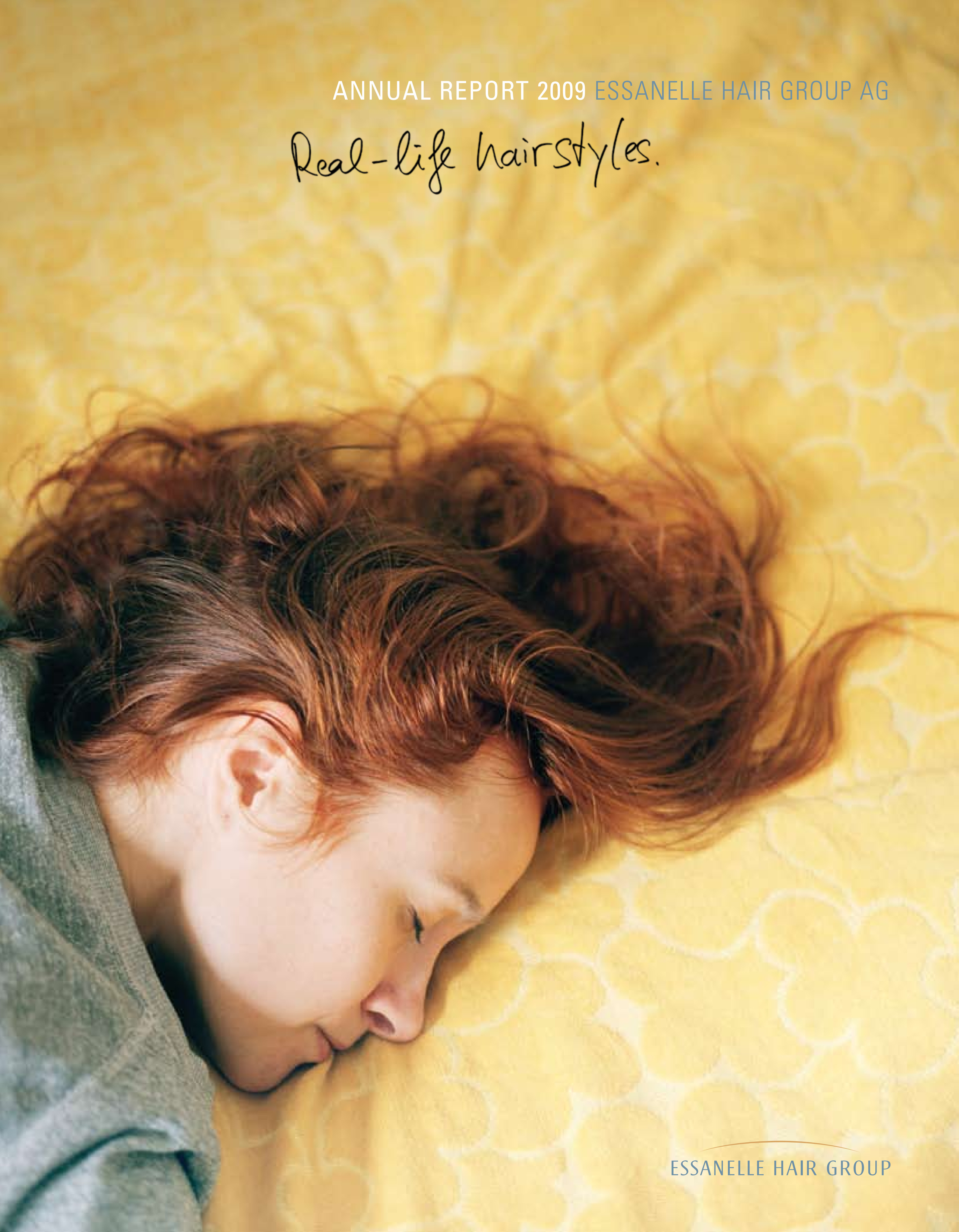
ANNUAL REPORT 2009 ESSANELLE HAIR GROUP AG

Real-life hairstyles.



ESSANELLE HAIR GROUP

KEY FIGURES

Mio. € – IFRS, Group

Mio. €	2009	2008	2007	2006	2005
Consolidated sales	128.0	129.2	123.1	117.5*	113.5*
essanelle Ihr Friseur	63.3	69.0	72.1	74.2	76.9
TOP TEN	5.4	5.9	4.1	1.9	0.3
Super Cut	20.5	20.6	19.6	19.0	18.5
HairExpress	32.1	27.7	22.2	17.6	13.7
Beauty Hair Shop	6.7	6.0	5.0	4.3	3.2
EBITDA	11.3	12.1	11.0	10.6	10.1
EBIT	5.9	7.0	6.1	6.1	5.4
EBT	5.5	6.4	5.4	5.3	4.3
Annual net income	3.2	3.6	4.6	2.9	2.6
Earnings per share (basic)	0.71 €	0.80 €	1.01 €	0.66 €	0.57 €
Cashflow (from operating activities)	9.1	11.5	8.3	8.3	10.4
Cashflow per share	1.99 €	2.50 €	1.81 €	1.82 €	2.32 €
Number of employees	4,185	4,306	4,183	4,038	3,852
Number of shares	**4.6 Mio.**	**4.6 Mio.**	**4.6 Mio.**	**4.6 Mio.**	**4.5 Mio.**
Free Float (per 29.02.2010)	**10.24 %**	**10.24 %**	**10.24 %**	**63.7 %**	**66.2 %**

* Includes sales revenues from mod's hair, which are not reported separately.

ANNUAL REPORT

ESSANELLE HAIR GROUP AG

/2009

ESSANELLE HAIR GROUP

April 2009, Oskar in the bathtub (with wick hairstyle).

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May 2009
Puberty. Any questions?
Champion

Mia on Rügen, March 2009

July 2009.
Aunt Maria and Uncle Heinz's
notorious fruitpunch...

June 2009 c
Sarah with a balloon

May 2009, Martin after the promotion
of Fortuna into the German second league.


September 2009,
Katja in Portugal

May 2009,
Anna's first head banging!

November 2009,
there's always something wrong with Peter!!

Styles by Essanelle.

Kasya's hair was shortened by 10 centimetres from more than shoulder-length, layering the front part from the chin downwards.
The upper part of the head was completely centered and cut with scissors. To make the flanks look softer and give them more structure, the razor has been used.

Styles by Essanelle.

By means of an expert undercut
cutting technique, the overall texture
of Jule's "Beatle haircut" remains narrow.
The short sides were slightly layered,
the top head cut from side to side.
The forehead section reaches to the middle
of the nose.

Styles by Essanelle.

Anna's entire hair was cut asymmetrically using a razor, the sides were kept longer, the back of the neck graduated, the top of the head slightly layered.
The hair color is very dark, almost black.
Nuances of red set expressive accents.

Styles by Essanelle.

Katharina's hair was brought into shape
with a classical long-hair layer-cut.
Warm colors such as medium gold-blonde
or dark honey give the hair optical depth
and make it seem soft and classy.

INTERVIEW WITH THE MANAGEMENT BOARD

Mr Mansen, for the first time in years, your sales revenue is declining, earnings fell by almost EUR 1 million to EUR 5.5 million. The year didn't turn out as you expected.

Achim Mansen That's true. Basically, we saw worst-case scenarios in almost all areas: all Hertie department stores were closed; we lost 34 salons there alone. A year ago, this only applied to half of the salons. The sales trend of our 70 salons at Karstadt was considerably below that of our other locations – here, the customer frequency was noticeably lower. And lastly, domestic consumption levels were about 2% lower than last year. So basically, all factors that we identified as potential dangers at the beginning of last year have come into effect.

Were your forecasts not conservative enough?

Achim Mansen With a lower predicted growth rate and pre-tax earnings at last year's level, we have been more conservative than in the past. But we were obviously expecting that negative factors might be matched with positive developments in some areas. But if I look at the mere fact that our 51 new openings in the year 2009 were matched with 50 closures – then this was not to be expected on such a scale at the beginning of the completed financial year. This means that we could expect some salons to continue to run at Hertie. And lastly, even the Christmas trade was below last year's results. Overall, we are not happy with the development, even though we didn't have much leeway on our side. Both economic developments and developments at the department stores are out of our scope of influence.

What were the developments at Karstadt in particular?

Achim Mansen I would like to put it this way: our salons in shopping centres and in supermarkets did well. The department store environment was faced with more difficulty. And the Karstadt stores did even worse. The number of customers has decreased. We hope that this situation will improve once the situation at Karstadt is clarified and appropriate measures have been taken at the remaining stores.

You had indicated that closures of department stores due to insolvency could also imply positive portfolio streamlining — how do you see this retrospectively for Hertie, and in future in terms for Karstadt?

Achim Mansen That is true and applies to about a quarter of the salons that were affected by the Hertie insolvency. These were salons that we were unable to close with regard to our overall customer relationship, although they weren't really bringing us much joy from a commercial perspective. The same applies to two of four salons that we will lose in the coming weeks due to the closing of Karstadt stores. In the medium term, this indeed has a positive effect. In the short term however we obviously lose out on sales revenue and, in the case of some salons, a good return.

Is this what's responsible for the deterioration of the earnings performance indicators, which lie within the parameters of your autumn forecasts, yet below last year's values?

Achim Mansen On the one hand, the sales trend obviously plays a central role. Not only did we have to close profitable salons, but overall the lost sales revenue also reflects in the earnings. On the other hand we have had to cope with substantial tariff increases. This has resulted in the Essanelle Hair Group employing less people at the end of

2009 than in the previous year, yet experiencing higher staff costs. We were not able to compensate this with savings in material costs and advertising expenses.

However, we also need to keep the long-term perspective in mind: With our current pre-tax result of EUR 5.5 million we are above the 2007 value – and at the time, that was the best result obtained up to then in our history. If I look at the critical environment in which we repeated this performance, then many things are put into perspective.

Mr Bonk, you are responsible for sales and distribution – which measures have you taken in the course of the year to better the sales trend and earnings performance?
Dieter Bonk In the course of 2009, we increased point-of-sale campaigns with particular focus on drawing customers with excellent service and prices. This has yielded positive results – but it was not enough to reverse the overall trend.

As planned, you opened about 50 new salons, but had to close almost as many. Could one not have opened more salons in order to reach a net increase?
Dieter Bonk Overall we have reached our target for 2009 with 51 new openings. It is not possible to increase or even double this figure by 50% in the short term. Between finding a new location and opening a salon, at least 12 months pass by. We need this time. For the coming year we are hoping to up the tempo.

Dirk Wiethölter The closures were a huge expense. We don't dismiss our employees with a handshake just because Hertie is closing a store. The staff members are employed by us and not by Hertie. That's why we had to act quickly, finding salons close by and planning which employees to send where in future. By doing so, we secure jobs and it is our goal to retain at least some of each hairstylist's regular customers.

Dieter Bonk I need to praise my sales and distribution team at this point for what they have achieved. Closures require almost as much effort as new openings. About 50 new openings and almost as many closures – to achieve all of this smoothly was really hard work for our sales and distribution team.

At Super Cut, not much has changed in the last two years with regard to the number of salons and sales. Why not?
Dieter Bonk From a commercial point of view, Super Cut is an extremely interesting concept. The prerequisite for the strong earnings, however, are excellent and at the same time affordable locations. This is particularly important in the light of the fact that investment costs are about 50% higher for the Super Cut concept than for other concepts. That's why we are very selective and will sometimes not take a good location, simply because the landlords have unrealistic rental price expectations. In this respect we will not set such a high growth tempo as with HairExpress. However, we will open several new salons under the Super Cut brand in 2010.

With respect to the situation in the department stores and the economic crisis in general – was it the right time for the upgrading of 'essanelle Ihr Friseur'?

Dieter Bonk It was definitely the right path and also the right time. Especially in light of the fact that some locations have fallen away, it is important for us to gain new locations with 'essanelle Ihr Friseur'. And we can do this even better since the upgrade of the concept. Department stores that want to continue to make profits in the future position themselves higher. 'essanelle Ihr Friseur' fits exactly into this strategy after the revitalisation. That is the conclusion we draw from our experiences in the last couple of months.

Dirk Wiethölter And the revitalisation also works inwardly. The new appearance appeals to exactly those good hair stylists that we want to keep and develop further. Our employees identify more strongly with our flagship brand through this. And the client feels this motivation. It's not simply lip service when we say that the employees on the ground determine the success of the company; on the contrary, it is experience over many years. The fact that this type of salon concept outside of department stores – for example those in shopping centres – flourish, shows us that the client feels this motivation. Location and high-quality brand go together.

Mr Wiethölter, you wanted to improve training, encourage junior staff internally – what is your interim conclusion after 2 years?

Dirk Wiethölter By implementing numerous training and education measures, we have increased the staff's identification with our company, improved our employees' professional skills and filled important positions in sales and distribution and on a salon management level with our own staff members. We notice an "us feeling" that didn't exist in this form before.

And what does this mean in Euros? The capital market is very performance indicator oriented.

Dirk Wiethölter Customers feel these soft factors when they encounter a motivated hair stylist in the salon. And this is important, even if we can't put a number to it. Over and above this, this strategy also specifically lowers our training and education costs because we count on our own people as experts. We make use of 32 qualified trainers from within our ranks. This means lower costs than if we had to hire external trainers.

And hair stylists – of which we employ over 4,000 – are not only money-oriented. They are also very work environment oriented, meaning the brand and the salon for which they work. This is an important focus.

Mr Mansen, how will 2010 turn out – better than the previous year?

Achim Mansen That question cannot yet be answered with certainty. Of course we remain demanding with regard to our goals, and we aim to increase both our sales revenue and our earnings in the current year. The uncertainties in economic development and within the department stores however remain as relevant as in the previous year. January for example showed a rather low sales level. That was probably also linked to the extremely cold weather and the severe weather warnings.

The Management Board of the Essanelle Hair Group AG:
Achim Mansen (Chairman), Dieter Bonk, Dirk Wiethölter

Will the growth strategy be continued? Or even forced in order to compensate for the closures in 2009?

Achim Mansen Over the past couple of years, 50 new openings has always been our benchmark. At the moment, we aim to increase that number by 10 – 20%, and to therefore also compensate for closures. Given the current economic situation, it does not make sense to immediately double the number of new openings. We increase the number moderately and keep a close eye on our cost structures.

What exactly does this mean in terms of the sales revenue and earnings development?

Achim Mansen A small increase in sales revenue – and if we manage to reach this, also an increase in our earnings performance indicators, particularly in our pre-tax result. The overall situation is currently still too volatile to name a specific figure that is also strong. We will however release concrete figures as soon as possible in the course of the year.

Only HairExpress and the Beauty Hair Shops were able to increase their sales. Will this continue in 2010?

Dieter Bonk HairExpress will be our growth concept in 2010 and in the medium to long term. Germany has more than 3,000 discount stores and of those, a whole array of locations are interesting for us. The concept works brilliantly, the investment costs are manageable, and the target group of people who demand a good haircut at a low price continues to be huge.

We will also open two or three shops under the brand name Beauty Hair Shop. What is important in this regard is the targeted development of locations in close proximity to our own salons in a suitable environment.

And what is going to happen to TOP TEN?

Dieter Bonk We are expecting to market Top Ten as a licensed concept. We have developed the concept, successfully introduced it as a brand, but would now like to go a different way than that of organic growth. We are currently developing concrete plans.

Does the growth at HairExpress suffice to compensate for the crumbling department store environment? Super Cut is stagnating, 'essanelle Ihr Friseur' is declining.

Dieter Bonk A lot will change in 2010: we are planning about 10 new openings in the current financial year, both at Super Cut and at 'esannelle Ihr Friseur'. This is a significant increase compared to previous years. But what counts here is the choice of excellent locations. You must also keep in mind that we are already represented with for example Super Cut in about 60% of all ECE-run shopping centres. Much more is not possible. Super Cut is predestined to be a fine concept with a smaller growth rate than HairExpress. But highly profitable at every location.

We will also open new 'essanelle Ihr Friseur' salons here every year. We are however also currently affected by numerous closures, which means that we won't be able to increase the overall number of salons in the foreseeable future. But the trend will steadily improve and we want to increase the sales revenue on a comparable level.

With respect to all concepts, we will most likely overcompensate possible closures in 2010 with the number of our new openings, and we will grow significantly again as of 2011.

The rate of staff costs has increased by 0,9 percentage points in 2009 – what are the plans for 2010?

Dirk Wiethölter Since we are not expecting such high tariff increases again, the rate of staff costs will in all probability not continue to rise in 2010. Should we attain a sales revenue on last year's level, staff costs will also remain on the level of 2009 and the rate will hence be constant.

Mr Mansen, are measures or plans in place on the cost side to prevent a weaker development in the current year?

Achim Mansen We have been implementing a strict cost management for years, and we will continue to do so, particularly in these macro-economically bad times. Moreover, we have always been able to successively improve procurement conditions such as for material. And lastly, we are now also reducing our investment costs by collaborating with Saxonia when it comes to dealing with suppliers for salon equipment. In this regard, I consider a cost reduction volume of over 15% to be very realistic. Those are the synergies on the procurement side that we have also announced.

You have also changed your suppliers for individual concepts. Did that have cost reasons?

Dieter Bonk No, both Wella and L'Oreal have high-quality products. In the course of the revitalisation and also at Super Cut it was our goal to offer our employees and clients something new and innovative – and with L'Oreal we have a touch of Paris flair in our salons at the same time, which is exciting for both employees and clients.

Over and above this, are there reactions to the weak environment?

Achim Mansen I wouldn't call it a direct reaction per se. But we have been reducing our liabilities towards credit institutions for years and are gradually reducing our net debt. Despite expansion strategy, net debt will not rise in future. Besides that I obviously keep a close eye on our cash flow during these times. Our internal financing power is invaluable in a difficult environment. That should stay like that.

The AG result of EUR 1.9 million does not suffice for a dividend to the value of last year. What are your plans in terms of dividends?

Achim Mansen We suggested 50 cents per share two years ago – and did not carry out a full distribution – because that is a magnitude at which we can assume with absolute certainty that we can warrant dividend continuity in the long run. With a profit carried forward of about EUR 1.4 million and a net result of over EUR 3.3 million in the company, we can propose a dividend at last year's level to the general meeting of shareholders. This would then amount to EUR 2.3 million. So we are strong enough for that. And our goal is to be able to continuously distribute this.

REPORT OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

The 2009 financial year of the Essanelle Hair Group faced an expectedly difficult environment that was particularly influenced by the weak economy and the developments in the department store environment. Despite these external factors the company continued to earn a profit that allows the Management and the Supervisory Boards to propose a dividend equivalent to last year's value to the Annual General Meeting.

The Supervisory Board has carried out the duties incumbent upon it according to law, constitution, corporate governance and rules of procedure in the 2009 financial year. We have regularly advised, monitored, and supervised the Management Board with regard to management of the company. The Supervisory Board was directly involved in all decisions that were of fundamental importance to the Essanelle Hair Group.

The Management Board regularly, promptly and comprehensively informed us in written and verbal reports with regard to all relevant questions of business planning and strategic development, course of business, position of the company including risk situation as well as risk management and compliance. Deviations in business performance from the plans and goals were individually explained to us. The Management Board always coordinated the strategic direction of the company with us. We have extensively informed ourselves of all business transactions relevant to the Essanelle Hair Group by means of the reports of the Management Board. Even outside of Supervisory Board meetings, the Chairman of the Supervisory Board kept in regular contact with the Management Board to continuously inform himself about current business operations and major business transactions.

In the reporting year, the Supervisory Board held a total of four ordinary meetings on 24 March, 19 June, 29 September and 24 November. In the case of hindrance, members contributed to decisions telephonically and by written voting. On the agenda for every meeting were business operations, the assets, financial and earnings situations, investment projects as well as the risk situation and risk management of the Essanelle Hair Group. In addition, the following topics on the agenda were extensively discussed with the Management Board:

- Continuation of the growth strategy
- Economic development of the 2009 financial year and planning for the financial years 2010 to 2014
- Possible repercussions of developments at Hertie and Karstadt
- Intensive consideration of the (German) act governing sound principles of executive remuneration and corporate governance ("Gesetz zur Angemessenheit der Vorstandsvergütung (VorstAG)")
- Relocation of the company headquarters

Moreover, there was extensive debate around the tax investigation that was called off in the course of the year and it was converted to the regular wage tax audit. This was then also completed in the course of the 2009 financial year.

The Audit Committee primarily occupied itself with questions pertaining to reporting, risk management and compliance in its meetings on 18 February and 9 March. Moreover, the Audit Committee dealt with quarterly reports and the mid-year report outside of meetings. It also analysed in detail the annual financial statements and the consolidated financial statements in preparation for the balance sheet meeting of the Supervisory Board. In closing, the committee expressed its recommendations regarding adoption and approval to the Supervisory Board.

The Appointments and Compensation Committee held meetings on 24 March, 18 June and 23 November in the completed financial year to in essence discuss the arrangement of new Management Board contracts. This called for intensive consideration of the rules of the (German) act governing sound principles of executive remuneration and corporate governance (VorstAG), which included obtaining a Kienbaum analysis in order to meet the requirements set out by the law.

In the reporting year, the Management and Supervisory Boards have dealt with the recommendations and suggestions of the German Corporate Governance Code in the version of 18 June 2009 in detail. On 15 December 2009, both bodies handed in an updated Declaration of Compliance in accordance with section 161 of the German Stock Corporation Act (AktG) and complemented this declaration on 30 March 2010 by adding substantiations. This has been made permanently available to shareholders on the company's homepage. According to the Supervisory Board's own estimates, the body continues to function efficiently. In the reporting year, neither the Management nor the Supervisory Board experienced any conflicts of interest that are to be disclosed to the Supervisory Board immediately and about which the Annual General Meeting is to be informed.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf, was again appointed by the Annual General Meeting on 19 June 2009 as auditor of the separate and consolidated financial statements. The Chairman of the Supervisory Board confirmed the appointment of the auditor for the separate and consolidated financial statements after receiving the Declaration of Independence required by clause 7.2.1 of the German Corporate Governance Code, reached a fee agreement and defined the audit's main points. Based on this and in consultation with the accounting department, PricewaterhouseCoopers Aktiengesellschaft extensively audited the annual financial statements of the Essanelle Hair Group AG compiled by the Management Board according to Commercial Code law and the separate consolidated financial statements based on International Financial Reporting Standards (IFRS) both as on 31 December 2009, the respective management reports for the company for the 2009 financial year as well as the risk management system. The audits did not result in any objections, so that an unqualified audit certificate was issued in both cases. Moreover, the report compiled by the Management Board regarding the relations with affiliates ("Dependency Report") was audited and issued with the following unqualified audit certificate:

"After our obligatory audit and evaluation we certify that the facts in the report are correct and that the performance of the company was not inappropriately high with regard to the transactions listed in the report."

The financial statements, management reports, audit reports, the Dependency Report as well as the Management Board's proposed appropriation of the balance sheet profit were sent to the Audit Committee as well as the Supervisory Board in good time before their respective meetings. These documents were extensively examined at our balance sheet meeting on 30 March 2010. At the same time, the auditor reported on the main results of the audit and was available for questions by the body's members. Moreover, the Chairman of the Audit Committee reported in detail on the recommendations and results of his pre-audit. He too answered questions of the other Supervisory Board members.

