HEAD N.V.
INTERIM FINANCIAL STATEMENTS

For the Period Ended
September 30, 2011

HEAD N.V.

INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2011

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, 2011	December 31, 2010
		(unaudited)	
		(in thousands, except share data)	
ASSETS:			
Non-current assets			
Property, plant and equipment	7	€ 51,841	€ 52,527
Other intangible assets	7	11,274	11,307
Goodwill	7	2,774	2,951
Deferred income tax assets		50,045	47,170
Trade receivables		199	970
Other non-current assets		5,474	5,187
Total non-current assets		121,607	120,111
Current assets			
Inventories	4	105,412	68,416
Trade and other receivables		102,318	132,331
Prepaid expense		2,378	2,134
Available-for-sale financial assets		5,010	7,021
Restricted cash	9	32,737	1,962
Cash and cash equivalents	9	22,139	49,309
Total current assets		269,994	261,173
Total assets		€ 391,600	€ 381,284
EQUITY:			
Share capital: €0.01 par value; 92,174,778 shares issued	6	€ 922	€ 882
Other reserves	6	124,209	127,133
Treasury shares	6	(4,997)	(683)
Retained earnings		43,471	55,832
Fair Value and other reserves including cumulative translation adjustments (CTA)		(4,854)	(4,986)
Total equity		158,751	178,179
LIABILITIES:			
Non-current liabilities			
Borrowings	9	69,459	83,642
Employee benefits		14,647	14,514
Provisions		3,105	3,068
Other long-term liabilities		7,557	5,838
Total non-current liabilities		94,769	107,062
Current liabilities			
Trade and other payables		60,174	59,658
Current income tax liabilities		1,998	2,235
Borrowings	9	67,981	26,023
Provisions		7,928	8,127
Total current liabilities		138,081	96,044
Total liabilities		232,850	203,106
Total liabilities and shareholders' equity		€ 391,600	€ 381,284

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, 2011 (unaudited)	For the Three Months ended September 30, 2010 (unaudited) as Amended	For the Nine Months ended September 30, 2011 (unaudited)	For the Nine Months ended September 30, 2010 (unaudited) as Amended
		(in thousands, except share data)		(in thousands, except share data)	
Results of operations:					
Total net revenues	7	€ 99,736	€ 98,384	€ 218,058	€ 218,373
Cost of sales		57,911	56,862	127,773	126,454
Gross profit		**41,824**	**41,522**	**90,284**	**91,919**
Selling and marketing expense		24,723	23,088	69,044	67,582
General and administrative expense		6,766	6,494	20,232	20,528
Share-based compensation expense (income)		(19)	211	(87)	(3,304)
Other operating expense (income), net		742	(674)	137	197
Operating profit		**9,613**	**12,402**	**958**	**6,916**
Interest and other finance expense	9	(6,386)	(3,385)	(15,535)	(9,836)
Interest and investment income		153	142	496	458
Other non-operating income (expense), net		(458)	1,111	110	(2,093)
Profit (loss) before income taxes		2,922	10,270	(13,972)	(4,555)
Income tax benefit (expense):					
Current		(433)	(213)	(1,182)	(1,306)
Deferred		(1,855)	(2,011)	2,793	2,682
Income tax benefit (expense)		(2,289)	(2,224)	1,611	1,376
Profit (Loss) for the period		**€ 634**	**€ 8,046**	**€ (12,361)**	**€ (3,179)**
Other comprehensive income:					
Gains (losses) recognized directly in equity					
Foreign currency translation of invested intercompany receivables		€ 671	€ (1,009)	€ (64)	€ 502
Available-for-sale financial assets		21	180	353	433
Foreign currency translation adjustment		2,664	(3,815)	(85)	3,053
Income tax related to components of other comprehensive income		(173)	207	(72)	(234)
Other comprehensive income (loss) for the period, net of tax		€ 3,183	€ (4,437)	€ 132	€ 3,754
Total comprehensive income (loss) for the period		**€ 3,817**	**€ 3,609**	**€ (12,229)**	**€ 575**
Earnings per share-basic					
Profit (Loss) for the period		0.01	0.09	(0.14)	(0.04)
Earnings per share-diluted					
Profit (Loss) for the period		0.01	0.08	(0.14)	(0.03)
Weighted average shares outstanding					
Basic		90,901	87,944	89,838	87,944
Diluted		90,901	98,053	89,838	92,456

