

QUARTER REPORT ESSANELLE HAIR GROUP AG

Q1/2010



KEY FIGURES for the three-month periods ended 31 March 2010/2009 (EUR millions – IFRS)

million €	2010	2009	Change
Consolidated sales revenues	30.7	31.0	-1.0%
essanelle Ihr Friseur	14.6	15.8	-8.0%
Super Cut	5.1	5.0	+2.7%
HairExpress	8.2	7.3	+11.7%
TOP TEN	1.3	1.3	-6.7%
Beauty Hair Shop	1.6	1.5	+3.6%
EBITDA	1.7	1.6	+5.4%
EBIT	0.4	0.3	+56.2%
EBT	0.3	0.2	+105.9%
Consolidated net profit	0.3	0.1	–
EPS	0.06	0.02	–

Financial calendar

Annual General Meeting	18 June 2010
Report on the first six months	23 August 2010
Report on the first nine months	22–24 November 2010
Analysts' conference	22–24 November 2010 (Equity Forum)

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BUSINESS TREND

The first quarter of the 2010 financial year continued to show cautious domestic consumption. In the first two months of 2010 alone, the German retail sector grossed 2.1% less in nominal terms and 2.5% in real terms than in the same period last year, according to the Federal Statistical Office.

Given this background, Essanelle Hair Group's sales revenues did not develop satisfactorily in the first quarter. Besides the weak economic trend described above, the almost unchanged number of salons as against last year had a dampening effect. 21 new salons were opened in the first quarter. This was met by 3 closures. The Essanelle Hair Group recorded sales revenues of EUR 30.7 million in the first quarter 2010, compared to EUR 31.0 million last year (-1.0%). Despite this trend in sales revenues, the earnings situation of the first three months developed positively as a result of cutting costs with regards to almost all expense items, meaning that all earnings figures lie above the previous year's values. On the sales side, the target for 2010 for the time being remains to increase sales revenues, open about 60 new salons as well as improve earnings figures.

In terms of the individual salon concepts, the HairExpress concept recorded the highest absolute increase in sales revenues with a rise of 11.7% to EUR 8.2 million. TOP TEN's sales revenues decreased by 6.7%; however, rounded they remained constant at EUR 1.3 million. The brand Super Cut reached a growth of 2.7% from EUR 5.0 million to EUR 5.1 million. Essanelle Ihr Friseur, the concept with a wide range of services for all customer groups, generated sales revenues of EUR 14.6 million in the first three months, compared to EUR 15.8 million in the same period last year (-8.0%). Compared to the same period last year, the number of salons of this concept decreased by 15 to 310; compared to the end of the 2009 financial year however, 2 new salons have been added. The Beauty Hair Shop concept that exclusively specialises in the sale of salon products increased its sales revenues by 3.6% from EUR 1.5 million to EUR 1.6 million. The professional advice in the Beauty Hair Shops plays an integral part in the success of this concept.

With EUR 26.2 million, services contributed about 85.1% to sales revenues in the first quarter (previous year: 83.9%). The sale of salon products in salons and in the Beauty Hair Shops contributed EUR 4.6 million or 14.9% (previous year: EUR 5.0 million or 16.1%).

