Speech from Dr. Karl-Gerhard Eick

Chairman of the Arcandor AG

Management Board on the occasion

of the Annual General Meeting

on 18 March 2009 in Düsseldorf

The spoken word is valid!

Embargo time: March 18, 2009, 10:30 a.m.

Ladies and gentlemen, dear shareholders,

I would like to wish all of you a good morning and to welcome you very cordially to the Arcandor AG Annual General Meeting.

As you know the Arcandor AG Supervisory Board appointed me as Chairman of the Management Board of your company as of 1 March 2009. In the last few months – as far as it was possible – I prepared myself for this task. Now I am just three weeks in office.
And I can assure you dear shareholders, as well as bank and media representatives that I am very much looking forward to the dialogue with you – today and in the future.

Nevertheless, you will certainly understand, if after such a short period of office I say that this Annual General Meeting actually comes too early for me. For of course, I need to understand many things much better and get to know the background situation. But one thing I already know today – it is not the time for great strategies or even visions. Now is the time for consolidation. And this means extremely hard work.

I would like to inform you today about this work. You have a right to know the priorities and principles we are using to approach the work in the Management Board for charting the future of the company. I will also present to you in brief the figures of the past 2007/2008 financial year. Furthermore, I will make an evaluation of your company's current status from my perspective. And then I will tell you the priorities with which we are now approaching the work with the new Management Board team.

But let me start with one key statement – I will regularly and openly render account on my work and the work of the Management Board - to you the shareholders, the employees of the company, our creditors, suppliers and the general public. For me this is an important first step to regain trust for Arcandor.

Trust is not a fair weather topic for glossy brochures, trust is an essential corporate value which decides on the weal and woe of companies. Creating and maintaining trust is also a matter for the top management.

To establish and maintain trust clarity, directness, openness and reliability are needed.

This is what I stand for.

In almost ten years as CFO for Deutsche Telekom I was responsible for the figures of Europe's largest telecommunications group and in this function according to all those involved I implemented a fundamentally sound finance policy. We reduced debt and provided for transparency. And this is also one of the reasons I am convinced that Deutsche Telekom today is one of the soundest companies in Europe, one which will emerge as a winner from the crisis.

A fundamentally sound finance policy is also the objective why I took office at Arcandor, ladies and gentlemen. As convinced financial man with many years experience, I understand a company primarily on the basis of figures. They are measurable, unequivocal and speak a clear language:

- a clear language in the dialogue with shareholders,
- with the creditors,
- with business partners,
- and also a clear language in the dialogue with employees,
- as well as <u>quite naturally</u> with the customers of a company.

To begin with, let me now present the figures for the business development at Arcandor in the last financial year. In the process, I will show you the unadjusted and adjusted Group sales and results.

In recent years, Arcandor has been marked by considerable restructuring. This also continued in the last year and is of course reflected in the figures. The objective of this restructuring was to increase the competitive position and make the operating divisions fitter for the future. But at the same time they resulted in considerable financial burdens. These relate primarily to costs for integrating MyTravel at Thomas Cook, to the closure of unprofitable units at Primondo and to the further repositioning of the Karstadt department stores.

A further complication was the fact that in the annual report you have in your hands, there is only limited comparability to the previous year, that is, financial year 2007, because the previous year was a short financial year with only nine months and Thomas Cook Group plc was only created on a step by step basis in the comparative period of the previous year and then consolidated. For reasons of transparency, I will refer to adjusted figures in parts of my statement, which in addition to the described non-recurring effects from the restructuring are also calculated on a pro forma basis. This means they compare two complete financial years in the retail segments and describe the Thomas Cook Group as if it had been fully consolidated with the same structure in the previous financial year. This is the attempt to present to you comparable figures.

With the earnings figure we have to make a key differentiation between two things:

1. the development of the mere operating business – the so-called adjusted figures
2. the unadjusted key figures which contain the effects from restructuring and repositioning.

