HEAD N.V.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Period Ended
June 30, 2014

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FOR THE PERIOD ENDED JUNE 30, 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		June 30, 2014 (unaudited)		December 31, 2013
			(in thousands, except share data)		
ASSETS:					
Non-current assets					
Property, plant and equipment	6	€	49,568	€	48,276
Other intangible assets	6		12,108		11,187
Goodwill	6, 9		9,004		2,795
Deferred income tax assets			55,200		52,146
Trade receivables			307		1,306
Other non-current assets			5,681		5,328
Total non-current assets			131,868		121,038
Current assets					
Inventories	3		117,398		82,895
Trade and other receivables			70,504		118,798
Prepaid expense			2,181		1,831
Available-for-sale financial assets			--		5,010
Cash and cash equivalents			48,123		78,318
Total current assets			238,205		286,852
Total assets		€	370,073	€	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		(29,501)		(5,717)
Retained earnings			55,021		63,973
Fair Value and other reserves including cumulative translation adjustments (CTA)			(9,924)		(9,991)
Total equity			140,726		173,396
LIABILITIES:					
Non-current liabilities					
Borrowings	8		94,763		93,291
Employee benefits			18,659		18,836
Provisions			2,652		2,668
Other long-term liabilities			4,893		6,136
Total non-current liabilities			120,968		120,932
Current liabilities					
Trade and other payables			58,577		62,246
Current income tax liabilities			1,713		1,232
Borrowings	8		41,466		43,362
Provisions			6,624		6,723
Total current liabilities			108,379		113,562
Total liabilities			229,347		234,494
Total liabilities and equity		€	370,073	€	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 June 30, 2014 (unaudited)	For the Three Months ended June 30, 2013 (unaudited)	For the Six Months ended June 30, 2014 (unaudited)	For the Six Months ended June 30, 2013 (unaudited)
		(in thousands, except per share data)		(in thousands, except per share data)	
Total net revenues	6	€ 66,188	€ 64,557	€ 136,926	€ 134,197
Cost of sales		38,123	38,928	76,298	79,353
Gross profit		**28,065**	**25,629**	**60,628**	**54,844**
Selling and marketing expense		24,983	22,973	52,846	49,640
General and administrative expense		7,738	7,048	15,236	14,071
Share-based compensation expense (income)		(129)	(329)	(395)	414
Other operating expense (income), net		232	(311)	648	(30)
Operating loss		**(4,758)**	**(3,752)**	**(7,707)**	**(9,250)**
Interest and other finance expense		(1,658)	(1,245)	(3,140)	(2,627)
Interest and investment income		76	111	206	223
Other non-operating income (expense), net		(459)	401	(355)	(73)
Loss before income taxes		(6,799)	(4,485)	(10,996)	(11,726)
Income tax benefit (expense):					
Current		(702)	(721)	(1,008)	(1,176)
Deferred		1,930	1,634	3,052	3,258
Income tax benefit		1,227	913	2,044	2,082
Loss for the period		**€ (5,572)**	**€ (3,572)**	**€ (8,952)**	**€ (9,644)**
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustment on group companies		€ 547	€ (967)	€ 62	€ 274
Available-for-sale financial assets		9	4	7	6
Tax effect		(2)	(1)	(2)	(2)
		€ 554	€ (964)	€ 67	€ 279
Other comprehensive income (expense) for the period, net of tax		**€ 554**	**€ (964)**	**€ 67**	**€ 279**
Total comprehensive expense for the period		**€ (5,018)**	**€ (4,536)**	**€ (8,885)**	**€ (9,365)**
Earnings per share - basic and diluted					
Loss for the period		(0.08)	(0.04)	(0.12)	(0.12)
Weighted average shares outstanding					
Basic and Diluted		69,895	83,519	76,669	83,519

