ARCANDOR

COMMITTED TO CREATING VALUE

INTERIM REPORT OF THE GROUP AS OF DECEMBER 31, 2007

FIRST QUARTER OF THE 2007/2008 FINANCIAL YEAR

AT A GLANCE

		01.10.2007 -31.12.2007*	01.10.2006 -31.12.2006*	Change in %
SALES (like-for-like pro forma basis)				
Thomas Cook[1]	mill. €	2,136.8	2,171.2	-1.6
Primondo	mill. €	1,231.7	1,199.9	2.7
Karstadt	mill. €	1,315.7	1,432.0	-8.1
Operating segments[1]	mill. €	**4,684.2**	**4,803.1**	-2.5
Other segments[2]	mill. €	66.7	69.5	–
Reconciliation account[1]	mill. €	-27.5	-43.1	–
Sales (adjusted)[1]	mill. €	**4,723.4**	**4,829.5**	-2.2
EARNINGS (like-for-like pro forma basis)				
Thomas Cook[1]	mill. €	32.3	-28.4	–
Primondo	mill. €	35.7	32.8	9.0
Karstadt	mill. €	136.0	181.8	-25.2
Operating segments[1]	mill. €	**204.0**	**186.2**	9.6
Other segments[2], Reconciliation account/Holding company	mill. €	-20.6	-11.2	–
EBITDA (adjusted)[1]	mill. €	**183.4**	**175.0**	4.8
EBITDA-margin (adjusted)[1]	*in %*	*3.9*	*3.6*	–
FINANCIAL SITUATION				
Cash and cash equivalents	mill. €	1,135.6	1,152.1	-1.4
Investments	mill. €	72.1	66.3	8.8
Depreciation and amortization (not including amortization of goodwill)	mill. €	95.9	129.6	26.0
Net financial liabilities/assets	mill. €	-1,063.4	148.9	–
Working capital	mill. €	-475.3	358.6	–
FULL-TIME EMPLOYEES at the balance-sheet date				
Thomas Cook	number	24,759	9,548	–
Primondo	number	17,077	17,966	-4.9
Karstadt	number	24,619	26,608	-7.5
Operating segments	number	**66,455**	**54,122**	22.8
Other segments[3]	number	828	1,450	–
Total	number	**67,283**	**55,572**	21.1
ARCANDOR SHARE				
Earnings per share	€	-0.24	-0.70	65.8
Rate applying at the balance-sheet date	€	16.24	21.96	-26.0
Highest price (01.10. – 31.12.)	€	23.21	22.35	3.8
Lowest price (01.10. – 31.12.)	€	15.83	17.94	-11.8

* 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 a full quarter 2007 (October to December) for Thomas Cook Group plc with a full quarter for the previous year (2006) as if Thomas Cook Group plc had always 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.

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

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LETTER TO OUR SHAREHOLDERS

Dear shareholders,

This interim report marks the first time that the Arcandor Group has begun its financial year on October 1. We decided in favor of this change because of the many advantages. In our largest business unit, Thomas Cook Group plc, the winter season is not disrupted by the end of the financial year on December 31. The strongest quarter in terms of sales and earnings for our Primondo and Karstadt retail segments is now also the first quarter of each financial year. This will increase planning certainty and allow us to counteract any deviations from planning in good time. In addition, in our day-to-day operations we will avoid time-consuming stocktaking in the busiest weeks of the year. Our employees should be able to concentrate on service and customer care in this busy period.

Arcandor is now a tourism and retail group

The Arcandor Group has massively changed its structure in the past few months. It can no longer be compared to the group once known as “KarstadtQuelle”. A pure-play retail group has become a tourism and retail company with a focus on tourism. For you as shareholders in Arcandor, this means that Arcandor’s success will be largely shaped by the listed Thomas Cook Group plc, which contributes around 60% to consolidated sales and a large share of earnings. The performance of Thomas Cook Group plc is a source of great joy to us. If Thomas Cook continues performing well, Arcandor will also progress well. Unfortunately, the new weighting in the Arcandor Group is not yet sufficiently reflected in public perception. This is why we shall be communicating this fundamental change in the Group structure even more intensively in future.

Consolidated sales of 21 bill. € in calendar year 2007

In the first quarter of financial year 2007/2008, the Arcandor Group systematically continued its operating and strategic reorientation. The three operating segments of Thomas Cook, Primondo and Karstadt continued successfully on the basis of a clearly defined strategy incorporating both content and timing aspects. Looking at the full calendar year 2007, consolidated sales (pro forma) have already risen to 21 bill. €. In 2006, the Group generated sales of only 13 bill. € with its old “KarstadtQuelle” structure. Thus, consolidated sales rose by more than 50% in just a very short time. This growth surge impressively shows the success of the consistent reorientation of the Arcandor Group and forms a good platform for attaining our goals in financial year 2008/2009.

Share price disappointment

We are highly dissatisfied with the price of our shares. The positive development of the Arcandor Group and its weak stock market performance are currently running in completely different directions. We must acknowledge this imbalance at the present time, but we will also stick to our motto: Promised and delivered! By achieving our goals in financial year 2008/2009, we will significantly increase our enterprise value and thereby our share price as well.

Figures reported comparably

In the current financial year, Thomas Cook Group plc will be adjusting to the financial year of the Arcandor Group (October 1 to September 30). Therefore, the current financial year of Thomas Cook lasts only eleven months and the current reporting quarter only two months (November and December 2007). This has been reported in line with accounting principles in the management report and the notes to this interim report. In the rest of the interim report, in order to increase the comparability of the sales and earnings power of Thomas Cook, we compared a full quarter (October to December) for Thomas Cook Group plc with a full quarter for the previous year that also shows Thomas Cook Group plc (pro forma) in its current form.

Start to new financial year overall in line with planning – earnings of operating segments up 9.6 %

Arcandor’s management is satisfied with the start of the new financial year 2007/2008. Overall, operations in the first quarter were in line with planning. Like-for-like earnings of the operating segments (adjusted EBITDA) rose by 17.8 mill. € or 9.6 % to 204.0 mill. € (compared to 186.2 mill. € in the previous year). All the operating units improved their gross margins, showing that our strategy of “margins before market share” is showing signs of success. Adjusted consolidated sales amounted to 4.72 bill. €, a decline of 2.2 % as against the previous year. However, comparisons with the previous year are of little use on account of the non-recurring effects in the previous year (value-added tax, department store anniversaries). In addition, less profitable sales were selectively reduced with the positive consequence that Group earnings were significantly improved.

Progress in our realignment is also evident in the stronger decline of restructuring costs. In 2004, approx. 700 mill.€ was spent, in 2005 approx. 330 mill. €, in 2006 approx. 440 mill. € and in the 2007 financial year approx. 380 mill. € on restructuring measures. In the 2007/2008 reporting year, this non-recurring component will move back very strongly to less than 100 mill. €, and in the 2008/2009 financial year – when the realignment has been concluded – will be immaterial.

Thomas Cook increases earnings by 61 mill. € to positive figure of 32 mill. € – good performance in all core markets

In Thomas Cook Group plc (which accounts for around 60 % of consolidated annual sales), the Arcandor Group has a highly profitable pillar in a future-driven market. Our largest division performed well in all its core markets in the first quarter of 2007/2008 and expectations for the winter season 2007/2008 have been surpassed so far. Bookings for the summer season 2008 are also highly promising on all markets.

Adjusted EBITDA climbed to 32.3 mill. € after minus 28.4 mill. € in the previous year. Thus, Thomas Cook Group plc generated a like-for-like earnings improvement of 60.7 mill. €. Sales reached 2.14 bill. €, a slight decline of 1.6% as against the previous year (pro forma previous year sales: 2.17 bill. €). The main factor driving this development was the targeted reduction of low-margin capacity. As part of its flexible business model, Thomas Cook Group plc is selectively reducing capacity in key markets and thereby stimulating a positive development in selling prices and margins. Accordingly, earnings also improved significantly.

Primondo increases sales and earnings – earnings surge planned for coming quarters

In line with planning and as in the previous quarter, the Primondo Group (which accounts for around 20% of consolidated annual sales) generated increases in sales and earnings, continuing its recovery. In the reporting quarter, Primondo generated adjusted sales of 1.23 bill. €, an increase of 2.7% as against the previous year's figure of 1.20 bill. €.

The specialty mail order companies are enjoying sustained growth with a rise in sales of 5.3%. The Quelle Group's international business also met expectations with growth of 20.1%. Outside Germany, sales in Central and Eastern Europe in particular increased significantly, while sales in Russia doubled year-on-year. Homeshopping sales developed extremely positively. Thanks to its strong Christmas business, like-for-like sales by the homeshopping channel HSE24 climbed by 18.2% to 93 mill. €.

In Fall/Winter season relevant to the first quarter, Quelle Germany saw order growth of 1.1%, the number of new customers surged by 11% and the active ratio moved up by 8% as against the previous year. Growth also continued unabated in e-commerce, as Quelle Germany recorded more sales in online business than with its traditional main catalog for the first time in December 2007. However, this highly positive development was not reflected in the year-on-year sales comparison in the reporting quarter. In the same quarter of the previous year, sales increased on a one-off basis due to early purchases of long-lived goods (hardware and electronics) in view of the imminent VAT increase. Accordingly and as anticipated, Quelle's universal mail order sales in Germany were down on the same quarter of the previous year, in line with the general industry trend. However, the Quelle Germany turnaround is continuing unchanged on schedule. All restructuring measures have been implemented.

The earnings of the Primondo Group continued to develop well and rose strongly. Adjusted EBITDA increased by around 9% to 35.7 mill. € (previous year: 32.8 mill. €). Primondo's management is confident that its growth will also continue in the coming quarters. A significant increase in adjusted EBITDA in financial year 2007/2008 is planned as a result of the completion of restructuring in mid-2008 as well as through improved gross income and cost structures.

Karstadt's department store business model undergoes massive transition – figures highly impaired by non-recurring effects

Karstadt (which accounts for around 20% of consolidated annual sales) generated sales of 1.32 bill. € in the first quarter of 2007/2008, a decline of 8.1% as against the previous year. However, the sales comparison with the previous year is highly distorted due to the VAT hike and Karstadt's anniversary and is therefore of limited use. Without these non-recurring effects, Karstadt's sales would have been some 1% under the previous year's level. This sales downturn is largely the result of large-scale remodelling (Hamburg, Essen, Duisburg) and the integration of 2,000 brand shops in the branches. Karstadt is currently undergoing its most fundamental repositioning in the company's history. Naturally, our new concepts will need time to work. The stores that have already undergone this transformation have enjoyed above-average performance. In particular, this includes the Premium Group, which continued its growth. The company is already preparing the further expansion of the Premium Group. In Essen, Karstadt will be opening its new 20,000 sq. m. "ideal store" in the new Limbecker Platz shopping center on March 13, 2008 as a prototype for the new strategy and presentation at Karstadt. Three more ideal stores will follow before the end of this financial year. The drop in gross profit as a result of the loss of sales was only partly offset by the improved gross profit margin and the more efficient cost structure. Adjusted EBITDA amounted to 136.0 mill. €, down 45.8 mill. € on the previous year. Earnings development in the Premium sector was positive.

