HEAD N.V.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Period Ended
March 31, 2014

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FOR THE PERIOD ENDED MARCH 31, 2014

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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 judgement 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
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note		March 31, 2014		December 31, 2013
			(unaudited)		
			(in thousands, except share data)		
ASSETS:					
Non-current assets					
Property, plant and equipment	6	€	49,611	€	48,276
Other intangible assets	6		12,110		11,187
Goodwill	6, 9		8,900		2,795
Deferred income tax assets			53,268		52,146
Trade receivables			448		1,306
Other non-current assets			5,532		5,328
Total non-current assets			129,869		121,038
Current assets					
Inventories	3		96,964		82,895
Trade and other receivables			79,593		118,798
Prepaid expense			2,331		1,831
Available-for-sale financial assets			5,008		5,010
Cash and cash equivalents			84,613		78,318
Total current assets			268,508		286,852
Total assets		€	398,378	€	407,890
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			60,593		63,973
Fair Value and other reserves including cumulative translation adjustments (CTA)			(10,478)		(9,991)
Total equity			169,529		173,396
LIABILITIES:					
Non-current liabilities					
Borrowings	8		92,608		93,291
Employee benefits			18,668		18,836
Provisions			2,667		2,668
Other long-term liabilities			5,475		6,136
Total non-current liabilities			119,418		120,932
Current liabilities					
Trade and other payables			60,715		62,246
Current income tax liabilities			1,223		1,232
Borrowings	8		41,059		43,362
Provisions			6,434		6,723
Total current liabilities			109,431		113,562
Total liabilities			228,849		234,494
Total liabilities and equity		€	398,378	€	407,890

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 March 31, 2014		2013
			(unaudited)		*(unaudited)*
			(in thousands, except per share data)		
Total net revenues	6	€	70,738	€	69,640
Cost of sales			38,175		40,425
Gross profit			**32,563**		**29,215**
Selling and marketing expense			27,863		26,667
General and administrative expense			7,499		7,023
Share-based compensation (income) expense			(266)		742
Other operating expense, net			416		281
Operating loss			**(2,949)**		**(5,497)**
Interest and other finance expense			(1,482)		(1,382)
Interest and investment income			130		112
Other non-operating (expense) income, net			104		(474)
Loss before income taxes			(4,197)		(7,241)
Income tax benefit (expense):					
Current			(306)		(455)
Deferred			1,122		1,624
Income tax benefit			817		1,169
Loss for the period		**€**	**(3,380)**	**€**	**(6,072)**
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustment on group companies		€	(485)	€	1,241
Available-for-sale financial assets			(3)		3
Tax effect			1		(1)
		€	(487)	€	1,243
Other comprehensive (expense) income for the period, net of tax		**€**	**(487)**	**€**	**1,243**
Total comprehensive expense for the period		**€**	**(3,867)**	**€**	**(4,829)**
Earnings per share - basic and diluted					
Loss for the period		€	(0.04)	€	(0.07)
Weighted average shares outstanding					
Basic and Diluted			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

	Attributable to equity holders of the Company						Total Equity
	Ordinary Shares		Other Reserves	Treasury Stock	Retained Earnings	Fair Value and Other Reserves/ CTA	
	Shares	Share Capital					
	(unaudited) *(in thousands, except share data)*						
Balance at January 1, 2013	83,518,508 €	922 €	124,209 €	(5,717) €	58,677 €	(6,804) €	171,286
Loss for the period	--	--	--	--	(6,072)	--	(6,072)
Changes in fair value and other including CTA reserves	--	--	--	--	--	1,243	1,243
Total comprehensive expense for the period	--	--	--	--	--	--	(4,829)
Balance at March 31, 2013	**83,518,508 €**	**922 €**	**124,209 €**	**(5,717) €**	**52,605 €**	**(5,562) €**	**166,457**
Balance at January 1, 2014	83,518,508 €	922 €	124,209 €	(5,717) €	63,973 €	(9,991) €	173,396
Loss for the period	--	--	--	--	(3,380)	--	(3,380)
Changes in fair value and other including CTA reserves	--	--	--	--	--	(487)	(487)
Total comprehensive expense for the period	--	--	--	--	--	--	(3,867)
Balance at March 31, 2014	**83,518,508 €**	**922 €**	**124,209 €**	**(5,717) €**	**60,593 €**	**(10,478) €**	**169,529**

