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BUSINESS PERFORMANCE

The first quarter of the current 2007 financial year was extremely successful for Essanelle Hair Group AG. The Group's sales growth of 6.3% to Euro 29.4 million, compared with Euro 27.6 million in the first quarter of the past financial year, is clearly in line with the company's targets. Moreover, this represents the fifth consecutive quarter of increasing sales. We have thus succeeded in upholding the turnaround in our overall sales performance achieved in 2006. This development is chiefly due to the salons newly opened in 2006, which have had a positive impact on the company's key figures following a certain delay. Moreover, like-for-like sales also improved by 0.5% compared with the equivalent period in the previous year. This means that gross sales have risen by more than 3% at comparable salons, thus more than compensating for increase in VAT.

We will consistently maintain our growth course. A total of 56 salons were newly opened or taken over in 2006. With 26 new salons, the HairExpress concept had the largest share of new openings in 2006, followed by TOP TEN with 10 new salons and Super Cut with 9. A total of 14 new salons were opened across Germany in the first quarter of 2007. Overall, we expect to celebrate around 50 salons premieres once again in the current 2007 financial year, with a similar distribution among the individual concepts as in the previous year.

The strategic distribution of growth between the individual concepts was analogous to that seen in the previous year. The Super Cut and HairExpress brands generated the highest rates of growth. Super Cut, a trendy brand providing unadulterated hairdressing services to the younger generation, generated sales of Euro 4.7 million in the first quarter of 2007, compared with Euro 4.5 million in the equivalent period in the previous year. HairExpress, a price-sensitive concept with permanent campaign offers, achieved significant growth of around 40.0% from Euro 3.5 million to Euro 4.9 million. The price-oriented range of services offered on a standard 10 euro basis by the TOP TEN salons, which were only launched as a separate brand in 2005, are aimed at a younger target group. This concept reported sales of Euro 0.8 million in the first three months of the current financial year, as against Euro 0.3 million in the comparable period in the previous year. The Beauty Hair Shops, which specialise in the sale of products exclusive to hairdressers and on providing related professional advice, increased their sales by 10.0% in the first quarter of 2007 from Euro 1.0 million in the equivalent period of the previous year to Euro 1.1 million. The JT by essanelle brand, which is characterised by a range of high-quality, full-service offerings aimed at business people, concluded the first quarter of 2007 with sales of Euro 1.1 million, compared with Euro 1.2 million in the previous year. Essanelle Ihr Friseur, which offers a broad range of services to all target groups, achieved sales of Euro 16.8 million at the end of the first quarter, as against Euro 16.9 million in the previous year, thus maintaining sales at a constant level in spite of a reduction of four salons compared with the equivalent period in the previous year. It is therefore apparent in the 2007 financial year as well that the Essanelle Hair Group has consistently and successfully implemented its concept policy, which focuses in terms of its strategy on market demand and the latest trends.

The services division continued to generate the largest share of the sales of the Essanelle Hair Group in the first three months of 2007. Sales generated by services grew by 6.4% from Euro 23.4 million in the equivalent period in the previous year to Euro 24.9 million in the first quarter of the current financial year, thus accounting for 84.7% of total sales. There was a further increase in the sales of products exclusive to hairdressers at the Beauty Hair Shops and at the salons. These sales rose to Euro 4.5 million, compared with Euro 4.2 million in the first quarter of the previous year, and thus accounted for a 15.3% share of total sales. Franchising revenues were only reported up to the end of the first half of 2006 and have now been discontinued in the course of the sale of franchise rights to mod's hair.

Concepts	1st Quarter 2007			1st Quarter 2006		
	Number of Salons	Employees *	Sales million €	Number of Salons	Employees *	Sales million €
Essanelle	341	2,485	16.8	345	2,519	16.9
Super Cut	89	499	4.7	80	480	4.5
HairExpress	120	659	4.9	85	494	3.5
Top Ten	19	100	0.8	8	46	0.3
Jürgen Tröndle	15	124	1.1	16	132	1.2
Beauty Hair Shops	24	82	1.1	21	72	1.0
Mod's Hair	0	0	0.0	44	5	0.2
Total	608	3,949	29.4	599	3,748	27.6

*without Overhead

EARNINGS PERFORMANCE

The earnings performance of Essanelle Hair Group AG exceeded the company's budget targets in the first quarter of the current 2007 financial year. Given the current process of growth and the increasing impact of sales expected downstream from the salons opened in 2006, this development is to be viewed in a positive light.

