

QUARTER REPORT
ESSANELLE HAIR GROUP AG

Q2/2009



KEY FIGURES for 1 January to 30 June 2009/2008 (EUR millions – IFRS)

million €	2009	2008	Change
Consolidated sales revenues	63.7	63.6	+0.2%
essanelle Ihr Friseur	32.3	35.0	-7.6%
Super Cut	10.1	10.1	-0.2%
HairExpress	15.3	12.8	+19.4%
Top Ten	2.7	2.8	-3.8%
Beauty Hair Shop	3.2	2.8	+16.0%
EBITDA	4.6	5.3	-14.7%
EBIT	1.9	2.8	-33.0%
EBT	1.7	2.5	-33.2%
Consolidated net income	1.0	1.5	-33.8%
EPS	0.22	0.33	-33.3%

Financial calendar

Report on the first nine months	9 November 2009
Analysts conference	9 November 2009 (Equity Forum)

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FOREWORD OF THE MANAGEMENT BOARD

Dear readers,

In the second quarter of 2009, Essanelle Hair Group AG increased its sales revenues by 1.3% over the same period of the previous year. This also represents an improvement on the first quarter of 2009, when sales revenues were still below the previous year's level. The growth rate for the first half of the year is a moderate 0.2%. This sales growth shows that we operate in a very difficult economic environment. Notwithstanding the partly positive news on good consumer sentiment, relevant demand in the retail sector remains extremely weak. In the first half of the year, retail sales were down by 2.3% on the previous year in nominal terms and we know that the trend in our sector tends to be even weaker.

As in the previous years, we outperformed the market, which is not least attributable to our growth strategy and the annual increase in the number of salons, which will be continued in future. In this difficult macroeconomic situation, we especially benefit from our strong assets, our competitive advantages and our high cash flow. We continue to be extremely well positioned. This will enable us to open at least 50 new salons per year in 2009 and beyond, increase our market share and actively push ahead the market consolidation.

In spite of these good medium-term prospects, 2009 will be a difficult year. Our projections – according to which sales revenues will grow by 3% – 7% and the previous year's excellent EBT of EUR 6.4 million will be repeated – remain very ambitious goals. This applies with a view to both the economic situation and the closure of 13 Hertie-based salons, as a result of which we will initially lose revenues in 2009. No final judgement can be made at this stage with regard to the Karstadt insolvency. We assume, however, that a large number of the group's department stores will be maintained. Naturally, the stores that will be closed will be those that did not perform well – and which were therefore among our weaker salons as well. While this means that we may lose revenues, we primarily see it as an opportunity to streamline our portfolio. Where good salons will be affected by the closures, we will look for replacements nearby. Thanks to the experience gained from our growth strategy over the past years, we see good opportunities to find new locations where new salons can be installed and opened swiftly. The variety of our salon concepts gives us great flexibility. This means that we will be able to take positive advantage of the Hertie and Karstadt insolvencies in the coming years. As we constantly open new salons, closures will be offset relatively quickly. This will nevertheless influence our sales and earnings performance in the current financial year. In autumn of this year, we should be able to say what effect this will ultimately have on the full year figures and on our projections.

We will continue to think strategically and with a long-term horizon. The latest trends show just how important this is. Only ten years ago, "essanelle" was regarded as the epitome of the "department store hairdresser". We have changed this image significantly in the past years. We have reduced the sales contribution made by the "essanelle Ihr Friseur" brand from almost 80% at the time of the IPO to approx. 50%. With total sales rising at the same time, this means that we have strengthened and grown our other brands significantly. The decision to cooperate with additional partners has been a key element of this strategy. The highly successful HairExpress concept, for instance, operates most of its almost 200 salons in hypermarkets instead of department stores. The salons of the TOP TEN concept, which was launched three years ago, are primarily located at stand-alone sites. The very successful shopping centres are among the most important locations for all our concepts in both quantitative and qualitative terms.