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 Three Months ended March 31, 2014	2013
		(unaudited)	*(unaudited)*
		(in thousands)	
OPERATING ACTIVITIES:			
Loss for the period		€ (3,380)	€ (6,072)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization		2,405	2,314
Amortization and write-off of debt issuance cost and bond discount		52	60
Provision (Release) for leaving indemnity and pension benefits		(176)	185
Loss (Gain) on sale of property, plant and equipment		23	(6)
Share-based compensation (income) expense		(266)	742
Deferred Income		(249)	(195)
Finance costs		1,359	1,262
Interest income		(130)	(112)
Income tax expense		306	455
Deferred tax benefit		(1,122)	(1,624)
Changes in operating assets and liabilities:			
Accounts receivable		40,912	33,806
Inventories	3	(13,425)	(10,213)
Prepaid expense and other assets		(686)	(532)
Accounts payable, accrued expenses and other liabilities		(5,193)	(6,136)
Interest paid		(850)	(1,668)
Interest received		27	27
Income tax paid		(124)	(435)
Net cash provided by operating activities		**19,483**	**11,858**
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(1,896)	(1,652)
Proceeds from sale of property, plant and equipment		18	18
Acquisition of subsidiaries	9	(8,600)	--
Net cash used for investing activities		**(10,478)**	**(1,635)**
FINANCING ACTIVITIES:			
(Decrease) Increase in short-term borrowings		569	(432)
Payments on long-term debt	8	(3,638)	(428)
Change in restricted cash		5,007	(16)
Net cash provided by (used for) financing activities		**1,937**	**(875)**
Effect of exchange rate changes on cash and cash equivalents		(251)	1,267
Net increase in cash and cash equivalents		10,691	10,615
Cash and cash equivalents, unrestricted at beginning of period [1]		72,382	38,569
Cash and cash equivalents, unrestricted at end of period		83,073	49,183
Cash and cash equivalents, restricted at end of period		1,540	2,601
Cash and cash equivalents, at end of period		€ 84,613	€ 51,785

[1] including unrestricted cash and cash equivalents of the acquired subsidiaries as of January 1, 2014 (see Note 9)

The accompanying notes are an integral part of the 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 and SSI (diving). 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 recognised at the time of shipment.

During the first three months of any calendar year, the Company typically generates some 25% to 30% 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 primarily conducts business in Europe (mainly 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, 2013 to the extent they are still applicable as of January 1, 2014. In addition, the Company applied all relevant accounting principles effective for annual periods beginning on January 1, 2014. The condensed consolidated interim financial statements comply with IAS 34. The result of operations for the three months period ended March 31, 2014 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, 2014 (unaudited)	December 31, 2013	March 31, 2013 (unaudited)
Raw materials and supplies	€ 17,901	€ 17,470	18,117
Work in progress	8,510	7,021	7,311
Finished goods	80,885	69,689	78,753
Provisions	(10,333)	(11,285)	(10,774)
Total inventories, net	€ 96,964	€ 82,895	93,407

Note 4 - Financial Instruments

The following table provides information regarding the Company's foreign exchange forward and option contracts as of March 31, 2014 and December 31, 2013. 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, 2014 (unaudited)

	Notional Principal in euro	Notional Principal Local currency converted into euro	Carrying value (EUR)	Fair value (EUR)
	(in thousands)			
Foreign exchange forward contracts	€ 27,295	€ 27,737	€ 399	€ 399
Foreign exchange option contracts	€ 1,051	€ 1,088	€ 59	€ 59

	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 8,600	USD 8,784	USD 136	USD 136	€ 99
Foreign exchange option contracts	USD --	USD --	USD --	USD --	€ --

As of December 31, 2013

	Notional Principal in euro	Notional Principal Local currency converted into euro	Carrying value (EUR)	Fair value (EUR)
	(in thousands)			
Foreign exchange forward contracts	€ 25,378	€ 26,413	€ 1,009	€ 1,009
Foreign exchange option contracts	€ 5,078	€ 5,548	€ 304	€ 304

	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 11,070	USD 11,164	USD 86	USD 86	€ 62
Foreign exchange option contracts	USD --	USD --	USD --	USD --	€ --

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, 2014. Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch, the Company's CEO, and his family members resulting in the ability to significantly influence and control the Company's operations.

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 March 31, 2014, the Stichting held 260,022 treasury shares.

	March 31, 2014	December 31, 2013
	(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

On December 13, 2013, the Company announced that it has commenced a cash Offer to repurchase up to 22,429,265 Shares of its share capital at a price of €1.90 per Share. The Offer was contingent upon the acceptance by shareholders representing at least 19,214,042 Shares, although Head had the right to waive this contingency. On December 27, 2013, on January 21, 2014, on February 11, 2014, and on March 4, 2014, the Company announced that it has decided to extend the Offer Period. On March 25, 2014, the Company announced that it has received Declarations of Acceptances representing 16,543,621 Shares and that the Company is withdrawing the Conditional Offer.