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

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

	Note	Attributable to equity holders of the Company						Total Equity
		Ordinary Shares					Fair Value and Other Reserves/ CTA	
		Shares	Share Capital	Other Reserves	Treasury Shares	Retained Earnings		
		(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		--	--	--	--	(9,644)	--	(9,644)
Changes in fair value and other including CTA reserves		--	--	--	--	--	279	279
Total comprehensive expense for the period		--	--	--	--	--	--	(9,365)
Balance at June 30, 2013		**83,518,508 €**	**922 €**	**124,209 €**	**(5,717) €**	**49,033 €**	**(6,526) €**	**161,921**
Balance at January 1, 2014		83,518,508 €	922 €	124,209 €	(5,717) €	63,973 €	(9,991) €	173,396
Share Buy Back	5	(14,865,236)	--	--	(23,784)	--	--	(23,784)
Loss for the period		--	--	--	--	(8,952)	--	(8,952)
Changes in fair value and other including CTA reserves		--	--	--	--	--	67	67
Total comprehensive expense for the period		--	--	--	--	--	--	(8,885)
Balance at June 30, 2014		**68,653,272 €**	**922 €**	**124,209 €**	**(29,501) €**	**55,021 €**	**(9,924) €**	**140,726**

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 Six Months ended June 30, 2014 (unaudited)	For the Six Months ended June 30, 2013 (unaudited)
		(in thousands)	
OPERATING ACTIVITIES:			
Loss for the period		€ (8,952)	€ (9,644)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization		4,735	4,621
Amortization and write-off of debt issuance cost and bond discount		109	208
Provision (Release) for leaving indemnity and pension benefits		(196)	369
Gain on sale of property, plant and equipment		(39)	(8)
Loss on sale of availabe-for-sale financial assets		17	--
Share-based compensation expense (income)		(395)	414
Deferred Income		(504)	(453)
Finance costs		2,829	2,316
Interest income		(206)	(223)
Income tax expense		1,008	1,176
Deferred tax benefit		(3,052)	(3,258)
Changes in operating assets and liabilities:			
Accounts receivable		50,412	44,121
Inventories	3	(33,354)	(24,357)
Prepaid expense and other assets		(653)	(1,205)
Accounts payable, accrued expenses and other liabilities		(8,037)	(9,264)
Interest paid		(1,516)	(3,359)
Interest received		150	167
Income tax paid		(479)	(576)
Net cash provided by operating activities		**1,877**	**1,047**
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(4,019)	(3,687)
Proceeds from sale of property, plant and equipment		84	159
Acquisition of subsidiaries	9	(8,731)	--
Formation of Joint Venture		--	(243)
Proceeds from sale of available-for-sale financial assets		5,000	--
Net cash used for investing activities		**(7,667)**	**(3,771)**
FINANCING ACTIVITIES:			
Increase in short-term borrowings		2,669	4,214
Payments on long-term debt	8	(3,772)	(28,549)
Share Buy Back	5	(23,784)	--
Change in restricted cash		5,017	974
Net cash used for financing activities		**(19,871)**	**(23,361)**
Effect of exchange rate changes on cash and cash equivalents		(130)	788
Net decrease in cash and cash equivalents		(25,790)	(25,297)
Cash and cash equivalents, unrestricted at beginning of period [1]		72,382	38,569
Cash and cash equivalents, unrestricted at end of period		46,592	13,272
Cash and cash equivalents, restricted at end of period		1,531	1,611
Cash and cash equivalents, at end of period		€ 48,123	€ 14,883

[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.