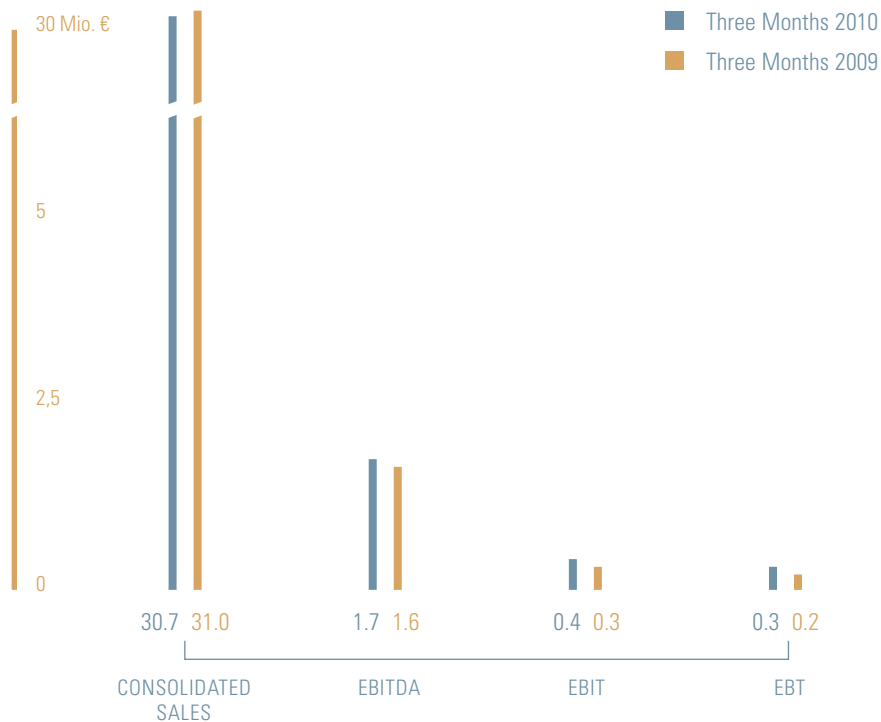
Concepts – Salons – Employees – Sales

Concepts	1st Quarter 2010			1st Quarter 2009		
	Number of Salons	Employees ¹	Sales million €	Number of Salons	Employees ¹	Sales million €
Essanelle	310	2,091	14.6	325	2,312	15.8
Super Cut	99	555	5.1	91	536	5.0
HairExpress	219	1,199	8.2	191	1,049	7.3
TOP TEN	32	167	1.3	32	179	1.3
Beauty Hair Shop	31	110	1.6	29	94	1.5
Gesamt	691	4,122	30.7	668	4,170	31.0

¹ without Overhead

EARNINGS PERFORMANCE

The income statement of the Essanelle Hair Group shows increases in all earnings figures in the first quarter despite of slightly declining sales revenues. This is mainly due to reduced expense items. Cost of materials have been reduced by 7.1% from EUR 2.6 million in the first quarter of 2009 to EUR 2.4 million in the first three months of the current financial year. Personnel expenses that rose in the previous year were reduced by 1.8% from EUR 18.0 million to EUR 17.7 million in the first quarter of 2010. This resulted in a decrease of personnel expenses as a percentage of sales from 58.0% to 57.5%. Rents and incidental rent expenses on the other hand rose by 2.1% from EUR 6.2 million to EUR 6.3 million. Other operating expenses decreased by 3.1% from EUR 2.9 million to EUR 2.8 million. Overall, the Essanelle Hair Group AG hence reached an EBITDA (earnings before interest, taxes, depreciation and amortisation) of EUR 1.7 million after the first quarter 2010, compared to EUR 1.6 million in the previous year. This represents an increase in EBITDA of 5.4%. Amortisation at last year's level of EUR 1.3 million results in an EBIT (earnings before interest and taxes) of EUR 0.4 million after the previous year's EUR 0.3 million. This is an increase of 56.2%. Net financial expenses lie at EUR 0.1 million after the first quarter, unchanged from the same period of the previous year. This ultimately results in an EBT (earnings before taxes) of EUR 0.3 million after EUR 0.2 million in the first quarter of 2009. Net income for the quarter hence amounts to about EUR 0.3 million in the first quarter 2010 after EUR 0.1 million during the same period last year. Earnings per share stood at EUR 0.06 (previous year: EUR 0.02).



BALANCE SHEET, CAPITAL EXPENDITURE AND LIQUIDITY

The balance sheet of Essanelle Hair Group AG for the period ended 31 March 2010 on the assets side showed only minor changes to non-current assets as compared to the period ended 31 December 2009. Inventories decreased from EUR 23.9 million to EUR 23.1 million. Non-current assets reached a total of EUR 42.9 million at the end of the first quarter as compared to EUR 43.6 million for the period ended 31 December 2009.

In terms of current assets, other assets on the contrary increased from EUR 0.5 million to EUR 1.3 million. This is primarily attributable to increased deposits for the opening of salons of EUR 0.7 million. In contrast, cash and cash equivalents decreased traditionally in the first quarter and amounted to EUR 1.9 million for the period ended 31 March 2010 (31 December 2009: EUR 5.0 million). On the liabilities side, the equity ratio increased from 56.0% as at the end of the completed financial year to 59.6% as at the end of this quarter. In addition to a marginal increase in equity from EUR 31.5 million to EUR 31.8 million, this could primarily be achieved by reducing liabilities by a total of about EUR 3.0 million. In terms of non-current liabilities, financial debt could be reduced from EUR 3.1 million to EUR 2.5 million. In terms of current liabilities, trade payables were selectively reduced from EUR 4.5 million to EUR 2.6 million. Other liabilities decreased from EUR 2.9 million to EUR 2.3 million. Total debt at the end of the first quarter 2010 therefore lies at EUR 21.6 million compared to EUR 24.6 million for the period ended 31 December 2009. As at 31 March 2010, total assets amount to EUR 53.4 million (31 December 2009: EUR 56.2 million).

Capital expenditures of the Essanelle Hair Group AG amounted to about EUR 0.5 million in the first three months of 2010 as compared to EUR 1.3 million during the same period last year. This shows the continued growth strategy, with the opening of 21 new salons in the year to date. A total of EUR 0.3 million was invested in these new salons – plus EUR 0.7 million in deposits. Renovations of existing salons cost EUR 0.1 million. Other investments amounted to EUR 0.2 million.

