HEAD

Press Release

HEAD NV and HTM Sport GmbH Announce the Unaudited Results of Head NV for the Three and Nine Months ended 30th September 2010.

Amsterdam - 11th November 2010 - Head N.V. (VSX: HEAD; U.S. OTC: HEDYY.PK), a leading global manufacturer and marketer of sports equipment, and HTM Sport GmbH, a subsidiary of Head NV, announced the following results today.

Summary Unaudited Financial Information

€'000	For the 3 months ended Sept 30,			For the 9 months ended Sept 30,		
	2010	2009	%	2010	2009	%
Profit and Loss						
Gross Revenues:						
Winter Sports	58,499	50,365	16.1%	80,238	70,756	13.4%
Racquet Sports	30,795	33,357	-7.7%	103,229	100,477	2.7%
Diving	11,140	10,130	10.0%	37,819	36,864	2.6%
Licensing	1,079	1,160	-7.0%	3,690	4,368	-15.5%
Sales Deductions	(3,129)	(2,797)	11.9%	(6,602)	(5,801)	13.8%
Net Revenues	98,384	92,216	6.7%	218,373	206,665	5.7%
Adjusted Operating Profit/Loss	12,613	9,186		3,612	(2,537)	
Adjustments:						
Restructuring		(176)			(2,152)	
Sale of trademarks		7,610			7,610	
ESOP	(211)	(605)		3,304	(812)	
Reported Operating Profit	12,402	16,015		6,916	2,109	
Net Income/Loss (inc gain on bond exchange in 2009)	8,960	41,464		(913)	24,406	
Cashflow						
Net cash provided by (used for) operating activities	(6,551)	4,177		11,070	13,008	
Purchase of property, plant and equipment	1,962	1,183		4,218	4,148	
Balance Sheet						
Cash & cash equivalents				45,617	24,996	
Available for sale financial assets				7,006	6,323	
Borrowings				117,645	118,387	
Net Debt				65,022	87,068	
Working Capital				120,202	128,125	
Net Equity				151,330	149,706	

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For the nine months ended September 30, 2010 total net revenues increased by €11.7 million, or 5.7%, to €218.4m from €206.7m in the comparable 2009 period. This increase was mainly due to improved volumes in the winter sports business, compounded by the strengthening of the US dollar against the Euro, offset in part by lower volumes in racquets.

Winter sports sales for the first nine months grew 13.4% due to increased volumes in all of our winter sports products except snowboards and protection wear and a favourable product mix of ski as well as the strengthening of the US dollar against the Euro.

Racquet sales for the first nine months grew 2.7% due to higher sales volumes of balls, a favourable product mix in racquets and the strengthening of the US dollar against the Euro partially offset by lower sales volumes in tennis racquets and an unfavourable product mix for balls.

Diving saw a slight improvement in sales of 2.6% in the nine months to September 30, 2010 compared to the same period in 2009 due to sales of our newly introduced swimwear partially offset by lower revenues of diving equipment.

For the nine months ended 30th September 2010, licensing revenues decreased by 15.5% due to fewer licenses - the company took its previously licensed sportswear business in-house and will start delivering apparel in 2011.

The gross margin for the nine months to 30th September 2010 was positively impacted by both the increase in sales for the period and improved manufacturing costs, but offset by higher raw material costs. The margin improved by 1.8 percentage points for the nine months period compared to the prior year and in absolute terms was up €8.7m.

The operating profit for the nine months improved by €4.8m compared to the prior year as a result of the improved gross margin (€8.7m), the positive impact of the non-cash ESOP plan (€4.1m) and no repeat of the restructuring in the prior year (€2.1m), offset by higher Selling and Marketing (€1.6m), higher General and Admin (€0.2m) and lower Other Operating Income (€8.4m) – which for 2009 was mainly from the gain on the sale of a trademarks.

The net loss for the nine months ended 30th September 2010 was €0.9m compared to a profit of €24.4m in 2009. The main driver of the decline was an inclusion of the gain on the exchange of the senior notes which amounted to €28.9m (net of tax) in the 2009 results. The 2010 net loss was positively impacted by the improved operating profit and a reduction in interest of €1.9m due to the successful bond exchange in 2009.

