# HEAD N.V.
# INTERIM FINANCIAL STATEMENTS

For the Period Ended
March 31, 2010

0974268

# HEAD N.V.

## INTERIM FINANCIAL STATEMENTS
## FOR THE PERIOD ENDED MARCH 31, 2010

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, 2010 | | December 31, 2009 |
|---|---|---|---|---|---|
| | | | *(unaudited)* | | |
| | | | *(in thousands, except share data)* | | |
| **ASSETS:** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment, net | 6 | € | 54,009 | € | 54,211 |
| Intangible assets | 6 | | 11,260 | | 10,995 |
| Goodwill | 6 | | 2,851 | | 2,744 |
| Deferred income tax assets | | | 50,756 | | 49,239 |
| Trade receivables | | | 115 | | 1,045 |
| Other non-current assets | | | 4,770 | | 4,738 |
| Total non-current assets | | | 123,760 | | 122,970 |
| **Current assets** | | | | | |
| Inventories, net | 3 | | 78,325 | | 62,829 |
| Trade and other receivables | | | 80,289 | | 122,296 |
| Prepaid expense | | | 2,291 | | 1,857 |
| Available-for-sale financial assets | | | 6,746 | | 6,573 |
| Cash and cash equivalents | | | 68,164 | | 36,935 |
| Total current assets | | | 235,816 | | 230,490 |
| Total assets | | € | 359,577 | € | 353,460 |
| **EQUITY:** | | | | | |
| Share capital: €0.01 par value; 88,204,030 shares issued | 5 | € | 882 | € | 882 |
| Other reserves | | | 105,077 | | 105,077 |
| Treasury shares | 5 | | (683) | | (683) |
| Retained earnings | | | 51,457 | | 53,286 |
| Fair Value and other reserves including cumulative translation adjustments (CTA) | | | (6,531) | | (10,073) |
| Total equity | | | 150,202 | | 148,489 |
| **LIABILITIES:** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | | | 92,449 | | 92,286 |
| Retirement benefit obligations | | | 14,508 | | 14,276 |
| Other long-term liabilities | | | 11,609 | | 14,212 |
| Total non-current liabilities | | | 118,565 | | 120,774 |
| **Current liabilities** | | | | | |
| Trade and other payables | | | 55,053 | | 49,003 |
| Income taxe liabilities | | | 2,071 | | 1,947 |
| Borrowings | | | 23,063 | | 22,133 |
| Provisions | | | 10,622 | | 11,114 |
| Total current liabilities | | | 90,810 | | 84,197 |
| Total liabilities | | | 209,375 | | 204,971 |
| Total liabilities and shareholders' equity | | € | 359,577 | € | 353,460 |

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, 2010 | 2009 |
|---|---|---|---|
| | | *(unaudited)* | *(unaudited)* |
| | | *(in thousands, except share data)* | |
| **Results of operations:** | | | |
| Total net revenues | 6 | € 60,977 | € 57,174 |
| Cost of sales | | 34,790 | 35,382 |
| Gross profit | | 26,187 | 21,792 |
| Selling and marketing expense | | 22,510 | 22,313 |
| General and administrative expense | | 6,523 | 7,168 |
| Restructuring costs | | -- | 1,723 |
| Share-based compensation income | | (2,807) | (10) |
| Other operating expense, net | | 472 | 722 |
| Operating loss | | (512) | (10,124) |
| Interest and other finance expense | | (2,316) | (3,152) |
| Expense on exchange of senior notes | | -- | (1,900) |
| Interest and investment income | | 196 | 185 |
| Other non-operating income (expense), net | | (428) | 1,380 |
| Loss before income taxes | | (3,059) | (13,612) |
| Income tax benefit (expense): | | | |
| Current | | (287) | (1,345) |
| Deferred | | 1,517 | 3,182 |
| Income tax benefit | | 1,230 | 1,837 |
| Loss for the period | | € (1,829) | € (11,775) |
| **Other comprehensive income:** | | | |
| **Gains (losses) recognized directly in equity** | | | |
| Invested intercompany receivables | | € 459 | € 405 |
| Available-for-sale financial assets | | 173 | (258) |
| Foreign currency translation adjustment | | 3,069 | 1,708 |
| Income tax related to components of other comprehensive income | | (158) | (37) |
| Other comprehensive income for the period, net of tax | | € 3,543 | € 1,818 |
| Total comprehensive income (loss) for the period | | € 1,713 | € (9,957) |
| Earnings per share-basic | | | |
| Loss for the period | | € (0.02) | € (0.32) |
| Earnings per share-diluted | | | |
| Loss for the period | | € (0.02) | € (0.32) |
| Weighted average shares outstanding | | | |
| Basic | | 87,944 | 37,109 |
| Diluted | | 87,944 | 37,109 |

