HEAD N.V.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Period Ended
September 30, 2013

HEAD N.V.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2013

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PRESENTATION OF INFORMATION

Percentages and some amounts contained herein are rounded for ease of presentation, and some amounts may therefore not total. Most financial information is presented in euro. In some cases, this report contains translations of amounts in other currencies into euro at specified rates solely for the convenience of the reader. You should not construe these translations as representations that these amounts actually represent these euro amounts or could be converted into euro at the rate indicated.

Unless otherwise indicated, euro amounts have been translated from other currency amounts to euro, based on the European Central Bank rates.

The condensed consolidated interim financial statements included herein have been prepared in accordance with IFRS as adopted by the European Union.

All forecasts and estimates presented in this report are based on the management´s current judgment of the economic environment and the Company´s performance in that environment. The actual results may differ significantly.

HEAD N.V. AND SUBSIDIARIES
ITEM 1. FINANCIAL STATEMENTS
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	September 30, 2013 (unaudited)	December 31, 2012 (unaudited) restated
		(in thousands, except share data)	
ASSETS:			
Non-current assets			
Property, plant and equipment	7	€ 48,986	€ 51,052
Other intangible assets	7	11,271	11,369
Goodwill	7	2,815	2,870
Deferred income tax assets		54,765	53,354
Trade receivables		430	630
Other non-current assets		6,769	6,429
Total non-current assets		125,035	125,704
Current assets			
Inventories	4	109,729	82,808
Trade and other receivables		88,888	114,106
Prepaid expense		2,286	1,720
Available-for-sale financial assets		5,009	5,011
Cash and cash equivalents		56,765	41,153
Total current assets		262,676	244,798
Total assets		€ 387,711	€ 370,502
EQUITY:			
Share capital: €0.01 par value; 92,174,778 shares issued		€ 922	€ 922
Other reserves		124,209	124,209
Treasury shares	6	(5,717)	(5,717)
Retained earnings		53,885	58,677
Fair Value and other reserves including cumulative translation adjustments (CTA)		(7,939)	(6,804)
Total equity		165,359	171,286
LIABILITIES:			
Non-current liabilities			
Borrowings	9	89,414	68,893
Employee benefits		19,974	19,630
Provisions		3,460	3,475
Other long-term liabilities		6,984	7,712
Total non-current liabilities		119,831	99,709
Current liabilities			
Trade and other payables		61,004	59,396
Current income tax liabilities		2,157	1,944
Borrowings	9	32,728	30,842
Provisions		6,632	7,325
Total current liabilities		102,521	99,507
Total liabilities		222,352	199,216
Total liabilities and equity		€ 387,711	€ 370,502

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

HEAD N.V. AND SUBSIDIARIES
ITEM 1. FINANCIAL STATEMENTS
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the Three Months ended September 30, 2013 (unaudited)	For the Three Months ended September 30, 2012 (unaudited) restated	For the Nine Months ended September 30, 2013 (unaudited)	For the Nine Months ended September 30, 2012 (unaudited) restated
		(in thousands, except per share data)		(in thousands, except per share data)	
Results of operations:					
Total net revenues	7	€ 93,029	€ 96,969	€ 227,226	€ 229,570
Cost of sales		54,946	58,528	134,299	138,193
Gross profit		**38,083**	**38,441**	**92,927**	**91,377**
Selling and marketing expense		23,818	23,480	73,458	71,561
General and administrative expense		6,899	6,901	20,969	20,771
Share-based compensation expense		10	26	424	394
Other operating expense (income), net		(187)	107	(218)	35
Operating profit (loss)		**7,544**	**7,927**	**(1,706)**	**(1,384)**
Interest and other finance expense		(862)	(1,404)	(3,490)	(4,418)
Interest and investment income		75	149	298	604
Other non-operating income (expense), net		481	414	408	(139)
Profit (loss) before income taxes		7,238	7,086	(4,489)	(5,337)
Income tax benefit (expense):					
Current		(541)	(407)	(1,717)	(1,589)
Deferred		(1,845)	(1,648)	1,413	1,914
Income tax benefit (expense)		(2,386)	(2,055)	(304)	325
Profit (loss) for the period		**€ 4,852**	**€ 5,031**	**€ (4,792)**	**€ (5,012)**
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustment on group companies		€ (1,406)	€ (933)	€ (1,133)	€ 159
Available-for-sale financial assets		(9)	25	(3)	125
Tax effect		2	(6)	1	(31)
		€ (1,413)	€ (914)	€ (1,135)	€ 253
Other comprehensive income (expense) for the period, net of tax		**€ (1,413)**	**€ (914)**	**€ (1,135)**	**€ 253**
Total comprehensive income (expense) for the period		**€ 3,439**	**€ 4,117**	**€ (5,927)**	**€ (4,759)**
Earnings per share - basic and diluted					
Profit (loss) for the period		0.06	0.06	(0.06)	(0.06)
Weighted average shares outstanding					
Basic and Diluted		83,519	83,519	83,519	83,519

