HEAD®

Annual Report 2010

HEAD N.V.

FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2010

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Business and Strategy

The Company:

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.

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. As many of its goods, especially Winter Sports goods, are shipped during a specific period 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 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. In general, revenue from sales is recognized at the time of shipment.

Strategy:

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.

Expand Market Share. The Company continues to focus on expanding its market share, by developing innovative products such as the *Head* KERS (Kinetic Energy Recovery System) skis, Head Adaptive Fit Skiboots, *Head Youtek* racquets and strong-selling products such as the *Mares Liquid Skin* mask.

Rapidly Develop and Launch New Products. The Company intends to continue its tradition of product innovation and development by identifying new product opportunities and moving quickly to launch these products successfully. After the Company identifies a new product opportunity, the Company relies on its in-house research and development department and the manufacturing facilities available to produce the desired product concept. Thereafter, through a combination of the integrated marketing program, high brand awareness and global distribution organization efficiency the Company is able to introduce the new products to the market rapidly. Recent examples of this approach are the *Head* KERS, Head Flow Ride Technology skis, the new Adaptive Fit technology Edge boots, *Head Youtek* tennis racquets and the *Mares* ICON color dive computer.

Continued cost management. In 2009, the Company finalized the transfer of parts of the ski production from its site in Kennelbach, Austria, to its site in České Budejovice, Czech Republic, to benefit from lower personnel costs. In 2010 already app. 80% of all skis were manufactured in this new facility. After shifting tennis ball production from the U.S. to China in 2008, it was decided to shut-down the U.S. tennis ball factory in 2009. In 2008, the Company completed a new factory in Bulgaria, and transferred some diving production from Italy to this facility. Furthermore, the Company outsourced parts of the production for diving equipment and closed a diving equipment production facility in Italy to gain flexibility and reduce fixed costs.

The Company is investigating additional cost savings. Where the Company is confident that quality and proprietary technology will not be compromised, the Company intends to look for and secure further arrangements to manufacture its products in low-cost regions. The Company aims to decrease overhead costs and implements new measures, such as additional relocation of production plants and outsourcing arrangements.

Sales and Distribution:

The Company's products are sold in over 85 countries to approximately 37,000 accounts by its worldwide sales force. In addition, the Company utilizes sales representatives and independent distributors to serve specialized markets and related distribution channels.

Europe

Sales to customers within Europe accounted for 59.5% of the Company's 2010 sales. The Company centralized its European distribution organizations for Winter Sports and Racquet Sports products so that Head International GmbH operates as a single distribution company for several key markets. Since January 1, 2004, Head International invoices and ships products to the Company's customers in Switzerland, Germany, Italy and Austria. As a result, all of the Company's invoicing to customers in these markets, and to third-party distributors worldwide, occurs from Head International. The related former European distribution companies function as sales agencies.

North America

Sales to customers in North America accounted for 26.0% of the Company's 2010 sales. The Company distributes Head, Tyrolia, Penn and Mares through its subsidiaries Head USA and Head Canada. In the U.S., Winter Sports, Racquet Sports and Diving have separate sales/marketing organizations and sales forces but share all administrative and logistical functions. The goal is to improve distribution to increase penetration in North America.

To leverage our quality and innovation consumer recognition we attempt to balance our sales and distribution efforts towards both the specialty and mass markets. While we offer our premium racquet products exclusively towards the quality segment of the market, our lower priced racquet and ball products are also available in mass market distribution channels.

Asia
Sales to customers in Asia accounted for 9.9% of the Company's 2010 sales. In Japan, the Company's largest market in Asia, its Winter Sports and Racquet Sports products are distributed by its own subsidiary distribution unit. For snowboard and protection products, the Company has established a successful cooperation between its subsidiary and USP, a marketing and sales specialist in the action sport market. Diving products are distributed by third parties. Customers in Hong Kong are served through the Company's subsidiary in Hong Kong. For the rest of Asia the Company's products are sold only to independent importers or distributors on a wholesale basis. Because the Company believes that it has significant growth potential in Asia, it is developing closer working relationships with all Asian Head distributors through its subsidiary in Hong Kong and a representative office in Shanghai.

Other Markets
Sales to customers in other markets accounted for 4.6% of the Company's 2010 sales. These markets mainly consist of Latin America, Africa and Australia. Diving customers in Australia and New Zealand are served through the Company's subsidiary in Hong Kong. The Company believes the number of countries in these markets in which sales were made exceeded 50 in 2010. Sales of products to these regions are made by independent importers/distributors.

Industry overview:

Winter sports market
The Company defines the winter sports market as the market for alpine skis, ski boots and bindings, snowboard equipment and protection equipment. The Company estimates that there are approximately 50 million skiers and 8 million snowboarders active worldwide and that the market for winter sports equipment in 2010 was approximately €920 million at the wholesale level, consisting of €320 million for skis, €150 million for bindings, €230 million for boots and €220 million for snowboard equipment. The ski market consists predominantly of Europe, North America and Asia, with Europe constituting approximately 65% of the world market in 2009, the United States and Canada approximately 26% and Japan approximately 9%. The snowboard market is led by North America, followed by Europe and then Japan.

Ski sales have traditionally been the primary component of the winter sports market, with trends in ski sales directly affecting sales of bindings, ski boots and other ski accessories. The market for skis, however, has undergone a transformation in the past 15 to 20 years by declining from an estimated 6.5 million pairs sold per year worldwide in the late 1980's to approximately 4.1 million pairs sold in 2006. In 2010, approximately 3.2 million pairs were sold. The reduction in ski sales resulted primarily from a shift in preference among some consumers from skiing to snowboarding in the early 1990's, an absence of significant product innovation, except for the introduction of the carving ski in 1996, and the severe decline in the Japanese market. The dramatic decline in 2007 resulted from the very bad snow conditions worldwide during the 2006/2007 season, since then the market did not recover. In the last years, the snowboard market developed into a new form of winter sport, and the market increased from 0.8 million boards sold in 1995 to a peak of 1.6 million in 2000 and decreased to 0.9 million in 2010 as a result of a further decline of the North American market.

The ski bindings market declined from approximately 5.9 million pairs sold per year in the early 1990's to approximately 3.2 million in 2010. The ski boot market increased from 3.6 million pairs sold in 2003 to 4.0 million pairs in 2006. In 2007, the market collapsed to 2.8 million pairs of ski boots and since then improved in 2010 back to 3.6 million pairs sold.

Racquet sports market
The Company defines the racquet sports market as the market for tennis, squash, badminton and racquetball racquets, accessories and footwear and for tennis balls and racquetball balls. We estimate that the market for tennis racquets in 2010 was approximately 9.0 million units at a wholesale value of approximately €260 million. Based on information currently available but also including internal estimates, we assume a market decline in 2010 compared to 2009 of 4% and 1% in units and value respectively.

The Company estimates that worldwide sales of tennis balls were approximately 23.0 million dozens at a wholesale value of approximately €183 million. While the unit volume remained unchanged since 2009, the value of all products sold was slightly higher in 2010.

Diving market
The Company defines the diving market as the market for diving masks, fins, suits, BCDs, regulators, computers and diving accessories. The Company estimates the worldwide wholesale market in 2010 was approximately €350 million. The Company believes that the diving market was flat in 2010 in Europe and Asia and declining by around 5% and in the United States. During the second half of 2010, the Company recognized that the markets stabilized. The worldwide crisis made the diving industry one of the most affected sporting good categories, as the sport is expensive and requires travelling.

The diving industry is fragmented with well over 30 brands. While there are various companies which produce a number of diving products, Mares is the only company that designs and manufactures a complete line of products under one trademark.

Business development:

Winter Sports
The 2010/2011 winter season started with early snow in Europe and in most parts of the United States of America and also with earlier snow in Japan compared to prior years. Retailers in Europe and the US reported a growing winter sports equipment business. Ski sales in Europe and the US for the period ending December 31, 2010 have been slightly up compared to 2009 and flat in Japan and in Canada. Good snow conditions all over the world as of January 2011 led to some good sell through and retailers could further reduce their inventory. For the pre-season bookings 2011, the Company is expecting similar numbers as 2010.

Racquet Sports
In 2010 the tennis market started out very well based on many product launches by various manufacturers. While this generated growth in the early part of the year in racquets, bad weather in several regions of the world during summertime unfavourably impacted tennis sales. Also a new launch timing by the whole industry led to lower sales to retailers in the second half of 2010.

Diving
Worldwide diving markets stabilized with the exception of USA which further declined in 2010. The worldwide economic crisis accelerated the lowering of global consumer demand, with dealers and some distributors getting in financial difficulties. Nevertheless, the Company believes Mares could increase its market shares in most markets as a result of new advanced products and improved operations. MARES also strengthened its presence in the Asia Pacific region by opening a new subsidiary in Australia.

HEAD N.V. AND SUBSIDIARIES
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Profitability

The Company amended certain financial information in the prior period in respect of the accounting treatment for the 2009 private exchange offer (the „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 "Shares"). The following comparison reflects amended 2009 numbers (see Note 3 of the consolidated financial statements).

Income statement:

Total net revenues increased by €24.6 million, or 7.7%, to €343.7 million from €319.0 million in the comparable 2009 period. An increase could be achieved in most of the divisions supported by the weakening euro.

Winter Sports revenues increased by €19.4 million, or 12.9%, to €169.7 million from €150.3 million in the comparable 2009 period. This was caused by higher sales volumes in all of the Company's product categories except snowboard equipment, better product mix in all important markets and the devaluation of euro.

Racquet Sports revenues increased by €3.7 million, or 3.0%, to €129.9 million from €126.2 million in the comparable 2009 period. This increase was due to the strengthening of the U.S. and Canadian dollar, Japanese yen, Swiss franc and British pound against the euro.

Diving revenues increased by €2.6 million, or 5.7%, to €48.7 million from €46.1 million in the comparable 2009 period. This increase was driven by higher sales due to new products and improved product availability.

Licensing decreased by €0.1 million, or 1.9%, to €5.4 million from €5.5 million in the comparable 2009.

Sales deductions consist of sales incentives, which are earned by the Company's customers subsequent to delivery of its product, including cash discounts for volume rebates and other than cash consideration. Sales deductions increased by €1.0 million, or 11.6%, to €10.0 million from €9.0 million in the comparable 2009 period due to higher sales.

Cost of Sales. Cost of Sales increased by €7.9 million, or 4.1%, to €199.8 million from €191.9 million in 2009. This increase was due to higher production volumes partly offset by a decrease of fixed manufacturing cost. Also, the weakening of the euro significantly impacted the increase.

- Variable production costs increased by €9.1 million, or 5.7%, to €169.2 from €160.1 million in 2010 mainly due to higher purchase cost, wages and utilities.
- Fixed production costs decreased by €1.6 million, or 6.9%, to €21.6 million from €23.2 million in 2010 due to personnel expenses and lower depreciation.
- Research and development expenses increased by €0.8 million, or 9.9%, to €8.9 million from €8.1 million in 2009 mainly due to personnel expenses.

Gross Profit. Gross profit increased by €16.7 million, or 13.2%, to €143.9 million from €127.2 million in the comparable 2009 period. Gross margin increased to 41.9% in 2010 from 39.9% in the comparable 2009 period mainly driven by higher sales, close control of our manufacturing processes and positive impact of the exchange rates.

Selling and Marketing Expense. Selling and marketing expense increased by €4.5 million, or 5.0%, to €93.0 million from €88.6 million in the comparable 2009 period. Main drivers were higher personnel expenses and higher spending for our sponsored pro skiers partly reflecting the devaluation of the euro.

General and Administrative Expense. General and administrative expense increased by €1.1 million, or 4.1%, to €28.0 million from €26.9 million in the comparable 2009 period. This increase was mainly due to higher expenditures for outside services and to higher personnel costs as well as the expense incurred in connection with the withdrawn shares offering (see Note 33).

Restructuring Costs. In 2010, there were no further activities under various restructuring programs. The income of €0.1 million represents the release of the accrual from December 31, 2009. In 2009, the Company recorded €2.2 million of restructuring costs consisting of re-movement cost in relation to the transfer of parts of the ski production from the Company's site in Kennelbach, Austria to its site in České Budejovice, Czech Republic and shifting of tennis ball production from the Company's site in Phoenix, USA to its site near Shenzhen, China.

Share-Based Compensation Income. In 2010, the Company recorded an income of €3.1 million relating to the Stock Option Plans which was due to the decrease of share price over the period. In 2009, the Company recorded an expense of €1.2 million due to the increase of the Company's share price and €7.8 million for the newly issued 2009 Stock Option Plans (see Note 25 of the consolidated financial statements).

Other Operating Income, net. In 2010, the Company recorded other operating expense, net of €0.2 million, compared to an income of €7.8 million in 2009. This decrease is mainly due to the gain on a sale of trademarks of €7.6 million realized in 2009.

Operating Profit. As a result of the foregoing, an operating profit of €25.9 million was recorded in 2010 compared to an operating profit of €8.4 million in the comparable 2009 period.

Interest Expense. For the year ended December 31, 2010, interest expense increased by €0.9 million, or 7.1%, to €13.7 million from €12.8 million in the comparable 2009 period resulting from the decrease of the interest expense from our long-term loans mainly resulting from the exchange offer in 2009 offset by higher amortization of disagio of the newly issued secured notes due to the fair value valuation. In addition, the Company recorded expenses of €0.3 million in 2010 for legal and other support in connection with the fair value valuation of the exchange offer.

Interest and Investment Income. Interest and investment income increased by €0.1 million, or 16.6% to €0.7 million from €0.6 in the comparable 2009 period mainly was due to higher cash and cash equivalents in 2010.

Gain on Exchange of Senior Notes. In 2009, the Company recorded a gain of €38.1 million consisting of €42.0 million waiver of the 8.5% senior notes, €3.6 million gain on interest forfeited, reduced by €2.2 million fair value valuation of the shares and notes issued in the course of the exchange transaction and €5.3 million of expense relating to the exchange of the senior notes (see Note 3 and Note 16).

Income Tax Expense. For the year ended December 31, 2010, the income tax expense was €2.2 million, a decrease of €15.4 million compared to an income tax expense of €17.6 million in the comparable 2009 period. The higher income tax expense in 2009 was mainly due to deferred income tax expense incurred as a result of the utilization of tax losses carried forward for the gain on exchange of senior notes and higher current income tax expenses due to a provision for potential income tax liabilities of prior years.

Profit for the year. As a result of the foregoing factors, the Company reported profit of €7.3 million compared to a profit of €17.5 million in 2009.

Financing:

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, development of new products, payment of interest mainly consisting of our bonds, extension of credit to the Company's customers, and other general funding of the Company's day-to-day operations.

Cash provided by operating activities decreased by €9.9 million to €19.5 million compared to €29.4 million in the comparable 2009 period. The reduced cash generation was mainly due to higher working capital as consequence of higher sales resulting in higher accounts receivable as well as higher inventories to ensure product availability. Cash from operations was used to purchase property, plant and equipment (net of proceeds) of €6.3 million and increase cash on hand by €13.3 million.

As of December 31, 2010, the Company had €109.7 million of total debt, consisting of €27.8 million of 8.5% senior notes due 2014, €35.3 million of 10.0% senior secured notes due 2012, €15.1 million long-term obligations under a sale-leaseback agreement and two mortgage agreements due from 2012 to 2017, €6.4 million other long-term debt comprising secured loans in Italy and Japan and a liability against the Company's venture partner of €2.7 million. In addition, the Company used lines of credit with several banks in Austria, France and Japan of €22.3 million.

As of December 31, 2010, the Company had €49.3 million cash on hand and €2.0 million restricted cash and €7.0 million available-for-sale financial securities (predominantly money market funds) which are restricted.

The Company believes that its current level of cash on hand, future cash flows from operations, and its senior notes, senior secured notes and other facilities are sufficient to meet the operating needs for the foreseeable future.

Research and Development

The Company believes that it is an industry leader in the development of innovative and technologically advanced sports equipment. Its research and development groups identify consumer needs and shifts in consumer preferences in order to develop new product ideas and concepts to satisfy such needs or preferences. The Company believes that its high level of expertise is evident in all its product lines.

Capital Expenditures

A significant amount of the Company's annual capital expenditure goes to maintenance of current facilities including the moulds, tools and equipment. Some product lines change annually as new products are introduced, while others are in use for several years. In 2007, the Company announced the transfer of parts of the ski production from its site in Kennelbach, Austria, to its site in České Budejovice, Czech Republic. The Company largely completed the program during 2009. In addition, the Company began the construction of a new diving manufacturing plant in Bulgaria, which was completed by the middle of 2008.

In 2010 and 2009, the Company spent approximately €6.5 million and €5.6 million, respectively, on facilities and equipment maintenance (upkeep, replacement and/or improvement) including the investments in relation to the transfer of parts of the ski production. The Company expects to spend approximately €25 million on investment in property, plant and equipment, including expenditures for maintenance of the Company's facilities and equipment, and €26 million on research and development, in the 2011 to 2013 period. The Company expects that these expenses will be financed through its operating cash flow. These expenses will be primarily for the design and manufacturing of products that are scheduled to be introduced and existing products which the Company expects to continue selling during the period.

Employees

As of December 31, 2010, the Company employed 2,108 people worldwide compared to 2,016 at the end of 2009. The increase reflects the ski production in Czech Republic and the new plant in Bulgaria.

Employees by categories:

	For the Years ended December 31,	
	2010	2009
Manufacturing	1,324	1,256
Engineering and Patent	93	92
Selling and Advertising	409	386
Warehouse	128	125
Business Unit Administration	154	157
Total	2,108	2,016

Employees by geography:

	For the Years ended December 31,	
	2010	2009
Austria	514	509
Italy	203	202
Czech Republic	474	414
Other (Europe)	243	209
North America	119	127
China	511	518
Other	44	37
Total	2,108	2,016

The Company believes that its employee relations are generally good. In Austria, most of the employees are subject to collective labor agreements covering the metal and wood processing industries. Collective labor agreements have also been entered for some employees in other countries.

Outlook

Product Outlook:

In Winter Sports the Company sees a continued trend towards the development of specific new segments, such as Freeride Skis with Rocker technology and Freestyle- Park & Pipe skis. The Company still experiences a more pronounced negative impact in general on the sales of low-end equipment as well as a continued trend towards rental equipment, while high-end models, such as the Supershape models or Worldcup Race Skis sold well. For 2011, following the success of the Company's sponsored race team in the last two World Cup seasons, at the Olympic winter games in Vancouver and the World Championships in Garmisch-Partenkirchen, the Company will concentrate on improving product mix, especially with the new Worldcup Race and Supershape KERS models and a new line of X-Shape models, as well as with the Raptor ski boot and a completely new Edge boot with Adaptive Fit Technology.

The Company has redesigned the new "Peak" line with "Flow Ride Technology" in order to better match the demand of the North American markets. Additionally the Company will offer a complete new range of Big Mountain skis called Motörhead with Rocker technology. For the Rental market the company will offer a new ski model "Link" design for very easy and fast learning.

Because most skis are offered as pre-defined sets including a binding, the Company offers all Head skis with bindings well coordinated in function and design. The new Power Rail system allows easy boot size adjustment and pre-mounting in the shop. The Lite Rail system offers the same features for junior and kid bindings. Both are systems that can be used for retail, rental and demo, a system that is designed according to the new market requirements. In 2011 the company will introduce the new LX and SX toes with new kinematics for enhanced performance.

For the free market on skis the Company will continue to offer Tyrolia – Peak branded bindings. The Company continually introduces new technical features for improved performance, safety and comfort.

In 2011, the Company will introduce a completely new Ski boot concept called "Adaptive Fit Technology" with the new Edge model. Edge has been the most successful model range of the Head Ski boot line and with this new technology which allows for width adjustment in the forefoot area the Company expects to gain additional market share in the upper segment of performance boots. The Company plans to capitalize on the improved image as a performance ski boot brand with an improved mix of products.

In snowboards, the Company has upgraded the top of the line "Intelligence" boards with KERS. The Company is introducing a compact, theme driven "ROCKA" line and a unique total auto open binding technology. On helmets, the Company has developed for 2011 the new Crest and Carma helmets with conehead sandwich core technology and an exclusive hybrid shell construction which adds up to an extremely comfortable, lightweight head protection device.

In Racquet sports, the Company launched several Youtek line extension tennis products in 2010. Several new products were also launched in the categories of tennis footwear, squash, racquetball, badminton and tennis accessories. Our ball products remained the same.

For 2011 further Youtek line extensions are planned or already executed. Furthermore based on the new Sharapova endorsement during the second half of 2011 we plan to introduce a series of Sharapova signature products, to take advantage of her iconic status and consumer recognition. In tennis balls we are executing a line extension of our premium tennis balls.

The Company started to sell Tennis and Winter Sports apparel through own distribution channels in the beginning of the year 2011.

The Diving division launched a range of product innovations with a focus on performance, fashion and comfort. The diving division's latest product launches were a new wireless data transmission technology and a new light weight open-heel fin called X-stream.

Furthermore MARES continued strengthening its Spearfishing business with a number of product innovations such as a new carbon blade fin and the Sponsorship of the SF world-championships last September.

Environmental Matters:
The Company's operations are subject to European Union, federal, state and local laws, regulations and ordinances relating to the operation and removal of underground storage tanks and the storage, handling, generation, treatment, emission, release, discharge and disposal of various materials, substances and wastes. The nature of the Company's operations exposes it to the risk of claims with respect to environmental matters and the Company cannot assure you that material costs or liabilities will not be incurred in connection with such claims.

Based on the Company's experience to date, the Company believes that future cost of compliance with environmental laws, regulations and ordinances, or exposure to liability for environmental claims, will not have a material adverse effect on the Company's business, operations, financial position or liquidity. However, future events, such as changes in existing laws and regulations, or unknown contamination of sites owned or operated by us (including contamination caused by prior owners and operators of such sites), may give rise to additional compliance costs which could have an adverse effect on the Company's operating results and financial condition.

Circumstances affecting future turnover and profitability:
As a manufacturer and distributor of branded sporting goods, the Company's revenues are affected by the overall economic trends of the Company's principal geographic markets, mainly Europe, but also the United States and Japan, and related changes in consumer spending on leisure goods. Weather can also affect the Company's revenues. For example, a lack of snow in a particular area in a particular season will result in fewer purchases of skiing and snow boarding equipment and poor weather at a diving location may reduce interest in the sport and related equipment purchases. The Company believes its global geographic penetration and diversification of sports products help to mitigate any localized adverse impacts from weather. Other factors that can affect its revenues are consumer preferences for renting versus purchasing equipment or based on technical innovations, and the general level of interest in the sports for which the Company produces equipment. In addition, the rate of leisure travel can affect its revenues as purchases of its equipment are often related to customers travelling to ski and diving destinations.

Most of the Company's revenues are denominated in euro, the functional currency of its European operations, and in 2010, approximately 31% was denominated in U.S. dollars. The Company's revenues are thus affected by movements in the exchange rate of the U.S. dollar and other currencies against the euro. The Company's revenues are also affected by fluctuations in the value of the currency in which the products are sold relative to the value of the currencies in which production expenses are incurred. For example, appreciation of the

U.S. dollar against the euro may adversely affect margins from its products manufactured on an U.S. dollar-cost basis and sold in Europe if they become less price competitive on a euro basis or sell for lower prices on a U.S. dollar basis, which reduces the Company's margins.