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
2010 as Amended		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, 2010		87,944,008 €	882 €	120,944 €	(683) €	48,509 €	(10,073) €	159,578
Loss for the period		--	--	--	--	(3,179)	--	(3,179)
Changes in fair value and other reserves including CTA reserves		--	--	--	--	--	3,754	3,754
Total recognized income and expense for the period		--	--	--	--	--	--	575
Balance at September 30, 2010		87,944,008 €	882 €	120,944 €	(683) €	45,330 €	(6,319) €	160,154
Balance at January 1, 2011		87,944,008 €	882 €	127,133 €	(683) €	55,832 €	(4,986) €	178,179
Share Buy Back March 2011	6	(8,876,431)	--	--	(4,169)	--	--	(4,169)
Capital Increase and Exercise of Stock Option Plans 2009	6	3,970,748	40	357	--	--	--	397
Exercise of Stock Option Plans 2009	6	8,876,431	--	(3,281)	4,169	--	--	888
Share Buy Backs September 2011	6	(7,395,483)	--	--	(4,314)	--	--	(4,314)
Loss for the period		--	--	--	--	(12,361)	--	(12,361)
Changes in fair value and other reserves including CTA reserves		--	--	--	--	--	132	132
Total recognized income and expense for the period		--	--	--	--	--	--	(12,229)
Balance at September 30, 2011		84,519,273 €	922 €	124,209 €	(4,997) €	43,471 €	(4,854) €	158,751

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, 2011 (unaudited)	2010 (unaudited) as Amended
		(in thousands)	
OPERATING ACTIVITIES:			
Loss for the period		€ (12,361)	€ (3,179)
Adjustments to reconcile net profit/loss to net cash provided by operating activities:			
Depreciation and amortization		7,369	8,023
Amortization and write-off of debt issuance cost and bond discount	9	8,528	2,908
Provision for leaving indemnity and pension benefits		108	468
Loss on sale of property, plant and equipment		6	14
Loss on sale of availabe-for-sale financial assets		98	--
Share-based compensation income		(87)	(3,304)
Deferred Income		825	947
Finance costs		6,319	6,734
Interest income		(496)	(458)
Income tax expense		1,182	1,306
Deferred tax benefit		(2,793)	(2,682)
Changes in operating assets and liabilities:			
Accounts receivable		30,177	26,240
Inventories	4	(36,667)	(27,301)
Prepaid expense and other assets		(306)	(586)
Accounts payable, accrued expenses and other liabilities		3,128	10,890
Interest paid		(8,058)	(8,455)
Income tax paid		(1,355)	(493)
Net cash provided by (used for) operating activities		**(4,383)**	**11,070**
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(6,288)	(4,218)
Proceeds from sale of property, plant and equipment		31	30
Proceeds from sale of available-for-sale financial assets		2,266	--
Interest received		465	389
Net cash used for investing activities		**(3,526)**	**(3,799)**
FINANCING ACTIVITIES:			
Increase in short-term borrowings	9	11,259	2,714
Proceeds from long-term debt	9	22,375	--
Payments on long-term debt	9	(16,296)	(1,524)
Share Buy Back	6	(8,483)	--
Exercise of Stock Option Plans 2009	6	1,245	--
Capital increase	6	40	--
Change in restricted cash	9	(30,774)	(36)
Net cash provided by (used for) financing activities		**(20,635)**	**1,153**
Effect of exchange rate changes on cash and cash equivalents		1,375	222
Net increase (decrease) in cash and cash equivalents		(27,170)	8,646
Cash and cash equivalents, unrestricted at beginning of period		49,309	36,024
Cash and cash equivalents, unrestricted at end of period		**€ 22,139**	**€ 44,670**

The accompanying notes are an integral part of the 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 and protection products, tennis, racquetball, squash and badminton racquets, tennis balls and tennis footwear and sportswear), *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 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 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. In general, revenue from sales is recognized at the time of shipment.

