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FOREWORD OF THE MANAGEMENT BOARD

Ladies and Gentlemen,

today, in the last month but one of the current financial year, we can already establish that 2007 will be a very good year for Essanelle Hair Group. This development is in line with our expectations – at the beginning of the year, however, it was nevertheless subject to various macroeconomic uncertainties, such as the significant increase in VAT, the extension of opening hours and an economic upturn which was not yet fully established. We are therefore all the more pleased that we have been able to meet all of our targets to date. As planned, we will be opening around 50 new salons during the 2007 financial year, thus further expanding our market share in Germany. This is reflected in our sales performance in the first three quarters already, where we have achieved growth of around 5.4%. We are very confident that we will reach our growth target for the financial year as a whole, namely sales growth of around 5%, although it is important in this respect that consumer confidence remains high in the run-up to Christmas, a key period in terms of sales.

In terms of our key operating figures, our target is for our operating business to at least match the level of earnings reported for 2006. This should be reflected in pre-tax earnings of Euro 4.5 million – thus adjusted to account for the one-off income of Euro 0.8 million in the previous year. By the end of the third quarter we had already managed to cover this one-off income in our operating business, and even exceeded it slightly. In spite of the positive one-off item in 2006, we therefore expect to “score” even better in 2007. This will lead to a further improvement not only in pre-tax earnings, but also in our earnings per share, thus laying an important foundation for our ability to pay a dividend. In the interests of our shareholders, this is our key objective.

We see these key figures as providing definitive proof that our strategy of consistent growth is bearing fruit and that we are able to achieve simultaneous substantial growth in sales and earnings. Within the saturated market in which we operate, this will result in an ongoing increase in our market share. The basis for this success is provided by our highly professional company structure, which distinguishes us from the many standalone hairdressers in Germany. This also applies to our sales structure, which is clearly focused on our expansion and which has enabled us to be very successful in finding suitable locations for new locations over the past three years. We benefit in this respect from our clear structure, which is consistently organised with five sales directors, each of which responsible for one region in Germany, the subsequent sales managers and the management of the individual salons. The same applies to our detailed controlling system, which includes weekly sales updates and a monthly reporting system recording every necessary detail of our growth and thus providing an indispensable overview of every individual salon and

the company as a whole. It is therefore possible to take countermeasures in good time in the event of any individual erroneous trends, as well as to map any notably positive developments within individual concepts or regions onto other concepts and regions. In a company which now has significantly more than 600 locations and around 4,100 employees, these factors are crucial.

It is very important for our shareholders that the positive development consistently shown by our company for several years now should also be reflected in its valuation on the stock exchange. The numerous talks held with institutional funds have clearly revealed the great degree of interest in our share. This is also evidenced by the renowned funds we have welcomed as shareholders this year. The business and financial press has also regularly confirmed our development with highly positive assessments. In October, our share broke through the 10 euro mark by a clear margin for the first time, subsequently stabilising at more than Euro 9. Given our opening price of around Euro 8.20 at the beginning of the year, this represents a decent performance. Although it is by no means easy to make predictions concerning the stock exchange, we are nevertheless very confident that we will be able to maintain this trend in 2008 as well. Moreover, by distributing a dividend for the first time in 2008, we also aim to enable our shareholders to participate directly in our company's success. We will be channelling all of our efforts in the two remaining months of the current financial year into ensuring the success of our Christmas business and thus achieving a pleasing conclusion to the pleasing course of business so far in 2007.

The Management Board



Uwe Grimminger



Achim Mansen

BUSINESS PERFORMANCE

The macroeconomic situation in Germany remains stable, with growth of more than 2% forecast by experts for the year as a whole. Domestic demand has nevertheless remained weak during the year, especially in the retail sector. According to the Federal Statistics Office, retail sales from January to September 2007 fell by 0.9% in nominal terms and by 1.6% in real terms compared with the same period in the previous year. All in all, external factors, such as rising energy costs for oil and gas, price increases for food and the real estate crisis in the USA, indicate that the level of overall growth could weaken in the medium term in Germany as well.

We maintained our pleasing business performance in the third quarter, with sales growth of around 5.0% compared with the equivalent quarter in the previous year. Sales for the first nine months of 2007 have therefore risen by 5.4% to Euro 90.7 million (previous year: Euro 86.0 million). This growth was mainly driven by salons newly opened in the past year, which contributed additional revenues, thus largely compensating for the VAT increase.