Let me start with the development in the last financial year. In financial year 2007/2008, Arcandor AG generated group sales of EUR 19.4 billion. In the previous year, group sales of EUR 14.6 billion were reported. The increase was the result of the successive consolidation of the newly created Thomas Cook Group plc into the accounting figures, and particularly of the short financial year 2007. Adjusted group sales totalled EUR 19.9 billion, equivalent to a 1.1 percent decline respectively a growth of 3.1 percent on a currency-adjusted basis (GBP). While Primondo posted a sales upturn, Karstadt lost sales. Even though Thomas Cook pushed local currency sales, on a euro basis it posted a decline.

In the last financial year, Arcandor's reported Group EBITDA totalled EUR 0.4 billion. As a result of incremental income from property sales made in 2006, it had amounted to EUR 1.2 billion in the previous year. Unadjusted Group EBITDA clearly reflects the effects from restructuring and the change in the financial year described above. For this reason, a comparison with the previous year is not meaningful, which is why I am not going to comment on it in any more detail.
EBITDA adjusted for the change in the financial year, restructuring measures and profits from the disposal of our stake in the Highstreet portfolio to a buyer consortium improved by 25.4 percent from EUR 601 million to EUR 754 million. Contributory factors were Thomas Cook and Primondo with a positive earnings trend, while the Karstadt EBITDA developed negatively.

The reported EBIT of the group is minus EUR 165 million. The reported adjusted Group result after minorities is minus EUR 746 million, again reflecting restructuring and the change in the financial year.

Of course the above mentioned developments are reflected in the balance sheet. Net financial liabilities rose by approximately EUR 987 million to EUR 802 million. Negative free cash flow contributed EUR 206 million, which does by definition not take account of interest and pension payments. Furthermore, numerous acquisitions at Thomas Cook and its share buy-back program impacted debt.

There are also finance lease liabilities of almost EUR 1.3 billion.

This clearly shows that the transition from a national retail company to an international retail and tourism group has burdened and is burdening Arcandor and its units to the limit.

In 2005, my predecessor Thomas Middelhoff took on the company in a very difficult phase. KarstadtQuelle was close to being insolvent, something that Thomas Middelhoff averted. At that time KarstadtQuelle was a purely national retail group. Together with the employees of the company, Thomas Middelhoff and his team transformed this group into an international corporation with focus on markets of the future. The Group has been diversified and internationalised.

Today Arcandor is a company with 86,000 employees and activities in more than 20 countries. Sales outside Germany increased to about 40 percent. The share of tourism revenues has grown to approximately 60 percent, with retail sales declining commensurately.

At this point, let me express my thanks to Thomas Middelhoff for the work done by him and the Management Board over the last few years. Above all, I would like to thank him for his matter-of-fact cooperation over the last few weeks in which he informed me candidly above all the important issues and developments, thus easing my start into my new responsibilities.

It is clear that huge problem areas have to be worked on. To mention only the most important tasks - in the short term, securing Group liquidity and in the medium term expanding Group financing, increasing the equity ratio, improving operating performance of the company segments and strongly increasing the cash flow.

Because the successful handling of these problem areas still has various levels of uncertainty, the share price has also suffered. The restructuring of the Group and the resulting changes were not conducive to clear figures, thus negatively impacting the share price. Again and again the business figures needed to be adjusted. Furthermore, the already mentioned change of the financial year to 30 September impacted negatively. This is one of the major reasons why transparency suffered.

Taken together, these factors were detrimental to the quality of communication with shareholders and partners on financial markets, thus ultimately undermining the credibility of the announced progress. In what is already a nervous market environment, this promotes a dramatic decline in the stock market valuation. Those bearing the brunt of this now are the Arcandor shareholders. The current share price is EUR 1.47.

