

INTERIM REPORT OF THE GROUP
AS OF JUNE 30, 2008

THIRD QUARTER AND
THE FIRST NINE MONTHS OF THE
2007/2008 FINANCIAL YEAR

AT A GLANCE

		01.10.2007 -30.06.2008*	01.10.2006 -30.06.2007*	Change in %
SALES (like-for-like pro forma basis)				
Thomas Cook ¹⁾ <i>in local currency</i>	mill. € mill. £	6,941.2 5,269.3	7,285.2 4,915.6	-4.7 7.2
Primondo	mill. €	3,332.6	3,036.7	9.7
Karstadt	mill. €	3,147.4	3,274.0	-3.9
Operating segments¹⁾	mill. €	13,421.2	13,595.9	-1.3
Other segments ²⁾	mill. €	166.7	214.6	-
Reconciliation account ¹⁾	mill. €	-60.2	-134.6	-
Sales (adjusted)¹⁾	mill. €	13,527.7	13,675.9	-1.1

		01.10.2007 -30.06.2008*	01.10.2006 -30.06.2007*	Change in mill. €
EARNINGS (like-for-like pro forma basis)				
Thomas Cook ¹⁾ <i>in local currency</i>	mill. € mill. £	103.7 78.9	-49.1 -26.4	152.8 105.3
Primondo	mill. €	37.7	-17.4	55.1
Karstadt	mill. €	62.3	146.9	-84.6
Operating segments¹⁾	mill. €	203.7	80.4	123.3
Other segments ²⁾ , Reconciliation account/Holding company	mill. €	-53.0	-35.0	-18.0
EBITDA (adjusted)¹⁾	mill. €	150.7	45.4	105.3
<i>EBITDA margin (adjusted)¹⁾</i>	in %	1.1	0.3	-

		01.10.2007 -30.06.2008*	01.10.2006 -30.06.2007*	Change in %
FINANCIAL SITUATION				
Investments	mill. €	249.3	194.9	27.9
Depreciation and amortization (not including amortization of goodwill)	mill. €	-325.4	-279.6	-16.4
Net financial liabilities	mill. €	1,526.4	500.5	205.0
Working capital	mill. €	-709.1	-770.2	-7.9

FULL-TIME EMPLOYEES at the balance-sheet date (like-for-like pro forma basis)				
Thomas Cook	number	30,321	31,743	-4.5
Primondo	number	15,739	16,343	-3.7
Karstadt	number	23,345	24,320	-4.0
Operating segments	number	69,405	72,406	-4.1
Other segments ²⁾ , Holding company	number	314	441	-28.8
Total	number	69,719	72,847	-4.3

ARCANDOR SHARE				
Earnings per share	€	-1.70	0.08 ³⁾	-
Rate applying at the balance-sheet date	€	7.38	25.02	-70.5
Highest price (01.10. - 30.06.)	€	23.21	29.21	-20.5
Lowest price (01.10. - 30.06.)	€	7.38	17.94	-58.9

* The data has been adjusted. The adjustments relate to special factors and divestments as well as restructuring expenses in EBITDA.

¹⁾ In order to better illustrate the development of the business and to make figures comparable Arcandor compares three complete quarters of the current period (October 2007 to June 2008) for Thomas Cook Group plc with three complete quarters of the previous-year period (October 2006 to June 2007) as if Thomas Cook Group plc had already existed. The October results for each year represent an Arcandor calculation consisting of the difference between the full year results and the September cumulative numbers of Thomas Cook Group plc. The October numbers of each year contain the usual year end bookings/adjustments and have not been readjusted for this pro forma exercise.

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

³⁾ Information for the period 01.01.2007 to 30.09.2007.

PERFORMANCE IN THE FIRST, SECOND AND THIRD QUARTER OF THE 2007/2008 FINANCIAL YEAR

(like-for-like pro forma basis)

Amounts shown in mill. €	Quarter I*			Quarter II*			Quarter III*		
	01.10.2007 -31.12.2007	01.10.2006 -31.12.2006	Change in %	01.01.2008 -31.03.2008	01.01.2007 -31.03.2007	Change in %	01.04.2008 -30.06.2008	01.04.2007 -30.06.2007	Change in %
SALES adjusted*									
Thomas Cook ¹⁾	2,136.8	2,171.2	-1.6	2,070.6	2,069.6	0.0	2,733.8	3,044.4	-10.2
<i>in local currency mill. £</i>							2,164.9	2,064.8	4.8
Primondo	1,231.7	1,199.9	2.7	1,089.6	951.9	14.5	1,011.2	885.0	14.3
Karstadt	1,315.7	1,432.0	-8.1	944.7	938.0	0.7	886.9	904.0	-1.9
Operating segments	4,684.2	4,803.1	-2.5	4,104.9	3,959.5	3.7	4,631.9	4,833.4	-4.2
Other segments ²⁾	66.7	69.5	-	58.0	75.3	-	42.0	69.8	-
Reconciliation	-27.5	-43.1	-	-16.2	-46.1	-	-16.3	-45.6	-
	4,723.4	4,829.5	-2.2	4,146.7	3,988.7	4.0	4,657.6	4,857.6	-4.1
ADJUSTED EARNINGS BEFORE FINANCIAL INCOME, INCOME TAXES AND DEPRECIATION AND AMORTIZATION (adjusted EBITDA)									
Thomas Cook ¹⁾	32.3	-28.4	60.7	-32.1	-120.5	88.4	103.5	99.8	3.7
<i>in local currency mill. £</i>							78.3	70.0	8.3
Primondo	35.7	32.8	2.9	1.7	-31.9	33.6	0.2	-18.3	18.5
Karstadt	136.0	181.8	-45.8	-22.9	-26.5	3.6	-50.9	-8.4	-42.5
Operating segments	204.0	186.2	17.8	-53.3	-178.9	125.6	52.8	73.1	-20.3
Other segments ²⁾ , Reconciliation/ Holding company	-20.6	-11.2	-9.4	-15.8	0.1	-15.9	-16.4	-23.9	7.5
	183.4	175.0	8.4	-69.1	-178.8	109.7	36.4	49.2	-12.8

* The data has been adjusted. The adjustments relate to special factors and divestments as well as restructuring expenses in EBITDA.

¹⁾ In order to better illustrate the development of the business and to make figures comparable Arcandor compares three complete quarters of the current period (October 2007 to June 2008) for Thomas Cook Group plc with three complete quarters of the previous-year period (October 2006 to June 2007) as if Thomas Cook Group plc had already existed. The October results for each year represent an Arcandor calculation consisting of the difference between the full year results and the September cumulative numbers of Thomas Cook Group plc. The October numbers of each year contain the usual year end bookings/adjustments and have not been readjusted for this proforma exercise.

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

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LETTER TO SHAREHOLDERS

Dear Shareholders,

After the first nine months of the 2007/2008 financial year, adjusted EBITDA of the operating segments has more than doubled. Our two strongest business segments, Thomas Cook and Primondo, have developed very well, further improving in operating terms. Only Karstadt, our smallest operating unit in terms of sales, struggled with earnings problems.

This is also evident from the development of the operating units in the third quarter of the 2007/2008 financial year. Thomas Cook experienced a very positive earnings and bookings trend. Business is advancing well and we see no indications of a declining economy. Bookings for the Winter 2008 and Summer 2009 seasons have been strong until now. Our homeshopping operating unit, Primondo, improved both sales and earnings sharply in the third quarter. On the basis of the very good development at Primondo in the growth areas of e-commerce, specialty mail order, teleshopping and international business, we continue to expect a good business development.

From a strategic vantage point, we are taking an unrestricted positioning in respect of tourism and home-shopping. With the right strategic alignment, market forecasters concur that both markets have high growth potential in Europe. For this reason, we will advance organic and external growth in both areas.

In over-the-counter retail in Germany, we thinned out our portfolio in good time in 2005, thus considerably reducing the commitment of the group in this difficult market segment. Parallel to this we took an early positioning in the market with our trading-up strategy, hence achieving a differentiation from the competition. However, in the economic environment in Germany which has since clouded over, this has not been enough. In the third quarter, earnings pressure was increasingly felt at Karstadt. Due to the realignment, sales at our department stores and sports stores developed better than the market, with sales down only slightly. Our challenge is largely on the cost side. The strong decline in earnings is a consequence of the exacerbated general conditions, but also of high cost increases which are largely inflation-driven. The new Karstadt management has decided on an efficiency program to relieve the cost structure. Work has already begun on implementation.

As in the previous quarters, we secured comparability for Thomas Cook by showing the previous year in a pro forma fashion as if Thomas Cook Group plc had already existed in the first nine months of the 2006/2007 financial year. As additional information, we have also shown key figures in the Thomas Cook local country currency (GBP). This allows a better assessment of the operating trend at Thomas Cook. The Thomas Cook Group reports on the basis of GBP. This is because a major share of sales is generated in this currency and the majority of contracts concluded in GBP.

Adjusted operating EBITDA more than doubled in the first nine months of the 2007/2008 financial year

Adjusted operating EBITDA, the decisive figure for assessing business development of our three business segments – Thomas Cook, Primondo and Karstadt – improved considerably in the first nine months of the current financial year. It reached 204 mill. € (80 mill. € in the previous year), more than doubling the figure achieved in the equivalent period of the previous year.

In the first nine months of the financial year, Thomas Cook generated an earnings contribution of 104 mill. €, improving earnings by 153 mill. €. Favored by the strong turnaround, Primondo improved EBITDA to 38 mill. € and earnings by 55 mill. €. In this period, only Karstadt was down year-on-year due to the weak Christmas business in 2007, muted consumer sentiment and the excessively high cost basis. It generated an EBITDA of 62 mill. €, down 85 mill. € against the equivalent period of the previous year.

A result of the Group realignment is that earnings improve much faster than sales growth. Adjusted for currency, adjusted Group sales were 1,1 % above previous year. On a euro basis, it totaled 13.53 bill. € in the first nine months of the current financial year. This equates to a decline of 1.1 %.

In the third quarter of the 2007/2008 financial year, adjusted EBITDA of the operating segments totaled 53 mill. €. In the equivalent period of the previous year, the result was 73 mill. €. Better earnings at Thomas Cook and Primondo were offset by the considerable downturn at Karstadt. Adjusted Group sales adjusted for currency effects was at the level of the previous year. On a euro basis the figure was 4.66 bill. € (previous year: 4.86 bill. €) and 4.1 % down year-on-year.

THIRD QUARTER: THOMAS COOK AND PRIMONDO STRONG, KARSTADT WEAK**Thomas Cook remains strong - adjusted EBITDA in the local currency rises by 12%**

Thomas Cook again posted a strong quarter in operating terms. In the local currency (GBP), adjusted EBITDA totaled 78.3 mill. GBP (previous year: 70.0 mill. GBP), increasing by approximately 12%. Adjusted EBITDA translated into Euro increased year-on-year by roughly 4% to 104 mill. € (previous year: 100 mill. €). Here it should be taken into account that this earnings upturn was achieved even though the quarter was negatively impacted by the hedging of the strongly increased kerosene prices which cost more than 30 mill. €.

Thus in the first three quarters of the current financial year, Thomas Cook has already increased adjusted EBITDA by 153 mill. € to 104 mill. €. The effective capacity management which resulted in a rigorous reduction of unprofitable sales generated higher margins and so contributed to a better sales margin. In addition, the higher-than-expected synergies resulting from the MyTravel acquisition contributed positively to the result. In consequence, the Group improved its result on a sustained basis, despite the drag from higher fuel prices. To protect itself against fluctuation in fuel prices, Thomas Cook pursues a very conservative and cautious strategy. Thus the entire fuel requirements are secured 18 to 24 months before the corresponding season. Thus for the current financial year, in respect to its fuel requirements using finance instruments, Thomas Cook has already fully covered its oil requirements and 93% of its kerosene. For the next financial year, 92% of crude oil are covered, thus effectively counteracting the turbulence on the oil market.

In the period between April and June 2008, sales in the tourism group were 4.8% up year-on-year in local currency, reaching 2.16 bill. GBP. On a Euro basis however, Thomas Cook posted a sales downturn of 10.2% to 2.73 bill. €. This decline relates to currency effects and the targeted capacity reduction across the core markets.

Primondo confirms turnaround with a good quarterly trend - once again a considerable sales and earnings upturn

Primondo strengthened its turnaround with a pleasing quarterly performance. Accordingly, adjusted EBITDA improved by 19 mill. € to plus 0.2 mill. €. As announced, in the third quarter Primondo again achieved a positive adjusted EBITDA. Key factors here were good international business and the results upturn at HSE24, the homeshopping channel, specialty mail order and the impact of the cost reduction programs in the back office areas. On an accumulated basis after nine months, Primondo has already achieved an EBITDA of 38 mill. €.

In the third quarter, Primondo maintained the momentum of sales growth in an unabated fashion. Adjusted sales increased by 14.3% to 1.01 bill. € (previous year: 0.89 bill. €). International business was particularly pleasing, with sales surging by 31.7%. HSE 24 posted record sales and after the successful portfolio realignment Specialty Mail order generated an upturn of 7.3%. Sales at Quelle in Germany declined slightly. Ongoing high increases in e-commerce are increasingly substituting sales in the classical catalogue business. As a result of the sharp sales growth in all the quarters, adjusted sales in the first nine months of the financial year increased at Primondo by a total of 9.7% to 3.33 bill. € (previous year: 3.04 bill. €).

Karstadt feels economic headwind - earnings considerably worsened due to excessively high cost basis

In the third quarter, Karstadt worked hard at further implementing the new business model. Karstadt offers its customers attractive product ranges in the city center, and has largely withdrawn from product groups where it faces competition from discounters.

At Karstadt, adjusted sales were 0.89 bill. € (previous year: 0.90 bill. €). In view of restrained consumer sentiment and the temporal shift of the strong Easter business, the slight 1.9% sales downturn is a success. This is all the more the case when it is taken into account that Karstadt experienced temporary sales shortfalls as a result of large-scale store conversions (4% of the sales space) and by discontinuing sales space, for example in the book area where it deliberately relinquished unprofitable sales on a sustained basis. Adjusted EBITDA in the third quarter totaled minus 51 mill. € (previous year: minus 8 mill. €). This increases the loss in comparison to the previous year by 43 mill. €. Decisive here was the cost basis which is still too high.

Largest property transaction in Europe concluded successfully - department store properties sold to a buyer consortium

After we signed the contracts on March 19, 2008, we finally concluded the disposal of our department store real estate after completing all formalities. On July 28, 2008, our 49% stake in the Highstreet property company was transferred to the consortium consisting of RREEF Alternative Investments, Pirelli Real Estate, Generali Real Estate Fund S.A. and Borletti Group. The total value of the transaction amounted to approximately 800 mill. €. Overall, we receive more than 4.5 bill. € for the department store real estate in two tranches. So, despite very difficult market conditions, what is currently the largest and most complex transaction in Europe, initiated in 2006, was completed successfully. With the strategic decision to sell the real estate, we set the direction for the transformation in due time, thus effectively countering the real estate crisis which was beginning. This made an essential contribution to realigning the Group for the future.

Arcandor is pursuing a clear strategy

Arcandor is pursuing a clear Group strategy with the key task of increasing value. In our investment portfolio, we are concentrating exclusively on the business segments in which we have a leading market position with the objective of consolidating this market position on a sustained basis.

In all core business segments, our strategy is driven in a major way by four elements:

- Realignment to profitable business models
- Internationalization
- Expansion of e-commerce
- Active market consolidation (M&A)

The Thomas Cook tourism group and the homeshopping specialist Primondo are the two strongly growing units in the Arcandor Group. Various market forecasts agree that tourism and homeshopping have high growth potential in Europe. Accordingly from a strategic vantage point, we are taking an unrestricted positioning on these two growth areas and will push organic and external growth in the two business segments. On the basis of vigorous portfolio streamlining, we have reduced our strong dependency on over-the-counter retail in Germany. At the same time, we have advanced the realignment of the Karstadt business model by trading up. Here we must now get to grips with costs in order to improve margins considerably.

Thomas Cook: The world's second largest tourism group

We are the majority shareholder of the second largest tourism company in the world and will rapidly realize its huge growth potential worldwide. Tourism is a mega-trend. For years, this industry has been growing at approximately 5% per year and according to experts will continue to do so in the future. At the same time, the industry is relatively immune to economic fluctuations. In strategic terms, Thomas Cook has a focus on extending the four growth areas of e-commerce, independent travel, new markets and financial services. An excellent basis and platform for this is the solid package tourism business. Thomas Cook is growing on an organic basis and by means of targeted acquisitions of companies with strong profits, also offering strong synergy potential. In the current financial year, the company entered the markets in India and Egypt. Furthermore, the strongly growing segments of e-commerce and premium and independent travel were strengthened on a targeted basis. The market position in France was also expanded by the acquisition of Jet Tours, the French premium tour operator. This makes Thomas Cook the third largest tour operator in France with a market share of 10%. In England, Elegant Resorts (the premium tour operator) and Hotels4U (the online portal specializing in hotel reservations) were acquired. On the Canadian market, Thomas Cook reinforced its position as the leading provider of independent travel by buying TriWest Travel Holdings.