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

Note 1 - Business

Head N.V. ("Head" or the "Company") is a leading global manufacturer and marketer of branded sporting goods serving the skiing, tennis and diving markets. The Company has created or acquired a portfolio of brands – Head (principally alpine skis, ski bindings, ski boots, snowboard and protection products, tennis, racquetball, paddle and squash racquets, tennis balls and tennis footwear, sportswear and swimming products), Penn (tennis balls and racquetball balls), Tyrolia (ski bindings), Mares 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 six months of any calendar year, the Company typically generates some 50% to 55% of its Racquet Sports and Diving product revenues, but some 10% to 15% of its Winter Sports revenue. Thus, the Company typically generates only some 35% to 40% of its total year gross profit in the first six months of the year, but the Company incurs some 45% to 50% 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 six months period ended June 30, 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):

	June 30, 2014	December 31, 2013	June 30, 2013
	(unaudited)		*(unaudited)*
Raw materials and supplies	€ 18,991	€ 17,470	17,801
Work in progress	8,760	7,021	8,117
Finished goods	100,033	69,689	91,054
Provisions	(10,386)	(11,285)	(10,071)
Total inventories, net	€ 117,398	€ 82,895	106,901

Note 4 - Financial Instruments

The following table provides information regarding the Company's foreign exchange forward and option contracts as of June 30, 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 June 30, 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	€ 26,037	€ 25,496	€ (500)	€ (500)
Foreign exchange option contracts	€ 1,097	€ 1,088	€ 17	€ 17

	Notional Principal in USD	Notional Principal Local currency converted into USD	Carrying value (USD)	Fair value (USD)	Fair Value (EUR)
	(in thousands)				
Foreign exchange forward contracts	USD 6,406	USD 6,414	USD (7)	USD (7)	€ (5)
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 June 30, 2014. 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.

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 June 30, 2014, the Stichting held 260,022 treasury shares.

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

	June 30, 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.	(23,261)	(8,396)
Shares issued less treasury shares	68,653	83,519

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 June 30,		For the Six Months ended June 30,	
	2014	2013	2014	2013
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
	(in thousands)			
Revenues from External Customers:				
Austria	€ 20,742	€ 20,156	€ 47,126	€ 43,076
Italy	11,022	12,086	18,625	22,196
Other (Europe)	7,357	6,468	16,368	14,513
Asia	3,949	2,430	8,603	5,978
North America	23,118	23,416	46,204	48,434
Total Net Revenues	€ 66,188	€ 64,557	€ 136,926	€ 134,197

	June 30, 2014	December 31, 2013
	(unaudited)	
	(in thousands)	
Long-lived assets:		
Austria	€ 23,124	€ 22,806
Italy	6,370	6,599
Other (Europe)	25,862	17,083
Asia	8,702	9,212
North America	6,622	6,557
Total long-lived assets	€ 70,680	€ 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 €2.3 million for the period ended June 30, 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. In the second quarter of 2014, the loan agreement was extended until September 30, 2015. At June 30, 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 Catis s.r.o. and its subsidiary 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.

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	€	2,931
Consideration not paid as of June 30, 2014		1,219
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		671
Cash and cash equivalents and prepaid expenses		507
Accruals, accounts payables and deferred income		1,202
Total identifiable net assets	€	1,802
Goodwill	€	3,198

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 six months of 2014, acquisition-related costs of €0.02 million have been charged to general and administrative expenses.

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, 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 well, conditions deteriorated after mid December, especially in our core markets. Poor snow conditions were experienced in both the northern part of the Alps and in Scandinavia which had a negative impact on the resell business of our customers.

Conditions in Italy and also in North America were better than those experienced in the northern part of the Alps, however, overall, we believe that the world wide winter sport equipment market was down between 5% and 10% in the 2013/2014 season compared to the 2012/2013 season. This reduction will impact the equipment sales from the manufacturers to the retailers in the 2014/2015 season.

We have concluded our pre-season booking process for the 2014/2015 season and we believe we could gain market share in some markets as a result of our very successful race season both at the World-Cup and at the Olympic Winter games in Sochi and the attractive product offering which we anticipate will compensate for the declining markets.

Racquet Sports. The global tennis racquet market in the first half of 2014 is estimated to be lower than for the same period of 2013. Following a slow first quarter particularly in North America and also in Japan the market didn't recover in the second quarter of the year in those countries, whilst the European market remained fairly stable for the first half.

We believe that the global tennis ball market remained broadly flat during the first six months of 2014 compared to the first six months of 2013.