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

HEAD N.V. AND SUBSIDIARIES
ITEM 1. FINANCIAL STATEMENTS
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company						Total Equity
restated		Ordinary Shares		Other	Treasury	Retained	Fair Value and Other Reserves/	
		Shares	Share Capital	Reserves	Shares	Earnings	CTA	
				(unaudited) *(in thousands, except share data)*				
Balance at January 1, 2012		83,518,508 €	922 €	124,209 €	(5,717) €	56,171 €	(3,840) €	171,744
Loss for the period		--	--	--	--	(5,012)	--	(5,012)
Changes in fair value and other including CTA reserves		--	--	--	--	--	253	253
Total comprehensive expense for the period		--	--	--	--	--	--	(4,759)
Balance at September 30, 2012		**83,518,508 €**	**922 €**	**124,209 €**	**(5,717) €**	**51,159 €**	**(3,588) €**	**166,984**
Balance at January 1, 2013		83,518,508 €	922 €	124,209 €	(5,717) €	58,677 €	(6,804) €	171,286
Loss for the period		--	--	--	--	(4,792)	--	(4,792)
Changes in fair value and other including CTA reserves		--	--	--	--	--	(1,135)	(1,135)
Total comprehensive expense for the period		--	--	--	--	--	--	(5,927)
Balance at September 30, 2013		**83,518,508 €**	**922 €**	**124,209 €**	**(5,717) €**	**53,885 €**	**(7,939) €**	**165,359**

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

HEAD N.V. AND SUBSIDIARIES
ITEM 1. FINANCIAL STATEMENTS
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note		For the Nine Months ended September 30, 2013 (unaudited)		2012 (unaudited) restated
			(in thousands)		
OPERATING ACTIVITIES:					
Profit (loss) for the period		€	(4,792)	€	(5,012)
Adjustments to reconcile net profit/loss to net cash provided by operating activities:					
Depreciation and amortization			6,918		7,053
Amortization and write-off of debt issuance cost and bond discount			296		175
Provision for leaving indemnity and pension benefits			447		156
Loss (gain) on sale of property, plant and equipment			4		(4)
Share-based compensation expense			424		394
Deferred Income			(709)		(849)
Finance costs			3,023		3,979
Interest income			(298)		(604)
Income tax expense			1,717		1,589
Deferred tax benefit			(1,413)		(1,914)
Changes in operating assets and liabilities:					
Accounts receivable			23,649		26,869
Inventories	4		(27,939)		(19,997)
Prepaid expense and other assets			(784)		1,105
Accounts payable, accrued expenses and other liabilities			1,962		(1,170)
Interest paid			(3,927)		(4,456)
Interest received			175		448
Income tax paid			(1,485)		(790)
Net cash (used for) provided by operating activities			**(2,732)**		**6,973**
INVESTING ACTIVITIES:					
Purchase of property, plant and equipment			(5,622)		(5,822)
Proceeds from sale of property, plant and equipment			192		17
Formation of Joint Venture	8		(243)		--
Net cash used for investing activities			**(5,673)**		**(5,805)**
FINANCING ACTIVITIES:					
Increase (decrease) in short-term borrowings			(876)		3,662
Proceeds from long-term debt	9		53,861		--
Payments on long-term debt	9		(28,801)		(1,430)
Change in restricted cash			974		(451)
Net cash provided by financing activities			**25,159**		**1,781**
Effect of exchange rate changes on cash and cash equivalents			(169)		254
Net increase in cash and cash equivalents			16,585		3,203
Cash and cash equivalents, unrestricted at beginning of period			38,569		21,120
Cash and cash equivalents, unrestricted at end of period			55,154		24,322
Cash and cash equivalents, restricted at end of period			1,610		4,240
Cash and cash equivalents, at end of period		€	56,765	€	28,562

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

HEAD N.V. AND SUBSIDIARIES
ITEM 1. FINANCIAL STATEMENTS
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 1 - Business

Head N.V. ("Head" or the "Company") is a leading global manufacturer and marketer of branded sporting goods serving the skiing, tennis and diving markets. The Company has created or acquired a portfolio of brands – Head (principally alpine skis, ski bindings, ski boots, snowboard and protection products, tennis, racquetball, paddle and squash racquets, tennis balls and tennis footwear, sportswear and swimming products), Penn (tennis balls and racquetball balls), Tyrolia (ski bindings), Mares (diving equipment). The Company's key products have attained leading market positions based on sales and reputation and have gained high visibility through their use by many of today's top athletes.

The Company generates revenues in its principal markets by selling goods directly to retail stores and to a lesser extent, by selling to distributors. It also receives licensing and royalty income. Winter Sports goods are shipped during a specific period of the year, and therefore the Company experiences highly seasonal revenue streams. Following industry practice, the Company begins to receive orders from its customers in the Winter Sports division from March until June, during which time the Company books approximately three quarters of its orders for the year. The Company will typically begin shipment of skis, boots and bindings in July and August, with the peak shipping period occurring in October and November. At this time, the Company will begin to receive re-orders from customers, which constitute the remaining approximate quarter of its yearly orders. This re-orders inflow may last, depending on the course of weather into the first quarter of the next year. Racquet Sports and Diving product revenues experience almost no seasonality. Revenue from sales is recognized at the time of shipment.

