value for our shareholders, we decided on an auction process. At the present moment, we are in the middle of this auction process and have received numerous bids. This shows that our decision for an auction was correct. We expect binding offers to the end of the third quarter of 2007.

neckermann.de growing - dual-track process making good progress

We are also making good progress with neckermann.de. The management is pursuing a dual-track-process: The planned IPO is being prepared alongside the option of a disposal or partial sale. After sending an information memorandum to potential buyers at the beginning of the second quarter, we received a high response rate. In addition to its strong brand value, neckermann.de is particularly interesting for investors due to its rapid and successful transformation to an e-commerce company. The disposal process is now at a very advanced stage. After the conclusion of the first bidding round, there are currently five financial investors in the second bidding round for neckermann.de.

If we make a decision for a disposal or a partial sale, the signing is expected to the end of the third quarter of 2007. Parallel to this we are pursuing the IPO option. If this proves to be the better option, it will probably take place in the first quarter of 2008. In the third quarter of 2007, we will make a decision as to which option creates the highest value for our shareholders. Pleasingly, neckermann.de grew strongly in the first six months of 2007. The company increased sales in Germany by 7% to 449 mill. € (previous year: 420 mill. €). The transformation from a mail order company based on catalogues to a multi-channel provider was accelerated successfully. The company aims to increase its share of online demand in relation to total sales from the current level of 50% to 70%.

Acquisition of HSE24 completed - Teleshopping channel with strong sales and earnings growth

In June 2007, we acquired the television shopping channel, HSE24. For the first time, the purchase price was paid in the form of Arcandor AG shares. With HSE24, the core brand of Quelle reinforces its position as leading multi-channel provider in Germany. It is the only company which has four strong distribution channels: catalogue, internet, teleshopping and over-the-counter business. Sales via television will play an important contribution to future growth. Within a few years, E-Commerce and teleshopping are set to generate the same sales level in the Primondo Group as is currently generated by the traditional catalogue business. The teleshopping market is one of the fastest growing retail distribution forms. In 2006, HSE24 generated net sales of 286 mill. €, with approximately 1.3 million customers.

In the current fiscal year, HSE24 is performing well, much better than the comparable competition. Integrating HSE24 into the Primondo business is progressing very successfully. A key focus here is on cross-marketing (e.g. sale of Quelle kitchens on HSE24, joint campaigns on the 80th anniversary of Quelle). For the 2007 fiscal year, HSE24 plans strong growth for both sales and earnings.

Outlook

Very strong third quarter 2007 expected

Expectations for the short 2007 fiscal year, the 2007 calendar year and the targets for the 2008/09 fiscal year confirmed

The management expects a very strong third quarter 2007 for the Arcandor Group. Contributory factors include:

- Considerable ongoing improvement at Primondo. The good second quarter trend continued as expected with increasing momentum in July and August 2007.
- The ongoing good development at Thomas Cook Group. In addition, as a result of the consolidation of the MyTravel business in Thomas Cook Group plc we expect a strong positive impact on sales and adjusted EBITDA in the Arcandor Group.
- Stable business at Karstadt. The Premium Group in particular has continued its good sales trend.

In addition, it is anticipated that the tangible economic revival in Germany will positively impact the retail business with a time lag. The 2007 Christmas business in particular should contribute to a good performance of the calendar year. The management is thus convinced that Group sales will significantly improve in the 2007 calendar year and that earnings (adjusted EBITDA) in all three operating divisions will exceed the figures of the previous year.

For the 2007/08 fiscal year, we plan a further strong improvement of adjusted Group EBITDA. This trend will be advanced primarily by Internet and international business. This considerably increases the transparency in relation to our objectives for the 2008/09 fiscal year. After the success made in realigning the Group, all operating divisions have since reaffirmed their business plans for the 2008/2009 fiscal year, confirming overall an EBITDA of over 1.3 bill. €. The Group will thus reach its targets.

For the Management Board

Your
Dr. Thomas Middelhoff

Arcandor share

Arcandor share with 14 % increase in the first half-year of 2007

With a price gain of 14 % in the first six months of the current year, the Arcandor share continued to post a positive performance. On April 16, 2007, the Arcandor share posted its year high with a price of 29.21 €; the year low of 20.71 € was recorded on January 9. At the reporting date, the share was priced at 25.02 €.

Accordingly market capitalization increased strongly. Within one year, it expanded by approximately 1 bill. € to approximately 5.43 bill. € (previous year: 4.40 bill. €).

In acquiring the HSE24 TV channel, for the first time Arcandor AG deployed treasury shares for an acquisition. The agreed payment of the purchase price in Arcandor shares shows the strong confidence in the further performance of the shares. As a result of this transaction, the number of treasury shares declined from 11.2 mill. to 5.7 mill.

As a result of the exercise of the convertible bond, the number of outstanding shares increased by 4,868,716 to 217,049,139 in the first six months and totaled 217,328,818 at the end of July 2007. The free float has moved over the 40 % mark.

On June 18, 2007, the Arcandor share was included in the index family Dow Jones STOXX 600.

Stock Exchange price performance
January to June 2007 in €



IF YOU WANT TO BUILD THE FUTURE,
YOU HAVE TO TAKE NEW PATHS...



facts

Arcandor Group: Considerable sales and earnings upturn in the second quarter of 2007

Good development of operating segments in the second quarter of 2007

- Adjusted Group sales increased by 74%
- Adjusted EBITDA up by 140%
- Earnings improved in all operating segments

Primondo achieves trend reversal

- Sales upturn in second quarter 2007 for the first time in five years

Thomas Cook Group develops well, achieving targets

Repositioning in Department Stores gains pace

- Slight upturn in earnings

Positive cash flow from operating activities

Working capital improved significantly

All strategic projects being implemented on schedule

Aiming at consolidation in European department store market

Good progress with Highstreet disposal

neckermann.de: Decision in the third quarter of 2007

HSE24 acquired – HSE24 plans strong sales and earnings growth

All forecasts confirmed

Very strong third quarter 2007 expected

Targets for 2008/09 financial year confirmed on basis of updated business plans

primondo

Second quarter sales up on previous year and planning

In a strong second quarter, the Primondo Group segment increased adjusted sales by 1.1 % to 888.2 mill. € (previous year: 878.6 mill. €). Primondo posted a sales upturn in a second quarter for the first time in five years and developed better than planned. All units contributed to this. As announced, Quelle achieved the trend reversal, stabilizing sales in German Universal Mail Order. As planned Special Mail Order posted a sales increase; international business and online demand continue to grow strongly.

Restructuring success also evident in earnings - considerable improvement

In the second quarter 2007, adjusted EBITDA improved by 15.8 mill. € to minus 17.8 mill. € (previous year: minus 33.6 mill. €). Thus the successes of restructuring are also evident in earnings.

Rigorous implementation of strategic measures

The strategic realignment of Primondo announced in Fall 2006 was rigorously continued. With the entry into teleshopping through the acquisition of HSE24 television channel, Quelle in Germany in particular has access to new growth areas. In addition to the targeted expansion of the electronic distribution channels, the introduction of monthly catalogues was a new key element of Universal Mail Order marketing in Germany.

The announced reconstruction measures within the Primondo Group were continued on schedule. At the same time, the disposal process of the Service Group with the Customer Care and Logistics units was initiated. In the call centers, significant cost savings resulted in a considerable sharpening of the competitive edge.

Key figures*

		Half year I (01.01. - 30.06.)			Quarter II (01.04. - 30.06.)		
		2007	2006	Change in %	2007	2006	Change in %
Sales	mill. €	1,869.9	1,888.0	-1.0	888.2	878.6	1.1
Earnings							
EBITDA (adjusted)	mill. €	-49.7	-35.3	-	-17.8	-33.6	47.0
EBITDA margin (adjusted)	in %	-2.7	-1.9	-	-2.0	-3.8	-
Full-time employees at the balance sheet date	number	16,343	18,193	-10.2	16,343	18,193	-10.2

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

**Quelle achieves turnaround in Germany
- strong gains in new customers**

At Quelle in Germany, the business trend is stabilizing. For the first time, market share was gained again. In a seasonal comparison, key indicators for the trend reversal continued to improve: Against the 2006 Spring/Summer season, the number of new customers (individual customers) increased by 18% in the 2007 Spring/Summer season, with the active rate (individual customers) improving by 4 percentage points. A major contribution here was made by the realigned market positioning and the monthly catalogues which were introduced at the beginning of the year, with current articles in cross-range theme worlds. Progress was made in the forward-looking “Quelle Go!” program. It creates the basis for new profitability and achieving the targeted returns.

**Primondo expands multi-channel
- E-Commerce and Teleshopping as growth drivers**

E-Commerce is a major growth driver of Primondo's German and international activities. In the second quarter of 2007, Primondo pushed overall online demand by 11.2% year-on-year, at the same time quadrupling the number of visits. In Germany, double-digit growth is ongoing at Quelle's E-Commerce business, which now already generates some 40% of demand. Thus the big book business is increasingly being supplemented by strong online success. E-Commerce is also posting strong growth in its international business.

With the acquisition of the HSE24 shopping television channel in June 2007, Quelle as multi-channel provider has gained access to another strong distribution platform, thus accessing new growth opportunities on the German market. Since being acquired, HSE24 has developed well, posting stronger growth rates than the market. Beyond HSE24, Primondo is examining a tele-shopping investment in Central Eastern Europe and in Russia.

International Mail Order expanding

The international business is developing in a very pleasing fashion. Quelle is experiencing high double-digit growth rates in Central Eastern Europe and Russia. In 2006, sales in these countries improved by 55% to 192 mill. €. In the first six months of the current fiscal year, growth momentum was maintained at a very high level, with a further upturn of approximately 50%. The ongoing success confirms the growth strategy: For Primondo, Central Eastern Europe and Russia are international core markets with high economic momentum, allowing sustained and profitable growth.

Quelle Austria successfully implemented the trend reversal, improving Mail Order sales by 8%. In Switzerland, Quelle acquired Ackermann, the renowned mail order brand, to the beginning of the year. From the very start, both the Ackermann catalogues and the Internet shop posted a positive business trend. Overall, sales in Switzerland expanded considerably.

Special Mail Order concentrates on growth segments

In the second quarter of 2007, Special Mail Order achieved growth of 3%. Individual brands such as Bon A' Parte and the Walz Group also improved sales by almost 10% year-on-year, thus considerably outperforming the retail market development. In Spring, Primondo and Redcats jointly launched the French special mail order brand Vertbaudet onto the German market. The first catalogue of the French market leader in special mail order for baby equipment, children's wear and fashion for mother-to-be considerably outstripped expectations.

Following on from the strategic concentration on the three growth segments "Premium", "Golden Ager" and "Communities", the special mail order company Krähe with its focus on workwear was sold to BTI. The disposal process announced for further special mail order companies which are not in the selected growth segments is on schedule. To September 30, 2007, Primondo will thus sell the Mercatura Group with the mail order companies Bragrad, clinic+job-dress, DK Profashion, Koppe and Simon Jersey to Kwintet AB, the European market leader for workwear garments. Parallel to the divestments, options for additional purchases are being examined with the intention of supplementing and upgrading the current portfolio.

Outlook: Strong third quarter expected

In the third quarter of 2007, a considerable continuation of the positive trend at Primondo is anticipated. The management is thus expecting sales to increase. In Universal Mail Order, all indicators are pointing to Quelle posting growth in Germany again for the first time in many years. Overall, the Primondo segment will increase sales as planned in the 2007 calendar year, and generate a balanced adjusted EBITDA.

thomas cook

Sales and results increased

Consolidated sales of the tourism group increased as a result of the first-time full consolidation of Thomas Cook in the second quarter (consolidated for the period from February 1 to June 30, 2007, three months at 100 %) to 2.54 bill. € (previous year: 0.66 bill. €, consolidated from February 1 to April 30, 2006). In operating terms, Thomas Cook increased sales by 6.6 % in the reporting period. In the second quarter, adjusted consolidated EBITDA in the Arcandor Group totaled 53.7 mill. € (previous year: minus 26.7 mill. €).