Diving. For the first six months of 2014 compared to the first six months of 2013, adverse weather conditions, the continued economic crisis in Southern Europe and political turmoil in the Middle East and Eastern Europe kept the diving business in EMEA (Europe, the Middle East and Africa) challenging, while Asian resort markets continued to grow. The U.S. market remained flat with Mares gaining further market share.

Sportswear. The Sportswear market for Head is defined as Europe. In most other markets in the world, Sportswear is licensed business. Our Sportswear division consists mainly of summer sportswear for tennis and winter sportswear for skiing as well as bags for the UK market.

Traditionally, the first six months of the year is predominantly tennis wear sales with some bag sales and very limited re-orders for 2013/2014 winter wear. During this period the orders for the upcoming 2014/2015 winter season were collected.

Results of Operations

The following table sets forth certain consolidated income statement data:

	For the Three Months ended June 30,		For the Six Months ended June 30,	
	2014	2013	2014	2013
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
	(in thousands)		*(in thousands)*	
Total net revenues	€ 66,188	€ 64,557	€ 136,926	€ 134,197
Cost of sales	38,123	38,928	76,298	79,353
Gross profit	**28,065**	**25,629**	**60,628**	**54,844**
Gross margin	42.4%	39.7%	44.3%	40.9%
Selling and marketing expense	24,983	22,973	52,846	49,640
General and administrative expense	7,738	7,048	15,236	14,071
Share-based compensation expense (income)	(129)	(329)	(395)	414
Other operating expense (income), net	232	(311)	648	(30)
Operating loss	**(4,758)**	**(3,752)**	**(7,707)**	**(9,250)**
Interest and other finance expense	(1,658)	(1,245)	(3,140)	(2,627)
Interest and investment income	76	111	206	223
Other non-operating income (expense), net	(459)	401	(355)	(73)
Income tax benefit	1,227	913	2,044	2,082
Loss for the period	**€ (5,572)**	**€ (3,572)**	**€ (8,952)**	**€ (9,644)**

Three and Six Months Ended June 30, 2014 and 2013

Total Net Revenues. For the three months ended June 30, 2014, total net revenues increased by €1.6 million, or 2.5%, to €66.2 million from €64.6 million in the comparable 2013 period. This increase was mainly due to higher revenues in the Diving division. For the six months ended June 30, 2014, total net revenues increased by €2.7 million, or 2.0%, to €136.9 million from €134.2 million in the comparable 2013 period. This increase was mainly due to higher revenues in the Winter Sports, Licensing and Diving division, partly offset by lower revenues in the Racquet Sports division.

	For the Three Months ended June 30,		For the Six Months ended June 30,	
	2014	2013	2014	2013
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
	(in thousands)		*(in thousands)*	
Product category:				
Winter Sports	€ 9,200	€ 9,047	€ 23,756	€ 22,303
Racquet Sports	39,376	39,137	80,543	81,412
Diving	16,631	15,379	29,273	28,408
Sportswear	1,473	1,411	3,267	3,211
Licensing	1,158	1,414	3,807	2,710
Total revenues	67,839	66,388	140,646	138,044
Sales Deductions	(1,651)	(1,831)	(3,721)	(3,847)
Total Net Revenues	€ 66,188	€ 64,557	€ 136,926	€ 134,197

Winter Sports revenues for the three months ended June 30, 2014, increased by €0.2 million, or 1.7%, from €9.0 million to €9.2 million. This increase was mainly due to higher volumes for our alpine products.
Regarding the first six months ended June 30, 2014, Winter Sports revenues increased by €1.5 million, or 6.5%, from €22.3 million to €23.8 million. This increase was mainly due to higher volumes for our alpine products and a favourable product mix for boots and bindings.