By taking the findings of the auditors and the Audit Committee into consideration, the Supervisory Board extensively examined the separate annual financial statements and consolidated financial statements, the appropriate management reports, the Dependency Report as well as the Management Board's proposed appropriation of the balance sheet profit. No objections were made after the final result of this audit. The Supervisory Board thereupon confirmed the audit results of PricewaterhouseCoopers Aktiengesellschaft and approved the separate annual financial statements and consolidated financial statements compiled by the Management Board as on 31 December 2009. The financial statements of the Essanelle Hair Group AG are hence completed. Moreover, we agreed with the Management Board's proposed appropriation of the balance sheet profit for a renewed dividend distribution, after conducting our own examination.

We thank the Management Board as well as all employees for their great personal commitment and their achievements that significantly contributed to the good results of the Essanelle Hair Group in the 2009 financial year.

Fritz Kuhn
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

The Management Board and Supervisory Board of the Essanelle Hair Group AG support the principles outlined in the German Corporate Governance Code and commit themselves to responsible management that aims to sustainably increase the value of the company. Good Corporate Governance is the basis for an efficient and responsible management and at the same time the foundation for our shareholders', clients', employees' and the general public's trust.

On more than one occasion in the reporting year, the Management Board and Supervisory Board addressed Corporate Governance issues and handed in the updated declaration of compliance 2009 in accordance with section 161 of the German Stock Corporation Act (AktG) on 15 December 2009 and complemented this declaration on 30 March 2010 by adding substantiations. According to this, the new version of the Code valid as of 18 June 2009 will predominantly be complied with. Deviations exist only in justified cases due to size, structure, as well as company-specific circumstances. The declaration has been made permanently available to the public on the company's website.

SHAREHOLDERS AND ANNUAL GENERAL MEETING

Shareholders of the Essanelle Hair Group AG assume their rights at the Annual General Meeting and exercise their right to vote there. Shareholders have the opportunity to exercise their right to vote themselves at the Annual General Meeting, or to let a representative of their choice or a proxy representative of the company bound by instructions exercise their right to vote on their behalf. All reports and documentation relevant for the Annual General Meeting were published on the company's website in good time.

The Annual General Meeting of the Essanelle Hair Group AG was held on 19 June 2009 in Düsseldorf. All items on the agenda were adopted by a large majority, amongst others the discharging of the Management Board and Supervisory Board as well as the authorization of the company to acquire own shares. In addition, the plenum agreed to distribute a dividend of 50 cents per share for the 2008 financial year. This means that the continuity in dividend payments announced by the Board last year was implemented.

COOPERATION BETWEEN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

As a German corporation, the Essanelle Hair Group AG with its Management Board and Supervisory Board is subject to a two-tier management and monitoring structure. These two bodies are strictly separate, both with regard to their membership as well as their competencies. The Management Board is responsible for the governance of the company. In addition to monitoring the Management Board, the Supervisory Board is responsible for the appointment and dismissal of the Management Board. For the greater good of the company, both bodies collaborate confidently and efficiently.

In the reporting year, the Supervisory Board was regularly, promptly and comprehensively informed by the Management Board both in writing and verbally about all aspects of planning and business operations, as well as the position of the Company, including risk situation, risk management and compliance that pertain to the Essanelle Hair Group AG. Commercial transactions of fundamental importance are subject to the standard approval of the Supervisory Board. Additional information on the cooperation between the Management Board and the Supervisory Board as well as on activities of the Supervisory Board and its committees can be found in the Report of the Supervisory Board.

In addition to Achim Mansen, Chief Executive Officer (CEO), Dieter Bonk, Chief Sales and Marketing Officer (CSMO), and Dirk Wiethölter, Chief Human Resources Officer (CHRO), the Management Board has three further members. In the reporting year, the Management Board did not experience any conflicts of interest that are to be disclosed to the Supervisory Board immediately and about which the Annual General Meeting is to be informed.

All members of the Management Board belong to the Administrative Board of BKK essanelle, where Mr Wiethölter also functions as alternating Chairman of this board.

The Supervisory Board of the Essanelle Hair Group advises and supervises the Management Board regularly with regard to the management of the company. According to its own estimate, the Board has a sufficient number of independent members. In 2004, an Audit Committee and the Appointments and Compensation Committee were founded in order to increase efficiency. In the completed financial year, the Supervisory Board did not experience any conflicts of interest that are to be disclosed to the Supervisory Board immediately and about which the Annual General Meeting is to be informed.

The compensation report informs about the remuneration of the members of the Management Board and the Supervisory Board as part of the management report on page 49 of this Annual Report.

TRANSPARENCY

In dealing with shareholders of the company, the Essanelle Hair Group adheres to the principle of comprehensive, continuous and prompt information. For the purpose of an open and consistent communication with all interested parties we make detailed documents and information available on our homepage in both English and German. This includes documents and information on the Annual General Meeting, all financial reports as well as current ad hoc notices and press releases.

In the 2009 financial year, one ad hoc notice pursuant to section 15 of the German Securities Trading Act (WpHG), and no directors' dealings in accordance with section 15a of the German Securities Trading Act (WpHG) were published.

No member of the Management Board or the Supervisory Board directly or indirectly holds a portion of the shares issued that is greater than 1%.

REPORTING AND AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

The Management Board draws up the consolidated financial statements and the abridged consolidated financial statements of the mid-year review and of the quarterly report. The company's financial reporting complies with International Financial Reporting Standards (IFRS), which warrants high transparency and international comparability.

All reports are published within the deadlines set by the stock exchange regulations of the Frankfurt Stock Exchange for the Prime Standard. The audit for the 2009 financial year was carried out by auditor PricewaterhouseCoopers Corporation Audit Firm, Düsseldorf – appointed in the Annual General Meeting on 19 June 2009 – as well as the Audit Committee and the Supervisory Board.

DECLARATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF ESSANELLE HAIR GROUP AG IN ACCORDANCE WITH SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG) ON THE CORPORATE GOVERNANCE CODE

The Management Board and the Supervisory Board of the Essanelle Hair Group AG endorse the suggestions and rules of the German Corporate Governance Code in the version of 18 June 2009. In the previous year they fulfilled, and will continue to fulfil to a large extent the conduct recommended therein. The Management Board and the Supervisory Board subsequently disclose deviations.

Deviations that continue to apply:

3.8 The Company will maintain the existing D&O insurance for the Management Board and the Supervisory Board without excess. Management and Supervisory Board of the Essanelle Hair Group AG do not consider excess as suitable means to further improve the sense of responsibility or to significantly reduce premium payments. Management and Supervisory Board of the Essanelle Hair Group AG already perform their duties responsibly and for the benefit of the company. However, due to the amendmends to the German Stock Corporation Act imposed by the Appropriateness of Management Board Compensation Act (VorstAG) the excess within the framework of the D&O insurance for the Management Board will be raised to the requested amount within the legal transitional period.

4.2.3 The existing Management Board contracts do not include a settlement cap. In future, the Supervisory Board does not rule out entering into Management Board contracts with provisions that do not comply with the Corporate Governance Code in this respect. In doing so, the Supervisory Board takes the view that a predetermined provision unduly restricts the Supervisory Board's scope of action in the search of an optimal Management Board team.

5.3.3 The Supervisory Board will not set up a nomination committee, as the present number of committees is sufficient for efficient work.

5.4.6 The members of the Supervisory Board will continue to receive a fixed compensation only, as the present amount of the compensation means that a division into fixed and variable components is not advisable.

7.1.2 Essanelle Hair Group AG will continue to prepare its consolidated financial statements and its quarterly reports within 90 days and 45 days respectively, and publish them as quickly as possible. These deadlines may be exceeded in individual cases, if circumstances require a longer compilation period to publish proper financial statements of high quality.

Düsseldorf, 15 December 2009 (substantiation added 30 March 2010)
Essanelle Hair Group AG

The Management Board The Supervisory Board

THE SHARE

Developments in international stock markets at the beginning of 2009 were still strongly characterised by the effects of the financial crisis of the previous year. In the first quarter, the financial sector in particular as well as the real economic effects of the financial crisis continued to affect global share prices. In line with this, German share indices also dropped significantly in value and recorded their annual lows in the first quarter. The beginning of the second quarter marked a significant recovery in share prices and indices that lasted until the end of the year. Thus the DAX permanently remained above the 5,000-points mark as of the middle of the year. The index of the 30 German Blue Chips reached its annual high on 29 December with 6,012 points. This is equivalent to an annual performance of almost 20% in 2009.

The share of the Essanelle Hair Group AG opened on Xetra with a price of EUR 6.70 in the 2009 financial year and ended the financial year with a closing price of EUR 7.90. This signifies an annual performance of 17.9%. Based on roughly 4.6 million shares, this resulted in an enterprise value of EUR 36.34 million at the end of the financial year. The share reached its annual high on Xetra on 18.06.2009 with EUR 9.10; its low was EUR 5.50 on 12.03.2009.

As in the previous year, the 2009 Annual General Meeting approved management's proposal that a dividend of EUR 0.50 per share be distributed. In doing so, the continuity in dividend payments which had been announced, was implemented.

In December 2009 Friseur Klier GmbH and Saxonia Holding-Verwaltungs-GmbH announced that they no longer hold any shares. This is solely due to organisational restructuring on the part of the majority shareholder. Saxonia Holding GmbH continues to hold 89.76% of the Essanelle Hair Group AG shares.

SHAREHOLDER STRUCTURE AS OF 29 FEBRUARY 2010

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

INFORMATION ON THE ESSANELLE SHARE (XETRA)

Full year 2009

Highest price	9.10 Euro
Lowest price	5.50 Euro
Opening Price 2 Jan. 2009	6.70 Euro
Closing Price 30 Dec. 2009	7.90 Euro
Performance 1 Jan. – 31 Dec.	17.9%

ESSANELLE HAIR GROUP AG, DÜSSELDORF
CONSOLIDATED FINANCIAL STATEMENTS

GROUP MANAGEMENT REPORT (IFRS) FOR THE 2009 FINANCIAL YEAR

MACROECONOMIC DEVELOPMENT

The international macroeconomy was in a global recession in 2009. Around the world business activities dropped in the first half of 2009 due to the international financial crisis. The economic stimulus packages of the governments, an expansive monetary policy and comparatively low oil prices led to the stabilisation in the second half of the year – but on a low level. The international financial markets and the not yet entirely efficient banking systems with ongoing restrictive credit behaviour still cause insecurity. Overall, the gross domestic product (GDP) slowed down by 1.0% all across the globe in 2009 according to the Institute for World Economics.

Likewise, the economic climate in Europe appeared more positive in the second half of the year after the slump in the first half. The GDP slightly increased in the second half. Especially the industrial production developed positively, being was supported by the upturn in Asia. Nevertheless, in the year 2009 the GDP in the euro-zone according to preliminary estimates of the Federal Statistical Office remained definitely recurrent with -4.0%.

The German economy recorded the strongest recession of price adjusted GDP in the post-war period with a decline of 5.0%. At the beginning of the year a minus of 2% to 4% was expected. According to preliminary estimates of the Federal Statistical Office this is attributable first of all to the deteriorated development of exports and investments for equipment. Price adjusted exports alone declined by 14.2%. The trade balance as difference between import and export declined by 3.0 percentage points. The private consumer spending developed positively on a low level with a plus of 0.2% which is mainly attributable to the effect of the scrappage bonus. Thus the consumer spending for transport and information transfer definitely increased, whereas almost all other areas were recurrent. Government spending increased by around 3.0%, especially due to the economic stimulus packages. The situation on the job market was relatively stable in 2009 since the companies reacted to the crisis first of all with a reduction of working hours. All in all, the rate of unemployment in the annual average 2009 according to statements of the employment agency was equal to 8.2%.

According to hitherto existing estimates of the Federal Statistical Office, retail trade turnover slowed down in 2009 by 2.4 % in nominal terms and by 1.8% in real terms, after an increase in 2008 of 2.2% in nominal and 0.1% in real terms. In the non-food retail sector a similarly strong decline is expected after a plus of 2.7% in nominal and 1.5% in real terms in the previous year. The income of private households recorded the lowest increase rate since the German reunion with 0.4%.

Consumer prices increased only by 0.4% in 2009, and because of the recession they recorded the lowest growth rate since the reunion. In the course of the year even a negative price development could be observed, while the price increase was sharpened in December with 0.9%.

In 2010 according to estimates of the International Monetary Fund the global economy will grow by around 4%. The World Bank on the other hand projects only a plus of 2.7%. For Germany the IMF projects a growth rate of 1.2% to 1.5%. The federal government estimates a national growth of 1.4%.

DEVELOPMENT OF THE SECTORS

On the German hairdressing market on the one hand there is still an increase in the market share of hairdressing affiliates and on the other hand of the number of small enterprises (sales revenue below 17,500 Euro), which normally are run by only one hairdresser. As in other branches of retail trade, the number of the medium-sized companies is decreasing. The Essanelle Hair Group projects its current market share in Germany at around EUR 4 – 5 billion showing a stable to a recurrent development.

The Association for Consumer Research (GfK) reports in its recent study of December 2009 that in Germany a percentage of around 64.6% of the population sees a hairdresser. This is an increase compared to the values of the previous years, which in 2007 stood at 61.3% and in 2008 at 62.4%. This rise results from an increasing percentage of male as well as female visitors, whereas the percentage of female visitors with 66.4% is higher (percentage of men in 2009: 62.7%). The level of satisfaction of the clients still remains high and stands around 95%. By contrast, some 30% of all men and women have their hair cut outside the professional hair salon.

The visitor frequency of men and women in 2009 slightly increased again. Thus men see the hairdresser around 5.5 times, women on the other hand around 6.5 times in one year. On the average for both sexes this results in a value of 5.9 visits at the hairdresser's per year. The average spending amount per visitor remained almost stable in the past business year and stood at EUR 30.10 (2008: EUR 30.20), though women spent almost three times more than men with EUR 43.30 per visit compared to EUR 15.10. The main reason for that are services which women use besides the pure service of haircutting. While other services for men are an absolute exception – 91.2% have only their hair cut – while women make use of other services like hair care (15.8%), dyeing and tinting (over 60%), highlights (18.2%) or permanent wave and volume (9.9%). These additional services tend to increase. An average amount of EUR 0.90 is devoted to the purchase of products. Regarding women this value in 2009 was equal to EUR 1.40 per visit and thus markedly below the value of the previous years when it stood at around EUR 2.0. Regarding men the average value is steady with EUR 0.40.

GENERAL INFORMATION ON THE COMPANY

THE COMPANY

The ESSANELLE HAIR GROUP AG (also Essanelle Hair Group) is one of the two leading chains for services in the sector of hairdressing in Germany and the only quoted company in this sector. Focused on Germany, the company offers its services via the brands essanelle Ihr Friseur, Super Cut, HairExpress and TOP TEN. In the Beauty Hair Shops the company sells exclusive hairdressing products. At the end of the year 2009, 673 salons and sales outlets formed part of the Essanelle Group (previous year: 672). In the business year 2009, 51 new salons were opened and 50 salons closed down and the company gained a sales revenue of EUR 128.0 million with around 7 million customer visits (previous year: EUR 129.2 million).

EMPLOYEES

The Essanelle Hair Group on the whole employed 4,185 employees as of 31 December 2009, after a total number of 4,306 in the previous year. This is a decline of 2.8%. With 4,083 employees, the majority of the employees is working in the salons, 102 employees work in the head office and in the sales department. The percentage of part time employees corresponds to 38.7%. The number of trainees in the past business year increased further to reach 254. Thus the percentage of trainees is equal to 6.1% from a previous value of 5.8%.

STRATEGY AND CONCEPTS

The strategy of Essanelle Hair Group aims at a profitable growth. Therewith the company was successful in the past years with a continuously growing sales revenue and disproportionally growing earnings. The objective still is to open approximately 50 new salons per year and thus expand the own market share. Strategic factors for success in this context are tailored salon concepts for clearly defined target groups, human and financial resources far above the market average as well as the sales promotion of salon products, which with their profit margin clearly outbalance the service sector. The share of product sales of the Essanelle Hair Group is traditionally far above the average in its sector and could be increased gradually in the past years.

Due to the target group oriented salon concepts, the Essanelle Hair Group covers a vaster part of the customer demands compared to a single hairdresser or small affiliate. This is also documented by the average sales revenues of the very same salons equal to around EUR 200,000 per year which lies definitely above the sector average of EUR 90,000. The Essanelle Hair Group focuses its growth strategy first of all on the target group “young customers” and “price-sensitive customers”. According to the Management and the experience for this target groups in the past years, there is a high potential for a hair salon chain. Thanks to the structure of the sales revenue and the cost structure the company is able to work cost-effectively even at low prices and thus to gradually reach also that third part of the population which in the past years did not visit any hairdressing salon. The concepts of TOP TEN, Super Cut and HairExpress serve these tendencies with different focal points and have recorded the highest growth rates in the past. By that, the share of sales of these concepts and of the Beauty Hair Shops increased in the past years from around 20% to recently almost 50%. This strategy, used for almost ten years, revealed to be the right one especially against the background of the increasingly difficult department store situation: the concept of essanelle Ihr friseur at the moment also gains around 50%. This shrinking share of sales is attributable amongst others to the dropping sales revenue and the closure of salons, particularly in department stores – apart from the growth of other brands. It is a medium-term objective to markedly revaluate and sharpen the profile of the core concepts in this area under the key word “revitalisation” as from the end of 2008, thus increasing sales revenues in good store locations and shopping centres.

In order to generate further growth, for all concepts highly qualitative locations need to be found. Depending on the salon concept and the target group, the Essanelle Hair Group prefers locations in shopping centres, consumer markets and department stores which have a very high costumer frequency. In the TOP TEN concept introduced in 2005 the company consciously chooses another strategy and establishes the salons in selected free areas.

Another important main pillar of the company growth strategy is the sale of hairdressing salon products within the salons and in Beauty Hair Shops. Due to the ordered quantities, which are far above the level of the sector, the Essanelle Hair Group can realise clear price advantages in purchasing. At the same time the company focuses clearly on training and motivation of the employees who in the salons animate customers to buy a product. The Beauty Hair Shops connected to salons and specialised in the sale of hairdressing products finally constitute another successful sales channel.

BUSINESS DEVELOPMENT OF THE ESSANELLE HAIR GROUP

OBJECTIVE TARGET OF THE PAST BUSINESS YEAR

Against the background of the difficult economic situation during the business year 2009 the Essanelle Hair Group aimed at realizing an increase in sales revenues from 3% to 7% and thus to open 50 new salons. Considering the clear increase in earnings in the past years, the objective was a pre-tax result at the same level of the previous year equal to EUR 6.4 million. This objective target was afflicted by insecurities, which were related above all to the economic situation of Hertie and Karstadt as well as to the hard to project national consumer spending development.

BUSINESS DEVELOPMENT IN 2009

With 51 new salons, the Essanelle Hair Group was able to realise its growth plans. With the insolvency of the Hertie Group the worst case happened and thus it was necessary to close down 34 salons. After another 16 close-downs in other locations, again mainly in the department store environment, the net salon growth corresponded to only one salon to reach a total of 673 salons and thus lies below the forecast which also the basis of sales revenues expectations. Furthermore, the winter months were very weak. The Christmas business was also below the one of the previous year despite reinforced point of sales activities. Against this background, the turnover exposures of the Essanelle Hair Group in the business year 2009 accounted for around EUR 128.0 million and thus lie by 0.9% under the value of the previous year with EUR 129.2 million. Besides the closures at Hertie, other the salons in stores - especially at Karstadt - developed only slowly. In this case the customer frequency decreased compared to the one of the previous year.

The development so far and the possible close-down of an unknown number of Karstadt stores will also weigh on the sales revenue development of the current year. However, regarding recent and future closures, in a few cases it will not affect very profitable salons because in this case relatively inactive markets are affected. According to estimates of the company this applies also to approximately one quarter of the Hertie salons. These salons in the past could not be closed down because they had collective contracts with the lessors. Thus the recent development allows for a positive rectification of the portfolio of the Essanelle Hair Group – even if in any case short-term sales revenues may be lost. Furthermore the Essanelle Hair Group is looking for new locations close to closed down stores.

In the distribution of sales revenues the services as usual provided the highest contribution. In 2009, these stood at EUR 106.6 million (previous year: EUR 108.0 million), which corresponds to a share of sales of 83.3% (previous year: 83.6%). The sales revenues from hairdressing salon products further increased in the previous years and reached a share of sales of 16.7% after a percentage of 16.4% in the previous year. In absolute terms the sales revenues from the sale of hairdressing products account for EUR 21.4 million and thus increased by 0.9% compared to the value of the previous year with EUR 21.2 million.

The earnings of the Essanelle Hair Group were recurrent for the first time due to the weak sales trend after clear growth rates during the last years. According to the IFRS, the result before amortisations, interests and taxes (EBITDA) dropped by 6.9 % from EUR 12.1 million to EUR 11.3 million. Thus the EBITDA in this difficult economic environment of the year 2009 is still clearly above the value of the economically strong year 2007 with EUR 11.0 million. The pre-tax result (EBT) dropped from EUR 6.4 million to EUR 5.5 million in the past business year. The pre-tax result thus lies within the margin aimed at in November 2009.

DEVELOPMENT OF THE SALON CONCEPTS

essanelle Ihr Friseur is the core brand of the company and appeals to customers of all age-groups. The salons are located mainly in department stores. In 2009 this salon concept gained sales revenues of EUR 63.3 million after 69.0 million in the previous year. This is a decline of 8.4%, which is attributable first of all to the close-down of 31 salons. The number of salons at the end of the year was 308, compared to 339 salons of this brand in the previous year. Via the revaluation of the entire conception, the sales revenue development of this concept should also be improved in the medium term.

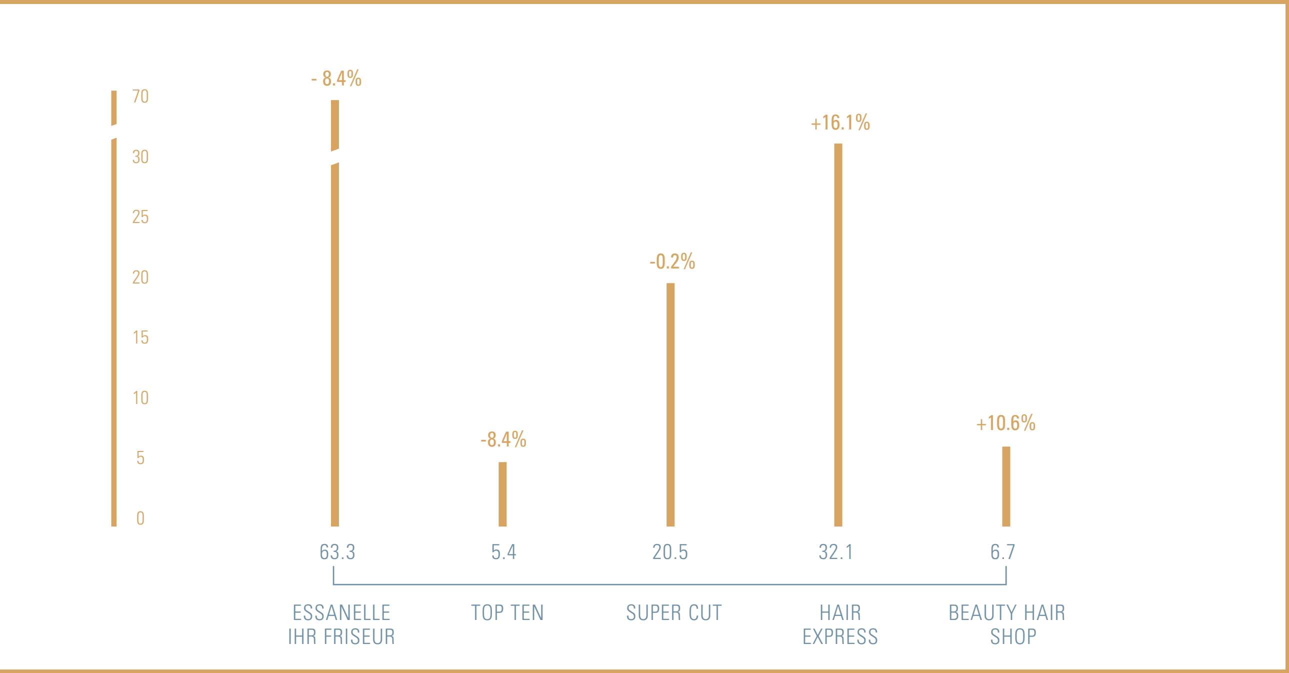
HairExpress has disposed of the concept with the strongest growth within the Essanelle Hair Group for years and aims at price-sensitive customers who demand a plain yet professional core service. Also, in the generally weak year of 2009, HairExpress was able to increase the number of salons as well as the sales revenues. Overall, the number of salons increased by 29 to a total number of 209 salons. The sales revenue in the past business year increased by 16.1% to EUR 32.1 million (previous year: EUR 27.7 million).