During the first nine months of any calendar year, the Company typically generates some 75% to 80% of its Racquet Sports and Diving product revenues, but some 45% to 50% of its Winter Sports revenue. Thus, the Company typically generates only some 65% to 70% of its total year gross profit in the first nine months of the year, but the Company incurs some 70% to 75% of fixed general and administration and marketing expenses in this period.

Head conducts business in Europe (primarily in Austria, Italy, Germany, France, Switzerland, The Netherlands, Spain, the United Kingdom and Poland), North America and Asia.

Note 2 - General Principles and Explanations

Basis of Presentation

The condensed consolidated interim financial statements included herein have been prepared in accordance with IFRS ("International Financial Reporting Standards") as adopted by the EU. The accounting principles applied in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended December 31, 2012 to the extent they are still applicable as of January 1, 2013. In addition, the Company applied all relevant accounting principles effective for annual periods beginning on January 1, 2013 (see also Note 3). The condensed consolidated interim financial statements comply with IAS 34. The result of operations for the nine months period ended September 30, 2013 is not necessarily indicative of the results that may be expected for any other interim period or for the full fiscal year.

Note 3 – Restatement

The revised standard IAS 19 on accounting for employee benefits is effective for annual periods beginning on or after January 1, 2013. Full retrospective application (with some exceptions) is required in accordance with IAS 8 (Accounting policies, changes in accounting estimates and errors). From January 1, 2013 the Company adopted the amendments with the effects described below.

HEAD N.V. AND SUBSIDIARIES
ITEM 1. FINANCIAL STATEMENTS
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated Statement of Financial Position	December 31, 2012 reported	Adjustment	December 31, 2012 restated
		(in thousands)	
ASSETS:			
Deferred income tax assets	€ 52,276	€ 1,078	€ 53,354
EQUITY AND LIABILITIES:			
Retained earnings	58,554	122	58,677
Fair Value and other reserves including cumulative translation adjustments (CTA)	(3,500)	(3,304)	(6,804)
Employee benefits	15,370	4,260	19,630

Consolidated Statement of Comprehensive Income	For the Three Months ended September 30, 2012 reported	Adjustment	For the Three Months ended September 30, 2012 restated
		(in thousands)	
Cost of sales	€ 58,545	€ (18)	€ 58,528
Selling and marketing expense	23,496	(16)	23,480
General and administrative expense	6,908	(8)	6,901
Operating profit	7,886	41	7,927
Profit for the period	4,990	41	5,031
Total comprehensive income for the period	4,076	41	4,117
Earnings per share - basic and diluted (Profit for the period)	0.06	0.00	0.06

	For the Nine Months ended September 30, 2012 reported	Adjustment	For the Nine Months ended September 30, 2012 restated
		(in thousands)	
Cost of sales	€ 138,246	€ (53)	€ 138,193
Selling and marketing expense	71,608	(48)	71,561
General and administrative expense	20,794	(23)	20,771
Operating loss	(1,507)	124	(1,384)
Loss for the period	(5,136)	124	(5,012)
Total comprehensive expense for the period	(4,883)	124	(4,759)
Earnings per share - basic and diluted (Loss for the period)	(0.06)	0.00	(0.06)

Consolidated Statement of Changes in Equity			
Fair Value and other reserves/CTA at January 1, 2012	€ (2,368)	€ (1,473)	€ (3,840)
Total Equity at January 1, 2012	173,217	(1,473)	171,744
Loss for the period	(5,136)	124	(5,012)
Total comprehensive expense for the period	(4,883)	124	(4,759)
Retained Earnings at September 30, 2012	51,035	124	51,159
Fair Value and other reserves/CTA at September 30, 2012	(2,115)	(1,473)	(3,588)
Total Equity at September 30, 2012	168,333	(1,349)	166,984
Retained Earnings at December 31, 2012 and January 1, 2013	58,554	122	58,677
Fair Value and other reserves/CTA at December 31, 2012 and January 1, 2013	(3,500)	(3,304)	(6,804)
Total Equity at December 31, 2012 and January 1, 2013	174,468	(3,182)	171,286

Consolidated Statement of Cash Flows	September 30, 2012 reported	Adjustment	September 30, 2012 restated
		(in thousands)	
Loss for the period	€ (5,136)	€ 124	€ (5,012)
Provision (Release) for leaving indemnity and pension benefits	279	(124)	156

Note 4 – Inventories

Inventories consist of the following (in thousands):

		September 30, 2013		December 31, 2012	September 30, 2012
		(unaudited)			*(unaudited)*
Raw materials and supplies	€	18,687	€	17,257	16,887
Work in progress		8,531		6,293	6,984
Finished goods		92,337		70,861	89,857
Provisions		(9,827)		(11,604)	(10,260)
Total inventories, net	€	109,728	€	82,808	103,468

Note 5 - Financial Instruments

The following table provides information regarding the Company's foreign exchange forward and option contracts as of September 30, 2013 and December 31, 2012. The fair value of the foreign currency contracts represent the amount the Company would receive or pay to terminate the contracts, considering first, quoted market prices of comparable agreements, or in the absence of quoted market prices, such factors as interest rates, currency exchange rates and remaining maturity.