Thomas Cook Group listed in London

On June 19, 2007 Thomas Cook AG merged with MyTravel Group plc and was listed on the London Stock Exchange as Thomas Cook Group plc. Thus Arcandor took its largest segment successfully on the stock exchange, and did so in record time. Arcandor owns 52 % of the shares of the enlarged group and former MyTravel shareholders 48 %.

New management team

Thomas Cook Group plc is led by joint Chief Executives, Manny Fontenla-Novoa (who became CEO of Thomas Cook AG on December 12, 2006) and Peter McHugh (former MyTravel Group CEO). On December 31, 2007, Peter McHugh will leave the Group and Manny Fontenla-Novoa will take over as sole Chief Executive. The Board of the enlarged group has been drawn from the former Thomas Cook AG and MyTravel Group plc boards. The enlarged Thomas Cook group is chaired by Dr. Thomas Middelhoff, CEO of Arcandor AG.

Rigorous strategy: Growth, brands, synergies

Thomas Cook is Europe's second largest travel company, with number one or two market positions in Germany, the UK & Ireland, Scandinavia, Benelux, France and Canada. Following the merger, it employs over 30,000 employees. It has a portfolio of leading brands which provide a strong platform for growth in major travel markets.

Key figures*

		01.11.2006 - 30.06.2007	01.11.2005 - 30.04.2006	Change in %	01.02.2007 - 30.06.2007	01.02.2006 - 30.04.2006	Change in %
Sales	mill. €	3,090.5	1,216.8	154.0	2,538.4	663.7	-
thereof tour operators	mill. €	2,521.4	979.8	157.3	2,098.8	538.6	-
thereof flights	mill. €	371.1	164.8	125.2	285.4	87.3	-
Earnings							
EBITDA (adjusted)	mill. €	-14.0	-65.5	78.6	53.7	-26.7	-
EBITDA margin	in %	-0.5	-5.4	-	2.1	-4.0	-
Full-time employees at the balance sheet date	number	31,743	9,974 ²⁾	218.3	31,743	9,974 ²⁾	218.3

* Data is based on the financial statements of Thomas Cook Group plc, which resulted from the merger between Thomas Cook AG and MyTravel plc.

¹⁾ 2007 including MyTravel.

²⁾ 50 % Thomas Cook.

The strategy of the enlarged group is to continue to deliver benefits from existing cost saving and margin improvement plans already adopted by MyTravel and Thomas Cook, to grow revenues in existing and new market segments and to deliver efficiencies from being part of a larger group. In particular, its strategy will focus on the following key objectives:

- Integrating the businesses of the enlarged group and delivering the planned synergies.
- Strengthening the packaged tour operating businesses through continued operational and product improvements.
- Growing its business in the independent travel segment through tailored products and services delivered through an asset-light business model.
- Extending the financial services offering of the enlarged group through the introduction of new products and by building on the reputation and capabilities of Thomas Cook in this area.

Excellent progress towards integrating the two companies

By integrating the two businesses, Thomas Cook will realize significant benefits for the Group's key shareholders through the delivery of at least 140 mill. € in annualized pre-tax cost benefits. It has made excellent progress towards integrating the two companies:

- On June 6, 2007, it announced the enlarged group senior management structure, including the combined head office team and UK & Ireland management team, and the next tier of management has subsequently been put in place. Under these proposals a new group head office will be established in London (UK) by the first half of 2008, bringing together office functions from Oberursel (DE), Peterborough (UK) and Rochdale (UK), with a UK & Ireland head office in Peterborough.

- On June 26, 2007, the Thomas Cook Group announced plans for the rationalization of over-the-counter-retail in the UK, including a proposal to close approximately 150 shops and the re-branding of most UK shops as Thomas Cook.

- On June 26, 2007, it also announced the proposed closure of six sites in the UK.

- A new UK & Ireland brand strategy calls for Thomas Cook and Airtours to be the enlarged group's brands in the upper market and mass market segments respectively.

- Work is well advanced towards integrating the two UK airlines, Thomas Cook Airlines and MyTravel Airways, to form a single airline under the Thomas Cook brand, with a single Air Operating Certificate (AOC) by the end of March 2008.

Outlook

The enlarged Thomas Cook group continues to make rapid progress in integrating the merged businesses and towards the planned synergies of at least 140 mill. €. The group expects to increase pro forma operating profit before exceptional items for the 2006/2007 fiscal year as a whole. The Thomas Cook Group is well placed strategically to take advantage of the significant opportunities for growth in leisure travel.

karstadt

Repositioning gains further pace - earnings upturn in the second quarter of 2007

The emerging economic improvement in the German economy only impacted positively on sales in the Department Store business to the end of the second quarter of 2007. At **Karstadt Department Stores**, the year-on-year comparison in the second quarter is characterized particularly by repositioning gaining further pace. Shifting sales in the direction of higher-margin

areas was accelerated. At the same time, sales in the low-margin consumer areas which are not part of the strategic product range were further reduced on a rigorous basis. In the context of this process between April and June 2007, departments were optimized, shop fittings installed and further large-scale investments made in virtually every second department store to advance the repositioning. In the Fashion area alone, Karstadt extended the

Key figures*

	Half year I (01.01. - 30.06.)			Quarter II (01.04. - 30.06.)			
	2007	2006	Change in %	2007	2006	Change in %	
Sales							
Core department stores	mill. €	1,547.8	1,565.0	-1.1	750.5	762.8	-1.6
KarstadtSports	mill. €	125.9	145.9	-13.7 ²⁾	64.4	82.6	-22.0 ²⁾
Segment total ¹⁾	mill. €	1,884.6	1,935.2	-2.6	917.3	954.2	-3.9
Earnings							
EBITDA (adjusted)	mill. €	-34.9	-36.1	3.2	-8.4	-8.9	5.1
EBITDA margin (adjusted)	in %	-1.9	-1.9	-	-0.9	-0.9	-

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

¹⁾ Including Karstadt Feinkost und LeBuffet.

²⁾ Year on year comparison is restricted because of higher sales due to FIFA World Cup.

Other information

	Half year I (01.01. - 30.06.)			
	2007	2006	Change in %	
Full-time employees at the balance sheet date	number	24,320	25,192	-3.5
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	9	14	-
Total	number	129	135	-
Sales space				
Group-operated space without third-party leasing	th. sq. m.	1,603.2	1,660.9	-3.5

presence of exclusive brand shops by over 10% to some 550 brand shops in this period. To optimize the department store portfolio further, unprofitable stores with a total sales space of roughly 32,000 square meters were closed as scheduled in April 2007. This included the department stores in Halle, Hoyerswerda and in the Hamburg shopping mall Hamburger Straße.

In the second quarter, the comparison to the previous year was also negatively impacted by the high non-recurring sport sales due to the World Cup (soccer). A further factor relevant to sales was the untypical weather for the time of year, with a hot April and a rainy May. Across the industry this impacted fashion sales in particular.

Within the product ranges, the sales trend in the profiling areas such as Fashion, Beauty and Accessories were considerably positive, also above the corresponding development of the competition. By staging monthly themes, **Karstadt** set important purchasing impulses. At Karstadt, this resulted in a sales upturn of 5.8% against the previous year from June 2007. Overall, in the second quarter of 2007, sales at the core Karstadt department stores were 750.5 mill. € (762.8 mill. € in the previous year), down 1.6% year-on-year. Karstadt thus again developed better than the comparable competition. On a cumulative basis after six months of 2007, the sales figure was down 1.1%.

For the month of June 2007, the **Karstadt Premium Group** posted a sales upturn of almost 16%. Rigorous trading up and the luxury alignment in product range, services, presentation and the provision of globally leading brands positively impacted. In the entire second quarter, the Karstadt Premium Group continued its positive development with a sales increase of 4.4%. After six months of the current year, sales are considerably higher than the previous year, up 5.1%. With its premium concept, Karstadt has thus been able to profile itself in a positive fashion against the general market development.

In the second quarter and on a half-year basis, **karstadt.de** posted a demand upturn of approximately 40%. There is increasing success in linking the presence in the Internet with the over-the-counter business.

KarstadtSports is benefiting from its competency in sport, sport fashion and advice. This applies particularly to the pleasing trend for Outdoor and Running. However, due to the strongly increased sales in the previous year due to the World Cup (soccer), sales in the second quarter and the first half year of 2007 were considerably down year-on-year as had been expected.

EBITDA up slightly in the second quarter

In the second quarter, adjusted EBITDA was minus 8.4 mill. € (previous year: minus 8.9 mill. €). The slight earnings upturn of 5.1% was achieved by rigorous margin and cost management and extending higher-value sales, at the same time streamlining product groups with low profitability on a targeted basis. In the process, the earnings quality is being secured on the basis of a sustained cost structure program. On the basis of the first half-year 2007, due to seasonal factors the result was improved to minus 34.9 mill. € (previous year: minus 36.1 mill. €), or by 3.2%. The budgeted figures were thus achieved.

In the first half-year, working capital was further reduced by 67 mill. € against the previous year to 435 mill. €. Cash flow was also considerably improved against the previous year, with an increase of 114 mill. €.

Strategic realignment with positive customer response

Under the claim “Schöner Shoppen in der Stadt – Karstadt”, the realignment of the Karstadt brand was rigorously advanced in the second quarter. With themes being successfully staged on a monthly basis, covering the product range in the Karstadt department stores on a holistic basis, customer frequency and the average basket were further increased. Themes such as “The city gets exotic”, “The city gets hot” or “The city feels amore” demonstrate impressively the new Karstadt positioning to its customers.

Cooperation with Thalia agreed

Karstadt Warenhaus GmbH and Thalia Holding GmbH, a subsidiary of the Douglas Group, plan a strategic partnership in the book area. As of February 1, 2008, Thalia should assume the book departments in 89 Karstadt department stores.

Upgrading branch network pushed forward

In the second quarter of 2007, the second of the three construction stages in the Karstadt Mönckebergstraße store in Hamburg was completed. In Berlin, upgrading the Steglitzer Wertheim on Schlossstraße was continued with new brands, further shops and additional lifestyle products.

Reinforced management

The Karstadt management team was reinforced with Dr. Emmanuel Siregar (previously Board member at Fielmann AG) in June 2007. As Human Resources director, he is responsible for Human Resources and Organization. Heinz Thünemann (previously-Management Board member at Katag AG) will assume overall responsibility for Purchasing as of September 1, 2007.

**Outlook - further themes being staged
- earnings increase for 2007 calendar year planned**

With the theme of “The city rejoices“ being staged from the end of August, Karstadt expects a further increase of the high customer response and demand levels. A key focus of the second half of the year will be extending competency in fashion. With the spring collection of the Karstadt New Generation Award winner awarded at the Berlin Fashion Week, the fashion segment in the upper segment will be further extended, pushing forward the trading up process. Karstadt continues to expect earnings (adjusted EBITDA) to improve over the 2007 calendar year.

Business trend in the first half-year 2007

Overall economic situation

The German economy continued to develop strongly in the first six months of 2007. The positive impulses for growth came from unabated high foreign demand with a slight decline in domestic consumer spending.

Due particularly to the value-added tax increase at the beginning of the year, the level of private consumption declined by 0.2% in real terms in the first months of 2007. On the other hand, disposable income increased by 1.8% in the first half-year of 2007. With an upturn of 2.9%, net wages and salaries rose more strongly than had been the case for a long period. At 14.9%, the savings rate for private households was higher than in the comparable period of 2006.

To June 2007, department store sales within Germany declined by 3.6% (in real terms minus 4.5%). As of June 2007, mail order sales declined year-on-year in nominal terms by 2.6% (in real terms by 3.1%). While sales in Universal Mail Order and Mail Order with textiles, clothing and leather goods declined considerably, Special Mail Order posted a slight sales upturn in nominal terms.

The German Institute for Economic Research forecasts that the economic upturn will continue in the current year. While the impact of the increase in value-added tax clearly impacted private spending in the first quarter of 2007, consumer expenditure is set to gain ground considerably during the rest of the year, and even more so in 2008. A key positive factor here is the ongoing reduction of unemployment and the strong development of wages. An 0.8% increase in private expenditure is expected this year, an upturn of 2.5% in the next. In the tourism area, a global upturn in real demand of 3.9% is expected in 2007.

Important events

On February 9, 2007, Arcandor AG 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. The transaction closing took place in line with the contractual agreement on April 2, 2007.