On March 28, 2014, the Company announced an Unconditional Offer to Buy Back Shares at a price of €1.60 per Share (see also Note 10).

Note 6 - Segment Information

The Company's business is organised 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,	
	2014	2013
	(unaudited)	*(unaudited)*
	(in thousands)	
Net Revenues from External Customers:		
Austria	€ 26,384	€ 22,920
Italy	7,603	10,110
Other (Europe)	9,011	8,044
Asia	4,653	3,548
North America	23,086	25,019
Total Net Revenues	€ 70,738	€ 69,640

	March 31, 2014	December 31, 2013
	(unaudited)	
	(in thousands)	
Long-lived assets:		
Austria	€ 22,664	€ 22,806
Italy	6,554	6,599
Other (Europe)	26,071	17,083
Asia	8,768	9,212
North America	6,565	6,557
Total long-lived assets	€ 70,621	€ 62,258

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, 2014 and 2013, 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 March 31, 2014, 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 years 2014, 2015 and 2016, the yearly fee amounts to €0.045 million.

Note 8 – Borrowings

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 had a 83% and 17% interest in the formed company, respectively. This venture qualified as a special purpose entity due to the fact that the Chinese company was formed to manufacture tennis balls solely on behalf of the Company. As a result, the Company consolidated this entity from inception. At December 31, 2013, the Company recorded a liability of €2.6 million for the contribution of its partner. As of January 1, 2014, the Company acquired the 17% interest of its venture partner.

Note 9 – Business Combinations

Acquisition of Catis s.r.o. and its subsidiary

On January 1, 2014, the Company completed the acquisition of 100% of shares of a company called Catis s.r.o. and its subsidiary called Sitac s.r.o, both located in Czech Republic. Catis has historically assembled between 1.0 and 1.5 million bindings for Head each year.

As a result of this transaction, the Company expects to reduce costs and improve the efficiency in the production of alpine ski bindings.

The goodwill of €3.0 million arising from the acquisition is attributable to economies of scale expected from combining the operation of the acquired entity. The goodwill is not expected to be deductible for income tax purposes.

The table below summarises the consideration paid for Catis s.r.o and its subsidiary, the fair value of assets acquired and liabilities assumed and the resulting goodwill as of January 1, 2014 (in thousands):

Total consideration paid in cash	€	4,950
Recognised amounts of identifiable assets acquired and liabilities assumed:		
Property, plant and equipment		1,956
Accounts receivables		96
Cash and cash equivalents and prepaid expenses		145
Accounts payables		203
Total identifiable net assets	€	1,994
Goodwill as of January 1, 2014	€	2,956

Acquisition-related costs of €0.1 million have been charged to cost of sales in the consolidated income statement for the year ended December 31, 2013.

Acquisition of Concept Systems International GmbH and its subsidiaries

As per January 1, 2014, Head closed a transaction to acquire 100% of the shares of Concept Systems International GmbH, which holds the trademarks of SSI (Scuba Schools International) and 100% of SSI GmbH, Germany (SSI-GmbH) and Concept Systems, Inc., USA (CSI-Inc), SSI's two operational entities. SSI provides training-material and scuba dive certification for divers, dive instructors, and dive centers around the world. SSI is represented in more than 110 countries.

The purchase price amounted to approximately €5.0 million excluding a contingent bonus-payment. The contingent bonus-payment arrangement requires the Company to pay a certain percentage of the growth of diving equipment sales in the period from January 1, 2014, through December 31, 2017.

The goodwill arising from the acquisition represents the expectation of the Company to increase its presence in the markets where the acquired entities are currently operating and aims to add value to both brands and leverage synergies. The goodwill is not expected to be deductible for income tax purposes.

The table below summarises the consideration for Concept Systems International GmbH and its subsidiaries, the fair value of assets acquired and liabilities assumed and the resulting goodwill (preliminary, in thousands):

Consideration paid in cash	€	2,800
Consideration not paid as of March 31, 2014		1,350
Liabilities of acquired subsidiaries, paid in cash		850
Total consideration	€	5,000
Recognised amounts of identifiable assets acquired and liabilities assumed:		
Intangible assets		982
Property, plant and equipment		67
Inventories		778
Accounts receivables		770
Cash and cash equivalents and prepaid expenses		507
Accruals, accounts payables and deferred income		1,245
Total identifiable net assets	€	1,858
Goodwill	€	3,142

Acquisition-related costs of €0.2 million have been charged to general and administrative expenses in the consolidated income statement for the year ended December 31, 2013. In the first quarter of 2014, acquisition-related costs of €0.02 million have been charged to general administrative expenses.