Working capital improves by more than 800 mill. €

Working capital continued to develop encouragingly. As a result of the new cost structure and operating improvements, the Group is consistently reporting negative working capital. At the reporting date December 31, 2007, it amounted to minus 0.5 bill. € (plus 0.4 bill. € at December 31, 2006). Inventories were reduced further at Group level. It is particularly encouraging that Karstadt has continued to reduce inventories despite declining sales.

Net financial liabilities include bridge finance

At the reporting date, the net financial liabilities of the Arcandor Group amounted to 1.1 bill. € (December 31, 2006: net financial assets 0.1 bill. €). The figure at the balance sheet date of the current year includes bridge financing for the acquisition of 50% in Thomas Cook AG from Deutsche Lufthansa AG of around 800 mill. €. This bridge financing will be replaced by the proceeds from the sale of the 49% interest in the real estate company Highstreet. In addition, the rise in net financial liabilities as against the previous year was due to the consolidation of Thomas Cook Group plc (previous year 50% Thomas Cook AG). In the tourism segment, cash and cash equivalents decline seasonally at December 31 each year on account of the drop in advance payments received. This effect now appears stronger as against the previous year.

Group strategy systematically implemented

The Group has achieved its strategic goal of transforming itself into a tourism and retail company. In the reporting quarter, we successfully completed several key transactions in a difficult market environment.

In December 2007, a letter of intent was signed for the sale of the 49% interest in the real estate company Highstreet. The total value of the transaction is around 800 mill. €.

Thus, Arcandor will receive a total of around 4.5 bill. € from the two tranches of the real estate transaction. We have received heavy criticism for taking a little more time than was originally planned for the negotiations. However, from a business point of view, time was not a critical factor for us. Much more, what matters is achieving an outcome that sustainably increases the value of the Arcandor Group – in spite of the dramatic effects of the US subprime crisis on the credit markets.

We also sold a 51% interest in neckermann.de to the US Investor Sun Capital in the reporting quarter. A purchase agreement to this effect was signed on December 21, 2007. Sun Capital will be taking over the operating management of the business. We have shifted our focus in Primondo to the market leader Quelle as planned and significantly improved the risk profile in Universal Mail Order Germany. Naturally, in light of the subprime crisis, we had to make certain concessions in respect of our expectations of one year ago, but the majority of market participants did not expect that the transaction would be brought to a close at all.

Even though we may not received a purchase price for the time being, due to the fact that neckermann.de is undergoing a restructuring and is still making losses, the solution we have found should be seen as a positive one. neckermann.de can now be restructured by Sun Capital carefully and without time pressure. Retaining 49 % of shares in the company ensures that after the turnaround and planned disposal or IPO, Arcandor will be able to generate appropriate proceeds, depending on the business development and market conditions. We are currently expecting net proceeds of between 170 mill. € and significantly more than 300 mill. €.

In the department store segment, a letter of intent was also signed on joining in the consolidation of European premium department stores in the reporting quarter. A European premium group is to be formed as part of a strategic alliance with the consortium consisting of RREEF (Deutsche Bank), Pirelli RE and Borletti Group. Thus, at Karstadt we are keeping all options open for further market consolidation.

Outlook

Good start to second quarter – goals expressly confirmed for 2008/2009

Arcandor will consistently and rapidly press on with the reorientation of the Group in financial year 2007/2008. We will focus on further improvements in the operating performance of our core business areas. Parallel to this operating improvement, Arcandor's management will actively pursue market consolidation in its core business areas and has a wide range of options for further increasing the value of the Arcandor Group with targeted M&A activities. Accordingly, achieving stock market viability is a primary target for the Primondo and Karstadt retail segments.

The start to the second quarter of financial year 2007/2008 was very positive at Thomas Cook and Primondo. Karstadt also improved against the previous year. For its largest segment, Thomas Cook, Arcandor expects a sustained good development and regards Thomas Cook as being well on track to achieve the EBITDA target of more than 800 mill. € for the 2009/2010 financial year. In the current financial year a strong earnings upturn should already be a large step on the path of achieving this objective. Primondo will continue its growth path over the next quarters. In all Primondo segments sales and earnings growth are expected.

A considerable upturn is anticipated for adjusted EBITDA. Primondo should conclude each quarter with a positive EBITDA. At Karstadt, we expect the recovery seen in January 2008 to continue over the next few months and anticipate that the repositioning of the Karstadt department stores in the current financial year will be largely concluded.

When analyzing the earnings for our first quarter, it should be remembered that earnings in tourism and retail develop in opposing directions over the course of the financial year. At our largest division, Thomas Cook, the first and second quarters traditionally only account for a small portion of annual results. In the second quarter a loss is normally posted due to seasonal factors. Earnings then rise considerably from the third quarter and makes a real jump in the fourth quarter. This is exactly the other way round in the retail segments. The first quarter sees the highest earnings because of Christmas business. Given the strong weighting of Thomas Cook, the Arcandor Group's earnings (adjusted EBITDA) will also jump by several hundred million euro in the fourth quarter of the 2007/2008 financial year. It is decisive that we will increase our EBITDA in each quarter of the current year against the level of the previous year.

With the realignment progressing well, management feels the company is well on its way and expressly confirms the Group's forecasts for financial year 2008/2009. All the operating units confirmed their targets in this respect on January 30, 2008. Arcandor is planning consolidated sales of more than 23 bill. € and adjusted EBITDA of more than 1.3 bill. €. A figure of more than 850 mill. € is expected for EBIT.

For the Management Board

Dr. Thomas Middelhoff
Chairman of the Management Board

ARCANDOR SHARE

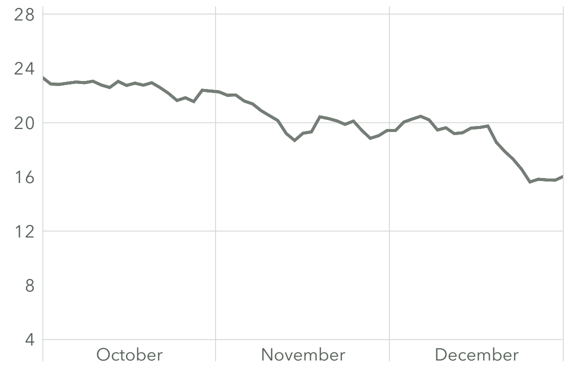
Price of Arcandor shares influenced by difficult stock market environment

Arcandor's shares did not continue their upward trend in the first quarter of financial year 2007/2008. In particular, the stock market environment was negatively impacted by internationally declining expectations for retail securities and the ongoing subprime crisis in the US. The shares came under heavy pressure as a result of these external factors; Arcandor AG's performance was temporarily of secondary importance. At the reporting date, the price of Arcandor shares was 16.24 €.

Arcandor's shares reached their high for the quarter of 23.21 € on October 8, 2007, before reaching their lowest point of 15.83 € on December 19, 2007. At the end of the reporting period, market capitalization amounted to 3.74 bill €. With an average daily trading volume of around 800,000 shares, Arcandor's shares remained highly liquid.

In the reporting period, the number of issued shares rose to 230.2 million. The main reasons for this were the partial exercise of the convertible bond and the exercise of the option of early share redemption by Arcandor in December 2007. Arcandor holds 5.7 million of the shares as treasury shares. More than 44% of shares are in free float.

Share price performance in €
October 1 to December 31, 2007



PRO FORMA CONSOLIDATED INCOME STATEMENT

In order to better illustrate the development of the business and to make figures comparable Arcandor compares a full quarter 2007 (October to December) for Thomas Cook Group plc with a full quarter for the previous year (2006) as if Thomas Cook Group plc had always 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.

The following pro forma consolidated income statement shows the result of operations of the Arcandor Group on a like-for-like basis including Thomas Cook with a reporting period adjusted to the other segments of the Group (three-month quarterly presentation). Thomas Cook was included in consolidation for the comparable reporting period as the retail segments from October 1 to December 31 of the respective year.

For better comparison the write-downs for the period from October 1 to December 31, 2006 were adjusted for impairments in connection with held-for-sale assets. The write-downs for the period from October 1 to December 31, 2007 do not include pro rata write-downs on fair value adjustments in the context of the acquisition of MyTravel Group plc and the remaining 50% of shares in Thomas Cook AG.

Pro forma Consolidated income statement
for the period between October 1 and December 31, 2007

Amounts shown in mill. €	**01.10.2007 -31.12.2007**	01.10.2006 -31.12.2006	Change in %
Sales	**4,853.0**	**5,038.1**	-3.7
Sales *(adjusted)*	***4,723.4***	***4,829.5***	-2.2
Cost of sales and expenses for tourism services	-3,010.8	-3,274.7	-8.1
Gross income	**1,842.2**	**1,763.4**	4.5
Operating income and expenses	-990.3	-932.4	-6.2
Staff costs	-765.6	-787.2	2.7
EBITDA	**86.3**	**43.8**	97.1
EBITDA *(adjusted)*	***183.4***	***175.0***	*4.8*
EBITDA margin in % (adjusted)	*3.9*	*3.6*	–
Depreciation and amortization (not including goodwill)	-74.0	-84.3	12.2
Amortization of goodwill	–	-12.3	–
EBIT	**12.3**	**-52.8**	123.3

THE OPERATING SEGMENTS

THOMAS COOK

Expectations for winter season surpassed so far – good performance in all core markets

In the first quarter of 2007/2008, the largest business unit of the Arcandor Group performed well in all its core markets. Thomas Cook Group plc generated sales (pro forma) of 2.14 bill. €. If Thomas Cook Group plc had already been a part of the Arcandor Group in the previous year with its present structure, sales in the period from October to December would have been down slightly by 1.6 % (previous year pro forma: 2.17 bill. €). The key reason for this decline in sales is the structured reduction in capacity, particularly as a result of the acquisition of MyTravel. As part of its flexible asset-light model, Thomas Cook Group plc is selectively reducing unprofitable capacity in key markets and thereby stimulating a positive development in selling prices and margins.

Utilization factors exceeded the previous year's level in all markets except North America. Bookings for the summer season 2008 were highly promising on all markets.

Significant improvement in adjusted EBITDA

Earnings improved significantly. In the first quarter of 2007/2008 (October 1 to December 31, 2007), adjusted EBITDA amounted to 32.3 mill. €. If Thomas Cook Group plc had already been a part of the Arcandor Group in the previous year with its present structure, adjusted pro forma EBITDA would have been up by 60.7 mill. € (previous year pro forma: minus 28.4 mill. €).

Key figures

		01.10.2007 –31.12.2007	01.10.2006 –31.12.2006	Change in %
Sales*	mill. €	2,136.8	2,171.2	-1.6
Earnings*				
EBITDA (adjusted)	mill. €	32.3	-28.4	–
EBITDA margin	*in %*	*1.5*	*-1.3*	–
Full-time employees at the balance sheet date	number	24,759	9,548	–

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

Thomas Cook Group plc rises to blue chip index FTSE 100

Just six months after the successful merger of Thomas Cook and MyTravel, Thomas Cook Group plc was added to the FTSE 100 on December 24, 2007. Thus, the Group is now one of the leading companies listed on the London Stock Exchange.

Share buyback program announced

In December 2007, Thomas Cook announced plans for a share buyback program of around 375 mill. €. The Extraordinary General Meeting is expected to approve the share buyback on March 12, 2008.

