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BUSINESS PERFORMANCE

In the first three months of 2006, Essanelle Hair Group AG succeeded in increasing the sales of its salons, a development which is budgeted to continue in the overall financial year. This sales growth was primarily due to the salons newly opened in the previous year within the framework of our growth strategy. Overall, the Essanelle Hair Group generated consolidated sales of Euro 27.6 million in the first quarter of 2006. This is equivalent to an increase of around 1.8% on the figure of Euro 27.1 million reported in the same period in the previous year. Essanelle Hair Group AG has thus reported a quarterly increase in its sales for the first time since 2002.

Following the opening of a total of 36 salons in 2005, a further 7 salons were opened in the first three months of the current year. Of these salons, three were opened under the TOP TEN concept, three were HairExpress salons and one further salon was opened under the Super Cut brand. A total of 50 salons is to be opened during the financial year as a whole, most of which will involve salons operating under the aforementioned concepts.

In terms of the individual salon concepts, essanelle - Ihr Friseur generated sales amounting to Euro 16.9 million, compared with Euro 17.2 million in the previous year. Positive growth was reported by the high-growth Super Cut and HairExpress concepts, which are targeted at young consumers and the target group of price-sensitive customers. Sales at HairExpress rose by 6% from Euro 3.3 million to Euro 3.5 million. Super Cut raised its sales from Euro 4.4 million to Euro 4.5 million. The newly opened TOP TEN salons generated sales of Euro 0.3 million in the first three months. The Jürgen Tröndle by essanelle brand achieved sales amounting to Euro 1.2 million, compared with Euro 1.3 million in the previous year. Finally, the Beauty Hair Shops, which sell products exclusive to hairdressers, increased their sales by around 43% from Euro 0.7 million to Euro 1.0 million in the first three months of 2006.

The largest share of the company's sales was attributable to services. Sales in this area rose from Euro 23.1 million in the first quarter of the previous year to Euro 23.3 million, thus accounting for 85% of total sales. The turnover resulting from the sale of products exclusive to hairdressers at the salons and in the Beauty Hair Shops showed a further increase to Euro 4.2 million, compared with Euro 3.9 million in the same period in the previous year. Its share of total sales thus showed a further increase to 15%. Franchising revenues amounted to Euro 0.1 million. No more sales were generated at proprietary mod's hair salons during the first three months of 2006, given that all active salons have been transferred in full to the franchising system. The external sales of the mod's hair franchisees, which are not included in the consolidated sales, amounted to Euro 3.9 million and thus remained at the same level as in the first quarter of 2005.

Concepts	1st Quarter 2006			1st Quarter 2005		
	Number of salons	Number of employees	Sales million €	Number of salons	Number of employees	Sales million €
Essanelle	345	2,519	16.9	344	2,538	17.2
Super Cut	80	480	4.5	76	473	4.4
HairExpress	85	494	3.5	79	438	3.3
Jürgen Tröndle	16	132	1.2	17	140	1.3
TOP TEN	8	46	0.3	0	0	0.0
Beauty Hair Shop	21	72	1.0	16	55	0.7
Mod's Hair FN	44	0	4.1	46	0	4.1
Total	599	3,743*	31.5	578	3,644*	31.0

*without overhead

EARNINGS PERFORMANCE

The key earnings figures of Essanelle Hair Group AG were at exactly the same level in the first three months of 2006 as in the previous year, and were thus higher than budgeted. As a result of the start-up losses expected to be incurred at the salons opened at the end of 2005, this situation is to be assessed in a positive light.

In terms of expense items, personnel expenses increased slightly from Euro 15.6 million to Euro 15.8 million. Thereof results a personnel expenses ratio of around 57%, which is thus slightly under the previous year's level. At Euro 2.7 million, costs of material were slightly higher than in the previous year. Our earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to Euro 1.8 million and could therefore be maintained at the same level as in the first quarter of 2005 in spite of the high number of newly opened salons. At Euro 1.1 million, the level of depreciation undertaken by the company, mainly relating to property, plant and equipment, was also virtually unchanged. This resulted in earnings before interest and taxes (EBIT) amounting to Euro 0.7 million in the first quarter of 2006. The company's net financial expenses showed a slight improvement from Euro -220k to Euro -160k in the first quarter of 2006. As in the previous year, the Essanelle Hair Group generated pre-tax earnings amounting to Euro 0.5 million at the end of the first three months of the current financial year, as well as net income for the quarter amounting to Euro 0.3 million. This figure is also at the same level as in the previous year. Earnings per share amounted to Euro 0.07 at the end of the first three months.