Operating cashflow for the first nine months of 2010 was €11.1m, a decrease of €2.0m compared to the same period in 2009. In the third quarter 2009 there was significant cash inflow as a result of considerable efforts to manage working capital and whilst the company continues to focus on efficiently managing working capital, the same gains are not achievable in the current year due to the low starting position at the beginning of the year.

The continued positive cash flow development of the business has resulted in a €22m improvement to net debt compared to the balance at the end of September 2009.

Outlook for 2010 - the winter sport order book suggest sales will be ahead of 2009 in this division, but conditions in the racquets sports market are becoming very challenging and we believe that overall sales may exceed last year's. There is sustained pressure on margins with increasing raw material costs and mix effects which will have deteriorating effect on overall margins. The company is initiating continued cost cutting and restructuring programmes to mitigate the impact.

About Head

HEAD NV is a leading global manufacturer and marketer of premium sports equipment.

HEAD NV's ordinary shares are listed on the Vienna Stock Exchange ("HEAD").

Our business is organized into four divisions: Winter Sports, Racquet Sports, Diving and Licensing. We sell products under the HEAD (tennis, squash and racquetball racquets, tennis balls, tennis footwear, badminton products, alpine skis, ski bindings and ski boots, snowboards, bindings and boots, helmets and protection wear), Penn (tennis and racquetball balls), Tyrolia (ski bindings), and Mares/Dacor (diving equipment) brands.

We hold leading positions in all of our product markets and our products are endorsed by some of the world's top athletes including;

Skiers: Bode Miller, Didier Cuche, Aksel Lund Svindal, Ted Ligety, Werner Heel, Kjetil Jansrud, Patrick Staudacher, Hans Grugger, Hermann Maier, Franz Klammer, Jon Olsson, Lindsey Vonn, Maria Riesch, Anja Parson, Elisabeth Gorgl, Sarka Zahrobska

Tennis players: Novak Djokovic, Andy Murray, Robin Soderling, Marin Cilic, Svetlana Kuznetsova, Victoria Azarenka

For more information, please visit our website: www.head.com

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This press release should be read in conjunction with the company's report for the three months ended 30th September 2010.

HEAD

Forward-Looking Statements
This press release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this press release, the words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will" and similar terms and phrases, including references to assumptions, as they relate to Head N.V., its management or third parties, identify forward-looking statements. Forward-Looking statements include statements regarding Head N.V.'s business strategy, financial condition, results of operations, and market data, as well as any other statements that are not historical facts. These statements reflect beliefs of Head N.V.'s management as well as assumptions made by its management and information currently available to Head N.V. Although Head N.V. believes that these beliefs and assumptions are reasonable, the statements are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected. These Factors include, but are not limited to, the following: the impact of the current global economic turmoil, weather and other factors beyond their control, competitive pressures and trends in the sporting goods industry, our ability to implement their business strategy, our liquidity and capital expenditures, our ability to obtain financing, our ability to realize the cost savings expected from the cost reduction program, our ability to compete, including internationally, our ability to introduce new and innovative products, legal proceedings and regulatory matters, our ability to fund their future capital needs, and general economic conditions. These factors, risks and uncertainties expressly qualify all subsequent oral and written forward-looking statements attributable to Head N.V. or persons acting on its behalf.

Equity
Head N.V.
Rokin 55
NL 1012 KK Amsterdam
ISIN: NL0000238301
Stock Market: Vienna Stock Exchange

Bonds
HTM Sport GmbH
Tyroliaplatz 1
A 2320 Schwechat
ISIN 8.5% Senior Notes: XS0184717956 / XS0184719143
ISIN 10.0% Senior Secured Notes: XS0447202218 / XS0447202309
Official Market: Luxembourg

HEAD N.V.
INTERIM FINANCIAL STATEMENTS

For the Period Ended
September 30, 2010

HEAD N.V.

INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 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		September 30, 2010		December 31, 2009
			(unaudited)		
			(in thousands, except share data)		
ASSETS:					
Non-current assets					
Property, plant and equipment, net	6	€	52,578	€	54,211
Intangible assets	6		11,214		10,995
Goodwill	6		2,925		2,744
Deferred income tax assets			51,435		49,239
Trade receivables			271		1,045
Other non-current assets			4,828		4,738
Total non-current assets			123,251		122,970
Current assets					
Inventories, net	3		91,137		62,829
Trade and other receivables			99,424		122,296
Prepaid expense			2,332		1,857
Available-for-sale financial assets			7,006		6,573
Cash and cash equivalents			45,617		36,935
Total current assets			245,515		230,490
Total assets		€	368,766	€	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			52,373		53,286
Fair Value and other reserves including cumulative translation adjustments (CTA)			(6,319)		(10,073)
Total equity			151,330		148,489
LIABILITIES:					
Non-current liabilities					
Borrowings			91,693		92,286
Retirement benefit obligations			14,868		14,276
Other long-term liabilities			11,960		14,212
Total non-current liabilities			118,522		120,774
Current liabilities					
Trade and other payables			58,173		49,003
Income tax liabilities			2,896		1,947
Borrowings	8		25,952		22,133
Provisions			11,893		11,114
Total current liabilities			98,914		84,197
Total liabilities			217,436		204,971
Total liabilities and shareholders' equity		€	368,766	€	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 September 30, 2010 (unaudited)	For the Three Months ended September 30, 2009 (unaudited)	For the Nine Months ended September 30, 2010 (unaudited)	For the Nine Months ended September 30, 2009 (unaudited)
		(in thousands, except share data)		(in thousands, except share data)	
Results of operations:					
Total net revenues	6	€ 98,384	€ 92,216	€ 218,373	€ 206,665
Cost of sales		56,862	55,351	126,454	123,445
Gross profit		41,522	36,865	91,919	83,219
Selling and marketing expense		23,088	21,865	67,582	65,959
General and administrative expense		6,494	6,333	20,528	20,369
Restructuring costs		--	176	--	2,152
Share-based compensation expense (income)		211	605	(3,304)	812
Other operating expense (income), net		(674)	(8,129)	197	(8,182)
Operating profit		12,402	16,015	6,916	2,109
Interest and other finance expense		(2,398)	(2,735)	(7,048)	(8,921)
Interest and investment income		142	55	458	398
Gain on exchange of senior notes		--	42,214	--	40,314
Other non-operating income (expense), net		1,111	476	(2,093)	1,980
Profit (loss) before income taxes		11,257	56,025	(1,766)	35,881
Income tax benefit (expense):					
Current		(213)	(915)	(1,306)	(3,240)
Deferred		(2,084)	(13,646)	2,159	(8,234)
Income tax benefit (expense)		(2,296)	(14,561)	853	(11,474)
Profit (Loss) for the period		€ 8,960	€ 41,464	€ (913)	€ 24,406
Other comprehensive income:					
Gains (losses) recognized directly in equity					
Invested intercompany receivables		€ (1,009)	€ (492)	€ 502	€ (178)
Available-for-sale financial assets		180	275	433	129
Foreign currency translation adjustment		(3,815)	(852)	3,053	(1,207)
Income tax related to components of other comprehensive income		207	54	(234)	12
Other comprehensive loss for the period, net of tax		€ (4,437)	€ (1,015)	€ 3,754	€ (1,244)
Total comprehensive income for the period		€ 4,523	€ 40,449	€ 2,841	€ 23,163
Earnings per share-basic					
Profit (Loss) for the period		0.10	0.69	(0.01)	0.54
Earnings per share-diluted					
Profit (Loss) for the period		0.10	0.69	(0.01)	0.54
Weighted average shares outstanding					
Basic		87,944	60,317	87,944	44,930
Diluted		87,944	60,317	87,944	44,930