During the first nine months of any calendar year, the Company typically generates some 75% - 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, 2010. The condensed interim financial statements comply with IAS 34. The result of operations for the nine months period ended September 30, 2011 is not necessarily indicative of the results that may be expected for any other interim period or for the full fiscal year.

Note 3 – 2010 Comparative Information

The Company amended certain financial information in 2009 in respect of the accounting treatment for the 2009 private exchange offer to exchange HTM Sport GmbH's (a subsidiary of Head N.V.) outstanding €135 million 8.5% Senior Notes due 2014 for HTM Sport GmbH's newly issued Secured Notes and Head N.V. ordinary shares. The amendment of the 2009 figures also affected the financial information for the period ended September 30, 2010.

None of these amendments had an impact on the operating profit and the cash generated. For further details it is referred to the Annual Report 2010 which is available on the Company's website (www.head.com).

The amendment in the comparative financial information for the period ended September 30, 2010 is as follows:

		September 30, 2010 *as Amended*		*Amendment*		September 30, 2010
				(in thousands)		
Consolidated Statement of Comprehensive Income						
Interest and other finance expense	€	(9,836)	€	(2,789)	€	(7,048)
Loss before income taxes		(4,555)		(2,789)		(1,766)
Deferred income tax benefit (expense)		2,682		523		2,159
Loss for the period		(3,179)		(2,266)		(913)
Total comprehensive income (loss) for the period		575		(2,266)		2,841
Earnings per share - basic (Loss for the period)		(0.04)		(0.03)		(0.01)
Earnings per share - diluted[1] (Loss for the period)		(0.03)		(0.02)		(0.01)
Consolidated Statement of Changes in Equity						
Other Reserves at January 1, 2010 and September 30, 2010	€	120,944	€	15,867	€	105,077
Retained Earnings at January 1, 2010		48,509		(4,777)		53,286
Loss for the period		(3,179)		(2,266)		(913)
Retained Earnings at September 30, 2010		45,330		(7,043)		52,373
Total Equity at January 1, 2010		159,578		11,089		148,489
Total recognized income and expense for the period		575		(2,266)		2,841
Total Equity at September 30, 2010		160,154		8,824		151,330
Consolidated Statement of Cash Flows						
Loss for the period	€	(3,179)		(2,266)	€	(913)
Amortization and write-off of debt issuance cost and bond discount		2,908		2,789		119
Deferred tax benefit		(2,682)		(523)		(2,159)

[1] amendment influenced due to adjustment of diluted weighted average shares outstanding

Note 4 – Inventories

Inventories consist of the following (in thousands):

		September 30, 2011 (unaudited)		December 31, 2010	September 30, 2010 (unaudited)
Raw materials and supplies	€	17,645	€	14,756	15,454
Work in progress		7,609		6,886	8,314
Finished goods		89,232		56,257	76,616
Provisions		(9,073)		(9,484)	(9,248)
Total inventories, net	€	105,412	€	68,416	91,137

Note 5 - Financial Instruments

The following table provides information regarding the Company's foreign exchange forward and option contracts as of September 30, 2011 and December 31, 2010. 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, 2011							
	Notional Principal							
		in euro		Local currency converted into euro		Carrying value		Fair value
				(in thousands)				
Foreign exchange forward contracts	€	30,006	€	29,858	€	(211)	€	(211)
Foreign exchange option contracts	€	2,142	€	2,124	€	63	€	63

	As of December 31, 2010							
	Notional Principal							
		in euro		Local currency converted into euro		Carrying value		Fair value
				(in thousands)				
Foreign exchange forward contracts	€	42,210	€	40,701	€	(1,538)	€	(1,538)
Foreign exchange option contracts	€	404	€	378	€	(8)	€	(8)

Note 6 – 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, 2011. 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, 2011, the Stichting held 260,022 treasury shares.

In March 2011, the Company bought back 8,876,431 ordinary listed shares in Head N.V. amounting to 10.06% of the issued share capital of the Company. These shares were bought by Head N.V. at a cost of €4,169,119. The shares bought back were used to fulfill Head N.V.'s outstanding obligations under its stock option programs.