Thomas Cook announces growth strategy

In November 2007, Thomas Cook Group plc presented its strategy for sustainable growth and profitability to representatives of the international finance community in London.

The Thomas Cook growth strategy is based on the following pillars: Maximizing the value of the package holiday segment, developing into a leading provider for individual travel and expanding travel-related finance services. In addition, the company is planning significant growth in e-commerce. By 2009/2010, the share of Internet sales is set to rise to 35%. Thomas Cook is still committed to a business model with low capital tie-up (asset-light model), distinguished by a high level of flexibility. This business model makes it possible to establish a balance between supply and demand at any time and guarantees a good performance even in difficult economic phases. This way, Thomas Cook can generate higher margins and is subject to a reduced risk of declines in demand. The growth strategy is rounded off by an active market consolidation and acquisition policy in all key strategic areas.

Integration completed in just ten months

Following the merger of Thomas Cook and MyTravel, the integration of the two companies was successfully concluded in just ten months. Six locations and 144 travel agencies were closed in the UK. The number of employees declined by around 2,800. Since October 2007, the major UK tour operator reservations systems have been successfully operating on a single platform. In November 2007, the administrative IT systems were integrated in the UK. The merger was therefore successfully concluded in a very short period of time. All the planned measures were effectively and smoothly implemented during ongoing operations. Thus, the foundations have been laid for synergies of at least 200 mill. €.

Outlook

Thomas Cook is well positioned and confident for the future. Bookings from European consumers remain stable, with no sign of any trend towards going without major holidays abroad despite the difficult economic environment. Furthermore, the asset-light model has created a high level of flexibility so that the company can react to fluctuations in demand. The prospects for the winter season 2007/2008 and the summer season 2008 also give good grounds for optimism. With strong demand for winter and summer holidays alike, Thomas Cook is in an excellent position for the rest of the current financial year.

The successful business performance and the synergies generated by the merger of at least 200 mill. € form a healthy basis for achieving EBITDA of more than 800 mill. € in financial year 2009/2010 in line with planning.

PRIMONDO

Primondo grows by 2.7 %
– international, specialty mail order and new media continue to rise

In the first quarter of financial year 2007/2008, the Primondo Group continued its successful growth and transformation. Adjusted sales in this area rose by 2.7 % to 1.23 bill € (previous year: 1.20 bill. €). However, the individual business areas developed differently. While international business, specialty mail order, e-commerce and the homeshopping channel HSE24 expanded with high growth rates, Quelle in Germany posted declining sales volume as anticipated and in line with industry development.

VAT effect impacts sales by Quelle Germany
– continuing improvement in key figures

The Christmas quarter at Quelle Germany was largely characterized by the value-added tax effect. Sales in the previous year had been artificially increased by early purchases including in particular furniture and technical goods. Apart from this temporary effect the recovery at Quelle is proceeding well. Quelle is still posting a positive performance in terms of new customers and e-commerce. In the fall/winter season Quelle Germany increased its orders by 1.1 % compared to the spring/summer season 2007. The number of new customers in the fall/winter season 2007 rose by 11 % compared to the fall/winter season 2006 and the active ratio by 8 %. In addition, the number of active single and group buyers increased. With this, Quelle has created the conditions for significant sales and earnings growth in regard to the following business year.

Earnings up by 9.0 %

In the first quarter, adjusted EBITDA for the Group's Primondo division amounted to 35.7 mill. €, an improvement of 2.9 mill. € or 9.0 % (previous year: 32.8 mill. €). The main factors contributing to this were the improvements as a result of the restructuring

Key figures*

		01.10.2007 –31.12.2007	01.10.2006 –31.12.2006	Change in %
Sales (adjusted)	mill. €	1,231.7	1,199.9	2.7
Earnings				
EBITDA (adjusted)	mill. €	35.7	32.8	9.0
EBITDA margin (adjusted)	*in %*	*2.9*	*2.7*	–
Full-time employees at the balance sheet date	number	17,077	17,966	-4.9

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

Quelle pushing e-commerce and focusing on clear target groups

The quelle.de sales platform has further consolidated its leading position in German e-commerce. Quelle was also the clear number three online shop in Germany in the first quarter of the new financial year – after the pure-play Internet providers eBay and Amazon. The online share of demand sales rose to around 45% in Christmas business. With around 700,000 items that can be ordered online and more than 50 million visits in December 2007, e-commerce has thereby become the most important order channel. For the first time, the rapidly growing online business pulled ahead of Quelle's main catalog as the company's main sales driver in December 2007. Christmas purchases on quelle.de increased by around 25% as against the previous year. In November 2007, Quelle introduced "Happy Hour Shopping" and in December 2007 it launched its remaining stock store. The two new formats significantly exceeded sales expectations. In particular, the sound development of quelle.de was assisted by the integration of other renowned cooperation partners. Examples include WMF, Tom Tailor and fahrrad.de. The expansion of the quelle.de sales platform by the addition of further brand-name providers will boost online growth significantly this year. In addition, the integration of sales channels as part of the multi-channel strategy will further improve the busy season capability of Germany's leading universal mail order supplier. Quelle is positioned as a reliable and quality-oriented all-generation retailer with a particular focus on the target groups of women and families. Quelle highlighted this at the end of the quarter with a circulation of nine million copies of its main spring/summer 2008 catalog.

Specialty mail order grows by 5.3%

Specialty mail order got off to a good start in financial year 2007/2008. With sales increases of 5.3%, the twelve specialty mail order companies emphasized their importance as reliable and profitable growth drivers for the entire Group.

As of October 1, 2007, Primondo made a new acquisition in Specialty Mail Order for the first time in a long period, acquiring all shares in Planet Sports GmbH in Starnberg. With the integration of the leading e-commerce mail order company for board sports and street wear in Germany, the Primondo Group has strengthened its "Communities" growth segment, which successfully focuses on target groups with similar requirements and interests. The focus on Internet business, the leading position in the market segment combined with the high authenticity and credibility of the Planet Sports brand supplement existing Primondo activities in an ideal fashion. In its first quarter under the Primondo banner, Planet Sports enjoyed a positive business performance.

International business continues to generate double-digit growth

In ten countries in Central Eastern Europe region, Quelle is the number one or two in the respective market and by far the market leader in terms of e-commerce. In the reporting quarter, international Quelle subsidiaries continued their long-term growth trend with a sales increase of 20.1 %. Quelle enjoyed an excellent performance in Russia. Quelle also gained further market share in Austria and expanded its leading position. In addition, the market leader in Central Eastern European mail order business will expand its ranges and, in particular, introduce Quelle's house brand Privileg, expand e-commerce and open further sales channels. The company is considering homeshopping ranges and expanding its joint ordering concept.

HSE24 increases sales by 18.2 %

With a double-digit sales increase of 18.2 % to 93 mill. €, the homeshopping channel HSE24 had its strongest Christmas season in the company's twelve-year history. In the reporting quarter, a number of further cooperations were initiated as part of an integration program. In 2008, for example, Quelle will be broadcasting its own shows on HSE24 as part of its cross-selling strategy. Around 100 Quelle presentations have already been planned.

Primondo and Axel Springer launch myby

Primondo is seeking out and entering new, high-income market segments. At the start of October 2007, myby, the strategic cooperation between Primondo and Axel Springer Verlag, was launched. The aim of this joint venture is to become the leading online specialist for electronic goods in Germany. It offers a wide and low-cost range covering consumer electronics, telecommunications, computer and white goods. The initial results in Christmas business are evidence enough of the strong growth potential of this new online provider.

Competitive strength of the Service Group up significantly

The successful and rapid reorganization of the logistics and customer care areas in particular is a key requirement for sustainable and profitable growth of the Primondo group. On October 1, 2007, the logistics center in Leipzig regained its competitive edge thanks to a new working time model. A new model to secure the future was also introduced in the logistics units in Germany's Middle Franconia region. In the customer care area, Primondo intends to complete its restructuring in the first half of 2008. The rapidly growing e-commerce business and the associated decline in call activities, behind the times operating facilities and excessive staff costs made it necessary to focus on a handful of new, state-of-the-art and profitable locations. In this context, Primondo will develop its customer care location in Cottbus in line with the model of the next generation communication centers in Berlin and Magdeburg.

Sale of 51 % interest in neckermann.de

In Universal Mail Order Germany, Primondo is concentrating on the market leader, Quelle. In connection with this strategic decision, Arcandor has concluded an agreement with the financial investor Sun Capital Partners, Florida/US to sell 51 % of shares in neckermann.de. In line with planning, operating management of neckermann.de will be transferred to the new majority shareholder. Retaining 49 % of shares in the company ensures that after the turnaround and planned disposal or IPO, Arcandor will be able to generate proceeds of between 170 mill. € and significantly more than 300 mill. €, depending on the business development and the market conditions.

Outlook

Significant sales and earnings improvements are expected at Primondo for financial year 2007/2008. In Universal Mail Order Germany, Quelle will press ahead with its recovery, while all of the Group's growth segments will continue to expand significantly. Earnings (adjusted EBITDA) will be positive in all quarters. Thus, the success of the turnaround will become increasingly apparent from quarter to quarter.

KARSTADT

Sales performance in first quarter of 2007/2008 impaired by non-recurring factors

In the first quarter of the new financial year, Karstadt department and sports stores generated sales of 1.32 bill. €. Compared to the highly successful quarter of the previous year, which saw sales of 1.43 bill. €, this was a drop of 8.1 %. This is essentially due to non-recurring effects. The high additional sales for the company's anniversary in 2006 and early purchases of higher priced items due to the forthcoming rise in value added tax all had a positive influence on the fourth quarter of 2006. Without non-recurring effects, Karstadt's sales in the reporting quarter would have been just under the previous year's level. The repositioning of Karstadt's department stores continued systematically and rapidly. Around 40,000 sq. m of space was renovated and re-geared towards higher-margin consumer lines with the extensive modernization of branches, with lower-margin sales being selectively reduced.

Performance enhanced by new business model

The launch of the new business model was continued emphatically in the first quarter of 2007/2008. This also includes the integration of 571 additional brand shops in department stores so far. The effect of the sales and earnings-enhancing reorientation of the business model is already apparent from the significant improvement in sales density. A direct comparison of the redesigned space with the brand shops shows a 12 % improvement in performance. The success of the staged themes and the trading-up of department stores also show that the repositioning of the Karstadt brand is well underway. In the first quarter of the current financial year, the stores that have already undergone this transformation, karstadt.de and the Premium Group stores posted an above-average performance. Sales by karstadt.de were up more than 10 % on the previous year. In addition, the 100-year anniversary of KaDeWe was extremely successful.

Key figures*

		01.10.2007 -31.12.2007	01.10.2006 -31.12.2006	Change in %
Sales (adjusted)				
Core department store	mill. €	1,128.9	1,231.5	-8.3
Karstadt sports	mill. €	63.0	68.5	-8.0
Segment total [1]	mill. €	**1,315.7**	**1,432.0**	-8.1
Earnings				
EBITDA (adjusted)	mill. €	**136.0**	**181.8**	-25.2
EBITDA-margin (adjusted)	*in %*	*10.3*	*12.7*	–
Full-time employees at the balance sheet date	number	**24,619**	**26,608**	-7.5

* 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.