Factors Affecting Expenses

The Company separates its principal expenses into:

- cost of sales;
- selling and marketing expenses;
- general and administrative expenses; and
- interest expense.

The major components of cost of sales are raw materials, cost of third party manufacturers, payroll and energy expenses related to the manufacturing of the Company's products. Depreciation of the Company's manufacturing equipment and production sites, as well as research and development expenses associated with the development of the Company's products, are also included in this category.

In general, after they peaked in 2008, raw material prices have significantly declined in 2009. This is particularly true for rubber, the key raw material for tennis and racquetball balls, However, during the last quarter of 2009, the price of rubber has started to substantially increase again and we have seen our cost base increase further since the end of the year 2010 as some raw materials have jumped in price, and labour rates in China have been subjected to mandatory double digit percentage increases. In addition, the Renminbi has appreciated in value against the U.S. dollar which again increases our sourcing costs.

Selling and marketing expenses are comprised primarily of advertising expenses (including the sponsorship of professional athletes) and payroll expenses related to the selling department. Also included in this category are commission payments to sales teams. General and administration expenses include warehousing expenses and various administrative costs. Approximately 90% of the Company's annual capital expenditures are for maintenance and replacement of the Company's facilities and equipment, including molds and tools. Some product lines change annually as new products are introduced, while others are in use for several years. In 2010 and 2009, the Company spent approximately €6.5 million and €5.6 million, respectively, on facilities and equipment maintenance. Historically, these expenditures were financed through its operating cash flow. The Company expects its annual capital expenditures to remain stable during the next three years due to the fact that most of its restructuring programs and production outsourcing were finalized in 2010.

In connection with ordinary share options granted to officers the Company has recorded share-based compensation income of approximately €3.1 million and expense of approximately €9.0 million in 2010 and 2009, respectively. As of December 31, 2010, other long-term liabilities with regards to the Company's stock options amounted to approximately €0.2 million as the liability for the 2009 plans of approximately €6.2 million was transferred to the reserves as consequence of their change to equity-settled. The change in fair value will be recognized as income or expense over the remaining life of the cash-settled options. Any further stock option grants will result in additional expense being recognized.

The Company's expenses, as reported in euro, are also affected by movements in the exchange rate of the euro against the currencies of the countries in which the Company operates. Of the

Company's cost of goods sold and other operating expenses, approximately 60% is recorded in euro whereas approximately 33% is recorded in U.S. dollars. Because a portion of the Company's U.S. dollar revenues are generated from products manufactured on a euro-cost basis, the appreciation of the euro against the U.S. dollar has decreased the Company's revenues when translated into euro and negatively impacted the Company's margins.

Subsequent Events:

For information regarding the subsequent events, it is referred to Note 33 of the consolidated financial statements.

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DIRECTORS' REPORT

Risk Report

Some of the risks described below are beyond the Company's control and cannot be quantified nor can the likelihood be expressed. Management seeks to keep the harm limited by following the strategy of diversification of products and geographic locations. For those risks assessable management tends to define the Company's strategy by focus on risk minimization. When defining the Company's strategy management evaluates risks and balance with the potential return. Management is willing to take calculable risks in reaching Company's objectives.

Industry and business risks:

The sporting goods industry is highly competitive and includes many regional, national and international companies, some of which have achieved substantial market share. The Company competes primarily on the basis of product features, brand recognition, quality and price, and the failure to remain competitive could adversely affect its results of operations and financial condition. Some of the Company's competitors offer types of sports products that the Company does not sell, and some of its competitors are larger and may have greater financial and other resources than the Company has. The Company's success also depends partly on its ability to anticipate and respond quickly to changing merchandise trends, consumer taste and consumer preferences. Any failure in responding could adversely affect consumer acceptance of the Company's brand names and product lines and could harm its business.

The Company mitigates these risks by employing experts in the industries in which it operates, constantly reviewing the behavior of the Company's competitors and customers and having dedicated proficient research and development teams designing consumer driven products.

The Company's production is dependent on the timely availability of certain raw materials whose prices are driven by the commodity price development on the world market. Such raw materials are used in manufacturing, among other items, plastic components for bindings, ski boots and diving fins, carbon fibers for racquets, rubber and felt for tennis balls and metal parts for binding components and ski edges. Changing raw material prices historically have had a material impact on the Company's earnings and cash flows, and are likely to continue to have a significant impact on earnings and cash flows in future periods.

Historically, the Company has generally not been able to pass on to the Company's customers all increases in costs resulting from raw material and energy prices, and has sought other means, particularly through the restructuring of the Company's production processes, to maintain operating margins. The Company maintains relations with at least two suppliers for each of the core raw materials and enters into yearly price negotiations. A yearly supplier evaluation process assures that suppliers meet the Company's targets.

The Company outsources a substantial portion of its manufacturing to third parties in Europe, such as Czech Republic (binding assembly), and Bulgaria (diving products), and in Asia, such as in China (tennis racquets, badminton products, accessories, snowboard and protection products) and Thailand (diving products). As a result of this outsourcing, the Company is dependent in part on the performance of third-party suppliers in order to deliver quality products in a timely manner. The Company is also increasingly subject to risks relating to the local economic and political conditions in those countries to which the Company outsources its manufacturing operations.

The Company maintains good relations with its third-party suppliers as a professional cooperation is essential to generate high quality products. Third-party suppliers are integrated in the Company's quality management and internal control framework.

Economic conditions, weather and other factors beyond the Company's control:

The Company and the sporting goods industry in general are dependent on the economies in which the products are sold, and in particular on levels of consumer spending. Economic conditions affect not only the ultimate consumer, but also retailers, the Company's primary direct customers. As a result, the Company's results may be adversely affected by downward trends in the economies in which its products are sold. Adverse weather also can cause a significant decline in the Company's sales, as in 2007 when the poor snow conditions globally during the 2006/2007 season substantially reduced revenues for its Winter Sports products and negatively impacted the consolidated operating results. In addition, the occurrence of events that adversely affect economies or international tourism, such as terrorism or regional instability, continue to adversely affect leisure travel and related discretionary consumer spending, which can have a particularly negative impact on the Company's diving business.

The Company has mitigated these risks where possible by having counter seasonal products and by operating globally so the results are not unduly influenced by the economy of one country.

Legal and tax risks:

As of December 31, 2010, the Company recognized €47.2 million of deferred tax assets, mainly on Austrian tax losses carried forwards. The Company believes it is probable that these deferred tax assets will be realized. Austria and some other countries allow an unlimited carryover of net operating losses. However, a change in income tax law lowering the applicable tax rate or limiting of carryover, requiring the Company to write down a portion of its deferred tax assets, would cause a significant income tax expense and negatively affect the Company's net income and reduce total assets.

The Company closely monitors any development in local tax legislations and is in permanent contact with its external tax consultants to evaluate actions that could be taken and effect on Company's results.

Some of the Company's products are used in relatively high-risk recreational settings, and from time to time the Company is named as a defendant in lawsuits asserting product liability claims relating to its sporting goods products. To date, none of these lawsuits has had a material adverse effect on the Company, and the Company does not believe that any lawsuit now pending could reasonably be expected to have such an effect. The Company maintains product liability and general liability insurance coverage. No assurances can be given that such insurance will continue to be available at an acceptable cost or that such coverage will be sufficient to cover one or more large claims, or that the insurers will not successfully disclaim coverage as to a pending or future claim.

The Company follows up on product returns, permanently researches to offer high quality products and has established high product quality standards permanently examined by the Company's quality management.

The Company holds several hundred patents and trademarks, several of which are filed in multiple jurisdictions, including Europe, the United States and Asia. The Company's major trademarks are registered in its key markets and numerous other countries. The Company believes its patents and trademarks to be among its most valuable marketing assets and generally seeks protection for them in countries where significant existing or potential markets for the Company's products exist. The Company believes it has taken adequate measures to protect its proprietary information, trade names and trademarks in all its major markets.

Litigation may be necessary to defend against claims of infringement, to enforce the Company's patents or trademarks, or to protect trade secrets and could result in substantial costs for the Company.

The Company's operations are subject to European Union, United States, Chinese and other national and local laws governing, among other things, water pollution, air pollution, noise pollution and hazardous substance discharges. The Company believes that its business, operations and facilities have been and are being operated in compliance in all material respects with applicable environmental and health and safety laws. However, the operation of manufacturing plants entails risks in these areas. As a result, the Company cannot assure that it will not incur material costs or liabilities. In addition, the Company could incur significant costs in order to comply with any future European Union, national or local environmental and health and safety laws that may be adopted, or to respond to stricter interpretations or stricter enforcement of existing laws in the future.

Quality management issues, trademark and patent rights protection and the observance and compliance with the respective national and local laws are supported by dedicated quality management, legal, and patent and trademark departments.

Other risks:
Head Sports Holdings N.V. and its affiliates, directly and indirectly, controlled approximately 54.69% of the Company's issued ordinary shares, as of December 31, 2010. Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch, the Company's CEO and his family members. Head Sports Holdings N.V. has the power to approve the nominations of the Company's executive officers, the Supervisory and Management Boards, change the Company's core business, cause us to engage in transactions with affiliated companies, cause or restrict the sale of the Company's assets, control the Company's dividend policy and make other fundamental corporate decisions.

Under the Company's articles of association, a Dutch foundation called Stichting Head Option Plan ("the Stichting") has the power to nominate all members of the Management Board, appoint one-third of the members of the Supervisory Board and nominate the remaining members of the Supervisory Board. The Board of the Stichting is controlled by Head Sports Holdings N.V.

The special power of the Stichting ceases when Mr. Johan Eliasch or his affiliates or family members cease to control the Stichting or cease to beneficially hold any of the Company's ordinary shares. In general, a two-thirds majority of shareholders voting at a general meeting of shareholders may remove members of the Management and Supervisory Board, and the articles of association, including the rights of the Stichting, also may be amended (at proposal of the Management Board and with approval of the Supervisory Board) by a two-thirds majority of shareholders. Therefore, as a result of his control over the Stichting, Mr. Johan Eliasch with his family members will retain the power to nominate and essentially control the election of the Management and Supervisory Board members and other executive officers so long as Mr. Johan Eliasch holds any of the Company's ordinary shares or until there is an amendment to the articles of association impairing the rights of the Stichting.

Financial risks:

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. For further description of the financial risks, it is referred to Note 4 of the consolidated financial statements.

Risk management and internal control system:

The Management Board is responsible for designing, implementing and maintaining adequate internal controls over financial reporting and other management information suitable for running the business.

The Company's main features of internal control systems are as follows:

- Lean organizational structure and clear defined authority and accountability
- Frequent reporting and analysis against approved budget and monitoring of business risks
- Appropriate infrastructure, systems, controls and staff
- Code of Conduct is established

Assurance on the functioning of the internal control systems, and on their effectiveness, is obtained through management reviews, internal testing of certain aspects of the internal financial control systems and control self assessment.

The Company's chief executive officer and chief financial officer have evaluated the effectiveness of the Company's internal control and risk management system for the financial year ended December 31, 2010. As part of this, the Company applies criteria established under the "Internal Control - Integrated Framework" of the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The objective of these systems is to manage, rather than eliminate, the risk of failure to achieve business objectives. Accordingly, they can only provide reasonable, but not absolute, assurance against material misstatement or loss.

On basis of the foregoing and the explanations contained in the Risk Report section in this annual report, the Management Board has confirmed that to its knowledge:

- The Company's internal risk management and control systems provide a reasonable assurance that the Company's financial reporting does not contain any material inaccuracies; and
- the Company's risk management and control systems functioned properly in 2010.

HEAD N.V. AND SUBSIDIARIES
DIRECTORS' REPORT

The Management Board

Our Management Board currently has four members, whose names, functions and biographies are set forth below.

Name	Age	Title
Mr. Johan Eliasch	49	Chairman of the Management Board and Chief Executive Officer
Mr. Ralf Bernhart	59	Member of the Management Board and Deputy Chairman of the Management Board
Mr. Günter Hagspiel	47	Member of the Management Board and Chief Financial Officer
Mr. Georg F. Nicolai	58	Member of the Management Board

Mr. Johan Eliasch has served as Chairman of the Management Board of Head N.V. and Group Chief Executive Officer since September 1995. He is Chairman of Equity Partners, London Films, Co-Chairman of Cool Earth, President of Global Strategy Forum, board member of IMG, advisory board member of Starr Underwriting, Brasilinvest, Société du Louvre, Centre for Social Justice, the British Olympic Association, and member of the Mayor of London's and Rome's International Business Advisory Council. He is patron of the Stockholm University and a trustee of Kew Foundation. He served in the British Government as the special representative of prime minister Gordon Brown on deforestation and clean energy from 2007 to 2010.

Mr. Ralf Bernhart has served as the Chief Financial Officer of Head N.V. since October 2000. He was a member of the HTM Supervisory Board in 1995 prior to becoming a member of the HTM Management Board in 1996. Prior to joining Head N.V., from 1990 to 1995, Mr. Bernhart was a member of the Executive Board of Hafslund Nycomed Pharma AG, Austria, a leading pharmaceutical company. On May 28, 2009, Mr. Bernhart resigned from his position as Chief Financial Officer of Head N.V. On May 28, 2009, our general shareholders' meeting appointed Mr. Bernhart as Deputy Chairman of our Management Board.

Mr. Günter Hagspiel joined Head Sport GmbH in May 1996. After working in Controlling for two years in Austria, he went on an international assignment to the U.S. to become the Controller of Head USA, Inc. In 2001, Mr. Hagspiel was promoted to CFO and COO of the U.S. company. Since August 2005, he has served as Vice President Finance & Controlling in Austria and was appointed Managing Director of Head Sport GmbH. Prior to joining Head, Mr. Hagspiel was working as a Management Consultant at the Management Zentrum St. Gallen (MZSG) and as Manager at IBM in Vienna. On May 29, 2009, our general shareholders' meeting appointed Mr. Hagspiel as a member of the Management Board and the Chief Financial Officer of Head N.V.

Mr. George F. Nicolai was a member of the management team of Intertrust Netherlands from 1989 until 2003, and continues to act as a non-executive director. After finishing his law degree at the University of Utrecht, he joined Pierson Heldring & Pierson which became Mees Pierson and later was part of Fortis Bank and now privately owned by Private Equity Group Waterland serving in a variety of executive positions, both in The Netherlands and abroad. He currently also serves as a member of the board of directors of several Dutch subsidiaries of international companies such as Rothschilds, Pearson Plc, Pirelli and KFC and as chairman-member of several foundations.

The members of the Management Board are collectively responsible for the management of the Company. Notwithstanding the collective responsibility within the Management Board, certain tasks and responsibilities have been assigned to individual members.

Information pursuant to Decree Article 10 Takeover Directive (Besluit artikel 10 Overnamerichtlijn) and Section 392 paragraph 1 sub-paragraph e Book 2 Dutch Civil Code

a) Structure of the capital:

The total nominal value of the Company's issued share capital amounts to €882,040 and the Company's issued share capital consists of 88,204,030 ordinary shares of €0.01 nominal, each.

The Company's shares have been listed on the New York Stock Exchange and the Vienna Stock Exchange effective from September 28, 2000 in connection with the initial public offering. Effective from March 31, 2008, the Company's shares have been delisted from the New York Stock Exchange.

As of June 4, 2009, the termination of the Company's registration and reporting obligations under the United States Securities Exchange Act of 1934, as amended (the "Exchange Act") became effective, 90 days after the filing of a Form 15F with the United States Securities and Exchange Commission.

As per December 31, 2010, out of 43,324,611 listed shares, 38,988,964 shares are bearer shares and 4,335,647 shares are in registered form.

b) Restrictions on the transfer of securities:

The shares are freely transferable.

c) Significant direct and indirect shareholders:

Pursuant to the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht), the Authority Financial Markets has been notified about the following substantial shareholdings:

Head Sports Holdings N.V., a Netherlands Antilles corporation and its shareholders, controlled by Mr. Johan Eliasch and his family members, holds 48,242,064 shares, or approximately 54.69%, of Head N.V.'s issued shares as of December 31, 2010.

Mr. Richard Hurowitz, a member of the Supervisory Board (see also Note 33), indirectly controls 7,916,549 shares in Head N.V. as per December 31, 2010. This represents 8.98% of the Company's current issued share capital.

As per December 31, 2010, no other person is known to us to hold 5% or more of the Company's issued shares.

d) Holders of any securities with special control rights:

All shares carry equal rights. None of the shares carry special control rights.

e) System of control of employee share scheme:

In August 2000, the Company's Management Board adopted the Head N.V. Executive Stock Option Plan 2000, but that plan has not been implemented.

In September 2001, the Company adopted the Head N.V. Executive Stock Option Plan 2001 (the "2001 Plan"). The 2001 Plan provides for grants of stock options to officers and employees of Head N.V. and its subsidiaries to purchase for $4.31 depositary receipts representing ordinary shares of Head N.V. Under the 2001 plan, 3,982,068 shares were granted. As of December 31, 2010, a total of 3,540,090 options were vested and still exercisable under the terms of the 2001 Plan. Upon exercise of the options, option holders receive depositary receipts rather than our shares. Depositary receipts issued under the 2001 Plan will be administered by Stichting Head Option Plan. Holders of depositary receipts may, upon request, receive from the Stichting the proceeds from the sale of their shares.

The exercise price for all stock options granted under the Plan was fixed at inception of the 2001 Plan. The vesting period varies from 0 to 6 years. All options that have been vested shall become immediately exercisable. As of December 31, 2010, Johan Eliasch, the Company's Chairman and Chief Executive Officer, had received 1,991,034 options under this grant, of which 1,426,470 options vested immediately. Options have a maximum term of 10 years. As of December 31, 2010, no other shares were available for grant under the 2001 Plan.

In May 2005, at the annual general meeting, the shareholders approved the Head N.V. Executive Stock Option Plan 2005 (the "2005 Plan"). The 2005 Plan provides for grants of stock options to officers and key employees of Head N.V. and its subsidiaries to purchase for €2.168 depositary receipts representing ordinary shares of Head N.V. In May 2005, a total of 3,669,346 options were granted. As of December 31, 2010, a total of 3,325,346 options were vested and exercisable under the terms of the 2005 Plan. Johan Eliasch, the Company's Chairman and Chief Executive Officer, had received 1,937,346 options under this grant. Upon exercise of the options, option holders receive depositary receipts rather than our shares. Depositary receipts issued under the 2005 Plan will be administered by Stichting Head Option Plan. Holders of depositary receipts may, upon request, receive from the Stichting the proceeds from the sale of their shares.

The exercise price for all stock options granted under the 2005 Plan was fixed at inception of the 2005 Plan. Options generally vest over a period of four years. We assume that 95.6% of all options granted will become fully vested. Options have a maximum term of 10 years. As of December 31, 2010, 205,345 shares were available for grant under the 2005 Plan.

At the annual general meeting of shareholders, held on May 28, 2009, the 2009 Stock Option Plan (the "2009 Plan") was approved. The 2009 Plan calls for the grant of options to the Stichting for members of Management of Head N.V.'s subsidiaries, or such affiliates as the managers may request and provides for issuance of a maximum aggregate number of 5,800,000 options. The options vest on granting. The option price is €0.10 per option and the life of the plan is 10 years from the date the options are granted. Options issued under the 2009 Plan will be administered by Stichting Head Option Plan.

On July 27, 2009, the Management Board approved the resolution that options under the 2009 Plan were granted to Stichting Head Option Plan. In the best interest of Head N.V., the Management Board approved the settlement of these options to be in cash in the amount of share price less option price on the date of exercise; the Management Board has subsequently determined that these options will be equity-settled (see further "the September 2009 Stock Option Plan" below). On December 31, 2009, all options have been granted to the Company's Chairman and CEO, Mr. Johan Eliasch. On December 1, 2010, the Management Board resolved that the Stock Option Plan will be equity-settled.

The stock options were fully exercisable at December 31, 2010, but none of the options have been exercised.

In September 2009, the Supervisory Board approved a further stock option plan ("the September 2009 Stock Option Plan"). The September 2009 Stock Option Plan is cash settled and provides for the issuance of a maximum aggregate number of 7,047,179 options. There are no criteria that apply to the granting of the options. The options vest on granting. The option price is €0.10 per share and the life of the plan is 10 years from the date the options are granted. Upon exercising, 7,047,179 new ordinary shares or preference shares of Head N.V. will be issued at the Company's discretion. Options issued under the September 2009 Stock Option Plan are administered by Stichting Head Option Plan.

As at December 31, 2009, all 7,047,179 options under this plan have been granted to the Chairman and CEO of the Company, Mr. Johan Eliasch. On December 1, 2010, the Management Board resolved that the Stock Option Plan will be equity-settled.

The stock options were fully exercisable at December 31, 2010, but none of the options have been exercised.

The September 2009 Stock Option Plan was approved by the shareholders of the Company at the annual general meeting that was held on May 27, 2010, which approval included the approval of the September 2009 Stock Option Plan to be equity settled or cash settled at the discretion of the Company. The Company has determined that the options under the September 2009 Stock Option Plan will be equity settled.

The Management Board has determined in 2010 that the options under each of the 2009 Plans will be equity settled. Therefore the presentation changed accordingly.

f) Restrictions on voting rights:

There are no restrictions on voting rights.

g) Agreements between shareholders known to the company and which may result in restrictions on the transfer of securities and/or voting rights:

As far as known to Head N.V., there is no agreement involving a shareholder of Head N.V. that could lead to a restriction of the transferability of shares or of voting rights on shares.

h) Rules governing the appointment and replacement of board members and the amendment of articles of association:

The Company has established a Dutch foundation, Stichting Head Option Plan (the "Stichting"), the Board of which is controlled by Head Sports Holdings N.V. and Mr. Johan Eliasch jointly. Head Sports Holdings N.V. is an entity that is controlled by Mr. Johan Eliasch and his family members. The Stichting's sole corporate body is its Board; it does not have any members or shareholders. The Stichting has the power to nominate all members of the Management Board of the Company, to appoint one-third of the members of the Supervisory Board and nominate the remaining members of the Supervisory Board. 2/3 of the members of the Supervisory Board are appointed by the general meeting of shareholders from a list of nominees drawn up by the Stichting. The members of the Management Board are also appointed by the general meeting of shareholders from a list of nominees drawn up by the Stichting. A Supervisory Director appointed by the Stichting may be suspended or removed by the Stichting at any time and the Supervisory Director appointed by the general shareholders' meeting may be suspended or removed at any time by a majority vote of the general meeting of shareholders. However, any suspension or removal not proposed by the Stichting may only be adopted by the general meeting of shareholders by the affirmative vote of at least two-thirds of the votes cast.

A resolution of the general meeting of shareholders to amend the Company's articles of association can only be adopted upon a proposal of the Management Board, after approval of the Supervisory Board, and requires a special majority (two-thirds majority vote), provided that a resolution to amend the articles of association with respect to article 4 shall only require an affirmative vote of an absolute majority of the votes cast.

i) Power of Members of the Management Board, in particular to issue or buy back shares:

As a two-tier public limited company organized under the laws of The Netherlands, the Company's business is carried out primarily by a Management Board and by executive officers appointed by the Company's Management Board.