The concept Super Cut aims at a young and trend-oriented target group and approaches them in an uncomplicated presentation using the casual second-person address in German and a trendy musical background. In the year 2009 one new salon was opened so that the total number increased to 94. The sales revenues remained almost stable after EUR 20.6 million in the previous year to EUR 20.5 million in the past business year.

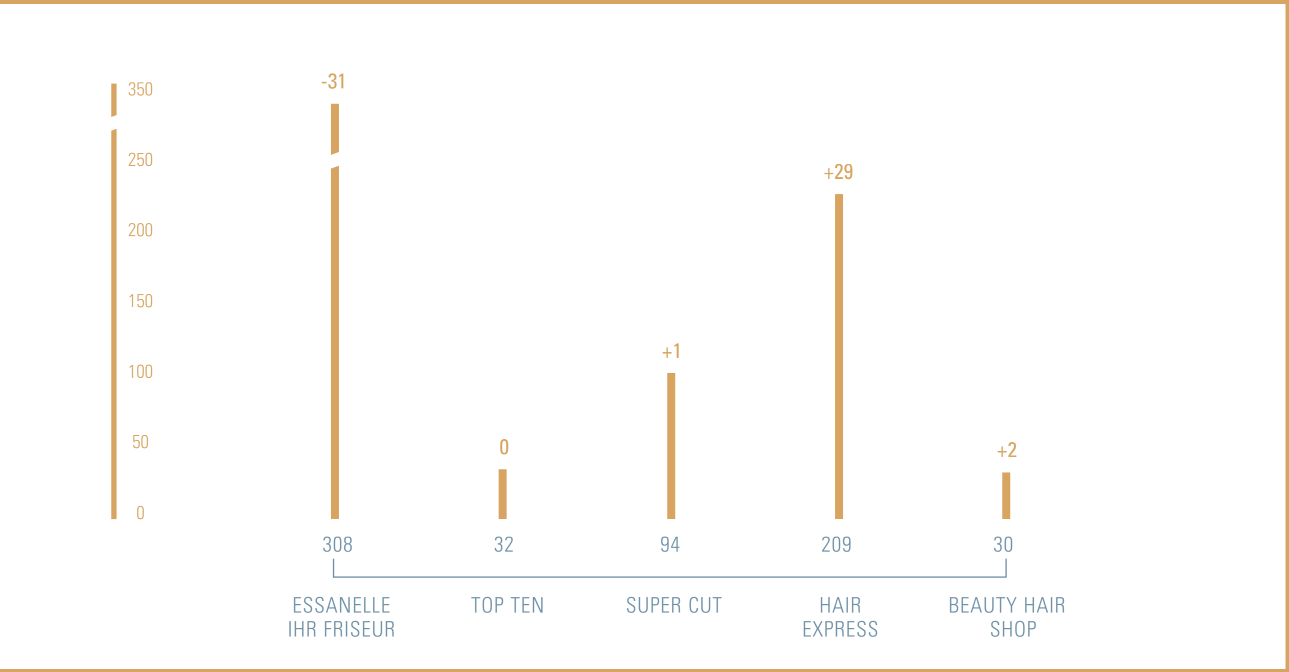
The TOP TEN concept can be found in the lower price segment and due to the trendy environment aims at a young and price-sensitive customer. “Stylish, fresh and cheeky” are the statements, which TOP TEN tries to communicate. On one hand the concept is based on the TOP TEN of the music charts and on the other hand it distinguishes itself by a flat rate of EUR 10 for essential services. In the past business year TOP Ten gained EUR 5.4 million after a sales revenue in the previous year of EUR 5.9 million with a stable number of 32 salons.

An essential part of the Essanelle Hair Group’s company strategy is the increase of the sales revenue with hairdressing salon products. In order to generate further sales revenues, the Essanelle Hair Group will open purchase outlets under the brand name Beauty Hair Shop close to their own salons. There the brand Keranelle as well as products of

SALES OF SALON CONCEPTS IN € MILLION
(Change on previous year)



NUMBER OF SALONS BY CONCEPTS
(Change on previous year)



the market leaders Wella and L'Oreal will be marketed. The Essanelle Hair Group can motivate clients to buy exclusive hairdressing products even between their visits at the hairdresser's and thus gain a high share of the sales with product distribution. In the business year 2009, 30 shops (previous year: 28) gained a sales revenue equal to EUR 6.7 million after an amount of EUR 6.0 million in the previous year and thus an increase of 10.6%.

DEVELOPMENT OF EXPENSES AND EARNINGS (GROUP, IFRS)

First of all because of the close-down of a total number of 50 salons and the difficult economic situation on the whole the sales revenues of the Essanelle Hair Group in the past business year dropped by 0.9% to EUR 128.0 million. Other operating income of the company accounts for EUR 1.2 million and thus is 13.3% lower than in the previous year with EUR 1.1 million. The material costs could be further reduced and thus account for EUR 10.5 million after EUR 10.7 million in 2008 in spite of a slight increase in product sales. Thus the material cost ratio lies at 8.2% compared to the value of the previous year of 8.3%. The personnel costs increased by 0.7% from EUR 70.3 million to EUR 70.8 million. The number of employees was reduced mainly via close-downs, especially in the Hertie department stores but considerable rate hikes provided for an over compensation of this effect. Thus the personnel cost ratio stood at 55.3% compared to 54.4% in the previous year. The lease and lease related costs increased by 3.4% to an amount of EUR 25.0 million after EUR 24.1 million in 2008. Other operating expenses were reduced by 10.6% from EUR 12.9 million to EUR 11.5 million.

Because of the declining sales revenue with partly increasing expenses the result before amortisations, interests and taxes (EBITDA) is declining by 6.9% to EUR 11.3 million compared to EUR 12.1 million in the previous year. According to the IFRS the depreciation of the company increased from EUR 5.2 million to EUR 5.4 million. The result before interests and taxes (EBIT) stood at EUR 5.9 million in the past business year after EUR 7.0 million in the previous year. The financial result improved from around EUR -0.6 million in the business year of 2008 to EUR -0.4 million in the past year. The pre-tax result slowed down finally by 13.6% from EUR 6.4 million to EUR 5.5 million. Also the taxes were reduced correspondingly from EUR 2.7 million in 2008 to EUR 2.3 million in the past year. This according to the IFRS results in a declining annual surplus of EUR 3.2 million as against EUR 3.6 million at the end of the business year 2008 and earnings per share of EUR 0.71 (previous year: EUR 0.80).

FINANCIAL AND ASSETS POSITION (GROUP, IFRS)

On the asset side of the consolidated balance sheet the non-current asset values remained stable as of 31 December 2009 with EUR 43.6 million after EUR 43.7 million as of the call date of the previous year. Since the closures and openings of salons almost outweighed each other in the past business year, property, plant and equipment remained on the level of the previous year with EUR 23.9 million. Capital additions accounting for EUR 5.4 million contrast with scheduled depreciation equal to EUR 5.3 million. The current asset values were equal to 12.5 million as of 31 December 2009 compared to 13.3 million in the previous year. In this case especially cash and cash equivalents were reduced from 5.6 million to EUR 5.0 million as of the call date in 2009. The total assets of the consolidated balance sheet stood at 56.2 million as of 31 December 2009 after EUR 57.0 million as of 31 December 2008.

The liabilities side of the consolidated balance sheet as of 31 December 2009 reveals a further increased equity ratio of 56.1% after 53.7% at the end of the business year 2008. This is attributable on one hand to an increased equity and on the other hand to decreased debts. The equity stood at EUR 31.5 million as of 31 December 2009 compared to EUR 30.6 million in the previous year. The increase of the revenue reserve through the 2009 consolidated net profit of EUR 3.2 million is opposed with the distribution of the dividend in 2009 for the year 2008 equal to EUR 2.3 million. The non-current debts of the company were reduced from EUR 9.8 million to EUR 9.0 million. Thereby, especially financial liabilities were reduced and on the 31 December 2009 stood at EUR 3.1 million, compared to a value in the previous year of EUR 5.1 million. Deferred tax liabilities increased from EUR 3.7 million to EUR 4.3 million and provisions for pensions increased from EUR 0.2 million to EUR 0.8 million. The current debts dropped from EUR 16.6 million to EUR 15.7 million as of 31 December 2009. In this context other liabilities were reduced from EUR 3.3 million to EUR 2.9 million as well as all other provisions from EUR 3.8 million to EUR 3.2 million. Therewith, the debts of the Group could be reduced from a total of EUR 26.4 million to EUR 24.6 million.

The consolidated cash flow statement of the Essanelle Hair Group proved the traditionally strong operating cash flow in the business year 2009, even if the net cash inflow from current business activities dropped from EUR 11.5 million to EUR 9.1 million. In this case especially the paid profit tax increased from EUR 0.7 to EUR 1.7 million. The reason is that in 2009 the payment of profit taxes for the year 2008 was definitely above the level of the payments of the year 2008 paid for the year 2007. Furthermore, the estimated tax in 2009 stood above the value of 2008. The cash flow from investing activities dropped despite permanent investment activities to EUR -5.2 million in the year 2009 after EUR -7.3 million in the year 2008. As in the previous years the outflow was realised through investments in assets. The cash flow from financing activities slowed down above all because of the reinforced redemption of financial debts. The outflow of net cash is equal to EUR 4.5 million in this case after EUR 4.6 million in the previous year. Therewith, for the past business year a net decrease of means of payment equal to EUR 0.6 million and an asset in the amount of EUR 5.0 million after EUR 5.6 million in the previous year was produced.

THE SHARE

The share of the Essanelle Hair Group opened the business year 2009 on Xetra with a market value of EUR 6.70. The share reached its annual high on Xetra on the 18 June 2009 with EUR 9.10, the all-time low however stood at EUR 5.50 as at the 12 March 2009. The final market value as of 31 December 2009 was equal to EUR 7.90. The approximately 4.6 million shares as at the end of the business year represented a market capitalisation of EUR 36.34 million. Therewith the share of the Essanelle Hair Group registered an annual performance of 17.9%. Furthermore, the Annual General Meeting decided to pay a dividend in the amount of 0.50 EUR per share as in the previous year. In the equity structure there was no change as well. As at the end of the business year 2008, the Saxonia Holding GmbH in 2009 held around 89.76% of the shares. Thus the free float is equal to 10.24%.

RISK MANAGEMENT REPORT

RISK MANAGEMENT AND RISKS IN THE BUSINESS DEVELOPMENT

The Essanelle Hair Group has installed an early risk warning system according to section 91, clause 2 AktG by which it is possible to detect risks at an early stage and thus to react adequately and in a timely manner. The early risk warning system reaches all sectors of the company and its affiliates. In a manual all functionalities, responsibilities, reports and possible controls are defined, also determining the forwarding of information through the early warning system.

Essanelle Hair Group has appointed local risk agents who are incumbent on the supervision of the realisation of these measures. Through a regular stocktaking, risks are identified within their area of responsibility and in intervals of three months reported to the local risk controller. The latter one after a detailed check reports the risks to the Management Board.

Furthermore the Essanelle Hair Group disposes of a complex controlling system which supervises the development of all areas of the company and the salons. Thus it is possible to realise analysis, target-settings and the implementation of measures. The objective will be to directly counteract undesirable developments. Nominal/actual value comparison and analysis are prepared on a weekly and monthly basis and then forwarded to the Management Board. Considering the growth strategy with the continuous extension of the salon network but also the recent difficult economic situation on the whole, the constant supervision and evaluation of the development in the salons is very significant.

Due the closure of the penal proceedings for tax fraud and other tax offences there is no risk in this context anymore.

REPORT OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM. ESTIMATES ACCORDING TO SECTION 315 CLAUSE 2 NR. 5 HGB (GERMAN COMMERCIAL CODE) CFS AND REPORT OF THE MANAGEMENT BOARD ACCORDING TO SECTION 176, 175 AKTG (STOCK CORPORATION ACT)

As in every other company, for the Essanelle Hair Group the risk regarding external reporting also lies in the possibility that the annual financial statements, intermediate financial statements as well as management reports may contain essential misrepresentations, which can influence the decisions of the Management Board.

Against this background the internal control system for accounting (IKS) and the risk management system (RMS) of the Essanelle Hair Group contain measures and processes in order to identify those risks so to avoid and to minimise them. They comprise all business transactions of the business year in real time and in an orderly manner and guarantee the efficiency, cost-effectiveness and correctness of the accounting and the observation of decisive legal dispositions.

Based on the salon result planning, the company plans and internal reports are elaborated. The accounting-related IKS arises basically from regular financial reporting (nominal/actual value comparison to the previous year) regarding the control of the operative business and the plausibility check. In addition, organisational safeguarding measures are established such as process and work instructions, predefinition of responsibilities and rules for substitutions. At the Essanelle Hair Group on each level there is a four eyes principle. In doing so, accounting processes are routed through defined approval processes.

Amendments, changes of the rules referring to the accounting, possibilities of wrong accounting are continuously analysed regarding the relevance and possible effects on balancing in the framework of RMS. The IKS processes can be adapted if necessary.

The accounting-related RMS is part of the installed early risk warning system according to section 91, clause 2 AktG. Therefore, the point “risk report” is indicated.

The bookkeeping of the main and additional books as well as the controlling are carried out centrally.

The Management Board is responsible for the conception, implementation and maintenance of an accounting-related IKS and RMS, while the Supervisory Board is responsible for the control of the measures which were taken in this regard.

However, it needs to be noticed that the IKS and RMS have immanent limits so that independent of their arrangement no absolute security can be achieved in order to avoid or discover essential misrepresentations in accounting.

MARKET RISK

The salons of the Essanelle Hair Group are settled first of all in department stores, consumer markets and shopping centres. Hence, a strong dependency is created regarding the corresponding location as well as its consumer structure and behaviour. The company considers the decision to choose locations with high consumer frequency an important advantage. Nevertheless, a general risk exists that single cooperation partners of affiliates close down or have to announce their insolvency and thus also the company is forced to give up some locations.

Independent from the question of location there is a correlation between the basic development of retail trade and the development of hairdressing services. According to experiences made in the past, this relation is existing, albeit in alleviated terms. The long-lasting retention of customers also affects the salons of the company. Thus also the recent economic crisis was reflected in the salons of the company. The Essanelle Hair Group responds to this long-term development with modern concepts, which are tailored to the different price demands of the customer groups to this long-term development.

In order to identify single risks or undesirable developments, various available data of the single salons are collected, analysed and if necessary, counter measures are introduced. Thus salons are closed-down or transported into another concept if the Management Board cannot find another way to improve the profit ratio.

RENTAL

The Essanelle Hair Group has long-term rental agreements with a number of partners. If a certain number of lease agreements with the same partner exists, on one hand there is a dependency from this partner and on the other hand it is sometimes not possible to close down single inactive salons. In order to reduce these risks, existing leases are distributed to a number of different lessors. The long-term basis of the rental contracts protects the company also in order not to loose good locations in demand. The generally good and long-lasting relationships to the lessors offer an additional security and allow for the expansion of the own salon net. In the past year, 34 salons had to be closed down as a result of the insolvency of the Hertie Group. A concrete statement referring to the development of all the Karstadt stores cannot be made at this point in time. In order to respond to these developments, in the close surroundings of already existing salons, the Essanelle Hair Group is looking for new locations. Besides that, it still remains an important objective to optimise the own mix of lessors.

SUPPLIERS

There are cooperation agreements for hairdressing and haire care products, salon equipment and large-scale technical equipment with two important suppliers.

STAFF

The hairdressing service is a highly staff intensive business. The relationship between customers and employees makes or breaks the success of the company. For this reason the company focuses on the motivation and training of its employees. Furthermore detailed analysis regarding the productivity, fluctuation as well as the staff development are elaborated and evaluated. The exchange between the responsible Management Board, the regional sales manager as well as the salon manager on-site is an important communication and information system in order to support the employees as decisive factors of the hairdressing service sector.

Besides the described risks the company does not foresee any particular risks for the future development.

COMPENSATION REPORT

The total remuneration of the Management Board in 2009 is composed in the following way (in kEUR)

	Mansen	Bonk	Wiethölter	Total
Basic salary Performance-related	259	162	156	577
Profit sharing bonus Non-performance-related	178	57	57	292
Non-cash benefit using the company car	17	13	14	44
Total	**454**	**232**	**227**	**913**

The variable compensation is calculated on the basis of the target value achievement of the company in the respective business year. The company value used for the calculation of this variable remuneration is calculated basically from the quadruple of the EBITDA minus the net indebtedness as at the accounting date. The more precise the achievement or the more the target value established with the Supervisory Board is exceeded, the higher the corresponding remuneration. With regard to the target achievement, the compensation is capped at 150% of the basic amount. The variable compensation is paid one month after the adoption of the annual financial statements.

The book reserve arrangements for the active Management Board account for EUR 0.2 million. Mr. Mansen is entitled to a retirement pension from his 65th year of life onwards equal to EUR 3,540.00 per month, a disability payment equal to the amount of the retirement pension and a widow’s pension. The widow’s pension amounts to 60% of the retirement pension entitlement. Moreover, it is possible to candidate for an orphan’s pension. An adjustment of the current pension equal to 2% based on the pension of the previous year is guaranteed. The disability pension rises annually by 2% of the previous year's amount as of 01.07.2009.

In case a Management Board contract is not prolonged without notice by the Supervisory Board in due time, the contracts for the Management Board contain an agreement for payment of a temporarily limited transitional payment.

The remuneration of the Supervisory Board is established in the statute of the Essanelle Hair Group. Every member of the Supervisory Board receives a fixed remuneration of EUR 10,000 for the past business year, in addition to the reimbursement of expenses including purchase tax charged on the same in the framework of his/her activity. The chairperson of the Supervisory Board receives the double amount, the deputy chairperson one and a half times as much. In the business year 2009 remunerations in the amount of EUR 146,000 (previous year EUR 137,000) were paid out.

LEGAL INFORMATION ON TAKE-OVER ACCORDING TO SECTION 315 CLAUSE 4 HGB (GCC)

The share capital of the Essanelle Hair Group is composed of 4,595,044 pieces of bearer shares with a nominal value of 1 Euro. The subscribed capital of the company accounts for EUR 4,595,044 at the end of the past business year. According to the statute each share gives one vote. Limitations in transfer and voting right are inexistent. The rights, in particular the voting right, are utilised by the shareholders in the framework of the measures of the legal dispositions and the statute of the Annual General Meeting.

The Saxonia Holding GmbH (formerly Saxonia Holding-Gesellschaft mbh & Co. KG) holds a percentage of 89.76% of the shares of the Essanelle Hair Group. There are no further major shareholders.

Privileges such as nomination rights to the Supervisory Board are inexistent just as little as the control of the voting right in front of employees. According to the statute the Management Board of the company consists of at least two members who are appointed by the Supervisory Board and whose number will be determined by the same. The Supervisory Board can revoke the appointment of a member of the Management Board and also the nomination of the chairperson of the Management Board, if an important reason persists. Every amendment to the statute with the exception of formal amendments requires the resolution of the Annual General Meeting with a majority of at least three quarters of the represented share capital to pass the resolution. With the decision of the Annual General Meeting of the 19 June 2009, the Management Board was given the right to buy back its own shares. In 2009 no shares were redeemed. Authorised capital does not exist.

On the condition of a change of control due to a take-over bid (change of control) there are agreements in the contracts of the Management Board of the company providing that the members of the board, in case the contract will not be prolonged, will under certain conditions receive a temporarily limited interim payment. Beyond that there are no agreements for reimbursement.

DEPENDENCY REPORT

There is a majority participation of the Saxonia Holding GmbH Wolfsburg. According to section 312 AktG on the 30 March 2010 we elaborated a report regarding the relationships to related companies, which closes with the following explanation: "We received an adequate reward for the listed legal businesses. Further acts in the law and measures about which according to section 312 AKtG should be reported, did not take place."

EXPLANATION REGARDING THE BUSINESS MANAGEMENT

The explanation referring to the business management is published on the website of the Essanelle Hair Group under http://www.essanelle-hair-group.com/sites/investor_cogo1.html.

SUPPLEMENTARY REPORT

Further results after the accounting date as at the 31.12.2009, which essentially influence the sales and earnings of the Essanelle Hair Group (Group) cannot be reported.

PERSPECTIVES AND OPPORTUNITIES

After the deep recession in the past business year in 2010 an overall growth of the German economy is expected. For Germany the IMF projects a plus between 1.2% and 1.5 % in 2010. At the moment, the federal government estimates the national growth in the year 2010 at 1.4%. This is caused first of all by the increasing world economy and therefore an increasing export. Like in 2009 on a national level a weak development is also estimated for the current year. Overall, experts project only a slight, almost unnoticable increase of private consumer spending. The consumer behaviour also depends on the fact whether the short time work as now frequently applied by employers will be transformed into a regular employment again, or result in dismissals and an increase of unemployment and thus in a further turbidity regarding consumer development. This would decisively effect the retail trade and thus also the hairdressing sector.

Moreover, according to estimates by the Management Board the weak development of German department stores will still weigh on the business development of the Essanelle Hair Group in the coming year. On one hand the frequency of visitors in this area was reduced and on the other hand the company is projecting further closures of department stores in 2010. It has been determined already that four salons in Karstadt department stores will be lost. Further development cannot be quantified. In order to respond to this tendency and to generate growth in sales, the Essanelle Hair Group 2010 will continue with the establishment of new salons in new locations and will also moderately reinforce this procedure. According to recent plans, more than 50 new salons will be opened in 2010. The concept of HairExpress is put in the first place but openings are also planned with Super Cut and the modernised concept Essanelle Ihr Friseur revitalised in the previous years. Particularly in this area Essanelle Group will also effect closures and modifications of the concept into the direction of HairExpress.