On February 12, 2007, an agreement was made on the merger of the Arcandor AG Tourism subsidiary, Thomas Cook, with the British travel company, MyTravel. On May 4, 2007, the EU competition authorities granted approval for the planned merger of Thomas Cook and MyTravel. The closing for the transaction took place on June 18. The newly founded company is called Thomas Cook Group plc and has been listed on the London Stock Exchange since June 19, 2007. The Arcandor Group holds 52% in the new company, the former shareholders of MyTravel hold a 48% stake.

At the end of March 2007, after a legal dispute lasting for several years, the Arcandor 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 US and a compensation payment.

On April 3, 2007, a contract on the sale of Quelle Region West Europe 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. The closing of the transaction took place on July 31, 2007. For this reason the disposal of the relevant assets and liabilities was not recorded in the first half-year of 2007.

On May 7, 2007, Arcandor AG concluded a strategic partnership with the world's leading IT service provider EDS. The intention of the partnership is the optimization, modernization and further development of information technology at Arcandor AG and its subsidiaries. In connection with this partnership, a 74.9% stake in the IT service provider ITELLIUM Systems & Services was sold to EDS. By outsourcing IT, cost reductions of 650 mill. € are expected over the next eight years.

On May 9, 2007, Arcandor AG signed an agreement to acquire the home shopping channel, HSE24. The closing of the relevant agreements was on June 19, 2007. Alongside the Internet portal quelle.de, the Quelle catalogues, shops and technical centers, the television broadcaster offers an additional distribution channel.

On May 10, the Arcandor AG Annual General Meeting resolved to change the closing date for the annual accounts from December 31 to September 30 of a calendar year. Thus the 2007 fiscal year is a short financial year.

On June 19, 2007, all assets and liabilities of Krähe Versand GmbH were sold to the BTI Group. The sale of the Krähe activities took place in the wake of the strategic realignment of the Special Mail Order portfolio. The fulfillment of the contract still depends on conditions precedent.

Continuing and discontinued operations

In 2006, the Arcandor Group announced the planned disposal of its neckermann.de, Quelle Region West unit (France, Spain and Belgium) as well as certain non-core businesses at Special Mail Order and various mail order service companies. In accordance with IFRS 5, the results of the neckermann.de, Quelle Region West unit and the special mail order companies no longer included in the core business of the Special Mail Order sector are recognized in the income statements for the 2006 and 2007 fiscal years under the item “Results from discontinued operations”. In addition to the business units sold, disposal groups and non-current assets held for sale classified as disposal groups are shown in the balance sheet for the current reporting period as “Assets classified as held for sale” and “Liabilities related to assets classified as held for sale”. In accordance with IFRS 5 the respective previous-year figures were not adjusted.

The existence of the conditions for the relevant classification of non-current assets, disposal groups and discontinued operations is evaluated at each reporting date. As of June 30, 2007, in addition to the disposals and some non-current assets classified for the first time as held for sale, there were no changes against the first quarter of 2007.

Adjustments and pro-forma figures

In addition to the separate disclosure of discontinued operations, non-current assets held for sale and disposal groups, the figures for the 2006 and 2007 fiscal years are influenced by one-time factors in connection with the restructuring and realignment of the Arcandor Group and by various company acquisitions (50% Lufthansa stake in Thomas Cook, Thomas Cook merger with MyTravel, HSE24).

A year-on-year comparison of the figures recognized in the consolidated income statement, consolidated balance sheet, statement of changes in shareholders' equity, group cash flow statement and segment information is thus possible only to a very limited extend. Comments on comparative sales and earnings thus generally relate to the correspondingly adjusted figures. In respect to the first-time full consolidation of Thomas Cook and MyTravel and the Thomas Cook Group plc. and HSE24, the effects resulting from the consolidation and the changed reporting date are explicitly stated.

Key ratios on continuing and discontinued operations*
Half year I (01.01. – 30.06.)

		Continuing operations		Discontinued operations		Total	
		2007	2006	2007	2006	2007	2006
Sales (not adjusted)	bill. €	7.13	5.51	0.93	0.96	8.06	6.47
EBITDA	mill. €	-216.8	705.7	-28.1	-29.0	-244.9	676.7
Special factors	mill. €	94.5	-730.1	7.6	11.7	102.1	-718.4
EBITDA adjusted	mill. €	-122.3	-24.4	-20.5	-17.3	-142.8	-41.7

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

Sales and performance

Group sales

In the first half-year of 2007, the operating segments of the Arcandor Group achieved adjusted sales amounting to 6.85 bill. € (previous year: 5.04 bill. €). In the second quarter of 2007, sales increased by 74.0%. 1.82 billion € of the total sales increase relate to the first-time full consolidation of Thomas Cook.

In the second quarter, the sales trend at Karstadt was determined by repositioning the business. Shifting sales in the direction of higher-margin areas was accelerated. At the same time, streamlining of low-margin consumer areas was pushed. As part of the optimization process, some unprofitable stores were closed in the middle of April. As a result of the repositioning and buying restraint for fashion items in May, 2007 resulting from weather conditions, adjusted sales in the Karstadt segment receded in the second quarter from 954.2 mill. € to 917.3 mill. €. In the core department stores, second-quarter sales declined by only 1.6%

and in the first half-year by 1.1%. In addition, the comparison to the previous year is negatively impacted chiefly by the high non-recurring sport sales on the occasion of the FIFA World Cup 2006. As a result, adjusted sales declined by 2.6% to 1.88 bill. € in the first half-year. The events staged on a monthly basis positively impacted the sales trend.

Sales by business segment*

Amounts shown in mill. €	Half year I (01.01. - 30.06.)			Quarter II (01.04. - 30.06.)		
	2007	2006	Change in %	2007	2006	Change in %
KARSTADT	1,884.6	1,935.2	-2.6	917.3	954.2	-3.9
PRIMONDO	1,869.9	1,888.0	-1.0	888.2	878.6	1.1
THOMAS COOK	3,090.5	1,216.8	154.0	2,538.4	663.7	-
Operating segments	6,845.0	5,040.0	35.8	4,343.9	2,496.5	74.0
Other segments ¹⁾	145.1	151.5	-4.2	69.8	73.4	-4.8
Reconciliation account	-90.2	-83.1	-	-45.0	-41.5	-
	6,899.9	5,108.4	35.1	4,368.7	2,528.4	72.8

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

¹⁾ The Other segments comprise: Services and Real estate.

In the strong second quarter of 2007, the Primondo Group segment increased adjusted sales by 1.1% to 888.2 mill. € (previous year: 878.6 mill. €). As a result of the decline in the first quarter, half-year 2007 adjusted sales declined by 1.0% to 1.87 bill. € (previous year: 1.89 bill. €). At Quelle the business trend is increasingly stabilizing in Germany. This is shown by the key active customer indicator (individual orders) which increased by 4 percentage points in Spring/Summer 2007 and the number of new customers (individual orders) which moved up by 18% in Spring/Summer 2007 against the comparative period in 2006. In the international Mail Order business, Quelle generated growth primarily in Central Eastern Europe and Russia. In the first six months of the current year, it generated a sales plus of almost 50% in these countries. Quelle Austria also developed in a satisfactory fashion, improving pure Mail Order sales by 8%. Special Mail Order also generated stronger sales in the second quarter of 2007, improving by 3%. In the area of distribution channels, Primondo generated online demand in the first half-year which was up 11.2% on the equivalent period of the previous year. In addition to the traditional distribution channel and e-commerce, with the acquisition of HSE24, the shopping television channel in June 2007, Primondo will further expand its position as a multi-channel provider.

In the Thomas Cook segment, sales increased from 1.22 bill. € by 154.0% to 3.09 bill. €. The effect from the first-time full consolidation of Thomas Cook was 1.82 bill. €. Adjusted for this effect, sales moved up slightly, despite difficult market conditions. It was

particularly in Great Britain where year-on-year sales improved, due to higher passenger numbers, better fleet utilization and higher prices for charter flights. The sales trend in Continental Europe was characterized primarily by declining sales in Germany. These were not compensated for by considerable upturns in passenger numbers and prices in the West Europe unit.

In the first half-year of 2007, adjusted sales in Other segments were 145.1 mill. € (previous year: 151.1 mill. €). In 2007, the sales trend was largely determined by a focus on the core business. In the second quarter, a 74.9% stake in Itellium was sold.

One-time factors: Sales in the reporting year include one-time effects from implementing measures for restructuring and realigning the Group amounting to minus 226.9 mill. € (previous year: minus 404.4 mill. €). In particular, in fiscal year 2007, adjustments were made for the Mail Order segment (Fritz Berger, thirty and more versand, Happy-Size as well as 4 Wände Wohnversand) amounting to 83.5 mill. € and in the Karstadt segment (wholesale Hertie and sales of discontinued stores) amounting to 136.9 mill. €.

Consolidated earnings

EBITDA adjusted*

Amounts shown in mill. €	Half year I (01.01. - 30.06.)			Quarter II (01.04. - 30.06.)		
	2007	2006	Change in %	2007	2006	Change in %
KARSTADT	-34.9	-36.1	3.2	-8.4	-8.9	5.1
PRIMONDO	-49.7	-35.3	-40.5	-17.8	-33.6	47.0
THOMAS COOK	-14.0	-65.5	78.6	53.7	-26.7	-
Operating segments	-98.6	-136.9	28.0	27.5	-69.2	139.7
Other segments ¹⁾ / Reconciliation account/Holding company	-23.7	112.5	-	-23.9	58.0	-
	-122.3	-24.4	-	3.6	-11.2	131.7

* 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.

In the core operating segments (Karstadt, Primondo and Thomas Cook), the Group increased adjusted EBITDA from minus 136.9 mill. € by 28.0% to minus 98.6 mill. € in the first half-year of 2007. This includes effects from initial consolidations totaling 7.7 mill. €. Year-on-year Karstadt improved on its results. The Primondo segment, with a considerable recovery in the second quarter, was down on the previous year but developed better than planned. Thomas Cook also experienced a strongly increasing trend.

In the Karstadt segment, adjusted EBITDA totaled 34.9 mill. € (previous year: minus 36.1 mill. €). This is an improvement of 3.2%. Decisive here was rigorous margin and cost management, at the same time expanding higher-value sales by means of streamlining product groups with low profitability. Thus the decline in gross income due to lower sales was compensated by lower staff costs, lower rental expenses and by lower maintenance and repair costs. On the basis of the second quarter, the result of minus 8.9 mill. € in 2006 was improved to minus 8.4 mill. € in 2007.

For the first half-year 2007, the Primondo segment achieved an adjusted EBITDA of minus 49.7 mill. € (previous year: minus 35.3 mill. €). The decline in gross income due to the sales levels and sales costs moving up by 40.8 mill. € were only partially offset by a reduction of staff and infrastructure costs. In the second quarter, adjusted EBITDA increased by 15.8 mill. € to minus 17.8 mill. €. This is an improvement of 47.0%.

Due particularly to the first-time consolidation and successful restructuring of Thomas Cook, adjusted EBITDA for Tourism improved significantly by 78.6% to a still seasonally influenced minus 14.0 mill. €. Despite difficult conditions on the markets, a considerable positive contribution of 53.7 mill. € was achieved in the second quarter. Contributory factors were higher sales in Great Britain and West Europe and a general reduction of administration and sales costs. This made it possible to overcompensate higher fuel prices and a lower margin on the German market.

With the sourcing organization being spun off at the end of 2006 and with further concentration on core business areas, adjusted EBITDA in the Services segment declined to 1.7 mill. € in the first half-year of 2007 (previous year: 14.1 mill. €). Largely due to the disposal of real estate and the corresponding rental income, adjusted EBITDA in the Real Estate segment declined year-on-year from 117.1 mill. € to 10.7 mill. €.

One-time factors: In the first half of 2007, significant non-recurring expenses and income were generated by further implementation of measures for realigning and restructuring the Group. Thus adjusted EBITDA of continuing operations was negatively impacted by non-recurring expenses totaling 144.3 mill. €. On the other hand, there was a positive impact on EBITDA of 59.0 mill. € from gains on disinvestments and disposals of fixed assets. Including other one-time effects, this resulted in an EBITDA adjustment in the reporting year of minus 94.5 mill. € (previous year: plus 730.1 mill. €).

