HEAD N.V.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Period Ended
September 30, 2014

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FOR THE PERIOD ENDED SEPTEMBER 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		September 30, 2014		December 31, 2013
			(unaudited)		
			(in thousands, except share data)		
ASSETS:					
Non-current assets					
Property, plant and equipment	6	€	51,371	€	48,276
Other intangible assets	6		12,539		11,187
Goodwill	6, 9		9,131		2,795
Deferred income tax assets			53,582		52,146
Trade receivables			415		1,306
Other non-current assets			5,788		5,328
Total non-current assets			132,825		121,038
Current assets					
Inventories	3		119,176		82,895
Trade and other receivables			98,344		118,798
Prepaid expense			2,538		1,831
Available-for-sale financial assets			--		5,010
Cash and cash equivalents			30,040		78,318
Total current assets			250,099		286,852
Total assets		€	382,924	€	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			59,671		63,973
Fair Value and other reserves including cumulative translation adjustments (CTA)			(5,373)		(9,991)
Total equity			149,927		173,396
LIABILITIES:					
Non-current liabilities					
Borrowings	8		96,498		93,291
Employee benefits			18,651		18,836
Provisions			2,675		2,668
Other long-term liabilities			5,002		6,136
Total non-current liabilities			122,826		120,932
Current liabilities					
Trade and other payables			60,602		62,246
Current income tax liabilities			1,802		1,232
Borrowings	8		40,519		43,362
Provisions			7,249		6,723
Total current liabilities			110,171		113,562
Total liabilities			232,997		234,494
Total liabilities and equity		€	382,924	€	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 September 30, 2014 (unaudited)	For the Three Months ended September 30, 2013 (unaudited)	For the Nine Months ended September 30, 2014 (unaudited)	For the Nine Months ended September 30, 2013 (unaudited)
		(in thousands, except per share data)		*(in thousands, except per share data)*	
Total net revenues	6	€ 101,662	€ 93,029	€ 238,588	€ 227,226
Cost of sales		58,018	54,946	134,316	134,299
Gross profit		**43,644**	**38,083**	**104,272**	**92,927**
Selling and marketing expense		26,156	23,818	79,002	73,458
General and administrative expense		7,504	6,899	22,740	20,969
Share-based compensation expense (income)		(51)	10	(447)	424
Other operating expense (income), net		164	(187)	811	(218)
Operating profit (loss)		**9,872**	**7,544**	**2,165**	**(1,706)**
Interest and other finance expense		(1,562)	(862)	(4,701)	(3,490)
Interest and investment income		57	75	263	298
Other non-operating income (expense), net		(1,547)	481	(1,903)	408
Profit (loss) before income taxes		6,820	7,238	(4,176)	(4,489)
Income tax benefit (expense):					
Current		(595)	(541)	(1,603)	(1,717)
Deferred		(1,575)	(1,845)	1,477	1,413
Income tax expense		(2,170)	(2,386)	(126)	(304)
Profit (Loss) for the period		**€ 4,650**	**€ 4,852**	**€ (4,302)**	**€ (4,792)**
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustment on group companies		€ 4,551	€ (1,406)	€ 4,613	€ (1,133)
Available-for-sale financial assets		--	(9)	7	(3)
Tax effect		--	2	(2)	1
		€ 4,551	€ (1,413)	€ 4,617	€ (1,135)
Other comprehensive income (expense) for the period, net of tax		**€ 4,551**	**€ (1,413)**	**€ 4,617**	**€ (1,135)**
Total comprehensive income (expense) for the period		**€ 9,201**	**€ 3,439**	**€ 315**	**€ (5,927)**
Earnings per share - basic and diluted					
Profit (Loss) for the period		0.07	0.06	(0.06)	(0.06)
Weighted average shares outstanding					
Basic and Diluted		68,653	83,519	73,968	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		Other	Treasury	Retained	Fair Value and Other Reserves/	
		Shares	Share Capital	Reserves	Shares	Earnings	CTA	
				(unaudited) *(in thousands, except share data)*				
Balance at January 1, 2013....................		83,518,508 €	922 €	124,209 €	(5,717) €	58,677 €	(6,804) €	171,286
Loss for the period..............................		--	--	--	--	(4,792)	--	(4,792)
Changes in fair value and other including CTA reserves.......................		--	--	--	--	--	(1,135)	(1,135)
Total comprehensive expense for the period..................................		--	--	--	--	--	--	(5,927)
Balance at September 30, 2013..........		**83,518,508 €**	**922 €**	**124,209 €**	**(5,717) €**	**53,885 €**	**(7,939) €**	**165,359**
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..............................		--	--	--	--	(4,302)	--	(4,302)
Changes in fair value and other including CTA reserves.......................		--	--	--	--	--	4,617	4,617
Total comprehensive income for the period..................................		--	--	--	--	--	--	315
Balance at September 30, 2014..........		**68,653,272 €**	**922 €**	**124,209 €**	**(29,501) €**	**59,671 €**	**(5,373) €**	**149,927**