As of September 30, 2013 (unaudited)

	Notional Principal in euro		Notional Principal Local currency converted into euro		Carrying value (EUR)		Fair value (EUR)
	(in thousands)						
Foreign exchange forward contracts	€	19,940	€	20,228	€	300	€ 300
Foreign exchange option contracts	€	4,289	€	4,406	€	127	€ 127

		Notional Principal in USD		Notional Principal Local currency converted into USD		Carrying value (USD)		Fair value (USD)		Fair Value (EUR)
		(in thousands)								
Foreign exchange forward contracts	USD	9,111	USD	9,017	USD	(82)	USD	(82)	€	(61)
Foreign exchange option contracts	USD	--	USD	--	USD	--	USD	--	€	--

As of December 31, 2012

		Notional Principal in euro		Notional Principal Local currency converted into euro		Carrying value (EUR)		Fair value (EUR)
		(in thousands)						
Foreign exchange forward contracts	€	25,214	€	25,840	€	624	€	624
Foreign exchange option contracts	€	1,553	€	1,570	€	37	€	37

		Notional Principal in USD		Notional Principal Local currency converted into USD		Carrying value (USD)		Fair value (USD)		Fair Value (EUR)
		(in thousands)								
Foreign exchange forward contracts	USD	6,411	USD	6,482	USD	61	USD	61	€	46
Foreign exchange option contracts	USD	4,181	USD	4,330	USD	168	USD	168	€	128

Note 6 – Shareholders' Equity

Head Sports Holdings N.V. and its shareholders controlled 61,089,243 shares, or approximately 66.28% of the Company's issued shares, as of September 30, 2013. Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Johan Eliasch, the Company's CEO, and his family members resulting in the ability to significantly influence and control the Company's operations.

In accordance with SIC 12 "Consolidation – Special Purpose Entity" the Company consolidated the Stichting, as the Company was considered the main beneficiary of the Stichting. The Stichting is a Dutch foundation, which holds, votes, and receives dividends on certain of the Company's ordinary shares. In conjunction with the Company's option plans, the Stichting also issues depository receipts to option holders, upon exercise of the option. As a result of consolidating the Stichting shares held by the Stichting are presented as treasury shares in the condensed consolidated statement of financial position. As of September 30, 2013, the Stichting held 260,022 treasury shares.

	September 30, 2013	December 31, 2012
	(in thousands)	
Shares issued	92,175	92,175
Less: Shares held by the Stichting	(260)	(260)
Less: Shares held by Head N.V.	(8,396)	(8,396)
Shares issued less treasury shares	83,519	83,519

Note 7 - Segment Information

The Company's business is organized into five divisions for which certain discrete financial information exists. However, the Company's nature of products and production processes are similar, the customers largely the same and also the distribution channels the Company uses are the same for all products. This and similar long-term average gross margins of the segments implicate their similar economic characteristic. In addition, essential decisions of Company's chief decision maker, Mr. Johan Eliasch (CEO), regarding strategy, resources, financing, capital investments and insurance are made on the basis of the Company's performance based on its consolidated operating results and consolidated balance sheet; and liquidity planning is based on the Company's consolidated cash flows. This fulfils the requirements of IFRS 8.12 for aggregation of more operating segments into one reporting segment.

The tables below show net revenues from external customers and long-lived assets by geographic region based on the location of the Company's subsidiaries:

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2013	2012	2013	2012
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
	(in thousands)			
Revenues from External Customers:				
Austria	€ 44,980	€ 45,969	€ 88,055	€ 89,530
Italy	8,844	7,176	31,041	28,004
Other (Europe)	8,287	9,785	22,800	27,320
Asia	5,135	6,193	11,113	12,013
North America	25,783	27,846	74,218	72,703
Total Net Revenues	€ 93,029	€ 96,969	€ 227,226	€ 229,570

	September 30,	December 31,
	2013	2012
	(unaudited)	
	(in thousands)	
Long-lived assets:		
Austria	€ 22,061	€ 21,314
Italy	6,712	7,179
Other (Europe)	17,822	19,039
Asia	9,875	10,904
North America	6,601	6,854
Total long-lived assets	€ 63,072	€ 65,291

Note 8 - Related Party Transactions

The Company receives administrative services from corporations which are ultimately owned by the principal shareholder of the Company. Administrative expenses amounted to approximately €3.5 million for the period ended September 30, 2013 and 2012, respectively. The related party provides consulting, corporate finance, investor relations and legal services.