155.3 mill. € of the adjustments in the previous year related to restructuring measures and 925.3 mill. € to income from the disposal of non-current assets held for sale.

Notes to the consolidated income statement

Gross income of continuing operations increased by 146.7 mill. € to 2.48 bill. € in the first six months of 2007 (previous year: 2.34 bill. €). The improvement was due primarily to the first-time consolidation of Thomas Cook. Adjusted for this effect, the gross margin was approximately at the level of the previous year.

The decline in operating income to 452.2 mill. € was mainly due to the sale of the real estate portfolio in 2006 and the resulting profit of 928.9 mill. €. Adjusted for this non-recurring effect, operating income rose slightly by 86.2 mill. €.

In the first half-year of 2007, operating expenses totaled 1.94 bill. € (previous year: 1.84 bill. €). This represented 27.3% of sales (previous year: 33.5%), with the change against the previous year from 118.4 mill. € to 296.3 mill. € being largely due to the increase of rental and leasing expenses which were offset by considerably lower interest expenses due to the real estate transaction.

Consolidated income statement - short form

Amounts shown in mill. €	Half year I (01.01. - 30.06.)			Quarter II (01.04. - 30.06.)		
	2007	2006	Change in %	2007	2006	Change in %
Sales	7,126.8	5,512.8	29.3	4,494.1	2,754.8	63.1
Cost of sales and expenses for tourism services	-4,644.5	-3,177.2	-46.2	-3,074.5	-1,591.1	-93.2
Gross income	2,482.4	2,335.7	6.3	1,419.5	1,163.6	22.0
Operating income	452.2	1,294.9	-65.1	269.9	1,098.5	-75.4
Operating expenses	-1,942.2	-1,844.7	-5.3	-1,071.6	-985.0	-8.8
Staff costs	-1,231.7	-1,085.5	-13.5	-709.8	-538.1	-31.9
Share of sales in %	17.28	19.69	-	15.80	19.53	-
Net interest income	-83.4	-172.9	51.7	-47.5	-115.1	58.7
Tax on income	147.1	180.4	-18.5	54.2	119.2	-54.5
Earnings from continuing operations	-300.0	603.1	-149.7	-163.8	691.3	-123.7
Earnings from discontinued operations	-8.5	-43.2	80.4	-2.8	-24.2	88.4
Net profit/loss after minority interests ¹⁾	-280.5	558.1	-150.3	-139.6	664.9	-121.0

¹⁾ In the previous year including one-off gains from real estate transactions.

In the reporting period, staff costs totaled 1.23 bill. € (previous year: 1.09 bill. €) They include expenses for pre-retirement part-time work arrangements and redundancy payments of 51.6 mill. € (previous year: 13.8 mill. €). The staff costs to sales ratio moved down from 19.7% in 2006 to 17.3% in the first half-year of 2007. Staff costs in the first half-year of 2007 include an effect of 214.6 mill. € resulting from the first-time full consolidation of Thomas Cook. Adjusted for this effect, staff costs declined further, both in absolute and in percentage terms.

In the reporting period, net interest income was minus 83.4 mill. € (previous year: 172.9 mill. €). In the first six months of 2007, interest expenses (excluding interest costs relating to pension provisions) declined by 138.4 mill. €. The main reason for the improvement in interest expenses was the reduction of debt resulting from the sale of real estate. In the reporting period, interest income declined by 23.1 mill. € to 98.3 mill. €. Adjusted for the effect of the first-time consolidation of Thomas Cook, interest income totaled 67.6 mill. €.

As of the end of the 2006 fiscal year, in the reporting year the results of the neckermann.de, Quelle Region West (France and Spain) unit and the special mail order companies no longer part of the core business were recognized in discontinued operations. In the first six months of 2007, the result of discontinued operations was minus 8.5 mill. €, with no requirement for impairments.

In the first half-year of 2007, the result from continuing operations was minus 300.0 mill. € (previous year: plus 603.1 mill. €). For the reporting period, the Arcandor Group shows a Group result after minorities of minus 280.5 mill. € (previous year: plus 558.1 mill. €, including income from real estate transaction of 869.2 mill. €). Therefore, the result of the previous-year period was strongly impacted by the disposal proceeds from the real estate transaction. For seasonal reasons, the first half of the fiscal year generates a lower result in comparison to the whole year.

Investments and financing

Investments

Amounts shown in mill. €	Half year I (01.01. - 30.06.)			Quarter II (01.04. - 30.06.)		
	2007	2006	Change in %	2007	2006	Change in %
KARSTADT	33.2	42.9	-22.5	15.1	21.2	-28.8
PRIMONDO	48.1	25.5	89.0	26.8	14.6	84.2
THOMAS COOK	41.0	8.8	-	37.1	5.7	-
Operating segments	122.3	77.2	58.7	79.0	41.5	90.9
Other segments ¹⁾	3.5	2.7	21.6	1.9	1.2	37.1
Holding company	2.8	1.2	-	1.2	1.3	-
	128.6	81.1	58.5	82.1	44.0	86.6

¹⁾ The Other segments comprise: Services and Real estate.

Investments amounting to 128.6 mill.€

For the first half-year of 2007, investment volume (without financial assets and goodwill) was 128.6 mill. € in the Arcandor Group (previous year: 81.1 mill. €).

Investments in the Karstadt segment of 33.2 mill. € were made primarily in product line presentation and modernizing the stores. In the second quarter of 2007, a further construction stage in the Karstadt Mönckebergstraße store in Hamburg was completed.

In the Primondo segment, investments totaled 48.1 mill. €. They related mainly to further system developments and the infrastructure of the Mail Order service companies.

At Thomas Cook, investments totaled 41.0 mill. € and related primarily to adjustments and new developments for EDP systems. In addition, investments at a small level were made in aircraft (general inspections) and engineering.

Depreciation and amortization (not including amortization of goodwill)

Amounts shown in mill. €	Half year I (01.01. - 30.06.)			Quarter II (01.04. - 30.06.)		
	2007	2006	Change in %	2007	2006	Change in %
KARSTADT	48.8	44.6	-9.6	24.5	22.4	-9.3
PRIMONDO	21.2	29.0	26.8	10.2	14.3	28.6
THOMAS COOK	63.0	39.5	-59.4	45.2	19.3	-134.6
Operating segments	133.0	113.1	-17.7	79.9	56.0	-42.7
Other segments ¹⁾	15.7	21.2	25.9	11.2	5.3	-109.7
Reconciliation account/Holding company	1.3	0.5	-	0.7	0.2	-
	150.0	134.8	-11.2	91.8	61.7	-48.8

¹⁾ The Other segments comprise: Services and Real estate.

Net financial liabilities

Net financial assets/liabilities

Amounts shown in mill. €	30.06.2007	30.06.2006*	Change in %	31.12.2006
Non-current financial liabilities	1,544.5	1,007.1	53.4	1,148.0
thereof from discontinued operations	210.2	-	-	147.1
Current financial liabilities	1,175.6	3,067.0	-61.7	192.6
thereof from discontinued operations	15.9	3.2	-	0.5
Gross financial liabilities	2,720.1	4,074.1	-33.2	1,340.6
Cash & cash equivalents and securities	1,930.9	786.3	145.6	1,203.7
thereof from discontinued operations	27.5	15.7	75.2	51.6
Other current financial instruments	288.7	283.7	1.8	285.8
thereof from discontinued operations	0.6	-	-	0.9
Net financial assets	-	-	-	148.9
Net financial liabilities	500.5	3,004.1	-83.3	-

* The figures were adjusted.

As of June 30, 2007, net financial liabilities of the Arcandor Group were 500.5 mill. € (previous year: 3.00 bill. €). Decisive for the reduction of net financial liabilities were the cash inflows from the disposal of real estate in 2006. The resulting repayment of loans resulted in net financial assets of 148.9 mill. € as of December 31, 2006. Net financial liabilities on the reporting date are due largely to the purchase of the 50% stake in Thomas Cook from Lufthansa. It also needs to be taken into consideration that an increase of net financial liabilities to June 30 is typical due to the lower sales in the first six months in comparison to the whole year.

To increase financing security and to provide a guarantee and documentary credit facility, an agreement on a 1.5 bill. € syndicated credit facility was signed on June 12, 2007. This replaces the former syndicated credit facility of up to 400 mill. € and the bridge facility for assuming the 50% stake in Thomas Cook AG.

The Arcandor Group defines net financial liabilities and net financial assets as the balance of interest-bearing liabilities, other financial instruments, securities and cash and cash equivalents. It does not include dormant partnerships under contractual trust arrangements (CTA) as the interest from these depends upon profits and they are only available to entitled employees within the Group.

Cash flow statement

Consolidated cash flow statement - short form
for the period from January 1 to June 30, 2007

Amounts shown in mill. €	2007	2006	Change in %
Cash flow from operating activities	156.8	-15.8	-
Cash flow from investing activities	-59.1	-71.2	-17.0
Cash flow from financing activities	629.1	161.7	-
Changes in cash and cash equivalents affecting cash flow	726.8	74.7	-
Changes of cash and cash equivalents from foreign exchange differences or scope of consolidation	0.4	-11.3	-104.3
Cash and cash equivalents at the beginning of the period	1,203.7	707.2	70.2
Cash and cash equivalents at the end of the period	1,930.9	770.6	150.6

In the first half-year of 2007, cash flow from operating activities was 156.8 mill. € (previous year: minus 15.8 mill. €). Positive on the cash flow from operating activities was the further reduction of working capital and the changes in other current assets/liabilities, due particularly to the seasonally-related changes in advance payments received at Thomas Cook. The considerable improvement reflects the changed Group structure (first-time consolidation of Thomas Cook).

In the first half-year of 2007, cash flow from investing activities was minus 59.1 mill. € (previous year: minus 71.2 mill. €). This is mainly due to payments of 800 mill. € in the context of acquiring Lufthansa's 50% stake in Thomas Cook. However the cash and cash equivalents acquired through the business combinations generated a contrary effect. Overall there were net cash inflows of 8.5 mill. € from acquisitions. Further cash outflows resulted from ongoing investing activities of the Group in tangible and intangible assets.

Cash flow from financing activities largely reflects the assumption of loans to acquire the 50% stake in Thomas Cook. The Arcandor Group also paid interest of 60.6 mill. € in the reporting period (previous year: 185.7 mill. €).

Asset and capital structure

Structure of the balance sheet

Structure of the balance sheet

	Amounts shown in mill. €			Allocation in %	
	30.06.2007	30.06.2006	Change in %	30.06.2007	30.06.2006
Balance sheet total	14,522.1	10,648.8	36.4	100.0	100.0
Assets					
Intangible and tangible assets	6,051.9	2,149.5	181.5	41.7	20.2
Other non-current assets	1,259.8	1,012.7	24.4	8.7	9.5
Inventories	1,190.0	1,485.4	-19.9	8.2	13.9
Trade receivables	753.3	816.7	-7.8	5.2	7.7
Other current assets	3,734.2	4,703.0	-20.6	25.6	44.2
Assets classified as held for sale	1,532.9	481.5	218.4	10.6	4.5
Equity and liabilities					
Equity	2,031.6	1,346.3	50.9	14.0	12.6
Pension provisions	956.4	886.9	7.8	6.6	8.3
Non-current financial liabilities	1,334.3	1,007.1	32.5	9.2	9.5
Other non-current liabilities	1,515.2	873.0	73.6	10.4	8.2
Current financial liabilities	1,159.7	3,062.0	-62.1	8.0	28.8
Trade payables	2,747.1	1,331.8	106.3	18.9	12.5
Other current liabilities	3,771.2	2,110.4	78.7	26.0	19.8
Liabilities from assets classified as held for sale	1,006.6	31.3	-	6.9	0.3

Total assets increase by 36.4%

In comparison to the previous year, total assets of the Arcandor Group increased by 36.4% to 14.52 bill. € (previous year: 10.65 bill. €). The increase is largely due to the acquisition of the 50% stake in Thomas Cook from Lufthansa and the merger with MyTravel.