On March 29, 2011, Head Sports Holdings N.V. exercised the options granted under the May and September 2009 Stock Option Plans. In total these amounted to 12,847,179 options. These options have been satisfied by the transfer of 8,876,431 shares in Head N.V. held by the Company as treasury shares (see Share Buy Back above), and the issuance by Head N.V. of 3,970,748 new shares. As a result, the total number of issued shares in Head N.V. increased from 88,204,030 to 92,174,778.

In September 2011, the Company bought back 7,395,483 ordinary listed shares in Head N.V. amounting to 8.02% of the issued share capital of the Company. These shares were bought by Head N.V. at a cost of €4,314,118. As a result, the total number of own shares that the Company holds as of September 30, 2011 amounts to 7,655,505 (8.31% of the Company's issued shares).

	September 30, 2011	December 31, 2010
	(in thousands)	
Shares issued	92,175	88,204
Less: Shares held by Stichting	(260)	(260)
Less: Shares held by Head N.V.	(7,395)	--
Shares outstanding	84,519	87,944

Note 7 - Segment Information

The Company's business is organized 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,	
	2011	2010	2011	2010
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
	(in thousands)			
Revenues from External Customers:				
Austria €	49,026	€ 47,762	€ 92,616	€ 88,199
Italy	7,003	6,801	25,300	25,192
Other (Europe)	13,897	13,588	28,029	29,383
Asia	6,000	4,516	11,673	9,960
North America	23,810	25,717	60,440	65,640
Total Net Revenues €	99,736	€ 98,384	€ 218,058	€ 218,373

	September 30,	December 31,
	2011	2010
	(unaudited)	
	(in thousands)	
Long-lived assets:		
Austria €	19,550	€ 19,292
Italy	7,966	8,355
Other (Europe)	19,925	19,865
Asia	11,652	12,192
North America	6,794	7,081
Total long-lived assets €	65,889	€ 66,785

Note 8 - 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, 2011 and 2010, respectively. The related party provides consulting, corporate finance, investor relations and legal 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 Executive Director of Global Sales. Rental expenses amounted to approximately €0.02 million for the period ended September 30, 2011 and 2010, respectively.

During the third quarter 2011, certain Austrian subsidiaries of the Company entered into a €15.0 million loan agreement with an Austrian Bank (see Note 9). 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 fulfillment of the obligations of the subsidiaries of the Company under the loan.

On September 26, 2011, Mr. Franz Klammer was appointed to the Supervisory Board of Head N.V. (see also Note 10). 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 is limited until August 2013 with a yearly fee of €0.06 million.

Note 9 – Borrowings

In March 2011, HTM Sport GmbH, one of the Company's subsidiaries, bought back €14,405,000 of par value of the Senior Secured Notes to reduce the Company's cost of capital. These notes are cancelled.

In April 2011, the Company has secured a new long term loan in Italy with Mares S.p.A. The loan amounts to €5.0 million with a 5 year term. The loan is secured by the Rapallo and partly Casarza property of Mares S.p.A.

During the second quarter 2011, the Austrian Kontrollbank and one of Head´s Austrian Banks have agreed to increase the existing line by €1.9 million. During the third quarter 2011, the Austrian Kontrollbank and one of Head´s Austrian Banks have agreed to increase the existing line by another €1.9 million, which now leads to a total line of €18.8 million as of September 30, 2011. The line is secured by all Austrian trade receivables up to the amount of €21.8 million.

In August 2011, HTM Sport GmbH, one of the Company´s subsidiaries, bought back €571,000 of par value of the Senior Secured Notes to reduce the Company´s cost of capital. These notes are cancelled.

During the third quarter 2011, certain Austrian subsidiaries of the Company entered into a €15.0 million loan agreement with an Austrian Bank. This loan will be repaid by December 31, 2011 and is secured by certain trade receivables (exceeding the amount of €21.8 million - see above) as well as by the inventories of certain Austrian subsidiaries in the warehouses in Klaus and Schwechat. 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 fulfillment of the obligations of the subsidiaries of the Company under the loan. The loan currently carries interests of 3.8%. As of September 30, 2011 the Company used €7.1 million under this line. The Company mainly used the funds for the redemption of the Senior Secured Notes (see below).