Renovation activities squeeze earnings in the first quater of 2007/2008

The scheduled implementation of renovation activities to achieve the fundamental repositioning of Karstadt department stores is having an effect on earnings performance. The drop in gross profit as a result of the partly expected loss of sales was not fully offset by the improved gross profit margin and the more efficient cost structure in the same period. In the first quarter of 2007/2008, adjusted EBITDA amounted to 136.0 mill. €, down 45.8 mill. € on the previous year. Earnings development in the Premium area and at Karstadt Feinkost was positive as the reorientation here is already considerably more advanced. The evolution towards the new business model was also accompanied by comprehensive customer loyalty measures. In addition, a lot of new customers were also gained thanks to the use of the "Karstadt & Friends" cards as a new B2B cooperation program.

Other information

		01.10.2007 -31.12.2007	01.10.2006 -31.12.2006
Branches			
Premium	number	4	4
Karstadt			
Boulevard Plus	number	62	62
Boulevard	number	25	26
Department stores	number	**91**	**92**
Karstadt sports	number	28	28
Project branches	number	10	11
Total	number	**129**	**131**
Sales space			
Group-operated space without third-party leasing	th. sq. m.	**1,604.2**	**1,664.3**

Working capital improved

Working capital was strongly reduced particularly as a result of the significant reduction of inventories and the positive effects of the cooperation with Li & Fung.

Customer-oriented category management improved by category management

As part of the implementation of its new business model, Karstadt launched its new category management processes at the start of financial year 2007/2008. In category management, categories are consistently reconceptualized through to presentation in sales, taking into consideration customer perspective and the close integration of purchasing, sales, marketing and space planning. The transition in the Womenswear and Home categories showed an improvement in sales performance of up to 12.5 percentage points compared to areas that have not yet undergone this process.

Strategic partnerships strengthening expertise in supplementary areas

In October 2007, Karstadt agreed two further cooperations. In its Book and Multimedia areas, Karstadt launched a strategic partnership with expert partners. The Book cooperation was agreed with the specialists Hugendubel and Weltbild. Following the approval of the antitrust authorities, a total of 52 department stores will have a Book section at Karstadt in formats tailored to each specific location. Following a pilot phase in four Karstadt stores, the company is planning a multimedia partnership with the Apple specialist Gravis. The first such department opened in November 2007 at Karstadt in Düsseldorf, with three more to follow by the end of March 2008.

Karstadt sports launches new look

In October 2007, Karstadt presented the new look for 28 sport stores and the 73 sports departments in department stores. With its new slogan “enjoy sport and style” and new “Karstadt sports” look, the expertise in functional sports clothing and sporting goods is successfully complemented by lifestyle fashion and wellness themes. The corresponding redesign of the seven flagship sports stores will be completed by March 2008. With the new slant towards lifestyle-oriented sports such as yoga and Pilates, stores are increasingly addressing female target groups and picking up on the general wellness trend. Within two years, the share of higher-margin lifestyle items will be expanded significantly to account for more than 40 % of the Karstadt sports category.

Outlook:
Strengthening brand presence

Karstadt will continue to strengthen its fashion know-how on a sustainable basis throughout the rest of the financial year 2007/2008. 450 new shops will be added to the 571 established brand shops. Karstadt's own exclusive brands will profit from this as their new collections and shops hit shop floors from March 2008 onwards. Fashion know-how will also receive additional momentum from the addition of designer fashions by Kostas Murkudis and Kaviar Gauche, the first label to win the Karstadt New Generation Award, which was presented at Berlin Fashion Week in July 2007. The Kaviar Gauche fashion line will be available in 20 top Karstadt stores from March 2008. Continuing its successful staging of themes, Karstadt will be launching "The city in full bloom" in February 2008. Top model Eva Padberg will be the face of visual publicity for the trade-up in the department store area in the spring.

Implementation of three major projects and 20 branch renovations in 2008

In addition to more extensive renovation activities in around 20 branches, three major projects will also be concluded in the current financial year. In Hamburg, the three-year full renovation of the Mönckebergstrasse store will be completed in the Fall. In Essen, Karstadt will be opening its new 20,000 sq. m "ideal store" in the new Limbecker Platz shopping center on March 13, 2008 as a prototype for the state-of-the-art and forward-looking space and category stacking and presentation at Karstadt. In the Duisburg "FORUM" shopping center, the new city center Karstadt store will be opened in the fall. In addition, the Premium Group will benefit from the planned appreciation of Dresden as a Premium location. Thus, Karstadt will have converted a total of around 40 to 50 stores to the new business model by the end of 2008.

INTERIM GROUP MANAGEMENT REPORT

GENERAL ECONOMIC CONDITIONS

According to preliminary indicators, the economic recovery in Germany continued in the fourth quarter of the 2007 calendar year, albeit at a somewhat slower pace. Based on initial calculations, the income available to private households increased slightly by around 1 % in the period from October to December 2007. Private consumption rose by only 1 % year-on-year in nominal terms. This means that private households were significantly more reluctant to buy than in the same period of the previous year (plus 3.1 %), reflecting the VAT increase which led to pull-forward effects in 2006. The savings ratio of private households remained unchanged at around 9 %.

According to the preliminary figures published by the German Federal Statistical Office, sales development in the relevant sectors for the Group – department stores and mail order – declined significantly year-on-year in the period under review. In December 2007, department store sales in Germany fell by 7.0 % in nominal terms and 7.6 % in real terms, while the decrease in sales in the mail order segment was even stronger at 12.6 % in nominal terms and 13.0 % in real terms.

According to the World Tourism Organization (UNWTO), the number of international trips in 2007 increased by around 6 % as against the previous year. This corresponds to a total of around 900 million tourists around the world. Despite the ongoing global credit crisis, this positive trend continued in the fourth quarter of 2007, with the number of international trips increasing by 6.3 % year-on-year in October, 6.1 % in November and 5.7 % in December. This meant that the Tourism segment was able to counteract successfully the continued impact of negative external factors such as rising kerosene prices, the weakness of the U.S. dollar, civil disturbances and natural disasters.

Outlook

Following the significant expansion of the German economy in 2007, growth is expected to slow down slightly in 2008, with real GDP forecast to increase by 2.1 %. The deterioration in the overall environment means that foreign trade will have a moderate adverse impact on the German economy. By contrast, domestic demand – and private consumption in particular – will be one of the key drivers of economic development. Private consumption is forecast to grow by 2.1 % in 2008 and 1.3 % in 2009. In addition to a further improvement in employment figures, real available income is expected to increase.

In the Tourism segment, Thomas Cook is forecasting average annual sales growth in its core markets of 4.6 %, from 132 bill. € in 2005 to 165 bill. € in 2010. Within this segment, sales of package holidays are expected to increase by an average of 2.1 % p.a. to total 55 bill. €, while the market for individual travel is forecast to grow by 6.0 % to 110 bill. €.

BUSINESS PERFORMANCE IN THE FIRST QUARTER 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 the first quarter of 2007/2008.

Letter of intent on disposal of 49 % interest in Highstreet signed
In December 2007, Arcandor AG signed a letter of intent on the disposal of its 49 % interest in the real estate company Highstreet. Arcandor AG intends to sell its 49 % stake to a consortium of buyers headed by the Deutsche Bank subsidiary DB RREEF, Pirelli RE and the Borletti Group. Following the sale of its interest in Highstreet, Arcandor will have disposed of its entire department store real estate portfolio.

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 in December 2007. The buyer is the financial investor Sun Capital Partners, Florida/US. The operational management of neckermann.de will be transferred to the new majority shareholder as planned.

Convertible bonds
On December 27, 2007, Arcandor AG exercised the option to discharge its convertible bonds. All 1,585 outstanding bonds were converted, resulting in a 23.6 mill. € increase in subscribed capital and a 50.7 mill. € increase in the capital reserves of Arcandor AG.

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 are reported under “Results from discontinued operations” in the income statements for 2006, 2007 and 2007/2008. In addition to discontinued operations, noncurrent assets and liabilities classified as disposal groups and held for sale noncurrent assets are reported under “Assets classified as held for sale” and “Liabilities related to assets classified as held for sale” in the balance sheet.

The criteria for the classification of noncurrent assets, disposal groups and discontinued operations are reviewed at each reporting date.

At September 30, 2007, it was clear that the disposal of the mail order-related service companies within the 12-month period from initial classification was highly unlikely. Accordingly, the classification of the corresponding assets and liabilities was reversed. In October 2007, the NeBus Group was sold to the investment and management group Andlinger & Company. There were no other significant changes to the planned disposals compared with the previous year.

Sales and earnings performance

In addition to the separate disclosure of discontinued operations and noncurrent assets classified as held for sale/disposal groups, the figures for the 2006 and 2007/2008 financial years were impacted by non-recurring factors relating to the restructuring and reorientation of the Arcandor Group, the change in the annual reporting date to September 30 and various transactions (acquisition of 50% stake in Thomas Cook from Deutsche Lufthansa AG, merger of Thomas Cook with MyTravel, acquisition of HSE24).

As a result of the planned change in the annual reporting date of Thomas Cook Group plc to reflect the Group reporting date (September 30), the income and expenses of Thomas Cook for the period from November 1 to December 31, 2007 were included in the interim financial statements for the period ending December 31, 2007. In the quarter ending December 31, 2006, the income and expenses of Thomas Cook were included on a pro forma basis (100% Thomas Cook and 100% MyTravel) for the comparable period (November 1 to December 31, 2006).

These pro forma figures only form the basis for disclosures relating to sales and earnings performance.

SALES PERFORMANCE

Adjusted sales by business segment

Amounts shown in mill. €	**01.10.2007 -31.12.2007**	01.10.2006 -31.12.2006*	Change in %
Thomas Cook	1,240.3	1,230.7[1)]	0.8
Primondo	1,231.7	1,199.9	2.7
Karstadt	1,315.7	1,432.0	-8.1
Operating segments	**3,787.7**	**3,862.6**[1)]	-1.9
Services	66.7	69.5	-3.9
Reconciliation	-27.5	-43.1	-
	3,826.9	**3,889.0**[1)]	-1.6

* The data has been adjusted.
1) Pro forma = November 1 to December 31, 2006.

On a pro forma basis, sales at **Thomas Cook** increased by 0.8% to 1.24 bill. €, compared with 1.23 bill. € in the period from November 1 to December 31, 2006. With the exception of North America, capacity utilization was up on the previous year.

Thanks to Thomas Cook's flexible business model, the 5% fall in bookings for the whole winter season in the United Kingdom was so far offset by a simultaneous reduction in capacities. All in all, available capacity declined as against the previous year. Average sales prices and margins improved. Capacity utilization for bookings in the medium-haul segment was higher than forecast, with continued growth in selling prices and margins.

Northern Europe saw a high level of demand for the winter season: Bookings and capacities for the current season both increased by 7%, while the average selling price was up 8% on the previous year. On a like-for-like basis, sales in this region increased by 10% due to an encouraging level of demand.

In Continental Europe, there was an increase in booking figures in Germany in particular. This was driven by the reduction in unemployment figures, among other things. All in all, sales in Continental Europe increased slightly on a like-for-like basis.