Assets

As of the reporting date, non-current assets were 7.31 bill. € (previous year: 3.16 bill. €), which is an increase of 131.2%. Key factors were the purchase of the 50% stake in Thomas Cook, the merger with MyTravel and the acquisition of HSE24. These resulted in additional provisional goodwill of 2.46 bill. € and capitalization of trademarks at an amount of 665.8 mill. €.

Current assets declined by 1.33 bill. € to 5.68 bill. € (previous year: 7.01 bill. €). The decrease was due primarily to the purchase price receivable in connection with the real estate transaction of 2.69 bill. € reported on June 30, 2006. The increase in cash and cash equivalents and securities from first-time consolidation to June 30, 2007 had a contrary effect.

The increase in assets held for sale was due predominantly to restructuring the Mail Order business.

Liabilities

Equity at the reporting date was 2.03 bill. € (previous year: 1.35 bill. €). In comparison to the previous year, the equity ratio rose from 12.6% to 14.0%. The increase in equity is largely the result of the full acquisition of Thomas Cook AG and its merger with MyTravel as well as the acquisition of HSE24 using treasury shares.

Non-current and current liabilities

The 37.5% increase in non-current liabilities to 3.81 bill. € (previous year: 2.77 bill. €) resulted predominantly from the first-time consolidation of Thomas Cook and MyTravel and the consequent increase in leasing liabilities as well as obligations to maintain aircraft under operating lease agreements.

Current liabilities increased by 1.17 bill. € to 7.68 bill. € (previous year; 6.51 bill. €). Here the key factors were the higher trade payables and payments received in advance, both due to the business combinations.

Working capital

As of the reporting date, working capital was minus 770.2 mill. € (previous year: 1.32 bill. €). This was due primarily to higher trade payables in connection with the acquisitions. Other factors were the successful working capital management, the inclusion of some international Primondo companies in the receivables sale program and the reclassification of assets and liabilities under IFRS 5.

Working capital

Amounts shown in mill. €	30.06.2007	30.06.2006 *	Change in %	31.12.2006 *
Inventories *	1,190.0	1,485.4	-19.9	1,242.5
Trade receivables *	992.3	1,164.6	-14.8	548.4
Trade payables	-2,952.5	-1,331.8	121.7	-1,432.3
	-770.2	1,318.2	-158.4	358.6

* The figures were adjusted.

Risk report

The risks in connection with business operations are described in detail in the 2006 Annual Report.

With the exception of the risks stated below, there were no material changes in comparison to the 2006 Annual Report.

Acquiring the 50 % stake in Thomas Cook from Lufthansa and the merger of Thomas Cook with MyTravel results in a further internationalization as well as a stronger weighting of the tourism operations within the Group. For these reasons, the business trend is more strongly influenced by tourism activities and the related risks such as terrorism, war, environmental catastrophes etc. as well as domestic demand and the economy, particularly in Great Britain, North America and Scandinavia.

Furthermore, risks result from the planned synergies in connection with restructuring the business of Thomas Cook Group as well as from the sale of the IT activities to EDS. In view of these imponderables, the targets on sales, results and operating cash flow are naturally also subject to risks.

The original financing consisting of a working capital line of 400 mill. € and short-term bridge facility for the acquisition of the 50 % stake in Thomas Cook AG was replaced by a syndicated credit facility of 1.5 bill. €. The risk described in the Annual Report of a right of premature termination by the lender if financial covenants are not met remains in place as comparable provisions on duties of the borrower have been agreed in the new credit agreement. Even on the assumption of the secure availability of the credit line, it must be ensured that Group liquidity requirements do not exceed the facilities provided to the Group.

The risk stated in the 2006 Annual Report in respect to litigation risks of certain Wertheim heirs and the Jewish Claims Conference (JCC) no longer apply. In March 2007, Arcandor AG reached agreement with JCC, as representative for the Wertheim heirs, after a legal dispute lasting years. The 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 US.

Employees

Full-time employees*

Number	30.06.2007	30.06.2006	Change in %	31.12.2006
KARSTADT	24,320	25,192	-3.5	26,608
PRIMONDO	16,343	18,193	-10.2	17,966
THOMAS COOK	31,743	9,974	218.3	9,548
Operating segments	72,406	53,359	35.7	54,122
Other segments ¹⁾	441	1,455	-69.7	1,450
Total	72,847	54,814	32.9	55,572

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

¹⁾ The Other segments comprise: Services, Real estate and Holding company.

As a result of the full consolidation of Thomas Cook AG and the acquisition of MyTravel plc, the number of full-time employees increased from 55,572 as of December 31, 2006 to 72,847 as of June 30, 2007. Adjusted for the effect of the full consolidation of Thomas Cook and MyTravel (22,339 full-time employees) and the sale of Itellium (680 full-time employees), the number of full-time employees in the first half-year 2007 declined by 8.0% from 54,892 to 50,508.

In the Karstadt segment, in the first half-year, the number of full-time employees, including the seasonally related downturn, declined from 26,608 (December 31, 2006) by 8.6% to 24,320. In comparison to the first half-year of 2006, the number of full-time employees at Karstadt was 872 lower, with the overall figure thus moving down by 3.5%.

In the Primondo segment, the number of full-time employees declined by 9.0% from 17,966 (December 31, 2006) to 16,343. Year-on-year, the number of full-time employees declined by 1,850 or 10.2%.

In the Thomas Cook segment, the number of full-time employees increased from 9,548 (December 31, 2006) by 22,195 to 31,743. Without the non-recurring effects from the first-time full consolidation of Thomas Cook AG (9,404 full-time employees) and MyTravel plc (12,935 full-time employees), in comparison to December 31, 2006, the number of full-time employees declined by 144 full-time employees or 1.5%.

In the Other segments (Services, Real Estate and Holding), in the first half year of 2007, the number of full-time employees declined by 1,009 from 1,450 (December 31, 2006) to 441. Decisive here was the disposal of the Itellium full-time employees (680) and the reclassification of the Service companies in the Primondo segment.

Events after the balance sheet date

On March 21, 2007, the relevant committee of the Arcandor AG Supervisory Board resolved to issue a Phantom Stock Program (PSP) for selected Group executives and Management Board members at Arcandor AG. In June 2007, the draft contracts and the declarations of intent were sent to entitled members in the form of subscription letters. The binding agreements were signed by the Arcandor AG Supervisory Board and the entitled parties in August 2007. In accordance with IFRS 2, a binding agreement between the Arcandor Group and the executives and Management Board members with entitlement thus only becomes effective after the reporting date. For this reason, the share-based payment agreements were not recognized as personnel expense as of the reporting date.

On July 3, 2007, all contractual conditions for the disposal of the Krähe activities to the BTI Group were completed.

On July 6, 2007, the Bundesrat (upper house of the German Federal Parliament) approved the Corporate Tax Amendment Act (2008). In the course of the reform, the current corporation tax rate decreases from 25 % to 15 % for the first time in the fiscal year ending in 2008 and trade tax is no longer deductible as operating costs. For trade tax a single trade tax assessment level of 3.5% is specified for all legal company forms. A further key element of the reform is the introduction of a so-called "interest cap" regarding the deductibility of financing costs. Due to capitalized deferred taxes on loss carry forwards, according to the current status of the business model, the Arcandor Group expects a negative impact on the tax result. As these are deferred taxes, this would not impact cash.

On July 31, 2007 the agreement with the AURELIUS industrial holding on the sale of Quelle Region West made on April 3, 2007 was closed. 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.

On August 6, 2007, a contractual agreement on the disposal of the Mercatura Group was concluded with the Swedish Kwintet A.B. domiciled in Malmö. The transfer of the Mercatura Group to the new owner is expected to take place by September 30, 2007.

Outlook

The management expects that a marked economic upturn in Germany will impact on the retail business with a time lag and anticipates a positive impact on sales and results in the third quarter and in particular on the Christmas business.

Karstadt is developing in a stable fashion. The Premium Group above all is performing well. Karstadt expects a further increase in customer response with “The city rejoices” theme staging to be started at the end of August. For the 2007 calendar year, Karstadt continues to expect an increase in adjusted EBITDA.

In the third quarter of 2007, a continuation of the positive trend at Primondo is anticipated. In Universal Mail order, all indicators are pointing to Quelle also continuing its improvement in Germany. Within the scope of the disinvestment program, scheduled disposals will be completed in the third quarter. For the Primondo segment, an increase in sales and results is expected for the 2007 calendar year.

Since the end of June 2007, Thomas Cook has benefited from a pleasing booking situation in Germany and Great Britain, driven primarily by weather conditions. In addition, the consolidation of the MyTravel business in Thomas Cook Group plc generates a strong positive sales and earnings effect in the Group. The integration of the two merged companies is making considerable progress as scheduled. In this connection, high synergies are expected.

Consolidated income statement

for the period from January 1 to June 30, 2007

Amounts shown in th. €	Half year I (01.01. - 30.06.)			Quarter II (01.04. - 30.06.)		
	2007	2006*	Change in %	2007	2006*	Change in %
Sales	7,126,816	5,512,845	29.3	4,494,065	2,754,771	63.1
Cost of sales and expenses for tourism services	-4,644,455	-3,177,192	-46.2	-3,074,520	-1,591,128	-93.2
Gross income	2,482,361	2,335,653	6.3	1,419,545	1,163,643	22.0
Other capitalized own costs	26,761	13,887	92.7	13,745	5,436	152.9
Operating income	452,208	1,294,902	-65.1	269,901	1,098,525	-75.4
Staff costs	-1,231,724	-1,085,543	-13.5	-709,843	-538,107	-31.9
Operating expenses	-1,942,236	-1,844,710	-5.3	-1,071,551	-984,971	-8.8
Other taxes	-4,217	-8,451	50.1	-2,679	-4,172	35.8
Earnings before interest, tax and depreciation and amortization (EBITDA)	-216,847	705,738	-130.7	-80,882	740,354	-110.9
Depreciation and amortization (not including amortization of goodwill) thereof impairment loss	-149,972 -7,756	-134,813 -317	-11.2 -	-91,764 -6,106	-61,676 -317	-48.8 -
Earnings before interest and tax (EBIT)	-366,819	570,925	-164.2	-172,646	678,678	-125.4
Income from investments	-3,531	540	-	-1,626	108	-
Income from investments in associates	2,558	4,259	-39.9	78	2,301	-96.6
Net interest income	-83,449	-172,850	51.7	-47,482	-115,100	58.7
Other financial results	4,170	19,856	-79.0	3,648	6,039	-39.6
Earnings before tax (EBT)	-447,071	422,730	-205.8	-218,028	572,026	-138.1
Taxes on income	147,118	180,414	-18.5	54,241	119,242	-54.5
Earnings from continuing operations	-299,953	603,144	-149.7	-163,787	691,268	-123.7
Result from discontinued operations	-8,459	-43,181	80.4	-2,801	-24,209	88.4
Group result before minority interests	-308,412	559,963	-155.1	-166,588	667,059	-125.0
Profit/loss due to minority interests	27,920	-1,847	-	26,947	-2,159	-
Group result after minority interests	-280,492	558,116¹⁾	-150.3	-139,641	664,900	-121.0
Earnings per share (undiluted) in €	-1.38	2.79¹⁾	-149.6	-	-	-
thereof from continuing operations	-1.34	3.01	-144.5	-	-	-
thereof from discontinued operations	-0.04	-0.22	80.7	-	-	-

* The figures were adjusted.

¹⁾ In the previous year including one-off gains from real estate transactions.