We have thought in long terms in the past years – this kind of continuity is also reflected in our Management Board team, whose members have been with the company for between 10 and 25 years – and we will continue to think primarily in long terms as we move forward. We are confident that this approach will make us as successful in the coming years as it has in the past.

The Management Board



Achim Mansen
(Chairman of the Management Board)



Dieter Bonk
(Management Board)



Dirk Wiethölter
(Management Board)

BUSINESS TREND

Essanelle Hair Group AG was able to halt the decline in sales revenues in the second quarter of 2009 and generated revenues of EUR 32.7 million in the past three months. This represents an increase of 1.3% over the same period of the previous year. Sales for the first half of 2009 totalled EUR 63.7 million, up by a moderate 0.2% on the previous year's EUR 63.6 million. While we have thus returned to growth, the growth rate is still below those of the previous years. On the one hand, this is attributable to the economic environment. According to the Federal Statistical Office, retail sales in the first half of 2009 declined by 2.1% in real terms and by 2.3% in nominal terms. This represents a marked acceleration in the downward trend as compared to the previous years, when sales had risen at least in nominal terms. On the other hand, we had to close as many as 13 salons in the first half of the year because of the insolvency of the Hertie Group. Overall, 22 salons were closed. During the same period, the Essanelle Hair Group opened 19 new salons but these will reach their full sales potential only successively in the course of the coming months. We are on track with regard to the new openings planned for 2009.

The performance of the individual salon concepts differed in the first half of the year: essanelle Ihr Friseur generated sales revenues of EUR 32.3 million in the first six months of the financial year, compared to EUR 35.0 million in the previous year. The decline in sales is commensurate with the reduction in the number of salons from 343 to 323. Essanelle Hair Group's HairExpress concept, which was launched in response to the constant trend towards growing price consciousness, reported a 20% increase in sales revenues from EUR 12.8 million to EUR 15.3 million. The number of salons increased from 159 to 193. The 32 (previous year: 31) salons of the young and trendy TOP TEN brand generated sales revenues of EUR 2.7 million, down from EUR 2.8 million. At EUR 10.1 million, sales revenues of the Super Cut brand were exactly on a par with the first half of 2008. Three new salons were opened, bringing the total number of salons to 92. The Beauty Hair Shops, which specialise in the sale of salon concepts, boosted their sales revenues in the first six months of 2009 to EUR 3.2 million (previous year: EUR 2.8 million). The Group currently operates 29 Beauty Hair Shops (compared to 27 in the first half of the previous year).

Service revenues traditionally make the biggest contribution to the Essanelle Hair Group's total sales, which is typical of a hairdressing company. At EUR 53.3 million (83.7% of total revenues), services revenues remained almost unchanged from the previous year's EUR 53.4 million (84.0% of total revenues). Revenues in an amount of EUR 10.4 million (16.3% of total sales) were generated from the sale of salon products in the Beauty Hair shops and the other salons (previous year: EUR 10.2 million /16.0%).