Racquet Sports revenues for the three months ended June 30, 2014, increased by €0.2 million, or 0.6%, from €39.1 million to €39.4 million. This increase was mainly due higher volumes for tennis balls and higher revenues for accessories, partly offset by exchange rate movements.
For the six months ended June 30, 2014, Racquet Sports revenues decreased by €0.9 million, or 1.1%, from €81.4 million to €80.5 million. This decrease was mainly due to exchange rate movements and lower volumes for racquets and Penn tennis balls, partly offset by higher volumes for Head tennis balls and higher revenues for accessories.

Diving revenues for the three months ended June 30, 2014, increased by €1.3 million, or 8.1%, from €15.4 million to €16.6 million mainly due to revenues from the new SSI business.
Diving revenues for the six months ended June 30, 2014, increased by €0.9 million, or 3.0%, from €28.4 million to €29.3 million. This increase was due to revenues from the new SSI business, partly offset by lower equipment sales.

Sportswear revenues for the three months ended June 30, 2014, increased by €0.1 million, or 4.5%, from €1.4 million to €1.5 million mainly due to Summer Sportswear.
Revenues for the six months ended June 30, 2014, increased by €0.1 million, or 1.7%, from €3.2 million to €3.3 million. This increase was mainly due to higher revenues for Summer and Winter Sportswear, partly offset by lower sales of bags in the UK market.

Licensing revenues for the three months ended June 30, 2014, amounted to €1.2 million (2013: €1.4 million).
Regarding the first six months ended June 30, 2014, revenues increased by €1.1 million, or 40.5%, from €2.7 million to €3.8 million. This increase was mainly due to better than expected sales.

Sales deductions for the three months ended June 30, 2014, decreased by €0.2 million, or 9.8%, to €1.7 million from €1.8 million in the comparable 2013 period. For the six months ended June 30, 2014, sales deductions remained almost unchanged at €3.7 million (2013: €3.8 million).

Gross Profit. For the three months ended June 30, 2014, gross profit increased by €2.4 million to €28.1 million from €25.6 million in the comparable 2013 period. Gross margin increased to 42.4% in 2014 from 39.7% in 2013 mainly due to lower cost of sales for our bindings, tennis ball and diving business.
For the six months ended June 30, 2014, gross profit increased by €5.8 million to €60.6 million from €54.8 million in the comparable 2013 period. Gross margin increased from 40.9% to 44.3%. This increase was mainly due to higher licensing revenues and lower cost of sales for our bindings, tennis ball and diving business.

Selling and Marketing Expense. For the three months ended June 30, 2014, selling and marketing expense increased by €2.0 million, or 8.7%, from €23.0 million to €25.0 million mainly due to higher advertising costs in our Winter Sports division and to higher departmental selling costs in our Diving division.
For the six months ended June 30, 2014, selling and marketing expense increased by €3.2 million, or 6.5%, to €52.8 million from €49.6 million in the comparable 2013 period. This was mainly due to higher advertising and departmental selling costs in our Winter Sports and Diving divisions.

General and Administrative Expense. For the three months ended June 30, 2014, general and administrative expense increased by €0.7 million, or 9.8%, from €7.0 million to €7.7 million mainly due to higher business unit administration costs in our Diving division and higher warehouse costs in our Diving and Winter Sports divisions.
For the six months ended June 30, 2014, general and administrative expense increased by €1.2 million, or 8.3%, from €14.1 million to €15.2 million mainly due to higher business unit administration and warehouse costs in our Diving division.

Share-Based Compensation Expense/Income. For the three months ended June 30, 2014, we recorded share-based compensation income for our Stock Option Plans of €0.1 million compared to share-based compensation income of €0.3 million in the comparable 2013 period.
For the six months ended June 30, 2014, we recorded share-based compensation income of €0.4 million compared to share-based compensation expense of €0.4 million in the comparable 2013 period. The income in 2014 was due to the decrease of the share price at June 30, 2014, compared to the share price at December 31, 2013, which decreases the liability for the cash-settled Stock Option Plans.