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

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

	Note	Attributable to equity holders of the Company						Total Equity
		Ordinary Shares		Other	Treasury	Retained	Fair Value and Other Reserves/	
		Shares	Amount	Reserves	Stock	Earnings	CTA	
		(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
Capital increase resulting from the exchange of senior notes		22,491,278	225	--	--	--	--	225
Capital increase on undertaking of guarantee for working capital facility		25,892,075	259	--				259
Transfer of treasury shares		2,451,223	--	(6,412)	6,436			25
Loss for the period		--	--	--	--	24,406	--	24,406
Changes in fair value and other reserves including CTA							(1,244)	(1,244)
Total recognized income and expense for the period		--	--	--	--	--	--	23,163
Balance at September 30, 2009		87,944,008 €	882 €	105,077 €	(683) €	55,367 €	(10,938) €	149,706
Balance at January 1, 2010		87,944,008 €	882 €	105,077 €	(683) €	53,286 €	(10,073) €	148,489
Loss for the period		--	--	--	--	(913)	--	(913)
Changes in fair value and other reserves including CTA							3,754	3,754
Total recognized income and expense for the period		--	--	--	--	--	--	2,841
Balance at September 30, 2010		87,944,008 €	882 €	105,077 €	(683) €	52,373 €	(6,319) €	151,330

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 Nine Months ended September 30, 2010 (unaudited)	2009 (unaudited)
		(in thousands)	
OPERATING ACTIVITIES:			
Profit (Loss) for the period		€ (913)	€ 24,406
Adjustments to reconcile net profit (loss) to net cash provided by operating activities:			
Depreciation and amortization		8,023	9,490
Amortization and write-off of debt issuance cost and bond discount		119	2,057
Provision (release) for leaving indemnity and pension benefits		468	(111)
Restructuring costs		--	82
Gain on waiver of senior notes		--	(41,985)
(Gain) loss on sale of property, plant and equipment		14	(205)
Share-based compensation (income) expense		(3,304)	812
Deferred Income		947	(745)
Interest expense		6,734	8,628
Interest income		(458)	(398)
Income tax expense		1,306	3,240
Deferred tax benefit		(2,159)	8,234
Changes in operating assets and liabilities:			
Accounts receivable		26,240	30,688
Inventories	3	(27,301)	(16,022)
Prepaid expense and other assets		(586)	(349)
Accounts payable, accrued expenses, other liabilities and provisions		10,890	(5,814)
Interest paid		(8,455)	(8,157)
Income tax paid		(493)	(843)
Net cash provided by operating activities		11,070	13,008
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(4,218)	(4,148)
Proceeds from sale of property, plant and equipment		30	419
Interest received		389	296
Net cash used for investing activities		(3,799)	(3,434)
FINANCING ACTIVITIES:			
Change in short-term borrowings, net		901	(501)
Proceeds from short-term debt	8	1,813	
Proceeds from other long-term obligations		--	2,071
Payments on long-term debt		(1,524)	(2,096)
Capital increase		--	484
Transfer of treasury shares		--	25
Change in restricted cash		(36)	(436)
Net cash provided by (used for) financing activities		1,153	(454)
Effect of exchange rate changes on cash and cash equiva		222	(2,203)
Net increase in cash and cash equivalents		8,646	6,918
Cash and cash equivalents at beginning of period		36,024	17,155
Cash and cash equivalents at end of period		€ 44,670	€ 24,072

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, swimwear), *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 nine months of any calendar year, the Company typically generates some 80% of its Racquet Sports and Diving product revenues, but some 50% of its Winter Sports revenue. Thus, the Company typically generates only some 65% of its total year gross profit in the first nine months of the year, but the Company incurs some 70% 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 nine months period ended September 30, 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):

	September 30, 2010 (unaudited)	December 31, 2009
Raw materials and supplies	€ 15,454	€ 13,196
Work in process	8,314	5,517
Finished goods	76,616	54,591
Provisions	(9,248)	(10,474)
Total inventories, net	€ 91,137	€ 62,829

Note 4 - Financial Instruments

The following table provides information regarding the Company's foreign exchange forward and option contracts as of September 30, 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 September 30, 2010		
	Contract amount	Carrying value	Fair value
		(in thousands)	
Foreign exchange forward contracts	€ 39,698	€ (970)	€ (970)
Foreign exchange option contracts	€ 3,628	€ (100)	€ (100)