In July 2012, certain Austrian subsidiaries of the Company entered into a loan agreement with an Austrian Bank providing a maximum of €15.0 million (from July 1 until December 31) and of €3.0 million (from January 1 until June 30). This agreement expires on December 31, 2014 and requires the Company to achieve certain yearly financial covenants. The loan is secured by certain Austrian trade receivables as well as by the inventories of certain Austrian subsidiaries in various warehouses. In addition, Mr. Johan Eliasch, the Company´s CEO, granted a personal non-performance guarantee ("Ausfallsbürgschaft") up to a maximum amount of €5.0 million to ensure the fulfillment of the obligations of the subsidiaries of the Company under the loan. In the third quarter of 2013, this loan agreement was renegotiated. It was agreed to reduce the maximum amount available from July 1 until December 31 from €15.0 million to €10.0 million and to increase the personal non-performance guarantee of

Mr. Johan Eliasch from a maximum amount of €5.0 million to a maximum amount of €10.0 million. At September 30, 2013 the Company did not use this credit line.

In September 2011, Mr. Franz Klammer was appointed to the Supervisory Board of the Company. In 2001, one of the Company´s subsidiaries and the Franz Klammer GmbH entered into an agency agreement committing Mr. Franz Klammer to use and promote some of the Company´s products. The agreement was limited until August 2013 with a yearly fee of €0.06 million. In August 2013, the agreement was extended until December 2016. For the year 2013, the yearly fee amounts to €0.06 million. For the years 2014, 2015 and 2016, the yearly fee amounts to €0.045 million.

In the second quarter of 2013, the Company signed a Joint Venture Agreement to set up a distribution company for diving products in the Philippines in which it holds 40%. The investment of €0.24 million was accounted for using the equity method.

Note 9 – Borrowings

On May 6, 2013, Head N.V. and HTM Sport GmbH, a subsidiary of Head N.V., announced the redemption in full of the outstanding Senior Notes due 2014. The Senior Notes were fully redeemed on June 5, 2013.

On September 2, 2013, Head N.V. and HTM Sport GmbH, a subsidiary of Head N.V., announced the issuance of a new €45.0 million bond. On September 26, 2013, Head N.V. and HTM Sport GmbH announced the increase in size from €45.0 million to €60.0 million based on additional investor demand. As of September 30, 2013, an amount of €5.5 million is held by HTM Sport GmbH. The bond was issued in Switzerland by HTM Sport GmbH and guaranteed by Head N.V. The securities are Euro denominated, carry a fixed coupon of 5.25% payable annually in arrears in September, and have a term of 5 years with maturity on September 26, 2018. Transaction settlement date was September 26, 2013. The bond is listed on the SIX Swiss Exchange (SIX).

In September 2011, one of the Company´s subsidiaries entered into an asset backed revolving credit agreement with an US-bank providing a maximum of USD 40.0 million dependent on the level, and secured by, eligible US inventories and receivables. The agreement covers five years. In the third quarter of 2013, this credit agreement was extended until August 2018.

During the third quarter of 2013, HTM Sport GmbH, a subsidiary of Head N.V., signed an agreement with an Austrian Bank for a new €10.0 million line of credit. This line is secured by a 40% state guarantee via Austrian Kontrollbank (OEKB) as well as the pledge of the properties of the HTM Czech Ski Boot factory in Litovel and the Head Czech Ski factory in Budweis.

In July 2012, certain Austrian subsidiaries of the Company entered into a loan agreement with an Austrian Bank providing a maximum of €15.0 million (from July 1 until December 31) and of €3.0 million (from January 1 until June 30). This agreement expires on December 31, 2014 and requires the Company to achieve certain yearly financial covenants. The loan is secured by certain Austrian trade receivables as well as by the inventories of certain Austrian subsidiaries in various warehouses. In addition, Mr. Johan Eliasch, the Company´s CEO, granted a personal non-performance guarantee ("Ausfallsbürgschaft") up to a maximum amount of €5.0 million to ensure the fulfillment of the obligations of the subsidiaries of the Company under the loan. In the third quarter of 2013, this loan agreement was renegotiated. It was agreed to reduce the maximum amount available from July 1 until December 31 from €15.0 million to €10.0 million and to increase the personal non-performance guarantee of Mr. Johan Eliasch from a maximum amount of €5.0 million to a maximum amount of €10.0 million. At September 30, 2013 the Company did not use this credit line.

In July 2005, the Company signed an agreement for the establishment of a company in the British Virgin Islands. The business venture was established to found a Chinese company which manufactures tennis balls for exclusive sale to the Company. The Company and its venture partner have a 83% and 17% interest in the formed company, respectively. The Company consolidated this entity from inception. At December 31, 2012 the Company recorded a liability (non-current borrowings) of €2.7 million for the contribution of its partner. In the third quarter of 2013, it was agreed that the Company will acquire the 17% interest of its venture partner by end of 2013. As a consequence, the liability of €2.7 million as of September 30, 2013 was reclassified to current borrowings in the consolidated statement of financial position.

Note 10 – Subsequent Events

In October 2013, HTM Sport GmbH sold €3.5 million of the bond held by HTM Sport GmbH as of September 30, 2013 (see Note 9).