In September 2011, one of the Company's subsidiaries entered into an asset backed revolving credit agreement with an US-bank providing a maximum of USD 40.0 million dependent on the level, and secured by, eligible US inventories and receivables. As of September 30, 2011 the disposable amount was USD 33.5 million while the Company only used USD 25.0 million of this facility at an interest rate of 2.25%. The agreement covers five years and the funds were mainly used for the redemption of the Senior Secured Notes (see below).

On September 21, 2011, the Company announced the redemption in full of their outstanding Senior Secured Notes due 2012 with ISIN number XS0447202218 and XS0447202309. The aggregate redemption price for the Notes to be redeemed was €29,409,145, which comprises 100.00% of the principal amount of €28,762,000 and accrued and unpaid interest to the redemption date of €647,145. The redemption date was October 21, 2011. The redemption price was paid from excess cash generated by the Company and new financing agreements as described above.

The announced redemption led to an acceleration of the amortization of the non-cash disagio costs. The amortization (in total) for the Senior Secured Notes amounted to €8.4 million for the nine months ended September 30, 2011.

The table below shows the composition of interest and other finance expense:

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2011	2010	2011	2010
	(in thousands)		(in thousands)	
Amortisation of disagio	4,131	1,008	8,465	2,851
Interest expense	2,178	2,305	6,318	6,734
Other finance costs	77	72	752	252
Interest and other finance expense	6,386	3,385	15,535	9,836

As of September 30, 2011, we reclassified the remaining principal amount of €28,762,000 of the Senior Secured Notes from non-current liabilities to current liabilities in the consolidated statement of financial position. The funds for the redemption of the Senior Secured Notes were held in a separate blocked account and were used only for this specific purpose. Therefore, the amount is presented as restricted cash in the consolidated statement of financial position as of September 30, 2011.

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

Note 10 – Other Information

On September 26, 2011 Mr. Franz Klammer was appointed to the Supervisory Board of Head N.V. by the Stichting in line with the articles of the Company. Mr. Klammer is ranked as one of the best downhill skiers of all time.

Note 11 – Subsequent Events

In October 2011, HTM Sport GmbH, one of the Company's subsidiaries, bought back €500,000 of par value of the Senior Notes to reduce the Company's cost of capital. These notes will be cancelled.

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 and sportswear), *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, racquet sports and diving equipment. In order to expand market share and maximize 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 2010/2011 winter season started with early snow in Europe and the U.S. and also earlier snow in Japan. Retailers in Europe and the US reported a growing winter sports equipment business until end of 2010 but a dramatic slowdown in January and February caused by warm weather and missing snow. This resulted in lower re-orders and finally to a flat market for the total season. For Snowboards and Helmets the market was even down compared to the previous season. At the World Championships in Garmisch, Head skiers won five Gold, two Silver and three Bronze medals, the best performing Alpine Ski brand during these Championships. This increases the popularity and demand for our products at retail and consumer level and helps us to gain additional market share. There is still a significant trend towards renting the ski equipment, skiboots are performing better then skis at retail as skiers still like to own their boots, but rent skis. We have collected all preseason orders for our winter sports business, and at this stage, based on our bookings we believe that alpine equipment sales will be at about the same level as 2010, however depending on a good start of the season with good reorders. Snowboards and Protection will be down compared to 2010.

Racquet Sports. Based on external information for Europe, the US and Japan, the Company estimates that the global tennis market has declined in the first half of 2011 due to general economic weaknesses (Europe, North America) and the impact of natural disasters (Japan, Australia, New Zealand). The US tennis market declined by 10% in racquet sales but was nearly flat in tennis ball sales. In Europe racquet and ball sales declined by 2% and 1%, respectively. In Japan, racquet sales declined by 13%. In mens tennis we now have two of the top three players in the world with Novak Djokovic ranked world number one, and Andy

Murray, ranked third and two of the top four womens players with Victoria Azarenka and Maria Sharapova. The success of our players creates a positive impact on our image and we expect positive effects in the future.