	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 September 30, 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 September 30, 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 September 30,				For the Nine Months ended September 30,		
	2010		2009		2010		2009
	(unaudited)		(unaudited)		(unaudited)		(unaudited)
	(in thousands)						
Revenues from External Customers:							
Austria......€	47,762	€	43,876	€	88,199	€	83,072
Italy......	6,801		6,327		25,192		24,932
Other (Europe)......	13,588		14,228		29,383		28,978
Asia......	4,516		5,170		9,960		9,566
North America......	25,717		22,615		65,640		60,118
Total Net Revenues......€	98,384	€	92,216	€	218,373	€	206,665

	September 30, 2010		December 31, 2009
	(unaudited)		
	(in thousands)		
Long-lived assets:			
Austria......€	19,246	€	20,672
Italy......	8,460		8,941
Other (Europe)......	20,315		20,781
Asia......	11,700		10,811
North America......	6,996		6,744
Total long-lived assets......€	66,717	€	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 €3.5 million for the period ended September 30, 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 €0.02 million for the period ended September 30, 2010 and 2009, respectively.

Note 8 – Short-Term Loan

In August 2010, one of the Company's subsidiaries entered into a short-term loan agreement and drew approximately €1.8 million. The loan is redeemable after one year. The yearly interest rate is fixed at 5.58%.

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, swimwear), *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 a significant trend towards renting the ski equipment. Based on actual bookings the Company believes sales will be ahead of 2009.

Racquet Sports. In 2010, the Company estimates the global tennis racquet market to be flat in volume but up in value. During the same period, global tennis ball sales were slightly higher than in the comparable period in 2009. In the U.S., the volume of racquet sales slightly declined but sales were up significantly in value due to the launch of many new high end tennis racquets. In Europe, the market was also up in volume and even more so in value for the same reasons. The Japanese market declined slightly in both units and value. Tennis ball sales were up slightly in all regions of the world except for Japan where they slightly declined.

Diving. In general, diving markets are flat to declining in 2010 compared to the comparable period in 2009. The European business got affected by bad weather conditions until mid of June, in the U.S., domestic consumption continues to struggle due to high unemployment rates and the related decline in purchasing power. For 2011, it is expected to remain a difficult year with slow recovery. Diving equipment at higher price-points will continue to be stronger affected than soft goods. The Company believes that Mares gained market shares in its European key markets of Germany, France and Spain as a result of innovative product launches.

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,	
	2010	2009	2010	2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(in thousands)		(in thousands)	
Total net revenues	€ 98,384	€ 92,216	€ 218,373	€ 206,665
Cost of sales	56,862	55,351	126,454	123,445
Gross profit	41,522	36,865	91,919	83,219
Gross margin	42.2%	40.0%	42.1%	40.3%
Selling and marketing expense	23,088	21,865	67,582	65,959
General and administrative expense	6,494	6,333	20,528	20,369
Restructuring costs	--	176	--	2,152
Share-based compensation expense (income)	211	605	(3,304)	812
Other operating expense (income), net	(674)	(8,129)	197	(8,182)
Operating profit	12,402	16,015	6,916	2,109
Interest and other finance expense	(2,398)	(2,735)	(7,048)	(8,921)
Interest and investment income	142	55	458	398
Gain on exchange of senior notes	--	42,214	--	40,314
Other Non-operating income (expense), net	1,111	476	(2,093)	1,980
Income tax benefit (expense)	(2,296)	(14,561)	853	(11,474)
Profit (Loss) for the period	€ 8,960	€ 41,464	€ (913)	€ 24,406

Three and Nine Months Ended September 30, 2010 and 2009

Total Net Revenues. For the three months ended September 30, 2010 total net revenues increased by €6.2 million, or 6.7%, to €98.4 million from €92.2 million in the comparable 2009 period. This increase was due to increased sales volumes in Winter Sports and the strengthening of the U.S. dollar against the euro during the comparable period partially offset by lower sales volumes in Racquet Sports.

For the nine months ended September 30, 2010 total net revenues increased by €11.7 million, or 5.7%, to €218.4 million from €206.7 million in the comparable 2009 period. This increase was mainly due to higher sales volumes of our Winter Sports and the strengthening of the U.S. dollar against the euro during the comparable period.