The individual concepts showed the following developments: HairExpress, in recent years a price-sensitive, high-growth concept, achieved very substantial sales growth from Euro 12.2 million to Euro 15.9 million in the first nine months of 2007. Super Cut, which focuses on offering unadulterated hairdressing services to the younger generation, generated sales of Euro 14.5 million in the first three quarters, compared with Euro 13.9 million in the same period last year. The TOP TEN salons, which were only launched as a separate brand in 2005, also target a young overall target group with prices offered on a 10 euro basis. This concept reported sales of Euro 2.8 million in the first nine months of the current financial year, up from Euro 1.2 million in the equivalent period in the previous year. With its broad range of services covering all target groups, essanelle Ihr Friseur generated sales of around Euro 50.5 million in the first nine months of 2007, as against Euro 51.7 million in the equivalent period in the previous year. The JT by Essanelle brand, which focuses on business people, achieved sales of Euro 3.3 million, down from Euro 3.5 million in the previous year. The Beauty Hair Shop concept, which specialises in selling exclusive hairdressing products, maintained its consistent growth course, increasing sales by around 21% to Euro 3.6 million.

As usual, the services division of Essanelle Hair Group accounted for the largest share of business, with sales of Euro 76.5 million, or 84.3% of total sales. There was a further increase in the sales of products exclusive to hairdressers at the Beauty Hair Shops and the salons, which reached Euro 14.2 million from January to September, thus accounting for 15.7% of total sales. Franchising revenues were only reported up to the end of the first half of 2006 (Euro 0.5 million) and have been discontinued since the sale of franchise rights.

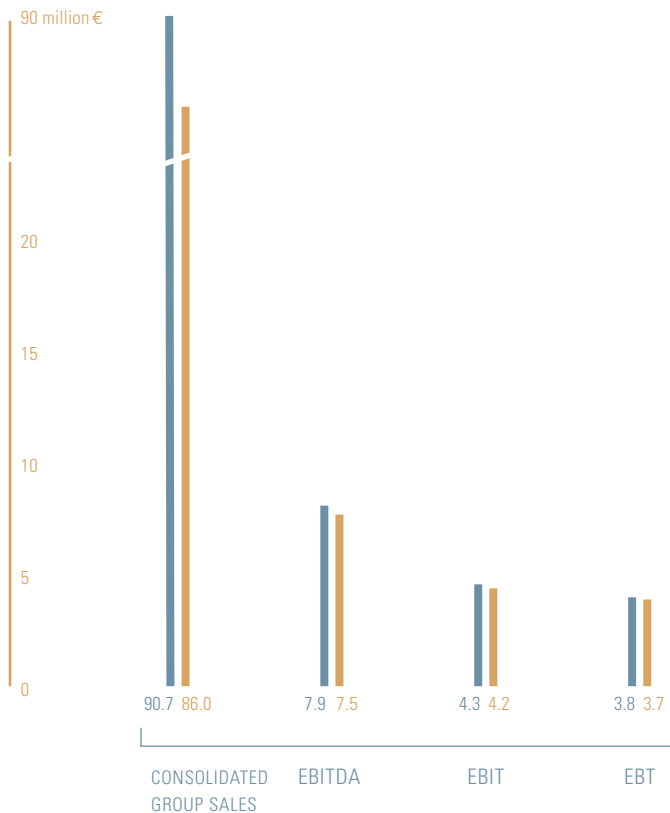
Concepts	1st to 3rd Quarter 2007			1st to 3rd Quarter 2006		
	Number of Salons	Employees ¹	Sales million €	Number of Salons	Employees ¹	Sales million €
essanelle Ihr Friseur	337	2.407	50,5	348	2.546	51,7
Super Cut	89	494	14,5	85	495	13,9
HairExpress	134	764	15,9	105	574	12,2
TOP TEN	23	139	2,8	12	64	1,2
JT by essanelle	15	117	3,3	15	124	3,5
Beauty Hair Shop	24	85	3,6	22	73	3,0
Gesamt	622	4.006	90,7	587	3.876	86,0

