

Q1/2008





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## BUSINESS TREND

The first three months of 2008 were again very successful for the Essanelle Hair Group AG, as the company clearly improved its sales and earnings. Sales increased by 6.5% to EUR 31.3 million, up from EUR 29.4 million in the first quarter of the previous year. Essanelle Hair Group thus exceeded both the industry average and the performance of the German retail sector, which reported nominal growth of 1.3% and a real decline of 1.2% against the previous year, according to preliminary figures. The company also clearly reached its sales growth target range of 5 – 10% for the year as a whole.

In the context of the aggressive implementation of the growth strategy, 48 new salons were opened in the past fiscal year. A target of approx. 50 new salons has been set for the new fiscal year, with the company's different brands accounting for more or less the same relative shares as in the previous year. 14 new salons were opened in the first quarter of 2008.

As usual, the salon concepts showed different trends in the first three months of the current fiscal year. The highest growth was achieved by Top Ten and HairExpress, which generated sales of EUR 1.3 million (previous year: EUR 0.8 million) and EUR 6.2 million (previous year: EUR 4.9 million), respectively. For Top Ten, a young concept targeted at young, trend and price-conscious customers, this represents a growth rate of 65.6%. HairExpress, which is mainly targeted at price-sensitive customers, achieved a strong growth rate of 26.7%. The Super Cut brand generated sales of EUR 5.1 million, up 8.3% on the previous year. JT by essanelle, a brand offering high-quality hairdressing services mainly to business people, generated EUR 1.0 million (previous year: EUR 1.1 million) in sales in the three-month period ending 31 March. At EUR 16.3 million, sales generated by essanelle Ihr Friseur, a brand offering a wide range of services to all customer groups, remained slightly below the previous year's EUR 16.8 million. The Beauty Hair Shops, which specialise in selling salon products, boosted their sales by 19.5% to EUR 1.3 million (previous year: EUR 1.1 million). The professional advice provided by the Beauty Hair Shops is key to the success of this concept.

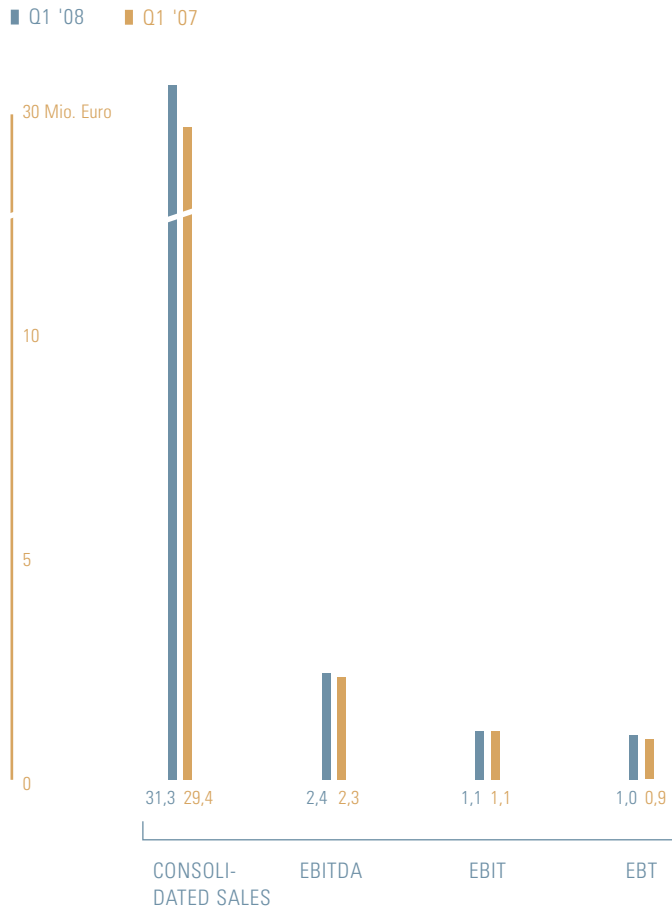
As in the previous years, service revenues made the biggest contribution to the Group's total sales, rising by 6.0% from EUR 24.9 million in Q1 2007 to EUR 26.4 million in Q1 2008. Service revenues thus account for 84.2% of the Group's total sales. Sales of salon products in the Beauty Hair Shops and the company's other salons rose by 9.4% in the first quarter of 2008 to EUR 4.9 million (previous year: EUR 4.5 million), which represents 15.8% of total sales.