As a summary, the development of sales for 2010 is afflicted with insecurities due to the national consumer development, the development of the department store environments and probable closures of salons because of external reasons. The target objective for the business year 2010 is to increase sales compared to the level of 2009 through the continuation of the growth strategy despite recent developments. If this objective will be achieved, the level of earnings of 2009 should also be exceeded, particularly the pre-tax result should increase.

Thus the Essanelle Hair Group trusts in its advantage in competition, especially the financial strength, the target oriented brand concepts and the extraordinary locations compared to others in the sector. The department store environment as well as the consumer markets offer a definite plus in opportunities compared to the free positions of other competitors according to the Management Board. Thus the company as a whole is positioned very well and can also gain market shares in economically difficult times.

The company projects a quite positive mid-term development starting from 2011. Thus after the consolidation of the department store environment and a normalisation of the economic development, increases in sales of more than 5% per year and disproportionate rises of the earnings figures are possible.

Düsseldorf, 30 March 2010

Management Board

Achim Mansen
(Chairman of the Management Board)

Dieter Bonk
(Management Board)

Dirk Wiethölter
(Management Board)

CONSOLIDATED BALANCE SHEET (IFRS) as of 31 December 2009

ASSETS

€	Notes	31.12.2009	31.12.2008
ASSETS			
Long-term assets			
Property. plant and equipment	6	23,878,349.92	23,931,881.75
Goodwill	7	19,558,872.10	19,558,872.10
Other intangible assets	7	106,367.25	140,952.59
Other loans	8	88,037.69	72,382.53
		43,631,626.96	**43,704,088.97**
Short-term assets			
Other loans	8	9,153.55	14,874.21
Inventories	9	6,805,052.90	6,996,124.66
Accounts receivable	10	165,296.57	176,377.58
Other assets	11	548,070.91	532,706.00
Cash and cash equivalents	12	5,020,732.58	5,600,168.26
		12,548,306.51	**13,320,250.71**
Total assets		**56,179,933.47**	**57,024,339.68**

SHAREHOLDERS' EQUITY AND LIABILITIES

€	Notes	31.12.2009	31.12.2008
SHAREHOLDERS' EQUITY			
Capital and reserves allocable to the shareholders in the parent company			
Share capital	13	4,522,841.00	4,522,841.00
Capital reserve	14	15,717,699.17	15,717,699.17
Revenue reserves	15	11,303,033.79	10,357,743.59
		31,543,573.96	**30,598,283.76**
DEBT			
Long-term debt			
Financial debt	16	3,088,432.50	5,116,349.08
Deferred tax liabilities	17	4,297,354.57	3,747,354.57
Pension provisions	18	804,159.00	154,364.00
Other provisions	19	777,235.14	784,916.10
		8,967,181.21	**9,802,983.75**
Short-term debt			
Financial debt	16	3,186,393.62	3,296,851.11
Accounts payable	20	4,477,410.53	4,399,960.59
Current income tax liabilities	21	1,880,872.20	1,851,127.76
Other liabilities	22	2,885,634.05	3,259,874.25
Other provisions	23	3,238,867.90	3,815,258.46
		15,669,178.30	**16,623,072.17**
Total debt		**24,636,359.51**	**26,426,055.92**
Total shareholders' equity and liabilities		**56,179,933.47**	**57,024,339.68**

CONSOLIDATED INCOME STATEMENT (IFRS)

for the period from 1 January 2009 to 31 December 2009

€	Notes	2009	2008
Sales	24	127,958,799.77	129,160,708.91
Other operating income	25	1,227,593.26	1,083,704.97
Cost of materials	26	-10,543,865.15	-10,744,313.70
Personnel expenses	27	-70,821,477.79	-70,301,024.56
Depreciation and amortisation	28	-5,389,234.99	-5,198,291.45
Rental and ancillary rental expenses	29	-24,961,213.43	-24,129,522.95
Other operating expenses	30	-11,549,303.55	-12,920,998.25
Operating earnings		**5,921,298.12**	**6,950,262.97**
Financial income	31	14,670.29	105,043.49
Financial expenses	32	-424,707.72	-677,975.10
Financial result		**-410,037.43**	**-572,931.61**
Earnings before taxes		**5,511,260.69**	**6,377,331.36**
Tax expenses	34	-2,304,549.97	-2,731,330.95
Consolidated net income		**3,206,710.72**	**3,646,000.41**
Earnings per share	35		
basic		0.71	0.8
diluted		0.71	0.8

CONSOLIDATED CASHFLOW STATEMENT (IFRS)

for the period from 1 January 2009 to 31 December 2009

k€	Notes	31.12.2009	31.12.2008
1. CASHFLOW FROM OPERATING ACTIVITIES	37		
Cash generated by ongoing business activities		11,275	12,755
Interest paid		-416	-567
Taxes on income paid/received		-1,725	-694
Net inflow of funds from operating activities		**9,134**	**11,494**
2. CASHFLOW FROM INVESTMENT ACTIVITIES			
Acquisition of property, plant and equipment	6	-5,338	-7,455
Proceeds from sale of property, plant and equipment	37	147	33
Acquisition of intangible assets	7	-38	-43
Loans paid out	8	-70	0
Loans repaid	8	60	12
Interest received		15	105
Net outflow of funds for investment activities		**-5,224**	**-7,348**
3. CASHFLOW FROM FINANCING ACTIVITIES			
Dividend payout	14,15	-2,261	-2,268
Buyback of own shares	14,15	0	-78
Receipts from taking up of financial debt	16	1,356	1,131
Repayment of financial debt	16	-3,585	-3,409
Net outflow of funds for financing acivities		**-4,490**	**-4,624**
Net decrease/increase in cash and cash equivalents		-580	-478
Cash and cash equivalents at beginning of year	12	5,600	6,078
Cash and cash equivalents at 31 December		**5,021**	**5,600**

SCHEDULE OF CHANGES IN GROUP EQUITY (IFRS)

as of 31 December 2009

€	Notes	Share capital	Capital reserve	Revenue reserves	Total equity
Balance at 1 Jan. 2008		**4,535,044.00**	**15,702,463.44**	**8,979,264.34**	**29,216,771.78**
Dividend payout	15			-2,267,521.16	-2,267,521.16
Consolidated earnings	15			3,646,000.41	3,646,000.41
Purchase of own shares	14	-12,203.00	-65,647.48		-77,850.48
Value of employee services in connection with employee share option programmes	14		80,883.21		80,883.21
Balance at 31 Dec. 2008		**4,522,841.00**	**15,717,699.17**	**10,357,743.59**	**30,598,283.76**
Balance at 1 Jan. 2009		**4,522,841.00**	**15,717,699.17**	**10,357,743.59**	**30,598,283.76**
Dividend payout	15			-2,261,420.52	-2,261,420.52
Consolidated earnings	15			3,206,710.72	3,206,710.72
Balance at 31 Dec. 2009		**4,522,841.00**	**15,717,699.17**	**11,303,033.79**	**31,543,573.96**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

as of 31 December 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)
as of 31 Dezember 2009

1 BASIC INFORMATION

The ESSANELLE HAIR GROUP corporate, consisting of the ESSANELLE HAIR GROUP AG as the holding company, (short: Essanelle) and the CFS Coiffure Franchising System GmbH (short CFS GmbH) as sole subsidiary company as well as the ESSANELLE DIENSTLEISTUNGS GMBH (short EDL GmbH) as subsidiary company of the CFS, is a leading provider of hairdressing services in Germany. Furthermore, Essanelle Hair Group markets hairdressing salon products in its hairdressing salons as well as in special sales shops and is operating as a franchisor for owner-managed hair salons.

The total salon business comprises 673 hair salons and sales shops compared to a number of 672 in the previous year.

Essanelle has developed various salon concepts which address different groups of customers:

– essanelle Ihr Friseur
– SuperCut
– HairExpress
– JT by essanelle
– TOP TEN
– Beauty Hair Shop

The basic concept “essanelle Ihr Friseur” is targeted at regular as well as occasional customers. The concept “Super Cut” is tailored to younger customers, the “Hair-Express” concept to price-conscious and the concept “JT by essanelle” to luxury-oriented customers. The hairdressing salons of essanelle are located primarily in department stores as well as in shopping centres. Under the name “TOP TEN”, hairdressing services within the 10 euro segment are offered mainly in separate locations.

Under the brand concept “essanelle Ihr Friseur” there is one (previous year: 3) independent hair salon affiliated as franchisee.

The head office for all operative units of the Group is located in 40225 Düsseldorf/Germany, Himmelgeister Straße 103 – 105.

The corporate planning aims at the increase of the market share through a reinforced expansion of the net of affiliates.

The holding company Essanelle Hair Group, is a joint stock company, which on 4th of May 2001 developed from the transformation of the Essanelle Hair Group GmbH.

The Essanelle Hair Group has been listed on the Frankfurt stock market since 22 June 2001. The quotation took place in the quality segment SMAX up to 20 December 2002, and up to the 30 September 2005 in the Official Trading. Since then Essanelle Hair Group has been listed in the Prime Standard. The Essanelle Hair Group AG has its head office in Düsseldorf and is also registered in the commercial register of the district court of Düsseldorf under the Nr. HRB 40749.

MEMBERS OF THE MANAGEMENT BOARD

The following persons were members of the Management Board in the business year 2009:

Achim Mansen, Monheim	Finance, Chairman
Dieter Bonk, Neuss	Sales
Dirk Wiethölter, Hilden	Human Resources

Additional activities of the members of the Management Board:

Mr. Achim Mansen	Administrative board Company health insurance fund ESSANELLE, Augsburg
Mr. Dieter Bonk	Administrative board Company health insurance fund ESSANELLE, Augsburg
Mr. Dirk Wiethölter	Administrative board Company health insurance fund ESSANELLE, Augsburg Alternate chairman of the board and employer's representative of the company health insurance fund ESSANELLE, Augsburg

MEMBERS OF THE SUPERVISORY BOARD

Representatives of the shareholders

	Profession
Mr. Fritz Kuhn, Seeheim (Chairman)	Management consultant
Mr. Olaf Rogowski, München	Managing director
Mr. Werner Schneider, Köln	Management consultant
Mrs. Hiltrud Seggewiß, Düsseldorf	Managing director
Mr. Jürgen Tröndle, Kelsterbach	Hairdressing entrepreneur
Mr. Andreas Tscherner, Ahlum	Head of Controlling and Group Accounting

Representatives of the employees

	Profession
Mr. Peter-Michael Herold, Stuttgart (Deputy Chairman)	Secretary of the trade union
Mrs. Silvia Altenberger, München	Sales director
Mr. Michael Eberhard, Berlin	Trade union secretary
Mrs. Cornelia Glaß, Erlbach	Hairdresser
Mrs. Barbara Wietusch, Stuttgart	Hairdresser
Mrs. Ulrike Witt, Essen (until 31 December 2009)	Hairdresser
Mrs. Ursel Lohmüller, Winsen/Luhe (from 01 January 2010)	Hairdresser

The following members of the Supervisory Board, were also representatives of other Supervisory Boards or advisory boards of other companies:

Mr. Kuhn	Ondal Friseurtechnik GmbH, Eiterfeld (Advisory Board)
Mr. Eberhard	Stadtwerke Leipzig GmbH (Member)
Mr. Rogowski	Ondal Holding GmbH, Hünfeld (Advisory Board) Sterntaler GmbH, Dornburg (Advisory Board)

2 SUMMARY OF ESSENTIAL FINANCIAL ACCOUNTING AND VALUATION METHODS

2.1 GENERAL INFORMATION

The annual consolidated financial statement is set up very precisely in Euro and Cent.

The principal financial accounting and valuation methods used for the realisation of the present annual consolidated financial statement are described in the following part. The methods described have been consistently applied to the illustrated reporting period unless otherwise noted.

The annual consolidated financial statement of Essanelle Hair Group including the statements from the previous year is set up in accordance with the IFRS of the International Accounting Standards Board (IASB) considering the Interpretations of the International Financial Reporting Interpretations Committee (IFRC) which have to be applied within the EU. All standards and interpretations of the IASB that were mandatory as of 31 December 2009 have been applied with supplementary application of the commercial law regulations requiring application pursuant to section 315a (1) of the German Commercial Code (HGB).

Insofar, the annual consolidated financial statement of Essanelle Hair Group considers all relevant regulations of the IFRS that were mandatory as of 31 December 2009.

The supplementary regulations of the Stock Corporation Act (AktG) have been applied on the consolidated annual report as at the 31 December 2009, as well as the regulations of the HGB (German Commercial Code).

The annual financial statements of subsidiaries and second-tier subsidiaries are set up as of the accounting date of the Group. For a more comprehensive illustration, in the consolidated profit and loss statement and the balance sheet set up according to the total cost format, single positions have been summarised. These are defined in the notes.

New International Financial Reporting Standards (IFRS) and Interpretations (IFRIC)

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have established a series of accounting regulations and interpretations, which have to be applied for the first time in the business year of 2009 and were also applied to the Essanelle Group for the first time.

– Amendments to IFRS 1 and IAS 27, "Impairment of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements of the investor" (EU-Endorsement on the 23 January 2009). At the first valuation of participations in the single financial statement for first-time adopters of the IFRS, alleviations are resulting from the amendments. Further amendments affect the cancellation of the definition of the acquisition cost method in IAS 27 as well as the reorganisation of an existing corporate structure. The consolidated financial statement of the Essanelle Hair Group is not affected by these amendments.

- Amendments to IFRS 2, "Share-based remuneration: conditions for exercise and cancellations" (EU-Endorsement on the 16 December 2008). The new regulations comprise conceptual clarifications as well as a specified definition of conditions for exercise in the framework of remuneration agreements. Furthermore all cancellations of share-based remuneration agreements – independent of the cancelling party - have to be balanced identically. The first-time implementation will not have any impacts on the consolidated financial statement of Essanelle.

- Amendments to IFRS 7 "Financial instruments: Disclosures" (EU-Endorsement on the 27 November 2009). The amendments provide enhanced disclosure about fair value measurements and reinforce existing principles for disclosures about liquidity risk. Regarding disclosures in connection with liquidity risks, a maturity analysis is provided for non-derivative financial liabilities, including issued financial guarantee contracts, and another analysis for derivative financial liabilities, if this is essential for the comprehension of temporally accumulated cashflows. At the first application values for comparison from the previous year are not requested. The amended regulations of the IFRS 7 do not have any impact on the annual consolidated statement of Essanelle.

- IFRS 8 "Business segments" (EU-Endorsement on the 21 November 2007). This regulation comprises new regulations for the illustration of segment reporting. Hereafter, segment reporting has to be set up according to the so called "Management Approach". Then the pieces of information form the basis for the accrual and the information on the segments, which are internally used by the management for the allocation of resources and the assessment of the performance of parts of the company. The amendments do not affect the annual consolidated financial statement of Essanelle.

- IAS 1 (Revised), "Description of the financial statement" (EU-Endorsement on the 17 December 2009). This regulation contains new dispositions for the presentation of the financial statement. Hereafter, the owner-related changes of euqity as well as non-owner-related equitiy changes have to be separated from each other and it is necessary to add further pieces of information on the Other Comprehensive Income. If a company modifies or restructures comparative pieces of information, an adequate balance sheet must be presented at the beginning of the comparative period, in addition to the balance sheet at the end of the comparison period as well as of the current period. The changes of the IAS 1 have only slight implications on the presentation of the annual consolidated financial statement of the Essanelle Hair Group because there are no equity transactions which are not owner-related.

- IAS 23 (Revised), "Cost of debt" (EU-Endorsement on the 10 December 2009). With the revised version of the IAS 23, the IASB has cancelled the voting right to activate or immediately consider costs of debt which were produced in close connection with the financing of purchase or production of a qualified asset value. Through the change, these costs of debt have to be activated compulsoryly as part of acquisition costs of these asset values. This change has no implications on Essanelle as the Group does not dispose of any qualified asset values.

- Amendments of IAS 32 and IAS 1, "Financial instruments with the right to return and the obligations in the context of liquidation" (EU-Endorsement on the 22 January 2009). The new version of the IAS 32 is significant for the separation of equity and external finance and makes it possible to classify instruments which can be cancelled under certain conditions as equity due to the contractual agreement of the company. The amended regulations do not affect the annual consolidated financial statement of the Essanelle Hair Group.

- Amendments of the IAS 39, “Financial instruments: Recognition and valuation” and IFRS 7 “Financial instruments: Disclosures” (reclassification of financial asset values) (EU-Endorsement on the 15 October 2008, to be applied from the 1 July 2008) permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) from the fair value through profit or loss categorisation in certain circumstances. Furthermore, the amendments require more detailed information in the attachment for the reclassification of financial asset values. This does not have any impact on the consolidated financial statement of Essanelle.

- Amendments of the IFRIC 9, “Reassessment of embedded derivates” and IAS 39 “Financial instruments: Approach and valuation – Embedded derivates” (EU-Endorsement on the 27 November 2009, applied from the 1 July 2008) An entity must assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be needed under the contract, in which case reassessment is required. Since Essanelle has no embedded derivates these regulations are not relevant for the annual consolidated statement.

- In November 2008 the IASB has published the amendments to IAS 39 (EU-Endorsement on the 9 September 2009, to be applied from the 1 July 2008). The amendments rule the point in time of the coming into effect and the transitional regulations of the amendments to IAS 39 (Financial Instruments: Recognition and valuations) as well as the IFRS 7 (Financial Instruments: Disclosures) from October 2008. This did not affect the Essanelle Hair Group.

- IFRIC 13, “Customer loyalty programmes” (EU-Endorsement on the 16 December 2008) deals with the question, of how in the context of purchase transactions bonuses granted to customers such as bonus points or air miles which in the future should be used for the aquisition of cheaper or free products or services (bonus) have to be balanced. The interpretation is not relevant for Essanelle, since no customer loyalty programmes are carried out.

- IFRIC 14, “IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction” (EU-Endorsement on the 16 December 2008), provides guidance on how to assess the limit in IAS 19 of the amount of the surplus in the plan and how to calculate plan assets or minimum contribution requirements, taking statutory or contractual minimum funding requirements into account.

- Improvements to IFRS 2008 / Collective standard to amendments of different IFRS (EU-Endorsement on the 23 January 2009). A standard published in the context of the Annual Improvement Process of the IASB, which comprises various small amendments of different IFRS. The amendments should specify the context of the regulations and eliminate unintentional inconsistencies between the different standards. This is not relevant for Essanelle.

Standards, interpretations and amendments to existing standards, which do not have to be applied or will not be applied precociously:

The following standards, amendments to standards and interpretations were already approved but however they are binding only from the next reporting period onwards, which starts on or after 1 January 2010 (the application of the voting right for the voluntary precocious application was renounced).

– IFRS 1 (Revised), "First application of the International Financial Reporting Standards" (EU-Endorsement on the 25 November 2009, to be applied from the 1 July 2009). The new version of the IFRS 1 published by the IASB comprises the regulations of previously valid standards, but differs in its structure. The amendments affect first-time IFRS accountants and thus are not relevant for Essanelle.

– IFRS 3 (Revised), "Business Combinations" (EU-Endorsement on the 3 June 2009, to be applied from the 1 July 2009) comprises modified regulations for the balancing of company acquisitions. In particular the application area and the accounting of participation acquisitions are changed as well as the voting right is introduced after non-controlling interests are measured either as their proportionate interest in the net identifiable assets or at fair value. Depending on what possibility will be chosen by the company in the framework of the company acquisition an eventually existing acquisition goodwill is disclosed completely or only with a part of the majority owners. The IFRS 3 (revised) is effective for the business years which commence on or after the 1 January 2010.

– IAS 27 (Revised), "Consolidated and seperate single financial statements according to IFRS" (EU-Endorsement on the 3 June 2009, to be applied from the 1 July 2009). With the revised version of the IAS 27, the IASB has changed the regulations for balancing of transactions with non-controlling shareholders of a Group as well as accounting in the case of loss of control on a subsidiary company. Transactions through which the holding company changes the amount of holding in a subsidiary company without loosing the control on the subsidiary company have to be balanced in future as neither profit- nor loss-relevant equity transactions. Furthermore, the standard regulates the way a dissoultion success is measured and how the remaining participation in the former subsidiary company can be measured. It does not affect the consolidated financial statement of Essanelle.

– Amendments of the IAS 39, "Eligible hedged items" (EU-Endorsement on the 15 September 2009, to be applied from the 1 July 2009) to specify the principles of accounting of hedges. The amendments concern the principles that determine whether a hedged risk or portion of cash flows is eligible for designation and should be applied in particular situations. Furthermore one-sided risks regarding hedging are designated. The changes in IAS 39 will not influence the consolidated financial statement of Essanelle because there are no hedges. The amendment is effective for annual periods starting on or after the 1 July 2009.

– IFRIC 12, “Public Service Concession Agreements” (EU-Endorsement on the 25 March 2009, to be applied from the 30 March 2009), deals with accounting and valuation of obligations resulting from the so-called public service concession and the rights of the franchisee. Within the application area of the interpretation there are certain concessions through which the national services in the infrastructure (e.g. road building) are transferred to private companies. This interpretation does not affect Essanelle.

– IFRIC 15, “Agreements for the construction of Real Estate” (EU-Endorsement on the 22 July 2009, to be applied form the 1 January 2010). The Interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction should be recognised. This interpretation is not relevant for the consolidated financial statement of Essanelle.

– IFRIC 16, “Hedges of a net investment in a foreign Operation” (EU-Endorsement on the 4 June 2009, to be applied from the 30 July 2009). The interpretation provides guidance on risks in net investment hedging with a foreign operation and as to where within the group the hedging instrument can be held for the minimisation of the risks. This interpretation has no relevance for Essanelle since the Group is not investing in any foreign operations at the moment.

– IFRIC 17, “Distribution of non-cash assets to owners” (EU-Endorsement on the 26 November 2009, to be applied from the 1 July 2009). IFRIC 17 deals with two subjects in the context of non-cash assets to owners. On one hand there is the question of the point in time for the approach and valuation of dividend liabilities. On the other hand the interpretation provides for the registration affecting net income of the difference between the book value of the distributed asset value and the dividend liabilities on the day of the distribution (“settlement”). The interpretation is not relevant for Essanelle.

– IFRIC 18, “Transfers of assets from customers” (EU-Endorsement on the 27 November 2009, to be applied from the 1 July 2009) concerns primarily the supply sector. The interpretation is not relevant for Essanelle.

Standards, amendments and interpretations to existing standards which are not applied since they have not been recognised by the EU:

– Improvements to IFRS 2009, collective standard for amending various IFRS. These mainly comprise amendments which are considered to be insignificant, such as the removal of inconsistencies within the standards and the clarification of misleading formulations. The adoption of the “Improvements to IFRS” has not had any impact on the consolidated financial statement of the Essanelle Hair Group.

– Amendments to IFRS 1, “Additional Exemptions for First-time Adopters” (to be applied from the 1 January 2010), are aimed at a further simplification in IFRS 1, which makes it possible for First-time Adopters to renounce in certain situations on the retrospective application or reassessment of the strucuture. Since these changes of the IFRS 1 are aimed at IFRS first-time accountants, they are not relevant for the consolidated financial statement of Essanelle Hair Group.

