



REPORT FOR THE PERIOD FROM  
1 JANUARY 2002 TO 30 JUNE 2002

## ECONOMIC DEVELOPMENT

—The ever weakening economy and the increasing reservation on the part of consumers, and in particular in the retail trade, also affected the Essanelle Hair Group AG in the second quarter of 2002. This is reflected accordingly in the figures for the first six months of the year. After sales of EUR 57.4 million in the first half of last year, the company posted sales of EUR 58.4 million in the first six months of 2002, and thus attained an increase of 1.7%.

The essanelle Ihr Friseur concept made the largest contribution to sales with a sum of EUR 42.3 million. At the relatively new Super Cut concept the revenues rose by some 30% to a figure of EUR 7.0 million. The HairExpress salons also displayed a pleasing rise in their sales, by 31.6% to EUR 2.7 million. The Jürgen Tröndle brand contributed EUR 3.1 million; Mod's Hair, as a franchise concept, contributed 2.5 million euros to total sales. The franchisees also attained external sales of EUR 5.5 million in the first half of the year.

Another positive aspect was the fact that the company succeeded in further increasing its sales of products specific to hairdressers, with the salons and the Beauty Hair shops contributing to this development. Total sales revenues in this segment rose by 8.6% to EUR 7.3 million; thus its share in total revenues increased from 11.6% in the first half of last year to 12.5% in the first six months of 2002. Sales at the Service division amounted to EUR 48.9 million, following on from EUR 48.6 million in the same period of the previous year; they represented 83.7% of the total sales. Franchise revenues amounted to EUR 2.2 million, and thus to 3.8% of total sales revenues.

Earnings at the Essanelle Hair Group suffered to a considerable degree with the above sales development. After the deduction of operating costs, which were geared to much higher sales, the EBITDA fell to EUR 1.7 million, following on from EUR 2.3 million in the first half of 2001. After the deduction of depreciation the EBIT was EUR –1.9 million, compared to EUR –1 million in the same period of the previous year; earnings before taxes decreased from EUR –2.1 million to EUR –2.6 million.

The Essanelle Hair Group AG reacted to the extremely weak level of consumer confidence and spending with further cuts, in terms of both overheads and operating costs. Thus, for instance, positions in the salons which had become vacant due to the high level of natural fluctuation that is typical of the industry were only filled to a low degree. Moreover, the sales sector has seen further streamlining, and is now being taken care of to a greater degree by the board members so as to stimulate sales despite the current economic situation.

**INVESTMENT**

In the first six months of the current financial year the Essanelle Hair Group AG invested some 2.4 million euros, with the bulk of this sum accounted for by new salons, and in particular by Super Cut with 5 new salons and HairExpress with 9 new salons. In total 19 new salons were opened in the first six months and 9 salons were closed.

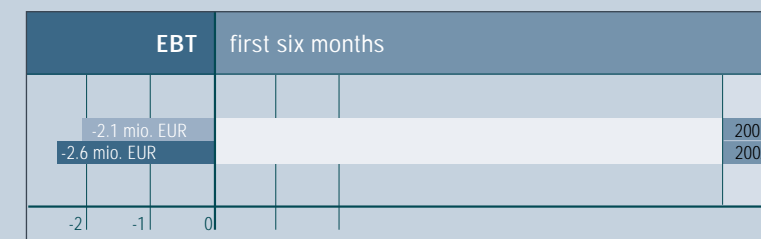
**DEVELOPMENT OF COSTS AND PRICES**

In the course of the first six months prices and costs developed as expected within the framework of overall economic developments. The cost factors products and rents developed as the company had expected. The Essanelle Hair Group increased prices to a slight degree in the first six months of the year.

**EMPLOYEES**

As of 30 June 2002 the Essanelle Hair Group AG employed some 4,800 staff (comparative quarter previous year: 5,000 staff). The reduction in staffing levels primarily resulted from the sale of the salons in Poland. The portion of part-time staff amounts to some 30%, a figure that is typical for the industry.