The Company's Management Board is overseen by a Supervisory Board consisting of at least three members, which also oversees the more general course of the Company's business. The Company's Supervisory Board may agree, with the approval of the Management Board, that specific Management Board resolutions are subject to the Supervisory Board's approval. No resolutions are specified in the Company's articles of association that require Supervisory Board approval or have been otherwise agreed.

On May 27, 2010, the Management Board was granted the authority by the Company's general shareholder's meeting (i) to repurchase shares representing up to 50% of the Company's issued share capital during a period of 18 months (until November 27, 2011) and (ii) to issue shares and/or grant rights to subscribe for shares as well as to limit or exclude the right of pre-emption in relation to such shares being used or rights being granted (until May 27, 2015), up to a maximum of shares/rights as the authorised capital permits.

j) Significant agreements to which the Company is a party and which alter or terminate upon a change of control of the Company:

On January 29, 2004 one of the Company's affiliates issued Senior Notes in an aggregate amount of €135,000,000 which bear interest at the rate of 8 ½% per year. The notes will mature on February 1, 2014.

On July 30, 2009, the Company made an exchange offer to the holders of its then outstanding Senior Notes for them to receive €510,625 aggregate principal amount of the Senior Secured Notes and 262,372 ordinary shares in Head N.V., for each €1,000 principal amount of Senior Notes exchanged. On August 19, 2009, €85,723,000 in principal amount of existing Senior Notes had been validly tendered (75.3% taking into account the cancellation of €21.2 million 8.5% senior notes held by a subsidiary) and were accepted for exchange into approximately €43,738,000 in aggregate principal amount of Senior Secured Notes and 22,491,278 shares newly issued to the note holders.

In the event a third party person or group becomes the owner, directly or indirectly, beneficially or of record of shares representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding share capital of the Company, Company or the issuer of the Senior Notes shall make an offer to the holders of the notes to purchase all notes then outstanding at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest.

k) Agreements between the Company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a take over bid:

There are no agreements between Head N.V. and its board members or other employees providing for compensation in case of resignation without valid reason or in consequence of a take over bid.

HEAD'S Corporate Governance Rules – Dutch/Austrian Corporate Governance Code – Explanations

Head's general corporate governance framework and its development

As a Dutch company listed on the Vienna Stock Exchange and until March 2008 on the New York Stock Exchange (NYSE) and registered with the U.S. Securities and Exchange Commission (SEC) until June 2009, the Company has had to consider different corporate governance systems established by the Dutch, Austrian and U.S. jurisdictions respectively.

With regard to The Netherlands, on December 9, 2003 a corporate governance code (the Dutch Corporate Governance Code) was presented which became effective for all Dutch listed companies for the financial year beginning on or after January 1, 2004. This Code was amended with an effective date of January 1, 2009 to bring it in line with corporate governance developments and to reflect the recent changes in Dutch and EU legislation, inter alia in connection with the implementation of the European Transparency Directive.

In Austria, a self-regulatory Code of Corporate Governance was drafted in October 2002 and provides corporations with a framework for the management and control of enterprises. This Austrian Code of Corporate Governance recommended that Austrian stock listed companies adhere to such Code or parts of it. The Austrian Code was amended as of January 1, 2010 to take into account recent changes of the Austrian Stock Corporation Act and the recommendation given by the European Commission on Director's remuneration.

Since Head N.V. is a Dutch company, not listed in The Netherlands but listed on the Vienna Stock Exchange and, until 2008, listed on the NYSE, it seemed appropriate to focus on rules developed by the respective exchanges. At the Company's annual general meeting in 2004, Head N.V. asked its shareholders to approve that Head N.V. apply the NYSE and SEC rules of corporate governance and not specifically the rules of the Dutch Corporate Governance Code since Head N.V. had a considerable U.S. shareholder base. The shareholders of Head N.V. approved that proposal, pursuant to which, until 2008, the Company focused on rules of corporate governance established by the NYSE and the SEC.

Since March 2008, the Company is no longer listed on the NYSE, and since June 2009 is no longer registered with the SEC. The Company, however, continues to be listed on the Vienna Stock Exchange and continues to have particularly strong connections to Austria. In particular, a number of the Company's most important subsidiaries with many employees are incorporated in Austria, some of the Company's production sites and key officers are based in Austria, and finally, one of the Company's Austrian subsidiaries, HTM Sport GmbH, issued two bonds, which are also listed on a European stock exchange. It therefore seemed appropriate to focus specifically on the Austrian rules regarding corporate governance.

In addition, since shareholders made their investment knowing that the Company is listed on the Vienna Stock Exchange, the Company believes they expect the Company to comply with all the applicable capital market related rules and recommendations of that particular Stock Exchange. Therefore, in order to avoid the application of different sets of rules within the Group and to ensure that those corporate governance standards are being followed which have been developed for the Vienna Stock Exchange, at the annual general meeting in 2008 the shareholders of the Company were asked to approve the application of the Austrian Code of Corporate Governance. Head N.V.'s shareholders approved such proposal and the Company therefore primarily follows the Austrian Code of Corporate Governance since June 2008, which was updated to reflect advancements in corporate governance practice in Europe as of January 1, 2010. A copy of the Austrian Code of Corporate Governance valid as of 2010 is available on the Company's website (www.head.com).

The Austrian Corporate Governance Code

According to the Austrian Code of Corporate Governance, a company needs to declare once a year that the Code's Rules and recommendations have been and are being complied with or which of the Code's recommendations have not been and are not being applied.

Certain of the rules mentioned in the Austrian Code of Corporate Governance, the so called "**L**" rules, refer to legal requirements under either the Austrian Stock Exchange or Capital Markets Act or to the Austrian Stock Corporation Act. Insofar as the Code refers to the Austrian Stock Corporation Act, the Company will explain the applicable rules for the Company under the Dutch Civil Code, if they are different than what is described under Austrian law.

Based on these reservations the Company has decided to comply with the Rules of the Austrian Code with the following exceptions.

Rule 3 (an "L" rule" which therefore refers to Austrian law applicable to Austrian companies): Acceptance or rejection of takeover bids shall be decided solely by the shareholders. The management board and the supervisory board are required to present a balanced analysis of the opportunities and risks of an offer to the persons addressed by the takeover bid.

The price of a mandatory bid or of a voluntary bid with the purpose of attaining a controlling interest pursuant to the Takeover Act shall not be below the highest monetary consideration paid or agreed-upon by the offeror or a party acting in concert with the offeror within the past twelve months prior to the announcement of the bid for the shares of the target company. Furthermore, the price must correspond at least to the average market price weighted by the respective trading volumes for the shares over the past six months prior to the day of the announcement of the intention to make a bid.

The first paragraph applies under Dutch law as well, but only in respect of a mandatory bid (article 5.80a of the Dutch Financial Supervision Act (*Wet Financieel Toezicht*), and not in respect of a voluntary bid. The second paragraph does not exist under Dutch law.

Rule 4 (an "L" rule" which therefore refers to Austrian law applicable to Austrian companies): A general meeting must be convened at the latest on the 28th day before the ordinary general meeting, otherwise by the latest on the 21st day before the general meeting by an official announcement unless the by-laws prescribe other longer deadlines. The announcement convening the general meeting and the information stipulated by the Companies Act must be made available on the company's website as of the 21st day prior to the general meeting.

Under Dutch law the deadlines to convene a general meeting are longer. The requirements to convene a general shareholder's meeting are therefore as follows: Notice of shareholders' meetings is given on our website (www.head.com) and by advertisement in a Dutch national newspaper and an Austrian national newspaper. The notice includes the requirements for admission to the meeting. Such notice is to be given not later than the forty-second day prior to the day of the meeting and is to state the place and time of the general meeting, the subjects to be considered, the procedure for participating by written proxy, the procedure for participating and exercising voting rights by electronic means, the website address of the Company, the applicable record date and, if relevant, that documents containing the subjects to be considered may be inspected at the Company's offices.

Rule 5 (an "L" rule" which therefore refers to Austrian law applicable to Austrian companies): The candidates for the supervisory board elections including all declarations according to the Companies Act must be disclosed by the company at the latest on the 5th workday prior to the general meeting on the website of the company; otherwise the persons concerned shall not be included in the elections.

According to our Articles of Association and in accordance with Dutch law, one third of our Supervisory Directors will be appointed by the Stichting and will therefore not be elected by the general meeting. The other Supervisory Directors will be appointed by the general meeting from a list of nominees, to be drawn up by the Stichting. The details about the Supervisory Board candidates to be elected by the general meeting are to be disclosed in the explanatory notes to the agenda for the respective general meeting of shareholders. The explanatory Notes to the agenda form part of the Notice and Convocation of a General Meetings that needs to be disclosed on the Company's website 42 days prior to the day of the General Meeting.

Rule 6 (an "L" rule" which therefore refers to Austrian law applicable to Austrian companies): The resolutions passed at the general meeting and the information required by the Companies Act shall be disclosed on the company's website at the latest on the 2nd workday after the general meeting.

Under Dutch law, there is no such requirement, but the Company has disclosed in the past the resolutions passed at the General Meeting as soon as they were available after the General Meeting.

Rule 8 (an "L" rule" which therefore refers to Austrian law applicable to Austrian companies): The general meeting has the right to authorize the management board for a period not exceeding thirty months to buy back the company's own shares up to a maximum of 10% of the share capital in those cases permitted by law. The resolution and authorization for the buyback are to be published immediately before execution. The resolution and immediately before implementation the execution of this buyback authorization shall be disclosed.

According to Head N.V.'s Articles of Association, the Company shall be entitled to acquire fully paid-up shares in its own capital or depository receipts in respect thereof, provided either the no valuable consideration is given or provided that a) the distributable part of the net assets is at least equal to the purchase price and b) the nominal value of the shares or the depository receipts in respect thereof which the Company acquires, holds or holds in pledge or which are held by a subsidiary does not exceed half of the issued capital. The Management Board shall require the authorisation of the general meeting for an acquisition for valuable consideration. This authorisation may be given for a maximum of 18 months. At the time of granting such authorisation, the general meeting must determine how many shares or depository receipts thereof may be acquired and between which limits the price must be.

Rule 24 (an "L" rule" which therefore refers to Austrian law applicable to Austrian companies): All transactions between the company or a group company and the members of the *management board or any persons or companies with whom the management board members have a close relationship must be in line with common business practice. The transactions and their conditions must be approved in advance by the supervisory board with the exception of routine daily business transactions.*

With regard to Rule 24 the following can be noted: The Company complies with Dutch law by having provided in the Company's articles of association that in the event of a conflict of interest between the Company and a member of the management board, the Company shall be represented by such member of the management board or a member of the supervisory board, such person to be designated for this purpose by the supervisory board and the management board jointly. The member concerned shall be an independent/disinterested member.

Rule 27: When concluding management board contracts, the following principles shall be observed: The remuneration of the management board shall be oriented on the management board member's scope of work, responsibility and personal performance as well as on the attainment of the corporate goals, the size and the economic situation of the company. The remuneration contains fixed and variable components. The variable remuneration components shall be linked, above all, to sustainable, long-term and multi-year performance criteria, shall also include non-financial criteria and shall not entice persons to take unreasonable risks. For the variable remuneration components, measurable performance criteria shall be fixed in advance as well as maximum limits for amounts or as percentage of the fixed remuneration components. Precautions shall be taken to ensure that the company can reclaim variable remuneration components if it becomes clear that these were paid out only on the basis of obviously false data.

Rule 28: If a stock option programme or a programme for the preferential transfer of stocks is proposed for management board members, then such programmes shall be linked to measurable, long-term and sustainable criteria. It shall not be possible to change the criteria afterwards. For the duration of such programmes, but at the latest until the end of the management board member's function on the management board, the management board member shall hold an appropriate volume of shares in the own company. In the case of a stock option programme, a waiting period of at least three years must be fixed. A waiting and/or holding period of a total of at least three years shall be defined in stock transfer programmes. The general meeting shall pass any resolutions and/or changes to stock option schemes and stock transfer programmes for management board members.

Rule 29: The number and distribution of the options granted, the exercise prices and the respective estimated values at the time they are issued and upon exercise shall be reported in the annual report. The total remuneration of the management board for a business year must be reported in the notes to the financial statements.

Rule 30: In addition to the information required by law (L-Rule 29), the Corporate Governance Report shall contain the following information:

- *The principles applied by the company for granting the management board variable remuneration, especially to which performance criteria the variable remuneration components are linked pursuant to C-Rule 27; the methods according to which the fulfilment of the performance criteria is determined; the maximum limits determined for the variable remuneration; the shares held in the own company and periods planned pursuant to C-Rule 28; moreover, any major changes versus the previous year must also be reported.*

- *The ratio of the fixed components to the variable components of the total compensation of the management board.*

- *The principles of the company retirement plan for the management board and the conditions.*

- *The principles applicable to eligibility and claims of the management board of the company in the event of termination of the function.*

- *The existence of a D&O insurance, if the costs are borne by the company.*

Rule 31: The fixed and variable performance-linked annual remunerations of each individual management board member are to be disclosed in the Corporate Governance Report for each financial year. This shall also apply if the remuneration is paid through a management company.

Rule 43: The supervisory board shall set up a remuneration committee and the chairperson of this committee shall always be the chairperson of the supervisory board. Where supervisory boards have not more than six members (including employees' representatives) this function may be assumed jointly by all members. The remuneration committee shall deal with the contents of employment contracts with management board members, it shall ensure the implementation of the C-Rules 27, 27a and 28, and shall regularly review the remuneration policy applicable to management board members. At least one member of the remuneration committee shall be required to have knowledge and experience in the area of remuneration policy. If the remuneration committee uses the services of a consultant, it must be ensured that said consultant does not at the same time provide services to the management board in matters relating to remuneration. In the case of supervisory boards that do not have more than six members (including employees' representatives), this function may be assumed jointly by all members. The remuneration committee may be identical with the nomination committee. The chairperson of supervisory board shall inform the general meeting once a year of the principles of the remuneration system.

Rule 27 to 31 and Rule 43: Whilst the Company adheres to the above mentioned Rules on remuneration in general, due to the small size of the Company and limited number of management personnel the Company does not follow all of Rules, in particular it does not follow the variable or stock option component laid down in these Rules. The details of the Company's remuneration policy are set out above under the Remuneration Policy as disclosed in the Corporate Governance Report and in the Related Party Section.

Rule 33 (an "L" rule" which therefore refers to Austrian law applicable to Austrian companies): The supervisory board appoints the members of the management board and has the right to terminate their employment.

Under Dutch law the members of the management board are appointed by the general meeting. It is however possible to have the board members be appointed by the general meeting by nomination of a different party if included in the articles of association (article 2:133 of the Dutch Civil Code). This was done for Head N.V. (article 16 of the articles of association as posted on our website). The same applies for the termination of their position.

Rule 35 (an "L" rule" which therefore refers to Austrian law applicable to Austrian companies): In accordance with the Austrian Stock Corporation Act, the supervisory board shall formulate in concrete terms a list of business transactions that are subject to its approval, and depending on the size of the enterprise, shall define the appropriate limits on amounts; this shall also apply to any major transactions concluded by subsidiaries that are of relevance to the group.

Under Dutch law there is no legal requirement for a list of transactions that require prior approval by the supervisory board. There is a similar rule for the general meeting (article 2:107a of the Dutch Civil Code). According to article 21 paragraph 1 of the articles of association of Head N.V., the supervisory board can subject resolutions made by the management board to its approval, but this is a more general stipulation than in the Austrian Code.

Rule 36: The statutory provisions according to which the supervisory board must meet at least once every three months shall be understood as a minimum requirement. Additional meetings must be held as required. If necessary, the items on the agenda may be discussed and decided by the supervisory board and its committees without the participation of the management board members. The number of meetings of the supervisory board must be reported in the Corporate Governance Report. The supervisory board shall discuss the efficiency of its activities annually, in particular, its organization and work procedures (self-evaluation).

There is no statutory requirement under Dutch law which sets out a certain minimum amount of meetings to be held during a year. Until May 2010 our Supervisory Board was identical to our Audit Committee which met three times until then and the Supervisory Board then additionally met twice thereafter. Given the small size of the Supervisory board and the Management Board, the Boards have agreed that meetings can also be held by phone or video conference, which is in line with Dutch law.

Rule 38: The supervisory board shall define a profile for the management board members that takes into account the enterprise's business focus and its situation, and shall use this profile to appoint the management board members in line with a predefined appointment procedure. The supervisory board shall take care that no member of the management board has been convicted by law for a criminal act that would compromise the professional reliability as a management board member. Furthermore, the supervisory board shall also give due attention to the issue of successor planning.

The appointment and succession policy with regard to our management board are laid down in our Articles of Association and our Corporate Governance Guidelines posted on our website. Head N.V. has not foreseen an age limit for our management board.

Rule 39: The supervisory board shall set up expert committees from among its members depending on the specific circumstances of the enterprise and the number of supervisory board members. These committees shall serve to improve the efficiency of the work of the supervisory board and shall deal with complex issues. However, the supervisory board may discuss the issues of the committees with the entire supervisory board at its discretion. Each chairperson of a committee shall report periodically to the supervisory board on the work of the committee. The supervisory board shall ensure that a committee has the authorisation to take decisions in urgent cases. The majority of the committee members shall meet the criteria for independence of the C-Rule 53. The Corporate Governance Report shall state the names of the committee members and the name of the chairperson. The Corporate Governance Report must *disclose the number of meetings of the committees and discuss the activities of the committees.*

Other than an audit committee, there is no other committee currently installed at the company. Given the small size of the supervisory board, all issues are dealt with by the entire board and the installation of separate committees for different issues would not increase efficiency.

Rule 40 (an "L" rule" which therefore refers to Austrian law applicable to Austrian companies): Irrespective of the size of the supervisory board, it shall set up an audit committee in the case of exchange-listed companies. The audit committee shall be responsible for monitoring the preparations for the accounting procedures; for monitoring the work of the auditor; for the audit and preparation of the confirmation of the financial statements, of the proposal for the distribution of the profit, and of the report of the management board. The audit committee shall also monitor the group accounting procedures, audit any consolidated financial statements and prepare a proposal for the selection of an auditor for the financial statements and shall report on this to the supervisory board. Furthermore, the audit committee shall monitor the effectiveness of the company-wide internal control system, if given, of the internal audit system and of the risk management system of the company. At least one person with special knowledge meeting the company's requirements and practical experience in the area of finance and accounting and reporting must belong to the audit committee (financial expert). The chairperson of the audit committee or financial expert may not be a person who in the past three years has served as a member of the management board or as management-level staff or auditor of the company or has signed an auditor's opinion or for any other reason is not independent and free of prejudice.

It is not a legal requirement under Dutch law to nominate a financial expert that forms part of the Audit Committee. However, the Supervisory Board considers that the Audit Committee members as a group possess adequate skills and expertise to fulfil the tasks entrusted to the Audit Committee.

Rule 51: The remuneration for the financial year to supervisory board members is to be reported in the Corporate Governance Report for each individual member of the supervisory board. Generally, there are no stock option plans for members of supervisory boards. Should stock option plans be granted in exceptional cases, then these must be decided in every detail by the general meeting.

The remuneration paid to the supervisory board is disclosed in the Annual Report and determined by the general meeting of shareholders. Given the unchanged and small size of our Supervisory Board in 2010, no separate remuneration schedule for our Supervisory Board has been published in the Annual Report.

Rule 59 (an "L" rule" which therefore refers to Austrian law applicable to Austrian companies): The co-determination rights of employees' representatives on the supervisory board form part of the statutory Austrian system of corporate governance in addition to the co-determination rights at the operational level in the form of works councils. The employees' representatives are entitled to appoint to the supervisory board of a stock corporation one member from among their ranks for every two members appointed by the general meeting (but not external members from the trade union). (Statutory one-third parity rule). If the number of shareholder representatives is an odd number, then one more member is appointed as an employee representative. The one-third parity representation rule also applies to all committees of the *supervisory board, except for meetings and votes relating to the relationship between the company and the management board members with the exception of resolutions on the appointment or revocation of an appointment of a member of the management board and on the granting of options on stocks of the company. Employees' representatives shall exercise their functions on an honorary basis and their appointment may be terminated at any time only by the works council (central works council). The rights and obligations of employees' representatives shall be the same as those of shareholders' representatives; this shall apply, in particular, to the right to receive information and to monitoring rights, to the obligation to act with due diligence and to maintain secrecy and to their liability for failure to comply. In the event of personal conflicts of interest, employees' representatives shall abstain from voting, the same being applicable to shareholders' representatives.*

Under Dutch law, there is no such stipulation for entities like Head N.V.

Rule 63 (an "L" rule" which therefore refers to Austrian law applicable to Austrian companies): The company shall disclose – as soon as it gains knowledge thereof – any changes in the shareholder structure, if, as a consequence of the acquisition or disposal of shares in the company, the percentage of shares representing voting rights held by a shareholder reaches, exceeds or falls below the thresholds of 5 percent, 10 percent, 15 percent, 20 percent, 25 percent, 30 percent, 35 percent, 40 percent, 45 percent, 50 percent, 75 percent or 90 percent.

Under Dutch law it is the obligation of the shareholder - and not the company - to disclose certain percentages to the AFM. The percentages are slightly different from the Austrian Code (5, 10, 15, 20, 25, 30, 40, 50, 60, 75 or 95 percent) (article 5.38 of the Dutch Financial Supervision Act).

Rule 68: The company shall publish annual financial reports, half-yearly financial reports and any other interim reports in English and German language, and shall make these available on the company's website. If the annual financial report contains consolidated financial statements, the financial statements prepared under business law contained in the annual report need to be published and made available only in German language.

In accordance with the Austrian Stock Exchange rules, the Company, as a foreign issuer, is only obliged to submit the quarterly results in English.

Rule 73: The management board shall immediately post any director's Dealing (Article 48d par. 4 Stock Exchange Act) reported on the company's website and shall keep such information on the website for at least three months. The announcement can also be done by making a reference to the corresponding website of the Financial Market Authority.

§ 48d) Abs 4 of the Austrian Stock Exchange Act is only applicable for issuers that are incorporated in Austria.

The Dutch Corporate Governance Code

General:

Notwithstanding the above, however, the Company also takes into account the provisions of the Dutch Corporate Governance Code. Although compliance with the Austrian Code of Corporate

Governance implies certain deviations from the Dutch Corporate Governance Code, according to the Dutch Corporate Governance Code, departures may be justified in certain circumstances, in particular if supported by the shareholders' approval as is the case for Head N.V. In addition, similar to the Dutch Corporate Governance Code, also the Austrian Code of Corporate Governance provides for rules to be followed with regard to at least the following topics:

Rules on the composition and duties of the management board, Rules on the Remuneration of the management board, Rules on the Issuance of Stock Option Plans, Rules on Conflict of Interests for management and supervisory board, Rules on the composition and duties of the supervisory board, Rules on the Composition and Duties of the Shareholder Meetings, Rules on Financial Reporting requirements, Rules on Transparency and Auditing, Rules on the Duties of the External Auditor, Rules on Investor Relations and Rules on the Interaction between the supervisory board and the management board.

The differences between the Dutch Corporate Governance Code on the one hand and the Austrian Code of Corporate Governance on the other hand are therefore not as substantial. This is even more true since both Codes have been recently amended to reflect the changes resulting from the European Transparency Directive applicable to all European countries.