Business in the Airlines segment in the first quarter of 2007/2008 was extremely encouraging, with the seat load factor up 7% on the previous period and sales increasing by more than 3% compared with November and December 2006.

In the first quarter of the 2007/2008 financial year, **Primondo** continued on the growth path it initiated in the third quarter of 2007. Adjusted sales amounted to 1.23 bill. € (previous year: 1.20 bill. €), corresponding to growth of 2.7%. This was driven in particular by the ongoing strong development of the segment's specialty mail order companies, which recorded year-on-year sales growth of 5.3%, as well as the Quelle Group's international business, which enjoyed growth of 20.1%. Thus sales in Russia more than doubled year-on-year. Austria also contributed to this positive development with an increase in sales. Among the specialty mail order companies, the Walz Group and the TriStyle Group generated particularly encouraging sales growth of 8.1 % and 5.4 % respectively.

In its Universal Mail Order activities in Germany, Quelle substantially increased its number of new customers compared with the previous year, and recorded higher sales online than from its traditional catalog for the first time in December 2007. Overall, however, Quelle's universal mail order sales in Germany were down on the same quarter of the previous year. This was primarily due to the high level of sales recorded in the previous year due to the pull-forward effects of the German VAT increase, which favored products with a high average transaction value in particular (e.g. hardware and electronics). Quelle Germany is now recording a positive trend in respect to new customers, and is starting 2008 with a year-on-year increase in its active customer base for the first time in a number of years. Teleshopping sales developed extremely positively in the first quarter of 2007/2008.

Karstadt systematically pressed ahead with the repositioning of its department and sports stores as planned, with a view to replacing low-margin sales with higher-margin consumer lines. All in all, Karstadt generated adjusted sales of 1.32 bill. € in the first quarter of 2007/2008, down 8.1 % on the very successful equivalent period of the previous year.

The year-on-year comparison of sales is affected to a large extent by the pull-forward effect of the German VAT increase on long-lived consumer goods and the uniquely high level of sales in the previous year due to the campaign celebrating Karstadt's anniversary. The reduction in overall demand also had an adverse effect on sales in the first quarter of 2007/2008. In the most important trading month of December, retail sales were 4.9 % down year-on-year. The department store segment overall posted a 7.0 % decline. Above-average results were recorded by the Karstadt stores that have already been converted to the new business model, and in particular those in the Premium Group. With karstadt.de the multi-channel activities exceeded expectations. Here above-average results were achieved.

The karstadt.de online portal recorded substantial year-on-year sales growth of more than 10 % on the back of intensified online marketing, growth in the market and the active promotion of its multimedia product range in particular, especially in December 2007.

Non-recurring factors and adjustments: Sales for the first quarter of 2007/2008 include adjustments in the amount of 129.6 mill. € (previous year: 208.6 mill. €). In the Primondo segment, sales adjustments of 41.5 mill. € (previous year: 59.3 mill. €) were recognized in the period under review for divestments and closures (Happy Size, thirty and more, servicelogiQ and Fox-Markt). At Karstadt, sales in the amount of 70.3 mill. € (previous year: 146.9 mill. €) were adjusted for wholesale business and project branches. Because of the imminent full sale of the real estate portfolio, all sales of the operating segment "Real estate" amounting to 48.7 mill. € (previous year: 53.0 mill. €) were adjusted. For the segments Thomas Cook and Services, there were no adjustments relating to the current and previous reporting periods.

EARNINGS PERFORMANCE

EBITDA adjusted by segments

Amounts shown in mill. €	**01.10.2007 -31.12.2007**	01.10.2006 -31.12.2006*	Change in %
Thomas Cook	-79.0	-113.8[1]	30.6
Primondo	35.7	32.8	9.0
Karstadt	136.0	181.8	-25.2
Operating segments	**92.7**	**100.7**[1]	-8.0
Other segments[2], Reconciliation account/Holding	-20.6	-11.2	-
	72.1	**89.6**[1]	-19.5

* The data has been adjusted.
[1] Pro forma = November 1 to December 31, 2006.
[2] The Other segments comprise the segments Services and Real estate.

Adjusted EBITDA in the **operating segments** amounted to 92.7 mill. € in the first quarter of 2007/2008 (previous year pro forma: 100.7 mill. €).

For the **Thomas Cook** segment, adjusted EBITDA in the first quarter of the 2007/2008 financial year (period from November 1 to December 31, 2007) increased by 34.8 mill. € (30.6 %) as against the previous year to total of minus 79.0 mill. €. This development was largely due to the success of the restructuring measures implemented in the past, positive sales performance and higher margins, as well as the first effects of the integration of Thomas Cook and MyTravel.

In the first quarter of the 2007/2008 financial year, **Primondo** recorded an improvement in adjusted EBITDA of 2.9 mill. € compared with the same period of the previous year. This represents growth of 9.0 %, from 32.8 mill. € in the fourth quarter of 2006 to 35.7 mill. € the first quarter of 2007/2008. The Specialty Mail Order segment in particular recorded a significant year-on-year increase in adjusted EBITDA. The TV shopping channel HSE24 also enjoyed encouraging earnings performance, while earnings from Quelle's universal mail order activities remained at the level recorded in the previous year.

All in all, Primondo increased its gross profit by 46.8 mill. € as against the prior period to 643.4 mill. € in the first quarter of 2007/2008. Staff costs decreased year-on-year, with the staff cost ratio falling from 14.1 % in the fourth quarter of 2006 to 12.7 % in the first quarter of the 2007/2008 financial year. The reduction in rental and lease expenses also had a positive effect on earnings.

At **Karstadt** the planned implementation of the reconstruction measures in order to achieve a radical repositioning of the Karstadt Department Stores negatively impacted the year-on-year result trend. Adjusted EBITDA for the segment amounted to 136.0 mill. € in the first quarter of 2007/2008, down 45.8 mill. € on the previous year.

Despite the VAT increase, the gross profit margin increased by 1.9 percentage points. In addition to this improvement of the gross margin, which is due in part to the segment's focus on higher-margin consumer lines, Karstadt generated further savings in staff costs. The lower level of costs for external employees also had a positive impact.

The Premium group recorded a positive earnings development on the back of the success of KaDeWe's 100th anniversary celebrations, among other things. For the Karstadt core department stores, it was also evident that the stores that had already been converted to the new business model also recorded above-average earnings performance. Earnings at Karstadt sports were down only slightly on the previous year, with the reorientation of the sports product range and the redesign of seven flagship sports stores, which is scheduled for completion in March 2008, already starting to bear fruit.

Non-recurring factors and adjustments: Non-recurring expenses in the amount of 32.9 mill. € (previous year: 112.9 mill. €) were recorded in the first quarter of the 2007/2008 financial year as a result of the implementation of reorientation and restructuring measures. At Thomas Cook, expenses for redundancy payments and other restructuring costs were adjusted in the amount of 9.9 mill. € (previous year: income of 14.0 mill. €). In the Primondo segment, adjustments were recognized for restructuring and closure costs in the period under review in the amount of 4.0 mill. € (previous year: 161.6 mill. €). At Karstadt, staff costs, closure costs and other restructuring expenses were eliminated in the reporting period in the amount of 11.2 mill. € (previous year: 14.9 mill. €). Earnings from other segments in the first quarter of the 2007/2008 financial year included the elimination of restructuring expenses in the amount of 2.5 mill. € (previous year: net gains on disposal in the amount of 56.3 mill. €). In connection with Group restructuring adjustments at holding level totaled 5.3 mill. € (previous year: 1.6 mill. €).

Comments on the consolidated income statement

Preliminary remarks

As a result of the planned change in its annual reporting date to the Group reporting date (September 30), Thomas Cook Group plc also prepared interim financial statements for the period ending December 31, 2007. This means that the conversion to a uniform Group reporting period was implemented in the first quarter of 2007/2008 from an Arcandor point of view. Accordingly, the Thomas Cook Group was included as follows in the period under review and the comparative prior period:

For the first quarter of the 2007/2008 financial year ending December 31, 2007, the income and expenses of Thomas Cook Group plc are included for the two-month period from November 1 to December 31, 2007.

Due to the different closing date of Thomas Cook in the comparative prior-period quarter ending March 31, 2007, the income and ex-penses of Thomas Cook AG (prior to its merger with MyTravel) are included at 50% for the three-month period from November 1, 2006 to January 31, 2007.

These changes in the Group structure and the inclusion of periods with a different seasonal pattern mean that comparability is extremely limited.

Notes to the consolidated income statement

Amounts shown in mill. €	**01.10.2007 -31.12.2007**	01.01.2007 -31.03.2007
Sales	3,956.5	2,632,8
Cost of sales and expenses for tourism services	-2,408.2	-1,569.9
Gross income	1,548.3	1,062.8
Gross income margin in %	*39.13*	*40.37*
Operating income	180.0	182.3
Operating expenses	-1,086.7	-870.7
Staff costs	-602.4	-521.9
Share of sales in %	*15.22*	*19.82*
Net interest income	-51.1	-36.0
Tax on income	28.2	92.9
Results from continuing operations	-85.7	-136.2
Results from discontinued operations	-22.4	-5.7
Net profit attributable to minority interests	55.8	1.0
Net profit/loss after minority interests	-52.4	-140.9

Comments

Gross profit is primarily attributable to the full consolidation of Thomas Cook Group plc in the first quarter of 2007/2008. The gross profit margin for the first quarter of 2007/2008 was 39.1% (previous year: 40.4%) since the gross profit margin in the tourism business is generally lower than in the retail sector.

Operating income amounted to 180.0 mill. € in the first quarter of 2007/2008 (previous year: 182.3 mill. €). In addition to the full consolidation of Thomas Cook Group plc, operating income in the period under review was impacted by lower gains on the disposal of assets in the Real estate segment in particular.

Operating expenses amounted to 1.09 bill. € in the first quarter of the 2007/2008 financial year (previous year: 870.7 mill. €), thereby accounting for 27.5% of sales (previous year: 33.1%). Operating expenses in the period under review are largely due to the reduction in restructuring expenses and the lower level of additions to bad debt allowances.

Staff costs in the period under review amounted to 602.4 mill. € (previous year: 521.9 mill. €). This includes expenses for partial retirement arrangements and redundancy payments in the amount of 3.7 mill. € (previous year: 1.5 mill. €). Staff costs were primarily impacted by the higher number of employees as a result of the merger of Thomas Cook and MyTravel. In the first quarter of the 2007/2008 financial year, the ratio of staff costs to sales amounted to 15.2%.

Net interest expense of minus 51.1 mill. € (previous year: minus 36.0 mill. €) was largely impacted by the financing for the full acquisition of Thomas Cook.

Tax income in the amount of 28.2 mill. € was recorded in the first quarter of 2007/2008 (previous year: tax income of 92.9 mill. €). The tax rate was 24.7% in the period under review and 40.5% in the previous year. This change is primarily due to the German corporate tax reform 2008.

Results from continuing operations amounted to minus 85.7 mill. € in the first quarter of 2007/2008 (previous year: minus 136.2 mill. €).