FIGURES, FIRST SIX MONTHS 2002/2001 (IAS)



CONSOLIDATED BALANCE SHEET (IAS) AS AT 30 JUNE 2002

ASSETS

	30 JUN 2002	30 JUN 2001
	EUR	EUR
<b>LONG-TERM ASSETS</b>		
<b>Intangible assets</b>		
Industrial property and similar rights and licences for such rights	283,742.29	202,141.65
Goodwill	14,396,733.73	16,559,504.16
Brand names	8,891,612.74	9,441,609.41
	23,572,088.76	26,203,255.22
<b>Property, plant and equipment</b>		
Equipment and fittings including leasehold improvements	24,204,817.90	24,784,706.76
Advance payments	200,000.00	258,141.07
	24,404,817.90	25,042,847.83
<b>Investments</b>		
Investments in other companies	0.00	4,954.59
Loans to subsidiaries	33,157.62	16,578.98
Other loans	15,057.86	19,940.07
	48,215.48	41,473.64
<b>Tax deferrals</b>	2,540,805.29	751,866.32
	50,565,927.43	52,039,443.02
<b>SHORT-TERM ASSETS</b>		
<b>Inventories</b>		
Merchandise	5,124,273.18	4,939,292.45
Advance payments	960.00	0.00
	5,125,233.18	4,939,292.45
<b>Accounts receivable and other assets</b>		
Accounts receivable	390,069.22	325,563.99
Tax rebate claims	0.00	0.00
Other assets	2,109,915.50	1,400,247.52
	2,499,984.72	1,725,811.51
<b>Cash in hand and cash at banks</b>	6,785,503.22	15,444,810.95
	14,410,721.12	22,109,914.91
<b>PREPAID EXPENSES</b>	737,064.47	383,167.43
	65,713,713.02	74,532,525.36

LIABILITIES AND SHAREHOLDERS' EQUITY

	30 JUN 2002	30 JUN 2001
	EUR	EUR
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	4,500,000.00	4,500,000.00
Share premium account	15,136,074.22	13,894,588.24
profit reserve	0.00	271,194.58
Profit/loss carried forward	-4,142,516.67	-830,726.15
Consolidated profit/loss	-1,733,183.83	-1,386,472.20
	13,760,373.72	16,448,584.46
<b>MINORITY INTEREST</b>	0.00	0.00
<b>LONG-TERM LIABILITIES</b>		
Interest-bearing liabilities to banks	20,069,477.04	22,860,439.39
Interest-bearing liabilities from lease contracts	2,303,661.58	2,832,012.94
Other long-term interest-bearing liabilities	5,056,240.45	4,514,190.52
Pension accruals	216,170.00	177,438.23
	27,645,549.07	30,384,081.08
<b>CURRENT LIABILITIES</b>		
Interest-bearing liabilities to banks	128,630.31	6,723,452.00
Accounts payable	3,555,485.00	6,703,310.55
Other current interest-bearing liabilities	5,650,739.09	5,655,230.91
Other current liabilities	11,136,649.68	4,134,913.48
Accrued taxes	46,524.46	212,979.57
Other accruals	3,789,761.69	4,269,242.36
	24,307,790.23	27,699,128.87
<b>DEFERRED REVENUE</b>	0.00	729.93
	65,713,713.02	74,532,524.36