In this regard the Dutch Corporate Governance Code Monitoring Committee declared that the existing "comply or explain" rule provides sufficient scope for the Dutch companies listed abroad to comply with the Dutch Code by applying a foreign corporate governance code.
The Company has additionally decided to provide explanations in a general form with regard to deviations by the Company from the Dutch Corporate Governance as follows:

Principles and best practice provisions:

II.1 The Management Board

The Company's articles of association provide for a Management Board that is responsible for managing the Company under the general supervision of the Supervisory Board. The Management Board is responsible for complying with all legislations, managing the risks associated with the Company's activities and for financing the Company.

The members of the Management Board are appointed by the general meeting. Each member of the Management Board may also be suspended or removed at anytime at a general meeting by an affirmative vote of two thirds of the votes cast.

It is not in line with the Company's corporate culture and core values nor is it always in the commercial interests of the Company to limit the length of the contract of the members of the Management Board to four years. The current members of the Management Board have therefore been appointed for an indefinite period of time. Some members of the Management Board have come from the Company's own ranks or have already been with the Company for a longer period of time under other employment terms. In these cases, it does not seem to be appropriate to limit the appointment to a four years period. The general meeting should have the flexibility to decide on a case by case basis the length of term for particular members of the Management Board as they deem it appropriate.

According to the Company's articles of association, the Supervisory Board may agree, with the approval of the Management Board that specific Management Board resolutions are made subject to the Supervisory Board's approval. No resolutions are specified in the Company's articles of association that require Supervisory Board approval, nor have any such resolutions been otherwise agreed between the Supervisory Board and the Management Board of the Company.

II.2 Remuneration

Whilst the Company adheres to the principles of the Dutch Corporate Governance Code on remuneration, due to the small size of the Company and limited number of management personnel the Company does not follow all of the best practice provisions. The details of the Company's remuneration policy are set out above under "Compensation").

II.3 Conflicts of interest

Mr. Johan Eliasch, who acts as a managing director, is not an independent director given that he, together with his family members, has a beneficial interest in Head Sports Holdings N.V., which indirectly controls Head N.V. All related party transactions between Head N.V. and Mr. Eliasch and/or entities controlled by him and his family members are set out in the section headed Related Party Transactions (see Note 24).

Mr. Richard Hurowitz, a member of the Supervisory Board (see also Note 33), indirectly controls as of December 31, 2010 7,916,549 shares in Head N.V. (representing 8.98% of the current issued share capital). This indirect control arises by virtue of the shareholdings in Head N.V. of certain investment funds, the fund manager of which is Octavian Advisors LP (whose chief executive officer is Mr. Richard Hurowitz). The shares held by the relevant funds were acquired pursuant to the Exchange Offer in August 2009. In addition to Ordinary Shares, these funds also hold senior secured notes (see Note 16, Note 24 and Note 33).

Other than this, there are no potential conflicts of interest between the duties of the members of the Supervisory Board, the members of the Management Board and the executive officers of Head N.V. and their private interests or other duties.

In addition, the Company's articles of association state that in the event of a conflict of interest between Head N.V. and a member of the Management Board, the company shall be represented by such member of the Management Board or of the Supervisory Board as the Management Board and the Supervisory Board jointly designate for this purpose, which shall be an independent/disinterested member.

III. Supervisory Board

The Supervisory Board does not formally draw up a profile as recommended in the best practice provisions. Due to the size and low complexity of the Company, the size of the Supervisory

Board and the close connection between the Supervisory Board and the Management Board this is not deemed necessary.

There is no formal induction program. However, the members of the Supervisory Board are presented to by the Management Board and have access to any information they require and can tour any facility within the Company on request. Key executive officers are available at meetings to discuss any specific functions of the business with the members of the Supervisory Board.

The Supervisory Board does not have direct contact with the works council. Any issues will be brought to the attention of the Supervisory Board by the Management Board.

Both the Supervisory Board and Management Board of the Company are small and have remained broadly unchanged for many years. The rules governing the appointment and replacement of Board Members is set out in the Company's articles of association and are also summarized in the Supervisory Board report.

IV. The Shareholders and the General Meeting of Shareholders

Preference shares may be issued as a preventive measure against unfriendly takeover bids. The minimum amount required to be paid on the preference shares upon issuance is 25% of the nominal amount issued. In the event of a hostile takeover bid, preference shares may be issued to a legal entity charged with caring for the Company's interests and preventing influences that may threaten the Company's continuity, independence or identity. Holders of preference shares do not share in the Company's reserves and such shares are not listed. The preference shares will be registered shares and share certificates will not be issued. Preference shares can be issued in the same way as ordinary shares, but carry no preemptive rights. Preference shares and ordinary shares have equal voting rights at a general meeting of shareholders. Holders of preference shares will be paid a cumulative annual dividend calculated on the basis of the deposit interest rate of the European Central Bank to the paid up part of their nominal value. To the extent there are distributable profits, the preferential dividend shall be paid first. An allocation of profits to the reserves or the payment of a dividend to holders of ordinary shares may only be effected from the remaining distributable profits.

Authorised but unissued preference shares may be issued by the Management Board, which is also authorised to grant rights to subscribe for such preference shares. Unless extended by the amendment of the Company's articles of association or by resolution of the shareholders for a period of five years in each instance, these authorisations will end on May 27, 2015, five years after the date of the last annual general meeting of Head N.V. when the authority of the Management Board was extended by resolution of the shareholders.

The Company has not formulated or published a policy on bilateral contracts with shareholders. Due to the small size of the Company, the Company does not deem this necessary.

The Company is deemed to comply with the Dutch Corporate Governance Code.

Functioning of the General Meeting of Shareholders

The main powers of the general meeting of shareholders of Head N.V. relate to:

- appointment, suspension and dismissal of members of the Management Board and Supervisory Board;
- adoption of the annual accounts;
- release of liability of the members of the Management Board and Supervisory Board;
- extension of the authorization of the Management Board to issue shares or grant rights to subscribe for shares, to restrict or exclude pre-emption rights of shareholders and the authorization of the Management Board to repurchase own shares;
- cancellation of shares;
- amendment of the Company's articles of association;
- approval of decisions of the Management Board that would entail a significant change in the identity or character of the Company or its business.
- determination of the remuneration of the members of the Supervisory Board;
- approval of stock option plans.

Each shareholder is entitled to attend shareholders' meetings of the Company, address the meeting and to exercise his voting rights either directly or through a proxy. All details of how the shareholder can attend, address and vote at the meeting are included in the convocation. Each share confers the right to cast one vote.

Except where the law or the Articles of Association of the Company otherwise require, all resolutions are adopted by an absolute majority of the votes cast regardless of the percentage of the Company's issued share capital present or represented at the meeting.

The Management Board of the Company may determine that the right to attend shareholders' meetings may also be exercised by electronic means of communication. As a minimum requirement, the person entitled to attend the meeting via electronic means of communication must be identifiable, he must be able to directly take note of the proceedings of the meeting and, if entitled, to exercise his voting rights. The Management Board may set as additional requirement that persons entitled to attend the meeting can also participate in the deliberation by electronic means of communications. The Management Board may set further conditions to the use of electronic means of communication. Those conditions shall be disclosed with the notice of the meeting.

Amsterdam, March 31, 2011

Johan Eliasch
Chief Executive Officer

Günter Hagspiel
Chief Financial Officer

Ralf Bernhart
Managing Director

George Nicolai
Managing Director

Supervisory Board Report

The Supervisory Board is responsible for overseeing the Company's Management Board and the general course of affairs of the Company's business. The Company's Supervisory Board may agree, with the approval of the Management Board, that specific Management Board resolutions be subject to the Supervisory Board's approval. No resolutions are specified in the Company's articles of association that require Supervisory Board approval.

The Supervisory Board had three members as of December 31, 2010 (see also Note 33), whose names and details are set forth below.

Name	Age	Nationality	Title
Mr. Jürgen Hintz	68	US	Chairman of the Supervisory Board
Mr. Viktor Klima	63	Austria	Member of the Supervisory Board
Mr. Richard Hurowitz	36	US	Member of the Supervisory Board

Mr. Jürgen Hintz has been a Member of the Supervisory Board of Head N.V. since May 2003 and was reappointed at the shareholders' meeting in May 2008 for another four years. In December 2004, Mr. Hintz retired as Group Chief Executive Officer of Novar plc, an international group with core activities in Intelligent Building Systems, Aluminum Extrusion Solutions, and Security Printing Services with an annual turnover of £1.5 billion. Prior to this, he was President and Chief Executive of Carnaud/Metalbox until October 1995, Executive Vice-President and member of the main Board of Procter & Gamble Company and non-Executive Director of Inchcape plc and Apple Computers Inc.

Mr. Viktor Klima has been a member of the Supervisory Board of Head N.V. since October 2000 and was reappointed at the shareholders' meeting in May 2008 for another four years. He served as Chancellor of the Republic of Austria from January 1997 until his resignation February 2000. In this capacity, Mr. Klima held the Presidency of the European Union in the second half of 1998. Prior to serving as Chancellor, he served as Minister of Finance 1996-97 and Minister of Public Economy and Transport 1992-96. Prior to his political career, he was a member of the management board of the OMV oil company, responsible for finance, capital markets and acquisitions. Prior to this position, he held various management positions within OMV. Mr. Klima took up a senior management position with Volkswagen in October 2000.

Mr. Richard Hurowitz was appointed as a member of the Supervisory Board of Head N.V. in May 2010 (see also Note 33). He is the founder and chief executive officer of Octavian Advisors LP, a global investment firm which has successfully invested in over forty countries on six continents. The firm is active in several alternative investment strategies including distressed debt, special situations, non-traditional assets, and private transactions, and is a provider of merchant capital worldwide. Octavian currently manages approximately $900 million and is headquartered in New York with affiliate offices in Auckland, Shanghai and Taipei. Mr. Hurowitz has invested extensively in Europe, Asia, North America, Australia, New Zealand, Africa and Latin America. He was previously a partner and Managing Principal of Halcyon Asset Management LLC, a multi-strategy investment fund which had in excess of $3.0 billion under management. Before joining Halcyon in 2000, he was the founder and chairman of Richmond Communications, an electronic publishing company. He received a JD from Columbia University Law School, where he was a Harlan Fiske Stone Scholar and the editor-in-chief of the Columbia/VLA Journal of Law & the Arts. He earned a BA in history from Yale University, graduating in three years at the age of twenty, magna cum laude and with distinction, and was elected to Phi Beta Kappa and Phi Alpha Theta. He is a term member of the Council on Foreign Relations.

All members of the Supervisory Board are "independent" pursuant to the best practice provision of the Austrian and Dutch Corporate Governance Code. None of the Supervisory Board members are employees of the Company, have received any material direct compensation (other than director or committee fees and options) or have any other material relationship with the Company (other than disclosed under "Information pursuant to Decree Article 10 Takeover Directive, Item c"). The members of the Supervisory Board perform their duties without a mandate and independently of the subsidiary interests connected with the Company.

In 2010, the Supervisory Board performed all duties assigned to it by law and by the Company's Articles of Association. During the year, two meetings were held in the presence of the Management Board. The main topics of discussion were strategy, targets, financing, risk management and annual budgeting. In addition, the Management Board regularly informed the Supervisory Board about the course of business and the financial situation of the Company. None of the members of the Supervisory Board were frequently absent from meetings.

Audit Committee

In 2010, the Audit Committee, which comprises of Mr. Hintz and Mr. Klima held meetings seven times in carrying out the audit committee activities. All meetings were attended by the CFO. The Audit Committee discussed quarterly and full year results. Two meetings were attended by the external auditor. The Audit Committee discussed with the Company's external auditor 2009 annual results. The audit plan 2010 was discussed with the external auditor and the audit fee proposal for 2010 was approved. The Audit Committee also reviewed press releases and quarterly reports as well as management's assessment of internal control over financial reporting. The Audit Committee also discussed the recommendation of the AFM to reconsider the attributable fair values for accounting purposes of the Senior Secured Notes and Shares issued at the time of the Exchange Offer (see Note 3 of the consolidated financial statements).

On a yearly basis, the Audit Committee evaluates its performance and reviews and assesses the adequacy of the Audit Committee charter.

In 2010, the Supervisory Board concluded that due to the small size of the Company, the low complexity of the business and the established internal control structure no internal audit function is required.

Remuneration Policy

Any remuneration paid to the Supervisory Board is determined by the general meeting of shareholders.

Remuneration and further conditions of employment for members of the Management Board are determined by the Supervisory Board in consultation with the Chairman of the Management Board. Remuneration can comprise of a fixed contribution and a variable element. The variable element, when used, is based on the profitability of the Company as reported in its audited financial statements and is based on targets that are set individually with each member of the Management Board. Any grants of options to members of the Management Board will be submitted to the Supervisory Board for their approval. For detailed information on remuneration and stock options see Note 8 of the Company accounts.

The Supervisory Board conducts an annual self-evaluation to determine whether it and the Management Board are functioning effectively.

Amsterdam, March 31, 2011

Viktor Klima Supervisory Board Member	Jürgen Hintz Supervisory Board Member

HEAD N.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As of December 31, 2010	2009 as Amended [1]
		(in thousands)	
ASSETS:			
Non-current assets			
Property, plant and equipment	6, 7	€ 52,527	€ 54,211
Other intangible assets	6, 8	11,307	10,995
Goodwill	6, 8	2,951	2,744
Investments accounted for using the equity method	24	70	77
Deferred income tax assets	22	47,170	48,093
Trade receivables	10, 17	970	1,045
Other non-current assets		5,117	4,661
Total non-current assets		120,111	121,824
Current assets			
Inventories	9	68,416	62,829
Trade and other receivables	10, 17	132,331	122,296
Prepaid expense		2,134	1,857
Available-for-sale financial assets	11, 17	7,021	6,573
Cash and cash equivalents	17, 30	51,271	36,935
Total current assets		261,173	230,490
Total assets		€ 381,284	€ 352,314
EQUITY:			
Share capital	13	€ 882	€ 882
Other reserves	13	127,133	120,944
Treasury shares	13	(683)	(683)
Retained earnings		55,832	48,509
Fair Value and other reserves including cumulative translation adjustments (CTA)	11, 21	(4,986)	(10,073)
Total equity		178,179	159,578
LIABILITIES:			
Non-current liabilities			
Borrowings	16, 17	83,642	80,051
Employee benefits	19	14,514	14,276
Provisions	15	3,068	--
Other long-term liabilities	18, 25	5,838	14,212
Total non-current liabilities		107,062	108,539
Current liabilities			
Trade and other payables	12, 14, 17	59,658	49,003
Current income tax liabilities		2,235	1,947
Borrowings	16, 17	26,023	22,133
Provisions	15	8,127	11,114
Total current liabilities		96,044	84,197
Total liabilities		203,106	192,736
Total liabilities and equity		€ 381,284	€ 352,314

[1] see Note 3 - 2009 Comparative Information

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

HEAD N.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note		For the Years Ended December 31, 2010		2009 as Amended [1]
			(in thousands, except per share data)		
Total net revenues	6	€	343,684	€	319,048
Cost of sales	27		199,768		191,858
Gross profit			**143,915**		**127,189**
Selling and marketing expense	27, 17		93,024		88,557
General and administrative expense	27		27,958		26,866
Share-based compensation (income) expense	25, 27		(3,081)		9,011
Restructuring costs	15		(94)		2,194
Other operating (income) expense, net	7, 23, 27		243		(7,807)
Operating profit			**25,865**		**8,368**
Interest and other finance expense	17, 24		(13,657)		(12,756)
Interest and investment income	17		707		606
Gain on exchange of senior notes	16, 17		--		38,125
Share of profit (loss) of Joint Ventures	24		(7)		25
Other non-operating income (expense), net	17		(3,367)		752
Profit before income taxes			9,540		35,121
Income tax expense:					
Current			(1,122)		(2,787)
Deferred			(1,095)		(14,786)
Income tax expense	22		(2,217)		(17,573)
Profit for the year		€	**7,324**	€	**17,548**
Other comprehensive income:					
Gains (losses) recognized directly in equity					
Foreign currency translation of invested intercompany receivables	21	€	652	€	22
Tax effect	22		(163)		(5)
Available-for-sale financial assets	21		448		379
Tax effect	22		(112)		(95)
Foreign currency translation adjustment on group company			4,263		(680)
Other comprehensive income (loss) for the period, net of tax		€	5,088	€	(379)
Total comprehensive income for the period		€	**12,411**	€	**17,169**
Earnings per share:					
Basic	31	€	0.08	€	0.31
Diluted	31	€	0.08	€	0.31

[1] see Note 3 - 2009 Comparative Information

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

HEAD N.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

December 31, 2009 as Amended [1]	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	
		(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	13, 16	22,491,278	225	7,647	--	--	--	7,872
Capital increase on undertaking of guarantee for working capital facility	13, 16	25,892,075	259	7,509	--	--	--	7,768
Transfer of treasury shares	13, 16	2,451,223	--	(5,701)	6,436	--	--	735
Profit for the year		--	--	--	--	17,548	--	17,548
Changes in fair value and other including CTA reserves	11, 21	--	--	--	--	--	(379)	(379)
Total comprehensive income in 2009		--	--	--	--	--	--	17,169
Balance at December 31, 2009		87,944,008 €	882 €	120,944 €	(683) €	48,509 €	(10,073) €	159,578
Stock option plan, equity settled	25	--	--	6,189	--	--	--	6,189
Profit for the year		--	--	--	--	7,324	--	7,324
Changes in fair value and other including CTA reserves	11, 21	--	--	--	--	--	5,088	5,088
Total comprehensive income in 2010		--	--	--	--	--	--	12,411
Balance at December 31, 2010		87,944,008 €	882 €	127,133 €	(683) €	55,832 €	(4,986) €	178,179

[1] see Note 3 - 2009 Comparative Information

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

HEAD N.V. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the Years Ended December 31, 2010	2009 as Amended [1]
		(in thousands)	
OPERATING ACTIVITIES:			
Profit for the year		€ 7,324	€ 17,548
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation and amortization	7, 8	10,513	12,308
Amortization and write-off of debt issuance cost and bond discount	16	3,998	3,636
Release for leaving indemnity and pension benefits	19	88	(340)
Restructuring	15	(94)	(81)
Gain on waiver of senior notes	16	0	(39,571)
Gain on sale of property, plant and equipment	7	42	(199)
Share-based compensation (income) expense	25	(3,081)	9,011
Deferred income	18	622	(880)
Finance costs	17	9,057	10,560
Interest income	17	(707)	(606)
Income tax expense	22	1,122	2,787
Deferred tax expense	22	1,095	14,786
Changes in operating assets and liabilities:			
Accounts receivable	10	(5,628)	9,029
Inventories	9	(3,864)	14,160
Prepaid expense and other assets		(730)	(310)
Accounts payable, accrued expenses and other liabilities	14, 15	9,544	(12,728)
Interest paid		(8,909)	(8,415)
Income tax paid		(891)	(1,327)
Net cash provided by operating activities		19,501	29,367
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	7	(6,536)	(5,564)
Proceeds from sale of property, plant and equipment	7	31	457
Interest received		185	591
Net cash used for investing activities		(6,321)	(4,516)
FINANCING ACTIVITIES:			
Increase (Decrease) in short-term borrowings	16	904	(4,157)
Proceeds from long-term debt	16	1,813	2,071
Payments on long-term debt	16	(1,791)	(2,708)
Transfer of treasury shares	13, 16	--	25
Capital increase	13, 16	--	484
Change in restricted cash	30	(1,051)	(423)
Net cash used for financing activities		(126)	(4,709)
Effect of exchange rate changes on cash and cash equivalents		231	(1,273)
Net increase in cash and cash equivalents		13,285	18,869
Cash and cash equivalents, unrestricted at beginning of period		36,024	17,155
Cash and cash equivalents, unrestricted at end of period		€ 49,309	€ 36,024

[1] see Note 3 - 2009 Comparative Information

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

HEAD N.V. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – General information

Head N.V. ("Head" or the "Company") was incorporated in Rotterdam, The Netherlands, on August 24, 1998. The address of its registered office is Rokin 55, 1012 KK Amsterdam, The Netherlands. The Company's ordinary shares are listed on the Vienna Stock Exchange ("HEAD").

The Company is a 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 boots, ski bindings and snowboard and protection products, tennis, racquetball and squash racquets, tennis balls, tennis footwear and badminton products and sportswear), Penn (tennis balls and racquetball balls), Tyrolia (ski bindings), Mares and Dacor (diving equipment).

Head conducts business in Europe (primarily in Austria, Italy, Germany, France, Switzerland, The Netherlands, Spain and the United Kingdom), North America, and Asia.

These consolidated financial statements are authorized for issuance by the Board of Directors as of March 31, 2011 and will be presented to the General Meeting of Shareholders on May 26, 2011.

Note 2 - Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Presentation

The Company and its subsidiaries maintain their accounting records in accordance with their local regulations and have made certain adjustments to these records to present the accompanying financial statements in conformity with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention and fair value accounting for available-for-sale financial assets and derivatives.

Percentages and some amounts contained herein have been rounded for ease of presentation, and some amounts may not total due to this rounding.

1. New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 1, 2010 but not currently relevant to the Company (although they may affect the accounting for future transactions and events)

IFRS 3 (revised), "Business combinations", and consequential amendments to IAS 27, "Consolidated and separate financial statements", IAS 28, "Investments in Associates", and IAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. IFRS 3 (revised) has had no impact on the current period as the Company has made no acquisitions.

IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. IAS 27 (revised) has had no impact on the current period.

IFRIC 17, "Distribution of non-cash assets to owners" (effective on or after July 1, 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

IFRIC 18, "Transfers of assets from customers", effective for transfer of assets received on or after July 1, 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

IFRIC 9, "Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement", effective July 1, 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety.

IFRIC 16, "Hedges of a net investment in a foreign operation" effective July 1, 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the group should clearly document its hedging strategy because of the possibility of different designations at different levels of the group. IAS 38 (amendment), "Intangible assets", effective January 1, 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

IAS 1 (amendment), "Presentation of financial statements". The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

IAS 36 (amendment), 'Impairment of assets', effective January 1, 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, '"Operating segments" (that is, before the aggregation of segments with similar economic characteristics).

IFRS 2 (amendments), "Group cash-settled share-based payment transactions", effective from January 1, 2010. In addition to incorporating IFRIC 8, "Scope of IFRS 2", and IFRIC 11, "IFRS 2 - Group and treasury share transactions", the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

IFRS 5 (amendment), "Non-current assets held for sale and discontinued operations". The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

2. New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2010 and not early adopted:

The Company's assessment of the impact of these new standards and interpretations is set out below:

Amendments to IFRS 7 Financial Instruments: Disclosures, issued in October 2010. The amendments will allow users of financial instruments to improve their understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The standard is not applicable until July 1, 2011 and has not been endorsed by the EU yet. The Company will apply the amendments from January 1, 2012 (if endorsed by the EU).

IFRS 9, "Financial instruments", issued in November 2009. This standard is the first step in the process to replace IAS 39, "Financial instruments: recognition and measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets. The standard is not applicable until

January 1, 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU.

The Company is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Company's accounting for its debt available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognized directly in profit or loss. In the current reporting period, the Company recognized €0.4 million of such gains in other comprehensive income.