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

| | Ordinary Shares | | | | | Fair Value and Other | |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Other Reserves | Treasury Stock | Retained Earnings | Reserves/ CTA | Total Equity |
| | *(unaudited)* *(in thousands, except share data)* | | | | | | |
| Balance at January 1, 2009 | 37,109,432 € | 398 € | 111,489 € | (7,119) € | 30,960 € | (9,694) € | 126,034 |
| Loss for the period | -- | -- | -- | -- | (11,775) | -- | (11,775) |
| Changes in fair value and other reserves including CTA | -- | -- | -- | -- | -- | 1,818 | 1,818 |
| Total recognized income and expense for the period | -- | -- | -- | -- | -- | -- | (9,957) |
| Balance at March 31, 2009 | 37,109,432 € | 398 € | 111,489 € | (7,119) € | 19,186 € | (7,876) € | 116,077 |
| Balance at January 1, 2010 | 87,944,008 € | 882 € | 105,077 € | (683) € | 53,286 € | (10,073) € | 148,489 |
| Loss for the period | -- | -- | -- | -- | (1,829) | -- | (1,829) |
| Changes in fair value and other reserves including CTA | -- | -- | -- | -- | -- | 3,543 | 3,543 |
| Total recognized income and expense for the period | -- | -- | -- | -- | -- | -- | 1,713 |
| Balance at March 31, 2010 | 87,944,008 € | 882 € | 105,077 € | (683) € | 51,457 € | (6,531) € | 150,202 |

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, 2010 | 2009 |
|---|---|---|---|
| | | *(unaudited)* | *(unaudited)* |
| | | *(in thousands)* | |
| **OPERATING ACTIVITIES:** | | | |
| Loss for the period | | € (1,829) | € (11,775) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | |
| Depreciation and amortization | | 2,664 | 3,974 |
| Amortization and write-off of debt issuance cost and bond discount | | 39 | 113 |
| Provision (release) for leaving indemnity and pension benefits | | 187 | (248) |
| Restructuring costs | | -- | 82 |
| Loss (gain) on sale of property, plant and equipment | | 1 | (9) |
| Share-based compensation income | | (2,807) | (10) |
| Deferred Income | | (173) | (721) |
| Interest expense | | 1,845 | 2,474 |
| Interest income | | (196) | (185) |
| Income tax expense | | 287 | 1,345 |
| Deferred tax benefit | | (1,517) | (3,182) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | | 45,585 | 50,581 |
| Inventories | 3 | (14,262) | (15,199) |
| Prepaid expense and other assets | | (441) | (459) |
| Accounts payable, accrued expenses, other liabilities and provisions | | 6,989 | (1,351) |
| Interest paid | | (3,855) | (5,477) |
| Income tax paid | | (243) | (271) |
| Net cash provided by operating activities | | 32,275 | 19,683 |
| **INVESTING ACTIVITIES:** | | | |
| Purchase of property, plant and equipment | | (986) | (1,483) |
| Proceeds from sale of property, plant and equipment | | 13 | 10 |
| Interest received | | 180 | 113 |
| Net cash used for investing activities | | (793) | (1,360) |
| **FINANCING ACTIVITIES:** | | | |
| Change in short-term borrowings, net | | 551 | (3,097) |
| Payments on long-term debt | | (478) | (887) |
| Change in restricted cash | | (0) | 192 |
| Net cash provided by (used for) financing activities | | 72 | (3,791) |
| Effect of exchange rate changes on cash and cash equivalents | | (326) | (301) |
| Net increase in cash and cash equivalents | | 31,229 | 14,230 |
| Cash and cash equivalents at beginning of period | | 36,024 | 17,155 |
| Cash and cash equivalents at end of period | | € 67,253 | € 31,385 |

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

**HEAD N.V. AND SUBSIDIARIES**
**ITEM 1: FINANCIAL STATEMENTS**
**NOTES TO THE UNAUDITED 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, and snowboard products, tennis, racquetball, squash and badminton racquets, tennis balls and tennis footwear), *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. The Company also receives licensing and royalty income. As many of the Company's products, especially Winter Sports products, are shipped during a specific part 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 September, 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 September to November. At this time, the Company will begin to receive re-orders from customers, which constitute the remaining quarter of the 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.