Note 10 – Subsequent Events

On March 28, 2014, the Company announced an Unconditional Offer to Buy Back Shares at a price of €1.60 per Share. The Unconditional Offer commenced on March 31, 2014 and expired on April 17, 2014. On April 22, 2014, the Company announced that it has acquired 14,865,236 Shares at a price of €1.60 per Share. Details of the share ownership of the Company can be found on the Company´s website: http://head.com/corporate/investors/structure.php

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 and SSI (diving). 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 recognised 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 maximise 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 2013/2014 season started out promisingly, the weather turned warmer in the Northern Alps after Christmas and resulted in relatively bad snow conditions in Austria, Germany, France and Switzerland as well as in some of the Scandinavian markets. Conversely North America and Southern Europe had good snow conditions and overall we believe the world-wide equipment market for alpine and snowboards was down between 5% and 10% in 2013 compared to 2012.

We have again had a very successful race season with both the outstanding results of Head athletes at the Olympic Winter games in Sochi and also throughout the Worldcup season.

Racquet Sports. Following a declining tennis racquet market in 2013 we have some first indication that the market started slowly in 2014. The late arriving spring weather in North America is affecting retail sell-through and also new product launches of all brands already during the last quarter of 2013 lead to lack of excitement during the first quarter of 2014.

Diving. The ongoing economic crisis in Southern European markets as well as political turmoil in Egypt and Eastern Europe kept European markets challenging, however driven by new product launches the Company expects a stronger second and third quarter. The Company started integrating the newly acquired SSI business (see Note

9), revenues in the first quarter due to specific terms of the acquisition and system changes were still insignificant.

Sportswear. We believe that the winter sportswear market for the 2013/14 season declined as it was impacted to an even greater degree by the weather than the winter sports equipment market.

The summer sportswear market in Europe, we believe, has started 2014 positively due to the early mild weather.

Results of Operations

The following table sets forth certain consolidated income statement data:

	For the Three Months ended March 31,	
	2014	2013
	(unaudited)	*(unaudited)*
	(in thousands)	
Total net revenues	€ 70,738	€ 69,640
Cost of sales	38,175	40,425
Gross profit	**32,563**	**29,215**
Gross margin	46.0%	42.0%
Selling and marketing expense	27,863	26,667
General and administrative expense	7,499	7,023
Share-based compensation (income) expense	(266)	742
Other operating expense, net	416	281
Operating loss	**(2,949)**	**(5,497)**
Interest and other finance expense	(1,482)	(1,382)
Interest and investment income	130	112
Other non-operating (expense) income, net	104	(474)
Income tax benefit	817	1,169
Loss for the period	**€ (3,380)**	**€ (6,072)**

Three Months Ended March 31, 2014 and 2013

Total Net Revenues. For the three months ended March 31, 2014, total net revenues increased by €1.1 million, or 1.6%, to €70.7 million from €69.6 million in the comparable 2013 period. This increase was mainly due to higher revenues in Winter Sports and Licensing.

	For the Three Months ended March 31,	
	2014 (unaudited)	2013 (unaudited)
	(in thousands)	
Product category:		
Winter Sports	€ 14,557	€ 13,256
Racquet Sports	41,167	42,275
Diving	12,642	13,029
Sportswear	1,793	1,800
Licensing	2,649	1,296
Total revenues	72,808	71,656
Sales Deductions	(2,070)	(2,015)
Total Net Revenues	€ 70,738	€ 69,640

Winter Sports revenues for the three months ended March 31, 2014, increased by €1.3 million, or 9.8%, to €14.6 million from €13.3 million in the comparable 2013 period due to higher volumes for our alpine products and a favorable product mix for skis and boots.

Racquet Sports revenues for the three months ended March 31, 2014, decreased by €1.1 million, or 2.6%, to €41.2 million from €42.3 million in the comparable 2013 period. This decrease was mainly due to lower volumes for Penn balls and exchange rate movements.

Diving revenues for the three months ended March 31, 2014, decreased by €0.4 million, or 3.0%, to €12.6 million from €13.0 million in the comparable 2013 period. This decrease was driven by lower revenues for Diving and Swimming products in most markets.

Sportswear revenues for the three months ended March 31, 2014, remained almost unchanged compared to 2013 at €1.8 million.