Results from discontinued operations in the first quarter of 2007/2008 essentially include the income and expenses of the Neckermann Group, while the corresponding figure for the previous year also includes the income and expenses of Quelle Region West and the specialty mail order companies no longer forming part of the Group's core business, the disposal of which was resolved in the fourth quarter of the 2006 calendar year. With the exception of the Neckermann Group and the Mode & Preis Group, all of the companies classified as discontinued operations had been sold as of December 31, 2007. In the first quarter of 2007/2008, earnings from discontinued operations amounted to minus 22.4 mill. € (previous year: minus 5.7 mill. €).

All in all, the Arcandor Group reported consolidated earnings after minorities of minus 52.4 mill. € for the first quarter of the 2007/2008 financial year (previous year: minus 140.9 mill. €).

Investments and financing

Investments by segment*

Amounts shown in mill. €	**01.10.2007 -31.12.2007**	01.01.2007 -31.03.2007
Thomas Cook	21.9	3.9
Primondo	27.7	21.3
Karstadt	21.3	18.1
Operating segments	**70.9**	**43.3**
Other segments	1.1	1.7
Holding	0.1	1.6
	72.1	**46.6**

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

Depreciation and amortization (not including amortization of goodwill)

Amounts shown in mill. €	**01.10.2007 -31.12.2007**	01.01.2007 -31.03.2007
Thomas Cook	52.8	17.8
Primondo	17.0	11.0
Karstadt	22.0	24.3
Operating segments	**91.8**	**53.1**
Other segments	3.5	4.5
Holding/Reconciliation	0.6	0.6
	95.9	**58.2**

INVESTMENTS TOTAL 72.1 MILL. €

The volume of investments (excluding financial assets) in the Arcandor Group in the first quarter of the 2007/2008 financial year totaled 72.1 mill. € (previous year: 46.6 mill. €).

Investments at Thomas Cook, which totaled 21.9 mill. €, largely related to adjustments and new developments in the company's IT systems. Investments in aircraft (general overhauls) and technology were also made to a lesser extent.

Depreciation and amortization expense in the Thomas Cook segment increased in particular due to the amortization of the fair value adjustments in the course of the purchase price allocation.

The investment volume of 27.7 mill. € at Primondo in the first quarter of 2007/2008 related primarily to the continued development of the systems and infrastructure of the mail order-related service companies.

Investments in the Karstadt segment related in particular to product line presentation and store modernization measures. The shopping center in Essen, where Karstadt will operate a modern department store as the anchor tenant, will be opened in March 2008. Investments were also made in the FORWARD enterprise resource planning system.

NET FINANCIAL LIABILITIES

Amounts shown in mill. €	31.12.2007	30.09.2007	Change in %	31.03.2007
Non-current financial liabilities	1,084.3	1,204.0	-9.9	1,112.4
thereof from discontinued operations	11.1	13.0	-14.6	154.4
Current financial liabilities	1,283.0	1,276.7	0.5	259.1
thereof from discontinued operations	0.5	0,5	-	0.8
Gross financial liabilities	**2,367.3**	**2,480.7**	-4.6	**1,371.5**
Cash & cash equivalents and securities	1,148.8	1,516.4	-24.2	940.7
thereof from discontinued operations	13.2	10.7	23.4	39.0
Other financial instruments*	155.1	335.4	-53.8	277.9
thereof from discontinued operations	2.1	4.6	-54.3	7.1
Net financial liabilities	**1,063.4**	**628.9**	69.1	**152.9**

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

At the reporting date, the net financial liabilities of the Arcandor Group amounted to 1.1 bill. € (September 30, 2007: 628.9 mill. €). This increase was due to the seasonal reduction in cash and cash equivalents in the Thomas Cook segment, which was not fully offset by the positive cash flow from the retail segments. By contrast, the exercise of the option to discharge the convertible bond in exchange for the delivery of shares in December 2007 had a positive impact on net financial liabilities.

The Arcandor Group defines net financial liabilities or assets 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) reported within 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 -31.12.2007	01.01.2007 -31.03.2007
Cash flow from operating activities	-307.0	-205.5
Cash flow from investing activities	-51.9	-33.3
Cash flow from financing activities	42.7	-24.0
Changes in cash and cash equivalents affecting cash flow	**-316.2**	**-262.8**
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	-51.3	-0.2
Cash and cash equivalents at the beginning of the period	1,516.4	1,203.7
Cash and cash equivalents at the end of the period	**1,148.9**	**940.7**

In the first quarter of the 2007/2008 financial year, net cash from operating activities amounted to minus 307.0 mill. €. The cash flow from operating activities was positively impacted by the increase in operating income. This was offset by a decline in other assets/liabilities and working capital, which primarily resulted from the seasonal change in advance payments received and trade receivables in the Tourism segment.

In the first quarter of the 2007/2008 financial year, net cash used in investing activities amounted to minus 51.9 mill. €. Cash inflows in the amount of 37,5 mill. € were offset by investments in intangible assets and property, plant and equipment, which totaled 74.6 mill. €.

The net cash from financing activities in the amount of 42.7 mill. € was primarily attributable to the assumption of loans.

Asset and capital structure

BALANCE SHEET STRUCTURE

Amounts shown in mill. €	**31.12.2007**	30.09.2007	Change in %	**31.12.2007 in %**	30.09.2007 in %
Balance sheet total	**13,686.0**	**14,210.0**	-3.7	**100.00**	**100.00**
Assets					
Intangible and tangible assets	6,202.3	6,395.4	-3.0	45.32	45.01
Other non-current assets	1,410.2	1,406.8	0.2	10.30	9.90
Inventories	1,236.4	1,288.7	-4.1	9.03	9.07
Trade receivables	767.6	685.9	11.9	5.61	4.83
Other current assets	2,899.8	3,229.2	-10.2	21.19	22.72
Assets classified as held for sale	1,169.7	1,204.0	-2.9	8.55	8.47
Equity and liabilities					
Equity	2,378.9	2,478.1	-4.0	17.38	17.44
Pension provisions	1,009.5	1,024.6	-1.5	7.38	7.21
Non-current financial liabilities	1,073.2	1,191.0	-9.9	7.84	8.38
Other non-current liabilities	1,967.6	1,977.2	-0.5	14.38	13.91
Current financial liabilities	1,282.5	1,276.2	-	9.37	8.98
Trade payables	2,604.3	2,671.1	-2.5	19.03	18.80
Other current liabilities	2,850.2	3,011.7	-5.4	20.20	21.20
Liabilities relating to assets classified as held for sale	519.8	580.1	-10.4	3.80	4.08

Compared with the end of the 2007 short financial year, total assets of the Arcandor Group decreased by 3.7% to 13.69 bill. € (September 30, 2007: 14.21 bill. €).

Assets

Non-current assets amounted to 7.61 bill. € as of the reporting date (September 30, 2007: 7.80 bill. €). This 2.4% decrease is primarily attributable to translation differences affecting capitalized intangible assets (goodwill, trademarks, customer bases, order books and other intangible assets) as a result of exchange rate differences (relating to the GBP/EUR exchange rate in particular). These assets were capitalized essentially in connection with the acquisitions of Thomas Cook and MyTravel.

Current assets decreased by 300 mill. € to 4.90 bill. € (September 30, 2007: 5.20 bill. €). This development was primarily due to the seasonal reduction in cash and cash equivalents in the Thomas Cook segment in the winter quarter.

The reduction in assets classified as held for sale is largely due to the disposal of the NeBus Group.

Equity and liabilities

Equity amounted to 2.38 bill. € at the reporting date (September 30, 2007: 2.48 bill. €), while the equity ratio remained unchanged at 17.4 %. The equity reported at December 31, 2007 includes additions in the amount of 74.3 mill. € from the exercise of the option to discharge the convertible bond.

At the reporting date, noncurrent and current liabilities fell by 3.4 % and 3.2 % respectively compared with September 30, 2007. Financial liabilities also declined as a result of the exercise of the option to discharge the convertible bond in particular.

The reduction in liabilities relating to assets classified as held for sale is largely due to the disposal of the NeBus Group.

WORKING CAPITAL

Working capital amounted to minus 475.3 mill. € at the reporting date (September 30, 2007: minus 567.5 mill. €). This development was primarily due to the seasonal increase in trade receivables in the Tourism segment. The reduction in liabilities from services and goods also had a negative impact. These factors, which served to increase working capital, were not fully offset by the reduction in inventories.

Working capital

Amounts shown in mill. €	**31.12.2007**	30.09.2007	Change in %	31.03.2007
Inventories	1,236.4	1,288.7	-4.1	1,250.6
Trade receivables[1]	1,011.9	932.4	8.5	749.1
Trade payables[2]	-2,723.6	-2,788.6	-2.3	-1,170.6
	-475.3	**-567.5**	-	**829.1**

[1] Including non-current trade receivables.
[2] Including non-current trade payables.

Employees

Full-time employees at the balance sheet date*

Number	**31.12.2007**	30.09.2007	Change in %
Thomas Cook	24,759	29,070[1]	-14.8
Primondo	17,077	16,837	1.4
Karstadt	24,619	24,304	1.3
Operating segments	**66,455**	**70,211**	-5.3
Other segments	828	426	94.4
Total	**67,283**	**70,637**	-4.7

* Including trainees, excluding discontinued operations.
[1] Balance sheet date October 31, 2007.

The number of full-time employees in the operating segments decreased by 3,756 as against September 30, 2007 to 66,455, representing decline of 5.3 %. The total number of full-time employees reduced by 3,354 to 67,283 as of the reporting date.

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

Risk report

The risks relating to the Group's business activities are presented in detail in its Annual Report for the 2007 short financial year. As of December 31, 2007, there were no significant changes compared with the 2007 Annual Report.

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.

In the 2007/2008 financial year, we expect to see a positive trend in the operating segments. Thomas Cook will be fully consolidated for the whole financial year for the first time as Thomas Cook Group plc. However, the adjustment of its financial year to reflect the Arcandor Group's annual reporting date (September 30) means that it will only be included in the consolidated financial statements for eleven months.

Thomas Cook is well positioned and enjoys excellent future prospects. Bookings from European consumers remain stable, with no sign of any trend towards going without major holidays abroad despite the difficult economic environment. The outlook for the 2007/08 winter season and the 2008 summer season also gives grounds for optimism. With good demand for winter and summer holidays alike, Thomas Cook is in a good position for the rest of the current financial year.

Primondo is expected to record sales and earnings growth in the 2007/2008 financial year. In Universal Mail Order Germany, Quelle will press ahead with its recovery. All the Group's growth segments will continue to expand significantly. Following the anticipated conclusion of the purchase agreement on the sale of the 51 % interest in neckermann.de, the latter's business activities will be deconsolidated in the first half of 2008.

In the remainder of the 2007/2008 financial year, **Karstadt** will intensify its fashion expertise with the opening of a further 450 shops to complement its existing 571 brand shops. The Group's exclusive brands, which are scheduled to be launched in March 2008 with new collections and shops, will also benefit from this development. Continuing its trend of regularly changing themes across its stores, Karstadt launched a campaign in February 2008 under the name "The city in full bloom". In addition to extensive renovations at some 20 stores, three major projects (in Hamburg, Essen and Duisburg) are scheduled for completion in the current financial year. For the Premium Group, Dresden is being projected as a new Premium site.