The analysis of key operating expenses reveals a slight increase in personnel expenses from Euro 15.8 million in the first quarter of 2006 to Euro 16.5 million in the first three months of the 2007 financial year. This is due to increased numbers of personnel taken on in the course of the expansion in the number of salons. At Euro 2.6 million, costs of materials were virtually unchanged on the previous year's figure of Euro 2.7 million. In spite of our further expansion, we succeeded in improving our earnings before interest, taxes, depreciation and amortisation (EBITDA) by 28.1% from Euro 1.8 million in the previous period to Euro 2.3 million. The depreciation and amorti-

sation of Euro 1.2 million, which continues to relate mainly to property, plant and equipment, resulted in earnings before interest and taxes (EBIT) of Euro 1.1 million in the first quarter of 2007, compared with Euro 0.7 million in the first quarter of the previous year. Net financial expenses remained unchanged at Euro 0.2 million. As in the previous two years, the Essanelle Hair Group concluded the first quarter of the current financial year with a further increase in pre-tax earnings to Euro 0.9 million (previous year: Euro 0.5 million) and quarterly net income of Euro 0.5 million (previous year: Euro 0.3 million). Overall, the key earnings figures are therefore in excess of the previous year's level, as well as of the company's own budget targets. Earnings per share amounted to Euro 0.12 at the end of March 2007 (previous year: Euro 0.07).

BALANCE SHEET, INVESTMENTS AND LIQUIDITY

The asset side of the balance sheet was affected by a substantial reduction in liquid funds from Euro 5.3 million as of 31.12.2006 to their current level of Euro 3.4 million. This is due to the repayment of liabilities and to payments relating to the investments in new salons. These largely involve prepayments, which have initially been reported according to IFRS under other assets. This item rose as a result, as well as due to tax-related items, from Euro 0.4 million to Euro 2.1 million. Within long-term assets, there was a decline in property, plant and equipment from Euro 21.1 million to Euro 20.8 million as of 31.03.2007. On the liabilities side, reductions were achieved in accounts payable, which fell from Euro 4.5 million to Euro 3.3 million. Short-term and long-term financial debt, which chiefly involves leasing obligations and liabilities to banks, were reduced by Euro 0.8 million to Euro 12.0 million at the end of the first quarter of 2007. As a result of the positive business performance, the shareholders' equity of the company rose from Euro 24.4 million to Euro 25.0 million. The equity ratio therefore amounted to around 48% as of 31.03.2007, compared with 46% as of 31.12.2006.

We invested a total of Euro 0.9 million in the first three months of 2007, as against Euro 0.7 million in the equivalent period in the previous year. This slight increase is due to further expansion activities and to the opening of 14 new salons to date in 2007. The Essanelle Hair Group has budgeted investments for around 50 salon openings in the remainder of the year.

The cash flow from operating activities showed a considerable year-on-year improvement. This is due to the outflow of funds of Euro 0.3 million from operating activities, whereas the equivalent figure for the previous year had still amounted to Euro -1.1 million. Following the deduction of interest paid and income taxes, this results in a net outflow of only Euro 0.3 million, compared with Euro 1.3 million in the same period in the previous year. The net outflow for investment activities showed a slight increase from Euro 0.6 million to Euro 0.8 million, which was primarily due to the acquisition of property, plant and equipment. As a result of the repayment of financial debt, the outflow of funds for financing activities amounted to Euro 0.8 million at the end of the first quarter. All in all, net cash and cash equivalents amounted to Euro 3.4 million as of 31.03.2007, as against Euro 1.9 million as of 31.03.2006.

DEVELOPMENT OF EXPENSES AND PRICES

Apart from the usual adjustments required to account for economic developments, the key expense items of salon rents, procurement prices and supply terms have not witnessed any major fluctuations in the financial year to date. Price increases on our part have only been undertaken to a marginal extent and in line with developments in the sector.

EMPLOYEES

The number of employees at Essanelle Hair Group AG has risen consistently. The company had a total workforce of 4,040 employees as of 31 March 2007, compared with 3,833 at the equivalent date in the previous year. At around 36%, the share of part-time employees is at a level customary to the sector and has risen slightly in the course of the company's expansion (previous year: around 35%).

RISK REPORT

The extensive risk report of the Essanelle Hair Group AG is presented on Pages 39 and 40 of the 2006 Annual Report and includes a detailed depiction of company and market risks, measures to combat risk and a description of the risk management system introduced at the company.