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

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

	Note	For the Nine Months ended September 30, 2014 (unaudited)	2013 (unaudited)
		(in thousands)	
OPERATING ACTIVITIES:			
Loss for the period		€ (4,302)	€ (4,792)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization		6,887	6,918
Amortization and write-off of debt issuance cost and bond discount		165	296
Provision (Release) for leaving indemnity and pension benefits		(205)	447
Loss (Gain) on sale of property, plant and equipment		(34)	4
Loss on sale of availabe-for-sale financial assets		17	--
Share-based compensation expense (income)		(447)	424
Deferred Income		(768)	(709)
Finance costs		4,227	3,023
Interest income		(263)	(298)
Income tax expense		1,603	1,717
Deferred tax benefit		(1,477)	(1,413)
Changes in operating assets and liabilities:			
Accounts receivable		24,493	23,649
Inventories	3	(32,827)	(27,939)
Prepaid expense and other assets		(1,030)	(784)
Accounts payable, accrued expenses and other liabilities		(2,820)	1,962
Interest paid		(5,198)	(3,927)
Interest received		177	175
Income tax paid		(967)	(1,485)
Net cash used for operating activities		**(12,769)**	**(2,732)**
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(7,312)	(5,622)
Proceeds from sale of property, plant and equipment		105	192
Acquisition of subsidiaries	9	(9,731)	--
Formation of Joint Venture		--	(243)
Proceeds from sale of available-for-sale financial assets		5,000	--
Net cash used for investing activities		**(11,938)**	**(5,673)**
FINANCING ACTIVITIES:			
Increase (Decrease) in short-term borrowings		1,403	(876)
Proceeds from long-term debt		--	53,861
Payments on long-term debt	8	(4,029)	(28,801)
Share Buy Back	5	(23,784)	--
Change in restricted cash		5,001	974
Net cash provided by (used for) financing activities		**(21,410)**	**25,159**
Effect of exchange rate changes on cash and cash equivalents		2,226	(169)
Net increase (decrease) in cash and cash equivalents		(43,892)	16,585
Cash and cash equivalents, unrestricted at beginning of period [1]		72,382	38,569
Cash and cash equivalents, unrestricted at end of period		28,490	55,154
Cash and cash equivalents, restricted at end of period		1,549	1,610
Cash and cash equivalents, at end of period		€ 30,040	€ 56,765

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

Head 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 nine months period ended September 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):

	September 30, 2014	December 31, 2013	September 30, 2013
	(unaudited)		*(unaudited)*
Raw materials and supplies	€ 21,471	€ 17,470	€ 18,687
Work in progress	8,800	7,021	8,531
Finished goods	99,264	69,689	92,337
Provisions	(10,359)	(11,285)	(9,827)
Total inventories, net	€ 119,176	€ 82,895	€ 109,728

Note 4 - Financial Instruments

The following table provides information regarding the Company's foreign exchange forward and option contracts as of September 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 September 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	€ 31,506	€ 30,546	€ (641)	€ (641)
Foreign exchange option contracts	€ 498	€ 476	€ 4	€ 4

	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 8,989	USD 9,400	USD 420	USD 420	€ 334
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 September 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 September 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 had acquired 14,865,236 Shares at a price of €1.60 per Share.