Overview

The Company is a leading global manufacturer and marketer of branded sporting goods serving the skiing, tennis and diving markets. The Company has created or acquired a portfolio of brands – Head (principally alpine skis, ski bindings, ski boots, snowboard and protection products, tennis, racquetball, paddle and squash racquets, tennis balls and tennis footwear, sportswear and swimming products), Penn (tennis balls and racquetball balls), Tyrolia (ski bindings), Mares (diving equipment). The Company's key products have attained leading market positions based on sales and reputation and have gained high visibility through their use by many of today's top athletes.

With a broad product offering, the Company supplies sporting equipment, apparel and accessories to all major distribution channels in the skiing, tennis and diving markets, including pro shops, specialty sporting goods stores and mass merchants. The Company´s products are sold through some 37,000 customers in over 85 countries and target sports enthusiasts of varying levels of ability and interest ranging from the novice to the professional athlete. The Company's strongest presence has traditionally been in Europe. The United States is the next largest market for the Company's products after Europe.

Over the last six decades, the Company has become one of the world's most widely recognized developers, manufacturers and marketers of innovative, high-quality and technologically advanced sporting equipment. The Company's focus continues to be its core products of skiing, racquet sports and diving equipment. In order to expand market share and maximize profitability, the Company's strategy includes an emphasis on marketing and new product development, leveraging further its brands, global distribution network and traditional strength in manufacturing and the Company continuously seeks means for reducing its fixed costs.

Business development

Winter Sports. Whilst the 2012/13 season was good in terms of skier days, the wholesale volume of alpine skis declined to nearly 3 million pairs according to the Federation of the European Sporting Goods Industry. We believe that the decline was in part due to retailers destocking and as a result the pre-orders for the 2013/14 season are reported to have risen by around 5%. Head alpine orders to date are around 10% above prior year on a constant currency basis.

Racquet Sports. Based on external data, for the first six months of 2013, the tennis racquet market was down by 8% in Europe and 10% in the US respectively while the tennis ball market was slightly up in both regions indicating a positive trend in participation.

Diving. The on-going economic crisis in Southern Europe and political turmoil in Egypt kept European markets challenging, while the US and Asia continue to remain quite unaffected and have shown continued growth.

Sportswear. We believe that the tennis sportswear market in central Europe has remained broadly flat during 2013 while the conditions for winter sportswear have been more challenging with conservative buying by the retailers even after the relatively good winter season of 2012/13.

Results of Operations

The following table sets forth certain consolidated income statement data:

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2013 (unaudited)	2012 (unaudited) restated	2013 (unaudited)	2012 (unaudited) restated
	(in thousands)		(in thousands)	
Total net revenues	€ 93,029	€ 96,969	€ 227,226	€ 229,570
Cost of sales	54,946	58,528	134,299	138,193
Gross profit	**38,083**	**38,441**	**92,927**	**91,377**
Gross margin	40.9%	39.6%	40.9%	39.8%
Selling and marketing expense	23,818	23,480	73,458	71,561
General and administrative expense	6,899	6,901	20,969	20,771
Share-based compensation expense	10	26	424	394
Other operating expense (income), net	(187)	107	(218)	35
Operating profit (loss)	**7,544**	**7,927**	**(1,706)**	**(1,384)**
Interest and other finance expense	(862)	(1,404)	(3,490)	(4,418)
Interest and investment income	75	149	298	604
Other non-operating income (expense), net	481	414	408	(139)
Income tax benefit (expense)	(2,386)	(2,055)	(304)	325
Profit (loss) for the period	**€ 4,852**	**€ 5,031**	**€ (4,792)**	**€ (5,012)**

Three and Nine Months Ended September 30, 2013 and 2012 (restated)

Total Net Revenues. For the three months ended September 30, 2013 total net revenues decreased by €3.9 million, or 4.1%, to €93.0 million from €97.0 million in the comparable 2012 period. This decrease was mainly due to lower revenues in the Winter Sports and Racquet Sports divisions. For the nine months ended September 30, 2013 total net revenues decreased by €2.3 million, or 1.0%, to €227.2 million from €229.6 million in the comparable 2012 period. This decrease was mainly due to lower revenues in the Winter Sports division, partly offset by higher revenues in the Racquet Sports and Diving divisions.

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2013 (unaudited)	2012 (unaudited)	2013 (unaudited)	2012 (unaudited)
	(in thousands)		(in thousands)	
Product category:				
Winter Sports	€ 49,166	€ 52,518	€ 71,469	€ 75,328
Racquet Sports	32,522	34,251	113,934	113,517
Diving	12,021	11,127	40,429	39,528
Sportswear	1,056	985	4,266	4,330
Licensing	1,061	992	3,771	3,573
Total revenues	95,825	99,873	233,869	236,275
Sales Deductions	(2,796)	(2,904)	(6,643)	(6,705)
Total Net Revenues	€ 93,029	€ 96,969	€ 227,226	€ 229,570

Winter Sports revenues for the three months ended September 30, 2013 decreased by €3.4 million, or 6.4%, from €52.5 million to €49.2 million. This decrease was mainly due to

lower volumes of ski boots and snowboards, an unfavourable product mix for skis and exchange rate movements, partly offset by higher volumes for skis and bindings.
Regarding the first nine months ended September 30, 2013 Winter Sports revenues decreased by €3.9 million, or 5.1%, from €75.3 million to €71.5 million. This decrease was mainly due to lower volumes of bindings under contract manufacturing agreements, ski boots and snowboards and exchange rate movements, partly offset by higher volumes for skis and a favourable product mix for bindings.