As in previous years, the first quarter's cash flow statement of the Essanelle Hair Group shows a net cash outflow from operating activities. This amounted to about EUR 1.9 million in 2010, after EUR 1.1 million in the previous year. Investing activities were marginally reduced in the first quarter, resulting in a net cash outflow to the value of EUR 0.5 million compared to EUR 1.2 million for the period ended 31 March 2009. In terms of financing activities, Essanelle Hair Group continues the repayment of liabilities and recorded a net cash outflow of EUR 0.8 million after EUR 0.9 million during the same period last year. The total decline in cash and cash equivalents is EUR 3.1 million and hence practically lies at last year's level of EUR 3.2 million. After cash and cash equivalents amounted to EUR 2.4 million for the period ended 31 March 2009, these lie at EUR 1.9 million at the end of this year's first quarter.

COST AND PRICE TREND

The Essanelle Hair Group AG to date did not experience any unexpected fluctuations in its expenses in the current year. Also, the company's prices were not changed to a more than usual degree.

EMPLOYEES

The number of employees reached a total of 4,223 as at 31 March 2010, of which about 39.3% are employed part-time. In the same period of the previous year this number was still at 4,272 employees (part-time staff: 38.1%).

RISK REPORT

The detailed risk report of Essanelle Hair Group AG can be found on pages 45 to 48 of the 2009 annual report. This report describes possible risks that could damage the company as well as necessary mitigation measures within the risk management system framework.

THE SHARE

Both national and international stock exchanges continued the positive trend of the previous year at the beginning of January 2010. After experiencing a weak downward trend lasting until mid-February, the DAX reached its highest level of the first quarter at the end of March, and this trend intensified in April. The share price of Essanelle Hair Group by contrast has remained very stable since the beginning of the year and has moved between EUR 7.30 and EUR 8.00. The high of the first quarter was EUR 7.90 and was reached on several days. The share price only rose to significantly above the EUR 8 mark in April.

With regards to investor relations, the first quarter of the current financial year was characterised by the compilation and release of the annual report. In addition to the detailed information on the financial year 2009 and the expectations for 2010, Essanelle Hair Group, for the first time since its listing on the stock market, presented hairstyles from its own collection in addition to "Frisuren, die das Leben schrieb" ("Real-life Hairstyles").

SHAREHOLDER STRUCTURE (AS AT 31 MARCH 2010)

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

SHARE DATA IN Q1 2010

Highest price (Xetra)	EUR 7.90
Lowest price (Xetra)	EUR 7.30
Performance 1 Jan. – 31 March 2010	-1.4%
Price on 31 March 2010 (Xetra)	EUR 7.70
Capital admitted to trading	EUR 4,595,044
Market capitalisation as of 31 March 2010	EUR 35.38 million

OUTLOOK

The outlook for the current financial year continues to be very uncertain. Rather weak months of January and February were followed by a strong month in March, which can also be linked to Easter sales. In the first quarter, developments in the retail sector were weak, even though experts predict an improved propensity to consume for the full year. Given this background, an exact and reliable prognosis for the Essanelle Hair Group cannot easily be made. In addition to uncertain consumer behaviour, the performance of various lessors of the company cannot be fully predicted. Essanelle Hair Group maintains its target to increase sales revenues over the full year 2010. In order to fuel its own sales revenue performance, up to 60 new salons are to be opened in 2010. At this moment in time, about 50 of these new locations are already under contract.

Earnings, as compared to last year's figures, are also to be increased in the course of the year. This is to be attained by sustained strict cost management as well as by a possible growth in sales revenues. Accurate prognoses in this regard can only be made in the course of the financial year.

CONSOLIDATED BALANCE SHEET (IFRS) as of 31 March 2010

ASSETS

€	31.03.2010	31.12.2009
ASSETS		
Fixed assets		
Property, plant and equipment	23,116,924.78	23,878,349.92
Goodwill	19,558,872.10	19,558,872.10
Other intangible assets	132,366.07	106,367.25
Other loans	87,561.61	88,037.69
	42,895,724.56	43,631,626.96
Current assets		
Other loans	9,153.55	9,153.55
Inventories	7,003,879.95	6,805,052.90
Accounts receivable	261,178.95	165,296.57
Other assets	1,334,605.96	548,070.91
Cash and cash equivalents	1,889,368.46	5,020,732.58
	10,498,186.87	12,548,306.51
Total assets	53,393,911.43	56,179,933.47