I would now like to make some statements on the quality of the three company segments.
Thomas Cook is the No. 2 in the European tourism market, the No. 2 in Germany, the No. 2 in Great Britain, the No. 1 in Scandinavia. This company, managed by Manny Fontenla-Novoa and his team, improved sales considerably in local currency. Unfortunately, the result was clouded over by the negative development of the British pound. In the Arcandor consolidated financial statements, we posted sales for Thomas Cook of EUR 10.5 billion after EUR 8.4 billion in the short financial year 2007. Adjusted sales totalled EUR 11.4 billion after EUR 11.8 billion in the previous year. This is a currency-driven decline in sales of 3.2 percent. Thomas Cook sales reported in Pound Sterling increased by 11.8 percent. Pleasingly adjusted EBITDA increased from EUR 535 million to EUR 735 million – an upturn of 37.4 percent. EBIT totalled EUR 113 million.

Thomas Cook thus looks back on a very strong financial year. The 4.2 percent EBIT margin of our tourism provider is higher than the comparable competition. Synergies from the acquisition of My Travel have been higher than originally expected, exceeding GBP 140 million. In addition, Thomas Cook consistently reduced unprofitable sales by targeted capacity management, thus increasing the return on sales on a sustained basis.

Ladies and gentlemen, Thomas Cook generates a reliable contribution to sales and profits. With a 57 percent share of sales in the last financial year, the company is the strongest pillar in the house of Arcandor AG. The tourism segment makes a very strong contribution to the Group result.

Primondo, the home shopping segment at Arcandor, headed by Marc Sommer, is rigorously working on achieving a turnaround. Reported sales moved up from EUR 3.0 billion to EUR 4.4 billion against the short financial year 2007. Adjusted sales totalled EUR 4.3 billion, an improvement of 6.7 percent. Adjusted EBITDA in this segment rose by EUR 85 million to EUR 90 million in the last financial year. Even adjusting for the required IFRS changes in accounting for catalogue costs and the ABS-program fees, Primondo posted a positive adjusted EBITDA again for the first time in many years. Despite an improvement, at EBIT level Primondo is still in the red, with a minus of EUR 77.

Primondo is working on improving the business situation. The Pact for the Future agreed with the employees will contribute to that, as will a cost reduction program started in February, which will result in savings in the large double-digit millions. Nevertheless, I am not telling you anything new when I say that the current year will not be easy. Already we are noting an economy-driven decline in demand at individual Primondo mail order companies. At the same time, the currency weakness in Russia, as well as in Central and Eastern Europe in the current crisis is impacting negatively. Price adjustments are one of the ways Primondo intends to cushion this trend. But it will certainly not be easy.

Let us now turn our attention to Karstadt. The department stores contribute 21 percent of total sales at Arcandor. In this business segment, reported sales totalled EUR 4.3 billion, after EUR 3.1 billion in the short financial year 2007. In the year under review, adjusted sales declined by 3.4 percent – from EUR 4.2 billion to EUR 4.1 billion. Adjusted EBITDA moved down considerably. In 2006/2007, a figure of EUR 148 million was posted, while in the last financial year the equivalent figure was minus EUR 4 million. At EBIT level, Karstadt generated minus EUR 272 million after minus EUR 137 million in the previous year.

As of 1 August 2008, a new management team headed by Stefan Herzberg took on the task, rigorously initiating the first measures of a comprehensive efficiency program. This included the already completed restructuring of headquarters, a simplified organisation structure, a focused marketing expenditure and the immediate stop of all projects not relating to sales. The efficiency program is now clearly having an effect and should make a contribution to improving the situation at Karstadt on a sustained basis. Together with the Pact for the Future this will result in cost savings considerably over EUR 100 million this year.

Ladies and gentlemen, when presenting the figures, I made a deliberate decision not to show you the business trends of the Group and the operating segments in great detail. After only three weeks in office, this too relates to credibility.

Your company is facing the start of another development phase which must be marked by consolidation. And to initiate and implement this consolidation is why I am here.

Ladies and gentlemen, despite the positive trends which certainly are in place in individual areas, I do not want to put a fair weather face to the situation – the overall situation of the Arcandor Group is difficult. The consolidated result of minus EUR 746 million in the last financial year is disquieting. Particularly in view of the market changes driven by the bank crisis, I consider the ratio of EBITDA to Group debt challenging. Per share Arcandor made a loss considerably exceeding EUR 3.

