HEAD N.V.
INTERIM FINANCIAL STATEMENTS

For the Period Ended
March 31, 2012

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FOR THE PERIOD ENDED MARCH 31, 2012

INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Note	March 31, 2012	December 31, 2011
		(unaudited)	
		(in thousands, except share data)	
ASSETS:			
Non-current assets			
Property, plant and equipment	6	€ 51,317	€ 51,899
Other intangible assets	6	11,322	11,461
Goodwill	6	2,830	2,864
Deferred income tax assets		54,119	53,134
Trade receivables		362	1,335
Other non-current assets		6,598	6,589
Total non-current assets		126,548	127,283
Current assets			
Inventories	3	95,699	83,276
Trade and other receivables		83,800	126,439
Prepaid expense		2,481	2,535
Available-for-sale financial assets		4,913	4,875
Cash and cash equivalents		47,371	24,909
Total current assets		234,263	242,034
Total assets		€ 360,811	€ 369,316
EQUITY:			
Share capital: €0.01 par value; 92,174,778 shares issued		€ 922	€ 922
Other reserves		124,209	124,209
Treasury shares	5	(5,717)	(5,717)
Retained earnings		53,928	56,171
Fair Value and other reserves including cumulative translation adjustments (CTA)		(3,737)	(2,368)
Total equity		169,604	173,217
LIABILITIES:			
Non-current liabilities			
Borrowings		67,963	69,460
Employee benefits		14,775	14,791
Provisions		3,344	3,352
Other long-term liabilities		7,952	8,381
Total non-current liabilities		94,034	95,984
Current liabilities			
Trade and other payables		55,275	58,459
Current income tax liabilities		1,629	1,315
Borrowings		32,741	32,453
Provisions		7,530	7,888
Total current liabilities		97,174	100,116
Total liabilities		191,207	196,100
Total liabilities and shareholders' equity		€ 360,811	€ 369,316

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

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

	Note		For the Three Months ended March 31, 2012		2011
			(unaudited)		*(unaudited)*
			(in thousands, except share data)		
Results of operations:					
Total net revenues	6	€	70,078	€	59,833
Cost of sales			40,146		34,205
Gross profit			**29,931**		**25,629**
Selling and marketing expense			25,903		24,518
General and administrative expense			6,963		6,753
Share-based compensation (income) expense			185		(48)
Other operating (income) expense, net			(342)		(139)
Operating loss			**(2,777)**		**(5,456)**
Interest and other finance expense			(1,518)		(6,317)
Interest and investment income			224		168
Other non-operating income (expense), net			1,414		1,666
Loss before income taxes			(2,657)		(9,939)
Income tax benefit (expense):					
Current			(571)		(163)
Deferred			986		2,390
Income tax benefit (expense)			414		2,227
Loss for the period		**€**	**(2,243)**	**€**	**(7,712)**
Other comprehensive income:					
Gains (losses) recognized directly in equity					
Foreign currency translation of invested intercompany receivables		€	--	€	(538)
Available-for-sale financial assets			38		112
Foreign currency translation adjustment on group companies			(1,397)		(2,447)
Income tax related to components of other comprehensive income			(9)		106
Other comprehensive loss for the period, net of tax		€	(1,369)	€	(2,766)
Total comprehensive loss for the period		**€**	**(3,612)**	**€**	**(10,479)**
Earnings per share-basic					
Loss for the period		€	(0.03)	€	(0.09)
Earnings per share-diluted					
Loss for the period		€	(0.03)	€	(0.09)
Weighted average shares outstanding					
Basic			83,519		86,651
Diluted			83,519		86,651