Racquet Sports revenues for the three months ended September 30, 2013 decreased by €1.7 million, or 5.0%, from €34.3 million to €32.5 million. This decrease was mainly due to exchange rate movements.
For the nine months ended September 30, 2013 Racquet Sports revenues increased by €0.4 million, or 0.4%, from €113.5 million to €113.9 million. This increase was mainly due to higher volumes of tennis balls, partly offset by exchange rate movements.

Diving revenues for the three months ended September 30, 2013 increased by €0.9 million, or 8.0%, from €11.1 million to €12.0 million mainly due to higher sales in the US and Asia Pacific region.
Diving revenues for the nine months ended September 30, 2013 increased by €0.9 million, or 2.3%, from €39.5 million to €40.4 million again mainly due to higher sales in the US and Asia Pacific region, partly offset by lower revenues in EMEA (Europe, the Middle East and Africa).

Sportswear revenues for the three months ended September 30, 2013 slightly increased by €0.1 million, or 7.1%, from €1.0 million to €1.1 million which was mainly due to Summer Sportswear.
Revenues for the nine months ended September 30, 2013 slightly decreased by €0.1 million, or 1.5%, to €4.3 million. This decrease was mainly due to lower sales of bags in the UK market, partly offset by growth in Summer and Winter Sportswear.

Licensing revenues for the three months ended September 30, 2013 amounted to €1.1 million (2012: €1.0 million).
Regarding the first nine months ended September 30, 2013 revenues increased by €0.2 million, or 5.6%, from €3.6 million to €3.8 million.

Sales deductions for the three months ended September 30, 2013 remained almost unchanged at €2.8 million (2012: €2.9 million).
For the nine months ended September 30, 2013 sales deductions slightly decreased by €0.1 million, or 0.9%, to €6.6 million from €6.7 million in the comparable 2012 period.

Gross Profit. For the three months ended September 30, 2013 gross profit decreased by €0.4 million to €38.1 million. Gross margin increased to 40.9% in 2013 from 39.6% in 2012 mainly due to lower cost of sales for our bindings, tennis ball and diving business.
For the nine months ended September 30, 2013 gross profit increased by €1.6 million to €92.9 million from €91.4 million in the comparable 2012 period. Gross margin increased from 39.8% to 40.9%. This increase was mainly due to lower cost of sales for our bindings and tennis ball business and to a higher release of inventory provision, supported by exchange rate movements.

Selling and Marketing Expense. For the three months ended September 30, 2013 selling and marketing expense increased by €0.3 million, or 1.4%, from €23.5 million to €23.8 million mainly due to higher advertising costs in our Racquet Sports and Diving divisions and higher departmental selling costs in our Sportswear and Diving divisions.
For the nine months ended September 30, 2013 selling and marketing expense increased by €1.9 million, or 2.7%, to €73.5 million from €71.6 million in the comparable 2012 period. This was mainly due to higher departmental selling costs in our Racquet Sports and

Sportswear divisions and to higher advertising costs in our Racquet Sports and Diving divisions.

General and Administrative Expense. For the three months ended September 30, 2013 general and administrative expense remained unchanged at €6.9 million.
For the nine months ended September 30, 2013 general and administrative expense increased by €0.2 million, or 1.0%, from €20.8 million to €21.0 million mainly due to higher warehouse costs.

Share-Based Compensation Expense/Income. For the three months ended September 30, 2013 we recorded share-based compensation expense for our Stock Option Plans of €0.01 million compared to share-based compensation expense of €0.03 million in the comparable 2012 period.
For the nine months ended September 30, 2013 and 2012 we recorded share-based compensation expense for our Stock Option Plans of €0.4 million. The expense in 2013 was due to the increase of the share price at September 30, 2013 compared to the share price at December 31, 2012, which increases the liability for the cash-settled Stock Option Plans.

Other Operating Expense/Income, net. For the three months ended September 30, 2013 other operating income, net amounted to €0.2 million compared to other operating expense, net of €0.1 million in the comparable 2012 period. This swing of €0.3 million was mainly due to higher foreign exchange gains in 2013 compared to 2012.
For the nine months ended September 30, 2013 other operating income, net amounted to €0.2 million compared to other operating expense, net of €0.04 million in the comparable 2012 period. This change was mainly due to foreign exchange gains in 2013 and some losses in 2012.

Operating Profit/Loss. As a result of the foregoing factors, operating profit for the three months ended September 30, 2013 decreased by €0.4 million from €7.9 million to €7.5 million.
For the nine months ended September 30, 2013 operating loss increased by €0.3 million from €1.4 million to €1.7 million.