- Amendments to IFRS 2, "Share-based payment with cash settlement within a group" (to be applied from 1 January 2010) make clear that transactions in which a collaborator receives a cash settlement corresponding to the value of equity instruments of the holding or subsidiary companies and the subsidiary company is not entitled to the payment, in future it must be balanced as share-based payment transaction with settlement through equity instruments in the IFRS single financial statement of the subsidiary company. The accounting is thus differing from the accounting in the annual consolidated financial statement. In the consolidated financial statement transactions have to be seen as share-based payment transactions with cash settlement. The revised standard is effective for accounting periods commencing on or after 1 January 2010. An earlier application is recommended. These amendments do not have any impact on the Essanelle Hair Group since such transactions are not at hand.

- IFRS 9, "Financial instruments" (to be applied from 1 January 2013, an earlier application is permitted). According to IFRS 9 a newer, less complex approach regulates the structure and valuation of financial asset values. Thus, in future there should be only two instead of four assessment categories for asset-side financial instruments. The structure is based on one hand on the business model of the company and on the other hand on the characteristics of the contractual payment flows of the corresponding financial asset value. Albeit with the IFRS 9 the existing so-called mixed assessment model will remain. Regarding structured products with embedded derivates, the examination regarding the obligation of separation and the separated accounting is intended only for financial basis contracts – structured products with financial basic contracts have to be categorised as a whole and assessed. The application area of IFRS 9 is limited to financial asset values. Financial liabilities are excluded. Essanelle excluded the earlier application of the IFRS 9. The changed regulations will not have any impact on the consolidated financial statement since at the moment there is only the assessment category of "Loans and Receivables".

- Amendments to IAS 24, "Related Party Disclosures" (to be applied from 1 January 2011), are first of all aimed at simplifying the obligations to report of companies in which the government is participating (so-called state controlled entities). Certain political party relations that result from the participation of the government in private companies are excluded from certain obligations to report in the changed standards according to the IAS 24. Furthermore, the definition of related parties has been revised. The changed standard is effective for accounting periods commencing on or after 1 January 2011, whereby an earlier application is permitted. The Essanelle Hair Group has renounced an earlier application of the amendments of the IAS 24. The amended regulations will not have any impact on the consolidated financial statement.

- Amendments to IAS 32, "Classification of rights issues" (to be applied from 1 February 2010), addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer in foreign currencies to whose equity instruments the rights are referring, have to be disclosed as equity and not as liability regarding the accounting. This amendment comprises only such rights issues in which the number of the instruments and the amount of foreign currency are fixed in advance and if all owners of equity titles of the same class have the same rights. These rights issues – in the functional currency of the issuer had to be disclosed as equity already in the past. The revised standard is efficient for the first time in the business years starting on 1 February 2010 or later. An earlier application is recommended. Essanelle Hair Group has renounced an earlier application of the amendments of the IAS 32. The amended regulations will not have any impact on the consolidated financial statement of Essanelle.

- IFRIC 19, “Extinguishing Financial Liabilities with Equity Instruments” (to be applied from 1 July 2010), specifies the requirements of International Financial Reporting Standards (IFRSs) when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially. The interpretation is valid for business years which start on 1 July 2010. An earlier application is permitted. Essanelle Hair Group renounced an earlier application of the IFRIC 19. Furthermore, the first-time adoption of the IFRIC 10 will not have any significant impact on the consolidated financial statement of Essanelle.

IFRS for small and medium enterprises.

- The IASB has published an International Financial Reporting Standard (IFRS) for small and medium enterprises. The IFRS for small and medium enterprises is an independent standard, which is tailored to the needs of the corresponding enterprises and the users of their financial statements. Compared to the full IFRS many included accounting principles and the assessment of asset values, liabilities, earnings and expenses were simplified, irrelevant information in the attachment was definitely reduced. The publication of the IFRS for small and medium enterprises has no impact on the consolidated financial statement of Essanelle.

2.2 CONSOLIDATED FINANCIAL STATEMENT AND BASIS OF CONSOLIDATION

2.2.1 SUBSIDIARIES

Subsidiaries, i. e companies in which the Essanelle Hair Group either directly or indirectly holds more than half of the voting rights or can in any other way determine its financial and business policy are integrated in the basis of consolidation. In the assessment regarding the question if the Essanelle Hair Group can control another company in this context, the existence and impact of potential voting rights, which can be exercised or transferred on the accounting date, are considered.

Subsidiaries are being consolidated for the first time when Essanelle obtains the possibility of control over the acquired company; they are dissoluted by Essanelle in case of the loss of the possibility of control.

The acquisition of subsidiaries is accounted according to the acquisition method.

The acquisition costs for the acquisition of the company are measured according to the given means of payment and equivalents as well as the fair value of given asset values, of issued shares and/or assumed debts plus the directly attributable costs. The acquired identifiable asset values, debts and eventual debts are assessed at the moment of acquisition with the fair value independently of eventually existing minority shares. Purchases exceeding the acquired share of the asset of the subsidiary assessed at actual cash value are activated as acquisition goodwill. If the purchases are lower than the shares in the subsidiary assessed at the actual cash value, the difference is reported directly in the asset-side profit-loss statement. Acquisition goodwill is not liable to planned but to extraordinary amortisations (impairment).

Intra-group receivables and liabilities as well as expenses and earnings are balanced. Unrealised profits resulting from accounting transactions between consolidated companies are eliminated to the full amount. Unrealised losses are eliminated insofar as the the acquisition and productions costs resulting thereof do not exceed the achievable amount of the corresponding asset value. The balancing and assessment methods of the subsidiary are, if necessary, adapted to the existing uniform balancing and assessment methods of the Group.

2.2.2 BASIS OF CONSOLIDATION

The following companies are part of the basis of consolidation of Essanelle as of 31 December 2009:

Parent company
ESSANELLE HAIR GROUP AG, Düsseldorf

Direct shareholdings (100 %)
CFS Coiffure Franchising System GmbH, Düsseldorf

Indirect shareholdings (subsidiary of CFS)
ESSANELLE DIENSTLEISTUNGS GMBH, Düsseldorf (in short: EDL)

The capital stock of the ESSANELLE DIENSTLEISTUNGS GMBH accounts to EUR 25,000 and is held to 100% by the CFS GmbH.

2.3 CURRENCY CONVERSION

The consolidated financial statement is compiled in Euro, which forms the functional currency and reporting currency of the German parent company and the German subsidiary and sub-subsidiary companies.

Foreign currency transactions were not carried out, neither in 2009 nor in 2008. In case foreign currency transactions will take place, these are converted into the functional currency with the exchange rates valid at the moment of transaction. Profits and losses resulting from the execution of such transactions as well as from the conversion at the end of the accounting period exchange rate of the monetary asset values in foreign currencies and debts, are reported in the asset-side profit loss statement.

2.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment primarily include furnitures and fittings in the hairdressing salons.

Property, plant and equipment is accounted for at acquisition and production costs and and in most cases subject to straight-line depreciation over its expected useful life. Acquisition and production costs comprise the expenses directly attributable to the acquisition. Repair costs are accounted as continuous expenses. Debt capital costs are deducted from the costs of acquisition/production. Grants and subsidies for the acquisition of assets are deducted from the costs of acquisition of the respective assets. Scheduled depreciation is in most cases based on useful lives of ten years in the case of salon furnishing and of four to seven years in the case of other plant and office equipment.

Only the Group operates as a lessee whereas finance as well as operative leasing are carried out.

Fixed assets which have been leased and whose economic property is held by the corresponding consolidated company (Finance Lease), are capitalised at the present value of the leasing rate or a lower fair value according to IAS 17 and written off over their useful lives or the shorter contractual period. The payment obligations arising from the leasing rates are recognised as financial liabilities. The repayment portion of a leasing instalment is continuously offset against these financial liabilities whereas the interest portion is recorded under interest expenses.

Leases that do not transfer substantially all the risks and rewards incident to ownership are classified as operating leases. The corresponding expenses are recorded in the profit and loss statement. The financial liabilities in this area, in particular from the leasing of space for salons and Beauty Hair Shops, are presented under the perennial liabilities from lessor relations.

Liabilites related to the deconstruction of the salon infrastructure have been assessed at cash value and amortised over the useful economic life of the salons. At the same time, a reserve is rendered passive which is compound by the useful economic life until the full reserve amount is reached.

In triggering events tangible asssets are reviewed for indications for a loss of value at hand. If the amount achievable for an asset falls below its book value, it is subject to extraordinary depreciation. For this impairment test, asset values are summarised on the lowest level for which a cash flow can be identified (Cash Generating Units, short CGU). The single hair salon is considered to be the lowest such level because on that basis the economic success or failure can be identified.

Should the cause for an extraordinary depreciation carried out earlier no longer apply, an appreciation in value up to an amount of the adjusted acquisition and productions costs is carried out.

Profits and losses incurring from the disposal of property, plant and equipment are calculated on the basis of the book value at the moment of such disposal.

Expenses for maintenance and repairs are recognised as expenses with a corresponding impact on earnings.

2.5 GOODWILL

Goodwill defines the surplus of acquisition costs in a company acquisition over the fair value of the shares held by the Group in the net asset value of the acquired company at the time of acquisition. Goodwill created by a company acquisition is classified as intangible asset value. It is assumed that these asset values have an indefinite useful life and thus no planned amortisations are required. Goodwill is subject to an occasion-driven impairment test, which should be carried out at least once in a year. On the basis of this impairment test, eventual extraordinary amortisations are carried out.

For the impairment test, the acquisition goodwill is distributed among Cash Generating Units (units generating means of payment).

Thereby, it is generally assumed that the totality of all salons of the Essanelle Hair Group with the exception of the salons from the acquisition of the Tröndle Group represent a uniform CGU.

By contrast, the salons from the acquisition of the Tröndle Group are each defined as individual CGUs because of the particular hairdressing concept and their exposed size.

Effected write-downs of acquisition goodwill are not subject to any later appreciation in value.

2.6 OTHER INTANGIBLE ASSETS

Other intangible assets are accounted with the acquisition and production costs and generally amortised over their expected useful economic life. Furthermore, the loss in value is reviewed if certain events or changes of events reveal that the book value cannot be achieved. The useful economic life lies between 3 and 5 years.

2.7 FINANCIAL ASSETS

Financial assets can be found in the assessment category “Loans and Receivables” and comprise loans and trade receivables as well as cash and cash equivalents.

Receivables (including long-term loans) are non-derivative financial asset values with fixed or definable payments, which are not listed on an active market. They are generated if the group is providing money, goods or services directly to a debtor. The receivables in the Essanelle Hair Group are part of the long-term asset values; loans can be categorised as non-current assets if their maturity exceeds 12 months after the reporting date. The group does not pursue any commercial intentions in the context of receivables and loans.

Financial assets are initially valuated at the fair value. Upon subsequent valuation, they are recognised at amortised cost using the effective interest method, and if necessary, recognizing individual adjustments.

A loss of value on receivables and salon debtors is recorded if there are objective indications that amounts cannot be collected as originally agreed. Significant financial difficulties of the debtor, in particular delays in payment, are indications for impairment. The amount of allowance covers the difference between the currently adjusted book value of the receivable and the sum of the expected payment accruals discounted using the effective rate of interest method.

2.8 INVENTORIES

Inventories are valuated either with acquisition costs or at the net residual value, whatever is lower, whereas the acquisition costs are measured according to the First-in First-out method (FiFo). The net residual value is the estimated sales profit achievable in normal business development minus the necessary variable residual costs.

2.9 ACCOUNTS RECEIVABLE

Accounts receivable are first set at the fair value and later at continuous acquisition costs using the effective interest method, as well as evaluating the deduction of the loss in value. A loss in value is recorded if objective indicators show that the amounts due from debits cannot be realised completely.

Impairments of accounts receivable are partially recorded using adjustment accounts. The decision if the risk of default will be recorded via a value adjustment account or via direct amortisation depends on how reliable the assessement of the rsik situation is.

2.10 OTHER ASSET VALUES

Other asset values besides tax receivables and short-term items also comprise advance payments on assets and accruals. The assessment is carried out at acquisition costs.

With the exception of advance payment on assets already performed, this concerns non-financial asset values.

2.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents affect account balances and cash at hand, including the pending salon payments as at the accounting date. The assessment is carried out at continuous acquisition costs.

2.12 TAXES ON INCOME

Effective taxes on income of the recent period are stated according to the amount of the expected payments and reimbursements.

2.13 DEFERRED TAXES

Deferred taxes are stated using the liability method for all temporary differences between the tax basis of the asset value/liabilities and their book values in the IFRs financial statement. If however, in the context of a transaction which does not constitute a combination of business activities, a deferred tax is deriving from the first-time application of asset values or a liability which at the time of the transaction does not have an effect on the accounting nor on the tax loss and profit, the tax accrual and deferral is omitted. On all realisable accumulated deficits, active deferred taxes are built. Deferred taxes are valuated using the tax regulations which are valid as at the accounting date or are in force from the legal point of view and whose validity is expected at the point in time of the realisation of the deferred tax receivable or the payment of defered tax liabilities.

Deferred tax receivables are stated at an amount at which it is probable that the taxable earnings will be available against which the temporary difference is offset.

Deferred tax liabilities, which develop through temporary differences in the context of participations in subsidiary and associated companies are specified, unless the point in time of the inversion of the temporary differences of the Group can be controlled and it is probable that the temporary differences will not reverse in a predictable time.

2.14 SHAREHOLDERS' EQUITY

The share capital is stated at the nominal value of the circulating shares.

The capital reserve contains cash premiums from various capital increases after the deduction of directly attributable costs for issuing new shares (public offering costs) taking into account the proportionate deferred taxes. It also includes reserves from the value of the services of employees from share options issued at fair value. Furthermore, the premium for the acquisition of the own shares is recorded as negative entry.

Under the revenue reserve retained earnings and the annual result of the group are recorded, deducting the distribution of dividends for the previous year.

2.15 FINANCIAL DEBT

Financial debt is at hand in the Financial Liabilities measured at Amortised Costs (FLAC) evalutation category and concerns above all financing of recently opened hair salons, including liabilities to banks, liabilities from leasing financing and investment loans from suppliers. Financial debt is classified as short-term if there is no unconditioned right to postpone the payment of liabilities to a point in time of at least 12 months after the accounting date.

Financial debt at its initial recognition is stated at fair value after deduction of transaction costs. In the subsequent periods, it is valuated at updated acquisition costs; each difference between the amount paid (after deduction of the transaction costs) and the redemption amount is recorded pro-rata using the effective interest method in the profit loss statement.

The company applies the effective interest method for the calculation of updated costs of financial debt and for the allocation of interest incomes and interests paid for the corresponding period. The effective interest rate is the valuation interest rate at which the estimated future payments of financial debt over the expected period or a shorter period if applicable, are discounted exactly to the net book value of financial debt.

2.16 PENSION PROVISIONS

Within the group, there are two individual commitments to a member of the Management Board and a former member of the Management Board, for which reinsurance policies have been concluded.

The accrual fixed in the accounts corresponds to the cash value of the Defined Benefit Obligation (DBO) as of the accounting date, deducting the fair value of the plan assets adjusted by the accumulated non-reported actuarial losses and profits. The DBO is measured annually by an independent actuarial observer, who uses the projected unit credit method. The present value of the DBO is calculated by discounting the expected cash outflow using the interest rate of corporate bonds of top rating (interest rate 5.40%; previous year 6.25%)

Actuarial profits and losses based on experience-related adaptations and amendments of actuarial assumptions are recorded with the expected remaining working time of the employees unless their amount exceeds ten percent of the obligation.

The plan assets are composed of the asset value of the reinsurance policy.

2.17 SHARE-BASED COMPENSATION

The group has presented share-based payment plans, which are to be paid by issuing own shares and/or by a qualified capital increase. The fair value of the work offered by the employees as return for granting of options is recorded as expense. In the assessment particularities of the individual organisation of ESSANELLE are considered. The total expenses which have to be recorded over the period of time up to vesting is calculated from the fair value of the issued option without considering market-oriented impairments to execution (e. g. growth objectives in profits and sales revenue). Non-market oriented impairments to execution are considered in the disclosures regarding the number of options which are expected to be executable. On each effective date, the quotation of the number of options, which are expected to be exercised, is controlled. The impact of possible amendments to the original quotations is considered in the profit-loss statement and through the corresponding adaptation in the equity over the remainig time period up to the vesting. The payments received at the exercise of the options are added to the subscribed capital and the capital reserve after deduction of directly attributable transaction costs.

2.18 PAYMENTS ON THE OCCASION OF THE TERMINATION OF EMPLOYMENT

Payments related to the termination of employment are paid if an employee is dismissed prior to the regular retirement age or if an employee is leaving the company voluntarily against a compensation payment. The group records compensation payments if it is verifiably obliged to terminate the employment of present employees according to a detailed irrevocable formal plan or if the redundancy payment must be paid after voluntary termination of employment by the employee. Payments which become due after more than 12 months after the effective date are discounted to their present value.

2.19 BONUS PAYMENTS AND PROFIT SHARING BONUS

For bonus payments and profit sharing bonuses, a provision is capitalized in all cases in which a contractual obligation is at hand or a factual obligation is created due to business activities in the past.

2.20 OTHER PROVISIONS

All other provisions consider various recognizable obligations as of the reporting date relating to past business events or activities whose incurrence is probable and whose amount can be calculated in a reliable way. The provisions are stated with their amount to be paid and not set off with positive profit amounts.

Long-term provisions are accounted with their discounted profit amount as of the effective date if the interest rate resulting from the discounting is substantial. The interest rate of the accrual allocation is stated in the financial result.

2.21 TRADE PAYABLES AND OTHER LIABILITIES

Trade payables are valuated at continued acquisition costs considering the effective interest method.

Other liabilities comprise liabilities from wage, church and purchase tax, payroll liabilities, as well as liabilities from rental agreements and are fixed at acquisition costs.

With the exception of liabilities from rental agreements these are all non-financial liabilities.

2.22 RECOGNITION OF INCOME/DELINEATION OF EXPENSES

(a) Sales

Sales comprise the fair value received for the sales of goods and services excluding purchase tax, discounts or reductions. Sales are recorded at the point in time when the goods are supplied or the service is rendered. Retail sales or services are normally paid in cash or per EC-card/credit card.

(b) Operating expenses

Expenses are affecting earnings with the receipt of service or the moment of their incurrence.
If there are expenses which depend on certain reference parameters (e.g revenue-dependent rent) or for which advance payments have been effected already, an accrual of these amounts as liability or provision is made.

(c) Financial income and expenses

Financial income and expenses are recorded using the effective interest method on an accrual basis.

3 FINANCIAL RISK MANAGEMENT

3.1 FIANANCIAL RISK FACTORS

Due to its business activities, the group is generally subject to different financial and other risks. It is the task of the comprehensive risk management of the group to identify the financial risks, to valuate them and to minimise the potential negative impacts on the financial situation of the group in cooperation with the operative units (salons).

(a) Market risk

The generally existing market risks are closely connected to the location risks of the single salons. In order to identify misrepresentations at an early stage and to stop them, the available data in the single salons are registered analyzed and if necessary countermeasures are introduced.
In general, an essential foreign currency risk is not at hand, since the Essanelle Hair Group is operating in Germany only.

(b) Credit risk

Credit risks are not at hand in the group's proprietary business considering the basic principle that the hairdressing business is traditionally a cash business.

In some exceptional cases, it is possible that there will be delays or cash losses due to billbacks in the context of bad credit cards.

Furthermore, there is a certain risk regarding the granting of loans to franchisees, which use the brand name "essanelle Ihr Friseur". These single transactions are controlled very strictly by the Management Board.

For dubious receivables from not covered payments and granting of loans, corresponding individual value adjustments are created.

(c) Liquidity risk

The possibility of liquidity risk cannot be excluded since the hairdressing business is subject to economic, seasonal and fashion fluctuations. It is the task of the group financial management to establish finance plans in which these influences are considered respectively through the creation of financial reserves.

(d) Cash Flow-risk and Fair Value-interest risk

Since the group does not hold any essential interest-bearing asset values, group profit and the operating cash flow are quite independent from changes of the market interest rate.

The interest rate risk of the group is calculated from the long-term interest-bearing liabilities of the group, which partially are subject to a variable and partially to a fixed rate of interest. The liabilities with a variable rate of interest expose the group to a cash flow interest risk. From the fixed interest-bearing liabilities, a fair value interest risk is recorded. The group reacts to this general existing risk situation by considering the balance between the variable and fixed rate of interest when taking up long-term credits.

Derivative financial interests are not applied.

(e) Material risks

As a licensee of a great number of hair salons in different locations, Essanelle is subject to certain risks such as fire, burglary, operative interruption, responsibility, etc. The group generally protects itself through the conclusion of insurance contracts.

3.2 DETERMINATION OF THE FAIR VLAUE

In the case of receivables and liabilities from supplies and services it is assumed that the nominal value after deduction of the accumulated appreciation corresponds to the fair value. The fair value listed in the attachment of financial liabilities has been calculated by discounting future contractual payments with the present market interest rate, which has been given to the group for comparable financial instruments.

3.3 CAPITAL MANAGEMENT

Capital management must guarantee the financial freedom of action, in particular solvency at all times. The basic principles of financial policy are defined by the Management Board and supervised by the Supervisory Board. The realisation of the financial policy as well as the current risk management is incumbent on the Treasury Department.

The capital of the group consists of equity as well as financial debts, considering the strategic goal of the company to add new salons.

In order to carry out the expansion, new salons are financed both from existing cash as well as by credit capital.

In order to guarantee the liquidity of the company, it uses short-, medium- and long-term financial planning.

With short-term financing, liquidity in the day-to-day business should be guaranteed whereas seasonal effects of the hair salon business have to be considered. This is monitored by daily liquidity planning projected on one month and deviations in cash flow (nominal/actual comparison value) are compensated by the availability and accrual of liquid assets.The short-term liquidity in 2008 stood at 0.80 and in 2009, at 0.80 and was valuated on the basis of the relationship between short-term asset values and short-term liabilities.

Medium- and long-term financial planning generally comprises the financing of the salon expansion. For the supervision and control of the expansion, the planned investments are opposed to the planned revenues. This is monitored by an annual and a 4-years plan, both of which are passed by the Supervisory Board.

In the long-term segment, capital management is valuated on the basis of the relationship between equity and long-term asset values. Thus, the relationship in 2008 stood at 0.70 and in 2009 at 0.72. The equity rate increased to 56.1% in 2009 after 53.7% in 2008.

4 CRITICAL ASSESSMENT IN THE FINANCIAL STATEMENT AND EVALUATION

Various assessments and evaluations are carried out continuously, based on historical experiences and further factors, including the expectations of future events which under given circumstances seem to be reasonable.

The assessments and assumptions which involve a significant risk in terms of an essential adaptation of the book values of assets and debts within the next business years are discussed in the following section:

(a) Estimated impairment of goodwill

Due to recent developments, the group examines if impairment of goodwill is at hand in accordance with the basically established accounting and evaluation methods (impairment test) at least once per year. By that the achievable earnings of the underlying Cash Generating Unit, which are measured by the calculation of use value, is related to the assets. If the sum of the expected and discounted payments lies under the assets of the investments, devaluations are carried out whereas the pro-rata book value of the acquisition goodwill is adjusted to the decreased earnings expectations. Assumptions are taken as a basis of the calculation of the use value (discussion under 7)

If the expected forecast cash flows or the expected discount rate used in cash flow calculation, lie either 10% above or below the management estimates, this would not result in any important changes in the result of the impairment test.