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

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

	Note	Attributable to equity holders of the Company						Total Equity
		Ordinary Shares					Fair Value and Other Reserves/ CTA	
		Shares	Share Capital	Other Reserves	Treasury Stock	Retained Earnings		
		(unaudited) *(in thousands, except share data)*						
Balance at January 1, 2011		87,944,008 €	882 €	127,133 €	(683) €	55,832 €	(4,986) €	178,179
Share Buy Back March 2011		(8,876,431)	--	--	(4,169)	--	--	(4,169)
Capital Increase and Exercise of Stock Option Plans 2009		3,970,748	40	357	--	--	--	397
Exercise of Stock Option Plans 2009		8,876,431	--	(3,281)	4,169	--	--	888
Loss for the period		--	--	--	--	(7,712)	--	(7,712)
Changes in fair value and other including CTA reserves		--	--	--	--	--	(2,766)	(2,766)
Total comprehensive income for the period		--	--	--	--	--	--	(10,479)
Balance at March 31, 2011		**91,914,756 €**	**922 €**	**124,209 €**	**(683) €**	**48,120 €**	**(7,752) €**	**164,815**
Balance at January 1, 2012		83,518,508	922	124,209	(5,717)	56,171	(2,368)	173,217
Loss for the period		--	--	--	--	(2,243)	--	(2,243)
Changes in fair value and other including CTA reserves		--	--	--	--	--	(1,369)	(1,369)
Total comprehensive income for the period		--	--	--	--	--	--	(3,612)
Balance at March 31, 2012		**83,518,508**	**922**	**124,209**	**(5,717)**	**53,928**	**(3,737)**	**169,604**

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

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

	Note	For the Three Months ended March 31, 2012 (unaudited)	2011 (unaudited)
		(in thousands)	
OPERATING ACTIVITIES:			
Loss for the period		€ (2,243)	€ (7,712)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization		2,440	2,568
Amortization and write-off of debt issuance cost and bond discount		57	3,546
Provision (Release) for leaving indemnity and pension benefits		25	(126)
Loss (Gain) on sale of property, plant and equipment		(3)	--
Share-based compensation (income) expense		185	(48)
Deferred Income		(330)	727
Finance costs		1,373	2,205
Interest income		(224)	(168)
Income tax expense		571	163
Deferred tax benefit		(986)	(2,390)
Changes in operating assets and liabilities:			
Accounts receivable		42,006	54,268
Inventories	3	(13,188)	(19,051)
Prepaid expense and other assets		(24)	(454)
Accounts payable, accrued expenses, other liabilities		(2,913)	(5,695)
Interest paid		(1,797)	(4,128)
Interest received		114	88
Income tax paid		(282)	(302)
Net cash provided by operating activities		**24,782**	**23,492**
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(1,669)	(1,429)
Proceeds from sale of property, plant and equipment		5	1
Net cash used for investing activities		**(1,665)**	**(1,428)**
FINANCING ACTIVITIES:			
Increase in short-term borrowings		977	86
Payments on long-term debt		(441)	(14,934)
Share Buy Back		--	(4,169)
Exercise of Stock Option Plans 2009/Capital Increase		--	1,285
Change in restricted cash		622	(429)
Net cash provided by (used for) financing activities		**1,158**	**(18,161)**
Effect of exchange rate changes on cash and cash equivalents		(1,189)	(315)
Net increase (decrease) in cash and cash equivalents		23,087	3,588
Cash and cash equivalents, unrestricted at beginning of period		21,120	49,309
Cash and cash equivalents, unrestricted at end of period		**€ 44,207**	**€ 52,896**

The accompanying notes are an integral part of the consolidated 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 and squash racquets, tennis balls and tennis footwear and sportswear), 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. As Winter Sports goods are shipped during a specific period of the year, 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 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 three months of any calendar year, the Company typically generates some 25% of its Racquet Sports and Diving product revenues, but some 10% of its Winter Sports revenues. Thus, the Company typically generates only some 20% of its total year gross profit in the first three months of the year, but the Company incurs some 25% 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 and the United Kingdom), North America, and Asia.

Note 2 - General Principles and Explanations

Basis of Presentation

The condensed 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 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, 2011. The condensed interim financial statements comply with IAS 34. The result of operations for the three months period ended March 31, 2012 is not necessarily indicative of the results that may be expected for any other interim period or for the full fiscal year.