Operating business at the Thomas Cook Group is developing very well. The acquisition of MyTravel and the establishment of the Thomas Cook Group plc strengthened the operating basis of the tourism group which emerged with a very healthy balance sheet structure. However, this positive trend has not been reflected in the Thomas Cook Group plc share price. On the contrary, in recent months we consider that a massive gap has developed between the market capitalization and the actual value of Thomas Cook.

Primondo: The leading European homeshopping provider

With Primondo we own a leading European homeshopping provider. According to current market analyses, homeshopping will generate high growth rates within the next years, driven by market trends such as e-commerce and teleshopping. We want to expand our commitment in these growth areas on a vigorous basis, expanding the areas of e-commerce, homeshopping, internationalization and specialty mail order in a targeted fashion. We will further stabilize the Quelle catalogue business in Germany. In line with the market trend, we will further increase the relative share of the profitable e-commerce area. e-commerce is a strong growth engine. At Quelle alone, we now generate 40% of total demand online. By the number of website visitors, we are the clear No. 3 in Germany after eBay and Amazon! And we want to consolidate this position further. In homeshopping we are the No. 2 in the German market with HSE24 steadily gaining

market share. In this segment, we are also planning to expand internationally. In the countries of Central and Eastern Europe, Quelle now has an excellent market position, high growth and enormous potential. The same applies to Russia. In recent years, we have rigorously invested in the Quelle brand in these countries and have achieved a high level of brand awareness. Currently we are planning to enter the market in Turkey and the Ukraine. For the future, we see great potential for the Primondo business segment, both on an operating and strategic basis not only in Germany, but especially on an international basis.

Karstadt: The leading German department store

With Karstadt we have the leading German department store in our portfolio and are vigorously utilizing the trends in the German retail business. This includes trading up, i.e. the focus on higher-margin product ranges combined with good service and high quality interior design of our stores. This also includes a broader range of strong brands, especially in the fashion area, the optimization of our Karstadt exclusive brands and innovative marketing concepts.

On the basis of this realignment, we are developing better than the market in terms of sales. This shows that our business model of trading up is bearing fruit. However, with the darkened economic environment in conjunction with a high cost basis, we are experiencing an earnings trend with which we cannot be satisfied. What is more, the concentration on the German market restricts us, for the department store market segment in Germany is difficult. We are in a phase of deciding on the final alignment and are working intensively on a viable solution for this business segment, particularly involving our strategic options on an international basis.

However, to begin with we will further optimize the existing business. At the end of July 2008, there were changes in the management. Peter Wolf, member of the Arcandor AG Management Board and Chairman of the Karstadt Warenhaus GmbH Management resigned his offices and left the company to address new business challenges. We are convinced that we have established the right direction with the new management team. Its primary task will be the rigorous alignment of the cost structure.

Efficiency program started at Karstadt

The new management reacted to the recent unsatisfactory earnings trend at Karstadt with an efficiency program. Its key objectives are reducing costs, pushing sales and maintaining earnings. The rigorous implementation of the program has already started. Provisions have been made for the expected costs of the program.

Realization of hidden reserves in the Services area

At Group level, we are also pursuing various options of leveraging hidden reserves. This relates primarily to the Services area. Over the last few years, we have created new, attractive business areas such as financial and information services. They have been rigorously extended by deploying our unique assets in retail such as customer traffic and contacts. With both financial and information services, we are working to realize an appropriate value increase.

OUTLOOK

Over the last four years, we have rigorously realigned the Group, strongly reduced the dependency on over-the-counter retail in Germany, extended tourism as the new key business area and developed home-shopping as a growth business. We thus improved adjusted EBITDA of the operating business units year by year. Despite the changed overall conditions, we want to do this this year and in the next year.

Despite economic downturn, earnings forecast of adjusted operating EBITDA of more than 800 mill. € for the 2007/2008 financial year confirmed - tightness to achieve the target in the fourth quarter of the financial year increased

Despite the economic downturn, the Arcandor Group is achieving a good earnings trend. After nine months of the 2007/2008 financial year, in our operating business segments we generated adjusted EBITDA of 204 mill. €. This represents a strong year-on-year improvement of 123 mill. €. On the basis of this solid operating trend, we are still of the opinion that we can achieve our target of an adjusted operating EBITDA for the operating units exceeding 800 mill. € (previous year: 642 mill. €) in the current financial year. This would represent an earnings upturn of more than 25%. Our target is based on the high visibility of the

earnings trend at Thomas Cook Group plc, where due to seasonal reasons, by far the highest result of all the quarters is expected in the fourth quarter and the solid earnings improvement achieved at Primondo. However, due to the overall economic decline and the earnings decrease at Karstadt the tightness to achieve this objective in the fourth quarter of the financial year has increased.

Adjusted EBITDA of the operating segments again growing strongly in the 2008/2009 financial year, earnings forecast slightly adjusted - increase to more than 1.1 bill. € planned

Adjusted EBITDA of the operating segments will continue its strong growth in the next financial year. We forecast earnings of 1.1 bill. € which represents an earnings increase of more than 37%. Depending on the general economic situation, the development of kerosene prices and the expected positive earnings impact of the efficiency program at Karstadt we see chances of exceeding this. Originally an earnings upturn to over 1.3 bill. € had been projected.

For the Management Board

Yours,



Dr. Thomas Middelhoff

Chairman of the Management Board

ARCANDOR SHARE

Negative stock exchange sentiment also impacts Arcandor share

On April 1, 2008, the Arcandor share started into the third quarter of the 2007/2008 financial year with a price of 12.90 €. The continuing international financial market crisis and an increasingly pessimistic assessment of the economy, also driven by the sharp upturn in the price of oil, resulted in negative market sentiment and muted expectations for retail and tourism stocks. The price of the Arcandor share was impacted strongly and negatively by this environment. At the end of the share it was priced at 7.38 €.

To the reporting date, the Arcandor market capitalization totaled 1.7 bill. €. With an average daily trading volume of 850,000 shares, the Arcandor stock again displayed a high level of volatility in the third quarter.

The shareholder structure remained stable in the third quarter. The main Arcandor shareholder is the “Madeleine Schickedanz” pool with a share of 53.3% (acc. to the German Securities Trading Act). 44.2% of Arcandor shares are in the free float. This includes shares held by several large American fund companies. It is pleasing that in addition to the main shareholder, the large fund companies continue to assess highly the price potential of Arcandor and have retained their stakes in Arcandor.

Of a total of 230.2 million issued shares, Arcandor holds 5.7 million shares or 2.5% as Treasury shares.

Share price performance in €

April 1 to June 30, 2008



PRO FORMA CONSOLIDATED INCOME STATEMENT

For a better presentation of the business trend, Arcandor compares three complete quarters of the current period (October 2007 to June 2008) of Thomas Cook Group plc with three complete quarters of the previous year (October 2006 to June 2007) as if Thomas Cook Group plc had already existed in its present form at that point in time. The results for the October of the respective financial year were calculated by Arcandor as the difference between the whole year result and the cumulated September figures of Thomas Cook Group plc. The October numbers of each year contain the usual year end bookings/adjustments and have not been readjusted for this pro forma exercise.

The following pro forma consolidated income statement shows the earnings situation of the Arcandor Group on a comparable basis including Thomas Cook with a period presentation adjusted to the other segments of the Group (9 months presentation). In this process, Thomas Cook is consolidated for the comparable reporting period in the retail segments – from October 1 to June 30 of the respective year.

Here depreciation and amortization for the period from October 1, 2006 to June 30, 2007 was adjusted for non-recurring impairment. Depreciation and amortization for the October 1, 2007 to June 30, 2008 period do not include any fair value adjustments in the context of the acquisition of MyTravel Group plc and the further 50% stake in Thomas Cook AG.

Pro forma consolidated income statement

for the period between October 1, 2007 and June 30, 2008

Amounts shown in mill. €	01.10.2007 -30.06.2008	01.10.2006 -30.06.2007	Change in %
Sales	13,802.4	14,188.4	-2.7
<i>Sales (adjusted)</i>	13,527.7	13,675.9	-1.1
Cost of sales and expenses for tourism services	-8,879.5	-9,563.6	7.2
Gross income	4,922.9	4,624.8	6.4
Operating income and expenses	-2,855.9	-2,580.4	-10.7
Staff costs	-2,173.8	-2,256.7	3.7
EBITDA	-106.8	-212.3	49.7
<i>EBITDA (adjusted)</i>	150.7	45.4	-
<i>EBITDA margin in % (adjusted)</i>	1.1	0.3	-
Depreciation and amortization (not including goodwill)	-245.8	-263.9	6.9
Amortization of goodwill	-	-12.3	-
EBIT	-352.6	-488.5	27.8

THE OPERATING SEGMENTS

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THOMAS COOK

Adjusted EBITDA grows in local currency by 12%

In the period between April and June 2008, sales of the tourism company in local currency totaled 2.16 bill. GBP, up 4.8% year-on-year (previous year: 2.06 bill. GBP). On the other hand, translated into Euro, Thomas Cook posted a 10.2% sales decline to 2.73 bill. €. This decline relates to currency effects, with there also being the impact of the targeted capacity reduction in the core markets.

Thomas Cook again posted a strong quarter in operating terms. In local currency (GBP), adjusted EBITDA totaled 78.3 mill. GBP (70.0 mill. GBP in the previous year), increasing by approximately 12%. Translated into Euro, adjusted EBITDA rose year-on-year by approximately 4% to 104 mill. € (previous year: 100 mill. €). This earnings upturn was achieved despite expenses to hedge fuel costs.

In the first three months of the current financial year, Thomas Cook has already increased adjusted EBITDA by 153 mill. € to 104 mill. €. Effective capital management which resulted in unprofitable sales being reduced on a consistent basis was a factor contributing to higher margins and thus improved return on sales. The higher-than-expected synergies in the acquisition of MyTravel also positively impacted the result.

Acquisitions strengthen market position in Canada and France

Thomas Cook is pursuing its expansion strategy with two important acquisitions in Canada and France.

Key figures

		Quarter I - III			Quarter III		
		01.10.2007 -30.06.2008	01.10.2006 -30.06.2007	Change	01.04.2008 -30.06.2008	01.04.2007 -30.06.2007	Change
Sales*	mill. €	6,941.2	7,285.2	in % -4.7	2,733.8	3,044.4	in % -10.2
<i>in local currency</i>	mill. £	5,269.3	4,915.6	in % 7.2	2,164.9	2,064.8	in % 4.8
Earnings*							
EBITDA (adjusted)	mill. €	103.7	-49.1	mill. € 152.9	103.5	99.8	mill. € 3.7
EBITDA margin (adjusted)	in %	1.5	-0.7	in % -	3.8	3.3	in % -
EBITDA							
<i>in local currency</i>	mill. £	78.9	-26.4	mill. £ 105.3	78.3	70.0	mill. £ 8.3
Full-time employees at the balance sheet date	number	30,321	31,743	in % -4.5	30,321	31,743	in % -4.5

* On a like-for-like pro forma basis.

In Canada Thomas Cook has acquired TriWest Travel Holdings Limited (Montreal) a leading independent travel wholesaler. TriWest operates the brands Fun Sun (tour operator) and Intair (airline consolidator). With this acquisition Thomas Cook achieves a leading position on the Canadian market in the independent travel segment, at the same time considerably increasing its customer reach and the product range. Thomas Cook expects annual synergies exceeding 5 mill. GBP.

Thomas Cook has also acquired the French premium tour operator Jet Tours S.A. (Paris) from Club Med. The tour operator services some 270,000 guests a year in France. Its most important brands include Jet Tours, Club Eldorado and Austral Lagons. The combination of Jet Tours and Thomas Cook France, already the largest travel retailer in the country, will form the third largest tour operator with a combined market share of around 10%. The Jet Tours product portfolio is an excellent addition to what Thomas Cook already provides. In addition, annual synergies exceeding 7 mill. GBP are expected.

After the approval of the antitrust authorities, the two transactions were closed on August 4, 2008.

Oil price and exchange rate risks hedged

To secure protection against fluctuations of the price of crude oil and fuel, Thomas Cook hedges its fuel requirements 18 to 24 months in advance. Thus crude oil is fully hedged and kerosene 93% hedged for the rest of the current 2007/2008 financial year via finance instruments. For the 2008/2009 financial year, 92% of crude oil have already been secured. In addition, Thomas Cook has concluded hedging instruments which allow the company to participate even when oil prices fall.

To manage risks for currency movements, Thomas Cook also hedges its foreign currency requirements for a period of 18 to 24 months. For the remainder of the current financial year, foreign currency requirements have been fully hedged. For the 2008/2009 financial year, 86% of US dollar requirements have already been covered and 85% of Euro requirements.

Share buyback program continued

In the third quarter of the financial year, Thomas Cook Group plc continued its share buyback program. As of July 10, 2008, 72,501,384 share had been acquired since the program started. Parallel to this, Thomas Cook bought back Arcandor shares pro rata, so that Arcandor's stake in Thomas Cook Group plc did not change in any material fashion as a result of the buyback program. After the end of the quarter, Thomas Cook temporarily suspended the program. Due to possible options for the future of the Condor airline, Thomas Cook disposes of price-relevant information which does not allow trading in own shares until further notice.

Financial scope secured

In order to achieve a more efficient structuring of its financing, especially in relation to further acquisitions, the Thomas Cook Group plc has concluded a new credit facility of 1.8 bill. €. This replaces existing facilities and includes revolving and credit lines with a fixed duration of three years for cash drawings and guarantees.

Manny Fontenla-Novoa appointed to Arcandor Management Board

Manny Fontenla-Novoa, CEO at Thomas Cook Group plc, was appointed as a member of the Arcandor AG Management Board effective from April 23, 2008.

Strategic options for Condor

On July 11, 2008, Thomas Cook and Air Berlin cancelled their agreement to transfer Condor Flugdienst GmbH to Air Berlin plc. At the same time, the application to the German Competition Authority for approval of the merger of Air Berlin and Condor was withdrawn. The reason for this decision was the considerable change in economic conditions since the contract was concluded in September 2007. Condor is a strong, profitable company with great potential. Currently various strategic options are being examined intensively.

Outlook: Expectations for the current financial year will be met

The Thomas Cook Management Board remains confident that the business will meet its expectations for the current financial year. The summer business in 2008 is strong in the main tourism markets despite challenging conditions. Average sales prices and margins were increased. Early bookings were promising for the Winter 2008/2009 season in Great Britain and Northern Europe – the markets in which the travel brochures appear first.

In strategic terms, Thomas Cook has a focus on improving results in mainstream tour operating, on extending the independent travel business and travel-related financial services and on investments in emerging markets.

The current business trend and the synergies generated by the merger with MyTravel of at least 200 mill. € offer a solid foundation to achieve an EBITA before non-recurring factors exceeding 480 mill. GBP in the 2009/2010 financial year. At today's exchange rates, this implies an EBITDA before non-recurring factors of more than 800 mill. €.

PRIMONDO

Successful realignment: Double-digit sales increase

The strategic realignment has taken Primondo onto a sustained and profitable growth track. In the third quarter of the 2007/2008 financial year, adjusted sales again developed well, rising 14.3% to 1.01 bill. € (previous year: 0.89 € bill). For the first nine months of the current financial year, Primondo thus posted adjusted sales of 3.33 bill. € (previous year: 3.04 bill. €), a considerable upturn of approximately 10%.

In the third quarter, Primondo again benefited from its strategic growth areas of e-commerce, the Quelle international business (plus 31.7%), Specialty Mail Order (plus 7.3%) and HSE24. Quelle further expanded its strong position in Central Eastern Europe. The specialty mail order companies grew in Germany and internationally while maintaining strong profitability. Teleshopping developed very successfully. An optimized product policy combined with a further improvement in services and customer loyalty measures generated a sales upturn of 8.9% on good earnings. Since June 2007, HSE24 has been a 100% subsidiary of Primondo and is moving to the best business year in the history of the company. In the whole Primondo portfolio, it is only the catalogue and store business of Quelle in Germany which is not posting growth. The reason for this is considerably darkened consumer sentiment in Germany. Even though Quelle in Germany developed better than the competition, the high growth rates in e-commerce did not completely compensate declining sales in the Quelle catalog business. In the third quarter, Quelle made further progress in operating terms, improving important key ratios. The active ratio increased by 5% and the number of customers with individual orders by 10%. This has created a sound starting position for the Fall/Winter season.

Key figures*

		Quarter I - III			Quarter III		
		01.10.2007 -30.06.2008	01.10.2006 -30.06.2007	Change	01.04.2008 -30.06.2008	01.04.2007 -30.06.2007	Change
Sales (adjusted)	mill. €	3,332.6	3,036.7	in % 9.7	1,011.2	885.0	in % 14.3
Earnings							
EBITDA (adjusted)	mill. €	37.7	-17.4	mill. € 55.1	0.2	-18.3	mill. € 18.5
EBITDA margin (adjusted)	in %	1.1	-0.6	in % -	0.0	-2.1	in % -
Full-time employees at the balance sheet date	number	15,739	16,343	in % -3.7	15,739	16,343	in % -3.7

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

In the third quarter, adjusted EBITDA was plus 0.2 mill. €, up year-on-year by 18.5 mill. € (previous year: minus 18.3 mill. €). Adjusted EBITDA in the first nine months of the 2007/2008 financial year increased by 55.1 mill. € to plus 37.7 mill. € (previous year: minus 17.4 mill. €).