IAS 24 (revised), "Related party disclosures", issued in November 2009. It supersedes IAS 24, "Related party disclosures", issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. Earlier application, in whole or in part, is permitted. The standard has been endorsed by the EU in July 2010.

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Company will apply the revised standard from January 1, 2011. When the revised standard is applied, the Company will need to disclose any transactions between its subsidiaries and its associates. The Company is currently putting procedures in place to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

"Classification of rights issues'"(amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after February 1, 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors". The Company will apply the amended standard from January 1, 2011. It is not expected to have any impact on the Company's financial statements.

IFRIC 19, "Extinguishing financial liabilities with equity instruments", effective July 1, 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Company will apply the interpretation from January 1, 2011. It is not expected to have any impact on the Company's financial statements.

"Prepayments of a minimum funding requirement" (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction". Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning January 1, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Company will apply these amendments for the financial reporting period commencing on January 1, 2011. It is not expected to have any impact on the Company's financial statements.

Consolidation

a) Subsidiaries
The consolidated financial statements of Head include the financial statements of all majority-owned subsidiaries and entities over which the Company has financial and operating control and special purpose entities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Company. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

b) Joint Ventures
The group's interests in jointly controlled entities are accounted for using the equity method of accounting. The Company's share of its Joint Venture post-acquisition profit or loss is recognized in the income statement. When the Company's share of loss in a Joint Venture equals or exceeds its interest in the Joint Venture, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the Joint Venture.

Segment Reporting

An operating segment is consistent with the internal reporting provided to the chief operating decision-maker, the Company's Chief Executive Officer. Decisions 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. Based on similar characteristics, the operating segments are aggregated into one reporting segment.

Foreign Currency Translation

a) Functional and presentation currency
Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in euros, which is the Company's functional and presentation currency.

b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. The effect of exchange rate changes on intercompany transactions of a long-term investment nature are recognized in equity as a component of fair value and other reserves/CTA.

Foreign exchange gains and losses that result from financing and investing activities are presented in the income statement within "Other non-operating income/expense, net". All other foreign exchange gains and losses are presented in the income statement within "Other operating income/expense, net".

c) Group companies
The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.
- Income and expenses for each income statement are translated at average exchange rates prevailing during the year.
- All resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Additions and improvements that extend the useful lives of the plant and equipment and replacements, major renewals, and betterments are capitalized and depreciated over the remaining useful life of the asset. The cost of maintenance, repair and minor renewals are expensed as incurred. When plant and equipment is retired or otherwise disposed, the cost and related accumulated depreciation and impairment losses are removed from the related accounts, and any gain or loss on disposition is recognized in earnings. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The Company's buildings are depreciated over a period of 30-50 years, building improvements are depreciated over a period of 10-25 years and machinery and equipment is depreciated over a period of 2-20 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 7).

Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Other intangible assets comprise of trademarks with an indefinite useful life which are carried at cost less accumulated impairment losses and land use rights with a useful life of 50 years, which are carried at cost less accumulated amortization and impairment losses. Amortization of land use rights is calculated using the straight-line method.

Goodwill and other intangible assets with an indefinite useful life are allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which trademarks and goodwill arose.

Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment and whenever there is an indication that the asset may be impaired. Impairment losses on goodwill are not reversed. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Financial Assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Financial assets are recognized at trade date. Management determines the classification of its financial assets at initial recognition and reevaluates this designation at every reporting date.

a) Financial assets at fair value through profit or loss
Derivatives are categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets ("Other non-current assets"). Loans and receivables are classified as "trade and other receivables" and "cash and cash equivalents" in the balance sheet (see Note 10).

c) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale financial assets and financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method. Changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income.

When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as "Interest and investment income".

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is removed from equity and recognized in the income statement. The accounting policy for trade and other receivables follows.

Derivative Financial Instruments and Hedging Activities

The Company records all derivatives on the balance sheet at fair value. The Company uses derivative instruments, specifically foreign exchange forward and option contracts, to hedge the foreign exchange risk related to forecasted foreign currency denominated cash flows. However, derivatives are not designated as hedging instruments as part of formal hedge relationship qualifying for hedge accounting under IAS 39.

The full fair value of a derivative instrument is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The Company enters into hedging relationships to limit the foreign exchange rate risk for periods generally not to exceed one year. The Company recognized all changes in the fair value of the instruments in the income statement ("Other non-operating income/expense, net"). The Company does not utilize financial instruments for trading or speculative purposes.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost being determined on a first-in first-out basis ("FIFO"). The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Borrowing costs are not included in the costs of finished goods and work in progress. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade and Other Receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognized in the income statement within selling and marketing costs. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and marketing costs in the income statement.

Payment terms differ depending on the customer (large distributors, small shops), product line (winter sports is a very seasonal business, as are racquet sports and diving, though to a lesser extent), country (payment terms vary in accordance with local practices throughout the world) and past experiences with customers. It is the Company's normal procedure to agree terms of transactions, including payment terms (60 to 180 days), with customers in advance. In the rental business the Company agrees to payment terms over one year and classifies those long-term trade receivables as non-current assets in the consolidated balance sheet.

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash and short-term, highly liquid investments with an original maturity of three months or less. Bank overdrafts are shown within "Borrowings" in current liabilities on the balance sheet.

Restricted Cash

Restricted cash comprises of deposits pledged as collateral on outstanding lines of credit. The amounts are collateralized with several financial institutions and earn interest while in deposit.

Share Capital

Ordinary shares are classified as equity (see Note 13). Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Trade and other Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in other comprehensive income. In this case, the tax is also recognized in other comprehensive income. The current income tax charge is calculated on the basis of the tax laws enacted in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Company utilizes the liability method of accounting for deferred income taxes whereby deferred tax assets and liabilities are recognized to reflect the future tax consequences attributable to temporary differences between the financial reporting bases of existing assets and liabilities and their respective tax bases. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. With the exception of Head Holding Unternehmensbeteiligung GmbH, all of the Company's Austrian subsidiaries are included in a consolidated Austrian federal income tax return. Separate provisions for income taxes have been prepared for the Company's other subsidiaries. Deferred taxes are calculated by using the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefits through future taxable profits is probable.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee Benefits

(a) Retirement benefit obligations

The Company operates various pensions and other employee benefits schemes. The schemes are partly funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Company has both defined benefit and defined contribution plans. A defined contribution plan is a plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees' benefits relating to employee service in the current and prior periods. A defined benefit plan is a plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the fair value of plan assets or 10% of the defined benefit obligation, except in Italy, are charged or credited to income over the employees' expected average remaining working lives.

For defined contribution plans, the Company pays contributions to publicly or privately administered insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

(c) Share-based compensation

The Company operates a number of share-based compensation plans. The plans are treated either as equity-settled or cash-settled. The change in fair value of the employee services received in exchange for the grant of the options is recognized in share based compensation expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

Provisions

Provision for restructuring costs and legal claims are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions consist mainly of employee termination payments. Provisions are not recognized for future operating losses.

The Company provides for the estimated cost of product warranties and product returns at the time revenue is recognized and the Company has a constructive obligation. Warranty provision is established based on the Company's best estimates of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. Product return provisions are based on the Company's historical experiences.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Revenue Recognition

The Company recognizes revenue from the sale of goods, net of VAT, when significant risks and rewards of ownership of the goods are transferred to the buyer. These criteria are generally met when finished products are shipped to the customers and both title and the risks and rewards of ownership are transferred.

Revenues from licensing agreements are recognized over the license term for the fixed license revenue portion and based on underlying customer sales once minimum contractual sales volumes are met for the variable license revenue portion. Prepayments received on long-term licensing agreements are recognized in other long-term liabilities.

Provisions based on accumulated experience are recorded for estimated product returns at the time revenues are recognized.

Sales deductions

The Company accrues for customer discounts based upon estimated refund obligations and classifies all sales incentives, which are earned by the Company's customers subsequent to delivery of its product, including cash discounts for volume rebates other than cash consideration, such as credits that the Company's customer can use against trade amounts owed, as sales deductions.

Interest Income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the carrying amount is reduced to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Company leases certain property, plant and equipment. Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in non-current borrowings. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Research and Development Costs

Research costs are recognized as costs when incurred. Development costs for changes in design are short term and recognized as cost when they are incurred. Development cost for new products are capitalized if they meet the criteria for recognition as an intangible asset. The Company did not capitalize any development costs.

Earnings per share

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares (see Note 13).

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options, equity-settled under the Plans 2009 (see Note 25). For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Note 3 – 2009 Comparative Information

Background and reasons for amendment

The Company amended certain financial information in the prior period in respect of the accounting treatment for the 2009 private exchange offer (the „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 "Shares").

In 2010, a review of our accounts was performed by the Netherlands Authority for the Financial Markets (the "AFM"). The AFM has recommended the Company on the basis of their interpretation of relevant accounting standards to reconsider the attributable fair values for accounting purposes of the Senior Secured Notes and Shares issued at the time of the Exchange Offer. Due to fact that the application of IFRS in this area is highly complex and involves significant judgment, management followed the recommendation of the AFM and reviewed the accounting treatment in this subject. While management is still of the opinion that the accounting treatment chosen in financial statements as of December 31, 2009 accurately reflected the fair value of the Senior Secured Notes and Shares at the time of issue, it is also satisfied that existing alternative views result in a different valuation of the fair value. Therefore the Company reconsidered its accounting for this unique transaction. The fair values have been reassessed and as a result changes have been made to the accounting of these transactions in 2009.

None of these amendments had an impact on the operating profit and the cash generated in the period.

Financial impact

The fair value of the Shares and Senior Secured Notes issued has been amended as follows:

1. The ordinary shares in Head N.V. which were issued to the note-holders and in connection with the Working Capital Guarantee pursuant to the Exchange Offer at the time of the Exchange Offer were recorded at €0.01 per share. This reflected the fair value as determined by management when preparing the financial statements 2009 based on the illiquidity of the market of the shares and the given economic and financial circumstances of the Company at that time. These shares have been corrected to value them at their respective quoted market prices as of their transaction dates of 14th of August 2009 and the 30th July 2009, at €0.35 and €0.30 respectively.

2. The fair value of the newly issued Senior Secured Notes was recorded at the time of the Exchange Offer at a par value of €43.7 million. In light of the above amendment of the fair value of the Shares, management has also reconsidered the measurement of the Senior Notes at the time of the exchange. Based on the Exchange Offer to the note-holders to receive Senior Secured Notes and Shares, the fair value of this consideration is assessed on the market price of the old Senior Notes at the time of the exchange. This has resulted in a consequential amendment to the initial measurement of the newly issued Senior Secured Notes at the date of exchange. The corrected fair value for

the newly issued Senior Secured Notes was €30.1 million at the date of issuance.

3. Due to the amendment of the fair value for the newly issued Senior Secured Notes, the Company recorded an amortization of disagio of €1.4 million in 2009 and €3.8 million in 2010. The remaining amortization amounts to €8.4 million and will be shown in 2011 and 2012.

The amendment reflected in the comparative 2009 financial information in the consolidated financial statements is as follows (balance sheet as of January 1, 2009 is not disclosed as it was not affected by the amendment):

Effect on Consolidated Statement of Financial Position:

	As of December 31,		
	2009	2009	2009
	as Amended	*Amendment*	
		(in thousands)	
ASSETS:			
Non-current assets			
Property, plant and equipment	€ 54,211	€	€ 54,211
Other intangible assets	10,995		10,995
Goodwill	2,744		2,744
Investments accounted for using the equity method	77		77
Deferred income tax assets	48,093	(1,146)	49,239
Trade receivables	1,045		1,045
Other non-current assets	4,661		4,661
Total non-current assets	121,824	(1,146)	122,970
Current assets			
Inventories	62,829		62,829
Trade and other receivables	122,296		122,296
Prepaid expense	1,857		1,857
Available-for-sale financial assets	6,573		6,573
Cash and cash equivalents	36,935		36,935
Total current assets	230,490		230,490
Total assets	€ 352,314	€ (1,146)	€ 353,460
EQUITY:			
Share capital	€ 882	€	€ 882
Other reserves	120,944	15,867	105,077
Treasury shares	(683)		(683)
Retained earnings	48,509	(4,777)	53,286
Fair Value and other reserves including cumulative translation adjustments (CTA)	(10,073)		(10,073)
Total equity	159,578	11,089	148,489
LIABILITIES:			
Non-current liabilities			
Borrowings	80,051	(12,235)	92,286
Employee benefits	14,276		14,276
Provisions	--		
Other long-term liabilities	14,212		14,212
Total non-current liabilities	108,539	(12,235)	120,774
Current liabilities			
Trade and other payables	49,003		49,003
Current income tax liabilities	1,947		1,947
Borrowings	22,133		22,133
Provisions	11,114		11,114
Total current liabilities	84,197		84,197
Total liabilities	192,736	(12,235)	204,971
Total liabilities and equity	€ 352,314	€ (1,146)	€ 353,460

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Effect on Consolidated Statement of Comprehensive Income:

	For the Years Ended December 31,		
	2009	2009	2009
	as Amended	*Amendment*	
	(in thousands, except per share data)		
Total net revenues	€ 319,048	€	€ 319,048
Cost of sales	191,858		191,858
Gross profit	**127,189**		**127,189**
Selling and marketing expense	88,557		88,557
General and administrative expense	26,866		26,866
Share-based compensation (income) expense	9,011		9,011
Restructuring costs	2,194		2,194
Other operating (income) expense, net	(7,807)		(7,807)
Operating profit	**8,368**		**8,368**
Interest and other finance expense	(12,756)	(1,443)	(11,313)
Interest and investment income	606		606
Gain on exchange of senior notes [1]	38,125	(2,189)	40,314
Share of profit (loss) of Joint Ventures	25		25
Other non-operating income (expense), net	752		752
Profit before income taxes	35,121	(3,632)	38,753
Income tax benefit (expense):			
Current	(2,787)		(2,787)
Deferred	(14,786)	(1,146)	(13,641)
Income tax benefit (expense)	(17,573)	(1,146)	(16,427)
Profit for the year	**€ 17,548**	**€ (4,777)**	**€ 22,326**
Other comprehensive income:			
Gains (losses) recognized directly in equity			
Foreign currency translation of			
invested intercompany receivables	€ 22		€ 22
Tax effect	(5)		(5)
Available-for-sale financial assets	379		379
Tax effect	(95)		(95)
Foreign currency translation adjustment on group company	(680)		(680)
Other comprehensive income (loss) for the period, net of tax	€ (379)		€ (379)
Total comprehensive income for the period	**€ 17,169**	**(4,777)**	**€ 21,946**
Earnings per share;			
Basic	€ 0.31	€ (0.09)	€ 0.40
Diluted	€ 0.31	€ (0.09)	€ 0.40

[1] comprises of gain on the valuation of the bond of €13.7 million less an attribution of the value to the shares issued in the course of the bond exchange of €7.6 million (bond holders) and of €8.2 million (working capital guarantee)

HEAD N.V. AND SUBSIDIARIES
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Effect on Consolidated Statement of Changes in Equity:

	Attributable to equity holders of the Company						Total Equity
	Ordinary Shares		Other Reserves	Treasury Shares	Retained Earnings	Fair Value and Other Reserves/ CTA	
	Shares	Share Capital					
	(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
Profit for the year	--	--	--	--	22,326	--	22,326
Changes in fair value and other including CTA reserves	--	--	--	--	--	(379)	(379)
Total comprehensive income in 2009	--	--	--	--	--	--	21,947
Balance at December 31, 2009:	87,944,008 €	882 €	105,077 €	(683) €	53,286 €	(10,073) €	148,489
Capital increase resulting from the exchange of senior notes	--	--	7,647	--	--	--	7,647
Capital increase on undertaking of guarantee for working capital facility	--	--	7,509	--	--	--	7,509
Transfer of treasury shares	--	--	711	--	--	--	711
Profit for the year	--	--	--	--	(4,777)	--	(4,777)
Changes in fair value and other including CTA reserves	--	--	--	--	--	--	--
Total comprehensive income in 2009	--	--	--	--	--	--	(4,777)
Balance at December 31, 2009: *Amendment*	-- €	-- €	15,867 €	-- €	(4,777) €	-- €	11,089
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	7,647	--	--	--	7,872
Capital increase on undertaking of guarantee for working capital facility	25,892,075	259	7,509	--	--	--	7,768
Transfer of treasury shares	2,451,223	--	(5,701)	6,436	--	--	736
Profit for the year	--	--	--	--	17,548	--	17,548
Changes in fair value and other including CTA reserves	--	--	--	--	--	(379)	(379)
Total comprehensive income in 2009	--	--	--	--	--	--	17,169
Balance at December 31, 2009: *As amended*	87,944,008 €	882 €	120,944 €	(683) €	48,509 €	(10,073) €	159,578

HEAD N.V. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Effect on Consolidated Statement of Cash Flows:

	As of December 31, 2009 *as Amended*	2009 *Amendment*	2009
OPERATING ACTIVITIES:			
Profit for the year	€ 17,548	€ (4,777)	€ 22,326
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation and amortization	12,308		12,308
Amortization and write-off of debt issuance cost and bond discount	3,636	1,217	2,419
Release for leaving indemnity and pension benefits	(340)		(340)
Restructuring	(81)		(81)
Gain on waiver of senior notes	(39,571)	2,414	(41,985)
Gain on sale of property, plant and equipment	(199)		(199)
Share-based compensation expense	9,011		9,011
Deferred income	(880)		(880)
Finance costs	10,560		10,560
Interest income	(606)		(606)
Income tax expense	2,787		2,787
Deferred tax expense	14,786	1,146	13,640
Changes in operating assets and liabilities:			
Accounts receivable	9,029		9,029
Inventories	14,160		14,160
Prepaid expense and other assets	(310)		(310)
Accounts payable, accrued expenses and other liabilities	(12,728)		(12,728)
Interest paid	(8,415)		(8,415)
Income tax paid	(1,327)		(1,327)
Net cash provided by operating activities	29,367	--	29,367
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(5,564)		(5,564)
Proceeds from sale of property, plant and equipment	457		457
Interest received	591		591
Net cash used for investing activities	(4,516)	--	(4,516)
FINANCING ACTIVITIES:			
Decrease in short-term borrowings	(4,157)		(4,157)
Proceeds from long-term debt	2,071		2,071
Payments on long-term debt	(2,708)		(2,708)
Transfer of treasury shares	25		25
Capital increase	484		484
Change in restricted cash	(423)		(423)
Net cash used for financing activities	(4,709)	--	(4,709)
Effect of exchange rate changes on cash and cash equivalents	(1,273)		(1,273)
Net increase in cash and cash equivalents	18,869		18,869
Cash and cash equivalents, unrestricted at beginning of period	17,155		17,155
Cash and cash equivalents, unrestricted at end of period	€ 36,024	€ --	€ 36,024

Note 4 – Financial Risk Management

Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

As a consequence of the issuance of the Company's 10.0% senior secured notes the Company is limited in its ability to:
- incur debt;
- pay dividends;
- repurchase capital stock or make investments, loans and advances;
- sell or transfer assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in various transactions with affiliates; and
- undergo various kinds of merger transactions.

If the Company fails to comply with these restrictions, its obligation to repay the senior secured notes may be accelerated.

a) Market Risk

Foreign Exchange Risk
The Company operates in a multi-currency environment in which a portion of its revenues and expenses are denominated in currencies other than the euro. The Company is, as a result, subject to currency translation risk and, to a lesser extent, currency transaction risk. Currency translation risk arises because the Company measures and records the financial condition and results of operations of each of its subsidiaries in their functional currency and then translates these amounts into the reporting currency, the euro. The Company incurs transaction risk when one of its subsidiaries enters into a transaction using a currency other than its functional currency, although the Company reduces this risk by seeking, when possible, to match its revenues and costs in each currency. The Company also hedges part of its planned sales to Japan, Switzerland, United Kingdom and Canada through forward contracts and options with Austrian and Italian banks. Shifts in currency exchange rates, particularly between the euro and the U.S. dollar, may adversely affect the Company's results of operations. As of December 31, 2010, however, the Company's euro – U.S. dollar position was relatively balanced. The table below shows the European Central Bank exchange rates for euro for those currencies that mainly influence the Company's results:

	As of December 31,	
1 Euro =	2010	2009
USD	1.3362	1.4406
CHF	1.2504	1.4836
GBP	0.8608	0.8881
JPY	108.6500	133.1600
CAD	1.3322	1.5128
CZK	25.0610	26.4730
BGN	1.9558	1.9558
CNY	8.8220	9.8350
HKD	10.3856	11.1709

Due to the marginal foreign currency risk arising from financial instruments the Company does not disclose any further sensitivity analysis.

Price Risk
The Company is exposed to marketable securities price risk because of marketable securities held by the Company and classified on the consolidated balance sheet as available-for-sale. To manage its price risk arising from marketable securities, the Company diversifies its portfolio. Due to the marginal price risk the Company does not disclose further sensitivities.

Cash flow and fair value interest rate risk
As the Company has no significant interest-bearing assets – except cash – the Company's income and operating cash flows are substantially independent of changes in market interest rates. Due to relatively low interest rates for cash deposits, the Company does not disclose further sensitivities. The Company operates with several international banks and does not have a lead bank.

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's main external financial source arises from its 8.5% senior notes and 10% senior secured notes. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. During 2009, the Company's borrowings at variable rate were denominated in euro, Japanese yen, Canadian dollar and Chinese yuan, during 2010 the Company's borrowings at variable rate were denominated in euro, Japanese yen and Chinese yuan. Due to the fact that most of the borrowings are issued at fixed rates, the Company does not disclose further sensitivities (see Note 16).

b) Credit Risk

Financial instruments which potentially subject the Company to significant concentrations of credit risk consist primarily of cash, cash equivalents, restricted cash, marketable securities and accounts receivable. The Company places cash with high quality financial institutions. The Company's customers are concentrated in the retail industry. However, concentrations of credit risk with respect to trade accounts receivable are limited due to the large number of customers and their dispersion across many geographic areas. The Company generally performs credit reviews and sometimes obtains credit insurance before extending credit. The maximum credit risk of financial assets is the carrying amount.

c) Liquidity Risk

The Company's liquidity needs arise principally from working capital requirements, capital expenditures and the semi-annual interest payment on its 8.5% senior notes and its 10% senior secured notes in January and July. Given the nature of winter sports, and to a lesser extent racquet sports and diving, the Company's operating cash flow and working capital needs are highly seasonal. The Company's need for cash is greater in the third and fourth quarters when cash generated from operating activities, together with draw downs from the Company's bank lines, proceeds from sales of marketable securities, are invested in inventories and receivables. Historically, the Company's primary sources of liquidity have been cash provided from operating activities, proceeds from the issuance of debt and equity securities and borrowings under various credit facilities available to the Company's subsidiaries.

Cash flow forecasting is performed in the operating entities of the Company and aggregated on group level. Management monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on unused lines of credit (see Note 16) at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, and compliance with internal balance sheet ratio targets.

Surplus cash held by the operating entities over and above balance required for working capital management is transferred to the group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At December 31, 2010 the Company held money market funds of €6.8 million (2009: €6.4 million) and other liquid assets of €0.2 million (2009: €0.2 million) that are expected to readily generate cash inflows for managing liquidity risk.