The fact that Arcandor is posting a negative cash flow must change as quickly as possible. This will require a great deal of work. In the last financial year, the reported free cash flow was minus EUR 206 million. This does not include the balance of interest paid and received of minus EUR 181 million and pension payments of EUR 125 million. This clearly shows the need for direct action and will drive our activities now and in the foreseeable future.

It is unequivocally clear to us that Arcandor has lost the confidence of financial markets and creditors. This is more than obvious from the share price performance over the last twelve months. But this was also evident in the difficult refinancing round in the fall of 2008 and a credit insurance company temporarily freezing credit lines. The uncertainties of the financial crisis and the as yet unknown consequences of the recession further exacerbate the situation. What is more the financing is very short term and has very narrow confines.

As shareholders of Arcandor AG you did not have much joy with your investment over the last year. All the more I would like to thank you for the loyalty and patience you have displayed. Of course, it is our aim that being an Arcandor shareholder can again be a pleasurable experience!

Dear shareholders, this makes one thing patently clear – we have to change things, quickly and on a sustained basis. In view of the current debt and earnings situation within the Arcandor Group and the huge challenges this company is facing, a simple continuation is not possible and will not occur. This is what you can rely on.

What needs to be done?

Priority is stabilising the Group's financing in the medium term and securing liquidity on a sustained basis. We will place this above all other considerations. The next big refinancing round is in June – where a volume of EUR 650 million is due. Undoubtedly the refinancing of the first tranche in February is somewhat reassuring. We paid back EUR 20 million and extended a tranche of EUR 60 to the summer of this year.

In the pending negotiations, CFO Rüdiger Günther and I, together with the operating Management Board members will deploy all our expertise and experience to secure the liquidity and financing of the Group.

To negotiate successfully with the banks is a great challenge but not a mission impossible. What is required here initially sounds anything but strategic and not at all visionary – we must meet our own targets, especially in terms of cash flow and result. We must become more efficient in the core businesses. What we are facing is extremely hard work - the compulsory program, not the freestyle. Reducing costs and aligning the core business to achieving results. This is what I would call consolidation. And this will be our task today, as well as tomorrow and the day after tomorrow. Please do not expect any visionary future scenarios in the foreseeable future. I cannot and will not promise them to you. What I am promising you is our maximum efforts to achieve our goals. We will roll up our sleeves and get to work!

This is the key condition for regaining the confidence of financial institutions and shareholders for our Group. At the same time, we also gain the time needed for the consolidation we are now facing.

Ladies and gentlemen, for Arcandor and its business segments sales growth is not a priority, at least not in these times. In case of doubt, we will give up sales if we can improve the result and the cash flow situation as a consequence. This applies particularly to Thomas Cook where capacity is to be pared back in favour of profitability.

But it is equally important to see the current economic and consumer crisis as an opportunity for our company and to attempt to use it to our own advantage.
Thomas Cook has a good international positioning and a sound balance sheet structure. The company will continue work on cushioning changes in booking behaviour and currency fluctuation by flexible capacity management.

We also see potential in the crisis in the home shopping area. The Internet will continue to grow as a distribution channel – even in the current phase. With its rigorous e-commerce alignment, Primondo can benefit here. Quelle already gains half of its new customers online and online demand will move to over 50 percent in the foreseeable future. This will lower catalogue costs. In addition, Primondo will benefit from the large share of hire purchases which is attractive for many people, particularly in times of crisis.

As market leader in the department store area, Karstadt has a great opportunity to gain ground from its competitors in this crisis. For the upper specialty retail segment will retreat and customers will rediscover the department store as a high-quality place to make purchases with good service and a fair price-performance ratio. Our great strength here is our employees in the department and sports stores. Here we are talking about the potential of more than 30,000 employees who can make a key difference. They have the experience, the willingness and the competency to serve their customers in an excellent manner, treating them with particular esteem. This is what differentiates Karstadt in a fundamental fashion from other places where purchases are made, particularly from discounters.

Ladies and gentlemen, every crisis also brings with it an opportunity. Whining does not help. We will regard the recession as an opportunity for our business segments and attempt to take advantage of it.