Quelle with focus on e-commerce

Quelle is rigorously transforming itself from a classical catalog-based mail order company to a modern homeshopping-provider with a clear alignment to e-commerce as a growth engine. With an upturn trend, the Internet currently generates over 40% of total demand. In May 2008, to the start of its “Samba” marketing campaign, Quelle posted a new online record for one day with roughly 35,000 online orders. This means an order via Internet every 2.5 seconds on average.

With the current growth momentum in e-commerce being maintained, in a few years, Quelle will generate two thirds of its sales via Internet. The market presence, but also internal flows, processes and structures have been increasingly aligned to expanding the electronic medium, thus advancing the growth of the entire company. Within the context of successful cross-selling, the catalogues, the over-the-counter business and teleshopping supplement the growing online offer, provide regular buying impulses and direct customers to the quelle.de portal. As multi-channel provider, Quelle already gains more than half of its new customers via the Internet. After the pure-play online providers – eBay and Amazon – in terms of reach Quelle with some 50 million visitors per month since the beginning of 2007 is the No. 3 in German e-commerce. The objective for the next few years is to move up to become the leading Internet shopping center with an independent range and a comprehensive selection of brand products. To do this quelle.de is being upgraded on an ongoing basis, with new formats such as live shopping, considerably intensified online advertising and a rigorous extension of the product range. The number of articles which can be ordered will be increased from the current figure of over 700,000 to a million by the end of the year.

As a result of the strong market position in e-commerce and high awareness levels, Quelle is an attractive distribution partner, especially for well known brand manufacturers (including Mexx, Tom Tailor, s.Oliver and Esprit). Quelle will expand its brand presence further. This year it plans to integrate approximately 20 new partners on its purchasing platform.

Quelle is “Germany’s most customer-oriented service provider in 2008”

Investments in customer service and high internal quality standards were key factors in Quelle being awarded the top prize in the “Germany’s most customer-oriented service provider in 2008” competition in May 2008. Over 100 German companies participated in the competition, taking part in a complex selection and assessment procedure lasting several months. Criteria included customer orientation of the staff, an assessment of the advice given and service quality provided as well as communication with customers.

Specialty Mail Order reinforces internationalization

The focus of Primondo Specialty Mail Order on the three growth segments “Communities”, “Golden Ager” and “Premium” is showing the desired positive effect. In these three segments, which are supplemented with targeted acquisitions, with its twelve specialty mail order companies Primondo in Europe is growing on a profitable basis inside and outside Germany. Successful concepts are systematically transferred to new markets, thus opening up further growth potential. For example, in the reporting quarter, Hess Natur, the specialist in the area of ecological women’s and children’s clothing wear operating only in German-speaking markets concluded the preparation for the market entry in the USA. At the same time, Hess Natur took under contract as creative director, Miguel Adover, the internationally renowned fashion designer. The company will initially sell its products from Summer 2008 in the USA via the online-shop hess-natur.com, before the American catalogue appears in the Fall.

High growth momentum in Russia and Central Eastern Europe

Quelle further expanded its strong position in Central Eastern Europe, again posting a double-digit sales upturn. The eleven country companies are either the No. 1 or No. 2 in the markets, and by far the leaders in e-commerce. Quelle generated above-average growth rates in Rumania, Estonia, Poland and in Slovakia. To the end of the 2008, Ukraine, another attractive market, will be opened up. Quelle is planning a considerable expansion of homeshopping activities across the whole region. Quelle Russia is generating an outstanding performance, outperforming expectations. Sales more than doubled. The country companies in Austria and Switzerland also posted a strong quarter, achieving an above-average rise in sales.

Primondo Service Group again competitive

After developing state-of-the art customer centers in Berlin and Magdeburg, in June 2008, the third service center in Cottbus also commenced operations. This investment concludes on schedule the reorganization and restructuring of the entire Service Group started at the beginning of 2007. Thanks to competitive logistics and customer centers, Primondo can now again offer all services in modern homeshopping, both in business terms and at high quality.

Outlook

Primondo is accelerating the realignment of Quelle Germany as the leading Internet department store by the rigorous alignment of all distribution channels and product ranges to e-commerce as the leading channel. In all its business, Primondo is also strongly pushing digital distribution channels (Internet, teleshopping), the expansion in the growth markets of Central Eastern Europe and further growth in specialty mail order. Due to ongoing consumer doldrums in Germany, Primondo is not currently anticipating any positive impulses from the Universal Mail Order market. For this reason, additional cost reductions will be necessary.

KARSTADT

Sales trend better than the market, but slightly decreasing

In the third quarter of the 2007/2008 financial year, Karstadt continued vigorously implementing its new business model and its trading-up strategy and developed better than the market in terms of sales. This shows that the new business model can assert its position, even in the current phase of a clouded economic environment in Germany.

Adjusted sales at Karstadt amounted to 886.9 mill. € in the third quarter of the current financial year (previous year: 904.0 mill. €). In view of the large-scale branch conversions and the discontinuation of sales in the Book unit, the 1.9% sales downturn was moderate. In the third quarter, some 4% of the sales space in the Karstadt department stores were temporarily impaired by conversions to implement the new business model. In addition, the year-on-year comparison was negatively impacted by the Easter business, because in the current year, the strong sales days of the Easter business fell in the second quarter.

Earnings down considerably as a result of cost increases

Adjusted EBITDA in the third quarter totaled minus 50.9 mill. € (previous year: minus 8.4 mill. €). This increases the loss in comparison to the previous year by 42.5 mill. €. Key factors for the considerable earnings downturn were the worsened overall conditions in general and the strong upturn in costs in particular. The cost increases observed in many parts of the company are largely the result of higher inflation rates: For this reason, the primary objective is to reduce the cost basis considerably. The new Karstadt management has decided on an efficiency program to relieve the cost structure considerably. Work has already begun on implementation. Provisions have been made for the expected costs of the program.

Key figures*

		Quarter I - III			Quarter III		
		01.10.2007 -30.06.2008	01.10.2006 -30.06.2007	Change	01.04.2008 -30.06.2008	01.04.2007 -30.06.2007	Change
Sales (adjusted)							
Core department store	mill. €	2,636.2	2,749.1	in % -4.1	725.3	740.1	in % -2.0
Karstadt sports	mill. €	187.9	191.5	in % -1.9	65.8	62.9	in % 4.6
Segment total ¹⁾	mill. €	3,147.4	3,274.0	in % -3.9	886.9	904.0	in % -1.9
Gross transaction value	mill. €	3,661.3	3,775.9	in % -3.0	1,042.5	1,063.6	in % -2.0
Earnings							
EBITDA (adjusted)	mill. €	62.3	146.9	mill. € -84.6	-50.9	-8.4	mill. € -42.5
EBITDA margin (adjusted)	in %	2.0	4.5	in % -	-5.7	-0.9	in % -
Full-time employees at the balance sheet date	number	23,345	24,320	in % -4.0	23,345	24,320	in % -4.0

* The figures have been adjusted. The adjustments apply to special factors and divestments as well as restructuring expenses in EBITDA.

¹⁾ Including Karstadt fine food and LeBuffet.

Over the first three quarters of the 2007/2008 financial year, Karstadt generated a positive adjusted EBITDA of 62.3 mill. €.

A success of the realignment is the steady reduction in working capital. In the third quarter it was reduced by 12.4 mill. € year-on-year to 422 mill. €, primarily due to the further reduction of inventories.

Realignment advances - new stores opened, integration of brand shops

One of the signs of the further implementation of the new business model is the pending new store openings in Duisburg (new construction) and Hamburg Mönckebergstraße (complete makeover). Both stores are to open in September 2008. After the successful opening of the Karstadt store on Limbecker Platz in Essen, further sales impulses are expected from the conversions which have been implemented at these stores.

Parallel to this, brands generating strong demand are being integrated vigorously on the basis of own brand stores. Most of the planned 2,000 brand shops planned for the 2007/2008 financial year (e.g. Gerry Weber, Lacoste and s.Oliver) have already been established in the Karstadt department stores and have posted a good development.

Other information

		30.06.2008	30.06.2007
Branches			
Premium	number	4	4
Karstadt			
Boulevard Plus	number	72*	62
Boulevard	number	15*	25
Department stores	number	91	91
Karstadt sports	number	29	29
Project branches	number	8	9
Total	number	128	129
Sales space			
Group-operated space	th. sq. m.	1,595.9	1,603.2

* As a result of a considerably improved operating trend, ten Boulevard stores were integrated into the Boulevard Plus format.

Premium Group expands range of international luxury brands

In the third quarter, the Karstadt Premium Group was upgraded by taking up additional luxury brands in two stores. In KaDeWe conversions were made on 6,000 sq. m. The luxury area on the ground floor was extended with new tenants such as Prada and Chopard. In the upper floors, the new stops established included Cavalli, Jil Sander and Gant. In the Munich Oberpollinger Premium store, approximately 5,000 sq. m. were redesigned. On the ground floor new tenants included Louis Vuitton, Prada, Gucci and Ferragamo with their own shops.

Karstadt strengthens fashion expertise

Karstadt underlined its fashion expertise with a new concept in the last quarter: In its “concept by” exclusive brand shops, Karstadt presents trendy designer collections from the well-known top Berlin designer Kostas Murkudis on an exclusive basis. A further designer label was launched in the Spring in 20 top Karstadt stores: Kaviar Gauche, the winning label of the first Karstadt New Generation Awards, awarded by Karstadt at the Berlin Fashion Week.

Karstadt also grows with sports and e-commerce

In the third quarter, Karstadt sports posted a sales upturn of 4.6%. A major contribution was made especially by the five sports stores generating the strongest sales (in Hamburg, Bremen, Hanover, Munich and Berlin) which were repositioned on the market in March 2008, after extensive conversion work. The expansion of the ranges in the sports fashion area impacted the sales trend positively.

karstadt.de increased by 30% in the third quarter. Particularly decisive was the higher conversion rate, i.e. the ratio of visitors at karstadt.de who made an order to the total number of visitors on the home page. This positive trend was achieved on the back of the systematic expansion of the product range, optimized marketing and customer-friendly navigation.

Sales passed on to partners on a targeted basis

In the context of the realignment, Karstadt has divided the department store range into three groups: Profiling, core and supplementary ranges. The profiling and core ranges form the focus of the Karstadt range policy. Here Karstadt has traditionally had a high level of expertise (e.g. with fashion). These product ranges have been consistently optimized and extended. With the supplementary ranges (e.g. book), this systematic implementation of the realignment resulted in sales being passed on to partners. Karstadt deliberately relinquishes own sales if the product ranges can be operated in a more appealing manner for Karstadt customers, while at the same time being profitable through the resulting rental income. In the third quarter, gross trans-

action value at the Karstadt department stores moved in line with own sales. On March 26, 2008, the German Competition Authority approved the Karstadt book departments being managed by Hugendubel/Weltbild. The new partner is making good progress in setting up the planned 40 book stores it is to manage in the Karstadt department stores. The partnership with Germany's largest Apple distribution partner is being taken up positively by Karstadt customers.

Stefan Herzberg new Chairman

Since August 1, 2008, Stefan W. Herzberg, previously Management Board member at Karstadt Warenhaus GmbH responsible for Sales, has become Chairman of the Management Board. As a recognized department store expert, Stefan Herzberg will rigorously pursue the strategic and operating realignment at Karstadt. He succeeds Peter Wolf, who resigned the Chairmanship to July 31, 2008, to address new business challenges.

Also to August 1, 2008, Dr. Thomas Toepfer, previously head of Group Controlling at Arcandor AG, took responsibility for the Finances area in the Karstadt Management Board. He succeeds Jan-Christoph Maiwaldt who resigned to July 31, 2008. In the course of the realignment of the company, since August 1, 2008, Marco Schöner has been responsible in the management team for the new Purchasing Hardware area. Heinz Thünemann, the member of the management team responsible for Purchasing, assumed the new area Purchasing Fashion as of August 1, 2008.

The management team at Karstadt Warenhaus GmbH is now as follows: Stefan W. Herzberg (CEO), Dr. Thomas Toepfer (CFO), Dr. Emmanuel Siregar (Human Resources and Organization), Marco Schöner (Purchasing Hardware) und Heinz Thünemann (Purchasing Fashion). Dr. Peter Diesch, member of the Arcandor AG Management Board, has been Chairman of the Karstadt Warenhaus GmbH Supervisory Board since August 1, 2008.

Outlook - rigorous further implementation of the new business model

The Karstadt realignment will be vigorously pursued even after the change of the top management. The objective is the further consolidation of market leadership in Germany and a considerable reduction of the cost basis. Accordingly the management reacted to the recent unsatisfactory earnings trend with an efficiency program. Its key objectives are reducing costs, pushing sales and maintaining earnings. The rigorous implementation of the program has already started.

INTERIM GROUP MANAGEMENT REPORT

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GENERAL ECONOMIC CONDITIONS

After the gross domestic product in Germany increased by 1.7% in real terms in the fourth quarter of 2007 and the first quarter of 2008, a slight decline is anticipated for the second quarter of 2008. According to the economic forecast published by the Ifo Institut in June 2008, overall production will continue to gain somewhat over the rest of 2008, although the momentum of the economic trend will tend weaker. Key muting factors are the cooling of the global economy and higher energy costs.

Between October 2007 and May 2008 (no more recent figures are available), retail sales in the narrow sense (excluding motor vehicle sales, pharmacies and gas stations) posted a slight nominal year-on-year rise of 0.2% according to calculations from the Federal German Statistics Office. In this time it was particularly specialty mail order, supermarkets and food discount stores which posted above-average performance.

In June 2008, the World Tourism Barometer forecast relative stability for international vacation travel across the tourism market. The UNO World Tourism Organization expects that the outlook for international tourism will remain positive and anticipates rising demand. With a medium-term horizon, solid annual growth of approximately 4% is forecast.

For the German mail order market, the Federal German Statistics Office calculated a nominal year-on-year sales downturn of 0.8% for the period between October 2007 and May 2008.

In the October 2007 to May 2008 period, department stores posted a nominal minus of 2.6%. June 2008 with its weak sales trend is not included in these figures.

According to the economic forecast of the Ifo Institut, higher wages, monetary social benefits and income on investments should result in real disposable income rising by 0.5% in 2008. Real private spending is forecast to increase by 0.5% and at 11.1% the savings ratio is set to be somewhat higher than in 2007. Overall, the forecast is for real gross domestic product increasing by 2.4% in 2008. In 2009, the forecast upturn is 1.0%.

BUSINESS PERFORMANCE IN THE FIRST NINE MONTHS OF THE 2007/2008 FINANCIAL YEAR

Significant events

Primondo sells NeBus to Andlinger & Company

In October 2007, the NeBus Group was sold to the investment and management group Andlinger & Company. The NeBus Group, which is domiciled in the Netherlands, is a specialist provider of customer retention and sales incentive programs in its home country as well as in Belgium, Germany, France, Italy, the Czech Republic, Switzerland, Slovakia and Spain. The transaction was closed in October 2007.

Sale of 51 % interest in neckermann.de

In a further measure, Arcandor AG entered into an agreement on the sale of 51 % of the shares of neckermann.de on December 21, 2007. The buyer is the financial investor Sun Capital Partners, Florida/U.S. The operational management of neckermann.de was transferred to the new majority shareholder as planned. The agreement was closed in March 2008.

Convertible bonds

On December 27, 2007, Arcandor AG exercised the option right to discharge the convertible bond. All the outstanding 1,585 convertible bonds were converted. As a result subscribed capital rose by 23.6 mill. € and the Arcandor AG capital reserve increased by 50.7 mill. €.

Acquisition of Hotels4U.com Limited

On February 14, 2008, the Thomas Cook Group plc closed a purchase agreement with Centurion Holiday Group Limited on the acquisition of a 100 % stake in the hotel room provider Hotels4U.com Limited. Hotels4U.com Limited operates the largest independent hotel portal in the U.K.

Acquisition of Thomas Cook Egypt, Thomas Cook (India) Limited and brand licenses

With a contract dated March 7, 2008, Thomas Cook Group plc acquired full ownership in Thomas Cook Egypt, brand licenses for 15 countries in the Near East as well as a 54.9 % stake in the listed Thomas Cook (India) Limited from the Dubai Financial Group. On June 20, 2008, Thomas Cook Group plc acquired a further 1.4 % in Thomas Cook (India) Limited. In connection with the acquisition of the stake in Thomas Cook (India) Limited, a public takeover offer for the acquisition of a further 20 % in the company was made, a stake of 19.08 % of which was confirmed by the Reserve Bank on India on July 4, 2008. The contracts for the acquisition of Thomas Cook Egypt and the brand licenses had not been closed as of June 30, 2008.

Primondo sells Mode & Preis to AURELIUS

On March 7, 2008, the specialty mail order company Mode & Preis Versandhandels GmbH and its subsidiaries in Slovakia, Slovenia, the Czech Republic and Switzerland were sold to the AURELIUS AG industry holding. The transaction was closed on May 5, 2008.