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2010	2009	2010	2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(in thousands)		*(in thousands)*	
Product category:				
Winter Sports	€ 58,499	€ 50,365	€ 80,238	€ 70,756
Racquet Sports	30,795	33,357	103,229	100,477
Diving	11,140	10,130	37,819	36,864
Licensing	1,079	1,160	3,690	4,368
Total revenues	101,512	95,013	224,976	212,466
Sales Deductions	(3,129)	(2,797)	(6,602)	(5,801)
Total Net Revenues	€ 98,384	€ 92,216	€ 218,373	€ 206,665

Winter Sports revenues for the three months ended September 30, 2010 increased by €8.1 million, or 16.1%, to €58.5 million from €50.4 million in the comparable 2009 period. This increase was due to higher sales volumes mainly for skis and ski boots.
For the nine months ended September 30, 2010 Winter Sports revenues increased by €9.5 million, or 13.4%, to €80.2 million from €70.8 million in the comparable 2009 period. This increase was due to higher sales volumes of all of our winter sports products except snowboard and protection wear and a favorable product mix of ski as well as the strengthening of the U.S. dollar against the euro.

Racquet Sports revenues for the three months ended September 30, 2010 decreased by €2.6 million, or 7.7%, to €30.8 million from €33.4 million in the comparable 2009 period. This decrease was due to lower sales volumes of mainly tennis racquets partially offset by the strengthening of the U.S. dollar against the euro.
For the nine months ended September 30, 2010 Racquet Sports revenues increased by €2.8 million, or 2.7%, to €103.2 million from €100.5 million in the comparable 2009 period. This increase was mainly due to higher sales volumes of balls, a favorable product mix of racquets and the strengthening of the U.S. dollar against the euro partially offset by lower sales volumes of tennis racquets and an unfavorable product mix of balls.

Diving revenues for the three months ended September 30, 2010 increased by €1.0 million, or 10.0%, to €11.1 million from €10.1 million in the comparable 2009 period resulting from increased sales compared to the third quarter of 2009.
For the nine months ended September 30, 2010, Diving revenues increased by €1.0 million, or 2.6%, to €37.8 million from €36.9 million in the comparable 2009 period. This increase was mainly due to sales of our newly introduced swimwear.

Licensing revenues for the three months ended September 30, 2010 decreased by €0.1 million, or 7.0% to €1.1 million from €1.2 million in the comparable 2009 period.
For the nine months ended September 30, 2010 Licensing revenues decreased by €0.7 million, or 15.5%, to €3.7 million from €4.4 million in the comparable 2009 period due to fewer licensing agreements. The Company took its previously licensed Sportswear business in-house and will start delivering apparel for certain parts of Europe in 2011.

Sales deductions for the three months ended September 30, 2010 increased by €0.3 million, or 11.9%, to €3.1 million from €2.8 million in the comparable 2009 period due to higher sales in 2010.

For the nine months ended September 30, 2010 sales deductions increased by €0.8 million, or 13.8%, to €6.6 million from €5.8 million in the comparable 2009 period due to higher sales.

Gross Profit. For the three months ended September 30, 2010 gross profit increased by €4.7 million to €41.5 million from €36.9 million in the comparable 2009 period. Gross margin increased to 42.2% in 2010 from 40.0% in the comparable 2009 due to increased net revenues and favorable product mix.
For the nine months ended September 30, 2010 gross profit increased by €8.7 million to €91.9 million from €83.2 million in the comparable 2009 period. Gross margin increased to 42.1% in 2010 from 40.3% in the comparable 2009 period. This increase was due to higher net revenues and improved manufacturing costs partially offset by higher cost for raw materials.

Selling and Marketing Expense. For the three months ended September 30, 2010, selling and marketing expense increased by €1.2 million, or 5.6%, to €23.1 million from €21.9 million in the comparable 2009 period due to higher commissions and departmental selling costs.
For the nine months ended September 30, 2010, selling and marketing expense increased by €1.6 million, or 2.5%, to €67.6 million from €66.0 million in the comparable 2009 period. This increase resulted from higher advertising and departmental selling costs.

General and Administrative Expense. For the three months ended September 30, 2010, general and administrative expense increased by €0.2 million, or 2.5%, to €6.5 million from €6.3 million in the comparable 2009 period.
For the nine months ended September 30, 2010, general and administrative expense increased by €0.2 million, or 0.8%, to €20.5 million from €20.4 million in the comparable 2009 period. Higher business unit administration costs were partially offset by lower warehouse cost.