Concepts	1st Quarter 2008			1st Quarter 2007		
	Number of Salons	Employees <sup>1</sup>	Sales million €	Number of Salons	Employees <sup>1</sup>	Sales million €
essanelle Ihr Friseur	332	2,348	16.3	341	2,485	16,8
Super Cut	88	490	5.1	89	499	4,7
HairExpress	153	868	6.2	120	659	4,9
Top Ten	30	173	1.3	19	100	0,8
JT by essanelle	14	112	1.0	15	124	1,1
Beauty Hair Shop	26	89	1.3	24	82	1,1
<b>Total</b>	<b>643</b>	<b>4,080</b>	<b>31.3</b>	<b>608</b>	<b>3,949</b>	<b>29,4</b>

<sup>1</sup> without Overhead

## EARNINGS PERFORMANCE

The earnings performance of the Essanelle Hair Group in the first three months of 2008 did not change materially as compared to the same period of the previous fiscal year. A look at the key operating figures shows a rise in both the cost of materials and personnel expenses. This is attributable to the company's growth strategy and the resulting increase in both the number of salons and sales revenues. The cost of materials climbed from EUR 2.6 million in Q1 2007 to EUR 2.9 million in the first three months of the current fiscal year. Due to new hirings, personnel expenses rose from EUR 16.5 million in Q1 2007 to EUR 17.2 million in the first quarter of 2008. Personnel expenses as a percentage of sales declined from 56.2% to 55.1%, though. EBITDA (earnings before interest, taxes, depreciation and amortisation) was up by 5.6% on the previous year to EUR 2.4 million. Depreciation and amortisation in an amount of EUR 1.3 million resulted in EBIT (earnings before interest and taxes) of EUR 1.1 million; while this is on par with the previous year's level in rounded figures, it represents an increase of 8.4% over the same period of 2007. The



financial result improved once again and stood at EUR 0.1 million at the end of March 2008 (previous year: EUR 0.2 million). At EUR 1.0 million, earnings before taxes (EBT) exceeded the previous year's level by an impressive 12.5%; net profit for the first three months thus amounted to EUR 0.6 million. Earnings per share stood at EUR 0.13 at the end of the first quarter (previous year: EUR 0.12).

#### BALANCE SHEET, CAPITAL EXPENDITURE AND LIQUIDITY

The balance sheet of Essanelle Hair Group AG for the period ended 31 March 2008 has changed only insignificantly as compared to the one for the period ended 31 December 2007. On the assets side, other assets increased to EUR 3.2 million due to increased down payments for assets and receivables from the tax office (31 December 2007: EUR 0.9 million). This increase partly corresponds with a decline in liquid funds by approx. EUR 1.8 million from EUR 6.1 million to EUR 4.3 million. On the liabilities side, the equity ratio climbed from 53% as of 31 December 2007 to 53.9% at the end of the first quarter due to the net profit for the first three months in an amount of EUR 0.6 million. Short-term and long-term debt declined by a total of EUR 0.5 million to EUR 25.4 million. Trade accounts payable and other provisions, which are included in short-term debt, declined by EUR 0.5 million and EUR 0.7 million, respectively. Other liabilities increased by approx. EUR 0.8 million. As at 31 March 2008, total assets amounted to EUR 55.3 million (31 December 2007: EUR 55.1 million).

Capital expenditures of Essanelle Hair Group AG in the first three months of 2008 amounted to roughly EUR 0.8 million, compared to EUR 0.9 million in the same period of the previous year. This reflects the continued growth strategy, with 14 new salons opened in the year to date. A total of EUR 0.5 million was invested in these new salons, while EUR 0.1 million was spent on the renovation of existing salons. Other investments amounted to EUR 0.2 million.