Thomas Cook share buyback program

On March 12, 2008, at an extraordinary general meeting, the shareholders of the Thomas Cook Group plc resolved a share buyback program totaling 375 mill. €. In the context of this program, Thomas Cook plc will acquire own shares. Parallel to the acquisition of own shares on the stock exchange, own shares will be bought back by Arcandor AG on a pro rata basis. To the reporting date, a total of 48,962,222 shares at an overall price of 165.2 mill. € were acquired by Thomas Cook Group plc. The program was suspended on July 11, 2008 until further notice, as Thomas Cook is in an advanced stage of negotiations on possible options for Condor.

Sale of 49% interest in Highstreet

On March 19, 2008, Arcandor AG sold its 49% stake in the Highstreet real estate company. The buyer is a consortium made up of RREEF Alternative Investments, Pirelli Real Estate, Generali Real Estate Fund S.A. and the Borletti Group.

Acquisition of Elegant Resorts Limited

On April 7, 2008, Thomas Cook Group plc acquired Elegant Resorts Limited, the British luxury travel operator. The acquisition was financed from liquid funds and targets expanding business with independent travel. Elegant Resorts Limited is market leader of luxury travel in Great Britain.

Group financing

On May 15, 2008, the Senior Facility Agreement agreed on June 12, 2007 was extended with Facility F. The additional revolving facility for 150 mill. € had a duration to July 31, 2008. Within the quarter, Facilities C and D were also extended at adjusted interest rates. On May 23, 2008, Thomas Cook concluded a new credit facility of 1.8 bill. €, of which a facility of 200 mill. € is reserved for guarantee performance in connection with possible customer claims (“bonding”). The loan with the duration of three years replaces the existing facility and alongside the bonding facility is divided into three annually revolving facilities. Of this total amount, 320 mill. € are available only in the case of a disposal of Condor, while the remainder is available for general purposes, acquisitions and the share buyback program.

Acquisition of Jet Tours

On June 8, 2008, Thomas Cook made a binding offer to acquire Jet Tours S.A., Paris, France. In connection with the planned acquisition, an exclusive agreement was also concluded with the current owner of the tour operator, Club Med. Jet Tours S.A. is a premium tour operator with some 270,000 guests a year. It owns such brands as Jet Tours, Club Eldorado and Austral Lagon. The contracts were closed on August 4, 2008, after approval from the antitrust authorities.

Acquisition of TriWest

On June 9, 2008, Thomas Cook concluded an agreement on the acquisition of TriWest Travel Holdings Limited, Montreal, Canada, a leading independent tour operator with a focus on the North American travel business. The contracts were closed on August 4, 2008 after approval from the antitrust authorities.

Call option

On June 25, 2008, Arcandor AG concluded a hedging transaction to secure the convertible bond based on the Thomas Cook share (see “Important events after the balance sheet date”). The premium for the call option on 52,105,373 Thomas Cook shares was 34,544,242 GBP.

Continuing and discontinued operations

In 2006, the Arcandor Group announced the planned sale of its neckermann.de and Quelle Region West (France, Spain and Belgium) divisions, as well as some non-core specialty mail order operations and various mail order-related service companies. In accordance with IFRS 5, the results of the neckermann.de and Quelle Region West divisions and the Specialty Mail Order companies no longer forming part of the Group’s core business were only reported under “Results from discontinued operations” in the income statements for 2006, 2007 and 2007/2008. In addition

to discontinued operations, non-current assets and liabilities classified as disposal groups and held-for-sale non-current assets are reported under “Assets classified as held for sale” and “Liabilities relating to assets classified as held for sale” in the balance sheet.

The criteria for the classification of non-current assets, disposal groups and discontinued operations are assessed at each reporting date.

In the course of the restructuring of the Primondo segment, the NeBus Group was sold to the investment and management group Andlinger & Company in October 2007, the majority in the Neckermann Group to the financial investor Sun Capital Partners in December 2007, and the specialty mail order company Mode & Preis to the industry holding AURELIUS AG in March 2008. There were no material changes against the previous year in addition to the scheduled disposals implemented.

Resolution on the composition of the Supervisory Board

On April 23, 2008, the Arcandor AG Annual General Meeting elected the following persons to the Arcandor AG Supervisory Board for the period to the end of the Annual General Meeting which resolves on the discharge for the fourth financial year after the commencement of the period of office: Hero Brahms (Chairman), Wiesbaden, Udo Behrenwaldt, Hofheim, Leo Herl, Fürth-Dambach, Ulrich Hocker, Düsseldorf, Prof. Dr. h. c. Karlheinz Hornung, Munich, Dr. Hans Reischl, Cologne, Juergen Schreiber, Toronto, Canada, Michael Stammeler, Bad Homburg, Dr. Klaus Zumwinkel, Cologne, and Prof. Dr. Utho Creusen, Ingolstadt.

Dr. Helmut Merkel, Niedernhausen, and Walther Schmidt-Lademann, Munich, were elected as substitute members.

With the end of the Annual General Meeting on April 23, 2008, the period of office commenced for the ten members of the Supervisory Board elected by the employees on January 11, 2008. These are Andrea Beslmeisl, Roth, Peter Erb, Arnsberg, Rüdiger Merz, Nackenheim, Margret Mönig-Raane, Berlin, Hellmut Patzelt (Vice Chairman), Fulda, Wilfried Reinhard, Oberursel, Christa Schubert, Herten, Ernst Sindel, Nuremberg, Walter Strasheim-Weitz, Butzbach, and Gertrud Toppel-Kluth, Berlin.

Authorization to acquire and deploy Treasury shares

The Annual General Meeting of Arcandor AG on April 23, 2008, authorized the Management Board up to October 22, 2009, to acquire own shares at a proportionate amount of up to ten percent of the share capital or, if less, at the amount of the current authorization of the share capital at the time of exercise for any permitted purpose. The acquisition may take place via the stock exchange, on the basis of a public purchase offering to all shareholders or on the basis of a public invitation to all shareholders to making a selling offer.

The Management Board was also authorized to deploy the own shares acquired on the basis of the above authorization, in some cases with the approval of the Supervisory Board, for various purposes. This relates particularly to the sale of shares, the acquisition of companies and servicing warrant and/or convertible bonds. On this item of the agenda, the Management Board provided a written report on the exclusion of subscription rights.

Composition of the Management Board

At its meeting on April 23, 2008, the Supervisory Board appointed Manny Fontenla-Novoa, Chief Executive Officer of Thomas Cook Group plc, as a new member of the Arcandor AG Management Board. Marc Sommer was appointed as Vice Chairman of the Arcandor AG Management Board.

Sales and earnings performance

In addition to the separate disclosure of discontinued operations and non-current assets classified as held for sale/disposal groups, the figures for the 2006/2007, 2007 and 2007/2008 periods were impacted by non-recurring factors relating to the restructuring and reorientation of the Arcandor Group, the change to the reporting date of September 30 and various transactions (in particular the acquisition of the 50% stake in Thomas Cook from Deutsche Lufthansa AG and the merger of Thomas Cook with MyTravel).

For a better presentation of the sales and earnings performance, the period between October 1, 2006 and June 30, 2007 has been used as the comparable period for the first nine months of the 2007/2008 financial year.

As a result of the change in the annual reporting date at Thomas Cook Group plc to the groupwide date of September 30, the income and expenses of Thomas Cook for the interim financial statements as of June 30, 2008 are consolidated for the eight months period from November 1, 2007 to June 30, 2008. In the comparative period of the third quarter ending on June 30, 2007, the income and expenses of Thomas Cook are consolidated pro forma (100% Thomas Cook and 100% MyTravel) for the comparable period from November 1, 2006 to June 30, 2007.

These pro forma figures are used only for the presentation of the sales and earnings performance.

SALES PERFORMANCE

Adjusted sales by business segment

Amounts shown in mill. €	Quarter I - III			Quarter III		
	01.10.2007 -30.06.2008	01.10.2006 -30.06.2007	Change in %	01.04.2008 -30.06.2008	01.04.2007 -30.06.2007	Change in %
Thomas Cook	6,044.7 ¹⁾	6,344.7 ²⁾	-4.7	2,733.8	3,044.4	-10.2
Primondo	3,332.6	3,036.7	9.7	1,011.2	885.0	14.3
Karstadt	3,147.4	3,274.0	-3.9	886.9	904.0	-1.9
Operating segments	12,524.7	12,655.4	-1.0	4,631.9	4,833.4	-4.2
Services	166.7	214.6	-	42.0	69.8	-
Reconciliation	-60.2	-134.6	-	-16.3	-45.6	-
	12,631.2	12,735.4	-0.8	4,657.6	4,857.6	-4.1

¹⁾ Period: November 1, 2007 to June 30, 2008

²⁾ Pro forma period: November 1, 2006 to June 30, 2007

In the third quarter of 2007/2008, adjusted sales for the operating segments decreased by 4.2% from 4.83 bill. € to 4.63 bill. €. In the first nine months of the 2007/2008 financial year, adjusted sales in the Arcandor Group moved down marginally overall by 0.8% from 12.74 bill. € in the previous year to 12.63 bill. €.

In the third quarter of 2007/2008, **Thomas Cook** sales at 2.73 bill. € were 10.2% down year-on-year due largely to currency-related reasons. Adjusted for currency effects, capacity reductions and the shift of the Easter period, sales were at the level of the previous year.

In the nine months reporting period from October 1 to June 30, Thomas Cook Group plc was consolidated only for the eight months period from November 1 to June 30. In the first nine months of the 2007/2008 financial year, sales at 6.04 bill. € were 4.7% down on the comparable figure of the previous year. However, after elimination of the negative effects from the translation of the British pound, sales were at the level of the previous year.

In Great Britain and Ireland, the planned capacity reduction for the Winter 2007/2008 season resulted in a slight bookings downturn. Bookings for the Summer 2008 season also declined in comparison to the previous year due to reduced capacity. However, with capacity being reduced and the related concentration on higher-margin products, the average sales prices and thus the average margin were increased. As of now, bookings for the 2008/2009 Winter Season and the 2009 Summer season have been positive.

In Northern Europe, there was strong demand for the Winter 2007/2008 season. Bookings and capacity in the mass-market each increased by 7.0%, with the average sale prices up by more than 8.0% against the previous year. In the mass business for the Summer 2008 season bookings were up 2.0% while average sales prices rose by 10.0%. The booking situation for the 2008/2009 Winter Season has been positive so far.

In Continental Europe, for the Winter 2007/2008 season booking figures and capacity also declined slightly against the previous year. At the same time, the average sales price across the period was increased, resulting in a higher margin. For the Summer 2008 season, bookings were slightly higher than the previous year, even though average prices had been increased.

For the Winter 2007/2008 season, the passenger load factor in the Airlines segment increased by 4.0% year-on-year. Capacity and bookings for the Summer 2008 season declined by approximately 9.0%. However, as a result of capacity being reduced slightly more, a better return was generated.

In the third quarter of the 2007/2008 financial year, **Primondo** increased adjusted sales from 885.0 mill. € to 1.01 bill. €, thus continuing the positive trend. This represents 14.3% year-on-year

growth. In the first nine months of the 2007/2008 financial year, adjusted sales totaled 3.33 bill. € (previous year: 3.04 bill. €), an increase of 9.7%. The main drivers of this development were e-commerce, the Quelle country companies in Central Eastern Europe, the acquisition HSE24 and specialty mail order.

In the first nine months of the 2007/2008 financial year, the specialty mail order companies posted a sales upturn of 8.4%. It was particularly the Walz Group and Peter Hahn which contributed to this result, with sales growth of 12.3% and 8.7% respectively. In the third quarter of the 2007/2008 financial year, international business in the Quelle Group generated sales growth of 31.7% supported by targeted advertising campaigns. Sales rose particularly sharply in Russia (where sales in the third quarter more than doubled), Romania (plus 46.6%) and Estonia (plus 30.0%).

Sales for Universal Mail Order Germany lagged behind those of the previous year. High growth in e-commerce did not completely compensate the sales decline for the catalog business. However, Quelle improved the number of active customers by 5% and access to those making individual orders by 10%, thus improving the starting position for the Fall/Winter season. In homeshopping HSE24 generated sales of 81.1 mill. € in the third quarter of the 2007/2008 financial year. Key factors driving the sales upturn were the optimized new product policy combined with improved services and customer loyalty measures.

At **Karstadt** sales in the third quarter of the 2007/2008 financial year were impacted by the large-scale branch conversions, the time the Easter business occurred and the moderate consumer spending propensity. In the third quarter of 2007/2008, Karstadt achieved adjusted sales of 886.9 mill. €. This represents 1.9% year-on-year decline in sales. In the first nine months of the 2007/2008 financial year, sales totaled 3.15 bill. € (previous year: 3.27 bill. €).

The trend at Karstadt sports in the third quarter of 2007/2008 was positive, with growth of 4.6%. Underpinned by the expansion of the range, Karstadt.de posted sales growth of 30.0%.

At the Premium Group, the development in the third quarter was negatively impacted by taking up new luxury brands and the resulting conversion work. At Boulevard Plus and the smaller Boulevard stores, moderate consumer spending propensity and conversion has a slightly negative impact on the sales trend in the third quarter of the 2007/2008 financial year.

Non-recurring factors and adjustments: Sales of the first nine months of the 2007/2008 financial year include adjustments of 274.7 mill. € (previous year: 512.6 mill. €). In the reporting period, sales of 94.8 mill. € (previous year: 175.8 mill. €) were corrected for disinvestments and closures in the Primondo segment (Happy Size, thirty and more, servicelogiQ und Fox-Markt). In the current period, Karstadt recorded sales adjustments of 152.8 mill. € (previous year: 326.4 mill. €), largely for wholesale sales, closures and project stores. Due to the disposal of the real estate, sales in the Real Estate segment in the amount of 117.1 mill. € (previous year: 126.3 mill. €) were eliminated in full. Sales in the Thomas Cook and Services segments were not adjusted in the reporting period.

EARNINGS PERFORMANCE

EBITDA adjusted by segments

Amounts shown in mill. €	Quarter I - III			Quarter III		
	01.10.2007 -30.06.2008	01.10.2006 -30.06.2007	Change in mill. €	01.04.2008 -30.06.2008	01.04.2007 -30.06.2007	Change in mill. €
Thomas Cook	-7.6 ¹⁾	-134.5 ²⁾	126.9	103.5	99.8	3.7
Primondo	37.7	-17.4	55.1	0.2	-18.3	18.5
Karstadt	62.3	146.9	-84.6	-50.9	-8.4	-42.5
Operating segments	92.4	-5.0	97.4	52.8	73.1	-20.3
Other segments ²⁾ , Reconciliation account/Holding	-53.0	-35.0	-18.0	-16.4	-23.9	7.5
	39.4	-40.0	79.4	36.4	49.2	-12.8

¹⁾ Period: November 1, 2007 to June 30, 2008

²⁾ Pro forma period: November 1, 2006 to June 30, 2007

³⁾ The other segments comprise: Services and Real estate.

In the third quarter of 2007/2008, adjusted EBITDA for the **operating segments** decreased by 20.3 mill. € from 73.1 mill. € to 52.8 mill. €. In the first nine months of the 2007/2008 financial year, adjusted EBITDA was plus 39.4 mill. € overall (previous year: minus 40.0 mill. €).

In the third quarter of 2007/2008, in the **Thomas Cook** segment adjusted EBITDA was 103.5 mill. €, a year-on-year improvement of 3.7 mill. €.

In the nine months reporting period from October 1 to June 30, Thomas Cook Group plc was consolidated only for the eight months period from November 1 to June 30. In the first nine months of the 2007/2008 financial year, adjusted EBITDA of the

Tourism segment was minus 7.6 mill. €, up year-on-year by 126.9 mill. €. The key factor driving this upturn was the higher gross income in connection with the focus on higher-margin sales. But successes from the integration of Thomas Cook and MyTravel also contributed to this result.

In the third quarter of 2007/2008, **Primondo** increased adjusted EBITDA by 18.5 mill. € to a slightly positive result. In the first nine months of the 2007/2008 financial year, adjusted EBITDA was improved from minus 17.4 mill. € by 55.1 mill. € to plus 37.7 mill. €. The considerable increase is due primarily to the earnings upturn at the Quelle Group. HSE24, the homeshopping channel, also make a contribution to this improvement. Furthermore, for the first nine months of the 2007/2008 financial year Universal Mail Order Germany improved its result by more than 42 mill. €. With adjusted EBITDA of 13.7 mill. €, international activities at Quelle also achieved an improvement of adjusted EBITDA for the reporting period.

On the back of rising sales, Primondo improved gross income and margin, especially due to the changed product mix. Thus for the first nine months of the 2007/2008 financial year, the gross margin reached 51.9% (previous year: 49.1%). On the other hand the expiry of the collective agreement for the restructuring process resulted in slightly higher staff costs.

In the third quarter of 2007/2008, the year-on-year earnings trend at **Karstadt** was negative. For the third quarter, adjusted EBIDTA for the segment totaled minus 50.9 mill. € (previous year: minus 8.4 mill. €). In the first nine months of the 2007/2008 financial year, adjusted EBIDTA totaled 62.3 mill. € (previous year: 146.9 mill. €).