(b) Accruals for customer subscriptions and customer bonuses

The group is selling subscriptions and bonuses for hairdressing services whereas a payment is received but a service is not yet rendered. Because of the lack of single entries of outstanding obligations, the amount must be estimated as of the accounting date. In the context of customer subscriptions the assessment is carried out on the basis of the months October to December with different weighting (October 1/3, November 2/3 and December 3/3); this is only considered if the sales were above the payments. In the case of bonuses, the sales figures of the months October to December are integrated in the accrual, if the sales are above the payments. If the effective claim would amount to 10% above/below the estimated value, the accrual would change by an amount of kEUR 95 (previous year kEUR 84).

(c) Estimated loss in value regarding salon fittings

An eventually resulting loss in value of assets caused by disadvantageou growth in earnings of single salons are also identified in the context of impairment tests considering the reorganisation and closure measures. The expectations regarding earnings and expenses are based on the assessment of future developments in regional as well as in macroeconomic terms.

5 SEGMENT REPORTING

The requirements for segment reporting are not at hand, neither from a regional or factual nor from an organisational point of view.

A regional diversification of our sales area is not practicable since the group is operating only in Germany and risks and chances of the hairdressing business within Germany are almost identical.

From a factual point of view, a differentiation according to marketing lines or salon concepts does not make sense since only one type of service is offered, namely hairdressing services, completed by the sales of hair care products. In the single salons, different focal points are set but in all concepts the customer can choose from the complete range of hairdressing services. Internal reporting is based on financial statement information on salon level; the sales revenues from hair care products are integrated in this assessment and are not handled as independent segments. The earnings and expenses from the franchise business of hair care products as well as the assets and debits attributable to this business on the whole play a subordinated role.

6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment have developed as follows:

€	Plant and equipment	Capitalised leasing contracts	Total
As of the 1 January 2008			
Aquisition/production costs	48,377,086.62	9,895,424.49	58,272,511.11
Cumulative impairments according to IAS 36	-179,392.52	0.00	-179,392.52
Cumulative depreciation	-29,193,395.28	-7,406,646.58	-36,600,041.86
Carrying amount (net)	19,004,298.82	2,488,777.91	21,493,076.73
2008 financial year			
Opening carrying amount (net)	19,004,298.82	2,488,777.91	21,493,076.73
Additions	7,455,439.92	227,486.70	7,682,926.62
Disposals	-2,109,750.49	0.00	-2,109,750.49
Additions to depreciation	-4,380,492.34	-738,019.52	-5,118,511.86
Disposals from depreciation	1,984,140.75	0.00	1,984,140.75
Closing carrying amount (net)	21,953,636.66	1,978,245.09	23,931,881.75
As of 31 December 2008			
Acquisition/production costs	53,722,776.05	10,122,911.19	63,845,687.24
Cumulative impairments	-179,392.52	0.00	-179,392.52
Cumulative depreciation	-31,589,746.87	-8,144,666.10	-39,734,412.97
Carrying amount (net)	21,953,636.66	1,978,245.09	23,931,881.75
Business year 2009			
Opening carrying amount (net)	21,953,636.66	1,978,245.09	23,931,881.75
Additions	5,337,886.92	90,002.50	5,427,889.42
Disposals	-1,141,969.79	0.00	-1,141,969.79
Additions to depreciation	-4,746,691.73	-570,133.55	-5,316,825.28
Disposals from depreciation	977,373.82	0.00	977,373.82
Closing carrying amount (net)	22,380,235.88	1,498,114.04	23,878,349.92
As of 31 December 2009			
Acquisition/production costs	57,918,693.18	10,212,913.69	68,131,606.87
Cumulative impairments according to IAS 36	-179,392.52	0.00	-179,392.52
Cumulative depreciation	-35,359,064.78	-8,714,799.65	-44,073,864.43
Carrying amount (net)	**22,380,235.88**	**1,498,114.04**	**23,878,349.92**

Investments in property, plant and equipment of kEUR 5,428 (previous year kEUR 7,683) concern above all salon equipments for new salons and renovations in already existing salons. The outflow of assets in 2009 with a net book value of kEUR 165 (previous year kEUR 126) results primarily from salon closures. Earnings from asset outflows equal to kEUR 1 (previous year kEUR 1) and losses equal to kEUR 19 (previous year kEUR 94) occurred.

The property, plant and equipment is not subject to any restraint on disposal. In the case of salon fittings financed by suppliers, there are prolonged retentions of titles.

In the income statement, leasing expenses from operative leasing of vehicles of kEUR 297 (previous year kEUR 277) are recorded. Furthermore, rental expenses from the leasing of space for hair salons and Beauty Hair Shops in the amount of kEUR 21,283 (previous year kEUR 20,647) are comprised.

The impairment test for property, plant and equipment is carried out in a differentiated way according to single salon locations based on the effective expected cash flows of the single salons after deduction of pro-rata overhead costs, interests and taxes. The projected cash flows are based on the salon result planning passed by the management. A projection is carried out on the basis of an average value over 10 years such as in the previous year with a discounting rate of 10% before taxes. Growth rates are not considered.

Losses in value on property, plant and equipment according to IAS 36 of kEUR 0 (previous year kEUR 0) result from the impairment test.

7 INTANGIBLE ASSETS

The table below shows the changes in intangible assets in the year under report:

€	Goodwill	Other	Total
As of 1 January 2008			
Acquisition/production costs	19,929,880.72	769,513.29	20,699,394.01
Cumulative impairments according to IAS 36	-371,008.62	0.00	-371,008.62
Cumulative amortisations	0.00	-592,255.85	-592,255.85
Carrying amount (net)	19,558,872.10	177,257.44	19,736,129.54
Business year 2008			
Opening carrying amount (net)	19,558,872.10	177,257.44	19,736,129.54
Additions	0.00	43,474.74	43,474.74
Disposals	0.00	-2,593.61	-2,593.61
Additions to amortisation	0.00	-79,779.59	-79,779.59
Disposals from amortisation	0.00	2,593.61	2,593.61
Closing carrying amount (net)	19,558,872.10	140,952.59	19,699,824.69
As of 31 December 2008			
Acquisition/productions costs	19,929,880.72	810,394.42	20,740,275.14
Cumulative impairments according to IAS 36	-371,008.62	0.00	-371,008.62
Cumulative amortisations	0.00	-669,441.83	-669,441.83
Carrying amount (net)	19,558,872.10	140,952.59	19,699,824.69
Business year 2009			
Opening carrying amount (net)	19,558,872.10	140,952.59	19,699,824.69
Additions	0.00	37,824.37	37,824.37
Disposals	0.00	-3,429.07	-3,429.07
Additions to amortisation	0.00	-72,409.71	-72,409.71
Disposals from amortisation	0.00	3,429.07	3,429.07
Closing carrying amount (net)	19,558,872.10	106,367.25	19,665,239.35
As of 31 December 2009			
Acquisition/production costs	19,929,880.72	844,789.72	20,774,670.44
Cumulative impairment according to IAS 36	-371,008.62	0.00	-371,008.62
Cumulative amortisations	0.00	-738,422.47	-738,422.47
Carrying amount (net)	**19,558,872.10**	**106,367.25**	**19,665,239.35**

Broken down according to salon acquisitions, the goodwill is defined as follows:

€	Essanelle salons	Tröndle salons	Total
As of 1 January 2008			
Acquisition/production costs	19,558,872.10	371,008.62	19,929,880.72
Cumulative impairment according to IAS 36	0.00	-371,008.62	-371,008.62
Carrying amount (net)	19,558,872.10	0.00	19,558,872.10
Business year 2008			
Operating carrying amount (net)	19,558,872.10	0.00	19,558,872.10
Additions/Disposals	0.00	0.00	0.00
Closing carrying amount (net)	19,558,872.10	0.00	19,558,872.10
As of 31 December 2008			
Acquisition/production costs	19,558,872.10	371,008.62	19,929,880.72
Cumulative impairment according to IAS 36	0.00	-371,008.62	-371,008.62
Carrying amount (net)	19,558,872.10	0.00	19,558,872.10
Business year 2009			
Opening carrying amount (net)	19,558,872.10	0.00	19,558,872.10
Additions/Disposals	0.00	0.00	0.00
Closing carrying amount (net)	19,558,872.10	0.00	19,558,872.10
As of 31 December 2009			
Acquisition/production costs	19,558,872.10	371,008.62	19,929,880.72
Cumulative impairment according to IAS 36	0.00	-371,008.62	-371,008.62
Carrying amount (net)	**19,558,872.10**	**0.00**	**19,558,872.10**

The impairment test for goodwill is carried out differentiated according to the group of salon acquisitions, whereas each single Tröndle salon represents a Cash Generating Unit and the other Essanelle hair salons form one other CGU in their totality. The basis of the impairment tests is formed by the achievable earnings of these Cash Generating Units, which can be valuated at their use value. The basis for that are the substantial expected cash flows within the CGU after deduction of pro-rata overhead costs, interests and taxes. The projected cash flow is based on the salon result planning of the next year as passed by the Management Board. A projection of an average value on ten years is carried out as in the previous year, with a discounting interest rate of 10% before taxes. The growth rate is not taken into account.

The projection is based on the assumption that after overcoming the start-up phase (most of the times leading to start-up losses) of 1–2 years, each salon will present a certain result contribution because of its preset capacity and situation. Furthermore, the extraordinary effects of the last years are eliminated (e. g. caused by renovation measures, changes in the salon management) and then it will be determined if these will have an impact already in the next year or in the year after.

The discounting factor applied is 10% (previous year 10%) corresponding to the interest rate internally is used by Essanelle for investment decisions as minimum interest rate standard and also used for performace valuations. This interest rate is markedly higher than the capital market interest rate of the company (value in use), which has to be identified in terms of a WACC (weighted average cost of capital). Even by using an interest rate of 10% no extraordinary amortisations had to be carried out, thus the valuation via the effective WACC was not applied. The WACC to be applied stands at 4.8% (previous year 7.8%).

In 2009 no extraordinary amortisations on goodwill resulted from the impairment test as in the previous year.

8 OTHER LOANS

Other loans are structured as follows:

€	Loans to mod's hair franchisees	Other loans	Total
As of 1 January 2008			
Acquisition/production costs	472,137.88	107,994.93	580,132.81
Cumulative amortisations	-472,137.88	-8,301.89	-480,439.77
Carrying amount (net)	0.00	99,693.04	99,693.04
Business year 2008			
Opening carrying amount (net)	0.00	99,693.04	99,693.04
Disposals	-71,408.40	-12,436.30	-83,844.70
Disposals from amortisations	71,408.40	0.00	71,408.40
Closing carrying amount (net)	0.00	87,256.74	87,256.74
As of 31 December 2008			
Business year 2009			
Opening carrying amount (net)	0.00	87,256.74	87,256.74
Additions	0.00	-60,065.50	-60,065.50
Disposals	0.00	70,000.00	70,000.00
Disposals from amortisations	0.00	0.00	0.00
Closing carrying amount (net)	0.00	97,191.24	97,191.24
As of 31 December 2009			
Acquisition/production costs	400,729.48	105,493.13	506,222.61
Cumulative amortisations	-400,729.48	-8,301.89	-409,031.37
Carrying amount (net)	**0.00**	**97,191.24**	**97,191.24**

Loans concern loans to four different persons which are repaid as scheduled.

Like in the previous year, loans are discounted at interest rates of 2.0% to 4.5%. In the profit and loss statement, interest rate earnings in the amount of kEUR 2 (previous year kEUR 2) are contained.

Broken down into maturity categories, the net carrying amount of loans is composed as follows:

€	31 Dec. 2009	31 Dec. 2008
Not mature	96,175.53	79,559.01
Past due and not debased	1,015.71	7,697.73
	97,191.24	**87,256.74**

The remaining time to maturity of the other loans result from the following table:

€	31 Dec. 2009			
	Total	Remaining time to maturity up to 1 year	Remaining time to maturity from 1 to 5 years	Remaining time to maturity over 5 years
Loans	**97,191.24**	**9,153.55**	**15,577.78**	**72,459.91**

€	31 Dec. 2008			
	Total	Remaining time to maturity up to 1 year	Remaining time to maturity from 1 to 5 years	Remaining time to maturity over 5 years
Loans	**87,256.74**	**14,874.21**	**17,170.86**	**55,211.67**

9 INVENTORIES

Inventories are structures as follows:

€	31 Dec. 2009	31 Dec. 2008
Goods for sale	4,173,274.79	4,659,577.67
Goods for use in salons	2,739,198.11	2,447,066.99
	6,912,472.90	7,106,644.66
Loss in value	-107,420.00	-110,520.00
	6,805,052.90	**6,996,124.66**

Inventories are rated at their acquisition costs or a lower net residual value. Because of the risk of obsolescence, damages and decreasing marketing prices, losses in value are effected, changes of which are reported under costs of materials.

The inventories are not subject to restraints on disposal.

10 ACCOUNTS RECEIVABLE

€	31 Dec. 2009	31 Dec. 2008
Gross receivables	379,306.12	425,958.18
Minus write-downs	-214,009.55	-249,580.60
	165,296.57	**176,377.58**

Broken down into maturity categories, the net carrying amount is composed of the accounts receivable:

€	31 Dec. 2009	31 Dec. 2008
Past due and unimpaired	118,485.76	171,180.57
Past due and not discounted	46,810.81	5,197.01
	165,296.57	**176,377.58**

The past due and unimpaired accounts receivable are past due in the following time ranges:

€	31 Dec. 2009	31 Dec. 2008
Less than 30 days	110,908.18	94,953.17
Between 30 and 60 days	7,369.48	22,461.23
Between 61 and 90 days	40.00	0.00
Between 91 and 180 days	69.20	9,568.93
Between 181 and 360 days	98.90	44,197.24
More than 360 days	0.00	0.00
	118,485.76	**171,180.57**

Hedgings for disclosed receivables are not at hand.

Single losses in value regarding accounts receivable have developed as follows:

€	2009	2008
Losses in value as at the 1.1.	249,580.60	249,004.22
Allocations (expenses for losses in value)	0.00	23,468.55
Utilisation	-14,237.60	-20,769.68
Retransfers	-21,333,45	-2,122.49
	214,009.55	**249,580.60**

The losses in receivables are accounted for in the profit and loss statement under the other operative expenses and the earnings from payment inflows of amortised receivables under other operating income.

11 OTHER ASSETS

€	31 Dec. 2009	31 Dec. 2008
Advance payments on equipment orders	68,625.73	20,000.00
Accrued income	167,065.19	140,230.51
Deposits for rent	64,049.98	47,210.73
Receivables for rent	19,384.50	76,942.31
Payroll receivables	140,144.12	133,938.04
Tax reimbursement claims	9,375.66	9,919.99
Other	79,425.73	104,464.42
	548,070.91	**532,706.00**

With the exception of the advance payments on equipment orders, no financial asset values are concerned.

The valuations have been carried out at acquisition cost. Receivables have not been discounted because of their short-term nature.

12 CASH AND CASH EQUIVALENTS

€	31 Dec. 2009	31 Dec. 2008
Credit balance with banks	3,785,859.78	3,558,183.27
Payments from Essanelle hair salons which are on the way (before credit entry on the bank account)	472,724.04	1,268,346.56
Cash holdings	762,148.76	773,638.43
	5,020,732.58	**5,600,168.26**

The effective interest rate for short-term bank deposits amounted to an average of 0.86% (previous year 2.22%). The short-term bank deposits bear interest at variable market interest rates.

13 SHARE CAPITAL

The share capital (authorised capital) of the company is EUR 4,595,044.00 and is divided into 4,595,044 shares in form of individual share certificates without nominal. Each individual share certificate holds one vote.

The part falling upon subscribed capital through acquisition of own shares is deducted from the subscribed capital.

€	2009	2008
Share capital	4,595,044.00	4,595,044.00
Acquisition of own shares	-72,203.00	-72,203.00
Status 31.12.	**4,522,841.00**	**4,522,841.00**

The amounts deducted from the share capital result from purchases of own shares in 2005 and 2008.

In 2005, the company has acquired 60,000 individual share certificates without nominal in four transactions which corresponds to 1.31% of the share capital; this was done because of the accreditation of the Management Board in the resolution of the shareholders and their representatives at the Ordinary Annual General Meeting of the 25th of June 2004:

7,275 shares at a price of EUR 7.70 and 4,750 at a price of EUR 7.74 on the 28th of October 2005, 19,600 pieces at a prie of EUR 7.70 on the 7th of November 2005 and 28,375 shares at a price of EUR 7.625 on the 10th of November 2005.

The reason for this acquisition was the termination of other employee option programmes. The Management Board is also authorised to use its own shares with prior consent of the Supervisory Board as a reward to third parties in the context of the acquisition of companies or participations in companies or the combination of business activities with companies or to withdraw the shares.

Furthermore, the Management Board was authorised by the resolution of the shareholders and representatives of shareholders at the Ordinary Annual General Meeting of the 17th of June 2008, to acquire their own shares up to a percentage of the authorised capital of the company of 10%.

The acquisition in 2008 of 12,203 individual shares without nominal was carried out in four transactions: 3,440 pieces at a price of EUR 8.34 on the 23rd of September 2008, 5,183 pieces at a price of EUR 7.70 on the 7th of November 2008, 1,740 pieces at a price of EUR 7.26 on the 28th of November 2008 and 1840 shares at a price of EUR 7.06 on the 29th of December 2008.

The Management Board is authorised to use the own shares with prior consent of the Supervisory Board as reward to third parties in the framework of the acquisition of companies or participations in companies or the business combination with companies or to withdraw the shares.

(1) Conditional capital

At the Annual General Meeting of the 28th of May 2001, it was decided that for the use of an employee option programme the conditional capital of the company should be increased by up to EUR 263,141.00 through the issuing of up to 263,141 new shares (conditional capital). The conditional capital increase is carried out only as far as subscriptionn rights on shares are issued and their holders exercise the given rights. In the business year of 2006, on the whole 95,044 shares are subscribed in the framework of an conditional capital increase (exercise of share options). The new shares participate in the profit from the beginning of the business year in which they are issued through the exercise of subscription rights. The Management Board is authorised to establish the further details of the exercise of the conditional capital increase with the consent of the Supervisory Board excluding the granting of subscription rights to:

– Members of the Management Board of the Essanelle Hair Group,
– members of the corporate management of certain subordinated connected companies and
– employees of the Essanelle Hair Group as well as certain subordinated connected companies.

After the expiry of this authorisation, the shareholders and representatives of shareholders have decided at the Ordinary Annual General Meeting of the 24th of June 2005 to authorise the Management Board till the termination of 6 months after the the Ordinary Annual General Meeting of the Essanelle Hair Group in 2008 to issue further subscription rights to beneficiaries. For members of the Management Board of the Essanelle Hair Group, the competence for granting subscription rights is held only by the Supervisory Board. As of the 31.12. 2009, no further rights issue were issued.

(2) Disclosed shareholdings according to section 160, clause 1, Nr 8 AktG*

Registrant	Date	Reason	Proportion of voting rights
Friseur Klier GmbH, Wolfsburg	08.12.09	Shortfall of a threshold value of 25, 20, 15, 10, 5 and 3% of the voting rights	0.00%
Saxonia Holding-Verwaltungs-GmbH, Wolfsburg	24.09.09	Shortfall of a threshold value of 75, 50, 30, 25, 20, 15, 10, 5 and 3% of the voting rights	0.00%
Uwe Grimminger, Germany	20.02.08	Shortfall of a threshold value of 3% of the voting rights	0.00%
Jürgen Tröndle, Germany	11.02.08	Shortfall of a threshold value of 3% of the voting rights	0.00%
Axxion S.A., Luxemburg-Munsbach/Luxemburg	22.02.08	Shortfall of a threshold value of 5 and 3% of the voting right	0.00%
Hubertus Klier, Wolfsburg	22.02.08	Exceeding of the threshold value of 50 and 75% of the voting rights	89.77%
Joachim Klier, Wolfsburg	22.02.08	Exceeding of the threshold value of 50 and 75% of the voting rights	89.77%
Saxonia Holding-Gesellschaft mbH & Co. KG, Wolfsburg	22.02.08	Exceeding of the threshold value of 50 and 75% of the voting rights	89.77%
INTRINSIC VALUE INVESTORS (IVI) LLP, 1 HAT & MITRE COURT, 88 ST JOHN STREET, LONDON, EC1M 4EL, UNITED KINGDOM	20.02.08	Shortfall of a threshold value of 5 and 3% of the voting rights	0.00%
IVI UMBRELLA FUND PLC	20.02.08	Shortfall of the threshold of 5 and 3% of the voting right	0.00%
Ratio European Fund	20.02.08	Shortfall of the threshold value of 5 and 3% of the voting right	0.00%
MAC Lochsong 19A Limited	20.02.08	Shortfall of the threshold value of 3% of the voting right	0.00%
Ratio Asset Management LLP, London, Great Britain	20.02.08	Shortfall of the threshold value of 10.5 and 3% of the voting right	0.00%
FPM Funds SICAV, Luxemburg	09.02.07	Shortfall of the threshold value of 3% of the voting right	1.67%
Fortis Investment Management S.A., Brüssel/Belgien	22.05.07	Exceeding of the threshold value of 5% of the voting rights	5.07%
Threadneedle Investment Funds ICVC, London/Great Britain, the voting rights have to be attributed to the following companies: Threadneedle Investment Services Limited, Threadneedle Asset Management Limited – both with head office in London/Great Britain, Threadneedle Asset Management Holding Limited, London/Great Britain and the Ameriprise Financial Inc., Minneapolis/USA	04.04.07	Shortfall of the threshold value of 3% of the voting right	2.93%
dit German Investment-Trust Company for Investment in Securities mbH, Frankfurt am Main	21.11.06	Shortfall of the threshold value of 5% of the voting right	3.56%
INVESTMENTS IV-A CUSTODIAN B.V., Netherlands, for accounting of the Halder INVESTMENTS IV-A C.V., Netherlands	29.04.05	Shortfall of the threshold value of 10 and 5% of the voting right	3.79%
Municipial Savings Bank Cologne	24.11.04	Shortfall of the threshold value of 5% of the voting right	1.56%

*Since shareholdings under 5% were not subject to mandatory disclosure in the past, it might be possible that shareholdings of these investors partly do not exist anymore.

(3) Share options

On the basis of the share option programme passed at the Annual General Meetings in the years between 2003 and 2006 on the 29.9 of each year, subscription rights were granted to employees and the Management Board in 4 tranches. These subscription rights issues are connected to the following conditions:

Underlying	individual share certificate of the Essanelle Hair Group
Subscription right	right to obtain an individual share of the Essanelle Hair Group at the exercise price
Exercise price	Average of the closing price of the Essanelle share in XETRA trading on the first ten commercial days of the month in which the subscription right is granted
Objective target of success	For the exercise of the subscription rights, an absolute and relative objective target is valid: – The price of the share of Essanelle Hair Group must have increased in the period between issuing and exercising of the subscription rights by an average of at least 1% per month (absolute objective target) – The price of the share of Essanelle Hair Group must have increased in the period between issuing and the exercising of the subscription rights in a proportion equal or higher or in a proportion equal or lower than the SDAX index (relative objective target)
Holding period	The holding period starts with the issuing of the subscription rights and ends with the start of the first period of exercise after the termination of two years after the issuing of the subscription rights.
Term	The term starts with the issuing of the subscription rights and ends with the beginning of the first period of exercise after the termination of two years after the issuing.
Period of exercise	The period of exercise starts with the trading day and ends with the twentieth trading day after the annual ordinary General Meeting and after the publication of a quarterly report for the third quarter of the business year.