Interest and Other Finance Expense. For the three months ended September 30, 2013 interest and other finance expense decreased by €0.5 million, or 38.6%, from €1.4 million to €0.9 million. This decrease was mainly due to lower interest expense for long-term debt.
For the nine months ended September 30, 2013 interest and other finance expense decreased by €0.9 million, or 21.0%, from €4.4 million to €3.5 million. This decrease was again mainly due to lower interest expense for long-term debt.

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2013	2012	2013	2012
	(unaudited, in thousands)		*(unaudited, in thousands)*	
Amortization of disagio	€ 64	€ 25	€ 182	€ 73
Interest expense	768	1,264	3,084	3,979
Other finance costs	30	115	224	365
Interest and other finance expense	€ 862	€ 1,404	€ 3,490	€ 4,418

Interest and Investment Income. For the three months ended September 30, 2013 interest and investment income decreased by €0.1 million compared to 2012.
For the nine months ended September 30, 2013 interest and investment income decreased by €0.3 million to €0.3 million.

Other Non-operating Income/Expense, net. For the three months ended September 30, 2013 other non-operating income, net amounted to €0.5 million compared to €0.4 million in 2012. This marginal increase was due to higher foreign exchange gains in 2013 compared to 2012.
For the nine months ended September 30, 2013 other non-operating income, net amounted to €0.4 million compared to other non-operating expense, net of €0.1 million. This swing of €0.5 million was due to foreign exchange gains in 2013 and foreign exchange losses in 2012.

Income Tax Benefit/Expense. For the three months ended September 30, 2013 income tax expense increased by €0.3 million from €2.1 million to €2.4 million. This increase was due to higher current and deferred income taxes.
For the nine months ended September 30, 2013 income tax expense amounted to €0.3 million compared to income tax benefit of €0.3 million in the comparable 2012 period. This change was due to lower deferred income tax benefits on tax losses carried forward as a result of higher pre-tax numbers and to higher current income taxes in 2013 compared to 2012.

Net Profit/Loss. As a result of the foregoing factors, for the three months ended September 30, 2013 we had a net profit of €4.9 million compared to €5.0 million in the comparable 2012 period.
For the nine months ended September 30, 2013 we had a net loss of €4.8 million compared to €5.0 million in the comparable 2012 period.

Liquidity and Capital Resources

Payments from our customers are the principal source of liquidity. Additional sources of liquidity include its credit facility, financing under capital lease arrangements and vendor financing. The cash provided by these sources has a variety of uses. Most importantly, the Company must pay its employees and vendors for the services and materials they supply. Additional uses include capital expenditures, development of new products, payment of interest, extension of credit to our customers, and other general funding of our day-to-day operations.

On May 6, 2013, Head N.V. and HTM Sport GmbH, a subsidiary of Head N.V., announced the redemption in full of the outstanding Senior Notes due 2014. The Senior Notes were fully redeemed on June 5, 2013.

On September 2, 2013, Head N.V. and HTM Sport GmbH, a subsidiary of Head N.V., announced the issuance of a new €45.0 million bond. On September 26, 2013, Head N.V. and HTM Sport GmbH announced the increase in size from €45.0 million to €60.0 million based on additional investor demand. As of September 30, 2013, an amount of €5.5 million is held by HTM Sport GmbH. The bond was issued in Switzerland by HTM Sport GmbH and guaranteed by Head N.V. The securities are Euro denominated, carry a fixed coupon of 5.25% payable annually in arrears in September, and have a term of 5 years with maturity on September 26, 2018. Transaction settlement date was September 26, 2013. The bond is listed on the SIX Swiss Exchange (SIX).

For the nine months ended September 30, 2013 net cash used for operating activities amounted to €2.7 million compared to net cash provided by operating activities of €7.0 million in the comparable 2012 period. This change was mainly due to adverse working capital movements, mainly in inventories. Cash was used to purchase property, plant and equipment of €5.6 million compared to €5.8 million in the comparable 2012 period. Net cash provided by financing activities amounted to €25.2 million as of September 30, 2013 which was mainly due to the issuance of the new bond in the third quarter of 2013, partly offset by the redemption of the Senior Notes during the second quarter of 2013 (see Note 9). For the nine months ended September 30, 2012 net cash provided by financing activities amounted to €1.8 million.

As of September 30, 2013 the Company had in place €53.9 million of the new bond issued in the third quarter of 2013, €9.0 million long-term obligations under a sale-leaseback agreement due 2017, €8.7 million mortgage agreements, a liability against our venture partner of €2.7 million and €22.2 million other long-term debt comprising loans in the United States, Japan, Italy and Austria. In addition, the Company used lines of credit with several banks in Austria, Japan, the United Kingdom, Italy and France of €25.6 million.

As of September 30, 2012 the Company had in place €27.5 million Senior Notes due 2014, €9.2 million long-term obligations under a sale-leaseback agreement due 2017, €9.6 million mortgage agreements, a liability against our venture partner of €2.8 million and €24.7 million other long-term debt comprising loans in the United States, Japan, Italy and Austria. In addition, the Company used lines of credit with several banks in Austria, Japan, the United Kingdom, the United States and France of €30.6 million.