Consolidated balance sheet

for the period ended June 30, 2007

Assets

Amounts shown in th. €	30.06.2007	30.06.2006*	Change in %	31.12.2006*
Intangible assets	4,245,803	1,087,878	-	973,233
Tangible assets	1,806,002	1,061,660	70.1	1,024,549
Shares in associates	123,415	86,343	42.9	96,852
Other financial assets	497,293	624,494	-20.4	388,649
thereof securities	21,106	12,899	63.6	11,648
Non-current income tax receivables	21,607	21,443	0.8	21,763
Other non-current assets	164,472	75,321	118.4	110,777
Deferred taxes	453,062	205,055	120.9	262,901
Non-current assets	7,311,654	3,162,194	131.2	2,878,724
Inventories	1,190,042	1,485,438	-19.9	1,242,458
Trade receivables	753,304	816,667	-7.8	397,376
Current income tax receivables	48,417	46,520	4.1	26,545
Other receivables and other assets	1,782,339	1,195,754	49.1	971,373
Purchase price receivable from real estate transaction	-	2,690,203	-	-
Cash and cash equivalents and securities	1,903,387	770,550	147.0	1,152,091
Current assets	5,677,489	7,005,132	-19.0	3,789,843
Assets classified as held for sale	1,532,946	481,506	218.4	1,302,191
Balance sheet total	14,522,089	10,648,832	36.4	7,970,758

Equity and liabilities

Amounts shown in th. €	30.06.2007	30.06.2006*	Change in %	31.12.2006*
Subscribed share capital	541,060	514,544	5.2	514,592
Reserves	1,238,227	819,575	51.1	639,102
Minority interests	252,279	12,192	-	11,073
Equity	2,031,566	1,346,311	50.9	1,164,767
Non-current financial liabilities	1,334,278	1,007,146	32.5	1,000,927
Other non-current liabilities	1,064,094	485,925	119.0	712,078
Pension provisions	956,381	886,923	7.8	821,145
Other non-current provisions	364,211	368,220	-1.1	353,205
Deferred taxes	86,896	18,880	-	6,043
Non-current liabilities	3,805,860	2,767,094	37.5	2,893,398
Current financial liabilities	1,159,699	3,062,043	-62.1	192,148
Trade payables	2,747,092	1,331,760	106.3	1,404,136
Current tax liabilities	15,612	18,829	-17.1	28,749
Other current liabilities	3,146,202	1,585,179	98.5	952,132
Current provisions	609,410	506,277	20.4	447,982
Current liabilities	7,678,015	6,504,088	18.0	3,025,147
Liabilities related to assets classified as held for sale	1,006,648	31,339	-	887,446
Balance sheet total	14,522,089	10,648,832	36.4	7,970,758

* The figures were adjusted.

Statement of changes in equity

for the period from January 1, 2006/2007 to June 30, 2006/2007

Amounts shown in th. €	Subscribed share capital	Additional paid-in capital	Revenue reserves				Minority interests	Group equity Total	
			Other revenue reserves	Reserve for intercompany profit and loss elimination	Revaluation reserve	Revaluation reserve step acquisition			Cumulative foreign currency
Opening balance 01.01.2006*	510,398	629,424	-854,239	-	26,479	-	-9,868	16,745	318,939
Differences from foreign currency translation	-	-	-	-	-	-	-5,755	-3	-5,758
Changes resulting from disposals and the measurement of primary and derivative financial instruments	-	-	-	-	-7,820	-	-	-	-7,820
Changes in consolidated companies	-	-	-4,730	-	-3,579	-	-1,095	-6,397	-15,801
Equity capital changes without effect for income	-	-	-4,730	-	-11,399	-	-6,850	-6,400	-29,379
Consolidated earnings	-	-	558,116	-	-	-	-	1,847	559,963
Eliminated interim results	-	-	-	482,762	-	-	-	-	482,762
	-	-	553,386	482,762	-11,399	-	-6,850	-4,553	1,013,346
Exercise of convertible bond/ stock options	4,146	9,880	-	-	-	-	-	-	14,026
Closing balance 30.06.2006	514,544	639,304	-300,853	482,762	15,080	-	-16,718	12,192	1,346,311
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	-	-	-	-	-	-	489	-	489
Changes resulting from disposals and the measurement of primary and derivative financial instruments	-	-	-	-	-3,191	-	-	-	-3,191
Changes in consolidated companies	-	-	-	-	-	-	-	2,575	2,575
Increase from step acquisition	-	-	-	-	-	165,920	-	-	165,920
Effects from share swap with MyTravel	-	-	554,698	-	-	-	-	269,912	824,610
Equity capital changes without effect for income	-	-	554,698	-	-3,191	165,920	489	272,487	990,403
Consolidated earnings	-	-	-280,492	-	-	-	-	-27,920	-308,412
Eliminated interim results	-	-	-	9,052	-	-	-	-	9,052
	-	-	274,206	9,052	-3,191	165,920	489	244,567	691,043
Exercise of convertible bond	12,465	24,984	-	-	-	-	-	-	37,449
Issuance of treasury shares	14,003	127,665	-	-	-	-	-	-	141,668
Dividends	-	-	-	-	-	-	-	-3,361	-3,361
	26,468	152,649	-	-	-	-	-	-3,361	175,756
Closing balance 30.06.2007	541,060	792,279	-249,690	557,726	-18,666	165,920	-9,342	252,279	2,031,566

* The figures were adjusted.

Consolidated cash flow statement

for the period from January 1 to June 30, 2007

Amounts shown in th. €	2007	2006*
EBITDA	-216,847	705,738
Profit/loss from the disposal of fixed assets	-54,625	-907,582
Profit/loss from foreign currency	-14,274	-3,327
Decrease of non-current provisions (not including pension and tax provisions)	-10,842	-2,178
Utilization of/addition to the provision for restructuring effects	-55,024	-130,367
Other expenses/income not affecting cash flow	-70,373	146,162
Changes in working capital	85,110	-68,114
Changes in other current assets and liabilities	540,210	301,851
Dividends received	4,198	1,165
Payments/refunds of taxes on income	-50,750	-59,191
Cash flow from operating activities	156,783	-15,843
Payments for acquisition of subsidiaries less acquired cash & cash equivalents	8,485	-
Payments received for divestment of subsidiaries less cash & cash equivalents sold	4,419	79,572
Purchase of tangible and intangible assets	-128,626	-81,127
Purchase of investments in non-current financial assets	-31,799	-140,295
Cash receipts from sale of tangible and intangible assets	87,115	62,133
Cash receipts from sale of non-current financial assets	1,333	8,522
Cash flow from investing activities	-59,073	-71,195
Free cash flow	97,710	-87,038
Interest received	40,380	72,957
Interest paid	-60,648	-185,698
Pension payments	-36,613	-54,135
Take-up/reduction of (financial) loans (net)	716,842	334,309
Payments of liabilities due under finance lease	-27,536	-9,729
Cash payments/cash receipts for dividends and capital increase	-3,361	3,979
Cash flow from financing activities	629,064	161,683
Changes in cash and cash equivalents affecting cash flow	726,774	74,645
Changes in the flow of cash due to changes in exchange rates or other changes in cash and cash equivalents caused by the consolidated companies	430	-11,258
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	1,930,925	770,550

* The figures were adjusted.

Segment report

Quarter II (April 1 to June 30, 2007)

Amounts shown in th. €	ARCANDOR Group		Reconciliation account*		KARSTADT	
	2007	2006 ²⁾	2007	2006 ²⁾	2007	2006
Sales	4,744,422	3,142,237	-	-	977,338	1,076,884
Interest from lending business	27,995	25,071	-	-	-	-
Internal sales	-278,352	-412,537	-78,174	-140,786	-6,457	-7,942
Group sales	4,494,065	2,754,771	-78,174	-140,786	970,881	1,068,942
Group sales (adjusted)¹⁾	4,368,664	2,528,445	-45,086	-41,371	917,259	954,202
Cost of sales and expenses for tourism services	-3,074,520	-1,591,128	4,919	20,234	-545,223	-626,116
Gross income	1,419,545	1,163,643	-73,255	-120,552	425,658	442,826
Other capitalized own costs	13,745	5,436	12,264	4,266	529	646
Operating income and costs	-801,650	113,554	40,866	82,613	-223,102	-248,064
Staff costs	-709,843	-538,107	-8,844	-5,055	-219,794	-231,368
Other taxes	-2,679	-4,172	-16	-28	-39	-17
EBITDA	-80,882	740,354	-28,985	-38,756	-16,748	-35,977
EBITDA (adjusted)¹⁾	3,558	-11,228	-24,270	-10,771	-8,423	-8,878
EBITDA margin in % (adjusted)¹⁾	0.1	-0.4	-	-	-0.9	-0.9
Depreciation and amortization (not including goodwill)	-91,764	-61,676	-650	-331	-24,496	-22,406
EBIT	-172,646	678,678	-29,635	-39,087	-41,244	-58,383
Income from investments in associates	78	2,301	-	-	-	-
Earnings from discontinued operations	-2,801	-24,209	-	-	-	-
Investments	82,067	43,970	1,225	1,260	15,107	21,206

* 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
1,092,379	1,203,730	2,567,341	671,478	70,147	81,796	37,217	108,349
27,995	25,071	-	-	-	-	-	-
-164,478	-247,575	-28,932	-7,812	-311	-8,422	-	-
955,896	981,226	2,538,409	663,666	69,836	73,374	37,217	108,349
888,246	878,574	2,538,409	663,666	69,836	73,374	-	-
-470,675	-481,899	-2,046,867	-470,958	-16,674	-32,389	-	-
485,221	499,327	491,542	192,708	53,162	40,985	37,217	108,349
317	375	-	-	635	149	-	-
-377,772	-419,084	-200,597	-107,897	-41,775	-6,678	730	812,664
-149,475	-170,283	-317,670	-103,440	-13,803	-26,666	-257	-1,295
-859	-1,090	-1,557	-607	-	-140	-208	-2,290
-42,568	-90,755	-28,282	-19,236	-1,781	7,650	37,482	917,428
-17,785	-33,584	53,651	-26,723	-589	6,836	974	61,892
-2.0	-3.8	2.1	-4.0	-0.8	9.3	-	-
-10,227	-14,332	-45,188	-19,264	-1,677	-3,746	-9,526	-1,597
-52,795	-105,087	-73,470	-38,500	-3,458	3,904	27,956	915,831
-	-	-1,761	2,814	2,309	-513	-470	-
-2,801	-24,209	-	-	-	-	-	-
26,837	14,569	37,137	5,651	1,761	1,284	-	-

Segment report

Half year I (January 1 to June 30, 2007)

Amounts shown in th. €	ARCANDOR Group		Reconciliation account*		KARSTADT	
	2007	2006 ²⁾	2007	2006 ²⁾	2007	2006
Sales	7,753,462	6,312,812	-	-	2,041,195	2,200,518
Interest from lending business	53,898	52,835	-	-	-	-
Internal sales	-680,544	-852,802	-156,969	-288,740	-19,661	-20,114
Group sales	7,126,816	5,512,845	-156,969	-288,740	2,021,534	2,180,404
Group sales (adjusted)¹⁾	6,899,921	5,108,416	-90,179	-83,096	1,884,608	1,935,246
Cost of sales and expenses for tourism services	-4,644,455	-3,177,192	7,628	34,420	-1,153,410	-1,280,930
Gross income	2,482,361	2,335,653	-149,341	-254,320	868,124	899,474
Other capitalized own costs	26,761	13,887	24,476	12,075	1,141	1,105
Operating income and costs	-1,490,028	-549,808	83,981	203,486	-467,425	-499,449
Staff costs	-1,231,724	-1,085,543	-15,134	-9,906	-445,661	-469,505
Other taxes	-4,217	-8,451	-27	-40	-53	-74
EBITDA	-216,847	705,738	-56,045	-48,705	-43,874	-68,449
EBITDA (adjusted)¹⁾	-122,331	-24,403	-36,269	-18,716	-34,898	-36,058
EBITDA margin in % (adjusted)¹⁾	-1.8	-0.5	-	-	-1.9	-1.9
Depreciation and amortization (not including goodwill)	-149,972	-134,813	-1,201	-534	-48,844	-44,552
EBIT	-366,819	570,925	-57,246	-49,239	-92,718	-113,001
Income from investments in associates	2,558	4,259	-	-	-	-
Earnings from discontinued operations	-8,459	-43,181	-	-	-	-
Segment assets	10,263,687	8,838,748	-311,645	115,065	1,227,535	1,282,364
Segment liabilities	7,893,111	4,016,479	113,797	120,396	658,362	712,494
Investments	128,626	81,127	2,817	1,168	33,249	42,900
Employees (on average) number	83,078	88,304	193	186	33,259	34,189
Employees (on average) adjusted ¹⁾ number	69,637	68,778	193	186	32,528	33,407