The table below provides a maturity analysis of the Company's material contractual obligations as of December 31, 2010 (in thousands):

Contractual Obligations	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years	Total
Borrowings, non-current					
8.50% Senior Notes due 2014 (nominal value)..........€	-- €	-- €	28,102 €	-- €	28,102
10.0% Senior Notes due 2012 (nominal value)..........	--	43,738	--	--	43,738
Mortgages..........	2,853	1,342	635	669	5,499
Other Long-Term Debt..........	649	636	542	7,328	9,155
Sale-Leaseback..........	174	386	441	8,531	9,532
Operating Leases..........	4,199	4,286	2,079	274	10,838
Borrowings, current..........	22,347	--	--	--	22,347
Derivative financial instruments..........	1,546	--	--	--	1,546
Trade and other payables..........	41,998	--	--	--	41,998

For further details concerning the Company's interest obligations see Note 16.

The table below provides a maturity analysis of the Company's material contractual obligations as of December 31, 2009 (in thousands):

Contractual Obligations	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years	Total
Borrowings, non-current					
8.50% Senior Notes due 2014 (nominal value)........... €	-- €	-- €	28,102 €	-- €	28,102
10.0% Senior Notes due 2012 (nominal value)..........	--	43,738	--	--	43,738
Mortgages..	822	1,896	547	926	4,191
Other Long-Term Debt..	862	870	588	6,482	8,802
Sale-Leaseback...	163	361	412	8,759	9,695
Operating Leases..	3,833	4,907	2,703	421	11,864
Borrowings, current..	20,287	--	--	--	20,287
Derivative financial instruments..................................	255	--	--	--	255
Trade and other payables..	34,939	--	--	--	34,939

The Company uses major international banks to deposit its cash and cash equivalents.

The Company believes that its cash flow from operations together with credit lines will be adequate to meet the anticipated requirements for working capital, capital expenditures and scheduled interest payments.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents and available-for-sale financial assets. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt. The gearing ratios at December 31, 2010 and 2009 were as follows:

Gearing ratio	For the Years Ended December 31, 2010	2009
	(in thousands)	
Total borrowings	109,666	102,185
Cash and cash equivalents	(51,271)	(36,935)
Available-for-sale financial assets	(7,021)	(6,573)
Net debt	51,374	58,677
Total equity	178,179	159,578
Total capital	229,552	218,256
Gearing ratio	22.4%	26.9%

The decrease in the gearing ratio primarily resulted from an increase of cash and cash equivalents and an increase of total equity, mainly due to the profit of the year and a resolution that the Stock Option Plans 2009 will be equity settled (see Note 18).

Fair value estimation

Effective January 1, 2009, the Company adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's assets and liabilities that are measured at fair value at December 31, 2010 and 2009.

	December 31, 2010		
	Level 1	Level 2	Total
Assets			
Available-for-sale financial assets............	€ 7,021	€ --	€ 7,021
Total assets	€ 7,021	€ --	€ 7,021
Liabilities			
Derivative financial liabilities..................	€ --	€ 1,546	€ 1,546
Total liabilites	€ --	€ 1,546	€ 1,546

	December 31, 2009		
	Level 1	Level 2	Total
Assets			
Available-for-sale financial assets............	€ 6,573	€ --	€ 6,573
Total assets	€ 6,573	€ --	€ 6,573
Liabilities			
Derivative financial liabilities..................	€ --	€ 255	€ 255
Total liabilites	€ --	€ 255	€ 255

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These assets are included in level 1 and classified as available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Note 5 – Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant of these estimates are impairments, impairments of trade receivables, product warranties and returns, inventory obsolescence and recognition of deferred tax assets. On an ongoing basis, management reviews its estimates based upon currently available information. Actual results could differ from those estimates.

Estimated impairment of trademark and goodwill

The Company tests annually whether trademarks with an indefinite useful life and goodwill amounting to €13.6 million have suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 8). No impairment charge was booked in 2010.

If the estimated discount rate applied to the discounted cash flows had been 10% higher than management's estimates, the recoverable amount would be lower by €9.4 million, if the estimated discount rate had been 10% lower than management's estimates, the recoverable amount would be higher by €11.7 million.

Impairment of trade receivables

The Company recorded an impairment of trade receivables for incurred losses amounting to €2.2 million in 2010 resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provisions may be required. The Company specifically analyzes accounts receivables and evaluates historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in the Company's customer payment terms when evaluating the adequacy of the impairment of trade receivables. These estimations are continually reviewed. Recoveries related to changes in reserves did not occur in 2010.

If estimations relating to the percentage of uncollected accounts receivable were increased by 10% points, the Company would recognize an additional provision of €0.2 million.

Impairment of Long Lived Assets

Property, plant and equipment with a carrying amount of €52.5 million are initially stated at cost. Depreciation on property, plant and equipment is computed using the straight-line method over their estimated useful lives. The Company has determined useful lives of property, plant and equipment after consideration of historical results and anticipated results based on the Company's current plans. The estimated useful lives represent the period the asset remains in service assuming normal routine maintenance. The Company reviews the estimated useful lives assigned to property, plant and equipment when the business experience suggests that they do not properly reflect the consumption of the economic benefits embodied in the property, plant or equipment nor result in the appropriate matching of cost against revenue. Factors that lead to such a conclusion may include physical observation of asset usage, examination of realized gains and losses on asset disposals and consideration of market trends such as technological obsolescence or change in market demand.

When events or changes in circumstances indicate that the carrying amount may not be recoverable, property, plant and equipment are reviewed for impairment. When such assets' carrying value is greater than the recoverable amount, an impairment loss is recognized.

According to IAS 36.12 (d) the Company conducted an impairment test for long lived assets. No impairment charge was booked in 2010.

If the estimated discount rate applied to the discounted cash flows had been 10% higher than management's estimates, the recoverable amount would be lower by €28.0 million, if the estimated discount rate had been 10% lower than management's estimates, the recoverable amount would be higher by €35.5 million.

Provision for Product Warranties

The Company provides for the estimated cost of product warranties and product returns at the time revenue is recognized. The warranty provision amounting to €3.7 million is established based on the Company's best estimates of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. Product return provisions are based on historical experiences. While the Company believes that its warranty and product return provisions are adequate and that the judgment applied is appropriate, such amounts estimated to be due and payable could differ materially from what will actually transpire in the future. The Company updates these estimated charges periodically. The actual product performance and/or field expense profiles may differ, and in those cases the Company adjusts its warranty reserves accordingly. Future warranty expenses may exceed the Company's estimates, which could lead to an increase in cost of sales. Significant differences from estimates did not occur in the past.

If revenues and claims were to increase by 10% points, the Company would have to recognize an additional provision of €0.4 million.

Inventory Obsolescence

The Company's chosen markets are competitive and subject to fluctuations in demand and technological obsolescence. The Company periodically reviews its inventory for obsolescence and declines in market value below cost. Estimated obsolescence or unmarketable inventory led to write-downs amounting to €0.4 million of the Company's inventory to the estimated market value based upon assumptions about future demand and market conditions. If actual future demand or market conditions were less favourable than those projected by the Company, additional inventory write-downs may be required.

Tax Loss Carry Forwards

The Company recognizes deferred tax assets on tax loss carry forwards amounting to €62.9 million for which it is probable that they will be realized. The Company has considered future taxable income and ongoing prudent and feasible tax planning strategies. In the event that the Company was to determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made. Changes in local income tax rates may also affect deferred tax assets.

Note 6 - Segment Information

The Company's business is organized into four 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 Years Ended December 31,	
	2010	2009
	(in thousands)	
Revenues from External Customers:		
Austria	€ 149,280	€ 137,664
Italy	31,336	30,705
Other (Europe)	48,433	46,089
Asia	27,322	24,296
North America	87,314	80,294
Total Net Revenues	€ 343,684	€ 319,048

Although the Company's homeland is The Netherlands, the Company's economic domestic market is Austria. The Company has no major customers but a large number of customers who disperse across many geographic areas.

HEAD N.V. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		As of December 31,		
		2010		2009
		(in thousands)		
Long-lived assets:				
Austria	€	19,292	€	20,672
Italy		8,355		8,941
Other (Europe)		19,865		20,781
Asia		12,192		10,811
North America		7,081		6,744
Total segment assets	€	66,785	€	67,949

Sales by product category consist of the following:

		For the Years Ended December 31,		
		2010		2009
		(in thousands)		
Revenues by Product Category:				
Winter Sports	€	169,698	€	150,307
Racquet Sports		129,931		126,188
Diving		48,709		46,063
Licensing		5,357		5,463
Sales Deductions		(10,011)		(8,972)
Total Net Revenues	€	343,684	€	319,048

Note 7 – Property, Plant and Equipment

	Land	Buildings	Machinery & plant equipment	Fixtures, furnitures & office equipment	Total property, plant & equipment
			(in thousands)		
As of January 1, 2009					
Cost	€ 3,264	€ 33,660	€ 125,559	€ 40,217	€ 202,700
Accumulated depreciation	--	(12,882)	(93,618)	(34,899)	(141,399)
Net book value	€ 3,264	€ 20,778	€ 31,941	€ 5,317	€ 61,300
Year ended December 31, 2009					
Opening net book value	€ 3,264	€ 20,778	€ 31,941	€ 5,317	€ 61,300
Additions	--	351	4,212	1,001	5,564
Disposals	--	(23)	(25)	(43)	(91)
Transfers	--	296	(485)	--	(189)
Exchange difference	(68)	(193)	183	(3)	(81)
Depreciation	--	(1,208)	(9,186)	(1,899)	(12,293)
Closing net book value	€ 3,196	€ 20,002	€ 26,640	€ 4,373	€ 54,211
As of December 31, 2009					
Cost	€ 3,196	€ 33,971	€ 117,038	€ 37,265	€ 191,471
Accumulated depreciation	--	(13,970)	(90,399)	(32,892)	(137,260)
Net book value	€ 3,196	€ 20,002	€ 26,640	€ 4,373	€ 54,211
Year ended December 31, 2010					
Opening net book value	€ 3,196	€ 20,002	€ 26,640	€ 4,373	€ 54,211
Additions	--	66	5,030	1,440	6,536
Disposals	--	--	(38)	(35)	(73)
Transfers	--	--	(1)	1	--
Exchange difference	254	890	1,152	54	2,350
Depreciation	--	(1,233)	(7,517)	(1,747)	(10,497)
Closing net book value	€ 3,450	€ 19,725	€ 25,266	€ 4,086	€ 52,527
As of December 31, 2010					
Cost	€ 3,450	€ 35,323	€ 117,721	€ 36,974	€ 193,468
Accumulated depreciation	--	(15,599)	(92,455)	(32,888)	(140,942)
Net book value	€ 3,450	€ 19,725	€ 25,266	€ 4,086	€ 52,527

For the years ended December 31, 2010 and 2009, the Company's total proceeds on the sale of property and equipment were €0.03 million and €0.5 million resulting in a loss of €0.04 million for the year ended December 31, 2010 and a gain of €0.2 million for the year ended December 31, 2009. Gains (losses) are included in other operating income (expense), net in the accompanying consolidated income statement.

Depreciation expense of €9.3 million has been charged in cost of goods sold (2009: €9.9 million), €0.3 million in selling and marketing expense (2009: €0.3 million) and €0.9 million in general and administrative expense (2009: €1.0 million). In 2009, €1.0 million additional depreciation was recorded in restructuring costs (see Note 15). No impairment charge was booked in 2010.

Land and buildings with a carrying value of €10.0 million and €10.1 million as of December 31, 2010 and 2009, respectively are used to secure loans (see Note 16).

Note 8 – Goodwill and Intangible Assets

		Goodwill		Intangible Assets		
				Trademarks	Other	Total
		(in thousands)		(in thousands)		
As of January 1, 2009						
Gross	€	2,643	€	10,686 €	674 €	11,360
Accumulated amortization and impairment		--		(174)	(40)	(214)
Net book value	€	2,643	€	10,512 €	633 €	11,146
Year ended December 31, 2009						
Opening net book value	€	2,643	€	10,512 €	633 €	11,146
Exchange difference		100		(116)	(21)	(137)
Amortisation		--		--	(13)	(13)
Closing net book value	€	2,744	€	10,396 €	599 €	10,995
As of December 31, 2009						
Gross	€	2,744	€	10,564 €	651 €	11,215
Accumulated amortization and impairment		--		(168)	(52)	(220)
Net book value	€	2,744	€	10,396 €	599 €	10,995
Year ended December 31, 2010						
Opening net book value	€	2,744	€	10,396 €	599 €	10,995
Exchange difference		207		258	68	326
Amortisation		--		--	(14)	(14)
Closing net book value	€	2,951	€	10,654 €	653 €	11,307
As of December 31, 2010						
Gross	€	2,951	€	10,836 €	725 €	11,561
Accumulated amortization and impairment		--		(181)	(73)	(254)
Net book value	€	2,951	€	10,654 €	653 €	11,307

Amortization of €0.01 million (2009: €0.01 million) is included in "Cost of sales" in the income statement.

The Company has determined an indefinite useful life for trademarks as the economic benefit is not limited to a certain period of time.

Impairment test for trademarks and goodwill

The Company completed the annual impairment test, in the fourth quarter of 2010 and 2009. Trademarks and goodwill are allocated to the Company's cash-generating units ("CGUs") identified according to country of operation and product category.

The following table provides information with regards to the allocation of trademark and goodwill to the CGU:

	As of December 31,							
	2010				2009			
		Racquet Sports		Diving		Racquet Sports		Diving
		(in thousands)				(in thousands)		
Trademark	€	10,654	€	--	€	10,396	€	--
Goodwill	€	1,138	€	1,813	€	1,103	€	1,641

In the impairment test on the trademarks and goodwill, the difference was calculated between the carrying value of the CGU which benefits from the business combination in which trademarks and goodwill arose and its recoverable amount. The recoverable amount of a CGU is determined based on value-in-use calculation. These calculations use cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated based on the price increase expected.

Management determined budgeted gross margin based on past performance and expected market development. The pre-tax discount rate 2010 is 8.1% (2009: 7.5%) and reflects specific risks relating to the Company's business.

Note 9 – Inventories

Inventories consist of the following:

	As of December 31,			
		2010		2009
		(in thousands)		
Raw materials and supplies	€	14,756	€	13,196
Work in progress		6,886		5,517
Finished goods		56,257		54,590
Provisions		(9,484)		(10,474)
Total inventories, net	€	68,416	€	62,829

The cost of inventories recognized as expense and included in "Cost of sales" amounted to €133.8 million and €129.0 million for the year ended December 31, 2010 and 2009, respectively.

The Company recognized an addition to the provision of €0.4 million and €2.8 million for impairment of inventories during the year ended December 31, 2010 and 2009, respectively. The Company used a provision for impaired inventories of €0.9 million and €5.0 million for the year ended December 31, 2010 and 2009, respectively.

Note 10 – Trade and Other Receivables

Accounts receivable consist of the following:

	As of December 31,			
		2010		2009
		(in thousands)		
Trade debtors	€	134,798	€	130,044
Other receivables		9,168		5,032
Allowance for doubtful accounts		(10,665)		(11,736)
Total accounts receivable, net	€	133,300	€	123,341
Less: long-term portion		(970)		(1,045)
Short-term portion	€	132,331	€	122,296

As of December 31, 2010 and 2009, the nominal value of long-term trade receivables was €1.0 million and €1.1 million, respectively. The average interest rate used for discounting was 5.2% and 5.5% for the year ended December 31, 2010 and 2009, respectively.

	As of December 31,			
		2010		2009
		(in thousands)		
Accounts Receivable Trade, net	€	124,132	€	118,308
thereof not overdue, not impaired		99,731		97,935
thereof overdue, not impaired				
1 - 30 days	€	4,942	€	5,423
31 - 60 days		666		693
61 - 90 days		188		243
over 90 days		508		323
	€	6,304	€	6,682
thereof impaired	€	18,097	€	13,691

For the Company's accounts receivable trade there is no credit rating available.

As of December 31, 2010, for trade receivables that are neither impaired nor past due, there are no indicators that the debtors will not meet their payment obligations. There is no concentration of credit risk with respect to trade receivables, as the Company has a large number of customers, internationally dispersed.

Other receivables do not contain impaired assets.

The following table shows trade receivables, gross by currency:

		As of December 31,		
		2010		2009
		(in thousands)		
EUR	€	77,105	€	76,745
USD		26,965		24,238
JPY		17,594		15,446
CAD		5,240		6,832
CHF		4,801		4,625
GBP		2,400		2,018
Other		692		139
Trade debtors		134,797		130,044
Allowance for doubtful accounts		(10,665)		(11,736)
	€	124,132	€	118,308

The following table shows the development of allowances on trade receivables:

		December 31,		
		2010		2009
		(in thousands)		
Balance as of January 1	€	11,736	€	12,981
Additions		2,235		452
Used		(1,458)		(1,298)
Released		(2,420)		(217)
Translation adjustments		572		(182)
Balance as of December 31	€	10,665	€	11,736

The following table presents income from recoveries on trade receivables written off:

		For the Years ended December 31,		
		2010		2009
		(in thousands)		
Income from recoveries on receivables written off	€	62	€	106

All income and expenses relating to allowances and write-offs of trade receivables are reported under selling and marketing expense.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

Note 11 – Available-for-Sale Financial Assets

Available-for-sale financial assets consist of the following:

		As of December 31, 2010		2009
		(in thousands)		
Available-for-Sale, short-term				
Money market funds	€	6,849	€	6,403
Other securities		172		170
Total Financial assets available-for-sale, current		7,021		6,573

Available-for-sale financial assets developed as follows during the years ended December 31, 2010 and 2009:

		Available-for-sale financial assets Current
		(in thousands)
Balance as of January 1, 2009	€	6,194
Change in fair value, recognized in other comprehensive income		379
Balance as of December 31, 2009	€	6,573
Change in fair value, recognized in other comprehensive income		448
Balance as of December 31, 2010	€	7,021

The following table is a summary of the Company's financial assets' (denominated in euro) gross unrealized losses and fair value, aggregated by category and length of time that individual financial assets have been in an unrealized loss position, at December 31, 2010 and 2009:

		As of December 31, 2010 Less Than 12 Months		
		Fair Value		Unrealized Losses
		(in thousands)		
Money market funds	€	4,983	€	(26)
Other securities		172		(23)
Total temporarily impaired securities	€	5,155	€	(49)

	As of December 31, 2009	
	Less Than 12 Months	
	Fair Value	Unrealized Losses
	(in thousands)	
Money market funds	€ 6,403	€ (582)
Other securities	170	(24)
Total temporarily impaired securities	€ 6,573	€ (606)

The Company considers money market funds to be almost cash. None of these financial assets are either past due or impaired.

Note 12 - Derivative Financial Instruments

The Company uses derivative instruments, specifically foreign exchange forward and option contracts, to hedge the foreign exchange risk related to its forecasted foreign currency denominated cash flows.

The following table provides information regarding the Company's foreign exchange forward and option contracts as of December 31, 2010 and 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 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)

	As of December 31, 2009			
	Notional Principal			
	in euro	Local currency converted into euro	Carrying value	Fair value
	(in thousands)			
Foreign exchange forward contracts	€ 31,029	€ 30,945	€ (271)	€ (271)
Foreign exchange option contracts	€ 3,683	€ 3,590	€ 16	€ 16

The counterparties to the foreign currency contracts are major international banks. Such contracts are generally for one year or less. Foreign exchange contracts are recorded in trade and other receivables or trade and other payables according to their fair value.

Note 13 –Equity

The Company is a Naamloze Vennootschap ("N.V."), a Dutch public Company with limited liability. The registered capital of a N.V. is in the form of shares which represent negotiable securities. The minimum registered and authorized capital requirement is €225,000 and the minimum paid in capital requirement for a N.V. is €45,000.

Other reserves include additional paid-in capital of €116.8 million as of December 31, 2010 and 2009, respectively.

As at December 31, 2010 and 2009 the nominal value of the 88,204,030 shares issued was €0.01.

As at December 31, 2009, the authorized share capital amounts to €1,991,033.84 and is divided into 199,103,384 shares with a nominal value of €0.01 per share. At the last general meeting of shareholders on May 27, 2010, the resolution was taken to increase the authorized share capital to €4.000.000.

	As of December 31,	
	2010	2009
	(in thousands)	
Shares issued	88,204	39,821
Less: Shares held by the Stichting	(260)	(260)
Capital Increase due to bond exchange offer	--	22,491
Capital Increase due to working capital facility	--	25,892
Shares outstanding	87,944	87,944

Dividends

In 2010 and 2009, the Company did not pay a dividend.

Increase in Share Capital

In connection with the exchange offer (conducted in 2009) of the Company's 8.5% senior notes the Company newly issued 22,491,278 shares to its bond holders and 25,892,075 to Head Sports Holdings N.V., an entity controlled by Mr. Johan Eliasch and his family members. (see Note 16).

Stichting

The Stichting Head Option Plan (the "Stichting") is a Dutch foundation, the Board of which is Head Sports Holdings N.V., an entity that is ultimately controlled by Mr. Johan Eliasch and his family members. The Stichting holds, votes, and receives dividends on certain of the Company's ordinary shares. In conjunction with the Company's option plans (see Note 25), the Stichting also issues depository receipts to option holders, upon exercise of the option. Holders of depository receipts are entitled to dividends paid on the Company's shares and to proceeds on the sales of their shares upon request to the Stichting. However, such holders have no voting rights.

As of January 1, 2004, 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. As a result of consolidating the Stichting shares held by the Stichting are presented as treasury shares in the consolidated balance sheets.

Treasury Shares

Pursuant to resolutions which were approved on May 27, 2010 the Board of Management is authorized to buy back a maximum of 50% of the Company's issued share capital during a period of 18 months.

In connection with the agreement between Mr. Johan Eliasch and the Company dated July 30, 2009, pursuant to which Mr. Johan Eliasch agreed to personally guarantee the obligations of the lender under a working capital facility of up to €10 million, the Company transferred 2,451,223 of its treasury shares to Head Sports Holdings N.V. (a Netherlands Antilles corporation) and its shareholders (both of which are controlled by Mr. Johan Eliasch and his family members) for the price of € 0.01 per share. The cost of the transferred treasury shares was €0.7 million.

The following table provides information about the movement of the number of treasury shares:

	As of December 31,	
	2010	2009
	(in thousands)	
Number of shares as of January 1	260	2,711
Transfer of treasury shares	--	(2,451)
Number of shares as of December 31	260	260

As of December 31, 2010 and 2009, the Company owned 260,022 shares of treasury shares, respectively which were held by the Stichting at December 31, 2010 and 2009.

Majority Shareholder

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 December 31, 2010. Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch and his family members resulting in the ability to significantly influence and control the Company's operations.

Note 14 – Trade and Other Payables

Accounts payable consist of the following:

	As of December 31, 2010	As of December 31, 2009
	(in thousands)	
Trade payables	€ 16,544	€ 12,123
Allowances	4,151	3,734
Commissions	2,456	2,588
Personnel expenses	8,718	7,030
Deferred Income	2,202	1,752
Interest	3,254	3,270
Legal, Audit, Consulting	3,059	2,831
Fiscal Authorities	5,319	4,114
Advertising	3,612	4,089
Social Institution	1,422	1,167
Freight & duties	1,793	1,249
Other	7,129	5,055
Total	€ 59,658	€ 49,003

All trade and other payables are current as the settlement is expected within 12 months.