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 revenue. 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, Spain, Switzerland, the Netherlands 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, 2009. The condensed interim financial statements comply with IAS 34. The result of operations for the three months period ended March 31, 2010 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, 2010 (unaudited) | December 31, 2009 |
|---|---|---|
| Raw materials and supplies | € 14,339 | € 13,196 |
| Work in process | 7,254 | 5,517 |
| Finished goods | 66,532 | 54,590 |
| Provisions | (9,799) | (10,474) |
| Total inventories, net | € 78,325 | € 62,829 |

## Note 4 - Financial Instruments

The following table provides information regarding the Company's foreign exchange forward and option contracts as of March 31, 2010 and December 31, 2009. 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, 2010 | | |
|---|---|---|---|
| | Contract amount | Carrying value | Fair value |
| | | (in thousands) | |
| Foreign exchange forward contracts | € 23,706 | € (1.454) | € (1.454) |
| Foreign exchange option contracts | € 2,494 | € (32) | € (32) |

| | As of December 31, 2009 | | |
|---|---|---|---|
| | Contract amount | Carrying value | Fair value |
| | | (in thousands) | |
| Foreign exchange forward contracts | € 31,029 | € (271) | € (271) |
| Foreign exchange option contracts | € 3,683 | € 16 | € 16 |

## Note 5 – Shareholders' Equity

Head Sports Holdings N.V. and its shareholders controlled 48,242,064 shares, or approximately 54.69% of the Company's issued shares, as of March 31, 2010. 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, 2010, the Stichting held 260,022 treasury shares.

## Note 6 - Segment Information

The Company operates in one industry segment, Sporting Goods. The following information reflects net revenues and long-lived assets based on the location of the Company's subsidiaries:

| | For the Three Months ended March 31, 2010 (unaudited) | 2009 (unaudited) |
|---|---|---|
| | *(in thousands)* | |
| **Net Revenues from External Customers:** | | |
| Austria | € 21,686 | € 20,902 |
| Italy | 8,072 | 8,532 |
| Other (Europe) | 9,370 | 7,655 |
| Asia | 2,818 | 2,357 |
| North America | 19,031 | 17,729 |
| Total Net Revenues | € 60,977 | € 57,174 |

| | March 31, 2010 (unaudited) | December 31, 2009 |
|---|---|---|
| | *(in thousands)* | |
| **Long-lived assets:** | | |
| Austria | € 19,894 | € 20,672 |
| Italy | 8,652 | 8,941 |
| Other (Europe) | 20,879 | 20,781 |
| Asia | 11,559 | 10,811 |
| North America | 7,135 | 6,744 |
| Total long-lived assets | € 68,119 | € 67,949 |

## Note 7 - Related Party Transactions

The Company receives administrative services from corporations, which are ultimately controlled by the principal shareholder of the Company. Administrative expenses amounted to approximately €1.2 million for the period ended March 31, 2010 and 2009, respectively. The company provides investor relations, corporate finance, legal and consulting services. In the amended indenture governing the senior secured notes, the Company has agreed to limit such expenses to €4.6 million per year as long as the senior secured notes are outstanding.

One of the Company's subsidiaries leased its office building from its general manager. Rental expenses amounted to approximately €0.01 million for the period ended March 31, 2010 and 2009, respectively.

## HEAD N.V. AND SUBSIDIARIES
## 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, and snowboard and protection products, tennis, racquetball, squash and badminton racquets, tennis balls and tennis footwear), *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 and manufacturers of innovative, high-quality and technologically advanced sporting equipment. The Company's focus continues to be its core products of skiing, tennis and diving equipment. In order to expand market share and maximize profitability, for the last ten years the Company has increased its emphasis on marketing and new product development, leveraging further its brands, global distribution network and traditional strength in manufacturing and the Company is continuously looking for a possible reduction of its fixed costs.