Note 3 – Inventories

Inventories consist of the following (in thousands):

	March 31, 2012	December 31, 2011	March 31, 2011
	(unaudited)		*(unaudited)*
Raw materials and supplies	€ 17,659	€ 19,124	16,508
Work in progress	7,817	6,317	8,329
Finished goods	80,573	69,093	70,228
Provisions	(10,349)	(11,258)	(8,946)
Total inventories, net	€ 95,699	€ 83,276	86,119

Note 4 - Financial Instruments

The following table provides information regarding the Company's foreign exchange forward and option contracts as of March 31, 2012 and December 31, 2011. 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 March 31, 2012			
	Notional Principal			
	in euro	Local currency converted into euro	Carrying value	Fair value
	(in thousands)			
Foreign exchange forward contracts	€ 31,920	€ 32,221	€ 329	€ 329
Foreign exchange option contracts	€ 1,127	€ 1,064	€ 5	€ 5

	As of December 31, 2011			
	Notional Principal			
	in euro	Local currency converted into euro	Carrying value	Fair value
	(in thousands)			
Foreign exchange forward contracts	€ 39,461	€ 38,732	€ (688)	€ (688)
Foreign exchange option contracts	€ 1,864	€ 1,749	€ 18	€ 18

Note 5 – 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 March 31, 2012. 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 consolidated statement of financial position. As of March 31, 2012, the Stichting held 260,022 treasury shares.

	March 31, 2012	December 31, 2011
	(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 6 - 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 March 31,	
	2012	2011
	(unaudited)	*(unaudited)*
	(in thousands)	
Net Revenues from External Customers:		
Austria	€ 25,512	€ 22,719
Italy	9,409	7,968
Other (Europe)	9,460	8,217
Asia	3,203	2,640
North America	22,494	18,289
Total Net Revenues	€ 70,078	€ 59,833

	March 31, 2012	December 31, 2011
	(unaudited)	
	(in thousands)	
Long-lived assets:		
Austria	€ 19,638	€ 19,748
Italy	7,896	7,999
Other (Europe)	19,725	19,395
Asia	11,386	12,069
North America	6,824	7,013
Total long-lived assets	€ 65,469	€ 66,225

Note 7 - 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 €1.2 million for the period ended March 31, 2012 and 2011, respectively. The related party provides consulting, corporate finance, investor relations and legal services.

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 is limited until August 2013 with a yearly fee of €0.06 million.

ITEM 2: MANAGEMENT'S OPERATING AND FINANCIAL REVIEW

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 and squash racquets, tennis balls and tennis footwear and sportswear), 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 marketed mainly from middle to high price points, the Company supplies sporting equipment and accessories to all major distribution channels in the skiing, tennis and diving markets, including pro shops, specialty sporting goods stores and mass merchants. Head N.V.'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. The season 2011/2012 started very slowly with warm weather and no snow in Europe and most parts of North America. During December 2011 a lot of snow fell in the Alpes and the season in the major ski resorts has been a fairly good one. Exceptions to this were Southern Europe, Scandinavia and North America. In the central European Markets, retailers partly recovered what they had lost in the beginning of the season but are still substantially below last season´s sales.

In Southern Europe, the Scandinavian markets and North America retailers are significantly behind last year and we expect the worldwide pre-season orders this year to fall by double digit percentage points compared to 2011. This is mainly a result of the late arrival of the snow but also a result of an ongoing trend towards rental equipment.

It is mainly the ski/binding systems that are down in sales with ski boot sales developing less negatively. Also the snowboard market is negatively affected by the poor snow conditions and pre-season bookings are expected to be even further down than the orders for alpine equipment.

The World-Cup racing season has been very successful for Head with 28 World-Cup victories, 63 podiums, one overall globe and four discipline globes.

We have started to collect pre-season orders and are experiencing lower orders per customer and also a delay in placing orders from retailers. We expect the worldwide winter sport business to be down significantly in 2012 compared to 2011.

Racquet Sports. Although still early in the year, it seems that the tennis market is off to a positive start in 2012. The introduction of new products from all major competitors, as well as favorable weather conditions in North America early in the year have contributed to the favorable sales developments at retail for both tennis racquets and tennis balls. Also, the Japanese tennis market seems to have recovered from the impact of the earthquake/tsunami. Overall we project that the market will remain at similar levels to last year.