¹ without Overhead

EARNINGS PERFORMANCE

Our company's earnings performance remained very strong at the end of the first nine months. Over this period, we generated EBT of Euro 3.8 million and have thus matched the previous year's figure. EBT for the third quarter amounted to Euro 1.4 million, compared with Euro 1.4 million in the same period in the previous year. These figures are to be judged positively given that the previous year's earnings were positively affected by one-off income of Euro 0.8 million from mod's hair and that this figure has already been covered by the operating business in the first nine months of 2007. This factor is reflected in our other operating income, which was around 61%, or Euro 1.3 million, higher in the first nine months of 2006 than in the same period this year. By contrast, sales rose by 5.4% in 2007 to Euro 90.7 million. Personnel expenses amounted to Euro 50.6 million, as against Euro 48.4 million in the first nine months of the previous year. The personnel expenses ratio in the period under report thus amounted to around 55.8%, compared with 56.3% in the same period in the previous year. In spite of increased product sales, costs of materials decreased by 0.7% from Euro 8.2 million to Euro 8.1 million. Rental and ancillary rental expenses

■ Nine Months 2007 ■ Nine Months 2006



increased by 7.2% to Euro 18.0 million. All in all, this led earnings before interest, taxes, depreciation and amortization (EBITDA) to rise by 5.3% to Euro 7.9 million, compared with Euro 7.5 million in the previous year. The depreciation at Essanelle Hair Group, which related almost exclusively to property, plant and equipment, amounted to Euro 3.7 million and thus rose by around 9.4%. Earnings before interest and taxes (EBIT) increased from Euro 4.2 million to Euro 4.3 million. Net financial expenses remained unchanged at Euro 0.5 million. With pre-tax earnings of Euro 3.8 million (previous year: Euro 3.7 million) and taxes of Euro 1.5 million pursuant to IFRS, the net income for the first three quarters rose by 3.2% to Euro 2.3 million.

BALANCE SHEET, INVESTMENTS AND LIQUIDITY

The asset side of our balance sheet shows the decline in liquid funds customary to the development of our business in the course of the year. These fell from Euro 5.3 million as of December 31, 2006 to Euro 3.3 million as of September 30, 2007. This is due to the repayment of liabilities and to outgoing payments for investments in new salons. Such items generally involve advance payments initially recognized under other assets, which rose as a result of this factor, as well as of tax-related items, from Euro 0.4 million to Euro 2.4 million. On the liabilities side, we achieved reductions in accounts payable, which dropped from Euro 4.5 million as of December 31, 2006 to Euro 2.2 million. While short-term financial debt also showed a resultant decline by around Euro 1.7 million to Euro 13.9 million, long-term financial debt amounted to Euro 12.5 million at the end of the period under report, and was thus relatively unchanged on the figure of Euro 13.0 million as of December 31, 2006. As a result of the positive business performance, shareholders' equity increased from Euro 24.4 million to Euro 26.9 million. The equity ratio therefore amounted to around 50.5% as of September 30, 2007, compared with 46.0% at December 31, 2006.

There was a further increase in the level of investment made in our growth in the first nine months of 2007. We invested a total of around Euro 3.3 million in the past three quarters, up from Euro 3.0 million in the same period of the previous year. Of this sum, Euro 1.9 million related to the opening of 31 new salons and Euro 1.4 million to renovation measures at existing outlets.

The cash flow from operating activities showed a considerable year-on-year improvement. Overall, we generated a net inflow of funds of Euro 3.5 million, up from Euro 2.7 million a year before. The implementation of our growth strategy and the opening of further salons is reflected in a slightly higher outflow of funds for investment activities, which rose from Euro 3.0 million in the previous year to Euro 3.3 million. The redemption of further financial debt in the first three quarters of 2007 means that the cash flow from financing activities was also negative at Euro -2.2 million (previous year: Euro -1.4 million). All in all, cash and cash equivalents therefore amounted to around Euro 3.3 million as of September 30, 2007, compared with Euro 2.3 million as of 30.09.2006.

THE SHARE

The share price of Essanelle Hair Group fluctuated within a corridor of Euro 7.56 to Euro 9.28 in the first nine months of the 2007 financial year. It was listed at Euro 9.20 in Xetra on 28.09.2007 and was thus higher than the closing price of Euro 8.20 at the end of 2006. At the beginning of October, the share then succeeded in exceeding this range by a clear margin for the first time, temporarily breaking through the 10 euro mark.