Concepts – Salons – Employees – Sales

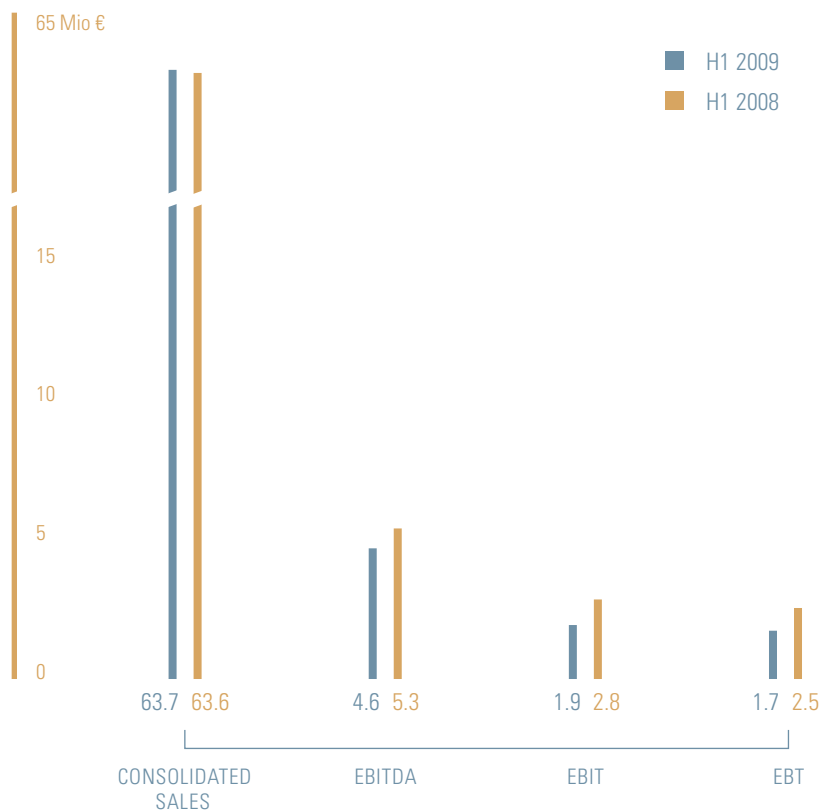
Concepts	H1 2009			H1 2008		
	Number of Salons	Employees ¹	Sales million €	Number of Salons	Employees ¹	Sales million €
essanelle Ihr Friseur	323	2,251	32.3	343	2,387	35.0
Super Cut	92	507	10.1	89	489	10.1
HairExpress	193	1,047	15.3	159	905	12.8
Top Ten	32	171	2.7	31	177	2.8
Beauty Hair Shop	29	96	3.2	27	90	2.8
Total	669	4,072	63.7	649	4,048	63.6

¹ without Overhead

EARNINGS PERFORMANCE

The income statement for the first half of 2009 shows a moderate increase in total sales revenues to EUR 63.7 million. Other operating income rose from EUR 0.4 million to EUR 0.5 million. The cost of materials, one of the key expense items of the Essanelle Hair Group, was reduced markedly from EUR 6.0 million to EUR 5.4 million due to successful negotiations with suppliers. The cost of materials as a percentage of sales now stands at 8.6% (previous year: 9.6%). By contrast, personnel expenses increased from EUR 34.7 million to EUR 35.9 million due to the larger number of employees as well as collective pay rises. As a result, personnel expenses as a percentage of sales stood at 56.3%, compared to 54.6% in the first half of 2008. Rents and incidental rent expenses rose from EUR 11.8 million in the first half of 2008 to EUR 12.5 million, primarily due to the opening of new salons. Other operating expenses were reduced from the previous year's EUR 6.1 million to EUR 5.9 million in the first six months of 2009.

Due to the sharp increase in personnel expenses and rents, EBITDA (earnings before interest, taxes, depreciation and amortisation) declined by 14.7% from EUR 5.3 million in the previous year to EUR 4.6 million in the first half of 2009. Depreciation and amortisation rose moderately from EUR 2.6 million to EUR 2.7 million. At EUR 1.9 million, earnings before interest and taxes were down on the previous year's EUR 2.8 million. The same applies to earnings before taxes (EBT), which fell from EUR 2.5 million to EUR 1.7 million. Net income for the first six months amounted to EUR 1.0 million (previous year: EUR 1.5 million), while basic earnings per share stood at EUR 0.22 (previous year: EUR 0.33).



BALANCE SHEET, CAPITAL EXPENDITURE AND LIQUIDITY

On the assets side of the balance sheet for the period ended 30 June 2009, non-current assets showed hardly any changes as compared for the balance sheet as at 31 December 2008. Inventories, which are shown under current assets, declined from roughly EUR 7.0 million on 31 December 2008 to EUR 6.8 million. The company's cash and cash equivalents dropped from EUR 5.6 million to EUR 1.5 million on 30 June 2009. This is primarily attributable to the dividend payment of roughly EUR 2.3 million and the repayment of liabilities. On the liabilities side, the equity ratio rose from 53.7% on 31 December 2008 to 55.5% at the half-year stage. Non-current liabilities declined from EUR 9.8 million to EUR 8.8 million, while current liabilities dropped from EUR 16.6 million to EUR 14.7 million. The decline in current liabilities is mainly attributable to the reduction in trade payables and other liabilities. As of 30 June 2009, total assets amounted to EUR 52.8 million (31 December 2008: EUR 57.0 million).