Note 15 – Provisions

Provisions consist of the following:

	Warranty	Product Liability	Litigation	Restructuring	Other	Total
			(in thousands)			
Net book value as of January 1, 2009	€ 3,880	€ 104	€ 3,891	€ 2,087	€ 2,532	€ 12,493
Current year provision booked to expense	1,670	48	--	48	2,236	4,002
Amount paid (use of provision)	(1,400)	(13)	(28)	(1,681)	(1,237)	(4,359)
Reversal booked to income or expense (unused amount)	--	(48)	(601)	(81)	(227)	(957)
Exchange difference	(2)	--	--	(6)	(57)	(65)
Net book value as of December 31, 2009	€ 4,147	€ 90	€ 3,263	€ 367	€ 3,247	€ 11,114
Current year provision booked to expense	731	--	617	--	2,282	3,630
Amount paid (use of provision)	(1,165)	(2)	(12)	(276)	(1,265)	(2,720)
Reversal booked to income or expense (unused amount)	--	(14)	--	(94)	(942)	(1,050)
Exchange difference	6	6	--	13	195	220
Net book value as of December 31, 2010	€ 3,719	€ 80	€ 3,869	€ 10	€ 3,517	€ 11,195

	As of December 31,	
	2010	2009
	(in thousands)	
Non-current	€ 3,068	€ --
Current	8,127	11,114
	€ 11,195	€ 11,114

Based on the nature of our business and the liabilities involved, most of our provisions are materially considered current, based on the criteria in IAS 1.69.

Warranty
The Company sells certain of its products to customers with a product warranty that provides free of cost repairs or the issuance of credit notes to the customer. The length of the warranty term varies from one to two years and depends on the product being sold. The Company accrues its estimated exposure to warranty claims based upon historical warranty claim costs as a percentage of sales multiplied by prior sales still under warranty at the end of any period. In 2010, the Company classified €2.1 million as non-current warranty provision where the outflow of resources occurs after 12 months.

Product Liability
Some of the Company's products are used in relatively high-risk recreational settings, and from time to time the Company is named as a defendant in lawsuits asserting product liability claims relating to the Company's sporting goods products. The Company maintains product liability based on past experiences and taking into account the coverage of the Company's product liability insurance. Management regularly reviews any cases and adjusts its estimations.

Litigation
From time to time the Company and its subsidiaries are involved in legal proceedings, claims and lawsuits arising in the ordinary course of business such as suits with several parties including competitors, customers for past receipts, former employees, suppliers and licensees. However, management believes that the resolution of these matters will not materially affect the Company's financial position.

Restructuring
Throughout 2009, the Company performed various restructuring programs. These programs consisted of the following:

Shut-down of tennis ball facility
After shifting tennis ball production from the U.S. to China it was decided to shut-down the U.S. tennis ball factory.
As of December 31, 2008, the Company recorded €3.2 million of restructuring cost consisting of € 2.1 million of additional depreciation of fixed assets and €1.0 million termination benefits, which were accrued in 2008.
As of December 31, 2009, the Company paid out €0.7 million of these accrued costs and paid an additional €0.4 million of costs associated with the dismantling of the plant and incurred

additional costs of €1.0 million on writing off fixed assets. The Company largely completed the program during 2009.

Reorganization of ski production
In October 2007, the Company announced the transfer of parts of the ski production from its site in Kennelbach, Austria to its site in České Budejovice, Czech Republic to reduce fixed cost. As of December 31, 2007, the Company recognized €1.6 million relating to this program mainly consisting of €1.0 million employee severance cost, €0.5 million cost for deconstruction and €0.1 million engineering cost.
As of December 31, 2008, the Company used €0.3 million, €0.3 million of severance cost was released and additional cost of €0.9 million in relation to scrapping and writing off fixed assets and €0.2 million of termination benefits incurred.
In 2009, the Company paid €0.9 million of the accrual. Additional €0.8 million of transfer cost and production inefficiency incurred. The Company largely completed the program during 2009. In 2010, the Company paid €0.3 million of the accrual.

Other
The company's requirements in respect of product return risk in various markets depends on the relationship with the customers and is based on a constructive obligation (IAS 37.10) deriving from a long-term co-operation. Although each and every individual product return is not considered probable, such product return provision is not based on individual considerations, but based on a large population of items, in line with the requirements of providing for warranties and in accordance with the requirements of IAS 37.39. Considering the constructive obligation for product return and the element of a large population of items this does result in a probable outflow of resources. Historically, the actual use of this provision supports the existence of a liability.

A provision of €1.0 million was recorded in relation to an environmental matter and was classified as non-current in 2010.

Note 16 – Borrowings

	As of December 31, 2010 (at amortized costs)				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years
	(in thousands)				
Lines of credit	€ 22,347	€ 22,347	€ --	€ --	€ --
Senior notes	27,790	--	--	27,790	--
Senior secured notes	35,341	--	35,341	--	--
Sale-leaseback transaction	9,532	174	386	441	8,531
Mortgages	5,499	2,853	1,342	635	669
Liabilities against venture partner	2,694	--	--	--	2,694
Other borrowings, non-current	6,462	649	636	542	4,634
	€ 109,666	€ 26,024	€ 37,705	€ 29,407	€ 16,530

	As of December 31, 2009 (at amortized costs)				
as Amended	Total	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years
	(in thousands)				
Lines of credit	€ 20,287	€ 20,287	€ --	€ --	€ --
Senior notes	27,705	--	--	27,705	--
Senior secured notes	31,503	--	31,503	--	--
Sale-leaseback transaction	9,695	163	361	412	8,759
Mortgages	4,191	822	1,896	547	926
Liabilities against venture partner	2,499	--	--	--	2,499
Other borrowings, non-current	6,304	862	871	588	3,983
	€ 102,185	€ 22,134	€ 34,631	€ 29,253	€ 16,168

Borrowings are denominated in the following currencies:

	As of December 31,	
	2010	2009 *as Amended*
	(in thousands)	
EUR	€ 90,548	€ 86,213
USD	4,792	4,657
JPY	10,924	9,281
CNY	3,401	2,034
Total Borrowings	€ 109,666	€ 102,185

The tables below show contractually agreed (undiscounted) interest payments and repayments of the financial liabilities:

	Obligations December 31, 2010	CASH FLOW 2011			CASH FLOW 2012 - 2013		
		Interest fixed	Interest variable	Re-demption	Interest fixed	Interest variable	Re-demption
				(in thousands)			
Lines of credit	€ 22,347	€ --	€ 540	€ 22,347	€ --	€ --	€ --
Senior notes	27,790	2,389	--	--	4,777	--	--
Senior secured notes	35,341	4,374	--	--	2,551	--	43,738
Sale-leaseback	9,532	629	--	174	1,221	--	386
Mortgages	5,499	334	--	2,852	366		1,342
Liab. venture partner	2,694	323	--	--	647	--	--
Other borrowings, non-current	6,462	139	--	648	22	244	636
	€ 109,666	€ 8,188	€ 540	€ 26,022	€ 9,584	€ 244	€ 46,102

	CASH FLOW 2014 - 2015			CASH FLOW THEREAFTER		
	Interest fixed	Interest variable	Re-demption	Interest fixed	Interest variable	Re-demption
			(in thousands)			
Lines of credit	€ --	€ --	€ --	€ --	€ --	€ --
Senior notes	199	--	28,102	--	--	--
Senior secured notes	--	--	--	--	--	--
Sale-leaseback	1,166	--	441	833	--	8,531
Mortgages	147	--	635	48	--	669
Liab. venture partner	647	--	--	300	--	2,694
Other borrowings, non-current	11	244	542	2	122	4,634
	€ 2,170	€ 244	€ 29,720	€ 1,183	€ 122	€ 16,529

Lines of credit contain revolving credit lines, which are negotiable on a frequent basis. Until the maturity date of the Company's 8.5% senior notes an addition to disagio of €0.3 million will be booked to liabilities. Regarding the Company's 10% senior secured notes an addition to disagio of €8.4 million will be booked to liabilities until the maturity date.

Borrowings, current

Borrowings, current consist of the following:

	As of December 31,	
	2010	2009
	(in thousands)	
Lines of credit	€ 22,347	€ 20,287
Current maturities of borrowings, non-current	3,676	1,847
Total Borrowings, current	€ 26,023	€ 22,133

In the second quarter of 2001, the Company's subsidiaries entered into a financing agreement providing multiple revolving credit lines with the "Österreichische Kontrollbank" ("OEKB") which were renegotiated in 2003, in the total amount of €15.0 million secured by all Austrian trade receivables. As of December 31, 2010, the fair value of trade receivables that serve as collateral for the Company's revolving credit lines was €54.9 million (2009: €56.5 million).

In addition, the Company used lines of credit with several banks in France and Japan of €7.3 million and had no unused lines of credit. In 2009, the Company used lines of credit with several banks in France and Japan of €5.3 million and had €3.3 million in unused lines of credit. The French lines of credit are secured by all French trade receivables.

The weighted average interest rate on outstanding short-term borrowings was 2.33% and 2.48% as of December 31, 2010 and 2009, respectively.

The amount of current borrowings recognized in the consolidated balance sheet approximates the fair value.

In case entities within the group default on their loan agreement, the relevant bank has the right to receive the cash flows from the financial assets serving as collateral at the time of default.

Borrowings, non-current

Borrowings, non-current consist of the following:

	As of December 31,			
		2010		2009 as Amended
		(in thousands)		
Senior notes	€	27,790	€	27,705
Senior secured notes		35,341		31,503
Liability against venture partner		2,694		2,499
Other long-term debt		21,493		20,191
Total borrowings, non-current	€	87,318	€	81,898
Less current portion		(3,676)		(1,847)
Non-current portion	€	83,642	€	80,051

Senior Notes and Senior Secured Notes

In January 2004, one of the Company's subsidiaries issued €135.0 million of 8.5% unsecured senior notes due 2014, guaranteed by the Company and certain of its subsidiaries. The notes are listed on the Luxembourg Stock Exchange.

In June 2004, the Company repurchased the equivalent of €5.5 million of its 8.5% senior notes for €5.0 million and realized a gain of €0.3 million. As a result of this transaction, the Company wrote-off €0.1 million of debt issue costs. In 2005, the Company repurchased the equivalent of €15.7 million of its 8.5% senior notes for €14.3 million and realized a gain of €0.9 million. As a result of this transaction, the Company wrote-off €0.1 million of debt issue costs.
On April 21, 2009, the Company announced a private exchange offer to exchange its outstanding €135.0 million 8.5 % senior notes due 2014. On July 30, 2009, after negotiations with a group of major bondholders, the Company announced the improved terms of the

exchange offer put forward by the Company in order to guarantee the success of the exchange and safeguard the Company's economic survival. The offer consisted of €510,625 aggregate principal amount of newly issued secured notes (senior secured notes) and 262,372 ordinary shares for each €1,000 principal amount of existing notes exchanged.

This exchange offer expired on August 13, 2009, and the consideration was distributed to the note holders on August 19, 2009.

As of the expiration date, €85,723,000 in principal amount of existing notes had been validly tendered (75.3% taking into account the cancellation of €21.2 million 8.5% senior notes held by a subsidiary) and were accepted for exchange into approximately €43,738,000 in aggregate principal amount of senior secured notes and 22,491,278 shares newly issued to the note holders.

In addition, tendering note holders forfeited any interest accrued on the existing notes from and including February 2, 2009 up to and including August 1, 2009. Accordingly, approximately €3.6 million of interest accrued have been forfeited.

As a result of the successful closure of the exchange offer, the Company recorded a gain of €40.3 million consisting of €42.0 million waiver of the 8.5% senior notes, €3.6 million gain on interest forfeited, reduced by €5.3 million of expense relating to the exchange of the senior notes.

As described in Note 3, the Company amended the gain recorded in connection with the exchange offer to €38.1 million consisting of €42.0 million waiver of the 8.5% senior notes, €13.7 million gain from the adjustment to the fair value of the Senior Secured Notes, €15.8 million expense consisting of the adjustment to the fair value of the shares issued to the bond holders of €7.6 million and in connection with the working capital guarantee of €8.2 million, €3.6 million gain on interest forfeited and €5.3 million of expenses related to the exchange of the senior notes.

The senior secured notes are jointly and severally guaranteed by certain subsidiaries, and are secured by pledges or charges, as applicable, over certain inventory and trade receivables of certain subsidiaries, and cash under certain circumstances. As of December 31, 2010, the fair value of trade receivables and inventory that serve as collateral was €33.7 million and €30.6 million (2009: €31.4 million and €30.1 million), respectively.

The senior secured notes will mature on August 1, 2012, subject to the Company's right to extend the maturity date to February 1, 2014 upon payment of an extension fee equal to 1% of the aggregate principal amount of the senior secured notes then outstanding.

The Company may, at its option, elect to pay interest on the secured senior notes (a) at the rate of 10% per annum in cash; or (b) at the rate of (i) 8.5% per annum in cash and (ii) 3.5% per annum through the issuance of payment-in-kind notes.

On July 30, 2009, Head Sports Holdings N.V. and Mr. Johan Eliasch entered into an agreement with the Company pursuant to which Mr. Johan Eliasch agreed to personally guarantee the obligations of the lender under a working capital facility of up to €10 million to be entered into by the Company on commercially reasonable terms with a bank or other financial institution on or prior to the closing of the Exchange Offer, provided that Mr. Johan Eliasch's personal guarantee would have not been required if such facility was provided by a bank or other financial institution organized under the laws of the United States of America or any state thereof or the District of Columbia or any member state of the European Union as of July 30, 2009 having combined capital and surplus of not less than €250 million as of the date of the guarantee undertaking. In consideration for the guarantee undertaking, Head Sports Holdings N.V. and its shareholders had received 28,343,298 ordinary shares of Head N.V. in exchange of €0.01 per share on the settlement date of the exchange offer. The cost of the issued shares was €8.2 million.

At December 31, 2010, the Company had €27.8 million (2009: €27.7 million) of senior notes and €35.3 million (2009: €31.5 million - amended) of senior secured notes outstanding.

The effective interest rate for the senior notes in 2010 was 8.6%, for the senior secured notes 12.38%.

Sale-Leaseback Transaction

One of the Company's subsidiaries entered into an agreement on June 28, 2002, whereby it sold land and building to an unrelated bank and leased it back over a 15 year term. The proceeds of this sale were €10.6 million. The Company has the obligation to purchase the property back after 15 years for €8.2 million. The Company may also repurchase the property at its option from the first until the tenth year of the arrangement for the present value of the future lease payments and the remaining residual value.

The Company is also required to pay the bank a monthly deposit of €0.01 million, which will be repaid to the Company, plus interest of 6.7%, at the time of repurchase.

Because of the Company's continuing involvement, this transaction has been accounted for as a finance lease such that the Company has recorded €10.6 million of cash and long-term borrowings at the inception date of this agreement. At December 31, 2010, the remaining obligation under the financing agreement is €9.5 million (2009: €9.7 million).

The Company's future minimum lease payments are as follows:

		As of December 31, 2010
		(in thousands)
2011	€	803
2012		803
2013		803
2014		803
2015		803
Thereafter		9,365
Total minimum payments		13,381
Amount representing interest		(3,849)
Finance Lease Obligation		9,532
Obligations due within one year		(174)
Long-term Finance Lease Obligation	€	9,358

As of December 31, 2010, the net book value of land and building under the sale-leaseback arrangement consists of the following (in thousands):

		Land		Building
Cost	€	1,020	€	8,386
Less: Accumulated depreciation		--		(7,624)
Net book value	€	1,020	€	763

Mortgage Agreements

In 2002, one of the Company's subsidiaries entered into a mortgage agreement secured by the Penn Phoenix property with an unrelated financial institution of €4.9 million ($4.8 million) over a 15 year term at an interest rate of 7.33%. At December 31, 2010, the outstanding balance of the mortgage was €2.1 million (2009: €2.2 million) and the carrying value of the property was €1.4 million (2009: €1.4 million).

In July 2009, one of the Company's subsidiaries has reached an agreement to enter into a loan agreement with Bank of China Co., Ltd. Under this agreement, the Company drew RMB 20.0 million (approximately €2.1 million) for financing its working capital requirements. The loan bears interest at a variable rate equal to the China Central Bank standard three-year term loan rate applicable on the date of the draw-down, plus a 7% margin. The interest rate will be re-set on the anniversary date of the draw-down. The loan is repayable in three installments of RMB 6.0 million in 2010 and RMB 7.0 million in each of 2011 and 2012. In August 2010, the same subsidiary entered into an additional short-term loan agreement and drew RMB 16.0 million (approximately €1.8 million). The loan is redeemable after one year. The yearly interest rate is fixed at 5.58%. These loans are secured by the subsidiary's property and building. At December 31, 2010 the outstanding balance of the mortgage was €3.4 million (2009: €2.0 million) and the carrying value of the property was €2.8 million (2009: €2.6 million).

Liability against venture partner

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 have a 83% and 17% interest in the newly formed company, respectively. This venture qualifies 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, 2010, the Company recorded a liability of €2.7 million (2009: €2.5 million) for the contribution of its partner.

The Company's partner in this venture has the right to receive a guaranteed yearly dividend of 12% on its investment balance.

Other long-term debt

In August 2006, the Company renegotiated the terms of its outstanding credit lines of Japanese Yen ("JPY") 1,382.9 million (€8.8 million) with a Japanese bank and agreed a semi-annual prepayment of JPY 24.5 million (€0.2 million) for five years. As a consequence the Company reclassified €4.5 million from bank overdraft to long-term debt and €0.2 million to current maturities of long-term debt. As the agreement described above ends in September 2011, the Company will renegotiate the agreement starting in April 2011 and expects an extension.

Other long-term debt comprises secured loans in Italy outstanding with several banks. In 2009, the Company paid back the rest of a loan with a bank in the Czech Republic.

The weighted average interest rate on other long-term debt was 2.82% and 2.86% as of December 31, 2010 and 2009, respectively. Borrowings mature at various dates through 2016. At December 31, 2010 and 2009, the remaining outstanding long-term debt is €6.5 million and €6.3 million, respectively.

In case entities within the group default on their loan agreement, the relevant bank has the right to receive the cash flows from the financial assets serving as collateral at the time of default.

Note 17 – Additional Disclosures on Financial Instruments

The following table provides carrying amounts, amounts recognized and fair values of financial assets and liabilities by category.

	Category in accordance with IAS 39	Carrying amount Dec. 31, 2010	Amounts recognized in balance sheet according to IAS 39			Fair value Dec. 31, 2010
			Amortized cost	Fair value recognized in equity	Fair value recognized in profit or loss	
				(in thousands)		
Assets						
Cash and cash equivalents	LaR €	51,271 €	51,271 €	-- €	-- €	51,271
Trade receivables	LaR	124,132	124,132	--	--	124,132
Other receivables	LaR	6,190	6,190	--	--	6,190
Available-for-sale financial assets	AfS	7,021	--	7,021	--	7,021
	€	188,614 €	181,593 €	7,021 €	0 €	188,614
Liabilities						
Trade payables	FLAC €	16,544 €	16,544 €	-- €	-- €	16,544
Other payables	FLAC	25,454	25,454	--	--	25,454
Derivative financial liabilities	FVtPL	1,546	--	--	1,546	1,546
Lines of credit	FLAC	22,347	22,347	--	--	22,347
Senior Notes	FLAC	27,790	27,790	--	--	26,135
Senior secured notes	FLaC	35,341	35,341	--	--	41,988
Sale-Leaseback	FLAC	9,532	9,532	--	--	7,484
Mortgages	FLAC	5,499	5,499	--	--	5,077
Liabilities against Venture Partner	FLAC	2,694	2,694	--	--	2,694
Other borrowings, non-current	FLAC	6,462	6,462	--	--	6,462
	€	153,209 €	151,663 €	-- €	1,546 €	155,732
Aggregated by category in accordance with IAS 39:						
Loans and receivables	LaR €	181,593 €	181,593 €	-- €	-- €	181,593
Available-for-sale financial assets	AfS	7,021	--	7,021	--	7,021
Financial liabilities at amortized cost	FLaC	151,663	151,663	--	--	154,186
At fair value through profit or loss	FVtPL	1,546	--	--	1,546	1,546

as Amended	Category in accordance with IAS 39	Carrying amount Dec. 31, 2009	Amounts recognized in balance sheet according to IAS 39			Fair value Dec. 31, 2009
			Amortized cost	Fair value recognized in equity	Fair value recognized in profit or loss	
				(in thousands)		
Assets						
Cash and cash equivalents	LaR	€ 36,935	€ 36,935	€ --	€ --	€ 36,935
Trade receivables	LaR	118,308	118,308	--	--	118,308
Other receivables	LaR	5,025	5,025	--	--	5,025
Available-for-sale financial assets	AfS	6,573	--	6,573	--	6,573
		€ 166,841	€ 160,269	€ 6,573	€ --	€ 166,841
Liabilities						
Trade payables	FLaC	€ 12,123	€ 12,123	€ --	€ --	€ 12,123
Other payables	FLaC	22,816	22,816	--	--	22,816
Derivative financial liabilities	FVtPL	255	--	--	255	255
Lines of credit	FLaC	20,287	20,287	--	--	20,287
Senior notes	FLaC	27,705	27,705	--	--	17,423
Senior secured notes	FLaC	31,503	31,503	--	--	33,460
Sale-Leaseback	FLaC	9,695	9,695	--	--	9,534
Mortgages	FLaC	4,191	4,191	--	--	4,597
Liabilities against Venture Partner	FLaC	2,499	2,499	--	--	2,499
Other borrowings, non-current	FLaC	6,304	6,304	--	--	6,304
		€ 137,379	€ 137,124	€ --	€ 255	€ 129,298
Aggregated by category in accordance with IAS 39:						
Loans and receivables	LaR	€ 160,269	€ 160,269	€ --	€ --	€ 160,269
Available-for-sale financial assets	AfS	6,573	--	6,573	--	6,573
Financial liabilities at amortized cost	FLaC	137,124	137,124	--	--	129,043
At fair value through profit or loss	FVtPL	255	--	--	255	255

Cash and cash equivalents, and trade and other receivables mainly have short times to maturity. For this reason, their carrying amounts at the reporting date approximate the fair values. Trade and other payables, as well as other liabilities, generally have short times to maturity; the values reported approximate the fair values. The fair values of the senior notes equal the nominal amounts multiplied by the price quotations at the reporting date. The fair values of liabilities to banks and other financial liabilities are calculated as the present values of the payments associated with the debts, based on the applicable yield curve and the Company's credit spread curve for specific currencies.