SHAREHOLDER STRUCTURE (NOVEMBER 2007)

Klier GmbH	29.8%
Management Board	3.4%
Free float acc. to Deutsche Börse	66.8%

of which:	Axxion S.A.	9.9%
	Intrinsic Value Investors LLP	6.3%
	Ratio Asset Management LLP	11.6%
	Fortis Investment Management S.A.	5.7%
	Threadneedle Asset Management Ltd.	2.9%

SHARE DATA FROM 02.01 TO 28.09.07

Highest price (Xetra)	Euro 9.28
Lowest Price (Xetra)	Euro 7.56
Opening price on Jan. 2, 2007	Euro 8.28
Closing price in Frankfurt (Xetra) on Sept. 28, 2007	Euro 9.20
Performance Jan. 2 – Sept. 28, 2007	+11.1%
Capital admitted to trading	Euro 4,595,044.00
Market capitalisation as of Sept. 28, 2007	Euro 42.27 million
Free float	Euro 28.23 million

DEVELOPMENT OF EXPENSES AND PRICES

Apart from the usual adjustments required to account for economic developments, key expense items, namely salon rents, procurement prices and supply terms, have not witnessed any major fluctuations in the financial year to date. Our prices were adjusted only marginally and in line with general business practice.

EMPLOYEES

The size of our workforce has increased in line with the growth in our operations. A total of 4,105 employees worked in our salons and at our head office as of September 30, 2007, compared with 3,965 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 (previous year: around 35%).

RISK REPORT

The extensive risk report of Essanelle Hair Group AG can be found on Pages 39 and 40 of the 2006 Annual Report and includes a detailed presentation of company and market risks, risk mitigation measures and a description of the company's risk management system. The company has not identified any further specific risks for the fourth quarter of 2007.

OUTLOOK

As we approach the end of the current financial year, it is apparent that we will also succeed in implementing our growth strategy for the financial year as a whole and that we will achieve the development in our key figures which we previously forecast. The opening of 31 salons in the first three quarters of 2007 is expected to be followed by the opening of around 19 further salons in the remaining three months of the financial year.

Depending on the success of our Christmas business, we expect to be able to achieve sales growth of at least 5% for the financial year as a whole. Our key earnings figures to date are ahead of the original budget, which provides for pre-tax earnings of at least Euro 4.5 million. We will exceed this figure by 10% to 20%. Our earnings before interest, taxes, depreciation and amortization (EBITDA) are expected to amount to at least Euro 10 million by the end of the year. We will thus continue to finance our growth internally or with an optimal financing mix.

Our plans for the 2008 financial year currently involve maintaining our growth strategy, further increasing sales by between 5% and 10% and achieving disproportionate earnings growth. These developments are dependent on current macroeconomic factors, such as the development of the oil price and the real estate crisis in the USA, not having any permanent impact on the domestic economy and thus negatively affecting consumers' propensity to spend.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
01 JANUARY 2007 TO 30 SEPTEMBER 2007

CONSOLIDATED BALANCE SHEET (IFRS)

as of 30 September 2007

ASSETS

€	30.09.2007	31.12.2006
ASSETS		
Fixed assets		
Property, plant and equipment	20,873,501.50	21,149,157.73
Goodwill	19,558,872.10	19,558,872.10
Other intangible assets	178,303.64	208,465.92
Other loans	90,774.23	92,624.24
	40,701,451.47	41,009,119.99
Current assets		
Inventories	6,680,333.07	6,132,112.32
Accounts receivable	185,477.89	105,320.13
Other assets	2,361,566.15	423,001.77
Cash and cash equivalents	3,344,554.97	5,321,163.33
	12,571,932.08	11,981,597.55
Total assets	53,273,383.55	52,990,717.54

LIABILITIES

€	30.09.2007	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	15,662,194.37	15,422,954.30
Revenue reserves	6,678,325.00	4,413,771.29
	26,875,563.37	24,371,769.59
DEBT		
Long-term debt		
Financial debt	7,400,032.09	9,277,886.80
Deferred tax liabilities	4,119,676.16	2,880,000.00
Pension provisions	233,752.00	179,977.00
Other provisions	699,400.22	683,542.40
	12,452,860.47	13,021,406.20
Short-term debt		
Financial debt	3,228,671.21	3,537,262.56
Accounts payable	2,200,065.49	4,471,932.01
Current income tax liabilities	316,177.71	668,497.20
Other liabilities	3,686,531.22	2,819,661.38
Other provisions	4,513,514.08	4,100,188.60
	13,944,959.71	15,597,541.75
Total debt	26,397,820.18	28,618,947.95
Total shareholders' equity and debt	53,273,383.55	52,990,717.54