Capital expenditures of Essanelle Hair Group AG declined from EUR 3.4 million in the first half of the previous year to approx. EUR 2.5 million in the first six months of 2009, reflecting the company's more cautious investment activity. An amount of EUR 1.4 million was invested in the opening of 19 new salons in the year to date. EUR 0.8 million was spent on the renovation of existing salons. Other investments amounted to EUR 0.3 million.

In contrast to the first quarter, when the cash flow statement of the Essanelle Hair Group showed a net cash outflow from operating activities, a net cash inflow of EUR 2.3 million was generated in the first six months of the year (previous year: EUR 3.6 million). At EUR 2.3 million, the net cash outflow from investing activities in the first six months was down somewhat on the previous year's EUR 3.1 million. As a result of the dividend payment totalling EUR 2.3 million and the repayment of financial liabilities in an amount of EUR 2.0 million, the net cash outflow from financing activities totalled EUR 4.0 million. At the half-year stage, this represents a net decline in cash and cash equivalents of EUR 4.1 million (previous year: EUR 3.1 million), with cash and cash equivalents amounting to EUR 1.5 million as of 30 June 2008 (previous year: EUR 2.9 million).

COST AND PRICE TREND

The main cost factors such as rents, supplier or procurement prices did not show any major fluctuations save for the usual cyclical adjustments. Personnel expenses increased due to collective pay rises and other factors. The company's prices were changed only to the usual extent.

EMPLOYEES

As a result of the company's ongoing growth strategy, the number of employees continued to increase in the second quarter. As at 30 June 2009, Essanelle Hair Group AG employed 4,172 people. Part-time employees accounted for 39% of the total workforce. At the same time of the previous year, the company had a headcount of 4,152 (part-time staff: 37%).

RISK REPORT

The detailed risk report of Essanelle Hair Group AG is published on pages 44 to 46 of the 2008 annual report. Apart from the corporate and market risks described therein and the related risk mitigation measures, the Management Board does not see any additional risks for the fiscal year.

THE SHARE

The share price of Essanelle Hair Group AG moved between EUR 6.50 and EUR 9.10 in the second quarter of 2009. The Xetra closing price on 29 June 2009 was EUR 7.99. This was a strong improvement on the first quarter, when the share price was clearly below EUR 7. This is probably not least attributable to the continued attractive dividend yield of the company, which paid out EUR 0.50 per share.

The company's investor relations activities in the second quarter focused on the Annual General Meeting, which was held in Düsseldorf on 19 June 2009. The Management Board reported on the financial year 2008 and the company's strategy and presented an outlook on the year 2009. All items on the agenda were approved by a vast majority of the shareholders – including the proposal to pay out the same dividend as in the previous year. Essanelle Hair Group AG thus implemented the consistent dividend policy it had previously announced to its shareholders.

SHAREHOLDER STRUCTURE (AS AT 30 JUNE 2009)

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

SHARE DATA IN H1 2009

Highest price (Xetra)	EUR 9.10
Lowest price (Xetra)	EUR 6.50
Performance 1 Jan.– 30 June 2009	+19.25%
Price on 30 June 2009 (Xetra)	EUR 7.99
Capital admitted to trading	EUR 4,595,044
Market capitalisation as of 30 June 2009	EUR 36.7 million
Free float	EUR 3.8 million

OUTLOOK

Essanelle Hair Group AG will continue to implement the planned growth strategy in the second half of the year and open about 30 salons. Thanks to its financial muscle, the company is able to do this even in difficult economic times. The company's operating performance will be reviewed with regard to sales revenues and costs at short intervals to ensure that an appropriate response can be taken at any time. Some budgets – e.g. for advertising – have been suspended temporarily. The company maintains its target to increase its full-year sales revenues by at least 3%. The achievement of this objective will depend on the economic situation and on the performance of the company's lessors. The trend in retail sales in the year to date shows a rather weak economic environment. Due to various factors, however, even most experts cannot predict the future trend.