### Business development

*Winter Sports*. The 2009/2010 winter season started with early snow in Europe and in some parts of the U.S. but with late snow in Japan. Retailers in Europe reported a growing winter sports equipment business mainly driven by accessories and skiwear. Ski sales in Europe have been flat compared to 2008 and significantly down in Japan and in Canada. Good snow conditions all over the world as from January onwards for the rest of the season led to some good sell through also in Japan and retailers could reduce their inventory. In the Olympic Games in Vancouver Head skiers won four Gold, one Silver and six Bronze medals the best performing Alpine Ski brand during these games. This increases the popularity and demand for our products at retail and consumer level and helps us to gain additional market share in a still slightly declining equipment market. There is still a significant trend towards renting the ski equipment. We are part way through the preseason orders for our winter sports business, and at this stage, based on our bookings we believe that winter sports sales will be broadly in line with last years.

*Racquet Sports*. The tennis market finished the year 2009 in better shape than anticipated. While the U.S. tennis market declined at a rate of approximately 10% in racquet sales and 1% in ball sales, the European market was stable in racquet sales and slightly declined in ball sales, driven by lower prices for balls in the market. The Japanese market also declined in 2009. For 2010, we anticipate a market similar to 2009 in racquet and ball sales in all regions of the world.

*Diving*. Diving markets declined in 2009 as a result of the worldwide economic crisis, with dive equipment at higher price-points having been affected stronger than soft-goods.

The Company believes that Mares gained market share in its key European markets, of Germany, France and Spain as a result of innovative product launches and improved operations. The Mares business was most severely impacted in the U.S. with a decline of over 20% in sales. Asian countries developed differently, and were in total slightly down, with Korea up both in sales and market share, while Australia worsened due to distribution weaknesses.

## Results of Operations:

The following table sets forth certain consolidated income statement data:

| | For the Three Months ended March 31, 2010 | 2009 |
|---|---|---|
| | *(unaudited)* | *(unaudited)* |
| | *(in thousands)* | |
| Total net revenues | € 60,977 | € 57,174 |
| Cost of sales | 34,790 | 35,382 |
| Gross profit | 26,187 | 21,792 |
| Gross margin | 42.9% | 38.1% |
| Selling and marketing expense | 22,510 | 22,313 |
| General and administrative expense | 6,523 | 7,168 |
| Restructuring costs | -- | 1,723 |
| Share-based compensation income | (2,807) | (10) |
| Other operating expense, net | 472 | 722 |
| Operating loss | (512) | (10,124) |
| Interest and other finance expense | (2,316) | (3,152) |
| Expense on exchange of senior notes | -- | (1,900) |
| Interest and investment income | 196 | 185 |
| Other non-operating income (expense), net | (428) | 1,380 |
| Income tax benefit | 1,230 | 1,837 |
| Loss for the period | € (1,829) | € (11,775) |

## Three Months Ended March 31, 2010 and 2009

*Total Net Revenues.* For the three months ended March 31, 2010 total net revenues increased by €3.8 million, or 6.7%, to €61.0 million from €57.2 million in the comparable 2009 period. This increase was mainly due to improved racquet sports sales offset by a decline in diving. Winter sports remained broadly flat.

## HEAD N.V. AND SUBSIDIARIES
### ITEM 2: MANAGEMENT'S OPERATING AND FINANCIAL REVIEW

| | For the Three Months ended March 31, | |
|---|---|---|
| | 2010 | 2009 |
| | (unaudited) | (unaudited) |
| | (in thousands) | |
| **Product category:** | | |
| Winter Sports € | 13,969 € | 13,883 |
| Racquet Sports | 35,710 | 31,219 |
| Diving | 11,548 | 12,095 |
| Licensing | 1,396 | 1,491 |
| Total revenues | 62,623 | 58,688 |
| Sales Deductions | (1,646) | (1,514) |
| Total Net Revenues € | 60,977 € | 57,174 |

Winter Sports revenues for the three months ended March 31, 2010 increased by €0.1 million, or 0.6%, to €14.0 million from €13.9 million in the comparable 2009 period mainly due to improved product mix.