I am convinced that Arcandor is able to continue with three business segments. However, for this to happen we must improve the operating performance considerably and secure financing. Splitting up the Group, a demand which is cropping up again, is not my priority. But I would also like to tell you that I do not hold any dogmatic position. We will do the best for the Group, its employees, shareholders and partners. And in the process I quite deliberately am not taking a short-term perspective but establishing a sustained and long-term vantage point. If this shows that it makes sense to change the portfolio, our business or our business structure, then we will also do this.

Ladies and gentlemen, I intend to manage Arcandor as a strategic management holding with business activities in the tourism and retail sectors. The strategic alignment of the Group, portfolio management and control as well as securing the necessary financing are all tasks for the Management Board. On the basis of clear and transparent figures, the Arcandor Management Board will then stipulate the framework for the operating segments, discuss strategies together, track the course taken and make changes where necessary.

But it is important that the operating decisions are made close to the markets and customers. It is for this reason that management of the business segments are responsible for and manage the operating business. Manny Fontenla-Novoa, Marc Sommer and Stefan Herzberg have the trust, the competence and the experience to take their units into the future.

Ladies and gentlemen, over the last few weeks I was often asked what I found attractive about my new task. Why does a figures-driven, hard-headed financial manager take the helm at a company whose finances are in the position I have described? These are justified questions which I will answer.

In my view, Arcandor has great potential – potential in its business segments, which we want to capture in the medium to long-term on the basis of clearly defined measures. This assumes sound financing and the relevant development of profitability and cash flow. This is what I am here to do.

I am not alone in my opinion here. With Sal. Oppenheim, Arcandor has gained a strong and convinced large shareholder. Sal. Oppenheim has described its acquisition of almost 30 percent of the Arcandor shares as a long-term investment.
I have great confidence in partners such as Sal. Oppenheim and our Supervisory Board Chairman Friedrich Carl Janssen. These partners give your Group the necessary stability in a difficult phase. And I would even go one step further – without Sal. Oppenheim as major shareholder and Friedrich Carl Janssen as Chairman of the Supervisory Board I would certainly not be here.

At this point it is necessary for me to make a comment relating to corporate law on the cash capital increase implemented last autumn. Please excuse me for providing precise figures and wording which unfortunately may make understanding somewhat difficult.

In connection with refinancing the Arcandor Group, on 28 September 2008 the Supervisory Board and Management Board resolved a cash capital increase utilising authorised capital. To do this the Arcandor AG share capital was increased from EUR 589,326,151.88 by EUR 58,932,615 to EUR 648,258,766.88. The capital increase is equivalent to approximately 10 percent of the former share capital. With the exclusion of subscription rights, only Privatbank Sal. Oppenheim & Cie. KGaA was authorised to subscribe to the 23,020,552 new shares. The issue price of the new shares was EUR 2.60 and was thus considerably above the current price on the exchange for Arcandor AG shares. As a result of the cash capital increase, liquidity of EUR 59,853,435.20 flowed to Arcandor AG. The cash capital increase was the bank syndicate's prerequisite for further refinancing the Arcandor Group.
The Arcandor AG Management Board is convinced that the cash capital increase with the exclusion of subscription rights was in the interests of the company and the shareholders. Firstly, it tangibly improved the liquidity situation of the Arcandor Group in the run-up to the important Christmas business. What is more, it was perfectly possible for shareholders to retain their stake by making purchases on the stock exchange. As the Arcandor AG share price at the time was considerably below the issue price of the new shares, shareholders were able to retain their stake level at a lower price that would have been the case if subscription rights had been granted. This is what I needed to say on the cash capital increase.

At this point let me take the opportunity to thank expressly the banks which have accompanied and supported the company in recent years on its difficult path - Bayerische Landesbank, Dresdner Bank and Commerzbank, the Royal Bank of Scotland and ABN Amro. It is not possible to hold their commitment in high enough esteem. My thanks also go to the trade credit insurance companies, including Euler Hermes, Zurich, Atradius and Coface.