BALANCE SHEET, INVESTMENTS AND LIQUIDITY

The principal changes in the balance sheet data since 31.12.2005 involve a reduction in cash and cash equivalents from Euro 4.0 million to Euro 1.9 million on the asset side. The outflow of liquidity mainly results from the investment activities, prepayments made for investments, which are reflected in other assets, and from the reduction in debts to suppliers. On the liabilities side, it was possible to reduce accounts payable from Euro 5.9 million to Euro 4.7 million. Short-term and long-term financial debt principally consists of leasing obligations and liabilities to banks amounting to around Euro 5.4 million. These remaining liabilities to banks are to be redeemed in full during the current financial year. As a result of the positive earnings performance, the shareholders' equity rose from Euro 20.8 million to Euro 21.2 million. The equity ratio therefore amounted to around 42% as of 31.03.2006.

Our investments amounted to around Euro 1.1 million in the first three months of 2006. They are therefore at the same level of the previous year. A total of seven new salons have been opened to date in 2006. Conversely, one salon was closed in the first three months. A total of around 50 new salons are to be opened in the course of the financial year.

The net outflow of funds from operating activities declined compared with the previous year to reach Euro -1.3 million. IFRS standards require prepayments made for investments to be reported in the cash flow statement under cash flow from operating activities, rather than under cash flow from investment activities. Given that, unlike in the equivalent quarter in the previous year, numerous investments in salons have not yet been settled, the prepayments therefore have a negative impact on the cash flow figures. The net outflow of funds for investment activities declined from Euro -1.1 million to Euro -0.6 million. As a result of a lower level of loan repayments, the outflow of funds for financing activities amounted to Euro -0.2 million. Cash and cash equivalents therefore amounted to around Euro 2.0 million as of 31.03.2006, but will increase once again in the further course of the year.

DEVELOPMENT OF COSTS AND PRICES

The principal cost factors of rental payments and procurement prices were not subject to any major fluctuations during the financial year to date. Price increases were implemented only to a limited extent.

EMPLOYEES

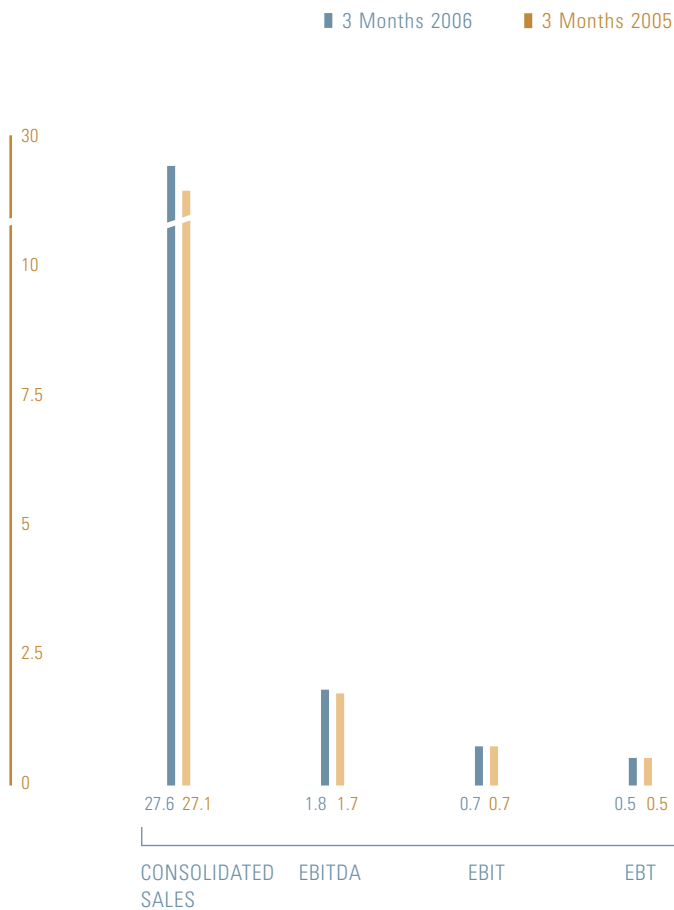
The Essanelle Hair Group had a total of 3,833 employees as of 31 March 2006, compared with 3,729 employees at the same date in 2005. The share of part-time staff amounts to around 35% and is thus at the level customary to the sector.