ACCOUNTING STANDARDS

This quarterly report has been compiled in accordance with the current version of International Financial Reporting Standards (IFRS). The accounting and valuation principles applied are consistent with those applied in the previous consolidated financial statements for the 2006 financial year.

THE SHARE

The share price of the Essanelle Hair Group showed a relatively stable development in a range between Euro 7.56 and Euro 9.28 in the first quarter of the current 2007 financial year. At Euro 8.25, the Xetra share price at the end of the quarter was slightly higher than the annual closing price of Euro 8.20 in 2006. In January, the share reached its annual high in the current year to date at Euro 9.28. Since March, the share has witnessed a continuous upward trend.

The company has consistently upheld its policy of transparent and extensive communication and has maintained its ongoing contacts with the financial community as a whole. In addition to the regular, punctual publication of its annual figures and Annual Report, the company also provides private and institutional investors, analysts and journalists with business-related information on a quarterly basis. Over and above the Annual General Meeting and press conferences, the Management Board is also available to answer any questions investors may have at regular meetings held in Germany and abroad. A total of four analysts' companies monitor the share and the company on a permanent basis in order to provide an assessment of the share and its performance.

SHAREHOLDER STRUCTURE (AS OF FEBRUARY 2007)

Klier GmbH	29.8%
Management Board	3.4%
Free float pursuant to Deutsche Börse	66.8%
of which:	
Axxion SA	13.2%
Intrinsic Value Investors LLP	6.3%
Ratio Asset Management LLP	5.0%
dit Vermögensverwaltung	3.6%
Fortis Investment Management S.A.	3.3%
Threadneedle Asset Management Ltd.	3.1%

SHARE DATA FOR 1ST QUARTER OF 2007

Period high (Xetra)	Euro 9.28
Period low (Xetra)	Euro 7.56
Performance 01.01. - 31.03.2007	+0.61%
Price at 31.03.2007 (Xetra)	Euro 8.25
Capital admitted	Euro 4,595,044.00
Market capitalisation at 31.03.2007	Euro 37.91 million
Free float	Euro 25.32 million

OUTLOOK

Following the successful completion of the first quarter of the current 2007 financial year, with sales clearly within the budgeted framework and earnings even ahead of budget, Essanelle Hair Group AG expects to report a positive performance in the remainder of the financial year. The Management Board expects to achieve sales growth of 5% - 10% on an annualised basis. With regard to its key earnings figures, the company aims at least to match the EBITDA of around Euro 10 million and the adjusted pre-tax earnings of Euro 4.5 million reported for the previous year.

The strategic foundation for these targets is provided by the consistent pursuit of the company's growth strategy, with the planned opening of 50 new salons in 2007 and in subsequent years. Essanelle Hair Group is focusing in this respect on expanding its HairExpress, Super Cut and TOP TEN concepts.

The earnings power of the Essanelle Hair Group is to be strengthened by opening new salons in high-margin brand concepts and by boosting its product sales. At the same time, the company will maintain the cost management and controlling system already in place. The financing of the growth process will be secured by the ongoing high level of cash flow. Moreover, the company intends to further extend its market leadership on the basis of its growth strategy and by further enhancing its existing competitive advantages. These plans involve both risks and opportunities. As a service provider, the company is dependent on current economic developments and overall consumer behaviour, as well as on changes in the underlying business framework, such as store opening hours, the VAT increase and seasonal factors. It remains to be seen how consumer behaviour and acceptance levels will develop.

Should the expected sales and earnings performance materialise, then the company intends to propose the distribution of a dividend for approval by the Annual General Meeting for the 2007 financial year.

CONSOLIDATED BALANCE SHEET (IFRS)

as of 31 March 2007

ASSETS

€	31.03.2007	31.12.2006
ASSETS		
Fixed assets		
Property, plant and equipment	20,797,745.26	21,149,157.73
Goodwill	19,558,872.10	19,588,872.10
Other intangible assets	199,001.77	208,465.92
Other loans	70,394.99	92,624.24
	40,626,014.12	41,009,119.99
Current assets		
Inventories	6,398,244.83	6,132,112.32
Accounts receivable	63,559.19	105,320.13
Other assets	2,073,200.82	423,001.77
Cash and cash equivalents	3,357,331.00	5,321,163.33
	11,892,335.84	11,981,597.55
Total assets	52,518,349.96	52,990,717.54