Notwithstanding the company's well-aimed cost-cutting measures, earnings are dependent on sales growth. The company maintains its target to generate earnings before taxes of approx. EUR 6.4 million in spite of the recent declines. Irrespective of its targets, Essanelle Hair Group AG will clearly outperform its competitors again in 2009.



CONSOLIDATED BALANCE SHEET (IFRS) as of 30 June 2009

ASSETS

€	30.06.2009	31.12.2008
ASSETS		
Fixed assets		
Property, plant and equipment	23,646,159.17	23,931,881.75
Goodwill	19,558,872.10	19,558,872.10
Other intangible assets	118,741.99	140,952.59
Other loans	86,009.72	72,382.53
	43,409,782.98	43,704,088.97
Current assets		
Other loans	14,874.21	14,874.21
Inventories	6,788,882.96	6,996,124.66
Accounts receivable	141,315.37	176,377.58
Other assets	901,091.35	532,706.00
Cash and cash equivalents	1,544,240.73	5,600,168.26
	9,390,404.62	13,320,250.71
Total assets	52,800,187.60	57,024,339.68

LIABILITIES

€	30.06.2009	31.12.2008
SHAREHOLDERS' EQUITY		
Capital and reserves allocable to the shareholders in the parent company		
Share capital	4,522,841.00	4,522,841.00
Capital reserve	15,701,360.01	15,717,699.17
Revenue reserves	9,081,965.08	10,357,743.59
	29,306,166.09	30,598,283.76
DEBT		
Long-term debt		
Financial debt	3,733,964.30	5,116,349.08
Deferred tax liabilities	4,095,587.21	3,747,354.57
Pension provisions	154,364.00	154,364.00
Other provisions	786,723.66	784,916.10
	8,770,639.17	9,802,983.75
Short-term debt		
Financial debt	4,070,412.01	3,296,851.11
Accounts payable	2,398,516.48	4,399,960.59
Current income tax liabilities	1,939,720.11	1,851,127.76
Other liabilities	2,605,580.28	3,259,874.25
Other provisions	3,709,153.47	3,815,258.46
	14,723,382.35	16,623,072.17
Total debt	23,494,021.52	26,426,055.92
Total shareholders' equity and debt	52,800,187.61	57,024,339.68

CONSOLIDATED INCOME STATEMENT (IFRS)

for the period from 1 January 2009 to 30 June 2009

€	01.01.–30.06.09	01.01.–30.06.08	01.04.–30.06.09	01.04.–30.06.08
Sales	63,703,574.17	63,560,654.88	32,680,226.22	32,266,381.68
Other operating income	524,396.76	418,273.98	241,232.08	200,365.16
Cost of materials	-5,412,103.47	-5,986,981.25	-2,815,951.52	-3,073,082.01
Personnel expenses	-35,885,265.42	-34,677,487.63	-17,894,210.22	-17,442,891.79
Depreciation and amortization	-2,697,217.59	-2,569,715.42	-1,349,401.11	-1,309,238.22
Rental and ancillary rental expenses	-12,450,549.70	-11,846,369.42	-6,284,844.43	-6,001,279.63
Other operating expenses	-5,924,361.06	-6,126,368.87	-2,986,712.34	-3,014,734.00
Operating earnings	1,858,473.69	2,772,006.27	1,590,338.68	1,625,521.19
Financing income	10,814.57	59,947.94	2,972.61	30,504.16
Financing expenses	-199,219.15	-331,406.27	-89,300.00	-157,961.93
Net financial expenses	-188,404.58	-271,458.33	-86,327.39	-127,457.77
Earnings before taxes	1,670,069.11	2,500,547.94	1,504,011.29	1,498,063.42
Tax expenses	-684,427.10	-1,011,961.18	-614,368.65	-600,942.53
Consolidated net income	985,642.01	1,488,586.76	889,642.64	897,120.89