Racquet Sports revenues for the three months ended March 31, 2010 increased by €4.5 million, or 14.4%, to €35.7 million from €31.2 million in the comparable 2009 period. This increase was due to higher sales volumes for racquets and tennis balls as well as improved product mix of racquets, partially offset by the effect of the stronger euro against the U.S. dollar during the reported period compared to prior years reported period.

Diving revenues for the three months ended March 31, 2010 decreased by €0.5 million, or 4.5%, to €11.5 million from €12.1 million in the comparable 2009 period. This decrease was mainly driven by the overall decline in the economic environment and consumer spending and product availability issues from a third party supplier.

Licensing revenues for the three months ended March 31, 2010 decreased by €0.1 million, or 6.4%, to €1.4 million from €1.5 million in the comparable 2009 period due to fewer licensing agreements.

Sales deductions for the three months ended March 31, 2010 increased by €0.1 million, or 8.7%, to €1.6 million from €1.5 million in the comparable 2009 period due to increased sales.

*Gross Profit.* For the three months ended March 31, 2010 gross profit increased by €4.4 million to €26.2 million from €21.8 million in the comparable 2009 period. This increase was mainly due to higher sales, improved product mix and manufacturing costs as well as lower sourcing cost. Gross margin increased to 42.9% for the first three months ended March 31, 2010 from 38.1% in the comparable 2009 period.

*Selling and Marketing Expense.* For the three months ended March 31, 2010, selling and marketing expense increased by €0.2 million, or 0.9%, to €22.5 million from €22.3 million in the comparable 2009 period. This increase was mainly due to higher advertising costs and higher sales commissions.

*General and Administrative Expense.* For the three months ended March 31, 2010, general and administrative expenses decreased by €0.6 million, or 9.0%, to €6.5 million from €7.2 million in the comparable 2009 period. This decrease was mainly due to lower personnel expense.

*Share-Based Compensation Income.* For the three months ended March 31, 2010, we recorded €2.8 million of share-based compensation income for our Stock Option Plans compared to € 0.01 million in the comparable 2009 period due to the decrease in our share price which led to a decrease of the liability due to the option holders.

*Other Operating Expense, net.* For the three months ended March 31, 2010, other operating expense, net amounted to €0.5 million, compared to €0.7 million in the comparable 2009 period due to lower foreign currency exchange losses.

*Operating Loss.* As a result of the foregoing factors, operating loss for the three months ended March 31, 2010 decreased by €9.6 million to €0.5 million from €10.1 million in the comparable 2009 period.

*Interest and Other Finance Expense.* For the three months ended March 31, 2010, interest and other finance expense decreased by €0.8 million, or 26.5%, to €2.3 million from €3.2 million in the comparable 2009 period. This decrease was due to lower interest from our bonds as a result of the bond exchange in 2009.

*Interest and Investment Income.* For the three months ended March 31, 2010, interest income remained stable.

*Other Non-operating Income (Expense), net.* For the three months ended March 31, 2010 other non-operating expenses (net of other non-operating income) were €0.4 million. This was an increase in net expenses of €1.8 million compared to the first three months of 2009 mainly due to foreign currency losses in 2010.

*Income Tax Benefit.* For the three months ended March 31, 2010, the income tax benefit decreased by €0.6 million to €1.2 million, compared to €1.8 million in the comparable 2009 period. This was due to lower tax losses the tax benefit of which is probable to be realized in the near future that resulted in deferred income tax benefits partially offset by lower current income tax expense.

*Net Loss.* As a result of the foregoing factors, for the three months ended March 31, 2010, we had a net loss of €1.8 million, compared to a net loss of €11.8 million in the comparable 2009 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, 2010, cash provided by operating activities increased by €12.6 million to €32.3 million compared to €19.7 million in the comparable 2009 period, which was mainly a result of a better operating result, lower interest paid and improved working capital management. Additional cash was used to purchase property, plant and equipment of €1.0 million compared to €1.5 million in the comparable 2009 period.

As of March 31, 2010, the Company had in place €43.7 million secured senior notes due 2012, €27.7 million senior notes due 2014, €11.9 million long-term obligations under a sale-leaseback agreement and a mortgage agreement due 2017, a liability against our venture partner of €2.7 million and €8.3 million other long-term debt comprising secured loans in Italy, Japan and China. In addition, the Company used lines of credit with several banks in Austria, France and Japan of €21.1 million.