RISK REPORT

The extensive risk report of Essanelle Hair Group AG was presented on Pages 36 to 38 of the 2005 Annual Report. This report included detailed information concerning the typical risks facing our company, as well as information about our risk management systems.

ACCOUNTING STANDARDS

This quarterly report has been compiled in accordance with International Financial Reporting Standards (IFRS). The accounting and valuation methods correspond to those applied in the most recent consolidated financial statements for the 2005 financial year.



THE SHARE

At Euro 8.50, the price of the Essanelle Hair Group's share was slightly higher at the end of the first quarter than the price of Euro 8.20 reported as of 31.12.2005. A new all-time high of Euro 9.90 was then reached during the month of April. Overall, the share price has therefore shown a constant upward trend since the beginning of 2003.

In addition to the publication of its annual figures and of the 2005 Annual Report, the company maintained its contacts with the press and with institutional and private investors during the first three months. In particular, the Management Board held meetings in this respect with investors in Düsseldorf and London. Moreover, a total of four analyst companies are now monitoring the share and the company.

SHAREHOLDER STRUCTURE

Management Board	8.0%
Klier GmbH	25.8%
Free float as defined by Deutsche Börse	66.2%
of which:	
dit Vermögensverwaltung	8.9%
Axxion SA	13.2%
FPM	9.4%
Others	34.7%

SHARE DATA FOR THE FIRST QUARTER OF 2006

Period high	Euro 8.50
Period low	Euro 7.05
Performance 01.01. - 31.03.	+3.7%
Price at 31.03.	Euro 8.50
Market capitalisation as of 31.03.	Euro 38.25 million
Market capitalisation of free float as of 31.03.	Euro 25.3 million

OUTLOOK

Following the pleasing first quarter of 2006, the Essanelle Hair Group intends to achieve increasing sales in the further course of the year. This growth is based on the company's growth strategy, which provides for the opening of around 50 new salons. This growth will focus on the Super Cut and TOP TEN concepts. This pace of expansion is also to be maintained in the following years. The traditionally high level of cash flow provides an optimal financing structure for salon growth in this respect.

Given that the key earnings figures were also ahead of expectations in the first quarter, the company continues to assume that it will be possible during the year as a whole at least to match the pleasing level of earnings reported for the 2005 financial year. This performance will be facilitated in part by a further increase in revenues from the high-margin sale of exclusive hairdressing products and by the new salon openings mainly focusing on high-margin concepts. Irrespective of the performance in the current financial year, the company aims to achieve disproportionate earnings growth compared with sales in the 2007 financial year.

CONSOLIDATED BALANCE SHEET (IFRS)

as of 31 March 2006

ASSETS

€	31.03.2006	31.12.2005
ASSETS		
Fixed assets		
Property, plant and equipment	19,382,664.91	19,803,198.26
Goodwill	19,243,872.10	19,243,872.10
Other intangible assets	199,069.51	204,967.52
Financial assets valued at equity	1.00	1.00
Other loans	313,944.69	336,483.80
Deferred tax claims	0.00	0.00
	39,139,552.21	39,588,522.68
Current assets		
Inventories	6,112,065.30	5,838,391.02
Accounts receivable	306,541.47	327,520.14
Other assets	2,882,716.73	1,204,502.67
Cash and cash equivalents	1,923,612.91	4,023,586.86
	11,224,936.41	11,394,000.69
Total assets	50,364,488.62	50,982,523.37