Other Operating Expense/Income, net. For the three months ended June 30, 2014, other operating expense, net, amounted to €0.2 million compared to other operating income, net, of €0.3 million in the comparable 2013 period. This swing of €0.5 million was mainly due to foreign exchange gains in 2013 compared to foreign exchange losses in 2014 and to higher costs in our Diving division.
For the six months ended June 30, 2014, other operating expense, net, amounted to €0.6 million (2013: income of €0.03 million). This increase is mainly due to higher costs in our Diving division, an increase of provisions and to foreign exchange losses in 2014.

Operating Loss. As a result of the foregoing factors, operating loss for the three months ended June 30, 2014, increased by €1.0 million from €3.8 million to €4.8 million.
For the six months ended June 30, 2013, operating loss decreased by €1.5 million

from €9.3 million to €7.7 million.

Interest and Other Finance Expense. For the three months ended June 30, 2014, interest and other finance expense increased by €0.4 million, or 33.2%, from €1.2 million to €1.7 million. This increase was mainly due to higher interest expense as a result of higher long- and short-term debt.
For the six months ended June 30, 2014, interest and other finance expense increased by €0.5 million, or 19.5%, from €2.6 million to €3.1 million. This increase was again mainly due to higher interest expense as a result of higher long- and short-term debt.

Interest and Investment Income. For the three months ended June 30, 2014 and 2013, interest and investment income amounted to €0.1 million.
For the six months ended June 30, 2014 and 2013, interest and investment income amounted to €0.2 million.

Other Non-operating Income/Expense, net. For the three months ended June 30, 2014, other non-operating expense, net, amounted to €0.5 million compared to other non-operating income, net, of €0.4 million in 2013. This swing was due to foreign exchange gains in 2013 and foreign exchange losses in 2014.
For the six months ended June 30, 2014, other non-operating expense, net, increased by €0.3 million to €0.4 million from €0.1 million which was due to higher foreign exchange losses.

Income Tax Benefit. For the three months ended June 30, 2014, income tax benefit increased by €0.3 million from €0.9 million to €1.2 million. This increase was mainly due to higher deferred income tax benefits on tax losses carried forward as a result of lower pre-tax numbers.
For the six months ended June 30, 2014, income tax benefit remained almost unchanged at €2.0 million (2013: €2.1 million).

Net Loss. As a result of the foregoing factors, for the three months ended June 30, 2014, we had a net loss of €5.6 million compared to €3.6 million in the comparable 2013 period.
For the six months ended June 30, 2014, we had a net loss of €9.0 million compared to €9.6 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 six months ended June 30, 2014, cash provided by operating activities increased slightly by €0.8 million to €1.9 million compared to €1.0 million in the comparable 2013 period. Cash was used to purchase property, plant and equipment of €4.0 million compared to €3.7 million in the comparable 2013 period. Cash paid for the acquisition of subsidiaries (see Note 9) amounted to €8.7 million and proceeds from the sale of available-for-sale financial assets amounted to €5.0 million as of June 30, 2014. Net cash used for financing activities as of June 30, 2014, amounted to €19.9 million, which was mainly due to the share buy back in the second quarter of 2014 (see Note 5). Net cash used for financing activities amounted to €23.4 million as of June 30, 2013, which was mainly due to the redemption of the Senior Notes during the second quarter of 2013.

As of June 30, 2014, the Company had in place a €59.4 million Bond due 2018, €8.8 million long-term obligations under a sale-leaseback agreement due 2017, €7.7 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, China, the United Kingdom, Italy and France of €39.1 million.

As of June 30, 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, €8.9 million mortgage agreements and €23.0 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, the United Kingdom, Italy and France of €30.8 million.

HEAD N.V. AND SUBSIDIARIES
ITEM 3: RELEASE BY THE MANAGEMENT

Statement by the Management Board according to the European Transparency Guideline

We confirm to the best of our knowledge that the condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial statements and of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Amsterdam, August 7, 2014

Johan Eliasch Chief Executive Officer	Günter Hagspiel Chief Financial Officer
Ralf Bernhart Managing Director	George Nicolai Managing Director