CONSOLIDATED INCOME STATEMENT IN ACCORDANCE  
WITH IAS FROM 1 JANUARY 2002 TO 30 JUNE 2002

	1 JAN - 30 JUN 2002	1 JAN - 30 JUN 2001
	EUR	EUR
Revenue	58,441,748.09	57,378,980.59
Other operating income	933,239.96	477,777.12
Cost of materials		
Cost of goods purchased	-5,090,501.61	-4,840,656.69
Cost of trades purchased	0.00	-65,578.42
Personnel expenses		
Wages and salaries	-29,361,771.63	-27,546,770.93
Social security, pension and other benefit costs (pensions)	-6,553,787.53 (-46,272.38)	-6,204,107.00 (-16,105.70)
Depreciation and amortisation	-3,617,553.36	-3,323,103.42
Other operating expenses	-16,625,652.18	-16,877,226.82
<b>Profit/loss from operating activities</b>	<b>-1,874,278.26</b>	<b>-1,000,685.57</b>
Income from long-term investments	23,462.62	0.00
Other interest and similar income	97,858.88	200,918.23
Depreciation on investments	0.00	-17,750.24
Interest and similar expenses	-884,269.37	-1,298,362.44
Investment income	-762,947.87	-1,115,194.45
<b>Profit/loss from ordinary activities</b>	<b>-2,637,226.13</b>	<b>-2,115,880.02</b>
Income tax	905,563.22	712,760.32
Other tax	1,520.92	-530.05
<b>Consolidated net loss for the year</b>	<b>-1,733,183.83</b>	<b>-1,403,649.75</b>
Portion of loss allocated to third-party shareholders	0.00	17,177.55
<b>Consolidated loss</b>	<b>-1,733,183.83</b>	<b>-1,386,472.20</b>
Profit/loss carried forward	0.00	0.00
<b>CONSOLIDATED ACCUMULATED LOSS</b>	<b>-1,733,183.83</b>	<b>-1,386,472.20</b>

CONSOLIDATED CASH FLOW STATEMENT (IAS) AS AT 30 JUNE 2002

	1 JAN - 30 JUN 2002	1 JAN - 30 JUN 2001
	'000 EUR	'000 EUR
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Consolidated net loss for the year	-1,733	-1,386
<b>Adjustments for transference of result for the year to receipts/(expenses)</b>		
Amortisation of goodwill	1,346	1,256
Depreciation of other fixed assets	2,327	2,174
Increase (decrease) in accruals	-89	935
Profit/loss from disposals of fixed assets	4	150
Interest expense	786	1,097
Income tax	-906	-713
Income tax paid	-22	-106
Interest paid	-541	-564
<b>Decrease (increase) in assets and increase (decrease) in liabilities</b>		
Inventories	-394	-1,112
Accounts receivable and other assets	-638	-28
Accounts payable and other current liabilities	1,021	52
	<b>1,161</b>	<b>1,755</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Receipts from disposals of fixed assets	1,345	60
Expenditure on investment in fixed assets	-2,363	-8,201
Acquisition of subsidiaries net of cash acquired	0	0
	<b>-1,018</b>	<b>-8,141</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Receipts from increase in capital	0	3,067
Receipts from flotation	0	13,079
Flotation costs paid	0	-3,208
<b>Change in financial liabilities</b>		
Expenditure on discharge of liabilities	-5,290	-27,702
Receipts from new loans taken up	1,075	34,757
	<b>-4,215</b>	<b>19,993</b>
<b>CHANGE IN FUNDS HELD</b>	<b>-4,072</b>	<b>13,607</b>
Funds held at start of year	10,858	1,837
<b>FUNDS HELD AT END OF YEAR</b>	<b>6,786</b>	<b>15,445</b>

\*Totals may vary due to roundings

**OUTLOOK**

—A glimpse at the results for August also show that the extremely weak trend remains unbroken and that the overall economic situation is even worse than it was in 2001. Thus the target of a balanced result before taxes for the 2002 financial year as a whole cannot be attained. Only the measures to reduce costs already initiated at the beginning of the year currently allow us to expect that there will be no deterioration over the previous year. The reduction in the number of employees that has now been initiated and the streamlining of the structures will not have a positive impact until the end of the year and will only take full effect in 2003, with no significant improvement for the 2002 financial year as a whole.

The uncertainty over the overall economic situation and the ongoing weakness in the retail trade which has impacted on the company do not allow any serious sales and earnings forecasts to be made at present for the 2002 financial year as a whole.

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