	September 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

On October 9, 2014, the Company announced a further Unconditional Offer to Buy Back Shares at a price of €1.60 per Share. The Unconditional Offer commenced on October 10, 2014, and expired on October 31, 2014. On November 5, 2014, the Company announced that it had acquired 4,844,162 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

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 September 30,		For the Nine Months ended September 30,	
	2014	2013	2014	2013
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
	(in thousands)			
Revenues from External Customers:				
Austria	€ 49,355	€ 44,980	€ 96,480	€ 88,055
Italy	8,444	8,844	27,069	31,041
Other (Europe)	9,251	8,287	25,619	22,800
Asia	5,679	5,135	14,282	11,113
North America	28,934	25,783	75,138	74,218
Total Net Revenues	€ 101,662	€ 93,029	€ 238,588	€ 227,226

	September 30, 2014	December 31, 2013
	(unaudited)	
	(in thousands)	
Long-lived assets:		
Austria	€ 23,878	€ 22,806
Italy	6,277	6,599
Other (Europe)	26,467	17,083
Asia	9,305	9,212
North America	7,113	6,557
Total long-lived assets	€ 73,041	€ 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 €3.5 million for the period ended September 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 September 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	€	3,931
Consideration not paid as of September 30, 2014		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 nine months of 2014, acquisition-related costs of €0.02 million have been charged to general and administrative expenses.

Note 10 – Subsequent Events

On October 9, 2014, the Company announced a General Meeting in relation to Head´s listing on the Vienna Stock Exchange and a further Unconditional Offer to Buy Back Shares at a price of €1.60 per Share. The Unconditional Offer commenced on October 10, 2014, and expired on October 31, 2014. On November 5, 2014, the Company announced that it had acquired 4,844,162 Shares at a price of €1.60 per Share. The General Meeting will be held on December 3, 2014. For further information it is referred to our website: http://head.com/corporate/investors

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. The poor snow conditions in most of the major ski destinations in 2013/14 resulted in a decline in both skier days and retail sales. According to the Federation of the European Sporting Goods Industry the two largest markets in Europe, France and Austria, had a reduction in skier days of 4.5% and 6.3% respectively compared to the prior year. In addition, whilst conditions in the United States, the largest ski market, were generally better, we believe that skier days were down by 1.3% compared to the prior year.

Overall, we estimate that with the exception of Italy and Spain where the snow conditions were good, that the retail markets declined between 5%-10% in 2013/14. This reduction has impacted equipment orders from the retailers to the manufacturers during 2014 for the 2014/15 season as reported by most of the Winter Sport companies.

We have concluded our pre-season booking process for the 2014/2015 season and we believe we could gain market share again 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 should at least compensate for the declining markets.

Racquet Sports. Based on independent external market data the world wide tennis racquet market was almost flat during the first half year 2014 compared to the first half of the year 2013. The US market showed a growth of 1% in value while the European market was slightly down by 0.6%.

The bad weather conditions in the US at the beginning of the season had caused a drop of the US tennis ball market by 3.3% in units during the first two quarters while the European ball market remained broadly flat (-0.3%) during the first six months compared to the first half of 2013.

Diving. 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 Europe, the Middle East and Africa challenging, while Asian resort markets continued to grow. The US market remained flat with Mares gaining further market share.

Sportswear. The summer sportswear market continues to remain flat due, we believe, to a very rainy summer across the most parts of Europe that had a negative impact on the re-order business.

The 2014/2015 winter booking season is almost complete and now the remainder of the year is dependent on early snowfall and reorders.

Results of Operations

The following table sets forth certain consolidated income statement data:

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2014	2013	2014	2013
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
	(in thousands)		*(in thousands)*	
Total net revenues	€ 101,662	€ 93,029	€ 238,588	€ 227,226
Cost of sales	58,018	54,946	134,316	134,299
Gross profit	**43,644**	**38,083**	**104,272**	**92,927**
Gross margin	42.9%	40.9%	43.7%	40.9%
Selling and marketing expense	26,156	23,818	79,002	73,458
General and administrative expense	7,504	6,899	22,740	20,969
Share-based compensation expense (income)	(51)	10	(447)	424
Other operating expense (income), net	164	(187)	811	(218)
Operating profit (loss)	**9,872**	**7,544**	**2,165**	**(1,706)**
Interest and other finance expense	(1,562)	(862)	(4,701)	(3,490)
Interest and investment income	57	75	263	298
Other non-operating income (expense), net	(1,547)	481	(1,903)	408
Income tax expense	(2,170)	(2,386)	(126)	(304)
Profit (Loss) for the period	**€ 4,650**	**€ 4,852**	**€ (4,302)**	**€ (4,792)**

Three and Nine Months Ended September 30, 2014 and 2013

Total Net Revenues. For the three months ended September 30, 2014, total net revenues increased by €8.6 million, or 9.3%, to €101.7 million from €93.0 million in the comparable 2013 period. This increase was mainly due to higher revenues in the Winter Sports and Racquet Sports divisions. For the nine months ended September 30, 2014, total net revenues increased by €11.4 million, or 5.0%, to €238.6 million from €227.2 million in the comparable 2013 period. This increase was mainly due to higher revenues in the Winter Sports division, supported by higher revenues in all other divisions.