Share-Based Compensation Expense (Income). For the three months ended September 30, 2010, the Company recorded €0.2 million of share-based compensation expense for its Stock Option Plans compared to € 0.6 million in the comparable 2009 period.
For the nine months ended September 30, 2010, the Company recorded €3.3 million of share-based compensation income for its Stock Option Plans compared to € 0.8 million of share-based compensation expense in the comparable 2009 period. This was a result of the decreased liability as of September 30, 2010 due to the lower share price compared to December 31, 2009.

Other Operating Expense (Income), net. For the three months ended September 30, 2010, other operating income, net decreased by €7.5 million, to €0.7 million from €8.1 million in the comparable 2009. In August 2009, the Company sold trademarks registered in Korea and not covering its core products to a third party and realized a gain of €7.6 million.
For the nine months ended September 30, 2010, other operating expense, net decreased by €8.4 million to €0.2 million from other operating income, net of €8.2 million in the comparable 2009 due to the gain on a sale of trademarks of €7.6 million in 2009.

Operating Profit. As a result of the foregoing factors, operating profit for the three months ended September 30, 2010 decreased by €3.6 million to €12.4 million from €16.0 million in the comparable 2009 period.
For the nine months ended September 30, 2010, operating profit increased by €4.8 million to €6.9 million from €2.1 million in the comparable 2009 period.

Interest and other Finance Expense. For the three months ended September 30, 2010, interest and other finance expense decreased by €0.3 million, or 12.3%, to €2.4 million

from €2.7 million in the comparable 2009.
For the nine months ended September 30, 2010, interest and other finance expense decreased by €1.9 million, or 21.0%, to €7.0 million from €8.9 million in the comparable 2009. This decrease resulted from a lower balance of borrowings as a result of the successful bond exchange in 2009.

Interest and Investment Income. For the three months ended September 30, 2010, interest and investment income remained insignificant at €0.1 million.
For the nine months ended September 30, 2010, interest and investment income increased by €0.1 million, or 15.2%, to €0.5 million from €0.4 million in the comparable 2009. This increase resulted from higher cash balances.

Other Non-operating Income (Expense), net. For the three months ended September 30, 2010, other non-operating income, net increased by €0.6 million to €1.1 million from €0.5 million in the comparable 2009 period mainly attributable to foreign currency gains.
For the nine months ended September 30, 2010, other non-operating expense, net increased by €4.1 million to €2.1 million from an income, net of €2.0 million in the comparable 2009 period mainly attributable to foreign currency losses.

Income Tax Benefit (Expense). For the three months ended September 30, 2010, the income tax expense was €2.3 million, a decrease of €12.3 million compared to €14.6 million in the comparable 2009 period. This decrease resulted from lower taxable results.
For the nine months ended September 30, 2010, the income tax benefit was €0.9 million, compared to income tax expense of €11.4 million resulting from deferred tax expense incurred as a result of the use of tax loss carry forwards for the gain on the exchange of senior notes in 2009.

Profit (Loss) for the Period. As a result of the foregoing factors, for the three months ended September 30, 2010, the Company recorded a profit for the period of €9.0 million, compared to €41.5 million in the comparable 2009 period including the gain on the bond exchange.
For the nine months ended September 30, 2010, the Company recorded a loss for the period of €0.9 million compared to a profit for the comparable 2009 period of €24.4 million including the gain on the bond exchange.

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 nine months ended September 30, 2010, cash provided by operating activities decreased by €1.9 million to €11.1 million compared to €13.0 million in the comparable 2009 period, which was mainly a result of a lower operating result adjusted by non-cash effective transactions partially offset by improved working capital management. Cash was used to purchase property, plant and equipment of €4.2 million compared to €4.1 million in the comparable 2009 period.

As of September 30, 2010, the Company had in place €43.7 million secured senior notes due 2012, €27.8 million senior notes due 2014, €11.7 million long-term obligations under a sale-leaseback agreement and a mortgage agreement due 2017, a liability against our venture partner of €2.6 million and €9.7 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 €22.1 million.