In 2003, 60,928 subscription rights of tranche I with an exercise price of EUR 2.53 were assigned. Of these options, in 2006 58,563 individual shares are held by employees. The weighted average quotation on the day of exercise corresponds to EUR 7.72.

In 2004, 40,620 rights issues of tranche II with an exercise price of EUR 3.98 were assigned. Of these options, 36,481 individual shares are held by employees. The weighted average price on the day of the exercise corresponds to EUR 8.49.

In 2005, 138,072 subscription rights of tranche II with an exercise price of EUR 6.88 were assigned. It was not exercised until now.

In 2006 87,623 rights issues of trance IV with the exercise price of EUR 7.75 were assigned.

In 2007, this total (trance IV) was reduced by 19,838 pieces because of the retirement of beneficiaries from the company.

In 2008 there was no further change regarding the total number of subscription rights.

In 2009, 6.504 subscription rights expired due to over time.

The status of the options still outstanding is illustrated in the following table:

	Total	Tranche I	Tranche II	Tranche III	Tranche IV
Issued options	613,679	134,198	87,898	229,500	162,083
Non accepted options	-286,436	-73,270	-47,278	-91,428	-74,460
Accepted options	327,243	60,928	40,620	138,072	87,623
Exercise in 2006	-95,044	-58,563	-36,481	0	0
Expiry because of over time	-6,504	-2,365	-4,139	0	0
Decay because of termination of employment	-19,838	0	0	0	-19,838
Not yet exercised	205,857	0	0	138,072	67,785
Expiration date		**25 July 2008**	**24 July 2009**	**23 July 2010**	**22 July 2011**

The subscription rights were valuated at the grant date with a Monte-Carlo simulation, which considered the absolute and relative objective target of the option plans. The following parameters were integrated in the valuation of options:

	Tranche I	Tranche II	Tranche III	Tranche IV
Share price	2.55 €	4.00 €	7.44 €	7.63 €
Exercise price	2.53 €	3.98 €	6.88 €	7.75 €
Volatility Essanelle	70.92%	61.69%	57.73%	53.56%
Volatility SDAX	12.26%	11.64%	10.89%	11.43%
Correlation Essanelle/SDAX	0.3221	0.3083	0.3585	0.3779
Term	4.82 Jahre	4.82 Jahre	4.81 Jahre	4.81 Jahre
Risk-free interest rate	3.26%	3.27%	2.69%	3.56%
Expected dividend	0	0	0	0
Fair value per option on issue date	1.30	1.85	3.47	3.18
Fair value total	79,206.40	75,147.00	479,109.84	215,556.30

The fair value of services offered by the staff as reward for granting of options was recorded completely as expense till 2008.

For the 95,044 pieces of subscription rights issues in 2006, on the whole EUR 293,358.77 was received.

Differentiated according to individual share option programmes, the reserve is composed as follows:

	Total	Tranche I	Tranche II	Tranche III	Tranche IV
Total reserve according to plan (100%)	849,019.54	79,206.40	75,147.00	479,109.84	215,556.30
Status of the reserve as at the 31.12.2009	849,019.54	79,206.40	75,147.00	479,109.84	215,556.30

The pro rata temporis created reserve was calculated as follows:

€	2009	2008
As of 01.01.	849,019.54	768,136.33
Inflow according to accrual plan	0.00	80,883.21
As of 31.12.	**849,019.54**	**849,019.54**

From the disclosed inflow EUR 0 (previous year EUR 0) apply to the third tranche and EUR 0 (previous year EUR 80,883.21) to the fourth tranche.

(4) The share

Illustration and development of the share price and the number of issued shares

€	2009	2008
Annual maximum	9.00	9.80
Annual minimum	5.50	6.60
Year-end	7.90	7.45
Number of individual shares	4,595,044	4,595,044
Own shares thereof	72,203	72,203

14 CAPITAL RESERVE

The capital reserve comprises the cash- premiums on various capital increases as well as the decrease by the public offering costs. The amount not attributable to subscribed capital from the acquisition of own shares was deducted from the capital reserve.

€	2009	2008
Premiums on from cash deposits of the former GmbH associates because of capital increases	5,892,650.58	5,892,650.58
Agio for going public	11,209,912.92	11,209,912.92
Public offering costs (after taxes)	-1,966,489.28	-1,966,489.28
	15,136,074.22	15,136,074.22
Acquisition of own shares	-465,709.36	-400,061.88
Capital increase through the payment in the framework of excercised share options (tranches I + II)	198,314.77	198,314.77
Value of services of the employees in employee share option programmes	849,019.54	768,136.33
As of 1.1	15,717,699.17	15,702,463.44
Acquisition of own shares	0.00	-65,647.48
Value of services of employees in employees share option programmes	0.00	80,883.21
As of 31.12	**15,717,699.17**	**15,717,699.17**

15 REVENUE RESERVES

The profit reserves developed as follows:

€	2009	2008
As of 01.01	10,357,743.59	8,979,264.34
Distribution of dividends	-2,261,420.52	-2,267,521.16
Consolidated net income	3,206,710.72	3,646,000.41
As of 31.12	**11,303,033.79**	**10,357,743.59**

The distribution of dividends of EUR 0.50 per share at a share volume of 4,522,841 individual share certificates was effected.

16 FINANCIAL DEBT

€	31 Dec. 2009			
	Total	Remaining time to maturity up to 1 year	Remaining time to maturity 1 to 5 years	Remaining time to maturity over 5 years
Liabilities to banks	1,423,962.71	636,067.99	787,894.72	0.00
Liabilities from finance-leasing	495,762.83	388,324.47	107,438.36	0.00
Investment loans by suppliers	2,914,119.90	1,162,001.16	1,752,118.74	0.00
Other financial loans	1,440,980.68	1,000,000.00	440,980.68	0.00
	6,274,826.12	**3,186,393.62**	**3,088,432.50**	**0.00**

€	31 Dec. 2008			
	Total	Remaining time to maturity up to 1 year	Remaining time to maturity 1 to 5 years	Remaining time to maturity over 5 years
Liabilities to banks	2,072,527.96	654,106.92	1,418,421.04	0.00
Liabilities from finance-leasing	1,061,468.42	630,460.37	431,008.05	0.00
Investment loans by suppliers	2,671,361.21	881,437.42	1,789,923.79	0.00
Other financial loans	2,607,842.60	1,130,846.40	1,476,996.20	0.00
	8,413,200.19	**3,296,851.11**	**5,116,349.08**	**0.00**

In the following tables, the contractually agreed (undiscounted) interest and principal payments of financial debts of the Essanelle Hair Group are listed.

€	31 Dec. 2009			
	Total	Cash flows 2010	Cash flows 2011 to 2014	Cash flows after 2014
Liabilities to banks	1,471,654.82	669,115.36	802,539.46	0.00
Liabilities from finance-leasing	516,051.34	406,193.52	109,857.82	0.00
Investment loans by suppliers	3,086,276.20	1,249,400.25	1,836,875.95	0.00
Other financial loans	1,463,775.42	1,019,637.13	444,138.29	0.00
	6,537,757.78	**3,344,346.26**	**3,193,411.52**	**0.00**

€	31 Dec. 2008			
	Total	2009	Cash flows 2010 to 2013	Cash flows after 2013
Liabilities to banks	2,224,369.20	731,911.92	1,492,457.28	0.00
Liabilities from finance-leasing	1,124,138.54	677,821.02	446,317.52	0.00
Investment loans by suppliers	2,847,623.01	973,070.32	1,873,550.13	1,002.56
Other financial loans	2,741,798.68	1,213,730.65	1,528,068.03	0.00
	8,937,929.43	**3,596,533.91**	**5,340,392.96**	**1,002.56**

The interest rates contained in the cash flows concern fixed and variable shares:

€	31 Dec. 2009			
	Total interest	Interest rate in the cash flow 2010	Interest rate in the cash flows 2011 to 2014	Interest rate in the cash flow after 2014
Liabilities to banks				
Fixed interest rate	19,342.11	15,197.37	4,144.74	0.00
Variable interest rate	28,350.00	17,850.00	10,500.00	0.00
Liabilities from finance-leasing				
Fixed interest rate	20,288.51	17,869.05	2,419.46	0.00
Investment loans from suppliers				
Fixed interest rate	172,156.30	87,399.09	84,757.21	0.00
Other financial loans				
Variable interest rate	22,794.74	19,637.13	3,157.61	0.00
	262,931.66	**157,952.64**	**104,979.02**	**0.00**

€	31 Dec. 2008			
	Total interest	Interest rate in the cash flow 2009	Interest rate in the cash flows 2010 to 2013	Interest rate in the cash flow after 2013
Liabilities to banks				
Fixed interest rate	45,592.11	26,250.00	19,342.11	0.00
Variable interest rate	106,249.13	51,555.00	54,694.13	0.00
Liabilities from finance-leasing				
Fixed interest rate	62,670.12	47,360.65	15,309.47	0.00
Investment loans from suppliers				
Fixed interest rate	176,261.80	91,632.90	83,626.34	1,002.56
Other financial loans				
Variable interest rate	133,956.08	82,884.25	51,071.83	0.00
	524,729.24	**299,682.80**	**224,043.88**	**1,002.56**

Liabilities to banks

The liabilities to banks are composed as follows:

€	31 Dec. 2009			
	Interest rate	Total	Short-term	Long-term
HypoVereinsbank. Nürnberg	Euribor + 1.25	1,055,541.67	425,541.67	630,000.00
Gladbacher Bank. Mönchengladbach	Fixed 5.25%	368,421.04	210,526.32	157,894.72
		1,423,962.71	**636,067.99**	**787,894.72**

€	31 Dec. 2008			
	Interest rate	**Total**	**Short-term**	**Long-term**
HypoVereinsbank, Nürnberg	Euribor + 1.25	1,493,580.60	443,580.60	1,050,000.00
Gladbacher Bank, Mönchengladbach	Fixed 5.25%	578,947.36	210,526.32	368,421.04
		2,072,527.96	**654,106.92**	**1,418,421.04**

In order to guarantee the liquidity of the ESSANELLE group at any time, a liquidity reserve in form of a credit line is provided.

For this purpose, credit agreements with a total volume of EUR 2.5 million (previous year EUR 3.5) have been made. Thereof, on the accounting date EUR 2.5 million (previous year EUR 3.5 million) have not been used.

Loan securities for bank credits were not given.

Liabilities from finance leasing

In the last years, ESSANELLE has furnished the salons partially through finance –leasing. This was carried out in the framework of Sale-and-Lease-back businesses as well as through direct leasing of fixed assets. The leasing contracts are capitalised according to the duration and conditions as tangible assets and rendered as financial debts. The planned amortisations are based on an estimated useful life of three to ten years. The redemption of liabilities is carried out in the framework of the leasing contracts within periods between 4 to 5 years. As at the accounting date leased salon fittings in the amount of EUR 1,498,114.04 (previous year EUR 1,978,245.09) are available. Leasing liabilities stand at EUR 495,762.83 (previous year EUR 1,061,468.42). The liabilities are to various leasing companies and are discounted at between 6% and 11% per year (previous year between 5% and 11%).

€	2009		2008	
	Nominal value	**Discounted value**	**Nominal value**	**Discounted value**
Remaining time to maturity up to 1 year	406,193.52	388,324.47	677,821.02	630,460.37
Remaining time up to maturity 1 to 5 years	109,857.82	107,438.36	446,317.52	431,008.05
Remaining time over 5 years	0.00	0.00	0.00	0.00
	516,051.34	**495,762.83**	**1,124,138.54**	**1,061,468.42**

Investment loans from suppliers

The loans serve for financing investments in new salons. They are due in a time period of 1 to 5 years. As security the salon fittings purchased with loans were protected by a prolonged reservation of proprietary rights in favour of the seller. The interest rates for financings concluded in the years 2000 to 2005 were equal to 2.9% and for financings since 2006 equal to 3.5%.

Other financial debts

Two loans are concerned from one supplier which have to be paid back quarterly within the next two years. Discounting is carried out with the 3-months Euribor plus 0.5% or 1.2%, whereas interest payments take place at the end of the quarter.

The indicated values correspond to the fair values. Extraordinary repayments are possible for all loans.

Additional disclosures to the financial instruments according to IAS 39

€	Measurement category according to IAS 39	Carrying amount Total **	Transition to carrying amount No financial instruments	Valuation according to IAS 39 *	Valuation according to IAS 17
31 Dec. 2009					
ASSETS					
Other loans	LaR	97,191.24	0.00	97,191.24	0.00
Accounts receivable	LaR	165,296.57	0.00	165,296.57	0.00
Other assets	LaR	548,070.91	479,445.18	68,625.73	0.00
Cash and cash equivalents	LaR	5,020,732.58	0.00	5,020,732.58	0.00
LIABILITIES					
Financial debts	FLAC	6,274,826.12	0.00	5,779,063.29	495,762.83
Accounts payable	FLAC	4,477,410.53	0.00	4,477,410.53	0.00
Other liabilities	FLAC	2,885,634.05	2,692,342.18	193,291.87	0.00
31 Dec. 2008					
ASSETS					
Other loans	LaR	87,256.74	0.00	87,256.74	0.00
Accounts receivable	LaR	176,377.58	0.00	176,377.58	0.00
Other assets	LaR	532,706.00	512,706.00	20,000.00	0.00
Cash and cash equivalents	LaR	5,600,168.26	0.00	5,600,168.26	0.00
LIABILITIES					
Financial debts	FLAC	8,413,200.19	0.00	7,351,731.77	1,061,468.42
Accounts payable	FLAC	4,399,960.59	0.00	4,399,960.59	0.00
Other liabilities	FLAC	2,987,225.77	2,595,668.84	391,556.93	0.00

LaR = Loans and Receivables

FLAC = Financial Liabilities Measured at Amortised costs (FLAC)

* the valuation according to IAS 39 concerns only amortised acquisition costs

** the disclosed book values correspond to the Fair Value

17 DEFERRED TAX ASSETS/LIABILITIES

Composition

€	31 Dec. 2009	31 Dec. 2008
Deferred tax liabilities	4,297,354.57	3,747,354.57

Deferred tax liabilities and undertakings are generally balancing if an enforceable right is at hand to balance the continuous tax undertakings against the current tax liabilities and if the deferred taxes are to be paid to one and the same tax entity. On the accounting dates 31.12.2009 and 31.12.2008 only deferred tax liabilities were at hand.

Deferred tax liabilities concern the following balance sheet items:

€k	31 Dec. 2009 assets	31 Dec. 2009 liabilities	31 Dec. 2008 assets	31 Dec. 2008 liabilities
Deferred tax liabilities on balance sheet items				
Goodwill (long-term)	0	3,623	0	3,028
Property, plant and equipment (long-term)	0	684	0	879
Pension provisions (long-term)	12	0	10	0
Other provisions				
Short-term	0	0	0	28
Long-term	0	150	0	140
Liabilities from finance leasing				
Short-term	116	0	189	0
Long-term	32	0	129	0
	160	4,457	328	4,075
Net balances	-160	-160	-328	-328
	0	**4,297**	**0**	**3,747**

In the short-term positions, a realisation within 12 month is assumed.

The expenses from deferred taxes have afflicted the income statement as follows:

€	2009	2008
Increase of deferred business tax liabilities due to the increase of the IFRS capital gain	257,000.00	184,842.00
Increase of deferred corporate income tax due to the increase of the IFRS capital gain	293,000.00	239,512.57
Decrease (previous year) of the deferred corporate income tax from the adaptation to the tax declaration	0.00	166,000.00
	550,000.00	**590,354.57**

18 PENSION PROVISIONS

It concerns two single commitments to a current and a former member of the Management Board. The resulting obligations are classified as Defined Benfit Pension Promises.

The provision amount in the balance sheet is identified as follows:

€	2009	2008
Present of the obligations	879,252.00	698,202.00
Fair value of the plan asset	-83,099.00	-596,981.00
Non recognised actuarial profit	8,006.00	53,143.00
As of 31.12	**804,159.00**	**154,364.00**

Development of present value of the obligations:

€	2009	2008
1.1	698,202.00	673,414.00
Current service cost	55,428.00	57,850.00
Interest cost	43,638.00	35,354.00
Actuarial loss (previous year profit)	85,035.00	-68,416.00
Pension payments	-3,051.00	0.00
	879,252.00	**698,202.00**

EUR 236,475 of the joint and several liability are allotted to a plan which is partly covered by plan assets ("funded plan") and EUR 642,777 are allotted to a plan which is not covered by plan assets ("unfunded plan").

Development of the plan asset:

€	2009	2008
1.1	596,981.00	508,615.00
Payment of liability insurance to Essanelle for a beneficiary after pension commitments	-531,429.00	0.00
Contributions	17,547.00	81,092.00
Expected Return on Plan Assets	24,010.00	19,680.00
Actuarial loss	-24,010.00	-12,406.00
As of 31.12	**83,099.00**	**596,981.00**

The plan asset concerns asset values from liability insurances at AXA life insurance AG and Swiss Life. The AXA bonus was paid out to Essanelle on the 17th of December 2009. The outflow from plan asset accounts for EUR 531,429.00 and the insurance reimbursement to EUR 536,782.81. In the business year 2010 presumably kEUR 24 will be paid into the plan asset.

In the comparison of different years, pension provisions are defined as follows since the change to IFRS:

€	2009	2008	2007	2006	2005
Present value of the obligations	879,252.00	698,202.00	673,414.00	704,210.00	586,515.00
Fair value of the plan asset	-83,099.00	-596,981.00	-508,615.00	-405,594.00	-318,717.00
Non recognised actuarial losses- (or profits)	8,006.00	53,143.00	-4,723.00	-118,639.00	-103,053.00
31.12	**804,159.00**	**154,364.00**	**160,076.00**	**179,977.00**	**164,745.00**

The following amounts were recorded in the income statement:

€	2009	2008
Current working times expenses	55,428.00	59,401.00
Interest expenses	43,638.00	38,574.00
Expected income on Plan Assets	-24,010.00	-22,433.00
Amortisation of actuarial losses	63,908.00	-162.00
	138,964.00	**75,380.00**

The recorded amounts in the provisions in the balance sheet have developed as follows:

€	2009	2008
Beginning of the year	154,364.00	160,076.00
Payment of plan asset to ESSANELLE in the context of pension commitments to a beneficiary	531,429.00	0.00
Total expenses recorded in the income statement	138,964.00	75,380.00
Endowment of plan asset	-17,547.00	-81,092.00
Payment of pensions	-3,051.00	0.00
As of 31.12	**804,159.00**	**154,364.00**

The following essential actuarial disclosures have been made:

	2009	2008
Discount rate	5.40%	6.25%
Expected income from plan assets	4.1% or 0%	4.2 or 4.0%
Future salary increases	2% or 0%	2% or 0
Future pension increases	2% in each case	2% in each case

An accrual related to a pension commitment to a former member of the Management Board is composed as follows:

	31 Dec. 2009		
€	Obligation	Development plan asset	Accrual
1 Jan. 2009	-141,766.58	141,766.58	0.00
Participant Contribution	-5,751.42	5,751.42	0.00
Actuarial profit/loss	0.00	0.00	0.00
31 Dec. 2009	**-147,518.00**	**147,518.00**	**0.00**

	31 Dec. 2008		
€	Obligation	Development plan asset	Accrual
1 Jan. 2008	0.00	0.00	0.00
Participant Contribution	-144,511.00	144,511.00	0.00
Actuarial profit/loss	2,744.42	-2,744.42	0.00
31 Dec. 2008	**-141,766.58**	**141,766.58**	**0.00**

19 OTHER LONG-TERM PROVISIONS:

€	31 Dec. 2009	31 Dec. 2008
Anniversary provisions	179,000.00	189,000.00
Provisions for obligations to reverse constructional changes	598,235.14	595,916.10
	777,235.14	**784,916.10**

Provision schedule of long-term provisions:

€	Anniversary provisions	Obligations to reverse constructional changes
As of 1 Jan. 2009	189,000.00	595,916.10
Claim	-73,249.50	-36,194.29
Release	0.00	-5,877.91
Inflow	63,249.50	44,391.24
As of 31 Dec. 2009	**179,000.00**	**598,235.14**

The anniversary provisions cover financial obligations to employees from expected service anniversaries.

Like in the previous year, the accrual for anniversaries was created on the basis of experiences considering a fluctuation and withholding tax on interest.

The accrual for obligations to reverse constructional changes covers existing renovation costs that will come up in hairdressing salons after the termination of the minimum lease period and to which the company is contractually obliged.

The inflow equal to kEUR 15 (previous year kEUR 27) falls upon impacts on interests with the rest relating to salon locations. Like in the previous year, an interest rate of 6% is taken as basis.

20 ACCOUNTS PAYABLE

In general, liabilities to suppliers of the current hair salon market products are concerned.

21 CURRENT INCOME TAX LIABILITIES

€	31 Dec. 2008/ 1 Jan. 2009	Claims	Release	Inflows	31 Dec. 2009
Corporate income tax and business taxes 2004-2006	272,648.48	-272,648.48	0.00	0.00	0.00
Business tax 2007	262,507.98	-262,507.98	0.00	29,984.00	29,984.00
Corporate income tax 2007	149,198.42	-65,258.56	-83,939.86	0.00	0.00
Business tax 2008	997,421.36	-165,205.44	0.00	35,695.64	867,911.56
Corporate income tax 2008	442,000.00	0.00	0.00	50,755.00	492,755.00
Business tax 2009	0.00	0.00	0.00	89,736.74	89,736.74
Corporate income tax 2009	0.00	0.00	0.00	400,484.90	400,484.90
	2,123,776.24	**-765,620.46**	**-83,939.86**	**606,656.28**	**1,880,872.20**

The remaining time to maturity of current taxes is equal to less than one year.

22 OTHER LIABILITIES

Further short-term liabilities are structured as follows:

€	31 Dec. 2009	31 Dec.2008
Social security contributions	2,466.86	2,170.02
Liabilities from sales taxes	1,554,951.10	1,317,059.01
Liabilities to employees from salaries. wages and commissions yet to be paid	309,617.45	373,101.46
Liabilities from rental contracts	193,291.87	391,556.93
Corporate income and business taxes 2004-2006	292,144.28	0.00
Salary and sales taxes from the social insurance audit	105,400.00	0.00
Salaries and church taxes to be paid in 2009 (2008)	358,865.21	406,245.71
Accrual for construction costs and other allowances to contractual partners	0.00	456,600.00
Other	68,897.28	40,492.65
	2,885,634.05	**2,987,225.78**

With the exception of rental liabilities, non-financial liabilities are concerned.

23 OTHER SHORT-TERM PROVISIONS

Composition and development of other short-term provisions:

€	1 Jan. 2009	Claims	Release	Inflows	31 Dec. 2009
Staff accruals	1,828,038.61	-1,669,116.23	-138,322.38	1,220,831.50	1,241,431.50
Subscriptions and customer bonuses	837,483.76	-837,483.76	0.00	945,900.00	945,900.00
Other	1,149,736.09	-745,253.75	-92,457.73	739,511.79	1,051,536.40
	3,815,258.46	**-3,251,853.74**	**-230,780.11**	**2,906,243.29**	**3,238,867.90**

Staff provisions cover the usual obligations to employees (remaining leave days, outstanding remunerations, compensations etc.).