Earnings per share

basic	0.22	0.33
diluted	0.22	0.30

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

from the period from 1 January 2009 to 30 June 2009

k €	30.06.2009	30.06.2008
1. CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated by ongoing business activities	2,741	4,094
Interest paid	-236	-309
Taxes on income paid	-248	-223
Net inflow of funds for operating activities	2,257	3,562
2. CASH FLOW FROM INVESTMENT ACTIVITIES		
Acquisition of property, plant and equipment	-2,326	-3,198
Proceeds from the sale of property, plant and equipment	0	13
Acquisition of intangible assets	-18	-11
Loans paid out	-70	0
Loans repaid	56	5
Interest received	11	57
Net outflow of funds for investment activities	-2,348	-3,134
3. CASH FLOW FROM FINANCING ACTIVITIES		
Dividend payout	-2,261	-2,268
Buyback of own shares	-16	0
Receipts from the taking up of financial loans	346	451
Repayment of financial debt	-2,033	-1,751
Net outflow of funds for financing activities	-3,965	-3,568
Net decrease in cash and cash equivalents	-4,056	-3,140
Cash and cash equivalents at the beginning of the year	5,600	6,078
Cash and cash equivalents at June 30	1,544	2,938

SCHEDULE OF CHANGES IN GROUP EQUITY (IFRS)

as of 30 June 2009

€	Share capital	Capital reserve	Revenue reserves	Total equity
Balance at 01.01.2008	4,535,044.00	15,702,463.44	8,979,264.34	29,216,771.78
Dividend payout			-2,267,521.16	-2,267,521.16
Consolidated earnings			3,646,000.41	3,646,000.41
Purchase of own shares	-12,203.00	-65,647.48		-77,850.48
Value of the services of employees in connection with employee share option programmes		80,883.21		80,883.21
Balance at 31.12.2008	4,522,841.00	15,717,699.17	10,357,743.59	30,598,283.76
Balance at 01.01.2009	4,522,841.00	15,717,699.17	10,357,743.59	30,598,283.76
Dividend payout			-2,261,420.52	-2,261,420.52
Consolidated earnings			985,642.01	985,642.01
Purchase of own shares		-16,339.16		-16,339.16
Balance at 30.06.2009	4,522,841.00	15,701,360.01	9,081,965.08	29,306,166.09

CONSOLIDATED ABRIDGED NOTES TO THE INTERIM FINANCIAL STATEMENTS

ACCOUNTING STANDARDS AND GENERAL INFORMATION

This six-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 2008 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 31 December 2008.

The consolidated interim financial statements have not been audited. Various information and notes that are normally included in consolidated financial statements to IFRS have been abridged or omitted.

BASIS OF CONSOLIDATION

There have been no changes in the basis of consolidation in the first six months of 2009.

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 74 of the 2008 annual report.

EARNINGS PER SHARE

Basic earnings per share amounted to EUR 0.22 in the first six months of the current financial year (previous year: EUR 0.33). Diluted earnings per share amounted to EUR 0.22 in the same period (previous year: EUR 0.30).

DIVIDEND PAID OUT

On 19 June 2009, the annual General Meeting decided to pay out a dividend of EUR 0.50 per share. Based on 4,535,044 shares outstanding, this represents a total dividend payment of EUR 2,267,522.

EVENTS AFTER THE BALANCE SHEET DATE

No other material events occurred after 30 June 2009.

RELATED PARTY DISCLOSURES

The business transactions undertaken with closely related companies and persons can be found on page 110 of the 2008 annual report.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.



Achim Mansen
(Chairman of the Management Board)



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