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2014	2013	2014	2013
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
	(in thousands)		*(in thousands)*	
Product category:				
Winter Sports	€ 53,864	€ 49,166	€ 77,620	€ 71,469
Racquet Sports	34,822	32,522	115,365	113,934
Diving	13,337	12,021	42,610	40,429
Sportswear	1,469	1,056	4,736	4,266
Licensing	1,274	1,061	5,082	3,771
Total revenues	104,766	95,825	245,413	233,869
Sales Deductions	(3,104)	(2,796)	(6,825)	(6,643)
Total Net Revenues	€ 101,662	€ 93,029	€ 238,588	€ 227,226

Winter Sports revenues for the three months ended September 30, 2014, increased by €4.7 million, or 9.6%, from €49.2 million to €53.9 million. This increase was mainly due to higher volumes for ski boots and skis.
Regarding the first nine months ended September 30, 2014, Winter Sports revenues increased by €6.2 million, or 8.6%, from €71.5 million to €77.6 million. This increase was again mainly due to higher volumes for ski boots and skis.

Racquet Sports revenues for the three months ended September 30, 2014, increased by €2.3 million, or 7.1%, from €32.5 million to €34.8 million. This increase was mainly due to higher volumes for Penn balls and higher revenues for accessories.
For the nine months ended September 30, 2014, Racquet Sports revenues increased by €1.4 million, or 1.3%, from €113.9 million to €115.4 million. This increase was mainly due to higher volumes for tennis balls and higher revenues for accessories, partly offset by exchange rate movements.

Diving revenues for the three months ended September 30, 2014, increased by €1.3 million, or 10.9%, from €12.0 million to €13.3 million mainly due to revenues from the new SSI business.
Diving revenues for the nine months ended September 30, 2014, increased by €2.2 million, or 5.4%, from €40.4 million to €42.6 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 September 30, 2014, increased by €0.4 million, or 39.1%, from €1.1 million to €1.5 million mainly due to Winter Sportswear.
Revenues for the nine months ended September 30, 2014, increased by €0.5 million, or 11.0%, from €4.3 million to €4.7 million. This increase was mainly due to higher revenues for Winter Sportswear, partly offset by lower sales of bags in the UK market.

Licensing revenues for the three months ended September 30, 2014, amounted to €1.3 million (2013: €1.1 million).
Regarding the first nine months ended September 30, 2014, revenues increased by €1.3 million, or 34.8%, from €3.8 million to €5.1 million. This increase was mainly due to better than expected sales.

Sales deductions for the three months ended September 30, 2014, increased by €0.3 million, or 11.0%, to €3.1 million from €2.8 million in the comparable 2013 period.
For the nine months ended September 30, 2014, sales deductions increased by €0.2 million, or 2.7%, to €6.8 million from €6.6 million in the comparable 2013 period.

Gross Profit. For the three months ended September 30, 2014, gross profit increased by €5.6 million to €43.6 million from €38.1 million in the comparable 2013 period. Gross margin increased to 42.9% in 2014 from 40.9% in 2013 mainly due to lower cost of sales for our Racquet Sports division and a change in the mix in our diving business due to the new acquired SSI business.
For the nine months ended September 30, 2014, gross profit increased by €11.3 million to €104.3 million from €92.9 million in the comparable 2013 period. Gross margin increased from 40.9% to 43.7%. This increase was mainly due to higher licensing revenues, lower cost of sales for our bindings and tennis ball businesses and a change in the mix in our diving business due to the new acquired SSI business.