The provision for liabilities from customer bonuses covers claims of customers from prepaid but not yet redeemed subscriptions as of the accounting date as well as bonuses for hairdressing services.

The other short-term provisions contain provisions for energy costs (kEUR 493, previous year kEUR 505) and outstanding purchase invoices (kEUR 230, previous year kEUR 237).

All other short-term provisions will presumably lead to expenses in the first quarter of 2010.

24 SALES

The Group sales structure is as follows:

€	2009	2008
Revenues from services	106,028,533.28	107,408,309.15
Sales revenues	21,356,025.13	21,194,008.17
Revenues from rents	365,906.50	376,464.11
Other revenues	208,334.86	181,927.48
	127,958,799.77	**129,160,708.91**

The revenues were generated only on a national level.

25 OTHER OPERATING INCOME

Composition:

€	2009	2008
Income from rental service charges	351,724.46	417,571.01
Income from release of provisions	236,658.02	334,169.26
Incomefrom asset disposals	1,499.11	1,023.36
Income from release of single adjustments on receivables from supplies and services	21,333.45	2,122.49
Income from statute-barred debts	145,270.32	36,444.14
Other income	471,107.90	292,374.71
	1,227,593.26	**1,083,704.97**

26 COST OF MATERIALS

The cost of materials includes the following:

€	2009	2008
Expenses for goods purchased	10,546,895.15	10,738,053.70
Reduction of adjustments on the inventory (Previous year increase)	-3,030.00	6,260.00
	10,543,865.15	**10,744,313.70**

27 STAFF EXPENSES

The staff expenses are comprised as follows:

€	2009	2008
Salaries and wages	58,315,459.93	57,762,915.42
Social security contributions	12,327,746.31	12,105,755.16
Pension expenses for benefit plans	137,571.55	44,671.01
Expenses from the allocation of provisions for share options	0.00	80,883.21
Compensations on the occasion of termination of employment	40,700.00	306,799.76
	70,821,477.79	**70,301,024.56**

Contributions for the obligatory pension insurance: kEUR 5,815 (previous year kEUR 5,742).

28 DEPRECIATION AND AMORTISATION

Composition:

€	2009	2008
Scheduled depreciation and amortisation		
Amortisations on other intangible assets	72,409.71	79,779.59
Depreciation on proprietary salon furnishings	4,746,691.73	4,380,492.34
Depreciation on leased salon furnishings	570,133.55	738,019.52
	5,389,234.99	**5,198,291.45**

29 RENTS AND ADDITIONAL PROPERTY EXPENSES

Composition:

€	2009	2008
Rents hair salons and head office in Düsseldorf	21,292,932.57	20,646,837.91
Additional property expenses	3,668,280.86	3,482,685.04
	24,961,213.43	**24,129,522.95**

30 OTHER OPERATING EXPENSES

Other operating expenses comprise:

€	2009	2008
Depreciation of receivables	0.00	23,468.55
Losses from the outflow of objects of the asset values	18,759.32	93,910.40
Operating requirements	589,884.77	576,031.14
Advertising and sales promotion	1,771,213.76	2,846,286.37
Training of employees	132,220.74	283,361.92
Vehicle costs	589,697.67	620,702.87
Computer costs	1,025,920.57	1,113,819.93
Legal and consultancy fees	659,310.41	868,153.95
Bank fees	337,656.88	329,638.42
Phone. office material. print objects	574,316.77	667,631.14
Travel costs and hospitality	444,292.56	470,299.40
Insurances	116,000.69	115,656.53
Cleaning services	144,534.33	201,013.00
Postal charge. TV and radio license	227,799.69	295,597.63
Energy costs. electricity	1,775,532.03	1,442,127.03
Others	3,142,163.36	2,973,299.97
	11,549,303.55	**12,920,998.25**

31 FINANCING INCOME

This item relates to interest income of EUR 2k on loans (previous year: EUR 2k), interest income of EUR 0k (previous year: EUR 3k) on taxes and to interest income of EUR 13k on short-term bank deposits and other current receivables (previous year: EUR 99k).

32 FINANCING EXPENSES

Pension interest rates equal to kEUR 44 (previous year kEUR 38), interest rates from obligations to reverse constructional changes of kEUR 15 (previous year kEUR 27), interest rates from taxes equal to kEUR 21 (previous year kEUR 25) and interest rate expenses from financial debts at kEUR 344 (previous year kEUR 587) are concerned.

33 NET RESULTS ACCORDING TO THE VALUATION CATEGORIES (IAS 39/17)

	2009			2008
€	Interests	Changes adjustments	Total	Total
Loans and receivables				
Other loans	1,722.07		1,722.07	2,447.73
Cash and cash equivalents	12,948.22		12,948.22	102,595.76
Accounts receivable		-21,333.45	-21,333.45	-21,346.06
Financial Liabilities valuated at amortised Cost				
Liabilities to banks	-60,492.73		-60,492.73	-57,336.07
Leasing liabilities	-51,976.36		-51,976.36	-87,151.33
Loans from suppliers	-226,599.15		-226,599.15	-442,549.83
	-324,397.95	**-21,333.45**	**-345,731.40**	**-503,339.80**

The interests from financial instruments are disclosed in the interest result.

Changes of the adjustments on receivables from supplies and services are disclosed under other operating income and expenses.

34 TAX EXPENSES

€	2009	2008
Actual taxes		
Business taxes previous years	237,761.62	132,967.81
Corporate income tax previous years	-74,211.65	56,229.39
Corporate income tax current year	579,900.00	776,000.00
Business tax current year	1,011,100.00	1,175,779.18
	1,754,549.97	2,140,976.38
Deferred taxes		
Deferred corporate income taxes current year	293,000.00	405,512.57
Deferred business tax current year	257,000.00	184,842.00
	550,000.00	590,354.57
	2,304,549.97	**2,731,330.95**

Deferred taxes were considered with a percentage of 30% (previous year 30%). This corresponds to a business rate of taxation of 14% (previous year 14%), a corporate income tax rate of 15% (previous year: 15%) as well as a solidarity overhead of 5.5% (previous year 5.5%). Furthermore, in 2008 the charge-off of activated corporate income taxes from carrying forward non-claimable losses with kEUR 166 was contained in the expenses from deferred taxes.

The development of the tax expenses 2009 (2008) is illustrated in the following reconciliation:

€k	2009	2008
Earnings before taxes	5,511	6,377
Tax based on a 30% rate (previous year 30%)	1,653	1,913
Profit tax according to income statement	2,304	2,731
Plus effect from the adaptation of the active deferred taxes on the reassessment of tax debit statements	0	-166
Minus income tax on tax modifications	-487	-463
Minus taxes of previous year	-164	-189
	1,653	**1,913**

The effective rate of taxation corresponds to 41.8% (previous 42.8%).

35 EARNINGS PER SHARE

(1) Basic

	2009	2008
Earnings attributed to the providers of equity	3,206,710.72	3,646,000.41
Average number of issued shares	4,533,115	4,533,115
Basic earnings per share (EUR per share)	**0.71**	**0.80**

The basic earnings per share is identified as ratio between corporate result and weighted average of the circulating number of shares during the business year.

(2) Diluted

	2009	2008
Earnings attributed to the providers of equity	3,206,710.72	3,646,000.41
Average number of issued shares	4,534,984	4,535,339
Diluted earnings per share (EUR per share)	**0.71**	**0.80**

In the valuation of the diluted earnings per share, the number of the issued shares was increased so that employees could still hold subscription rights from the share option programme and simultaneously the number was reduced by the number of shares which in exercising these subscription rights the company would have to buy back at the average price of the business year.

36 DIVIDEND PER SHARE

In 2009 the dividend distribution for 2008 took place . A dividend of EUR 0.50 per share was distributed, resulting in a total of EUR 2,261,420.50 at a total volume of 4,522,841 individual shares. According to the suggestion of the Management Board of Essanelle, in 2010 a dividend payment in the amount of EUR 0.50 per share should also be applied for the year 2009.

37 CASH FLOW STATEMENT

The cash flow statement reveals the change in financial means in the course of the business year through the outflow and inflow of funds. In accordance with the IAS 7 there is a distinction of payment flows in current business activities, from investments and financial activities.

The cash flow statement was established according to the indirect method and is illustrated in addendum II/4.

Inflows of funds from operating activities are as follows:

€k	2009	2008
Consolidated annual earnings	**3,207**	**3,646**
Adjustments for ...		
Taxes (explanation 34)	2,305	2,731
Depreciation of property, plant and equipment (explanation 6)	5,317	5,119
Amortisations intangible assets (explanation 7)	72	80
Profits/losses from the sale of tangible assets	18	93
Expenses share option programme (explanation 13)	0	81
Interest income (explanation 31)	-15	-105
Interest expenses (explanation 32)	425	678
Changes in Working Capital		
Inventories (explanation 9)	191	-394
Accounts receivable and other receivables (explanation 10)	11	38
Provisions (explanation 18,19 and 23)	66	-648
Other financial assets (explanation 11)	-15	388
Accounts payable and other liabilities (explanation 20 to 22)	-305	1,048
Payment inflow from the business activity	**11,277**	**12,755**

The proceeds recorded in the cash flow statement from the sale of property, plant and equipment comprises:

€k	2009	2008
Net carrying amount	164	126
Losses from the sale of property, plant and equipment	-18	-93
Proceeds from the sale of property, plant and equipment	**146**	**33**

The financial funds comprise the cash amount disclosed in the balance sheet, bank credits as well as payments from the salons, which are still in transfer.

38 OTHER FINANCIAL OBLIGATIONS

(1) Operating Lease

The Group leases various shops as hair salons in the framework of non-redeemable Operate-Lease terms. These leasing contracts reveal different conditions, rent increase clauses, in general connected to the consumer price index for Germany and options for prolongation, e. g. for one or two optional extensions over a certain period of time. The leasing expenses for salons accounted for kEUR 21.284 (previous year kEUR 20.647).

The group also leases cars and various equipments. The leasing expenses for these tangible assets accounted for kEUR 297 (previous year kEUR 279).

The following table illustrates the existing future, non-terminable leasing payments (Operating Lease):

€	31 Dec. 2009	31 Dec. 2008
Remaining time to maturity up to 1 year	19,187,967.82	18,140,343.19
Remaining time to maturity 1 to 5 years	55,460,633.25	40,710,063.69
Remaining time to maturity more than 5 years	25,858,203.60	13,866,909.49
	100,506,804.67	**72,717,316.37**

(2) Purchase obligations from contracts with suppliers

The obligations deriving from binding orders of tangible assets are only secondary like in the previous year.

39 FINANCIAL INSTRUMENTS

The disclosed financial instruments of the company comprise various risks.

On the asset-side, financial assets involve a risk of the drop-out of a debtor. On the liabilities side regarding the discountable liabilities there is a risk from variable components of discounting of liabilities or a complete variable discounting of liabilities (see our explanations on the discountable liabilities). Thereby qualified, the financial instruments are subject to a risk of interest rate changes. ESSANELLE does not use any derivative financial instruments.

40 BUSINESS TRANSACTION WITH ASSOCIATED COMPANIES AND INDIVIDUALS

The company has established an advisory contract with the shareholder and member of the Supervisory Board Jürgen Tröndle, on the 24th of February 1999 which was substituted by two new contracts on the 9th of February 2006. The remuneration applicable as of the effective date in 2009 accounted for kEUR 80 (previous year kEUR 80). Furthermore, travel costs of kEUR 1 (previous year kEUR 1) were reimbursed. Furthermore, to the company Tröndle hairline, remunerations for the provision of trainers for the training of ESSANELLE staff in the amount of kEUR 30 (previous year kEUR 12) were paid.

The total remunerations of the Management Board and the Supervisory Board are illustrated under 45.

Majority interest of the Saxonia Holding GmBH in ESSANELLE HAIR GROUP AG

There is a majority interest of the Saxonia Holding GmbH, former Saxonia Holding-Gesellschaft mbH & Co KG Wolfsburg in Essanelle. According to section 312 AktG the Management Board has published a report on the 30 March 2010 describing the relationship to associated companies.

Shareholdings by the Supervisory Board and the Management Board

The members of the Management Board and the Supervisory Board do not hold any shares in the Essanelle Hair Group as of 31st December 2009.

Regarding the remunerations of the Management Board and the Supervisory Board, please refer to section 45.

41 NUMBER OF EMPLOYEES

In the business year an average of 2,344 (previous year 2,441) full time employees, 1,620 (1,551) part-time employees and 243 (218) trainees were employed.

42 BREAKDOWN OF EXPENSES FOR THE GROUP AUDITOR ACCORDING TO SECTION 314 CLAUSE 1 NR. 9 GERMAN COMMERCIAL CODE HGB

The invoice for the group auditor recorded as expense in the business year according to section 319, clause 1, sentence 1,2 HGB accounts for:

€k	2009	2008
Annual audit	110	145
Other audit services	2	12
Tax advisory services	89	114
Other services	0	12
	201	**283**

43 EVENTS AFTER THE REPORTING DATE

Other events after the accounting date with important impacts on the asset, finance and profit situation are not at hand. At the same time, there are no areas for which in 2009 the cessation of activities is projected.

44 EXPLANATION ACCORDING TO THE GERMAN CORPORATE GOVERNANCE CODE

The compliance statement to the German Corporate Governance Code (DCGK) according to section 161 AktG was presented and can be accessed by the shareholders at any time via our website under www.essanelle-hair-group.com.

45 COMPENSATIONS OF SUPERVISORY BOARD AND MANAGEMENT BOARD

(1) Compensation of the Management Board

The total earnings of the Management Board in 2009 accounted for kEUR 913 (previous year kEUR 807). They were distributed as follows:

	2009			
€k	**Mansen**	**Bonk**	**Wiethölter**	**Total**
Basic salary, not performance-related	259	162	156	577
Management bonus, performance-related	178	57	57	292
In-kind benefit from use of the company car	17	13	14	44
	454	**232**	**227**	**913**

	2008				
€k	**Grimminger***	**Mansen**	**Bonk**	**Wiethölter**	**Total**
Standard salary, not performance-related	24	255	143	141	563
Management bonus, performance-related	-60	164	53	53	210
In-kind benefit from use of the company car	1	14	9	10	34
	-35	**433**	**205**	**204**	**807**

* resigned from his post with effect from 31 January 2008

Towards the member of the Management Board, Mr. Mansen, there are pension obligations. The accrual after deduction of the plan asset of kEUR 83 (previous year kEUR 66) accounts for kEUR 153 (previous year kEUR 101). The actuarial interest rate accounts for 5.4% (previous year 6.25%).

For Mr. Mansen, this results in a retirement pension starting from his 65th year of life in the amount of EUR 3,540.00 per month, an occupational disability payment in the amount of EUR 3,540.00 per month as well as a widow's pension equal to 60% of the obtained retirement pension. Furthermore, there is the possibility to apply for an orphan's pension.

An adjustment of the current pension at a 2% rate, based on the pension of the previous year, is guaranteed.

(2) Compensations for former executives

Towards the former member of the Management Board, Mr. Grimminger there are pension obligations. The accrual accounts for kEUR 651 (previous year kEUR 53 after deduction of the plan asset of kEUR 531).

Mr. Grimminger obtains a monthly pension after his 60th year of life starting from the 1st of December 2009 equal to EUR 3,051.45 from Essanelle Hair Group.

The liability insurance forming the previous plan asset was paid out to Essanelle Hair Group in December 2009.

The widow's pension accounts for 60% of the obtained retirement pension. An adjustment of the current pension equal to 2% based on the pension of the previous year is guaranteed.

An asset value of the liability insurance of kEUR 148 results from the deferred compensation of a pension commitment. The pension accrual was formed in a correspondent amount.

(3) Compensations of the Supervisory Board

The remuneration of the Supervisory Board is defined in the statute of ESANELLE HAIR GROUP AG. Each member of the Supervisory Board receives a fixed remuneration of EUR 10,000.00, paid for the past business year – besides the reimbursement of expenses and the reimbursement of sales taxes charged to the person because of his/her activity. The chairperson of the Supervisory Board receives two times as much, the deputy chairperson one and a half times as much as this fixed remuneration.

In the business year of 2009, remunerations in the amount of kEUR 146 (previous year kEUR 137) were paid.

RESPONSIBILITY STATEMENT OF THE LEGAL REPRESENTATIVES ACCORDING TO THE TRANSPARENCY DIRECTIVE IMPLEMENTATION ACT

"We assure to the best of our knowledge that according to the applicable principles for reporting, the consolidated financial statement is communicating an image which corresponds to the real situation of assets, liabilities, financial position and earnings and that in the consolidated annual report the course of business, including the results in business and the situation of the corporate group, are identified which communicate an image that corresponds to the real situation and also the essential opportunities and risks of the estimated development of the corporate group are described."

Düsseldorf, 30 March 2010

Achim Mansen	Dieter Bonk	Dirk Wiethölter
(Chairman of the Management Board)	(Management Board)	(Management Board)

BALANCE SHEET (HGB) as of 31 December 2009

ASSETS

€	31.12.2009	31.12.2008
A. FIXED ASSETS		
I. Intangible Assets		
1. Concessions. industrial and similar rights assets and licenses in such rights and assets	106,367.25	140,952.59
2. Goodwill	7,482,284.01	9,466,135.13
	7,588,651.26	**9,607,087.72**
II. Tangible Assets		
1. Office equipmnent including fixtures in rented premises	21,598,047.17	21,007,900.63
2. Prepayments	68,625.73	20,000.00
	21,666,672.90	**21,027,900.63**
III. Financial Assets		
1. Investments in subsidiaries	1.00	1.00
3. Other loans	97,191.24	87,256.74
	97,192.24	**87,257.74**
	29,352,516.40	**30,722,246.09**
B. CURRENT ASSETS		
I. Inventories		
Merchandise	6,805,052.90	6,996,124.66
	6,805,052.90	**6,996,124.66**
II. Receivables and other assets		
1. Accounts receivables	165,296.57	176,377.58
2. Other assets	2,578,031.89	2,314,821.60
	2,743,328.46	**2,491,199.18**
III. Current Investments		
Treasury Stock	554,251.52	537,912.36
	554,251.52	**537,912.36**
IV. Cash on hand, Balance with banks	**5,012,408.59**	**5,584,105.99**
	15,115,041.47	**15,609,342.19**
C. PREPAID EXPENSES	**167,065.19**	**140,230.51**
Total assets	**44,634,623.06**	**46,471,818.79**

SHAREHOLDERS’ EQUITY AND LIABILITIES

€	31.12.2009	31.12.2008
A. EQUITY		
I. Subscribed Capital	4,595,044.00	4,595,044.00
II. Capital Reserves	13,595,420.24	13,595,420.24
III. Surplus Reserve		
1. Treasury Stock	554,251.52	537,912.36
IV. Distributable profit	3,343,740.21	3,697,112.29
	22,088,455.97	**22,425,488.89**
B. ACCRUALS		
1. Accruals for pensions and similar obligations	993,815.21	857,942.58
2. Tax Accruals	1,880,872.20	1,851,127.76
3. Other Accruals	4,492,089.78	5,122,655.27
	7,366,777.19	**7,831,725.61**
C. LIABILITIES		
1. Liabilities to banks	1,423,962.71	2,072,527.96
2. Accounts Payable Trade	6,513,021.19	5,603,753.29
3. Intercompany Payables	1,671.37	6.65
4. Other liabilities	7,240,734.63	8,538,316.39
	15,179,389.90	**16,214,604.29**
Total shareholders’ equity and liabilities	**44,634,623.06**	**46,471,818.79**

INCOME STATEMENT (HGB)

for the Period from 1 January 2009 to 31 December 2009

€	2009	2008
1. Revenue	127,958,799.77	129,160,708.91
2. Other operating income	1,343,782.81	1,561,281.20
3. Cost of materials	-10,543,865.15	-10,744,313.70
	118,758,717.43	**119,977,676.41**
4. Personnel expenses		
a) Wages and salaries	-58,356,159.93	-58,069,715.18
b) Social security, pensions and other benefit costs (of which for pension € 133,172.00; PY € 76,163.00)	-12,503,163.41	-12,187,335.17
5. Depreciation and amortization of non-current intangible assets and property, plant and equipment	-6,615,648.50	-6,376,998.94
6. Other operating expenses	-37,239,555.39	-37,810,977.77
	4,044,190.20	**5,532,649.35**
7. Income from investments (of which from affiliated companies € 0.00; PY € 0.00)	1,722.07	2,447.73
8. Other interest and similar income (of which from subsidiaries € 318.00; PY€ 115.69)	12,821.11	101,966.15
9. Write-downs of financial assets	0.00	-16,339.16
10. Interest and similar expenses	-312,718.19	-525,372.90
11. Profit from ordinary operations	**3,746,015.19**	**5,095,351.17**
12. Income taxes	-1,754,615.33	-2,140,976.38
13. Other taxes	-67,012.26	-12,124.51
14. Net profit for the year	**1,924,387.60**	**2,942,250.28**
15. Loss carryforward	1,435,691.77	832,712.49
16. Withdrawals from capital reserves	0.00	16,339.16
17. Additions to Treasury Stock	-16,339.16	-94,189.64
18. Net accumulated loss	**3,343,740.21**	**3,697,112.29**

AUDIT OPINION

We have audited the consolidated financial statements compiled by Essanelle Hair Group AG, Düsseldorf, which consist of the balance sheet, the income statement, the statement of changes in shareholders' equity, the cashflow statement as well as the notes to the consolidated financial statements, as well as the group management report for the financial year from 1 January to 31 December 2009. The responsibility for the compilation of the consolidated financial statements and group management report in accordance with IFRS as applicable in the EU, as well as with the requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB), lies within the responsibility of the management board of the company. It is our responsibility to submit an opinion on the consolidated financial statements and the group management report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code HGB), taking due account of the principles governing the proper auditing of financial statements promulgated by the German Institute of Auditors (IDW). These standards require the audit to be planned and executed in such a manner that any inaccuracies and infringements with a material impact on the depiction of the net asset, financial and earnings situation provided by the consolidated financial statements, taking due account of the applicable accounting standards, and by the group management report are identified with reasonable certainty. When determining the audit procedures, account was taken of our knowledge of the business activities and economic and legal environment of the group, as well as of expectations as to any possible errors. The effectiveness of the internal accounting controlling system and the evidence supporting the disclosures made in the consolidated financial statements and the group management report were examined within the framework of the audit, principally on the basis of trial samples. The audit includes an assessment of the annual financial statements of the companies included in the consolidated financial statements, the delineation of the reporting entity, the accounting and consolidation principles thereby applied, and the principal estimates made by the management board, as well as an appraisal of the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonably secure basis for our opinion.

Our audit did not give rise to any qualifications.

On the basis of the findings of our audit it is our opinion that the consolidated financial statements are in accordance with IFRS as applicable in the EU, as well as with the requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB), and that they provide a true and fair view of the net asset, financial and earnings situation of the Group, taking due account of the aforementioned requirements. The group management report is in agreement with the consolidated financial statements and provides an accurate overall impression of the situation of the group and adequately presents the opportunities and risks relating to its future development.

Düsseldorf, 30 March 2010
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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