* 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
2,367,047	2,491,983	3,126,079	1,234,412	145,845	168,151	73,296	217,748
53,898	52,835	-	-	-	-	-	-
-467,584	-509,671	-35,613	-17,638	-717	-16,639	-	-
1,953,361	2,035,147	3,090,466	1,216,774	145,128	151,512	73,296	217,748
1,869,898	1,887,980	3,090,466	1,216,774	145,128	151,512	-	-
-966,844	-995,116	-2,491,294	-865,943	-40,535	-69,623	-	-
986,517	1,040,031	599,172	350,831	104,593	81,889	73,296	217,748
509	503	-	-	635	204	-	-
-747,012	-810,748	-270,314	-201,709	-73,349	-14,725	-15,909	773,337
-315,656	-342,143	-422,534	-208,876	-32,161	-52,558	-578	-2,555
-1,618	-2,261	-2,104	-1,234	-	-276	-415	-4,566
-77,260	-114,618	-95,780	-60,988	-282	14,534	56,394	983,964
-49,667	-35,341	-13,985	-65,477	1,743	14,065	10,745	117,124
-2.7	-1.9	-0.5	-5.4	1.2	9.3	-	-
-21,216	-28,971	-62,964	-39,509	-3,737	-8,349	-12,010	-12,898
-98,476	-143,589	-158,744	-100,497	-4,019	6,185	44,384	971,066
-	-	-1,751	2,814	4,136	1,445	173	-
-8,459	-43,181	-	-	-	-	-	-
1,967,762	2,833,556	6,959,575	1,586,122	175,942	241,109	244,518	2,780,532
1,730,675	1,290,023	5,126,540	1,470,719	25,047	74,271	238,690	348,576
48,123	25,466	40,997	8,765	3,440	2,449	-	379
29,237	30,438	19,341	21,005	1,029	2,407	19	79
21,577	23,265	14,446	10,503	874	1,338	19	79

Notes to the interim consolidated financial statements

General information

Arcandor AG, as the holding company, is registered as ARCANDOR Aktiengesellschaft at the Essen District Court (HRB 1783). The company is domiciled in Essen under the address: Arcandor AG, Theodor-Althoff-Straße 2, 45133 Essen, Germany. By resolution of the Annual General Meeting on May 10, 2007, the former KARSTADT QUELLE AG was renamed ARCANDOR AG. The change in the name was effective on entry in the commercial register on June 22, 2007. With its Karstadt and Primondo divisions, Arcandor AG is one of the largest department store and mail order companies in Europe and with the Thomas Cook Tourism division, one of the largest tourism companies in the world.

Basis of preparation

The consolidated financial statements of Arcandor AG were prepared for the interim report on June 30, 2007 in accordance with IAS 34 "Interim Financial Reporting". It thus does not include all information required under International Financial Reporting Standards (IFRS) in force at the reporting date and as to be applied in the European Union including the relevant interpretations of the International Accounting Standards Board (IASB). The consolidated interim financial statements represent the half-year finance report in line with § 37w WpHG. The Group interim accounts contain the consolidated income statement, the consolidated balance sheet, a statement of changes in shareholders' equity, a group cash flow statement, selected notes and a group interim management report.

For the 2007 fiscal year, the following standards, changes to standards and interpretations are to be applied for the first time as a result of translation in EU legislation or the regulation coming into effect: IFRS 7 "Financial Instruments: Disclosures", Amendments to IAS 1: "Capital Disclosures", IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflation Economies", IFRIC 8 "Scope of IFRS 2", IFRIC 9 "Reassessment of Embedded Derivatives", IFRIC 10 "Interim Financial Reporting and Impairment" and IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions".

IFRS 7 and the corresponding changes of IAS 1 will impact on the notes to financial instruments in the Arcandor AG consolidated financial statements as of September 30, 2007. All other regulations to be applied for the first time in the reporting period had no impact on the net assets, financial position or results of operations at the Arcandor Group.

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

Accounting policies

Except for the below change, the general accounting policies are in line with those of the last consolidated financial statements to the end of the 2006 financial year. The regulations to be applied for the first time in the reporting period did not result in any changes in accounting policies.

Since January 1, 2007, sales relating to the 14-day return period from the "purchase on approval" in the Primondo segment are recognized in accordance with IAS 18.16d in connection with IAS 18 Appendix 2 (b) on the basis of the historical return rate. The adjustment now comprises the returns ratio from the "purchase on approval" as well as 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 items were adjusted for the comparable period:

Adjustment of comparative periods

Amounts shown in mill. €	30.06.2006	31.12.2006
Assets		
Deferred tax assets	-15.8	-9.6
Inventories	-62.4	-38.2
Trade receivables	21.4	9.6
Other receivables and other assets	103.1	28.6
Assets classified as held for sale	-	-12.0
Equity and liabilities		
Reserves	28.9	13.6
Other current liabilities	17.4	-23.7
Liabilities from assets classified as held for sale	-	-11.5

The adjustments did not have any material effect on the income statement of the equivalent period of the previous year.

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 Arcandor AG, the consolidation of Thomas Cook AG and its subsidiaries for the first six months of the 2006 financial year took place on the basis of the Thomas Cook subgroup financial statements as of April 30, 2006 due to its financial year from November 1 to October 31. Material changes to June 30, 2006 were included. Thomas Cook Group plc and its subsidiaries which resulted from the merger of Thomas Cook AG and MyTravel plc prepare their financial statements on the basis of a financial year from November 1 to October 31. The initial consolidation of the Thomas Cook Group

in the Arcandor AG consolidated financial statements is based on subgroup financial statements of the Thomas Cook Group prepared as of June 30, 2007. In deviation from the previous year, through the consolidation of the Thomas Cook Group in the first half of 2007 all assets and liabilities of the Thomas Cook AG, MyTravel plc and their subsidiaries are included with their values as of June 30, 2007. For the period from November 1, 2006 to April 1, 2007, the income and expenses of Thomas Cook AG are reported at 50% due to the proportionate consolidation and for the period from April 2 to June 30, 2007 at 100%. The impact of the merger on the net assets, financial position and results of the Group are shown in the "Consolidated companies" table on page 50.

The merger of Thomas Cook AG and MyTravel plc took place on the basis of a share swap. In the process, the Arcandor Group obtained 52% of the outstanding shares in the Thomas Cook Group on the basis of its contribution of Thomas Cook AG into the Thomas Cook Group. In line with IFRS 3.10, the contribution of Thomas Cook AG into the Thomas Cook Group is to be classified as a "transaction under common control" and thus expressly excluded from the scope of IFRS 3. The change to the ownership structure was recognized in equity.

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 income and expenses. In individual cases, actual values may differ from the assumptions and estimates made.

Consolidated companies

In the reporting period, there were the following changes to the companies included in the consolidated financial statements:

	Total 30.06.2007	thereof domestic 2007	thereof international 2007	Total 31.12.2006
Number of fully consolidated companies (subsidiaries)				
As at 01.01.	383	283	100	390
Addition	226	15	211	9
Disposal	-12	-4	-8	-13
Merger	-3	-	-3	-4
Change in type of consolidation	117	19	98	1
As at 30.06.2007/31.12.2006	711	313	398	383
Number of proportionately included joint ventures				
As at 01.01.	150	31	119	168
Addition	-	-	-	3
Disposal	-1	-	-1	-22
Change in type of consolidation	-118	-20	-98	1
As at 30.06.2007/31.12.2006	31	11	20	150
Number of companies recognized at equity (associates)				
As at 01.01.	25	8	17	31
Addition	-	-	-	6
Disposal	-6	-3	-3	-10
Change in type of consolidation	1	1	-	-2
As at 30.06.2007/31.12.2006	20	6	14	25

The closing of the agreement concluded with Deutsche Lufthansa AG on February 9, 2007 on the acquisition of the 50% stake in Thomas Cook AG held by Lufthansa took place on April 2, 2007. With the acquisition of the Lufthansa stake, 118 companies previously included in the Group financial statements on a proportionate basis were fully consolidated for the first time. The cash purchase price for the stake was 800 mill. €. Taking account of further elements of the purchase price not assumed in cash

and of incidental costs of acquisition results in a carrying value totaling 864.0 mill. €. Due to the size and complexity of the acquisition, the purchase price allocation in accordance with IFRS 3 could only be established on a provisional basis. In this process trademarks in the amount of 665.8 mill. € were capitalized and additional pension obligations of 171.5 mill. € were assumed. Due to the step acquisition, the fair value adjustments resulted in a revaluation reserve of 165.9 mill. €. Taking into account deferred taxes, the acquisition lead to provisional goodwill of 1.5 bill. €.

On February 12, 2007, Arcandor AG agreed on the merger of its Tourism subsidiary, Thomas Cook, with the British travel company, MyTravel. The merger took place on the basis of a share swap using a newly established company under the name of Thomas Cook Group plc. With the approval of the shareholders of MyTravel plc, all conditions for a closing of the transaction were fulfilled on June 18, 2007. Since June 19, 2007 the Thomas Cook Group has been listed on the London Stock Exchange. In the course of the share swap, Arcandor AG received 52% of the Thomas Cook Group shares for the transfer of all shares in Thomas Cook AG. The swap of MyTravel plc shares was implemented on the basis of a scheme of arrangement, where one MyTravel share was swapped into one Thomas Cook Group share. After swapping the shares, former MyTravel shareholders held 48 % in the Thomas Cook Group.

With the first-time consolidation of the Thomas Cook Group as of June 19, 2007, 211 fully consolidated companies were included in the consolidated financial statements. The share swap resulted in a profit of 554.7 mill. €, which was recognized directly in equity in other revenue reserves and a 269.9 mill. € increase in minority interests. Including the incidental costs of acquisition of 1.3 mill. € incurred so far, the cost for the MyTravel plc

acquisition totaled 2.25 bill. €. The purchase price allocation in accordance with IFRS 3 is currently being carried out. Due to the size and complexity of the acquisition, there are no provisional results in relation to fair value adjustments so far. The difference between the acquisition costs and the net assets carried at amortized cost amounted to 1.48 bill. € and was reported as goodwill. The final purchase price allocation is expected to result in goodwill and intangible assets such as brands and customer relationships.

With the completion of the purchase agreement of May 9, 2007, Arcandor AG acquired all shares of Home Shopping Europe GmbH & Co. KG (HSE24) as of June 20, 2007. Including the incidental costs of acquisition of 3.1 mill. € incurred so far, the acquisition cost was 169.8 mill. €. 141.7 mill. € of the purchase price was paid by transferring 5,469,806 Arcandor AG shares at a transaction price of 25.90 € per share. This resulted in an increase of equity at the same amount. In addition, depending on the performance of the Arcandor share, up to 53.7 mill. € is to be paid in cash after three years. The provisional difference of 125.5 mill. € was reported as goodwill. The purchase price allocation in accordance with IFRS 3 is currently being carried out. Due to the proximity to the time of acquisition, there are so far no provisional results on any fair value adjustments. In general, it is expected that goodwill and intangible assets will be recognized.

Due to changes in the scope of consolidation, only a limited comparison to previous years is possible.

The carrying amounts of the acquired assets and liabilities break down to the individual acquisitions as follows:

Amounts shown in th. €	Thomas Cook 50%	MyTravel	HSE24
Assets			
Intangible assets (without goodwill)	36,802	17,732	7,731
Tangible assets	411,682	525,208	5,942
Shares in associates	18,424	11,231	-
Other financial assets	28,000	396	280
Other non-current assets	102,030	75,432	6
Deferred taxes	137,681	16,015	8,064
Non-current assets	734,619	646,014	22,023
Inventories	5,382	13,941	30,972
Trade receivables	103,067	104,118	28,121
Other receivables and other assets	319,280	423,176	5,321
Cash and cash equivalents and securities	467,843	339,799	5,207
Current assets	895,572	881,034	69,621
Assets classified as held for sale	23,171	-	-
Total assets	1,653,362	1,527,048	91,644
Equity and liabilities			
Net assets	-231,766	-590,432	44,341
Minority interests	15,645	79	-
Non-current liabilities	383,129	297,019	707
Pension provisions	118,298	8,665	-
Other non-current provisions	652	9,043	-
Deferred taxes	1,868	29,014	3,307
Non-current liabilities	503,947	343,741	4,014
Current financial liabilities	61,466	40,624	706
Trade payables	530,018	907,571	29,871
Current tax liabilities	15,829	55,879	104
Other current liabilities	661,925	690,090	8,083
Current provisions	75,616	79,496	4,525
Current liabilities	1,344,854	1,773,660	43,289
Liabilities related to assets classified as held for sale	20,682	-	-
Total equity and liabilities	1,653,362	1,527,048	91,644

With the loss of control over ITELLIUM Systems and Services GmbH, due to the disposal of a 74.9% stake in June, the company has now been included at equity in the Group financial

statements. The change of the consolidation method had no material impact on the net assets, financial position and results of the Group.