The cash flow statement of the Essanelle Hair Group is typical of the first three months, with a net outflow of funds from operating activities in an amount of EUR 0.7 million, compared to EUR 0.3 million in the first quarter of 2007. In the context of its financing activities, the Essanelle Hair Group continued to repay debt, which is reflected in a net outflow of funds of EUR 0.6 million, compared to EUR 0.8 million in the first three months of the previous year. Cash and cash equivalents thus declined by a total of EUR 1.8 million (Q1 2007: EUR 2.0 million). As at 31 March 2008, cash and cash equivalents amounted to EUR 4.3 million, down from EUR 6.1 million as at 31 December 2007.

## THE SHARE

In the first three months of 2008, the share price of Essanelle Hair Group AG fluctuated between EUR 8.39 and EUR 9.80. At EUR 8.39, the Xetra price at the end of the first quarter of 2008 was slightly higher than the price at the end of Q1 2007 (EUR 8.25). The share reached the highest price in the year to date (EUR 9.80) in January.

In the first quarter of fiscal 2008, the investor relations activities of Essanelle Hair Group AG focused on the publication of the Annual Report for the year 2007. Apart from the punctual publication of its annual and interim reports, the company maintains close relations with the financial community. In this context, the company provided detailed information on the statutory offer made by Saxonia both in the Annual Report and in the press.

### SHAREHOLDER STRUCTURE (AS AT 31 MARCH 2008)

Saxonia .....	89.76%
Free-float as defined by Deutsche Börse.....	10.24%

### SHARE DATA IN Q1 2008

Highest price (Xetra).....	EUR 9.80
Lowest price (Xetra).....	EUR 8.39
Performance 1 Jan. – 31 March 2008 .....	- 16.8%
Price on 31 March 2008 (Xetra).....	EUR 8.39
Capital admitted to trading .....	EUR 4,595,044
Market capitalisation as of 31 March 2008.....	EUR 38.6 million
Free float.....	EUR 3.9 million

## COST AND PRICE TREND

The relevant costs incurred by the company in the context of its business activity have not been marked by any unexpected fluctuations in the year to date. Nor have the company's prices changed materially.

## EMPLOYEES

As a result of the company's aggressive growth strategy, the number of employees continued to increase to 4,185, of whom approx. 36,7% work on a part-time basis. As at 31 March 2007, the company's headcount amounted to 4,040 (36,2% part-time employees).

## RISK REPORT

The detailed risk report of Essanelle Hair Group AG is published on pages 36 and 37 of the 2007 Annual Report. Potential risks that might jeopardise the company as well as the counter-measures taken as part of the risk management system are described in this report.

## OUTLOOK

In view of the anticipated stable economy, Essanelle Hair Group AG expects to generate steady sales and earnings growth in the current fiscal year. The company aims to open some 50 new salons, to increase sales by 5% to 10% and to achieve an increase in earnings of at least 10% over the previous year.

Besides this aggressive growth strategy, the company's strategic focus will be on the revitalisation of the "essanelle Ihr Friseur" brand and the refinement of its human resources policy. The company aims to stabilise the sales revenues generated by essanelle Ihr Friseur as soon as possible and to increase them successively thereafter. In this context, the exclusive JT by essanelle concept will be integrated into the brand. The company believes that this concept also stands a good chance of achieving growth in the future following some strategic adjustments. The aim of the company's personnel development activities is to tie excellent hairdressers and young talent with great potential to the company or to "their" respective brand in the long term. In a sector characterised by extremely high employee turnover rates, the company aims to achieve this with the help of local vocational training and further education centres. This strategic process is currently being initiated.