Diving. While the US market is slightly up versus 2010, European markets continued to struggle in July and August due to the growing economic uncertainty, mainly caused by Greece and the discussion around the euro. The excellent late summer weather across Europe helped to offset some of this decline, but we nevertheless believe that European markets declined by 5-10%. Mares market share increased mainly due to new product launches in the computer category.

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,	
	2011	2010	2011	2010
	(unaudited)	*(unaudited) as Amended*	*(unaudited)*	*(unaudited) as Amended*
	(in thousands)		*(in thousands)*	
Total net revenues	€ 99,736	€ 98,384	€ 218,058	€ 218,373
Cost of sales	57,911	56,862	127,773	126,454
Gross profit	**41,824**	**41,522**	**90,284**	**91,919**
Gross margin	41.9%	42.2%	41.4%	42.1%
Selling and marketing expense	24,723	23,088	69,044	67,582
General and administrative expense	6,766	6,494	20,232	20,528
Share-based compensation expense (income)	(19)	211	(87)	(3,304)
Other operating expense (income), net	742	(674)	137	197
Operating profit	**9,613**	**12,402**	**958**	**6,916**
Interest and other finance expense	(6,386)	(3,385)	(15,535)	(9,836)
Interest and investment income	153	142	496	458
Other non-operating income (expense), net	(458)	1,111	110	(2,093)
Income tax benefit (expense)	(2,289)	(2,224)	1,611	1,376
Profit (Loss) for the period	**€ 634**	**€ 8,046**	**€ (12,361)**	**€ (3,179)**

Three and Nine Months Ended September 30, 2011 and 2010 (as Amended)

Total Net Revenues. For the three months ended September 30, 2011 total net revenues increased by €1.4 million, or 1.4%, to €99.7 million from €98.4 million in the comparable 2010 period. This increase was mainly due to a better product mix in Winter Sports business and to higher revenues in our Sportswear division. For the nine months ended September 30, 2011 total net revenues decreased by €0.3 million, or 0.1%, to €218.1 million from €218.4 million in the comparable 2010 period. This decrease was mainly caused by lower revenues in our Racquet Sports division due to the weakening of the U.S. dollar against the euro during the comparable period and to an unfavorable product mix, partly offset by higher revenues in Winter Sports due to a better product mix and higher revenues in Sportswear.

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2011	2010	2011	2010
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(in thousands)		*(in thousands)*	
Product category:				
Winter Sports	€ 59,527	€ 58,499	€ 81,760	€ 80,238
Racquet Sports[1]	30,356	30,108	98,880	102,021
Diving	11,063	11,140	37,691	37,819
Sportswear	1,421	688	3,770	1,209
Licensing	934	1,079	3,221	3,690
Total revenues	103,301	101,512	225,321	224,976
Sales Deductions	(3,565)	(3,129)	(7,264)	(6,602)
Total Net Revenues	€ 99,736	€ 98,384	€ 218,058	€ 218,373

[1] revenues 2010 slightly adjusted due to a reclassification of a small product line from Racquet Sports to Sportswear

Winter Sports revenues for the three months ended September 30, 2011 increased by €1.0 million, or 1.8%, to €59.5 million from €58.5 million in the comparable 2010 period due to higher volumes in bindings and a favorable product mix for skis and boots.
Regarding the first nine months ended September 30, 2011 Winter Sports revenues increased by €1.5 million, or 1.9%, from €80.2 million to €81.8 million. This increase was mainly due to higher volumes in bindings, earlier delivery of snowboard and an overall favorable product mix.

Racquet Sports revenues for the three months ended September 30, 2011 slightly increased by €0.2 million, or 0.8%, from €30.1 million to €30.4 million. This increase was mainly due to higher volumes for racquets, partly offset by the weakening of the U.S. dollar against the euro in the comparable period.
For the nine months ended September 30, 2011 Racquet Sports revenues decreased by €3.1 million, or 3.1%, from €102.0 million to €98.9 million. This decrease was mainly due to an unfavorable product mix for racquets and the weak U.S. dollar, partly offset by higher volumes for racquets.