The impact of the material acquisitions and disposals on the net assets, financial position and results of Arcandor AG are as follows:

Amounts shown in th. €	30.06.2007	
	Acquisitions	Divestments
Sales	1,816,880	-4,739
Gross income	326,742	-2,550
Earnings before interest, tax and depreciation and amortization (EBITDA)	-7,657	-785
Earnings before interest, tax and amortization of goodwill (EBIT)	-36,159	1,058
Earnings before tax and amortization of goodwill (EBT)	-36,325	902
Non-current assets	4,214,414	-12,021
Current assets	1,902,640	-8,031
Assets classified as held for sale	54,143	-
Assets	6,171,197	-20,052
Non-current liabilities	916,650	-19,605
Current liabilities	3,410,937	-26,740
Liabilities relating to assets classified as held for sale	28,664	-
Liabilities	4,356,251	-46,345

In addition, in the first half-year, the group of consolidated companies increased by eleven companies. The changes relate to the Primondo segment with five newly founded companies and five companies consolidated for the first time and the Services segment with one newly founded company.

In the Thomas Cook subgroup the fully consolidated company Compass Travel Ltd. and South Pacific Tour Planners PTY Ltd. were deconsolidated in the first half-year of 2007. Thomas Cook Thailand Ltd., Falstacen S.L., Troll Tours Reisen GmbH and Günes Ekspres Havacilik A.S., all companies accounted for under the equity method, were disposed of in the same period. Alpha Reisebüro Partner GmbH and Belgian Travel Network cvba, companies previously accounted for at equity, were not included in the group of consolidated companies.

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 profits or losses resulted from the respective disposals.

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

Due to the disposal of a 74.9% stake in the IT service provider ITELLIUM Systems & Services GmbH, the company was not longer fully consolidated but accounted for at equity.

Equity

On May 10, 2007, the Arcandor AG Annual General Meeting authorized the Management Board to issue either convertible and/or warrant bonds excluding subscription rights, or without excluding subscription rights.

In detail, in both cases, with the approval of the Supervisory Board, the Management Board is authorized to issue on one or more occasions up to May 7, 2012, registered convertible and/or warrant bonds to a total nominal value of up to 900 mill. € and with a duration of not more than 20 years and to grant holders and creditors of convertible bonds conversion rights or holders or creditors of warrant bonds option rights to new company shares with a proportionate share of the authorized capital of up to 60 mill. € on conditions defined more specifically in the provisions relating to the convertible bonds and/or warrant bonds.

With one of the alternatives, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the shareholders right of subscription when issuing bonds meeting specific conditions if the Management Board after due examination is of the opinion that the issue price of the bonds does not fall substantially below the calculated theoretical fair value of the bonds.

The Arcandor AG Annual General Meeting on May 10, 2007 resolved Contingent Capital V and Contingent Capital VI. In both cases the share capital can be increased contingently by up to 60 mill. € by issuing up to 23,437,500 new registered shares each with a proportionate share of the share capital of 2.56 €.

The contingent capital increase serves to grant shares to holders of shares or creditors of convertible or warrant bonds which are issued by Arcandor AG or a direct or indirect subsidiary until May 9, 2012. The contingent capital increase shall only be implemented to the extent that these rights are utilized.

Refinancing

To increase financing security and to provide a letter of credit, an agreement on a 1.5 bill. € syndicated credit facility was signed with an international banking consortium on June 12, 2007. These credit facilities replace the former syndicated credit facility of up to 400 mill. € and the bridge facility for assuming Lufthansa's 50% stake in Thomas Cook AG. One-off charges of 13.3 mill. € due in connection with the repayment were recorded as interest expense.

The facility is divided in five different tranches. The tranches have different durations from the end of September 2007 to the end of June 2009. Some of them can be extended by one year.

The stakes in certain subsidiaries as well as selected bank accounts and receivables of Arcandor AG against specific subsidiaries are pledged as collateral. The credits are subject to various conditions and provisions as well as specific financial covenants.

As of the reporting date, 770 mill. € of the syndicated loans were drawn.

Assets held for sale and discontinued operations

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

Amounts shown in th. €	30.06.2007	30.06.2006	31.12.2006*
Assets classified as held for sale			
Intangible assets	40,009	1,511	19,198
Tangible assets	371,585	444,118	332,141
Other financial assets	6,420	1,609	5,106
Deferred taxes	47,114	1,916	35,962
Non-current assets	465,128	449,154	392,407
Inventories	261,517	679	224,296
Other current assets	806,301	31,673	685,488
Current assets	1,067,818	32,352	909,784
	1,532,946	481,506	1,302,191
Liabilities from assets classified as held for sale			
Provisions for pensions	70,142	4,690	64,628
Deferred taxes	24,248	-	45,089
Non-current liabilities	94,390	4,690	109,717
Current financial liabilities	226,116	3,175	147,066
Other liabilities	686,142	23,474	630,663
Current liabilities	912,258	26,649	777,729
	1,006,648	31,339	887,446

* The figures were adjusted.

The disclosure as of June 30, 2007 comprises 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, disposal groups including Mail Order service companies, some properties of Highstreet Holding GbR not yet sold as well as assets and liabilities of the Happy-Size Group are classified as held-for-sale.

In the Thomas Cook subgroup an airplane fulfilled the conditions of IFRS 5 for the first time and was reclassified. In the Karstadt division the Book departments met the conditions for being classified as held-for-sale under IFRS 5 in the first half-year of 2007. There were no other material changes since December 31, 2006.

The reclassifications as of June 30, 2006 related primarily to the sale of specific real estate portfolios.

Transactions with related parties

In the first half-years of 2007 and 2006, the Arcandor Group had the following business relationships to related parties:

Amounts shown in th. €	30.06.2007	30.06.2006	31.12.2006
Goods and services supplied	4,260	6,397	11,391
Goods and services received	12,144	68,132	110,502
Receivables	25,028	37,408	78,073
Payables	778,322	1,804,857	821,648

Relationships to related parties concern the non-recourse sale of trade receivables to KARSTADT Hypothekenbank AG, transferred to the Group's internal pension fund, existing performance relationships with KarstadtQuelle Pension Trust e.V. and II. KarstadtQuelle Pension Trust e.V. from renting property and dormant partnerships totaling 500 mill. € with the KarstadtQuelle Mitarbeitertrust e.V. and II. KarstadtQuelle Mitarbeitertrust e.V. There are still typical dormant participations in real estate companies of 38 mill. €.

In addition to the goods and services provided, there were transactions between the Group and unconsolidated companies from the mutual utilization of services which were charged at cost. Transactions with related parties took place on an arms-length basis.

Individual Group companies have entered into long-term service agreements with Deutsche Post World Net AG or its associated companies. Here the Chairman of the Management Board is a member of the Arcandor AG Supervisory Board.

The Chairman of the Management Board and his wife hold investments in closed property funds which have contractual relations with the Arcandor Group. Due to the low investment level no exercising of influence is to be expected. In addition, the Supervisory Board member Holger Robert Lampatz has a participation in three projects of the closed-end property fund. All fund investments were made before the named persons commenced activities on management bodies at Arcandor AG.

Contingent liabilities

In comparison to the 2006 annual financial statements, the full consolidation of Thomas Cook and MyTravel resulted in consolidated driven increases in contingent liabilities and other financial obligations. These relate predominantly to obligations for leases and guarantees.

Events after the balance sheet date

On March 21, 2007, the relevant committee of the Arcandor AG Supervisory Board resolved to issue a Phantom Stock Program (PSP) for selected Group executives and Management Board members at Arcandor AG. In June 2007, the draft contracts and the declarations of intent were sent to entitled members in the form of subscription letters. The binding agreements were signed by the Arcandor AG Supervisory Board and the entitled parties in August 2007. In accordance with IFRS 2, a binding agreement between the Arcandor Group and the executives and Management Board members with entitlement thus only becomes effective after the reporting date. For this reason, the share-based payment agreements were not recognized as personnel expense as of the reporting date.

On July 3, 2007, all contractual conditions for the disposal of the Krähe activities to the BTI Group were completed.

On July 6, 2007, the Bundesrat (upper house of the German Federal Parliament) approved the Corporate Tax Amendment Act (2008). In the course of the reform, the current corporation tax rate decreases from 25 % to 15 % for fiscal years from 2008 and trade tax is no longer deductible as operating costs. For trade tax a single trade tax assessment level of 3.5% is specified for all legal company forms. A further key element of the reform is the introduction of a so-called “interest cap” regarding the deductibility of financing cost. Due to capitalized deferred taxes on loss carry forwards, according to the current status of the business model, the Arcandor Group expects a negative impact on the tax result. As these are deferred taxes, this would not impact cash.

On July 31, 2007 the agreement with the AURELIUS industrial holding on the sale of Quelle Region West made on April 3, 2007 was closed. 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.

On August 6, 2007, a contractual agreement on the disposal of the Mercatura Group was concluded with the Swedish Kwintet A.B. domiciled in Malmö. The transfer of the Mercatura Group to the new owner is expected to take place by September 30, 2007.

ARCANDOR Aktiengesellschaft
Essen, August 30, 2007

The Management Board

Dr. Thomas Middelhoff

Dr. Matthias Bellmann

Dr. Peter Diesch

Prof. Dr. Helmut Merkel

Marc Sommer

Peter Wolf

Review Report

To **ARCANDOR Aktiengesellschaft**, Essen

We have reviewed the condensed consolidated interim financial statements, comprising the consolidated income statement, the consolidated balance sheet, the statement of changes in equity, the consolidated cash flow statement as well as selected explanatory notes to the condensed consolidated interim financial statements, and the consolidated interim management report of ARCANDOR Aktiengesellschaft, Essen, for the period from 1 January until 30 June 2007, which are components of the interim financial report according to § 37w of the German Securities Trading Act (WpHG). The preparation of the condensed consolidated interim financial statements in accordance with IFRSs for interim financial reporting as adopted by the EU and the consolidated interim management report in accordance with the requirements of the German Securities Trading Act (WpHG) applicable for consolidated interim management reports are the responsibility of the Company's management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and the consolidated interim management report based on our review.

We performed the review of the condensed consolidated interim financial statements and the consolidated interim management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut

der Wirtschaftsprüfer (IDW) and under additional consideration of the International Standards on Review Engagements (ISRE). Those standards require that we plan and conduct the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed consolidated interim financial statements have not been prepared, in material respects, in accordance with IFRSs for interim financial reporting as adopted by the EU and the consolidated interim management report in accordance with the requirements of the German Securities Trading Act (WpHG) applicable for consolidated interim management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared in material respects in accordance with IFRSs for interim financial reporting as adopted by the EU nor that the consolidated interim management report has not been prepared in material respects in accordance with the requirements of the German Securities Trading Act (WpHG) applicable for consolidated interim management reports.

Düsseldorf, August 30, 2007

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dyckerhoff
Wirtschaftsprüfer
(German Certified Auditor)

Rauscher
Wirtschaftsprüfer
(German Certified Auditor)

Responsibility statement

“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.”

ARCANDOR Aktiengesellschaft
Essen, August 30, 2007

The Management Board

Dr. Thomas Middelhoff

Dr. Matthias Bellmann

Dr. Peter Diesch

Prof. Dr. Helmut Merkel

Marc Sommer

Peter Wolf

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Calendar 2007/2008

Investors' Day in Berlin

September 27, 2007

End of the short financial year

September 30, 2007

Annual General Meeting in Düsseldorf

April 23, 2008

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Future-focused statements

Also to be found in this Interim report are future-focused statements based on estimates by the Arcandor management. Such statements reflect Arcandor'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. Arcandor rejects any intention or obligation to update these statements about the future made at a specific point in time.

...TAKE NEW PATHS
WITHOUT HESITATION.