The result in the third quarter was negatively impacted by the extra charges from the conversion of the enterprise resource planning system, the expiry of the restructuring labour agreement and as a result of cost increases following on from the more difficult general conditions.

To relieve the cost structure, the management decided on an efficiency program and started implementation. Some provision has already been made on the balance sheet for the costs of the program.

In addition, the anniversary and sales tax effects of the previous year combined with the scheduled implementation of the conversions of the Karstadt department stores and some sales space being thus temporarily unavailable negatively impacted earnings in a year-on-year comparison. Also additional charges resulting from the inflation driven price increase for operating costs had a negative impact on earnings.

Despite the increase in sales tax, the gross margin was widened by 1.1 percentage points to 43.4% for the first nine months of the 2007/2008 financial year. Here concentration on more profitable consumer areas was a key factor positively impacting the margin.

The improved results within the Premium Group was not offset by the negative trend in the Boulevard plus and Boulevard stores due to the sales downturn.

Non-recurring factors and adjustments: In the first nine months of the 2007/2008 financial year, restructuring and the implementation of realignment measures generated non-recurring effects of 193.5 mill. € (previous year: 232.0 mill. €). At Thomas Cook there were adjustments for redundancy payments and other restructuring costs of 59.3 mill. € (previous year: ¹⁾ 98.0 mill. €). In the Primondo segment, corrections were made for restructuring and closure expenses of 32.6 mill. € in the reporting year (previous year: 188.7 mill. €). At Karstadt, eliminations of 62.5 mill. € were made in the current period (previous year: 23.9 mill. €). These resulted from staff costs, closure costs and other restructuring expenses. ²⁾ Corrections of 39.1 mill. € (previous year: 78.6 mill. €) were made for restructuring from the result of Other segments, Reconciliation account and Holding.

¹⁾ Deleted: Income of

²⁾ Deleted: In the first half of the 2007/2008 financial year

Comments on the consolidated income statement

Preliminary remarks

Due to the shift of the financial year to the common date of September 30 across the Group, Thomas Cook Group plc also prepared interim financial statements as of June 30, 2008. Thus the conversion to a uniform reporting period from a Group perspective was completed as was the case in the first two quarters of 2007/2008. In this context, the Thomas Cook Group was consolidated in the current period and the given comparative periods as follows:

In the nine months period of the 2007/2008 financial year which ended on June 30, 2008, the Thomas Cook Group plc was consolidated with an income statement for the eight months period from November 1, 2007 to June 30, 2008. In the third quarter of the 2007/2008 financial year, the Thomas Cook Group plc was consolidated with an income statement for the three months period from April 1, 2008 to June 30, 2008.

In the nine months comparative period of the preceding year ending on September 30, 2007, the Thomas Cook AG income statement was 50% consolidated for the five months period from November 1, 2006 to April 1, 2007 and fully consolidated for the seven months period from April 2, 2007 to October 31, 2007. Since June 19, 2007 MyTravel plc was fully consolidated with its figures for the period ending on October 31, 2007. The consolidation in the third comparative quarter of the previous period also took place in the same way.

Due to the changes in the Group structure described above and the consolidation of periods with different seasonality, comparison of the period is de facto not possible and for this reason also not useful.

Abbreviated consolidated income statement

Amounts shown in mill. €	Quarter I - III			Quarter III		
	01.10.2007 -30.06.2008	01.01.2007 -30.09.2007	Change in %	01.04.2008 -30.06.2008	01.07.2007 -30.09.2007	Change in %
Sales	12,905.9	14,594.0	-11.6	4,716.5	7,467.2	-36.8
Cost of sales and expenses for tourism services	-8,276.9	-9,638.6	14.1	-3,122.0	-4,994.1	37.5
Gross income	4,629.0	4,955.5	-6.6	1,594.5	2,473.1	-35.5
Gross income margin in %	35.87	33.96	-	33.81	33.12	-
Operating income	562.1	1,595.7	-64.8	179.9	1,143.5	-84.3
Operating expenses	-3,336.3	-3,225.9	-3.4	-1,101.4	-1,283.6	14.2
Staff costs	-2,010.5	-2,162.6	7.0	-716.4	-930.9	23.0
Share of sales in %	15.58	14.82	-	15.19	12.47	-
Net interest income	-208.6	-137.7	-51.5	-74.9	-54.3	-38.1
Tax on income	212.6	-260.1	181.7	83.0	-407.2	120.4
Results from continuing operations	-455.9	399.6	-214.1	-123.4	699.5	-117.6
Results from discontinued operations	-32.6	-264.4	87.7	0.4	-255.9	100.2
Net profit attributable to minority interests	113.5	-118.9	195.5	3.7	-146.8	102.5
Net profit/loss after minority interests	-374.9	16.3	-	-119.3	296.8	-140.2

Notes

Thus for the first nine months of the 2007/2008 financial year, the gross margin was 35.9% (previous year: 34.0%). The strategic decision to take a positioning on higher-margin sales impacted positively on the gross margin of all segments.

In the first nine months of the 2007 financial year, operating income amounted to 562.1 mill. € (previous year: 1.60 bill. €). This development is due primarily to income from the reversal of intercompany profits in connection with the disposal of real estate assets of 911.4 mill. € in the third quarter of the previous year.

In the first nine months of the 2007 financial year, operating expenses amounted to 3.34 bill. € (previous year: 3.23 bill. €). As a ratio of sales, the figure was 25.9% (previous year: 22.1%). In addition to the full consolidation of Thomas Cook Group plc results, the key driver for the level of operating expenses was lower restructuring expenses.

Staff costs in the period under review amounted to 2.01 bill. € (previous year: 2.16 bill. €). Staff costs include costs of partial retirement arrangements and redundancy payments amounting to 22.2 mill. € (previous year: 67.0 mill. €). The overall development of staff costs in the period between October 1, 2007 and June 30, 2008 was impacted primarily by the increase in the number of employees in connection with the merger of Thomas Cook and MyTravel. The staff costs ratio in the first nine months of the 2007/2008 financial year was 15.6% (previous year: 14.8%).

The net interest result of minus 208.6 mill. € (previous year: minus 137.7 mill. €) is largely due to financing the acquisition of the Thomas Cook stake and balancing short-term financing peaks.

Taxes on income in the first nine months of the 2007/2008 financial year amounted to tax income of 212.6 mill. € (previous year: tax expenses of 260.1 mill. €). Taxes on income result predominantly from the reform of corporation taxes in Germany in 2008 and from the higher international share resulting from the consolidation of Thomas Cook Group plc.

In the first nine months of the 2007/2008 financial year, the result for continuing operations was minus 455.9 mill. € (previous year: plus 399.6 mill. €).

In the reporting period, results from discontinued operations mainly included income and expenses of the Neckermann Group and in the previous year also the income and expenses for the Quelle Region West and the specialty mail order companies which are not part of the core business whose disposal was resolved in the fourth quarter of the 2006 calendar year. By March 31, 2008, all companies in discontinued operations had already been sold. In the first nine months of the 2007/2008 financial year, results from discontinued operations was minus 32.6 mill. € (previous year: minus 264.4 mill. €).

In the first nine months of the 2007/2008 financial year, the Arcandor Group reported overall consolidated earnings after minority interests in the amount of minus 374.9 mill. € (previous year: plus 16.3 mill. €).

Investments and financing

Investments by segment*

Amounts shown in mill. €	Quarter I - III			Quarter III		
	01.10.2007 -30.06.2008	01.01.2007 -30.09.2007	Change in %	01.04.2008 -30.06.2008	01.07.2007 -30.09.2007	Change in %
Thomas Cook	101.6	93.0	9.2	53.0	52.0	1.9
Primondo	67.7	91.5	-26.0	14.4	43.4	-66.8
Karstadt	75.6	62.3	21.3	21.9	29.0	-24.5
Operating segments	244.9	246.8	-0.8	89.3	124.4	-28.2
Other segments	4.1	5.2	-21.2	1.9	1.7	11.8
Holding	0.3	3.0	-90.0	0.1	0.2	-50.0
	249.3	255.0	-2.2	91.3	126.3	-27.7

* Investments in intangible assets (not including goodwill) and tangible fixed assets.

Depreciation and amortization (not including amortization of goodwill)

Amounts shown in mill. €	Quarter I - III			Quarter III		
	01.10.2007 -30.06.2008	01.01.2007 -30.09.2007	Change in %	01.04.2008 -30.06.2008	01.07.2007 -30.09.2007	Change in %
Thomas Cook	196.3	243.5	-19.4	67.2	180.5	-62.8
Primondo	51.5	49.0	5.1	14.8	27.8	-46.8
Karstadt	65.4	75.3	-13.1	22.1	26.4	-16.3
Operating segments	313.2	367.8	-14.8	104.1	234.7	-55.6
Other segments	10.5	19.3	-45.6	3.5	3.6	-2.8
Holding/Reconciliation	1.7	1.9	-	0.5	0.7	-
	325.4	389.0	-16.3	108.1	239.0	-54.8

Investments total 249.3 mill. €

The investment volume in the Arcandor Group in the first nine months of the 2007/2008 financial year (excluding financial assets) totaled 249.3 mill. € (previous year: 255.0 mill. €).

At Thomas Cook key investments were in adjustments and developing the IT systems. Investments were also made in aircraft (general inspections) and technology to a lesser extent. Capital expenditure totaled 101.6 mill. € (previous year: 93.0 mill. €).

Depreciation and amortization of the Thomas Cook segment also include amortization of the fair value adjustments of the purchase price allocation. The considerable decline in amortization and depreciation in comparison to the previous year is due largely to the expiry of amortization on intangible assets (e.g. customer base) and to a lesser extent to price effects.

In the first nine months of the 2007/2008 financial year, Primondo invested 67.7 mill. € (previous year: 91.5 mill. €), primarily in the continued development of systems and to a lesser extent in the infrastructure of mail-order related service companies. Due to the restructuring measures being predominantly completed, investments in the second and third quarters of the 2007/2008 financial year declined year-on-year.

In the third quarter of the short 2007 financial year, due to the fact that the intention to dispose the mail-order related service companies was discontinued, amortization on their non-current assets was subsequently undertaken. This resulted in considerably higher amortization volume in the third quarter of the previous year. In relation to the first nine months of the 2007/2008 financial year, this effect was largely compensated by impairment on the assets held for sale of MultiBus Aktiengesellschaft Gesellschaft für Verbundmarketing, Filderstadt, of 6.1 mill. €.

Investments in the Karstadt segment in the amount of 75.6 mill. € (previous year: 62.3 mill. €) related primarily to product presentation and store modernization measures. Thus in March 2008 the Limbecker Platz shopping mall in Essen was opened. As anchor tenant, Karstadt operates a department store. Further investments were also made in the FORWARD enterprise resource planning system and other IT systems.

Declining depreciation and amortization at Karstadt is due primarily to the expiry of depreciation for leasehold improvements.

NET FINANCIAL LIABILITIES

Amounts shown in mill. €	30.06.2008	30.09.2007	Change in %
Non-current financial liabilities	907.2	1,204.0	-24.7
thereof from discontinued operations	0.0	13.0	-
Current financial liabilities	1,959.8	1,276.7	53.5
thereof from discontinued operations	0.0	0.5	-
Gross financial liabilities	2,867.0	2,480.7	15.6
Cash & cash equivalents and securities	1,136.4	1,516.4	-25.1
thereof from discontinued operations	1.4	10.7	-86.9
Other financial instruments*	204.2	335.4	-39.1
thereof from discontinued operations	0.0	4.6	-
Net financial liabilities	1,526.4	628.9	142.7

* Other financial instruments include purchase price receivables and issued loans.

Net financial liabilities of the Arcandor Group amounted to 1.53 bill. € at the reporting date (September 30, 2007: 628.9 mill. €). Decisive for the increase in net financial liabilities were the share buyback program and the acquisitions (e.g. Hotels4U.com Limited, Thomas Cook (India) Limited and Elegant Resorts Limited) at Thomas Cook which reduced the cash and cash equivalents position. In addition to cover short-term financing peaks, further amounts were drawn from the syndicated credit facilities. A contrary effect was generated from exercising the option right to discharge the convertible bond by delivering shares in December 2007.

The Arcandor Group defines net financial liabilities as the balance of interest-bearing liabilities, other financial instruments, securities and cash and cash equivalents. This does not include silent partnerships under the terms of contractual trust arrangements (CTA) which are reported under other liabilities, as the interest from these partnerships is profit-based and they are available to the relevant beneficiaries among the Group's employees.

CASH FLOW STATEMENT

abridged

Amounts shown in mill. €	01.10.2007 -30.06.2008	01.01.2007 -30.09.2007
Cash flow from operating activities	-82.2	14.5
Cash flow from investing activities	-340.8	-352.0
Cash flow from financing activities	165.1	334.7
Changes in cash and cash equivalents affecting cash flow	-257.9	-2.8
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	-21.6	-14.7
Cash and cash equivalents at the beginning of the period	1,149.7	1,167.2
Cash and cash equivalents at the end of the period	870.2	1,149.7

In the first nine months of the 2007/2008 financial year, cash flow from operating activities was minus 82.2 mill. €. Cash flow from operating activities was negatively impacted by the negative operating result due to seasonal fluctuations and the utilization of

provisions for restructuring effects. With slightly lower inventories and trade receivables, the change of working capital is due largely to the seasonal increase in trade payables in the Tourism segment.

In the first nine months of the 2007/2008 financial year, cash flow from investing activities was minus 340.8 mill. €. Cash inflow

in the amount of 46.2 mill. € was offset by investments in intangible assets and property, plant and equipment in the amount of 258.0 mill. €. In addition, 217.6 mill. € was paid for acquiring subsidiaries. The sale of current securities generated proceeds of 100.8 mill. €.

Cash flow from financing activities of 165.1 mill. € was largely due to assuming loans.

Asset and capital structure

BALANCE SHEET STRUCTURE

Amounts shown in mill. €	30.06.2008	30.09.2007	Change in %	30.06.2008 in %	30.09.2007 in %
Balance sheet total	14,653.6	14,210.0	3.1	100.00	100.00
Assets					
Intangible and tangible assets	6,349.5	6,395.4	-0.7	43.33	45.01
Other non-current assets	1,922.8	1,406.8	36.7	13.12	9.90
Inventories	1,258.1	1,288.7	-2.4	8.59	9.07
Trade receivables	702.4	685.9	2.4	4.79	4.83
Other current assets	3,778.7	3,229.2	17.0	25.79	22.72
Assets classified as held for sale	642.1	1,204.0	-46.7	4.38	8.47
Equity and liabilities					
Equity	2,053.4	2,478.1	-17.1	14.01	17.44
Pension provisions	973.8	1,024.6	-5.0	6.65	7.21
Non-current financial liabilities	907.2	1,191.0	-23.8	6.19	8.38
Other non-current liabilities	1,976.8	1,977.2	0.0	13.49	13.91
Current financial liabilities	1,959.2	1,276.2	53.5	13.37	8.98
Trade payables	2,690.9	2,671.1	0.7	18.36	18.80
Other current liabilities	4,079.3	3,011.7	35.4	27.84	21.20
Liabilities relating to assets classified as held for sale	13.0	580.1	-97.8	0.09	4.08

In comparison to the end of the short 2007 financial year, total assets in the Arcandor Group rose by 3.1 % to 14.65 bill. € (September 30, 2007: 14.21 bill. €). This is due particularly to concluding financial instruments for hedging currency and fuel

transactions and the seasonal increase of advance payments received in the Thomas Cook segment. Total assets were mainly reduced by the disposal of the Neckermann Group in the second quarter of the 2007/2008 financial year.

Assets

Non-current assets amounted to 8.27 bill. € at the balance sheet date (September 30, 2007: 7.80 bill. €). The 6.0% increase is due primarily to the measurement of currency and fuel hedging transactions at fair value and the capitalization of the 49% stake in the Neckermann Holding B.V., Hulst, The Netherlands (Neckermann Group). Additions to intangible assets (particularly goodwill) in connection with the acquisitions of Hotels4U.com Limited, Thomas Cook (India) Limited and Elegant Resorts Limited by Thomas Cook Group plc were compensated for by negative translation differences (particularly GBP/EUR) for capitalized intangible assets (goodwill, trademarks, customer bases, order books and other intangible assets).

Current assets increased by 535.3 mill. € to 5.74 bill. € (September 30, 2007: 5.20 bill. €). The increase resulted largely from the currency and fuel hedging transactions most of which were concluded in the third quarter of the 2007/2008 financial year and which were reported at fair value combined with the seasonal increase in advance payments made to hotels in the Thomas Cook segment. A contrary effect resulted from payments made by Thomas Cook Group plc to acquire Hotels4U.com Limited, Thomas Cook (India) Limited, Elegant Resorts Limited and the share buyback program.

The reduction in assets classified as held for sale is due to the disposals of the Neckermann Group, the NeBus Group and the Mode & Preis Group.