Licensing revenues for the three months ended March 31, 2014, amounted to €2.6 million, compared to €1.3 million in the comparable 2013 period. This increase was mainly due to better than expected sales.

Sales deductions for the three months ended March 31, 2014, remained almost unchanged at €2.1 million compared to 2013 (€2.0 million).

Gross Profit. For the three months ended March 31, 2014, gross profit increased by €3.3 million to €32.6 million from €29.2 million in the comparable 2013 period. Gross margin increased from 42.0% in 2013 to 46.0% in 2014 mainly due to higher licensing revenues and lower cost of sales for our tennis ball and diving business.

Selling and Marketing Expense. For the three months ended March 31, 2014, selling and marketing expense increased by €1.2 million, or 4.5%, to €27.9 million from €26.7 million in the comparable 2013 period. This increase was mainly due to higher advertising costs in our Diving and Sportswear divisions and to higher departmental selling costs.

General and Administrative Expense. For the three months ended March 31, 2014, general and administrative expense increased by €0.5 million, or 6.8%, to €7.5 million from €7.0 million in 2013. This increase was mainly due to higher business unit administration and warehouse costs in our Diving division.

Share-Based Compensation Income/Expense. For the three months ended March 31, 2014, the Company recorded €0.3 million share-based compensation income for our Stock Option Plans compared to share-based compensation expense of €0.7 million in the 2013 period. The income of €0.3 million in the first quarter 2014 was due to the decrease of the share price at March 31, 2014, compared to the share price at December 31, 2013, which decreases the liability for the cash-settled Stock Option Plans.

Other Operating Expense, net. For the three months ended March 31, 2014, other operating expense, net, slightly increased to €0.4 million from €0.3 million in the comparable 2013 period.

Operating Loss. As a result of the foregoing factors, operating loss for the three months ended March 31, 2014, decreased by €2.5 million to €2.9 million from €5.5 million in the comparable 2013 period.

Interest and Other Finance Expense. For the three months ended March 31, 2014, interest and other finance expense slightly increased by €0.1 million to €1.5 million from €1.4 million in the comparable 2013 period mainly due to higher interest expenses.

Interest and Investment Income. For the three months ended March 31, 2014 and 2013, interest and investment income amounted to €0.1 million.

Other Non-operating Expense/Income, net. For the three months ended March 31, 2014, other non-operating income, net, amounted to €0.1 million, compared to other non-operating expense, net, of €0.5 million in 2013. This swing was due to foreign exchange gains in 2014 and foreign exchange losses in 2013.

Income Tax Benefit. For the three months ended March 31, 2014, the income tax benefit decreased by €0.4 million to €0.8 million from €1.2 million in the comparable 2013 period mainly due to lower deferred income tax benefits on tax losses carried forward as a result of higher pre-tax numbers.

Net Loss. As a result of the foregoing factors, for the three months ended March 31, 2014, we had a net loss of €3.4 million, compared to a net loss of €6.1 million in the comparable 2013 period.

Liquidity and Capital Resources

Payments from the Company's 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, investments, development of new products, payment of interest, extension of credit to the Company's customers, and other general funding of the Company's day-to-day operations.

For the three months ended March 31, 2014, cash provided by operating activities increased by €7.6 million to €19.5 million compared to €11.9 million in 2013 mainly due to higher cash inflow from accounts receivables. Cash was used to purchase property, plant and equipment of €1.9 million in the first quarter 2014 compared to €1.7 million in 2013. Cash paid for the acquisition of subsidiaries (see Note 9) amounted to €8.6 million as of March 31, 2014. Net cash provided by financing activities for the three months ended March 31, 2014, amounted to €1.9 million compared to net cash used for financing activities of €0.9 million in 2013.

As of March 31, 2014, the Company had in place a €59.4 million Bond due 2018, €8.9 million long-term obligations under a sale-leaseback agreement due 2017, €7.5 million mortgage agreements and €21.2 million other long-term debt comprising loans in the United States, Japan, China, Italy and Austria. In addition, the Company used lines of credit with several banks in Austria, Japan, France, Italy and in the United Kingdom of €36.7 million.

As of March 31, 2013, the Company had in place €9.1 million long-term obligations under a sale-leaseback agreement due 2017, a liability against our venture partner of €2.8 million, €9.4 million mortgage agreements and €23.7 million other long-term debt comprising loans in the United States, Japan, China, Italy and Austria. In addition, the Company had in place €27.5 million Senior Notes due 2014 and used lines of credit with several banks in Austria, Japan, France and in the United Kingdom of €26.6 million.