This basis of broad support was a key element in establishing the foundation of the current business structure. It is a matter of utilising this basis to improve further the positioning of the operating units on a systemic basis or, if necessary, to re-align them in line with changed market conditions.

In this task one thing in particular gives me great confidence – the approximately 86,000 employees in the Arcandor Group. Over the last few years they have shown their commitment for their company to an extent which goes far beyond the normal obligations of an employee and the level of loyalty normally expected. In the employees I also see a key, active strength of the company in comparison to the current financial weakness.
The financial amount totalling EUR 345 million over three years which the employees are bringing to the company in the context of the recently concluded Pact for the Future, is extraordinary. With this amount the employees are expressing their personal commitment which deserves our respect!

One thing is clear for me – the employees together with the employee representatives – to whom I offer close, trusting and constructive cooperation – are standing by their company. Like I do, they also believe in a successful future for Arcandor and its brand companies. And like me, they too are willing to work in a resolute fashion for this future. With this sacrifice they have earned a future! And we will do everything in our power to make sure that they also get this future.

Ladies and gentlemen – in view of the current situation, steering Arcandor to such a successful future is undoubtedly a major entrepreneurial challenge. It is clear to all those involved that we cannot cope with this challenge in a short period. Together we are aiming to find sustained, not overhasty, solutions. We will have to ask the banks and the credit insurers for support in doing this, together with time and patience.

At this point, let me make a few remarks on current business.
In the first quarter of the financial year 2008/2009, the Arcandor Group was able to post a fair result. Reported consolidated sales moved up from EUR 4.0 billion to EUR 4.8 billion. However, here it should be taken into account that in the equivalent quarter of the previous year Thomas Cook was consolidated only for two months. Adjusted consolidated sales expanded slightly by 1.1 percent also to EUR 4.8 billion. Adjusted Group EBITDA rose by EUR 27 million to EUR 180 million.

Thomas Cook looks back on another successful quarter, with an increase in both sales and result. In the most important quarter of the financial year, Primondo and Karstadt maintained a good position, despite an extraordinarily challenging environment. Primondo pushed up sales slightly. While Quelle – the largest unit - developed in a pleasingly stable fashion, speciality mail order felt the effects of the economic downturn. For this reason, Primondo posted a results downturn. In the Christmas quarter, Karstadt managed to stabilise its business again. With sales almost on the level of the previous year, the company improved its operating result.
The Group EBIT was minus EUR 19 million. The Group result after minorities was also negative. In the first quarter, a minus of EUR 58 million was generated. However, in this matter it should be taken into account that the main earnings driver, Thomas Cook, generates only a low contribution in the first quarter due to seasonal factors and that considerable investments were again made for restructuring at both Primondo and Thomas Cook.

Ladies and gentlemen, we all know that the market environment is extremely difficult. As a result of the finance crisis, all industries and economies round the world are lurching into a phase of recession. Nobody can reliably state just how deep the downswing will be. It is almost certain that we will see perceptible declines in gross domestic products in all countries. Unemployment is already rising. Consumer restraint on a broad basis is a distinct possibility and sharp fluctuations in the international currency system will be with us for some time. This also impacts us - as already described for Thomas Cook – and also Quelle in Central and Eastern European countries, as well as in Russia. Here we buy in euro.

These are all external factors over which we have virtually no influence and we which will have to adjust to at Arcandor. This is also one of the reasons why my predecessor Thomas Middelhoff did not give any forecast for the current financial year. And I will not provide one today either.

At an early stage Arcandor took measures against this crisis. With the efficiency programs and the Pact for the Future at Karstadt and Primondo as well as the flexible cost and capacity management at Thomas Cook, important initiatives for proactive risk management were initiated or are already in full swing. In order to stabilise Arcandor in a period of economic downturn, we will realise strict cost and cash management across the Group. In the operating units we will examine our strengths closely even in the crisis and want to take advantage of the opportunities for optimising our market position.

Ladies and gentlemen, at this point I also have to make some comments on the current agenda of the Annual General Meeting. Here too, I would request your understanding for the necessary precision of the statement.