Equity and liabilities

Equity amounted to 2.05 bill. € at the balance sheet date (September 30, 2007: 2.48 bill. €). As against September 30, 2007, the equity ratio declined to 14.0%. Equity as of June 30, 2008

was negatively impacted primarily due to negative differences resulting from foreign current translation (GBP/EUR) and the negative result in the Tourism segment typical for the first nine months of the financial year. Equity as of June 30, 2008 contains additions of 74.3 mill. € from exercising the option right to discharge the convertible bond.

In comparison to September 30, 2007, non-current liabilities (including pension provisions) declined by 8.0%, while current liabilities increased by 25.4%. A key factor reducing the non-current financial liabilities was exercising the option right to discharge the convertible bond. The increase of current financial liabilities is due mainly to the seasonal increase in payments received in the Thomas Cook segment and a further utilization of the credit facility. The reduction in liabilities related to assets classified as held for sale is due to the disposals of the Neckermann Group, the NeBus Group and the Mode & Preis Group.

WORKING CAPITAL

Amounts shown in mill. €	30.06.2008	30.09.2007	Change in %
Inventories	1,258.1	1,288.7	-2.4
Trade receivables ¹⁾	915.5	932.4	-1.8
Trade payables ²⁾	-2,882.7	-2,788.6	3.4
	-709.1	-567.5	25.0

¹⁾ Including non-current trade receivables.

²⁾ Including non-current trade payables.

At the balance sheet date, working capital totaled minus 709.1 mill. € (September 30, 2007: minus 567.5 mill. €). This development was driven by the seasonal increase in trade payables in the Tourism segment together with slightly lower inventories and trade receivables.

Employees

Full-time employees at the balance-sheet date*

Number	30.06.2008	30.09.2007	Change in %
Thomas Cook	30,321	29,070 ¹⁾	4.3
Primondo	15,739	16,837	-6.5
Karstadt	23,345	24,304	-3.9
Operating segments	69,405	70,211	-1.1
Other segments	314	426	-26.3
Total	69,719	70,637	-1.3

* Including trainees, excluding discontinued operations.

¹⁾ Balance sheet date October 31, 2007.

In the operating segments, the number of full-time equivalents declined against September 30, 2007 by 806 to 69,405. This equates to a 1.1 % decline. Overall, to the reporting date, the number of full-time equivalents declined by 918.

The collective agreements entered into with the works councils and the ver.di union for the restructuring of Primondo and Karstadt Warenhaus GmbH expired on December 31, 2007 as planned. The costs incurred as a result of these agreements were planned at an early stage and neutralized by way of corresponding measures where possible.

Risk report

The risk report analyses and discusses the “material” risks and “risks requiring monitoring” that are currently identifiable within the Arcandor Group. This is done in an abbreviated form in comparison to the Risk Report published in the Group Annual Report for the short 2007 financial year. It was prepared on the basis of the legal Group structure at the reporting date. For a more detailed presentation, please refer to the Annual Report as of September 30, 2007.

The Group wide and uniform risk management system creates a basis for the implementation of measures aimed at preventing or minimizing risk which the Arcandor Group is subject to in its business segments. The timely monitoring of economic and strategic targets is ensured through standardized key indicators for income, expenses and strategy. The Group’s medium-term strategic and financial planning is based on an annual process with a three-year planning horizon. All operational business units independently manage the risks arising in their own area of responsibility, providing that this is not cumulated within the Group.

The Arcandor Group and its business units have taken varied measures aligned specifically to the respective risks suitable for limiting or preventing these risks. The individual measures are shown in detail in the Annual Report of the Arcandor Group as of September 30, 2007. The business risks of the Arcandor Group consist of risks resulting from the general economic situation and industry risks, risks relating to the realignment of the business segments and restructuring, finance risks, litigation risks, IT risks and tax risks.

In respect to the general economic situation and industry risks, risks in connection with terror, war, environmental disasters and specific domestic demand have become more important as a result of the strategic realignment of the Arcandor Group and the resulting further internationalization and stronger weighting of tourism. There are also risks in the lack of availability of goods. Errors in macro-economic forecasts can result in incorrect planning targets on sales, results or operating cash flow.

The realignment of business fields and their restructuring naturally brings with it risks from complex integration processes e.g. the merger of Thomas Cook and MyTravel, which can also impact on the targets and assumptions on which the planning is based.

Financial risks relate especially to interest rate and currency risks, particularly in view of the further internationalization of the Group activities and rights of termination by lenders should financial covenants not be observed. There are also risks in optimizing and

securing the necessary liquidity requirements in the case of financing peaks during the year which are cushioned by the extension of short-term credit facilities. With the issue of the convertible bond on July 11, 2008, part of the available short-term funds were financed on a longer-term basis. The Arcandor Group is currently negotiating on further restructuring of Group financing with the objective of increasing the share of funds available on a longer-term basis.

There are tax risks from possible repayments of taxes as a result of external tax audits and from unplanned tax payments due to changes in legislation and court rulings.

In addition, risks result from those financial instruments which the Group uses to limit other financial risks. These relate primarily to transactions in order to hedge currency and price risks and to hedge the fuel price risk at Thomas Cook for the current flight timetable. Financial risks also include risks from balance sheet measurements, e.g. of intangible assets if business performance does not develop as planned or of receivables against the background of the counterparty credit assessment.

As at June 30, 2008, the Arcandor Group was not subject to any material litigation risks. IT risks exist to the extent that all central delivery and service processes in the Arcandor Group are provided largely with IT support. The outage of the technologies used can result in data loss or disruptions of the process flows. As a result of the growing importance of e-commerce, dependency on functioning Internet platforms is also rising.

In comparison to the 2007 Annual Report, the changes to the individual risks as of June 30, 2008 result largely from the ongoing realization of disinvestments (Neckermann, Highstreet, Mode & Preis and MultiBus) and the resulting structuring of short-term credit facilities. In addition, the additional risks resulting from the convertible bond of the price of the Thomas Cook share and the exchange rate of the British pound are largely cushioned by the relevant hedging measures.

In the context of its divestments, the Arcandor Group, as the former owner of SinnLeffers, Wehmeyer and Hertie, has had to retain collateral provided for rental obligations prior to the disposals. In addition, it assumed some services and the delivery of goods for these companies. The Group is assuming based on current information that the risks that could potentially arise from the difficult economic situation at these companies could lie in the lower to mid-eight figure range.

Report on expected developments

The opportunities for the future development of the Arcandor Group are provided in particular by the performance of its operating segments.

The **Thomas Cook** management expects that the expectations of the current financial year will be met. Despite exacerbated general conditions, the summer business in 2008 was good. Early bookings for the Winter 2008/2009 season have been very promising in the markets of Great Britain and Northern Europe.

Due to the consumer doldrums prevailing in Germany, **Primondo** does not anticipate positive impulses from Universal Mail Order market. For this reason further cost reductions will be necessary. Furthermore Primondo is accelerating the conversion of Quelle Germany to become the leading Internet department store with the vigorous alignment of all distribution channels and product ranges to the leading channel – e-commerce. In addition, in all its businesses Primondo is more strongly pushing digital distribution channels (Internet, homeshopping), expansion in the growth markets of Central Eastern Europe and further growth in specialty mail order.

Even after the change at the top of the company, the realignment of **Karstadt** will be continued vigorously, with the objectives being expanding the market leadership in German and a considerable reduction of the cost basis. The management is thus reacting to the recent unsatisfactory earnings trend with an efficiency program, targeting primarily cost reduction, but also pushing revenues and securing profits. Work has already started on the consistent implementation of the program.

Parallel to operating improvements, the Arcandor management will actively advance market consolidation in its core business areas. In all of our segments, there are a wide range of options allowing us to increase the value of the Arcandor Group through targeted M&A activities.

On the basis of the solid operating development at Thomas Cook and Primondo and on account of the high visibility of earnings development for the fourth quarter, the Arcandor Group is still of the opinion that it will achieve its goal of adjusted operating EBITDA of more than 800 mill. €. However, due to the overall economic decline and the earnings decrease at Karstadt the tightness to achieve this objective in the fourth quarter of the financial year has increased.

Report on post-balance sheet date events

On July 11, 2008, Thomas Cook Group plc and AirBerlin plc informed the German Competition Authority that they were withdrawing their application for the merger of the Group airline Condor with AirBerlin planned for 2009/2010 due to the considerable change in general economic conditions since the agreement was concluded. The contractual agreement on the acquisition of Condor concluded in September 2007 on the basis of a share swap was terminated by mutual agreement. Thomas Cook is now examining a series of options for its Condor airline.

The share buyback program approved at an extraordinary general meeting of Thomas Cook plc on March 12, 2008, was suspended

for legal reasons until further notice on July 11, 2008. This is due to the fact that negotiations at Thomas Cook are at an advanced stage in respect to possible options for Condor.

On July 11, 2008 Arcandor AG issued a non-subordinate unsecured bond with conversion rights in Thomas Cook Group plc shares. The issue volume was 275 mill. € with a duration of five years. The issue price and repayment price at maturity is 100% of the nominal amount. In the case of exchange, Arcandor may settle the bonds in shares and/or cash. On June 25, 2008, the Arcandor AG Management Board approved the issue, with the approval of the Supervisory Board.

From July 18, 2008, Arcandor AG announced that Peter Wolf, member of the Arcandor AG Management Board and Chairman of the Karstadt Warenhaus GmbH Management Board, resigned his offices to July 31, 2008. Stefan W. Herzberg, Management Board member at Karstadt Warenhaus GmbH responsible for Sales becomes Chairman of the Karstadt Warenhaus GmbH Management Board. Dr. Peter Diesch, CFO of Arcandor AG assumed responsibility for over-the-counter retail in the Arcandor Board of Management in addition to his current duties.

On July 28, 2008, the disposal of the Highstreet Joint Venture GbR was concluded. The 49% stake in the property company was taken over by the consortium consisting of RREEF Alternative Investments, Pirelli Real Estate, Generali Real Estate Fund S.A. and the Borletti Group. The proceeds from this transaction were used for restructuring the existing financing. In the context of this restructuring Facilities C and D of the credit line were completed repaid and Facility F extended at short notice.

The Arcandor Group, as the former owner of SinnLeffers, Wehmer and Hertie, has had to retain collateral provided for rental obligations in connection with the disposals. In addition, it assumed some services and the delivery of goods for these companies. The Group is assuming based on current information that the risks that could potentially arise from the difficult economic situation at these companies could lie in the lower to mid-eight figure range.

CONSOLIDATED INTERIM FINANCIAL STATEMENT

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CONSOLIDATED INCOME STATEMENT

for the period between October 1, 2007 and June 30, 2008

Amounts shown in th. €	Quarter I - III			Quarter III		
	01.10.2007 -30.06.2008	01.01.2007 -30.09.2007	Change in %	01.04.2008 -30.06.2008	01.07.2007 -30.09.2007	Change in %
Sales	12,905,878	14,594,024	-11.6	4,716,541	7,467,208	-36.8
Cost of sales and expenses for tourism services	-8,276,870	-9,638,552	14.1	-3,122,049	-4,994,097	37.5
Gross income	4,629,008	4,955,472	-6.6	1,594,492	2,473,111	-35.5
Other capitalized own costs	3,599	28,966	-87.6	1,935	2,205	-12.2
Operating income	562,050	1,595,672	-64.8	179,865	1,143,464	-84.3
Staff costs	-2,010,543	-2,162,595	7.0	-716,397	-930,871	23.0
Operating expenses	-3,336,284	-3,225,860	-3.4	-1,101,430	-1,283,624	14.2
Other taxes	-1,902	-14,062	86.5	2,669	-9,845	127.1
Earnings before interest, tax, depreciation and amortization (EBITDA)	-154,072	1,177,593	-113.1	-38,866	1,394,440	-102.8
Depreciation and amortization (not including amortization of goodwill)	-325,424	-388,955	16.3	-108,142	-238,983	54.7
thereof impairment loss	-6,333	-17,907	64.6	-45	-10,151	99.6
Earnings before interest and tax (EBIT)	-479,496	788,638	-160.8	-147,008	1,155,457	-112.7
Income from investments	22,538	6,226	-	16,055	9,757	64.5
Income from investments in associates	1,545	12,677	-87.8	251	10,119	-97.5
Net interest income	-208,556	-137,704	-51.5	-74,915	-54,255	-38.1
Other financial results	-4,509	-10,147	55.6	-737	-14,317	94.9
Earnings before tax (EBT)	-668,478	659,690	-201.3	-206,354	1,106,761	-118.6
Taxes on income	212,587	-260,124	181.7	82,991	-407,242	120.4
Results from continuing operations	-455,891	399,566	-214.1	-123,363	699,519	-117.6
Results from discontinued operations	-32,570	-264,386	87.7	441	-255,927	100.2
Group results before minority interests	-488,461	135,180	-	-122,922	443,592	-127.7
Profit/loss due to minority interests	113,529	-118,886	195.5	3,664	-146,806	102.5
Group results after minority interests	-374,932	16,294	-	-119,258	296,786	-140.2
Earnings per share (basic) in €	-1.70	0.08	-	-0.55	1.39	-
thereof from continuing operations	-1.55	1.36	-	-0.55	2.59	-
thereof from discontinued operations	-0.15	-1.28	-	0.00	-1.20	-

Important note:

Owing to the differing inclusion of Thomas Cook (acquisition of 50% interest of Deutsche Lufthansa AG in Thomas Cook AG and the acquisition of MyTravel Group plc) and the different periods due to the short financial year, a comparison with the prior-year half year for the period from January 1, 2007 to September 30, 2007 is not possible.

CONSOLIDATED BALANCE SHEET

for the period ended June 30, 2008

ASSETS

Amounts shown in th. €	30.06.2008	30.09.2007*	Change in %
Intangible assets	4,522,189	4,507,666	0.3
Tangible assets	1,827,342	1,887,686	-3.2
Shares in associates	114,766	157,510	-27.1
Other financial assets	507,271	407,631	24.4
thereof securities	12,137	12,643	-4.0
Non-current income tax receivables	5,410	5,410	0.0
Other non-current assets	356,332	159,863	122.9
Deferred taxes	939,056	676,404	38.8
Non-current assets	8,272,366	7,802,170	6.0
Inventories	1,258,085	1,288,746	-2.4
Trade receivables	702,429	685,856	2.4
Current income tax receivables	65,855	54,105	21.7
Other receivables and other assets	2,577,761	1,669,461	54.4
Cash and cash equivalents and securities	1,135,008	1,505,643	-24.6
Current assets	5,739,138	5,203,811	10.3
Assets classified as held for sale	642,087	1,204,040	-46.7
Balance sheet total	14,653,591	14,210,021	3.1

EQUITY AND LIABILITIES

Amounts shown in th. €	30.06.2008	30.09.2007*	Change in %
Subscribed share capital	574,740	551,098	4.3
Reserves	857,493	1,205,783	-28.9
Minority interests	621,150	721,247	-13.9
Equity	2,053,383	2,478,128	-17.1
Non-current financial liabilities	907,214	1,191,000	-23.8
Other non-current liabilities	840,066	1,017,175	-17.4
Pension provisions	973,771	1,024,557	-5.0
Non-current tax liabilities	81,283	81,301	0.0
Other non-current provisions	510,462	474,134	7.7
Deferred taxes	545,024	404,622	34.7
Non-current liabilities	3,857,820	4,192,789	-8.0
Current financial liabilities	1,959,176	1,276,164	53.5
Trade payables	2,690,894	2,671,050	0.7
Current tax liabilities	84,460	118,210	-28.6
Other current liabilities	3,460,649	2,296,858	50.7
Current provisions	534,179	596,770	-10.5
Current liabilities	8,729,358	6,959,052	25.4
Liabilities related to assets classified as held for sale	13,030	580,052	-97.8
Balance sheet total	14,653,591	14,210,021	3.1

* The data has been adjusted.