Diving revenues for the three months ended September 30, 2011 remained almost unchanged at €11.1 million compared to 2010.

Diving revenues for the nine months ended September 30, 2011 slightly decreased by €0.1 million, or 0.3%, from €37.8 million to €37.7 million, which was mainly caused by an unfavorable development of exchange rates.
Sportswear revenues for the three months ended September 30, 2011 amounted to €1.4 million, revenues for the nine months ended September 30, 2011 amounted to €3.8 million.

Licensing revenues for the three months ended September 30, 2011 decreased by €0.1 million, or 13.4%, from €1.1 million to €0.9 million.
Regarding the first nine months ended September 30, 2011, revenues decreased by €0.5 million, or 12.7%, from €3.7 million to €3.2 million due to fewer licensing agreements.

Sales deductions for the three months ended September 30, 2011 increased by €0.4 million, or 14.0%, to €3.6 million from €3.1 million in the comparable 2010 period.
For the nine months ended September 30, 2011 sales deductions increased by €0.7 million, or 10.0%, to €7.3 million from €6.6 million in 2010.

Gross Profit. For the three months ended September 30, 2011 gross profit increased by €0.3 million to €41.8 million from €41.5 million in the comparable 2010 period. Gross margin slightly decreased to 41.9% in 2011 from 42.2% in 2010.
For the nine months ended September 30, 2011 gross profit decreased by €1.6 million to €90.3 million from €91.9 million in the comparable 2010 period. Gross margin decreased from 42.1% to 41.4%. This decrease was mainly due to higher costs for raw materials.

Selling and Marketing Expense. For the three months ended September 30, 2011 selling and marketing expense increased by €1.6 million, or 7.1%, from €23.1 million to €24.7 million mainly due to higher advertising and departmental selling costs and an increase of bad debt provision.
For the nine months ended September 30, 2011 selling and marketing expense increased by €1.5 million, or 2.2%, to €69.0 million from €67.6 million in the comparable 2010 period. This increase was mainly due to higher departmental selling costs and an increase of bad debt provision, partly offset by lower advertising costs.

General and Administrative Expense. For the three months ended September 30, 2011 general and administrative expense increased by €0.3 million, or 4.2%, from €6.5 million to €6.8 million due to an increase in warehouse costs.
For the nine months ended September 30, 2011 general and administrative expense decreased by €0.3 million, or 1.4%, from €20.5 million to €20.2 million mainly due to lower business unit administration costs.

Share-Based Compensation Income. For the three months ended September 30, 2011 we recorded share-based compensation income for our Stock Option Plans of €0.02 million compared to an expense of €0.2 million in the comparable 2010 period.
For the nine months ended September 30, 2011 we recorded share-based compensation income for our Stock Option Plans of €0.09 million compared to €3.3 million in the comparable 2010 period. As the Management Board resolved in December 2010 that the Stock Option Plans of 2009 will be equity-settled (see Note 6), changes in the share price do not have any further impact for these plans on the consolidated statement of comprehensive income (for further details it is referred to the Annual Report 2010). The share-based compensation income of €0.09 was mainly due to the decrease of the share price at September 30, 2011 compared to the share price at December 31, 2010 which impacted the cash-settled Stock Option Plans.

Other Operating Income/Expense, net. For the three months ended September 30, 2011 other operating expense, net amounted to €0.7 million compared to other operating income, net of €0.7 million in the comparable 2010 period. This swing of €1.4 million was

mainly due to foreign exchange gains in 2010 and foreign exchange losses in 2011.
For the nine months ended September 30, 2011 other operating income, net remained quite stable at €0.1 million in 2011 and €0.2 million in 2010.

Operating Profit. As a result of the foregoing factors, operating profit for the three months ended September 30, 2011 decreased by €2.8 million from €12.4 million to €9.6 million. For the nine months ended September 30, 2011 operating profit decreased by €6.0 million to €1.0 million from €6.9 million in the comparable 2010 period.