CONSOLIDATED INCOME STATEMENT (IFRS)

for the period from 1 January 2007 to 30 September 2007

€	01.01.-30.09.07	01.01.-30.09.06	01.07.-30.09.07	01.07.-30.09.06
Sales	90,697,255.76	86,028,585.26	30,817,483.41	29,345,721.17
Other operating income	808,997.38	2,065,490.38	243,613.53	554,236.74
Cost of materials	-8,130,027.24	-8,189,549.58	-2,797,522.80	-2,772,015.76
Personnel expenses	-50,581,481.05	-48,421,701.15	-17,221,708.10	-16,472,103.05
Depreciation and amortization	-3,676,103.10	-3,360,828.30	-1,238,282.43	-1,143,236.97
Rental and ancillary rental expenses	-18,002,713.81	-16,790,625.82	-6,051,499.49	-5,730,437.61
Other operating expenses	-6,860,574.25	-7,169,260.66	-2,229,380.63	-2,260,534.61
Operating earnings	4,255,353.69	4,162,110.13	1,522,703.49	1,521,629.91
Financing income	49,849.76	35,613.32	20,820.41	4,264.10
Financing expenses	-530,947.27	-550,822.69	-169,688.47	-179,543.83
Net financial expenses	-481,097.51	-515,209.37	-148,868.06	-175,279.73
Earnings before taxes	3,774,256.18	3,646,900.76	1,373,835.43	1,346,350.18
Tax expenses	-1,509,702.47	-1,453,064.98	-549,534.21	-525,853.57
Consolidated net income	2,264,553.71	2,193,835.78	824,301.22	820,496.61
Earnings per share				
basic	0.51	0.49		
diluted	0.48	0.47		

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

for the period from 1 January 2007 to 30 September 2007

k€	30.09.2007	30.09.2006
1. CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated by ongoing business activities	4,480	3,328
Interest paid	-421	-551
Taxes on income paid	-561	-81
Net inflow of funds for operating activities	3,498	2,696
2. CASH FLOW FROM INVESTMENT ACTIVITIES		
Acquisition of property, plant and equipment	-3,420	-3,517
Proceeds from the sale of property, plant and equipment	84	683
Acquisition of intangible assets	-29	-392
Loans paid out	-1	-12
Loans repaid	20	195
Loans repaid by closely related persons	9	18
Interest received	50	19
Net outflow of funds for investment activities	-3,288	-3,006
3. CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from the taking up of financial loans	279	2,802
Repayment of financial debt	-2,465	-4,187
Net outflow of funds for financing activities	-2,186	-1,385
Net decrease / increase in cash and cash equivalents	-1,976	-1,695
Cash and cash equivalents at the beginning of the year	5,321	4,024
Cash and cash equivalents at the end of the quarter	3,345	2,329

SCHEDULE OF CHANGES IN GROUP EQUITY (IFRS)

as of 30 September 2007

	Share capital	Capital reserve	Revenue reserves	Total equity
Balance at 01.01.2006	4,440,000.00	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			2,264,553.71	2,264,553.71
Value of the services of employees in connection with employee share option programmes		239,240.07		239,240.07
Balance at 30.09.2007	4,535,044.00	15,662,194.37	6,678,325.00	26,875,563.37

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 2006 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, 2006.

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 nine months of 2007.

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 68 of the 2006 Annual Report.

EARNINGS PER SHARE

Basic earnings per share amounted to Euro 0.51 in the first nine months of the current financial year (previous year: Euro 0.49). Diluted earnings per share amounted to Euro 0.48 in the same period (previous year: Euro 0.47).

EVENTS AFTER THE BALANCE SHEET DATE

No other material events occurred after September 30, 2007.

RELATED PARTY DISCLOSURES

The business transactions undertaken with closely related companies and persons can be found on Page 102 of the 2006 Annual Report.

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