Diving. While the home-market Italy as well as a number of Central and Southern European markets remained challenging during the first quarter, key markets in Asia and North America developed favorably and some Middle East markets started to recover slowly. Driven by strong product lines in computers and regulators and an expanded distribution structure, the division increased revenues by 12.3% for the first quarter compared to previous year. Profitability grew even stronger than revenues as a result of improved operations and lower fixed costs. The second quarter, which is mainly driven by our European and United States subsidiaries, will remain challenging, however Mares expects better results than in 2011.

Sportswear. Our Sportswear Division consists mainly of summer sportswear for tennis and winter sportswear for skiing. Sales and bookings during the first three months of the year have followed the trends in the other divisions with summer sportswear growing and winter sportswear bookings being disappointing.

Results of Operations

The following table sets forth certain consolidated income statement data:

	For the Three Months ended March 31,	
	2012	2011
	(unaudited)	*(unaudited)*
	(in thousands)	
Total net revenues	€ 70,078	€ 59,833
Cost of sales	40,146	34,205
Gross profit	**29,931**	**25,629**
Gross margin	42.7%	42.8%
Selling and marketing expense	25,903	24,518
General and administrative expense	6,963	6,753
Share-based compensation (income) expense	185	(48)
Other operating (income) expense, net	(342)	(139)
Operating loss	**(2,777)**	**(5,456)**
Interest and other finance expense	(1,518)	(6,317)
Interest and investment income	224	168
Other non-operating income (expense), net	1,414	1,666
Income tax benefit (expense)	414	2,227
Loss for the period	**€ (2,243)**	**€ (7,712)**

Three Months Ended March 31, 2012 and 2011

Total Net Revenues. For the three months ended March 31, 2012, total net revenues increased by €10.2 million, or 17.1%, to €70.1 million from €59.8 million in the comparable 2011 period. This increase was mainly due to increased revenues in Racquet Sports, Diving and Sportswear.

	For the Three Months ended March 31,	
	2012 (unaudited)	2011 (unaudited)
	(in thousands)	
Product category:		
Winter Sports	€ 13,552	€ 13,011
Racquet Sports[1]	42,230	34,819
Diving	12,743	11,346
Sportswear[1]	2,072	1,136
Licensing	1,553	1,224
Total revenues	72,149	61,536
Sales Deductions	(2,071)	(1,703)
Total Net Revenues	€ 70,078	€ 59,833

[1] revenues 2011 adjusted due to a reclassification to Sportswear

Winter Sports revenues for the three months ended March 31, 2012, increased by €0.5 million, or 4.2%, to €13.6 million from €13.0 million in the comparable 2011 period mainly due to earlier shipments of bindings under contract manufacturing agreements, partly offset by lower volumes in skis and an unfavorable product mix for bindings.

Racquet Sports revenues for the three months ended March 31, 2012, increased by €7.4 million, or 21.3%, to €42.2 million from €34.8 million in the comparable 2011 period. This significant increase was due to higher volumes and a favorable product mix for both racquets and balls.

Diving revenues for the three months ended March 31, 2012, increased by €1.4 million, or 12.3%, to €12.7 million from €11.4 million in the comparable 2011 period. This increase was mainly driven by higher sales in the US and Asia market and by earlier shipments.

Sportswear revenues for the three months ended March 31, 2012, amounted to €2.1 million, compared to €1.1 million in the comparable 2011 period.

Licensing revenues for the three months ended March 31, 2012, amounted to €1.6 million, compared to €1.2 million in the comparable 2011 period.

Sales deductions for the three months ended March 31, 2012, increased to €2.1 million from €1.7 million in 2011 due to the higher level of revenues.

Gross Profit. For the three months ended March 31, 2012, gross profit increased by €4.3 million to €29.9 million from €25.6 million in the comparable 2011 period. This increase was mainly due to higher sales, gross margin remained at 42.7% almost unchanged compared to the 2011 level (42.8%).

Selling and Marketing Expense. For the three months ended March 31, 2012, selling and marketing expense increased by €1.4 million, or 5.6%, to €25.9 million from €24.5 million in the comparable 2011 period. This increase was mainly due to higher advertising costs and higher commissions, partly offset by lower departmental selling costs.

General and Administrative Expense. For the three months ended March 31, 2012, general and administrative expenses slightly increased by €0.2 million, or 3.1%, to €7.0 million from €6.8 million in the comparable 2011 period. This increase was mainly due to higher personnel expense and warehouse costs.