## CONSOLIDATED BALANCE SHEET (IFRS)

as of 31 March 2008

### ASSETS

€	31.03.2008	31.12.2007
<b>ASSETS</b>		
<b>Fixed assets</b>		
Property, plant and equipment	20,968,708.78	21,493,076.73
Goodwill	19,523,872.10	19,558,872.10
Other intangible assets	166,685.31	177,257.44
Other loans	86,491.56	88,877.88
	<b>40,745,757.75</b>	<b>41,318,084.15</b>
<b>Current assets</b>		
Other loans	10,815.16	10,815.16
Inventories	6,800,142.36	6,601,628.87
Accounts receivable	227,600.78	214,077.60
Other assets	3,206,402.14	920,612.76
Cash and cash equivalents	4,275,921.71	6,077,784.93
	<b>14,520,882.15</b>	<b>13,824,919.32</b>
<b>Total assets</b>	<b>55,266,639.90</b>	<b>55,143,003.47</b>

## LIABILITIES

€	31.03.2008	31.12.2007
SHAREHOLDERS' EQUITY		
<b>Capital and reserves allocable to the shareholders in the parent company</b>		
Share capital	4,535,044.00	4,535,044.00
Capital reserve	15,728,586.06	15,702,463.44
Revenue reserves	9,570,730.21	8,979,264.34
	<b>29,834,360.27</b>	<b>29,216,771.78</b>
DEBT		
<b>Long-term debt</b>		
Financial debt	6,774,751.61	7,200,220.76
Deferred tax liabilities	3,210,650.83	3,157,000.00
Pension provisions	169,076.00	160,076.00
Other provisions	758,845.81	738,737.38
	<b>10,913,324.25</b>	<b>11,256,034.14</b>
<b>Short-term debt</b>		
Financial debt	3,277,807.00	3,264,094.25
Accounts payable	2,929,162.29	3,461,653.92
Current income tax liabilities	876,697.03	639,380.67
Other liabilities	3,648,795.64	2,801,288.88
Other provisions	3,786,493.42	4,503,779.83
	<b>14,518,955.38</b>	<b>14,670,197.55</b>
<b>Total debt</b>	<b>25,432,279.63</b>	<b>25,926,231.69</b>
<b>Total shareholders' equity and debt</b>	<b>55,266,639.90</b>	<b>55,143,003.47</b>

## CONSOLIDATED INCOME STATEMENT (IFRS)

for the period from 1 January 2008 to 31 March 2008

€	01.01. – 31.03.08	01.01. – 31.03.07
Sales	31,294,273.20	29,386,899.21
Other operating income	217,908.82	175,480.10
Cost of materials	-2,913,899.24	-2,564,162.55
Personnel expenses	-17,234,595.84	-16,526,228.95
Depreciation and amortization	-1,260,477.20	-1,221,489.22
Rental and ancillary rental expenses	-5,845,089.79	-5,898,870.25
Other operating expenses	-3,111,634.87	-2,293,607.07
<b>Operating earnings</b>	<b>1,146,485.08</b>	<b>1,058,021.27</b>
Financing income	29,443.78	16,126.16
Financing expenses	-173,444.34	-182,893.91
<b>Net financial expenses</b>	<b>-144,000.56</b>	<b>-166,767.75</b>
<b>Earnings before taxes</b>	<b>1,002,484.52</b>	<b>891,253.52</b>
Tax expenses	-411,018.65	-356,501.41
<b>Consolidated net income</b>	<b>591,465.87</b>	<b>534,752.11</b>
<b>Earnings per share</b>		
- basic	0.13	0.12
- diluted	0.13	0.11

## CONSOLIDATED CASH FLOW STATEMENT (IFRS)

as of 31 March 2008

k €	31.03.2008	31.03.2007
<b>1. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash generated by ongoing business activities	-394	272
Interest paid	-148	-176
Taxes on income paid	-120	-409
<b>Net outflow of funds for operating activities</b>	<b>-662</b>	<b>-313</b>
<b>2. CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Acquisition of property, plant and equipment	-577	-861
Proceeds from the sale of property, plant and equipment	3	11
Acquisition of intangible assets	-9	-10
Loans paid out	0	-1
Loans repaid	2	14
Loans repaid by closely related persons	0	9
Interest received	29	16
<b>Net outflow of funds for investment activities</b>	<b>-551</b>	<b>-823</b>
<b>3. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Receipts from the taking up of financial loans	358	39
Repayment of financial debt	-947	-867
<b>Net outflow of funds for financing activities</b>	<b>-589</b>	<b>-828</b>
Net decrease in cash and cash equivalents	-1,802	-1,964
Cash and cash equivalents at the beginning of the year	6,078	5,321
<b>Cash and cash equivalents at the end of the quarter</b>	<b>4,276</b>	<b>3,357</b>