LIABILITIES

€	31.03.2010	31.12.2009
SHAREHOLDERS' EQUITY		
Capital and reserves allocable to the shareholders in the parent company		
Share capital	4.522.841,00	4.522.841,00
Capital reserve	15.717.699,17	15.717.699,17
Revenue reserves	11.554.846,52	11.303.033,79
	31.795.386,69	31.543.573,96
DEBT		
Long-term debt		
Financial debt	2.493.121,50	3.088.432,50
Deferred tax liabilities	4.348.973,81	4.297.354,57
Pension provisions	807.979,65	804.159,00
Other provisions	796.856,08	777.235,14
	8.446.931,04	8.967.181,21
Short-term debt		
Financial debt	3.107.249,30	3.186.393,62
Accounts payable	2.611.561,97	4.477.410,53
Current income tax liabilities	1.680.587,81	1.880.872,20
Other liabilities	2.342.518,93	2.885.634,05
Other provisions	3.409.675,69	3.238.867,90
	13.151.593,70	15.669.178,30
Total debt	21.598.524,74	24.636.359,51
Total shareholders' equity and debt	53.393.911,43	56.179.933,47

CONSOLIDATED INCOME STATEMENT (IFRS)

for the period from 1 January 2010 to 31 March 2010

in €	01.01. – 31.03.10	01.01. – 31.03.09
Sales	30,725,426.92	31,023,347.95
Other operating income	193,430.92	283,164.68
Cost of materials	-2,412,229.00	-2,596,151.95
Personnel expenses	-17,664,366.27	-17,991,055.20
Depreciation and amortization	-1,284,853.35	-1,347,816.48
Rental and ancillary rental expenses	-6,292,176.54	-6,165,705.27
Other operating expenses	-2,846,478.55	-2,937,648.72
Operating earnings	418,754.13	268,135.01
Financing income	4,002.46	7,841.96
Financing expenses	-80,895.75	-109,919.15
Net financial expenses	-76,893.29	-102,077.19
Earnings before taxes	341,860.84	166,057.82
Tax expenses	-73,656.58	-70,058.45
Consolidated net income	268,204.26	95,999.37

Earnings per share

basic	0.06	0.02
diluted	0.06	0.02

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

as of 31 March 2010

k€	31.03.2010	31.03.2009
1. CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated by ongoing business activities	-1,575	-782
Interest paid	-121	-159
Taxes on income paid	-222	-125
Net outflow of funds for operating activities	-1,918	-1,067
2. CASH FLOW FROM INVESTMENT ACTIVITIES		
Acquisition of property, plant and equipment	-408	-1,243
Proceeds from the sale of property, plant and equipment	0	2
Acquisition of intangible assets	-44	-11
Loans repaid	0	3
Interest received	4	8
Net outflow of funds for investment activities	-448	-1,241
3. CASH FLOW FROM FINANCING ACTIVITIES		
Buyback of own shares	0	-16
Receipts from the taking up of financial loans	55	124
Repayment of financial debt	-820	-990
Net outflow of funds for financing activities	-765	-882
Net increase in cash and cash equivalents	-3,132	-3,190
Cash and cash equivalents at the beginning of the year	5,021	5,600
Cash and cash equivalents at the end of the quarter	1,889	2,410

SCHEDULE OF CHANGES IN GROUP EQUITY (IFRS)

as of 31 March 2010

€	Share capital	Capital reserve	Revenue reserves	Total equity
Balance at 01.01.2009	4,522,841.00	15,717,699.17	10,357,743.59	30,598,283.76
Dividend payout			-2,261,420.52	-2,261,420.52
Consolidated earnings			3,206,710.72	3,206,710.72
Balance at 31.12.2009	4,522,841.00	15,717,699.17	11,303,033.79	31,543,573.96
Balance at 01.01.2010	4,522,841.00	15,717,699.17	11,303,033.79	31,543,573.96
Dividend payout			-16,391.53	-16,391.53
Consolidated earnings			268,204.26	268,204.26
Balance at 31.03.10	4,522,841.00	15,717,699.17	11,554,846.52	31,795,386.69

CONSOLIDATED ABRIDGED NOTES TO THE INTERIM FINANCIAL STATEMENTS

ACCOUNTING STANDARDS

This quarter report was prepared in accordance with the applicable International Financial Reporting Standards (IFRS). The accounting and valuation standards are the same as those applied in the consolidated financial statements for the 2009 financial year. The interim financial statements should therefore be seen in conjunction with the audited consolidated financial statements and the notes for the year ended 31 December 2009.

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

BASIS OF CONSOLIDATION

There have been no changes in the basis of consolidation in the first three months of 2010.

SEGMENT REPORTING

The requirements for segment reporting are met neither in regional terms nor in factual or organisational terms. Further information can be found on page 80 of the 2009 annual report.

EARNINGS PER SHARE

Basic as well as diluted earnings per share amounted to EUR 0.06 in the first three months of the current financial year after EUR 0.02 in the previous year.

EVENTS AFTER THE BALANCE SHEET DATE

No other material events occurred after 31 March 2010.

RELATED PARTY DISCLOSURES

The business transactions undertaken with closely related companies and persons can be found on page 113 of the 2009 Annual Report.

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