Share-Based Compensation Income/Expense. For the three months ended March 31, 2012, the Company recorded €0.2 million share-based compensation expense for our Stock Option Plans compared to €0.05 million share-based compensation income in the 2011 period. The expense of €0.2 million in the first quarter 2012 was due to the increase of the share price at March 31, 2012, compared to the share price at December 31, 2011, which impacted the cash-settled Stock Option Plans.

Other Operating Income/Expense, net. For the three months ended March 31, 2012, other operating income, net amounted to €0.3 million, compared to €0.1 million in the comparable 2011 period. This increase was mainly due to higher foreign exchange gains.

Operating Loss. As a result of the foregoing factors, operating loss for the three months ended March 31, 2012, decreased by €2.7 million to €2.8 million from €5.5 million in the comparable 2011 period.

Interest and Other Finance Expense. For the three months ended March 31, 2012, interest and other finance expense significantly decreased by €4.8 million to €1.5 million from €6.3 million in the comparable 2011 period. In March 2011, the Company bought back €14,405,000 of par value of the Senior Secured Notes which led to an acceleration of the amortization of the non-cash disagio costs in the first quarter 2011. In October 2011, the Company fully redeemed the Senior Secured Notes, so no amortization for the Senior Secured Notes was booked in the first quarter 2012 and interest expenses significantly decreased as interest rates for our new financing agreements are lower compared to the interest rate for the Senior Secured Notes.

	For the Three Months ended March 31,	
	2012	2011
	(in thousands)	
Amortization of disagio	€ 24	€ 3,527
Interest expense	1,373	2,205
Other finance costs	120	586
Interest and other finance expense	€ 1,518	€ 6,317

Interest and Investment Income. For the three months ended March 31, 2012, interest and investment income remained almost unchanged at €0.2 million.

Other Non-operating Income/Expense, net. For the three months ended March 31, 2012, other non-operating income was €1.4 million compared to €1.7 million in 2011. This change was due to lower foreign exchange gains in the first quarter 2012.

Income Tax Benefit/Expense. For the three months ended March 31, 2012, the income tax benefit decreased by €1.8 million to €0.4 million from €2.2 million in the comparable 2011 period. This decrease was mainly due to higher pre-tax numbers resulting in an increase in current income taxes and in a decrease of deferred income tax benefits on tax losses carried forward.

Net Loss. As a result of the foregoing factors, for the three months ended March 31, 2012, we had a net loss of €2.2 million, compared to a net loss of €7.7 million in the comparable 2011 period.

Liquidity and Capital Resources

Payments from our customers are our principal source of liquidity. Additional sources of liquidity include our 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.

For the three months ended March 31, 2012, cash provided by operating activities increased by €1.3 million to €24.8 million compared to €23.5 million in 2011. Additional cash was used to purchase property, plant and equipment of €1.7 million in the first quarter 2012 compared to €1.4 million in 2011. Net cash provided by financing activities for the three months ended March 31, 2012, amounted to €1.2 million mainly coming from an increase in short-term borrowings. Net cash used for financing activities amounted to €18.2 million for the three months ended March 31, 2011. This amount was mainly due to the buy back of €14,405,000 of par value of the Senior Secured Notes and the share buy back of 8,876,431 ordinary listed shares in Head N.V., bought at a cost of €4.2 million in March 2011.

As of March 31, 2012, the Company had in place €27.4 million Senior Notes due 2014, €9.3 million long-term obligations under a sale-leaseback agreement due 2017, €10.1 million mortgage agreements, a liability against our venture partner of €2.7 million and €23.9 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, France and in the United Kingdom of €27.3 million.

As of March 31, 2011, the Company had in place €24.4 million Senior Secured Notes due 2012, €27.8 million Senior Notes due 2014, €9.5 million long-term obligations under a sale-leaseback agreement due 2017, €5.1 million mortgage agreements, a liability against our venture partner of €2.5 million and €5.7 million other long-term debt comprising loans in Italy and Japan. In addition, the Company used lines of credit with several banks in Austria, Japan and France of €22.0 million.