Selling and Marketing Expense. For the three months ended September 30, 2014, selling and marketing expense increased by €2.3 million, or 9.8%, from €23.8 million to €26.2 million mainly due to higher advertising costs in our Winter Sports division and to higher departmental selling costs in our Diving and Winter Sports divisions.
For the nine months ended September 30, 2014, selling and marketing expense increased by €5.5 million, or 7.5%, to €79.0 million from €73.5 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 September 30, 2014, general and administrative expense increased by €0.6 million, or 8.8%, from €6.9 million to €7.5 million mainly due to higher business unit administration costs in our Diving division and higher warehouse costs.
For the nine months ended September 30, 2014, general and administrative expense increased by €1.8 million, or 8.4%, from €21.0 million to €22.7 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 September 30, 2014, we recorded share-based compensation income of €0.1 million compared to share-based compensation expense of €0.01 million in the comparable 2013 period.
For the nine months ended September 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 September 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 September 30, 2014, other operating expense, net, amounted to €0.2 million compared to other operating income, net, of €0.2 million in the comparable 2013 period. This swing of €0.4 million was mainly due to foreign exchange gains in 2013 compared to foreign exchange losses in 2014.
For the nine months ended September 30, 2014, other operating expense, net, amounted to €0.8 million (2013: income of €0.2 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 Profit/Loss. As a result of the foregoing factors, operating profit for the three months ended September 30, 2014, increased by €2.3 million from €7.5 million to €9.9 million.
For the nine months ended September 30, 2014, operating profit amounted to €2.2 million (2013: operating loss of €1.7 million).

Interest and Other Finance Expense. For the three months ended September 30, 2014, interest and other finance expense increased by €0.7 million, or 81.1%, from €0.9 million to €1.6 million. This increase was mainly due to higher interest expense as a result of higher long- and short-term debt.
For the nine months ended September 30, 2014, interest and other finance expense increased by €1.2 million, or 34.7%, from €3.5 million to €4.7 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 September 30, 2014 and 2013, interest and investment income amounted to €0.1 million.
For the nine months ended September 30, 2014 and 2013, interest and investment income amounted to €0.3 million.

Other Non-operating Income/Expense, net. For the three months ended September 30, 2014, other non-operating expense, net, amounted to €1.5 million compared to other non-operating income, net, of €0.5 million in 2013. This swing of €2.0 million was due to foreign exchange gains in 2013 and foreign exchange losses in 2014.
For the nine months ended September 30, 2014, other non-operating expense, net, amounted to €1.9 million compared to other non-operating income, net, of €0.4 million in 2013. This swing of €2.3 million was again due to foreign exchange gains in 2013 and foreign exchange losses in 2014.

Income Tax Benefit/Expense. For the three months ended September 30, 2014, income tax expense decreased by €0.2 million from €2.4 million to €2.2 million mainly due to lower deferred income tax expense.
For the nine months ended September 30, 2014, income tax expense decreased by €0.2 million from €0.3 million to €0.1 million mainly due to lower current income tax expense.

Net Profit/Loss. As a result of the foregoing factors, for the three months ended September 30, 2014, we had a net profit of €4.7 million compared to €4.9 million in the comparable 2013 period.
For the nine months ended September 30, 2014, we had a net loss of €4.3 million compared to €4.8 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 nine months ended September 30, 2014, cash used for operating activities amounted to €12.8 million compared to €2.7 million in the comparable 2013 period. This increase was mainly due to adverse working capital movements. Cash was used to purchase property, plant and equipment of €7.3 million compared to €5.6 million in the comparable 2013 period. Cash paid for the acquisition of subsidiaries (see Note 9) amounted to €9.7 million and proceeds from the sale of available-for-sale financial assets amounted to €5.0 million as of September 30, 2014. Net cash used for financing activities as of September 30, 2014, amounted to €21.4 million, which was mainly due to the share buy back in the second quarter of 2014 (see Note 5). Net cash provided by financing activities amounted to €25.2 million as of September 30, 2013, which was mainly due to the issuance of the new bond in the third quarter of 2013, partly offset by the redemption of the Senior Notes during the second quarter of 2013.

As of September 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, €8.0 million mortgage agreements and €22.7 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 and France of €38.1 million.

As of September 30, 2013, the Company had in place €53.9 million of the bond issued in the third quarter of 2013, €9.0 million long-term obligations under a sale-leaseback agreement due 2017, a liability against our venture partner of €2.7 million, €8.7 million mortgage agreements and €22.2 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, the United Kingdom, Italy and France of €25.6 million.