LIABILITIES

€	31.03.2006	31.12.2005
SHAREHOLDERS' EQUITY		
Capital and reserves allocable to the shareholders in the parent company		
Share capital	4,440,000.00	4,440,000.00
Capital reserve	14,989,008.10	14,922,074.35
Revenue reserves	1,779,861.38	1,465,846.08
	21,208,869.48	20,827,920.43
DEBT		
Long-term debt		
Financial debt	6,920,071.95	7,522,245.01
Deferred tax liabilities	1,362,265.59	1,104,000.00
Pension provisions	179,898.00	164,745.00
Other provisions	761,773.00	753,560.96
	9,224,008.54	9,544,550.97
Short-term debt		
Financial debt	7,615,402.92	7,182,302.22
Accounts payable	4,675,960.09	5,892,106.47
Current income tax liabilities	315,803.04	373,029.63
Other liabilities	4,335,089.86	4,132,429.83
Other provisions	2,989,354.69	3,030,183.82
	19,931,610.60	20,610,051.97
Total debt	29,155,619.14	30,154,602.94
Total shareholders' equity and debt	50,364,488.62	50,982,523.37

CONSOLIDATED INCOME STATEMENT (IFRS)

for the period from 1 January 2006 to 31 March 2006

€	31.03.2006	31.03.2005
Sales	27,641,320.26	27,122,232.73
Other operating income	361,631.89	210,986.63
Cost of materials	-2,655,773.91	-2,481,679.24
Personnel expenses	-15,786,943.35	-15,562,493.04
Depreciation and amortization	-1,096,141.34	-1,049,530.66
Rental and ancillary rental expenses	-5,440,263.07	-5,362,760.06
Other operating expenses	-2,333,599.37	-2,177,135.61
Operating earnings	690,231.11	699,620.75
Financing income	16,446.76	19,338.01
Financing expenses	-176,375.55	-239,110.43
Share of losses in companies valued at equity	0.00	0.00
Losses on financial loans	0.00	0.00
Net financial expenses	-159,928.79	-219,772.42
Earnings before taxes	530,302.32	479,848.33
Tax expenses	-216,287.02	-194,076.06
Consolidated net income	314,015.30	285,772.27

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

as of 31 March 2006

€k	31.03.2006	31.03.2005
1. CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated by ongoing business activities	-1,133	359
Interest paid	-127	-105
Taxes on income paid	-34	-2
Net outflow of funds for operating activities	-1,294	252
2. CASH FLOW FROM INVESTMENT ACTIVITIES		
Acquisition of property, plant and equipment	-684	-1,130
Proceeds from the sale of property, plant and equipment	11	1
Acquisition of intangible assets	-12	-7
Loans paid out	-12	0
Loans repaid	37	41
Loans paid out to closely related persons	0	0
Loans repaid by closely related persons	7	5
Interest received	16	19
Net outflow of funds for investment activities	-636	-1,070
3. CASH FLOW FROM FINANCING ACTIVITIES		
Buyback of own shares	0	0
Receipts from the taking up of financial loans	104	506
Repayment of financial debt	-273	-486
Net outflow of funds for financing activities	-169	20
Net decrease / increase in cash and cash equivalents	-2,100	-798
Cash and cash equivalents at the beginning of the year	4,024	5,113
Cash and cash equivalents at the end of the quarter	1,924	4,315

SCHEDULE OF CHANGES IN GROUP EQUITY (IFRS)

as of 31 March 2006

	Share capital	Capital reserve	Revenue reserves	Minority interests	Total equity
Balance at 1.1.2005	4,500,000.00	15,214,773.20	-1,107,337.24	0.00	18,607,435.96
Consolidated earnings			2,573,183.32		2,573,183.32
Value of the services of employees in connection with employee share option programmes		107,363.03			107,363.03
Buyback of own shares	-60,000.00	-400,061.88			-460,061.88
Balance at 31.12.2005	4,440,000.00	14,922,074.35	1,465,846.08	0.00	20,827,920.43
Balance at 1.1.2006	4,440,000.00	14,922,074.35	1,465,846.08		20,827,920.43
Consolidated earnings			314,015.30		314,015.30
Value of the services of employees in connection with employee share option programmes		66,933.75			66,933.75
Buyback of own shares					0.00
Balance at 31.3.2006	4,440,000.00	14,989,008.10	1,779,861.38	0.00	21,208,869.48

FINANCIAL CALENDAR:

Annual General Meeting – 27 June 2006

Half-year report – August 2006

Nine-month report – November 2006

German Equity Forum – 27 November 2006

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