Interest and Other Finance Expense. For the three months ended September 30, 2011 interest and other finance expense increased by €3.0 million from €3.4 million to €6.4 million. This increase was mainly due to the announced redemption in full of the Senior Secured Notes (see Note 9) and the corresponding acceleration of the amortization of the non-cash-disagio costs.
For the nine months ended September 30, 2011 interest and other finance expense increased by €5.7 million, or 57.9%, from €9.8 million to €15.5 million. This increase was mainly due to the buy back of €14,405,000 of par value of the Senior Secured Notes during the first quarter of 2011, the buy back of €571,000 of par value of the Senior Secured Notes and the announced redemption in full of the Senior Secured Notes during the third quarter of 2011 (see Note 9) and the corresponding acceleration of the amortization of the non-cash disagio costs. The amortization for the Senior Secured Notes (in total) amounted to €8.4 million for the nine months ended September 30, 2011 (2010: €2.8 million).

Interest and Investment Income. For the three months ended September 30, 2011 interest and investment income remained overall almost unchanged with €0.2 million in 2011 (2010: €0.1 million).
For the nine months ended September 30, 2011 interest and investment income remained unchanged at €0.5 million (2010: €0.5 million).

Other Non-operating Income/Expense, net. For the three months ended September 30, 2011 other non-operating expense, net amounted to €0.5 million compared to other non-operating income, net of €1.1 million in the comparable 2010 period. This change was due to foreign exchange gains in 2010 compared to losses in 2011.
For the nine months ended September 30, 2011 other non-operating income, net amounted to €0.1 million compared to other non-operating expense, net of €2.1 million in the comparable 2010 period. This change was caused by foreign exchange gains in 2011 and losses in 2010.

Income Tax Benefit/Expense. For the three months ended September 30, 2011 income tax expense remained almost unchanged with €2.3 million for 2011 (2010: €2.2 million).
For the nine months ended September 30, 2011 income tax benefit increased by €0.2 million to €1.6 million from €1.4 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, 2011 we had a net profit of €0.6 million compared to €8.0 million in the comparable 2010 period.
For the nine months ended September 30, 2011 we had a net loss of €12.4 million compared to €3.2 million in the comparable 2010 period.

Liquidity and Capital Resources

Payments from our customers are our principal source of liquidity. Additional sources of liquidity include our credit facilities, 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, 2011, cash used for operating activities amounted to €4.4 million compared to cash provided by operating activities of €11.1 million in the comparable 2010 period. This swing was mainly due to a lower operating result and a higher working capital. Cash used to purchase property, plant and equipment increased from €4.2 million for the nine months ended September 30, 2010 to €6.3 million in 2011. The sale of a portion of our available-for-sale financial assets led to cash inflow of €2.3 million in 2011.

Net cash used for financing activities amounted to €20.6 million for the nine months ended September 30, 2011 compared to cash provided by financing activities of €1.2 million in the comparable 2010 period. The increase of short-term borrowings in 2011 mainly resulted from the new loan-agreement with an Austrian Bank (which will be repaid by December 31, 2011) and the increase of the credit line with the Austrian Kontrollbank. The proceeds from long-term debt arose due to the new long-term loan in Italy and the new asset backed revolving credit agreement with an US-bank. The payments on long-term debt mainly show the buy back of €14,405,000 of par value of the Senior Secured Notes during the first quarter of 2011 (see Note 9). Share buy backs in the first and third quarter of 2011 amounted to €8.5 million (see Note 6). As already described in Note 9, the funds for the redemption of the Senior Secured Notes were held in a separate blocked account and were used only for this specific purpose. Therefore, the amount is presented as restricted cash in the consolidated statement of financial position as of September 30, 2011 resulting in the huge change in restricted cash shown in our consolidated statement of cash flows.

As of September 30, 2011 the Company had in place €28.8 million Senior Secured Notes (see Note 9), €27.9 million Senior notes due 2014, €9.4 million long-term obligations under a sale-leaseback agreement due 2017, €10.4 million mortgage agreements, a liability against our venture partner of €2.7 million and €24.5 million other long-term debt comprising secured loans in the US, Italy, Japan and Austria. In addition, the Company used lines of credit with several banks in Austria, France and Japan of €33.9 million.