STATEMENT OF CHANGES IN EQUITY

for the period between October 1, 2007 and June 30, 2008 (previous year: January 1 to September 30, 2007)

Amounts shown in th. €	Revenue reserves							Minority interests	Group equity total
	Subscribed share capital	Additional paid-in capital	Other revenue reserves*	Reserve for intercompany profit and loss elimination	Revaluation reserve	Revaluation reserve for gradual acquisition	Cumulative foreign currency differences		
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	-	-	-	-	-	-	-27,583	-25,793	-53,376
Changes resulting from disposals and the measurement of primary and derivative financial instruments	-	-	-	-	-9,682	-	-	-	-9,682
Fair value measurement in line with IAS 39	-	-	-	-	277,782	-	-	-	277,782
Changes in group of consolidated companies	-	-	-	-	-	-	-	11,252	11,252
Addition from successive acquisition	-	-	-	-	-	258,237	-	-	258,237
Effects from share swap with MyTravel	-	-	427,094	-	-	-	-	610,255	1,037,349
Equity changes without effect for income	-	-	427,094	-	268,100	258,237	-27,583	595,714	1,521,562
Consolidated earnings	-	-	16,294	-	-	-	-	118,886	135,180
Intercompany profit and loss elimination	-	-	-	-548,674	-	-	-	-	-548,674
	-	-	443,388	-548,674	268,100	258,237	-27,583	714,600	1,108,068
Exercise of convertible bond/stock options	22,503	45,548	-	-	-	-	-	-	68,051
Issue of own shares	14,003	127,665	-	-	-	-	-	-	141,668
Dividends	-	-	-	-	-	-	-	-4,426	-4,426
	36,506	173,213	-	-	-	-	-	-4,426	205,293
Closing balance 30.09.2007	551,098	812,843	-80,508	-	252,625	258,237	-37,414	721,247	2,478,128
Opening balance 01.10.2007	551,098	812,843	-80,508	-	252,625	258,237	-37,414	721,247	2,478,128
Differences from foreign currency translation	-	-	-	-	-	-	-130,787	-7,370	-138,157
Changes resulting from disposals and the measurement of primary and derivative financial instruments	-	-	-	-	134,594	-	-	128,786	263,380
Fair value measurement in line with IAS 39	-	-	-	-	-7,550	-	-	-	-7,550
Changes in group of consolidated companies	-	-	-21,733	-	-	-	1,455	-78,380	-98,658
Equity changes without effect for income	-	-	-21,733	-	127,044	-	-129,332	43,036	19,015
Consolidated earnings	-	-	-374,932	-	-	-	-	-113,529	-488,461
	-	-	-396,665	-	127,044	-	-129,332	-70,493	-469,446
Exercise of convertible bond	23,642	50,663	-	-	-	-	-	-	74,305
Dividends	-	-	-	-	-	-	-	-29,604	-29,604
Closing balance 30.06.2008	574,740	863,506	-477,173	-	379,669	258,237	-166,746	621,150	2,053,383

* The data has been adjusted.

CONSOLIDATED CASH FLOW STATEMENT

for the period between October 1, 2007 and June 30, 2008

Amounts shown in th. €	01.10.2007 -30.06.2008	01.01.2007 -30.09.2007*
Group results after minority interests	-374,932	16,294
Profit/loss due to minority interests	-113,529	118,886
Results from discontinued operations	32,570	264,386
Taxes on income	-212,587	260,124
Other financial results	4,509	10,147
Net interest income	208,556	137,704
Participation result (including result from associated companies)	-24,083	-18,903
Depreciation and amortization	325,424	388,955
EBITDA	-154,072	1,177,593
Profit/loss from the disposal of fixed assets	-4,952	-977,536
Profit/loss from foreign currency	-1,021	1,808
Changes in non-current provisions (not including pension and tax provisions)	38,118	122,076
Utilization of/addition to the provision for restructuring effects	-169,426	-87,039
Other expenses/income not affecting cash flow	91,057	-72,822
Changes in working capital	69,436	62,861
Changes in other assets and equity and liabilities	128,977	-137,824
Dividends received	7,759	14,427
Payments/refunds of taxes on income	-88,081	-89,019
Cash flow from operating activities	-82,205	14,525
Cash payments/cash receipts for acquisition of subsidiaries less acquired cash & cash equivalents	-217,592	8,649
Payments received for divestment of subsidiaries less cash & cash equivalents sold	36,320	9,419
Purchase of tangible and intangible assets	-257,972	-254,422
Purchase of investments in non-current financial assets	-53,771	-51,166
Cash receipts from sale of tangible and intangible assets	46,189	255,666
Cash receipts from sale of non-current financial assets	5,130	10,011
Cash payments/cash receipts from the sale/for the purchase of current securities	100,844	-330,162
Cash flow from investing activities	-340,852	-352,005
Free cash flow	-423,057	-337,480
Interest received	49,351	81,059
Interest paid	-186,269	-118,422
Pension payments	-121,347	-82,162
Take-up/reduction of (financial) loans	697,693	536,899
Payments of liabilities due under finance lease	-137,159	-78,199
Cash payments/cash receipts for dividends and share buybacks	-137,126	-4,426
Cash flow from financing activities	165,143	334,749
Changes in cash and cash equivalents affecting cash flow	-257,914	-2,731
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	-21,605	-14,769
Cash and cash equivalents at the beginning of the period ¹⁾	1,149,740	1,167,240
Cash and cash equivalents at the end of the period ¹⁾	870,221	1,149,740
thereof from discontinued operations	1,395	10,740

* The data has been adjusted.

¹⁾ The composition of cash and cash equivalents has been aligned to the definition of IAS 7.7 and corrected pursuant to IAS 8.41. The correction item is reported under Cash payments/cash receipts from the sale/for the purchase of current securities. For the current period, it amounts to plus 100,844 th. € and for the previous year 330,162 th. €.

Important note:

Owing to the differing inclusion of Thomas Cook (acquisition of 50% interest of Deutsche Lufthansa AG in Thomas Cook AG and the acquisition of MyTravel Group plc) and the different periods due to the short financial year, a comparison with the prior-year half year for the period from January 1, 2007 to September 30, 2007 is not possible.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Segment report Quarter I - III

BREAKDOWN BY SEGMENT

Quarter I - III 2007/2008 (01.10.2007 to 30.06.2008)

Previous years period: 01.01.2007 to 30.09.2007)

	Arcandor Konzern		Reconciliation account ¹⁾		Thomas Cook ⁴⁾	
Amounts shown in th. €	01.10.2007 -30.06.2008	01.01.2007 -30.09.2007	01.10.2007 -30.06.2008	01.01.2007 -30.09.2007	01.10.2007 -30.06.2008	01.01.2007 -30.09.2007
Sales	13,644,216	15,525,206	-	-	6,104,034	8,557,194
Interest from lending business	102,370	96,339	-	-	-	-
Internal sales	-840,708	-1,027,521	-150,178	-202,327	-59,316	-109,357
Group sales	12,905,878	14,594,024	-150,178	-202,327	6,044,718	8,447,837
Group sales (adjusted)	12,631,170	14,280,909	-60,236	-110,857	6,044,718	8,447,837
Cost of sales and expenses for tourism services	-8,276,870	-9,638,552	4,602	8,444	-4,724,912	-6,371,317
Gross income	4,629,008	4,955,472	-145,576	-193,883	1,319,806	2,076,520
Other capitalized own costs	3,599	28,966	-	24,476	-	-
Operating income and expenses	-2,774,234	-1,630,188	50,296	79,069	-589,022	-629,085
Staff costs	-2,010,543	-2,162,595	-18,704	-21,855	-793,734	-923,837
Other taxes	-1,902	-14,062	-43	-5,042	-3,901	-5,919
EBITDA	-154,072	1,177,593	-114,027	-117,235	-66,851	517,679
EBITDA (adjusted)	39,380	526,709	-75,263	-71,734	-7,553	708,623
<i>EBITDA margin in % (adjusted)</i>	<i>0.3</i>	<i>3.7</i>	<i>-</i>	<i>-</i>	<i>-0.1</i>	<i>8.4</i>
Depreciation and amortization (not including goodwill)	-325,424	-388,955	-1,755	-1,831	-196,259	-243,510
EBIT	-479,496	788,638	-115,782	-119,066	-263,110	274,169
Income from investments in associates	1,545	12,677	-	-	-2,906	6,259
Earnings from discontinued operations	-32,570	-264,386	-	-	-	-
Segment assets balance sheet date	11,432,276	10,431,342	-89,746	71,271	8,039,634	6,452,572
Segment liabilities balance sheet date	8,118,706	7,165,665	174,808	174,710	5,429,764	3,977,012
Investments ²⁾	249,297	254,950	347	2,998	101,627	92,981
Employees ³⁾ (average) number	85,139	95,501	155	187	31,718	32,938

¹⁾ The reconciliation account also includes the activities of the holding company and Karstadt Finance B. V.

²⁾ Not including additions to finance leases, capitalized restoration liabilities or goodwill.

³⁾ In line with HGB; including trainees and discontinued operations.

⁴⁾ Including Thomas Cook Group plc for the period from November 1, 2007 to June 30, 2008, previous year: Thomas Cook AG is reported for the period from November 1, 2006 to April 1, 2007 at 50% and for the period from April 2, 2007 to October 31, 2007 at 100% and MyTravel plc June 19, 2007 to October 31, 2007 at 100%.

Important note:

Owing to the differing inclusion of Thomas Cook (acquisition of 50% interest of Deutsche Lufthansa AG in Thomas Cook AG and the acquisition of MyTravel Group plc) and the different periods due to the short financial year, a comparison with the prior-year half year for the period from January 1, 2007 to September 30, 2007 is not possible.

Primondo		Karstadt		Services		Real estate	
01.10.2007	01.01.2007	01.10.2007	01.01.2007	01.10.2007	01.01.2007	01.10.2007	01.01.2007
-30.06.2008	-30.09.2007	-30.06.2008	-30.09.2007	-30.06.2008	-30.09.2007	-30.06.2008	-30.09.2007
3,933,864	3,610,036	3,337,421	3,078,627	151,831	179,683	117,066	99,666
87,485	82,440	-	-	14,885	13,899	-	-
-593,989	-687,401	-37,224	-27,719	-1	-717	-	-
3,427,360	3,005,075	3,300,197	3,050,908	166,715	192,865	117,066	99,666
3,332,596	2,889,445	3,147,377	2,861,619	166,715	192,865	-	-
-1,647,801	-1,477,680	-1,869,378	-1,747,184	-39,381	-50,815	-	-
1,779,559	1,527,395	1,430,819	1,303,724	127,334	142,050	117,066	99,666
1,599	2,215	2,000	1,640	-	635	-	-
-1,265,810	-1,108,929	-771,788	-708,979	-108,995	-109,730	-88,915	847,466
-511,893	-519,370	-661,992	-657,739	-23,897	-39,203	-323	-591
1,601	-2,492	763	-48	-5	-1	-317	-560
5,056	-101,181	-198	-61,402	-5,563	-6,249	27,511	945,981
37,673	-72,907	62,288	-34,014	-4,813	-3,631	27,048	372
1.1	-2.5	2.0	-1.2	-2.9	-1.9	-	-
-51,529	-48,979	-65,351	-75,286	-3,012	-4,812	-7,518	-14,537
-46,473	-150,160	-65,549	-136,688	-8,575	-11,061	19,993	931,444
341	41	-	-	3,182	6,439	928	-62
-32,570	-264,386	-	-	-	-	-	-
1,884,256	2,208,639	1,233,379	1,284,780	184,274	176,531	180,479	237,549
1,607,723	1,855,319	628,635	855,827	33,003	41,219	244,773	261,578
67,700	91,533	75,621	62,252	3,980	5,186	22	-
20,827	28,537	32,202	32,986	230	838	7	15

Segment report Quarter III

BREAKDOWN BY SEGMENT

Third quarter 2007/2008 (01.04.2008 bis 30.06.2008)

Previous years period: Third quarter 2007 (01.07.2007 to 30.09.2007)

	Arcandor Konzern		Reconciliation account ¹⁾		Thomas Cook	
	01.04.2008 -30.06.2008	01.07.2007 -30.09.2007	01.04.2008 -30.06.2008	01.07.2007 -30.09.2007	01.04.2008 -30.06.2008	01.07.2007 -30.09.2007*
Amounts shown in th. €						
Sales	4,946,154	7,780,859	-	-	2,762,334	5,431,115
Interest from lending business	36,511	33,326	-	-	-	-
Internal sales	-266,124	-346,977	-45,659	-45,358	-28,562	-73,744
Group sales	4,716,541	7,467,208	-45,659	-45,358	2,733,772	5,357,371
Group sales (adjusted)	4,657,625	7,380,988	-16,236	-20,678	2,733,772	5,357,371
Cost of sales and expenses for tourism services	-3,122,049	-4,994,097	-1,523	816	-2,114,202	-3,880,023
Gross income	1,594,492	2,473,111	-47,182	-44,542	619,570	1,477,348
Other capitalized own costs	1,935	2,205	-	-	-	-
Operating income and expenses	-921,565	-140,160	17,140	-4,912	-232,557	-358,771
Staff costs	-716,397	-930,871	-13,392	-6,721	-311,343	-501,303
Other taxes	2,669	-9,845	-11	-5,015	-1,675	-3,815
EBITDA	-38,866	1,394,440	-43,445	-61,190	73,995	613,459
EBITDA (adjusted)	36,387	649,040	-26,133	-35,465	103,527	722,608
<i>EBITDA margin in % (adjusted)</i>	<i>0.8</i>	<i>0.1</i>	<i>-</i>	<i>-</i>	<i>3.8</i>	<i>13.5</i>
Depreciation and amortization (not including goodwill)	-108,142	-238,983	-510	-630	-67,228	-180,546
EBIT	-147,008	1,155,457	-43,955	-61,820	6,767	432,913
Income from investments in associates	251	10,119	-	-	-169	8,010
Earnings from discontinued operations	441	-255,927	-	-	-	-
Investments ²⁾	91,297	126,324	77	181	52,993	51,984

*1) This previous-year period covers the period from July 1, 2007 to October 31, 2007 (four months).

¹⁾ The reconciliation account also includes the activities of the holding company and Karstadt Finance B. V.

²⁾ Not including additions to finance leases, capitalized restoration liabilities or goodwill.

Important note:

Owing to the differing inclusion of Thomas Cook (acquisition of 50% interest of Deutsche Lufthansa AG in Thomas Cook AG and the acquisition of MyTravel Group plc) and the different periods due to the short financial year, a comparison with the prior-year half year for the period from January 1, 2007 to September 30, 2007 is not possible.

Primondo		Karstadt		Services		Real estate	
01.04.2008 -30.06.2008	01.07.2007 -30.09.2007	01.04.2008 -30.06.2008	01.07.2007 -30.09.2007	01.04.2008 -30.06.2008	01.07.2007 -30.09.2007	01.04.2008 -30.06.2008	01.07.2007 -30.09.2007
1,191,564	1,242,989	923,984	1,037,432	36,914	42,953	31,358	26,370
31,453	28,542	-	-	5,058	4,784	-	-
-185,870	-219,817	-6,033	-8,058	-	-	-	-
1,037,147	1,051,714	917,951	1,029,374	41,972	47,737	31,358	26,370
1,011,216	1,019,547	886,901	977,011	41,972	47,737	-	-
-492,990	-510,836	-503,158	-593,774	-10,176	-10,280	-	-
544,157	540,878	414,793	435,600	31,796	37,457	31,358	26,370
1,263	1,706	672	499	-	-	-	-
-395,132	-361,917	-268,694	-241,554	-29,910	-36,381	-12,412	863,375
-168,326	-203,714	-216,964	-212,078	-6,284	-7,042	-88	-13
4,465	-874	-6	5	3	-1	-107	-145
-13,573	-23,921	-70,199	-17,528	-4,395	-5,967	18,751	889,587
245	-23,240	-50,894	884	-3,570	-5,374	13,212	-10,373
0.0	-2.3	-5.7	0.1	-8.5	-11.3	-	-
-14,811	-27,763	-22,067	-26,442	-1,026	-1,075	-2,500	-2,527
-28,384	-51,684	-92,266	-43,970	-5,421	-7,042	16,251	887,060
143	41	-	-	9	2,303	268	-235
441	-255,927	-	-	-	-	-	-
14,402	43,410	21,873	29,003	1,952	1,746	-	-

Notes to the consolidated interim financial statements

ACCOUNTING

General information

As the controlling company of the Group, Arcandor AG is registered as ARCANDOR Aktiengesellschaft with the Essen District Court, Germany (HRB 1783). The company is domiciled in Essen under the address of Arcandor AG, Theodor-Althoff-Strasse 2, 45133 Essen, Germany.

With its Karstadt and Primondo divisions, Arcandor AG is one of the largest department store and mail order groups in Europe and is also one of the world's largest travel companies with its Thomas Cook tourism division.

Basic of accounting

The interim consolidated financial statements of Arcandor AG as of June 30, 2008 were prepared in accordance with IAS 34 "Interim Financial Reporting". It thus does not contain all information required in accordance with the International Financial Reporting Standards (IFRS) in force at the reporting date and as they are to be applied in the European Union, and the relevant interpretations of the International Accounting Standards Board (IASB). The consolidated interim financial statements represent a financial report as of June 30, 2008 as defined in § 37w of the German Securities Trading Act (WpHG). The interim consolidated financial statements thus contain a consolidated income statement, a consolidated balance sheet, a consolidated cash flow statement and selected explanatory notes as well as an interim consolidated management report.

For the period of the 2007/2008 financial year to June 30, 2008, there were no new standards and interpretations which became mandatory for the first time.

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

As a result of the shift of the Arcandor AG financial year from December 31 to September 30, the third quarter of the new financial year now ends on June 30, 2008. In line with IAS 34.20(a), the balance sheet as of June 30, 2008 is compared to the balance sheet as of September 30, 2007 as comparative period. The balance sheet corresponds both to the directly preceding financial year and also the comparative period of the previous year.

For the income statement IAS 34.20(b) requires the comparison of the third quarter of the current and the immediately preceding financial year. Accordingly, the comparative period of the previous year must be the period from January 1 to September 30, 2007. The period from October 1, 2007 to June 30, 2008 is thus compared with the period from January 1 to September 30, 2007.