In Agenda Item 6, we request your approval for concluding a profit transfer agreement. As parent company Arcandor AG concluded an agreement with its 100 percent subsidiary Jung GmbH as consolidated tax group company on 23 January 2009. On the basis of the agreement Jung GmbH undertakes to transfer its entire profits in terms of Article 301 of the German Stock Corporation Act to Arcandor AG. This is to occur for this first time from the financial year starting on 1 October 2008. As a counter-performance to the profits transfer, Arcandor AG undertakes to offset any net losses of Jung GmbH. The profit transfer agreement is concluded for an indefinite period and can only be terminated at a time which is at least five calendar years after the start of the financial year at Jung GmbH in which the agreement becomes effective. Otherwise the profit transfer agreement contains the usual regulations for such an agreement. The agreement can be terminated at any time for good reason. Good reason is in particular the sale of a majority stake in Jung GmbH. The Jung GmbH Shareholders Meeting approved the agreement in a resolution on 29 January 2009. The contract has been printed in the invitation to the Annual General Meeting and is available for inspection in the foyer at the relevant information stands on presentation of certification evidencing you as a shareholder.
The following should be stated on the business background of the profit transfer agreement. Jung GmbH has undertaken to assume leasing agreements from Karstadt Vermietungsgesellschaft mbH which do not serve the operating business or provide other benefits to Karstadt Warenhaus GmbH. This results in a sensible division of the real estate to two properties - on the one hand real estate which is clearly attributable to the department stores and on the other hand to those properties

which are not related to the department stores. The former remain in the existing Karstadt Vermietungsgesellschaft mbH, while the latter are now bundled in Jung GmbH. Concluding the agreement ensures not only that Jung GmbH can fulfil this obligation, but also results in tax advantages from establishing a group in terms of corporation tax and trade tax. As Jung GmbH does not have any external shareholders, the profit transfer agreement does not provide for any compensation or settlement claims.
More detailed comments on the profit transfer agreements are contained in the joint report of the Arcandor AG Management Board and Jung GmbH dated 23 January 2009. Since the Annual General Meeting was convened, this has been available for download at the Arcandor AG home page and is also available for inspection today at the information stands.

Agenda Item 7 relates to the authorisation to acquire treasury shares which needs to be renewed each year.

In Agenda Item 8, the Management Board and Supervisory Board propose resolving new Authorised Capital I at a level of up to EUR 150 million. This is equivalent to approximately 23.1 percent of the current share capital and is thus considerably below the legal limit of 50 percent of the share capital. The authorisation should apply for five years. The resolution gives the company the necessary flexibility for corporate financing measures and for utilising acquisition opportunities, also in the future. For this reason it is intended to exclude the right of subscription. Currently there are no concrete projects for which a capital increase would be necessary. Each decision of the Management Board to utilise this authorisation requires the approval of the Supervisory Board.

In addition, under Agenda Item 9 a resolution on renewing existing Authorised Capital III is to be passed. This allows the Management Board to issue shares to employees.

Ladies and gentlemen, dear shareholders, this brings me to the end of my comments. I assumed the position as Chairman of the Arcandor AG Management Board, because I am convinced that this Group has substance and potential.

Today Arcandor is a diversified group with a pronounced international presence. We have strong brands in markets focused on the future. With Thomas Cook we are a top address in tourism. With Primondo we are an important player in the future market of e-commerce. And with Karstadt we are a reliable partner for German high street customers.

Arcandor and all its operating segments have highly productive, competent and motivated staff. With them and my management team I want to develop the company further.

And last but not least we have a balanced shareholder structure based on stability which creates the necessary security for the coming phase of consolidation.

Ladies and gentlemen, when I stand in front of you again in a year's time, I would like to show you what measures we have initiated to leverage the opportunities and potential in our core markets in the medium term.
And I am convinced that by then we will have placed the dialogue and the cooperation with all stakeholder groups on a new basis.

This is my declared intention at Arcandor. I look forward to remaining in open dialogue with you.

Many thanks for your attention!