## SCHEDULE OF CHANGES IN GROUP EQUITY (IFRS)

as of 31 March 2008

€	Share capital	Capital reserve	Revenue reserves	Total equity
<b>Balance at 01.01.2007</b>	<b>4,535,044.00</b>	<b>15,422,954.30</b>	<b>4,413,771.29</b>	<b>24,371,769.59</b>
Consolidated earnings			4,565,493.05	4,565,493.05
Value of the services of employees in connection with employee share option programmes		279,509.14		279,509.14
<b>Balance at 31.12.2007</b>	<b>4,535,044.00</b>	<b>15,702,463.44</b>	<b>8,979,264.34</b>	<b>29,216,771.78</b>
<b>Balance at 01.01.2008</b>	<b>4,535,044.00</b>	<b>15,702,463.44</b>	<b>8,979,264.34</b>	<b>29,216,771.78</b>
Consolidated earnings			591,465.87	591,465.87
Value of the services of employees in connection with employee share option programmes		26,122.62		26,122.62
<b>Balance at 31.03.2008</b>	<b>4,535,044.00</b>	<b>15,728,586.06</b>	<b>9,570,730.21</b>	<b>29,834,360.27</b>

## CONSOLIDATED ABRIDGED NOTES TO THE INTERIM FINANCIAL STATEMENTS

### ACCOUNTING STANDARDS

This nine-month report was prepared in accordance with the applicable international Financial reporting standards (IFRS). The accounting and valuation standards are the same as those applied in the consolidated financial statements for the 2007 financial year. The interim financial statements should therefore be seen in conjunction with the audited consolidated financial statements and the notes for the year ended December 31, 2007.

The consolidated interim financial statements have not been audited. Various information and notes that usually form part of consolidated financial statements compiled in accordance with IFRS have been abridged or omitted.

### SCOPE OF CONSOLIDATION

There have been no changes in the scope of consolidation in the first three months of 2008.

### SEGMENT REPORTING

The requirements for segment reporting are met neither in regional terms nor in factual or organisational terms. Further information can be found on page 66 of the 2007 Annual Report.

### EARNINGS PER SHARE

Basic earnings per share amounted to EUR 0.13 in the first three months of the current financial year (previous year: EUR 0.12). Diluted earnings per share amounted to EUR 0.13 in the same period (previous year: EUR 0.11).

### EVENTS AFTER THE BALANCE SHEET DATE

No other material events occurred after March 31, 2008.

### RELATED PARTY DISCLOSURES

The business transactions undertaken with closely related companies and persons can be found on page 105 of the 2007 Annual Report.

**CONTACT****Investor Relations,  
Business press**

Haubrok Investor Relations  
Michael Müller  
Phone +49(0)211/3 01 26-0  
Fax +49(0)211/3 01 26-172  
m.mueller@haubrok.de  
www.haubrok.de

**General press**

Advisa Wirtschaftskommunikation GmbH  
Am Sportplatz 4  
40789 Monheim  
Phone +49(0)2173/96 65-5  
Fax +49(0)2173/96 65-65  
contact@advisa-gruppe.de

**Specialist press**

PR & Kommunikation  
Elisabeth Hammer  
Hansastraße 14c  
41460 Neuss  
Phone +49(0)2131/15 98-80  
Fax +49(0)2131/15 98-15  
hammer@hammerpr.de

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Essanelle Hair Group AG  
Niederkasseler Lohweg 20  
40547 Düsseldorf  
Phone +49(0)211/17 48-0  
Fax +49(0)211/17 48-290  
kontakt@essanelle-hair-group.com  
www.essanelle-hair-group.com

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visuphil®, Düsseldorf  
Photography: Uwe Sülflohn, Waltrop



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Essanelle Hair Group AG

Niederkasseler Lohweg 20

40547 Düsseldorf

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

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

[kontakt@essanelle-hair-group.com](mailto:kontakt@essanelle-hair-group.com)

[www.essanelle-hair-group.com](http://www.essanelle-hair-group.com)