At the same time as implementing operational improvements, Arcandor's management aims to continue to advance actively the process of market consolidation in its core business areas. In all of our segments, we have a wide range of options allowing us to increase the value of the Group through targeted M & A activities. One key objective will be to prepare the trading segments for a potential entry into the capital markets.

Consolidated sales for the 2008/09 financial year are expected to exceed 23 bill. €, with adjusted EBITDA of more than 1.3 bill. €.

Report on post-balance sheet date events

No significant events requiring disclosure in this report occurred after the end of the first quarter of the 2007/2008 financial year on December 31, 2007.

CONSOLIDATED INTERIM FINANCIAL STATEMENT

CONSOLIDATED INCOME STATEMENT

for the period between October 1 and December 31, 2007

Amounts shown in th. €	**01.10.2007 -31.12.2007**	01.01.2007 -31.03.2007
Sales	3,956,495	2,632,751
Cost of sales and expenses for tourism services	-2,408,185	-1,569,935
Gross income	**1,548,310**	**1,062,816**
Other capitalized own costs	649	13,016
Operating income	180,026	182,307
Staff costs	-602,352	-521,881
Operating expenses	-1,086,736	-870,685
Other taxes	-757	-1,538
Earnings before interest, tax, depreciation and amortization (EBITDA)	**39,140**	**-135,965**
Depreciation and amortization (not including amortization of goodwill)	-95,916	-58,208
thereof impairment loss	-268	-1,650
Earnings before interest, tax and amortization of goodwill (EBITA)	**-56,776**	**-194,173**
Amortization of goodwill	–	–
Earnings before interest and tax (EBIT)	**-56,776**	**-194,173**
Income from investments	1,533	-1,905
Income from investments in associates	1,476	2,480
Net interest income	-51,053	-35,967
Other financial results	-9,114	522
Earnings before tax (EBT)	**-113,934**	**-229,043**
Taxes on income	28,229	92,877
Results from continuing operations	**-85,705**	**-136,166**
Results from discontinued operations	-22,413	-5,658
Group results before minority interests	**-108,118**	**-141,824**
Profit/loss due to minority interests	55,760	973
Group results after minority interests	**-52,358**	**-140,851**
Earnings per share (undiluted) in €	**-0.24**	**-0.70**
thereof from continuing operations	-0.14	-0.67
thereof from discontinued operations	-0.10	-0.03

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 quarter for the period from January 1, 2007 to March 31, 2007 is not possible.

CONSOLIDATED BALANCE SHEET

for the ended December 31, 2007

ASSETS

Amounts shown in th. €	31.12.2007	30.09.2007	Change in %	31.03.2007
Intangible assets	4,354,209	4,507,666	-3.4	977,045
Tangible assets	1,848,132	1,887,686	-2.1	986,376
Shares in associates	157,715	157,510	0.1	96,397
Other financial assets	401,392	407,631	–	456,183
thereof securities	12,223	12,643	–	11,487
Non-current income tax receivables	5,410	5,410	–	21,790
Other non-current assets	160,377	159,863	0.3	123,617
Deferred taxes	685,278	676,404	1.3	348,639
Non-current assets	**7,612,513**	**7,802,170**	-2.4	**3,010,047**
Inventories	1,236,426	1,288,746	-4.1	1,250,627
Trade receivables	767,607	685,856	11.9	526,478
Current income tax receivables	51,394	54,105	-5.0	38,161
Other receivables and other assets	1,712,740	1,669,461	2.6	970,849
Cash and cash equivalents and securities	1,135,631	1,505,643	-24.6	901,696
Current assets	**4,903,798**	**5,203,811**	-5.8	**3,687,811**
Assets classified as held for sale	1,169,675	1,204,040	-2.9	1,438,948
Balance sheet total	**13,685,986**	**14,210,021**	-3.7	**8,136,806**

EQUITY AND LIABILITIES

Amounts shown in th. €	31.12.2007	30.09.2007	Change in %	31.03.2007
Subscribed share capital	574,740	551,098	4.3	517,179
Reserves	1,166,381	1,205,783	-3.3	485,116
Minority interests	637,745	721,247	–	9,215
Equity	**2,378,866**	**2,478,128**	-4.0	**1,011,510**
Non-current financial liabilities	1,073,216	1,191,000	-9.9	957,970
Other non-current liabilities	1,010,773	1,017,175	-0.6	815,482
Pension provisions	1,009,530	1,024,557	-1.5	806,538
Other non-current provisions	564,314	555,435	1,6	346,946
Deferred taxes	392,524	404,622	–	8,861
Non-current liabilities	**4,050,357**	**4,192,789**	-3.4	**2,935,797**
Current financial liabilities	1,282,518	1,276,164	–	258,278
Trade payables	2,604,262	2,671,050	-2.5	1,170,617
Current tax liabilities	11,040	10,011	10.3	17,787
Other current liabilities	2,158,630	2,296,858	-6.0	1,380,018
Current provisions	680,562	704,969	-3.5	436,506
Current liabilities	**6,737,012**	**6,959,052**	-3.2	**3,263,206**
Liabilities related to assets classified as held for sale	519,751	580,052	-10.4	926,293
Balance sheet total	**13,685,986**	**14,210,021**	-3.7	**8,136,806**

STATEMENT OF CHANGES IN EQUITY

for the period between October 1 and December 31, 2007 (previous year: January 1 to March 31, 2007)

			Revenue reserves						
Amounts shown in th. €	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	Minority interests	**Group equity Total**
Opening balance 01.01.2007*	**514,592**	**639,630**	**-523,896**	**548,674**	**-15,475**	**-**	**-9,831**	**11,073**	**1,164,767**
Differences from foreign currency translation	–	–	–	–	–	–	-888	–	-888
Changes resulting from disposals and the measurement of primary and derivative financial instruments	–	–	–	–	-10,564	–	–	–	-10,564
Changes in group of consolidated companies	–	–	–	–	–	–	–	-98	-98
Equity changes without effect for income	**-**	**-**	**-**	**-**	**-10,564**	**-**	**-888**	**-98**	**-11,550**
Consolidated earnings	–	–	-140,851	–	–	–	–	-973	-141,824
Intercompany profit and loss elimination	–	–	–	-6,794	–	–	–	–	-6,794
	-	**-**	**-140,851**	**-6,794**	**-10,564**	**-**	**-888**	**-1,071**	**-160,168**
Exercise of convertible bond/stock options	2,587	5,111	–	–	–	–	–	–	7,698
Dividends	–	–	–	–	–	–	–	-787	-787
Closing balance 31.03.2007	**517,179**	**644,741**	**-664,747**	**541,880**	**-26,039**	**-**	**-10,719**	**9,215**	**1,011,510**
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	–	–	–	–	–	–	-66,255	-55,450	-121,705
Changes resulting from disposals and the measurement of primary and derivative financial instruments	–	–	–	–	34,206	–	–	27,708	61,914
Fair value measurement in line with IAS 39	–	–	–	–	-7,290	–	–	–	-7,290
Changes in group of consolidated companies	–	–	–	–	–	–	1,632	–	1,632
Equity changes without effect for income	**-**	**-**	**-**	**-**	**26,916**	**-**	**-64,623**	**-27,742**	**-65,449**
Consolidated earnings	–	–	-52,358	–	–	–	–	-55,760	-108,118
	-	**-**	**-52,358**	**-**	**26,916**	**-**	**-64,623**	**-83,502**	**-173,567**
Exercise of convertible bond	23,642	50,663	–	–	–	–	–	–	74,305
Closing balance 31.12.2007	**574,740**	**863,506**	**-132,866**	**-**	**279,541**	**258,237**	**-102,037**	**637,745**	**2,378,866**

* The data has been adjusted.

CONSOLIDATED CASH FLOW STATEMENT

for the period between October 1 and December 31, 2007

Amounts shown in th. €	**01.10.2007 -31.12.2007**	01.01.2007 -31.03.2007
EBITDA	**39,140**	**-135,965**
Profit/loss from the disposal of fixed assets	2,570	-13,578
Profit/loss from foreign currency	-930	-2,127
Changes in non-current provisions (not including pension and tax provisions)	-54,625	-1,333
Utilization of/addition to the provision for restructuring effects	-26,691	-28,563
Other expenses/income not affecting cash flow	-20,223	-26,758
Gross cash flow	**-60,759**	**-208,324**
Changes in working capital	-39,667	-369,995
Changes in other assets and equity and liabilities	-197,678	389,026
Dividends received	7,941	1,270
Payments/refunds of taxes on income	-16,863	-17,524
Cash flow from operating activities	**-307,026**	**-205,547**
Cash payments/cash receipts for acquisition of subsidiaries less acquired cash & cash equivalents	-6,277	–
Payments received for divestment of subsidiaries less cash & cash equivalents sold	35,336	1,338
Purchase of tangible and intangible assets	-74,607	-46,559
Purchase of investments in non-current financial assets	-10,501	-10,936
Cash receipts from sale of tangible and intangible assets	2,172	18,870
Cash receipts from sale of non-current financial assets	1,990	3,970
Cash flow from investing activities	**-51,887**	**-33,317**
Free cash flow	**-358,913**	**-238,864**
Interest received	14,758	17,080
Interest paid	-44,791	-24,017
Pension payments	-25,807	-41,358
Take-up/reduction of (financial) loans	131,209	54,450
Payments of liabilities due under finance lease	-32,659	-29,332
Cash payments/cash receipts for dividends and capital increase	–	-787
Cash flow from financing activities	**42,710**	**-23,964**
Changes in cash and cash equivalents affecting cash flow	**-316,203**	**-262,828**
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	-51,325	-153
Cash and cash equivalents at the beginning of the period	1,516,383	1,203,721
Cash and cash equivalents at the end of the period	**1,148,855**	**940,740**
thereof from discontinued operations	13,224	39,044

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 quarter for the period from January 1, 2007 to March 31, 2007 is not possible.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Segment report

BREAKDOWN BY SEGMENT

First Quarter 2007/2008 (01.10.2007 to 31.12.2007)
Previous years period: First quarter 2007 (01.01.2007 to 31.03.2007)

		Arcandor Group		Reconciliation account[1]		Thomas Cook[4]	
Amounts shown in th. €		**01.10.2007 -31.12.2007**	01.01.2007 -31.03.2007	**01.10.2007 -31.12.2007**	01.01.2007 -31.03.2007	**01.10.2007 -31.12.2007**	01.01.2007 -31.03.2007
Sales		4,217,065	3,004,565	–	–	1,254,331	558,738
Interest from lending business		32,548	30,378	–	–	–	–
Internal sales		-293,118	-402,192	-58,538	-78,795	-14,032	-6,681
Group sales		**3,956,495**	**2,632,751**	**-58,538**	**-78,795**	**1,240,299**	**552,057**
Group sales (adjusted)		***3,826,877***	***2,531,257***	***-27,620***	***-45,093***	***1,240,299***	***552,057***
Cost of sales and expenses for tourism services		-2,408,185	-1,569,935	3,002	2,709	-983,481	-444,427
Gross income		**1,548,310**	**1,062,816**	**-55,536**	**-76,086**	**256,818**	**107,630**
Other capitalized own costs		649	13,016	–	12,212	–	–
Operating income and costs		-906,710	-688,378	30,018	43,115	-142,622	-69,717
Staff costs		-602,352	-521,881	-3,313	-6,290	-202,423	-104,864
Other taxes		-757	-1,538	-23	-11	-628	-547
EBITDA		**39,140**	**-135,965**	**-28,854**	**-27,060**	**-88,855**	**-67,498**
EBITDA (adjusted)		***72,085***	***-125,889***	***-23,554***	***-11,999***	***-78,966***	***-67,636***
EBITDA margin in % (adjusted)		*1.9*	*-5.0*	*–*	*–*	*-6.4*	*-12.3*
Depreciation and amortization (not including goodwill)		-95,916	-58,208	-648	-551	-52,826	-17,776
Amortization of goodwill		–	–	–	–	–	–
EBIT		**-56,776**	**-194,173**	**-29,502**	**-27,611**	**-141,681**	**-85,274**
Income from investments in associates		1,476	2,480	–	–	-552	10
Earnings from discontinued operations		-22,413	-5,658	–	–	–	–
Segment assets	balance sheet date	10,322,330	5,143,222	33,404	90,503	6,567,024	1,461,506
Segment liabilities	balance sheet date	6,960,666	4,127,883	180,157	127,789	3,773,308	1,213,698
Investments[2]		72,136	46,559	97	1,592	21,948	3,860
Employees (3-months average)[3]	number	90,636	82,838	169	195	30,286	19,265

[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] Includes Thomas Cook for the period November 1, 2007 to December 31, 2007 and November 1, 2006 to January 31, 2007.