LIABILITIES

€	31.03.2007	31.12.2006
SHAREHOLDERS' EQUITY		
Capital and reserves allocable to the shareholders in the parent company		
Share capital	4,535,044.00	4,535,044.00
Capital reserve	15,502,700.99	15,422,954.30
Revenue reserves	4,948,523.40	4,413,771.29
	24,986,286.39	24,371,769.59
Debt		
Long-term debt		
Financial debt	8,525,418.83	9,277,886.80
Deferred tax liabilities	3,185,662.71	2,880,000.00
Pension provisions	197,902.00	179,977.00
Other provisions	691,632.00	683,542.40
	12,600,615.54	13,021,406.20
Short-term debt		
Financial debt	3,461,671.12	3,537,262.56
Accounts payable	3,263,009.33	4,471,932.01
Current income tax liabilities	275,128.74	668,497.20
Other liabilities	3,688,262.30	2,819,661.38
Other provisions	4,243,394.54	4,100,188.60
	14,931,466.03	15,597,541.75
Total debt	27,532,081.57	28,618,947.95
Total shareholders' equity and debt	52,518,349.96	52,990,717.54

CONSOLIDATED INCOME STATEMENT (IFRS)

for the period from 1 January 2007 to 31 March 2007

€	31.03.2007	31.03.2006
Sales	29,386,899.21	27,641,320.26
Other operating income	175,480.10	361,631.89
Cost of materials	-2,564,162.55	-2,655,773.91
Personnel expenses	-16,526,228.95	-15,786,943.35
Depreciation and amortization	-1,221,489.22	-1,096,141.34
Rental and ancillary rental expenses	-5,898,870.25	-5,440,263.07
Other operating expenses	-2,293,607.07	-2,333,599.37
Operating earnings	1,058,021.27	690,231.11
Financing income	16,126.16	16,446.76
Financing expenses	-182,893.91	-176,375.55
Net financial expenses	-166,767.75	-159,928.79
Earnings before taxes	891,253.52	530,302.32
Tax expenses	-356,501.41	-216,287.02
Consolidated net income for the first three months	534,752.11	314,015.30

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

as of 31 March 2007

k€	31.03.2007	31.03.2006
1. CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated by ongoing business activities	272	-1,133
Interest paid	-176	-127
Taxes on income paid	-409	-34
Net outflow of funds for operating activities	-313	-1,294
2. CASH FLOW FROM INVESTMENT ACTIVITIES		
Acquisition of property, plant and equipment	-861	-684
Proceeds from the sale of property, plant and equipment	11	11
Acquisition of intangible assets	-10	-12
Loans paid out	-1	-12
Loans repaid	14	37
Loans paid out to closely related persons	0	0
Loans repaid by closely related persons	9	7
Interest received	16	16
Net outflow of funds for investment activities	-823	-636
3. CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from the employee share option programme	0	0
Buyback of own shares	0	0
Receipts from the taking up of financial loans	39	104
Repayment of financial debt	-867	-273
Net outflow of funds for financing activities	-828	-169
Net decrease / increase in cash and cash equivalents	-1,964	-2,100
Cash and cash equivalents at the beginning of the year	5,321	4,024
Cash and cash equivalents at the end of the quarter	3,357	1,924

SCHEDULE OF CHANGES IN GROUP EQUITY (IFRS)

as of 31 March 2007

€	Share capital	Capital reserve	Revenue reserves	Total equity
Balance at 01.01.2006	4,440,00.00	14,922,074.35	1,465,846.08	20,827,920.43
Consolidated earnings			2,947,925.21	2,947,925.21
Value of the services of employees in connection with employee share option programmes		302,565.18		302,565.18
Capital increase through proceeds in line with exercised share options (tranche I and II)	95,044.00	198,314.77		293,358.77
Balance at 31.12.2006	4,535,044.00	15,422,954.30	4,413,771.29	24,371,769.59
Balance at 01.01.2007	4,535,044.00	15,422,954.30	4,413,771.29	24,371,769.59
Consolidated earnings			534,752.11	534,752.11
Value of the services of employees in connection with employee share option programmes		79,746.69		79,746.69
Capital increase through proceeds in line with exercised share options (tranche III and IV)				0,00
Balance at 31.03.2007	4,535,044.00	15,502,700.99	4,948,523.40	24,986,268.39

Essanelle Hair Group AG

Niederkasseler Lohweg 20

40547 Düsseldorf

Fon +49(0)211/17 48-0

Fax +49(0)211/17 48-290

kontakt@essanelle-hair-group.com

www.essanelle-hair-group.com