Due to the shift of the financial year to the common reporting date of September 30 across the Group, Thomas Cook Group plc has prepared interim financial statements as of June 30, 2008. In this context and in view of the acquisition of the second 50% of the Thomas Cook AG stake and the following merger of Thomas Cook AG and MyTravel plc to form Thomas Cook Group plc in 2007, the Thomas Cook Group is consolidated in the current and the comparable periods as follows:

For the first nine months of the 2007/2008 financial year ending June 30, 2008, Thomas Cook Group plc is consolidated with its balance sheet as of June 30, 2008 and with an income statement for the eight months period from November 1, 2007 to June 30, 2008.

In the comparable period of the preceding year ending on September 30, 2007, the Thomas Cook Group plc balance sheet (including Thomas Cook AG and MyTravel Group plc) was entirely consolidated as of October 31, 2007 with the former Thomas Cook AG at 50% in the income statement for the five months period from November 1, 2006 to April 1, 2007 and at 100% for the seven months period from April 2, 2007 to October 31, 2007. The income and expenses of MyTravel Group plc and its subsidiaries were included for the period from June 19 to October 31, 2007.

Due to the above changes in the Group structure, comparability with the previous year is not possible.

Accounting policies

The accounting policies are in line with those of the last consolidated financial statements as of September 30, 2007.

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

For the material fully consolidated Group companies there was an audit review of the consolidated financial statements as of June 30, 2008.

IMPORTANT EVENTS

In October 2007, the NeBus Group was sold to the investment and management group Andlinger & Company. The NeBus Group, which is domiciled in the Netherlands, is a specialist provider of customer retention and sales incentive programs in its home country as well as in Belgium, Germany, France, Italy, the Czech Republic, Switzerland, Slovakia and Spain. The transaction was closed in October 2007.

In a further measure, Arcandor AG entered into an agreement on the sale of 51% of the shares of neckermann.de on December 21, 2007. The buyer is the financial investor Sun Capital Partners, Florida/U.S. The operational management of neckermann.de was transferred to the new majority shareholder as planned. The agreement was closed in March 2008.

On December 27, 2007, Arcandor AG exercised the option right to discharge the convertible bond. All the outstanding 1,585 convertible bonds were converted. As a result subscribed capital rose by 23.6 mill. € and the Arcandor AG capital reserve increased by 50.7 mill. €.

On February 14, 2008, the Thomas Cook Group plc closed a purchase agreement with Centurion Holiday Group Limited on the acquisition of a 100% stake in the hotel room provider Hotels4U.com Limited. Hotels4U.com Limited operates the largest independent hotel portal in the U.K.

With a contract dated March 7, 2008, Thomas Cook Group plc acquired full ownership in Thomas Cook Egypt, brand licenses for 15 countries in the Near East as well as a 54.9% stake in the listed Thomas Cook (India) Limited from the Dubai Financial Group. On June 20, 2008, Thomas Cook Group plc acquired a further 1.4% in Thomas Cook (India) Limited. In connection with the acquisition of the stake in Thomas Cook (India) Limited, a public takeover offer for the acquisition of a further 20% in the company was made, a stake of 19.08% of which was confirmed by the Reserve Bank of India on July 4, 2008. The contracts for the acquisition of Thomas Cook Egypt and the brand licenses had not been closed as of June 30, 2008.

On March 7, 2008, the specialty mail order company Mode & Preis Versandhandels GmbH and its subsidiaries in Slovakia, Slovenia, the Czech Republic and Switzerland were sold to the AURELIUS AG industry holding. The transaction was closed on May 5, 2008.

On March 12, 2008, at an extraordinary general meeting, the shareholders of the Thomas Cook Group plc resolved a share buyback program totaling 375 mill. €. In the context of this program, Thomas Cook plc will acquire own shares on the London Stock Exchange. Parallel to the acquisition of own shares on the stock exchange, own shares will be bought back by Arcandor AG on a pro rata basis. To the reporting date, a total of 48,962,222 shares at an overall price of 165.2 mill. € were acquired by Thomas Cook Group plc. The program was temporarily suspended on July 11, 2008.

On March 19, 2008, Arcandor AG sold its 49% stake in the Highstreet real estate company. The buyer is a consortium made up of RREEF Alternative Investments, Pirelli Real Estate, Generali Real Estate Fund S.A. and the Borletti Group.

On April 7, 2008, Thomas Cook Group plc acquired Elegant Resorts Limited, the British luxury travel operator. The acquisition was financed from liquid funds and targets expanding business with independent business. Elegant Resorts Limited is market leader of luxury travel in Great Britain.

At the Arcandor AG Annual General Meeting on April 23, 2008 resolutions were made on the composition of the Supervisory Board and the Management Board. Furthermore, the Management Board was granted an authorization to acquire and deploy own shares.

At its meeting on April 23, 2008, the Supervisory Board appointed Manny Fontenla-Novoa, Chief Executive Officer of Thomas Cook Group plc, as a new member of the Arcandor AG Management Board. Marc Sommer was appointed as Vice Chairman of the Arcandor AG Management Board.

On May 15, 2008, the Senior Facility Agreement agreed on June 12, 2007 was extended with Facility F. The additional revolving facility for 150 mill. € had a duration to July 31, 2008. Within the quarter, Facilities C and D were also extended at adjusted interest rates.

On May 23, 2008, Thomas Cook concluded a new credit facility of 1.8 bill. €, of which a facility of 200 mill. € is reserved for guarantee performance in connection with possible customer claims (“bonding”). The loan replaces the existing facility and among the bonding facility is divided into three annually revolving facilities and has a duration of three years. Of this total amount, 320 mill. € are available only in the case of a disposal of Condor, while the remainder is available for general purposes, acquisitions and the share buyback program.

On June 8, 2008, Thomas Cook made a binding offer to acquire Jet Tours S. A., Paris, France. In connection with the planned acquisition, an exclusive agreement was additionally concluded with the current owner of the tour operator, Club Med. Jet Tours S.A. is a premium tour operator with some 270,000 guests a year. It owns such brands as Jet Tours, Club Eldorado and Austral Lagons.

On June 9, 2008, Thomas Cook concluded an agreement on the acquisition of TriWest Travel Holdings Limited, Montreal, Canada, a leading independent tour operator with a focus on the North American travel business. The transaction was closed on August 4, 2008 after approval from the antitrust authorities.

On June 25, 2008, Arcandor AG concluded a hedging transaction to secure the convertible bond based on the Thomas Cook share (see “Important events after the balance sheet date”). The premium for the call option on 52,105,373 Thomas Cook shares was 34,544,242 GBP. The option is recognized in profit or loss at fair value at each reporting date.

CONSOLIDATED COMPANIES

In the reporting period there were the following changes to the companies included in the consolidated financial statements as a result of acquisitions or disinvestments.

In the first nine months of the 2007/2008 financial year, the group of consolidated companies decreased by 16 companies. The changes relate mainly to the disposals of NeBus Mode & Preis, MultiBus and the Neckermann Group in the context of the disinvestment program in the Primondo segment. In addition, 34 companies were acquired or fully consolidated for the first time. The additions relate primarily to the acquisitions of Hotels4U.com Limited, Thomas Cook (India) Limited and Elegant Resorts Limited by Thomas Cook Group plc.

The acquisition cost for Hotels4U.com Limited was 51.8 mill. € (39.0 mill. GBP). The purchase price is made up of 29.3 mill. € in cash and 22.5 mill. € on a contingent basis. Incidental costs of acquisition totaling 0.8 mill. € were incurred. The provisional difference (before fair value adjustments) between the cost of acquisition and the net assets of the company recognized at amortized cost totals 53.4 mill. € and is reported as goodwill. Since the time of acquisition, sales of 7.4 mill. € and earnings after taxes of 0.5 mill. € were posted for the company in the interim consolidated financial statements as of June 30, 2008.

The acquisition of Thomas Cook (India) Limited, including incidental costs of 3.8 mill. € resulted in capitalization of acquisition costs in an amount of 152.1 mill. €. The provisional difference between the cost of acquisition and the net assets of the company after minorities of 7.4 mill. € was 143.0 mill. € and is reported as goodwill. Since the time of acquisition, sales of 13.9 mill. € and earnings after taxes of 0.8 mill. € were posted for the company in the interim consolidated financial statements as of June 30, 2008.

Acquisition costs for Elegant Resorts Limited and certain other smaller acquisitions totaled 74.2 mill. €. The total purchase price is made up of 72.9 mill. € in cash and 1.3 mill. € on a contingent basis. Incidental costs of acquisition totaling 1.3 mill. € were incurred. The provisional difference (before fair value adjustments) between the cost of acquisition and the net assets of the companies recognized at amortized cost totals 49.3 mill. € and is reported as goodwill. Since the time of acquisition,

sales of 13.1 mill. € and earnings after taxes of 1.3 mill. € were posted for the companies in the interim consolidated financial statements as of June 30, 2008.

Due to the acquisitions being close in time to the reporting date, the purchase price allocation in line with IFRS 3 has not yet been implemented. Thus a provisional goodwill amount at the relevant level has been recognized on the balance sheet.

With the disposal of the 51% stake of the Neckermann Group to Sun Capital Partners and the transfer of control to the new majority shareholder, the Neckermann Group was deconsolidated on February 29, 2008.

The following overview shows the carrying amounts of the assets and liabilities at the time of the respective acquisition:

ASSETS AND LIABILITIES ACQUIRED AT THE TIME OF FIRST-TIME CONSOLIDATION

Amounts shown in mill. €	Hotels4U.com Limited book value	Thomas Cook (India) Limited book value	Others (Elegant Resorts, etc.) book value
Intangible assets (not including goodwill)	-	24.9	8.5
Tangible assets	0.3	9.3	1.4
Deferred taxes	0.6	-	0.2
Trade receivables	5.5	48.0	16.1
Cash and cash equivalents	0.9	27.2	21.7
Assets	7.3	109.4	47.9
Deferred taxes	-	0.4	-
Trade payables	6.4	24.5	13.6
Other current liabilities	1.9	67.2	1.1
Provisions	-	0.6	8.3
Liabilities	8.3	92.7	23.0

If the assumption is made for all the acquisitions that they were fully consolidated from October 1, 2007, total sales of the acquired companies for the first nine months of the 2007/2008 financial year are 105.0 mill. € and the pro forma result amounts to 4.9 mill. €.

HELD FOR SALE ASSETS AND LIABILITIES

After the disposal of Neckermann, the NeBus Group, the Mode&Preis Group and the MultiBus Group, thus largely completing the realignment of the mail order area, as of June 30, 2008, the held-for-sale assets and liabilities for the Primondo segment contained no material assets and

To the balance sheet date, the interest was reported under non-current financial assets available for sale. The initial measurement of the financial instrument was at the fair value of Arcandor's remaining share in the net assets of 147.2 mill. €. This figure corresponds to the value of the Neckermann Group previously reported under IFRS 5 and with the reclassification to an "available for sale" financial instrument represents the acquisition costs of the interest. The subsequent measurement is at amortized cost in line with IAS 39.46(c).

The further changes in the group of consolidated companies have no material impact on the results of operations, net assets and financial position of the Arcandor Group.

liabilities. No material book profits or losses resulted from the disposal of the companies. Until deconsolidation, the income statement includes results of minus 32.6 mill. €.

To the reporting date, the participation in Highstreet Holding GbR is recognized under assets held for sales as are the assets and liabilities of KARSTADT QUELLE Information Services GmbH, Frankfurt and its subsidiaries. As of June 30, 2008, the participations in QVH Beteiligungs GmbH, Fürth and KarstadtQuelle Lebensversicherung AG, Fürth, which were previously consolidated at equity, are recognized under this item for the first time.

ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Amounts shown in th. €	30.06.2008	30.09.2007	Change in %
Assets classified as held for sale			
Intangible assets	2,371	17,895	-86.8
Tangible assets	31,085	129,020	-75.9
Other financial assets	577,557	512,870	12.6
Deferred taxes	1,831	5,397	-66.1
Non-current assets	612,844	665,182	-7.9
Inventories	2,772	54,120	-94.9
Other current assets	26,471	484,738	-94.5
Current assets	29,243	538,858	-94.6
	642,087	1,204,040	-46.7
Liabilities from assets classified as held for sale			
Provisions for pensions	832	44,759	-98.1
Deferred taxes	135	28,669	-99.5
Non-current liabilities	967	73,428	-98.7
Current financial liabilities	63	12,997	-
Other liabilities	12,000	493,627	-97.6
Current liabilities	12,063	506,624	-97.6
	13,030	580,052	-97.8

CONTINGENT LIABILITIES AND OTHER FINANCIAL LIABILITIES

In comparison to the consolidated financial statements as of September 30, 2007, there were no material changes in contingent liabilities.

RELATED PARTY TRANSACTIONS

Included in the consolidated income statement:

Amounts shown in th. €	01.10.2007 -30.06.2008	01.01.2007 -30.09.2007
Goods and services supplied	6,200	12,956
Goods and services received	18,865	17,231

Included in the consolidated balance sheet:

Amounts shown in th. €	30.06.2008	30.09.2007
Receivables	54,668	190,007
Payables	656,120	616,082

Mail order companies sold trade receivables to VALOVIS Bank AG which had been transferred to the Group pension fund without recourse. As of June 30, 2008, assigned receivables amounted to 1,061 mill. € gross (September 30, 2007: 1,537 mill. €). Under the sale, VALOVIS

Bank AG set up a contingency account which is paid back to the Group as long as actual losses on outstanding receivables do not exceed this amount. On the balance sheet date, the reserve account showed a balance of 112 mill. € (September 30, 2007: 173 mill. €). The decline is due primarily to the disposal of the Neckermann Group.

Service relationships exist with II. KarstadtQuelle Pension Trust e. V. for leasing real estate. The related lease costs for the Group total 5,776 th. € (previous year: 6,555 th. €).

As of June 11, 2007, two typical silent partnerships between Karstadt-Quelle Mitarbeitertrust e. V. (merged with II. KarstadtQuelle Pension Trust e. V. on October 12, 2007) and II. KarstadtQuelle Mitarbeitertrust e. V. on the one hand and Primondo Specialty Group GmbH on the other were agreed. As of June 30, 2008, there were silent partnerships totaling 441 mill. €. Further typical silent partnerships in real estate companies of 37 mill. € are included in the payables.

Liabilities include mortgage bonds passed on from VALOVIS Bank AG in the amount of 80 mill. € (September 30, 2007: 13 mill. €).

In January 2008, an Arcandor AG employee in the sense of IAS 24.9(d) acquired a 50% stake in Pension Trust Management GmbH. The acquisition is related to restructuring the management of the contractual trust arrangements and was performed on an arm's length basis.

There were no further material changes as against the reporting date of September 30, 2007.

IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

On July 11, 2008, Thomas Cook Group plc and AirBerlin plc informed the German Competition Authority that they were withdrawing their application for the merger of the Group airline Condor with AirBerlin planned for 2009/2010 due to the considerable change in general economic conditions since the agreement was concluded. The contractual agreement on the acquisition of Condor concluded in September 2007 on the basis of a share swap was terminated by mutual agreement. Thomas Cook is now examining a series of options for its Condor airline.

The share buyback program approved at an extraordinary general meeting of Thomas Cook plc on March 12, 2008, was suspended for legal reasons until further notice on July 11, 2008. This is due to the fact that negotiations at Thomas Cook are at an advanced stage in respect to possible options for Condor.

On July 11, 2008 Arcandor AG issued an unsubordinated unsecured bond with conversion rights in Thomas Cook Group plc shares was issued. The issue volume was 275 mill. €. with a duration of five years. The issue price and the price to be redeemed at maturity is 100% of the nominal

amount. In the case of exchange, Arcandor may settle the bonds in shares and/or cash. On June 25, 2008, the Arcandor AG Management Board approved the issue, with the approval of the Supervisory Board.

From July 18, 2008, Arcandor AG announced that Peter Wolf, member of the Arcandor AG Management Board and Chairman of the Karstadt Warenhaus GmbH Management Board, resigned his offices to July 31, 2008. Stefan W. Herzberg, Managing Director of Sales at Karstadt Warenhaus GmbH, takes on the role of Chairman of the Karstadt Warenhaus GmbH Management Board. Dr. Peter Diesch, CFO of Arcandor AG assumed responsibility for over-the-counter retail in the Arcandor Board of Management in addition to his current duties.

On July 28, 2008, the disposal of the Highstreet Joint Venture GbR was concluded. The 49% stake in the property company was taken over by the consortium consisting of RREEF Alternative Investments, Pirelli Real Estate, Generali Real Estate Fund S.A. and the Borletti Group. The proceeds from this transaction were used for restructuring the existing financing. In the context of this restructuring Facilities C and D of the credit line were completed repaid and Facility F extended at short notice.

The Arcandor Group, as the former owner of SinnLeffers, Wehmeyer and Hertie, has had to retain collateral provided for rental obligations in connection with the disposals. In addition, it assumed some services and the delivery of goods for these companies. The Group is assuming based on current information that the risks that could potentially arise from the difficult economic situation at these companies could lie in the lower to mid-eight figure range.

ARCANDOR Aktiengesellschaft
Essen, August 12, 2008



Dr. Thomas Middelhoff
(Chairman)



Marc Sommer
(Vice Chairman)



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Important Investor Relations dates

Balance sheet press conference/ Analysts' meeting	December 15, 2008
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Future-focused statements

Also to be found in this annual 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.