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 quarter for the period from January 1, 2007 to March 31, 2007 is not possible.

Primondo		Karstadt		Services		Real estate	
01.10.2007 -31.12.2007	01.01.2007 -31.03.2007	**01.10.2007 -31.12.2007**	01.01.2007 -31.03.2007	**01.10.2007 -31.12.2007**	01.01.2007 -31.03.2007	**01.10.2007 -31.12.2007**	01.01.2007 -31.03.2007
1,447,623	1,274,668	1,404,588	1,063,857	61,793	71,223	48,730	36,079
27,617	25,903	–	–	4,931	4,475	–	–
-201,965	-303,106	-18,583	-13,204	–	-406	–	–
1,273,275	**997,465**	**1,386,005**	**1.050,653**	**66,724**	**75,292**	**48,730**	**36,079**
1,231,744	***981,652***	***1,315,730***	***967,349***	***66,724***	***75,292***	**–**	**–**
-629,876	-496,169	-786,060	-608,187	-11,770	-23,861	–	–
643,399	**501,296**	**599,945**	**442,466**	**54,954**	**51,431**	**48,730**	**36,079**
104	192	545	612	–	–	–	–
-449,766	-369,240	-249,910	-244,323	-46,908	-31,574	-47,522	-16,639
-161,417	-166,181	-226,439	-225,867	-8,619	-18,358	-141	-321
-600	-759	646	-14	–	–	-152	-207
31,720	**-34,692**	**124,787**	**-27,126**	**-573**	**1,499**	**915**	**18,912**
35,710	***-31,882***	***136,033***	***-26,475***	***-561***	***2,332***	***3,423***	***9,771***
2.9	*-3.2*	*10.3*	*-2.7*	*-0.8*	*3.1*	–	–
-16,955	-10,989	-21,991	-24,348	-986	-2,060	-2,510	-2,484
–	–	–	–	–	–	–	–
14,765	**-45,681**	**102,796**	**-51,474**	**-1,559**	**-561**	**-1,595**	**16,428**
198	–	–	–	1,275	1,827	555	643
-22,413	-5,658	–	–	–	–	–	–
2,057,947	1,841,770	1,242,469	1,322,215	195,349	189,247	226,137	237,981
1,834,059	1,709,720	877,356	772,926	53,869	53,834	241,917	249,916
27,651	21,286	21,349	18,142	1,069	1,679	22	–
26,153	28,614	33,037	33,556	984	1,188	7	20

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 consolidated interim financial statements of Arcandor AG for the first quarter of 2007/2008 were prepared in accordance with IAS 34 “Interim Financial Reporting”. Thus, they do not include all the information required by the International Financial Reporting Standards (IFRS) in force at the balance sheet date and to be applied in the European Union and the related interpretations by the International Accounting Standards Board (IASB). The consolidated interim financial statements include a consolidated income statement, a consolidated balance sheet, the statement of changes in consolidated equity, the consolidated cash flow statement, selected notes and an interim consolidated management report.

No new standards or interpretations had to be adopted for the first time for the first quarter of the 2007/2008 financial year.

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 long-term and short-term assets or liabilities in accordance with their maturity. The income statement is structured in accordance with the nature of expense method.

As a result of the change in the financial year of Arcandor AG from December 31 to September 30, the first quarter of the new financial year now ends on December 31, 2007. In line with IAS 34.20(a), the balance sheet at December 31, 2007 is compared with the balance sheet at September 30, 2007. In addition the balance sheet at March 31, 2007 is also disclosed.

IAS 34.20(b) requires that the income statement compares the first quarters of the current and the immediately preceding financial year. Accordingly, the period from January 1 to March 31, 2007 must be disclosed as the prior-year comparative period. The period from October 1 to December 31, 2007 is therefore compared with the period from January 1 to March 31, 2007.

On account of the planned change in the financial year to the uniform Group reporting date of September 30, Thomas Cook Group plc has prepared interim financial statements at December 31, 2007. Thus, the transition to a uniform Group reporting period has been completed in the first quarter of 2007/2008 from an Arcandor point of view. In light of this, the Thomas Cook Group has been included in the current and stated comparative periods as follows:

For the first quarter of the financial year 2007/2008 ended on December 31, 2007, Thomas Cook Group plc was included with its balance sheet at December 31, 2007 and an income statement for the two-month period from November 1 to December 31, 2007.

In the comparative quarter for the prior-year period ending March 31, 2007, Thomas Cook AG (before the merger with MyTravel) was included at 50% with its balance sheet at January 31, 2007 and at 50% with its income statement for the three-month period from November 1, 2006 to January 31, 2007.

On account of the changes in the Group structure described above, comparability is highly restricted.

Accounting policies

The accounting policies are the same as those of the last consolidated financial statements at September 30, 2007.

Adjustments relating to “buying on approval” and reclassifications in line with IFRS 5 have been taken into account in all the comparative periods disclosed. No further adjustments were required for the first quarter of 2007/2008 ended on December 31, 2007.

Assumptions and estimates were made in the preparation of the consolidated interim financial statements that affect the reporting of assets and liabilities and income and expenses. Actual values may differ from the assumptions and estimates made in individual cases.

The interim report was reviewed by the auditors for all significant fully consolidated companies.

CONSOLIDATED COMPANIES

There were no significant changes in the consolidated group as a result of investments or divestments in the reporting period.

In the first quarter of 2007/2008, the consolidated group was reduced by nine companies. These changes essentially relate to the planned disposal of the NeBus Group as part of the divestment program at Primondo.

In addition, seven companies in the Primondo and Services divisions were fully consolidated for the first time.

SIGNIFICANT TRANSACTIONS

In October 2007, the Nebus Group was sold to the investment and management group Andlinger & Company. The Nebus Group is a specialist provider of customer loyalty and sales promotion programs based in the Netherlands with other activities in Belgium, Germany, France, Italy, the Czech Republic, Switzerland, Slovakia and Spain. The transaction was concluded in the first quarter of 2007/2008.

In December 2007, Arcandor AG signed a letter of intent on the disposal of its 49 % interest in the real estate company Highstreet. Arcandor intends to sell its 49 % stake to a consortium of buyers headed by the Deutsche Bank subsidiary DB RREEF, Pirelli RE and the Borletti Group. Following the sale of its interest in Highstreet, Arcandor will have disposed of its entire department store real estate portfolio.

Also in December 2007, Arcandor AG entered into an agreement on the sale of 51% of the shares in neckermann.de. The buyer is the financial investor Sun Capital Partners, Florida/USA. As planned, operating management of neckermann.de will be handed over to the new majority owner. At December 31, 2007, control had not yet been transferred and therefore this transaction also still had no effect on accounting.

On December 27, 2007, Arcandor AG exercised the option right to discharge its convertible bond. In total, all 1,585 outstanding bonds were converted, increasing the subscribed capital by 23.6 mill. € and the capital reserves of Arcandor AG by 50.7 mill. €.

ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES

Amounts shown in th. €	31.12.2007	30.09.2007
Assets classified as held for sale		
Intangible assets	19,451	17,895
Tangible assets	128,842	129,020
Other financial assets	513,107	512,870
Deferred taxes	4,549	5,397
Non-current assets	**665,949**	**665,182**
Inventories	53,655	54,120
Other current assets	450,071	484,738
Current assets	**503,726**	**538,858**
	1,169,675	**1,204,040**
Liabilities from assets classified as held for sale		
Provisions for pensions	43,137	44,759
Deferred taxes	29,326	28,669
Non-current liabilities	**72,463**	**73,428**
Current financial liabilities	11,093	12,997
Other liabilities	436,195	493,627
Current liabilities	**447,288**	**506,624**
	519,751	**580,052**

Following the disposal of the NeBus Group, the assets and liabilities held for sale essentially include the assets and liabilities of the Neckermann Group and Mode & Preis Group.

CONTINGENT LIABILITIES, OTHER FINANCIAL OBLIGATIONS

As against the annual financial statements at September 30, 2007, there were no material changes in the contingent liabilities or other financial obligations.

RELATED PARTIES

The Arcandor Group had business relations with the following related parties in the first quarter of the financial year 2007/2008 and the fourth quarter of 2006:

Included in the consolidated income statement:

Amounts shown in th. €	**01.10.2007 -31.12.2007**	01.10.2006 -31.12.2006
Goods and services supplied	3,688	1,512
Goods and services received	6,064	5,008

Included in the consolidated balance sheet:

Amounts shown in th. €	**31.12.2007**	30.09.2007	31.03.2007
Receivables	57,209	190,007	61,439
Payables	591,984	616,082	776,555

Mail order companies sold trade receivables to VALOVIS Bank AG which had been transferred to the Group pension fund without recourse. As at December 31, 2007 assigned receivables amounted to 1,616 mill. € gross (previous year: 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. The reserve account showed a balance of 182 mill. € (September 30, 2007: 173 mill. €) on the balance sheet date.

Service relationships exist with companies of the KarstadtQuelle Pension Trust e. V. and II. KarstadtQuelle Pension Trust e. V. for the leasing of real estate. The related lease costs for the Group total 1,626 th. € (previous year: 1,485 th. €)

As at June 11, 2007, two typical silent partnerships between KarstadtQuelle Mitarbeitertrust e. V. and II. KarstadtQuelle Mitarbeitertrust e. V. on the one hand and Primondo Specialty Group GmbH on the other were agreed. As of December 31, 2007 the silent partnership amounted to 465 mill. €.

Liabilities include mortgage bonds passed on from VALOVIS Bank AG in the amount of 89 mill. € (September 30, 2007: 13 mill. €).

There were no other material changes as against the balance sheet date September 30, 2007

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No significant events took place after the end of the first quarter of the financial year 2007/2008 on December 31, 2007.

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Important Investor Relations dates

Annual General Meeting (Düsseldorf)	April 23, 2008
Interim reports Quarter 2	May 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.