The tables below shows net gain (loss) by category for 2010 and 2009:

	For the Year Ended December 31, 2010						
		From Subsequent Measurement					
	Interest Income/ (Expense)	Fair Value (Loss)	Foreign Exchange Gain/ (Loss)	Reversal of Impairment	(Loss) on Disposal	Other Income	Net Gain/ (Loss)
	(in thousands)						
Loans and receivables (LaR)	€ 510	€ (7)	€ 1,040	€ 278	€ (64)	€ 345	€ 2,102
At fair value through profit or loss (FVtPL)	--	(206)	(4,228)	--	--	--	(4,434)
Available-for-sale financial assets (AfS)	217	--	--	--	--	--	217
Financial liabilities at amortized cost (FLaC)	(9,085)	(3,998)	128	--	--	--	(12,955)
	€ (8,358)	€ (4,211)	€ (3,060)	€ 278	€ (64)	€ 345	€ (15,070)

as Amended	For the Year Ended December 31, 2009						
		From Subsequent Measurement					
	Interest Income/ (Expense)	Fair Value Gain/ (Loss)	Foreign Exchange Gain/ (Loss)	Impairment	Gain on Disposal	Other Income	Net Gain/ (Loss)
	(in thousands)						
Loans and receivables (LaR)	€ 409	€ 40	€ 2,097	€ (175)	€ 6	€ 320	€ 2,697
At fair value through profit or loss (FVtPL)	--	(64)	(381)	--	--	--	(445)
Available-for-sale financial assets (AfS)	233	--	--	--	--	--	233
Financial liabilities at amortized cost (FLaC)	(10,612)	--	(624)	(1,442)	--	40,854	28,176
	€ (9,970)	€ (24)	€ 1,092	€ (1,617)	€ 6	€ 41,174	€ 30,661

In 2009, "Other Income" includes the gain on the waiver of the Company's 8.5% senior notes (see Note 16).

The Company recognized all components of net gain/(loss) in "Interest and investment income", "Interest expense" and "Other non-operating income, net", except for impairment/reversals of impairment of trade receivables. Those are reported under "Selling and marketing expense". Foreign exchange gains/(losses) of trade receivables are recognized under "Other operating (income) expense, net".

Note 18 – Other Long-Term Liabilities

	As of December 31,			
		2010		2009
		(in thousands)		
Deferred income, non-current	€	5,275	€	4,561
Liability on share-based payments		225		9,475
Other		338		177
Total other long-term liabilities	€	5,838	€	14,212

Other long-term liabilities include a long-term portion of deferred income from long-term licensing agreements.

In July 2005, the Company agreed to extend an existing long-term licensing agreement started on April 1, 2005 for a further 10 years until 2019 and has received a prepayment in the amount of €4.9 million for the extended period. Additionally, the payment terms of the original agreement have been amended and it was agreed that the prepayment of €4.1 million received in November 2004 represents a one time fee with no future royalty payments. The prepayments were recorded as deferred income in the consolidated balance sheet and are recognized over the contract period.

In 2010 the Company entered into another long-term licensing agreement. The prepayments of €1.4 million as of December 31, 2010 were recorded as deferred income in the consolidated balance sheet and are recognized over the contract period.

At December 31, 2010, the deferred income balance (non-current portion) associated with all long-term licensing agreements was €5.3 million (2009: €4.6 million). The Company recognized the short-term portion of the long-term licensing agreements of €1.1 million (2009: €0.9 million) in trade and other payables.

The Company records liabilities on share-based payments in relation to its stock option plans (see Note 25).

On December 1, 2010, the Management Board resolved that the Stock Option Plans 2009 will be equity-settled, which leads to a decrease of the liability on share-based payments of €7.8 million compared to the liability of December 31, 2009. The residual decrease is due to lower fair values of the remaining Stock Option Plans (see Note 25).

The Company converted a funded defined benefit plan into a defined contribution plan over a transition period until 2012. Additional payments of €0.2 million to be made are recorded within "Other long-term liabilities" (see Note 19).

Note 19 – Employee benefits

The Company funds pension and other postretirement benefit plans paid to employees at some Austrian, other European and Japanese locations. The indemnities are based upon years of service and compensation levels and are generally payable upon retirement or dismissal in some circumstances, after a predetermined number of years of service. For the year ended December 31, 2010 the only pension plan that includes plan assets is the French pension plan.

In 2009, the French and Japanese pension plans included plan assets. The Company maintains sufficient assets to meet the minimum funding requirements set forth by the regulations in each country. The discount rate is based on the return of high quality corporate bonds at the reporting date.

In 2010, one of the Company's funded defined benefit plans was converted into a defined contribution plan, accordingly the obligation of €0.7 million and related plan assets of €0.4 million have been transferred to a third party. In 2011 and 2012, the Company has to pay €0.2 million. This amount is recognized in "Other long-term liabilities" (see Note 18).

Pension benefits and other postretirement benefit plans have developed as follows:

	As of December 31,	
	2010	2009
	(in thousands)	
Beginning of the year	€ 14,275	€ 14,643
Charge to income	1,172	1,280
Payments	(556)	(1,687)
Release	(8)	(11)
Transfer out	(502)	--
Translation adjustment	132	51
End of the year	€ 14,514	€ 14,275

Other postretirement benefits include anniversary bonuses and severance obligations. The table below shows the obligations and unfunded status:

	Pension Benefits				Other Benefits			
	2010		2009		2010		2009	
Change in benefit obligation	(in thousands)				(in thousands)			
Benefit obligation at beginning of year	€	5,780	€	5,193	€	10,712	€	10,926
Service cost		149		121		383		385
Interest cost		261		244		441		569
Transfer		(748)		5		(186)		(16)
Actuarial loss (gain)		(2)		409		489		479
Benefit payments		(86)		(145)		(493)		(1,618)
Translation adjustment		115		(47)		85		(11)
Benefit obligation at end of year	**€**	**5,469**	**€**	**5,780**	**€**	**11,431**	**€**	**10,712**
Change in plan assets								
Fair value of plan assets								
at beginning of year		711		792		--		--
Expected return on plan assets		19		18		--		--
Employer contribution		--		7		--		--
Benefit payments		(23)		(83)		--		--
Transfer		(432)		--		--		--
Translation adjustment		51		(24)		--		--
Fair value of plan assets at end of year	**€**	**326**	**€**	**711**	**€**	**--**	**€**	**--**
Unfunded status		5,143		5,069		11,431		10,712
Unrecognized net actuarial loss		(152)		(167)		(1,909)		(1,350)
Translation adjustment				3		--		--
Net amount recognized	€	4,991	€	4,905	€	9,522	€	9,362

The benefit obligation has developed as follows:

	Pension Benefits				Other Benefits			
	2010		2009		2010		2009	
	(in thousands)				(in thousands)			
Benefit obligation, unfunded	€	5,241	€	4,726	€	11,431	€	10,712
Benefit obligation, wholly or partially funded		228		1,054		--		--
Benefit obligation at end of year	€	5,469	€	5,780	€	11,431	€	10,712

The decrease in the wholly or partially funded benefit obligation is due to the conversion of a funded defined benefit plan into a defined contribution plan.

Amounts recognized in the consolidated balance sheet consist of:

		Pension Benefits				Other Benefits		
		2010		2009		2010		2009
		(in thousands)				(in thousands)		
Other assets	€	--	€	8	€	--	€	--
Accrued benefit cost	€	4,991	€	4,913	€	9,522	€	9,362

Accrued benefit costs are included in the balance sheet line item "Employee benefits" on the consolidated balance sheets. The Company expects to make insignificant amounts of employer contributions during the years 2011 to 2014.

The contribution for defined contribution plans for the year ended December 31, 2010 amounted to €0.7 million (2009: €0.1 million). Due to a change in local law one of the Company's actual defined benefit plan obligations remain within the Company while future obligations have changed to defined benefit contributions.

The components of net periodic benefit costs consist of the following:

		Pension Benefits				Other Benefits		
		2010		2009		2010		2009
		(in thousands)				(in thousands)		
Service cost	€	149	€	121	€	383	€	385
Interest cost		261		244		441		569
Expected return on plan assets		(19)		(18)		--		--
Recognized actuarial (gain) loss		27		(2)		(70)		(19)
Net periodic benefit cost	€	418	€	345	€	754	€	935

The unrecognized actuarial gains/losses have developed as follows:

		Pension Benefits				Other Benefits		
		2010		2009		2010		2009
		(in thousands)				(in thousands)		
Opening unrecognized actuarial gain (loss)	€	(167)	€	172	€	(1,350)	€	(823)
Gain (loss) for the period		2		(409)		(489)		(479)
Recognized actuarial (gain) loss		27		(2)		(70)		(19)
Prior year adjustments		--		--		--		(29)
Translation adjustment		(14)		72		--		--
Closing unrecognized actuarial loss	€	(152)	€	(167)	€	(1,909)	€	(1,350)

The weighted average assumptions used to determine benefit obligations are as follows:

	Pension Benefits		Other Benefits	
	2010	2009	2010	2009
Discount rate	4.5%	4.8%	4.4%	4.9%
Rate of compensation increase	2.5%	2.4%	2.9%	2.9%
Expected return on plan assets	5.0%	3.0%	--	--

The plan assets of the Japanese pension plan consisted of equity funds at December 31, 2009. In 2010 those plan assets in the amount of €0.4 million have been transferred to a third party in accordance with a transfer agreement to convert a defined benefit plan into a defined contribution plan. The plan assets of the French pension plan consist of an insurance contract.

	As of December 31,				
	2010	2009	2008	2007	2006
			(in thousands)		
Present value of defined benefit obligations	€ 16,900	€ 16,492	€ 16,119	€ 17,168	€ 18,588
Fair Value of plan assets	326	711	792	334	405
Deficit	€ 16,575	€ 15,781	€ 15,327	€ 16,835	€ 18,183
Experience adjustments on plan liabilities	€ (487)	€ (70)	€ (939)	€ (771)	€ (80)
Experience adjustments on plan assets	€ --	€ --	€ 7	€ 8	€ 9

Note 20 – Operating Leases

The Company leases certain office space, warehouse facilities, transportation and office equipment under operating leases which expire at various dates through 2019. Rent expense was €4.1 million for the years ended December 31, 2010 and 2009.

Future minimum payments under non-cancelable operating leases with initial or remaining lease terms in excess of one year are as follows as of December 31, 2010:

	As of December 31, 2010
	(in thousands)
2011	€ 4,199
2012	2,853
2013	2,261
2014	1,253
2015	826
Thereafter	274
	€ 11,666

In July 2004, Head signed a new long-term supplier contract for tennis, squash and racquetball racquets effective April 1, 2005 to renew business relations with an existing supplier. The agreement automatically extended after the agreed expiration date, December 31, 2009, as neither of the two parties had cancelled. This agreement contains an operating lease for warehouse facilities and machinery and equipment. The future minimum payments are included within above table.

Note 21 – Fair Value and Other Reserves Including Cumulative Translation Adjustment

The following table shows the components of fair value and other reserves/CTA:

	Foreign Currency Translation Adjustment	Foreign Exchange Gain (Loss) on Invested Intercompany Receivables	Unrealized Loss on AfS-Securities	Fair Value and Other Reserves/ CTA
		(in thousands)		
Balance at January 1, 2009	€ (2,445)	(6,359) €	(890) €	(9,694)
Current period changes, net of tax	--	--	284	284
Translation Adjustments	(680)	16	--	(663)
Balance at December 31, 2009	€ (3,124)	(6,343) €	(606) €	(10,073)
Current period changes, net of tax	--	--	336	336
Translation Adjustments	4,263	489	--	4,751
Balance at December 31, 2010	€ 1,138	(5,854)	(270)	(4,986)

As of January 1, 2004, one of the Company's euro-based subsidiaries recognized non-euro denominated permanently invested intercompany accounts receivable.

Note 22 – Income Taxes

The following table summarizes the significant differences between the Dutch federal statutory tax rate and the Company's effective tax rate for financial statement purposes.

	As of December 31,	
	2010	2009
		as Amended
Dutch statutory tax rate	25.5%	25.5%
Tax rate differential	1.1	(1.1)
Other taxes	3.4	6.4
Prior year adjustments	(3.9)	0.5
Non deductible (income) expense	(7.8)	14.7
Changes in tax rates	8.3	0.2
Effect on non-recognized tax losses	(3.5)	3.8
Effective tax rate	23.2%	50.0%

In 2010, the Company's effective tax rate only slightly differed from the statutory tax rate in the Netherlands. The effect of share-based compensation income of €3.1 million, which has no tax effect, was offset by a decrease of the used tax rate in one of the Company's operating countries.

In 2009, the Company's effective tax rate differed from the statutory tax rate in The Netherlands primarily due to €9.1 million share-based compensation expenses, which have no tax effect. Other taxes include expense of €1.7 million accrued for income tax liabilities of prior years. Due to the amendment described in Note 3, the profit before taxes decreased by €3.6 million while (deferred) income tax expense increased by €1.1 million, which leads to an effective tax rate of 50.0% for 2009.

The total tax expense includes the following positions:

	As of December 31, 2010	As of December 31, 2009 as Amended
	(in thousands)	
Current income tax expense	€ (1,306)	€ (2,010)
Income tax expense of prior period adjustments	184	(777)
Deferred tax expense relating to the origination and reversal of temporary differences	480	(4,242)
Deferred tax expense relating to the use of tax losses	(785)	(10,469)
Deferred tax expense relating to changes in tax rates	(790)	(75)
	€ (2,217)	€ (17,573)

The movements in deferred tax assets and liabilities during the year ended December 31, 2010 are as follows:

	December 31, 2010	(Charged) /credited to income	(Charged) /credited to OCI	Exchange differences	December 31, 2009
		(in thousands), 2009 as Amended			
Short-term:					
Deferred tax asset:					
Tax loss carried forward €	741 €	(639) €	-- €	-- €	1,380
Impairment of inventory	3,895	59	--	35	3,801
Impairment of accounts receivable	1,000	(64)	--	131	934
Provisions	2,055	(286)	--	77	2,263
Other	585	254	--	20	311
Total Short-term deferred tax assets €	8,275 €	(676) €	-- €	263 €	8,688
Deferred tax liabilities:					
Liabilities €	(1,909) €	(213) €	-- €	(0) €	(1,696)
Other	(153)	145	(112)	(0)	(185)
Total Short-term deferred tax liability €	(2,062) €	(69) €	(112) €	(0) €	(1,881)
Total Short-term deferred tax asset, net €	6,214 €	(745) €	(112) €	263 €	6,807
Long-term:					
Deferred tax asset:					
Tax loss carried forward €	62,200 €	(0) €	-- €	87 €	62,113
Fixed assets	177	57	--	6	114
Other intangible assets	17	0	--	3	14
Provisions	245	245	--	0	0
Employee benefits	851	(119)	--	50	920
Investments	899	63	--	44	792
Lease obligations	2,340	56	--	0	2,284
Other	2,000	177	(163)	12	1,974
Total Long-term deferred tax assets €	68,728 €	478 €	(163) €	203 €	68,210
Deferred tax liabilities:					
Fixed assets €	(1,080) €	57 €	-- €	(19) €	(1,118)
Investments	(23,392)	(1,002)	--	0	(22,390)
Senior Secured Notes	(2,177)	880	--	--	(3,058)
Other	(1,122)	(763)	--	0	(359)
Total Long-term deferred tax liability €	(27,771) €	(828) €	-- €	(19) €	(26,924)
Total Long-term deferred tax asset, net €	40,956 €	(350) €	(163) €	183 €	41,286
Total deferred tax asset, net €	47,170 €	(1,095) €	(275) €	447 €	48,093

The movements in deferred tax assets and liabilities during the year ended December 31, 2009 are as follows:

as Amended	December 31, 2009	(Charged) /credited to income	(Charged) /credited to OCI	Exchange differences	December 31, 2008
			(in thousands)		
Short-term:					
Deferred tax asset:					
Tax loss carried forward €	1,380 €	1,210 €	-- €	-- €	170
Impairment of inventory	3,801	(420)	--	6	4,215
Impairment of accounts receivable	934	(121)	--	(29)	1,083
Provisions	2,263	56	--	(22)	2,229
Other	311	26	--	(5)	290
Total Short-term deferred tax assets €	8,688 €	750 €	-- €	(49) €	7,987
Deferred tax liabilities:					
Liabilities €	(1,696) €	403 €	-- €	(0) €	(2,099)
Other	(185)	408	(95)	(0)	(498)
Total Short-term deferred tax liability €	(1,881) €	811 €	(95) €	(0) €	(2,597)
Total Short-term deferred tax asset, net €	6,807 €	1,561 €	(95) €	(49) €	5,390
Long-term:					
Deferred tax asset:					
Tax loss carried forward €	62,113 €	(11,654) €	-- €	(2) €	73,769
Fixed assets	114	(155)	--	6	263
Other intangible assets	14	0	--	(1)	14
Employee benefits	920	23	--	(11)	908
Investments	792	(35)	--	12	815
Lease obligations	2,284	(140)	--	0	2,424
Other	1,974	427	(6)	(1)	1,553
Total Long-term deferred tax assets €	68,210 €	(11,533) €	(6) €	3 €	79,746
Deferred tax liabilities:					
Fixed assets €	(1,118) €	(358) €	-- €	(2) €	(758)
Investments	(22,390)	(1,499)	--	0	(20,891)
Senior Secured Notes	(3,058)	(3,058)	--	0	0
Other	(359)	100	--	0	(460)
Total Long-term deferred tax liability €	(26,924) €	(4,814) €	-- €	(2) €	(22,109)
Total Long-term deferred tax asset, net €	41,286 €	(16,347) €	(6) €	2 €	57,637
Total deferred tax asset, net €	48,093 €	(14,786) €	(100) €	(48) €	63,027

Deferred income tax assets are recognized for tax loss carry forwards to the extent that the realization of the related tax benefits through the future taxable profits is probable.

As of December 31, 2010, the Company did not recognize deferred income tax assets of €21.9 million in respect of losses amounting to €80.1 million. €15.4 million deferred income tax assets were not recognized as it is legally not permitted to carry forward or there are a number of anti-abuse provisions which limit the carry forward of losses in specific circumstances, €6.5 million deferred income tax assets were not recognized as it is not probable to be used. This portion of not recognized deferred income tax assets will expire until 2028 (USA), at the very latest.

As of December 31, 2009, the Company did not recognize deferred income tax assets of €23.6 million in respect of losses amounting to €83.7 million. €15.0 million deferred income tax assets were not recognized as it is legally not permitted to carry forward or there are a number of anti-abuse provisions which limit the carry forward of losses in specific circumstances, €8.6 million deferred income tax assets were not recognized as it is not probable to be used.

Remaining net operating losses at each year end were experienced in the following jurisdictions:

	As of December 31,			
		2010		2009
				as Amended
		(in thousands)		
Austria	€	259,082	€	260,605
Germany		12,886		12,912
North America		14,332		13,641
Other		43,769		42,883
	€	330,069	€	330,041

As of December 31, 2010 and 2009, the carry forward of net operating losses of €60.9 million and €59.2 million, respectively, is legally not permitted or limited through a number of anti-abuse provisions.

The table below shows income (loss) before income taxes by geographic region:

	As of December 31,			
		2010		2009
				as Amended
		(in thousands)		
Austria	€	5,911	€	57,302
Non-Austria		3,629		(22,181)
Total income before income taxes	€	9,540	€	35,121

Austria and Germany allow an unlimited carry forward of net operating losses, whereas the United States allow 20 years for net operating loss carry forwards. The Company recognized deferred tax assets at the amount the Company believes is probable to be realized considering future taxable income and feasible tax planning strategies.

Note 23 - Sale of Trademarks

In August 2009, the Company has sold certain trademarks registered in Korea and not covering its core products to a third party and realized a gain of €7.6 million recorded in "Other operating income, net" in the consolidated statement of comprehensive income.

Note 24 - Related Party Transactions

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 December 31, 2010. Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch and his family members resulting in the ability to significantly influence and control the Company's operations.

The Company receives administrative services from corporations which are ultimately owned by the principal shareholder of the Company. Administrative expenses amounted to approximately €4.6 million for the year ended December 31, 2010 and 2009, respectively. The related party 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.

In consideration for the WCF Guarantee Undertaking, Head Sports Holdings N.V. and its shareholders received 28,343,298 Ordinary Shares on the settlement date of the Exchange Offer. The fair value of these shares as included in the Company's consolidated financial accounts for the year ended December 31, 2009 was €0.3 million. In 2010, a review of our accounts was performed by the Netherlands Authority for the Financial Markets (the "AFM"). The AFM has recommended the Company on the basis of their interpretation of relevant accounting standards to reconsider the attributable fair values for accounting purposes of the Shares issued for the WCF Guarantee Undertaking. Due to fact that the application of IFRS in this area is highly complex and involves significant judgment, management followed the recommendation of the AFM and reviewed the accounting treatment in this subject. While management is still of the opinion that the accounting treatment chosen in financial statements as of December 31, 2009 accurately reflected the fair value of the Shares at the time of issue, it is also satisfied that existing alternative views result in a different valuation of the fair value. Therefore the Company reconsidered its accounting for this unique transaction. The fair values have been reassessed and as a result changes have been made to the accounting of these transactions in 2009. Taking the amendment as described in Note 3 into account, the fair value of the shares issued to Head Sports Holdings N.V. was €8.5 million.

On August 13, 2009 the Company signed an agreement with a corporation, which is ultimately controlled by the principal shareholder of the Company and his family members for an additional short-term working capital line of €10.0 million available until December 31, 2009, at an interest rate of 8.5% per year and 1% on the daily average unused portion (see Note 16). As of December 31, 2009, the Company paid €0.2 million of commitment and other fees and interest expense. All funds used under this facility have been paid back as of December 31, 2009.

Mr. Richard Hurowitz, a member of the Supervisory Board (see also Note 33), indirectly controls as of December 31, 2010 7,916,549 shares in Head N.V. (representing 8.98% of the current issued share capital). This indirect control arises by virtue of the shareholdings in Head N.V. of certain investment funds, the fund manager of which is Octavian Advisors LP (whose chief executive officer is Mr. Richard Hurowitz). The shares held by the relevant funds were acquired pursuant to the Exchange Offer in August 2009. In addition to Ordinary Shares, these funds also hold senior secured notes (see Note 16 and Note 33).

In 2007, the Company established a joint venture distribution company in The Netherlands in which it holds 50%. This investment of €0.01 million was accounted for using the equity method and is recognized in "Other non-current assets". The Company granted a loan of €0.6 million to the newly found company. The annual interest rate amounts to 5%. The loan is redeemable at December 31, 2012.

In 2008, the Company signed a joint venture agreement to set up a distribution company in New Zealand in which it holds 50%. This investment of €0.01 million was accounted for using the equity method and was recognized in "Other non-current assets". The Company granted a shareholder loan of €0.1 million to the newly found company. The annual interest rate amounts to 5% p.a.. Half of the loan was redeemable at December 31, 2009 but was extended. The second half of the loan would have been redeemable at December 31, 2010. The joint venture partner had the right to purchase, at any time after December 31, 2009 all shares for the paid in share capital at that time. Any outstanding shareholder loan given by the Company should have been reimbursed prior to the completion of the call option. In November 2010, an agreement was signed to terminate the joint venture. It was agreed that the joint venture company will settle the loan on March 31, 2011. The investment was written down to zero, the Company recognized the expense in "share of profit (loss) of Joint Ventures".

The following table shows the development of investments in Joint Ventures:

	December 31, 2010	December 31, 2009
	(in thousands)	
Balance as of January 1	€ 77	€ 52
Share of profit (loss)	(7)	25
Balance as of December 31	€ 70	€ 77

One of the Company's subsidiaries leased its office building from its Executive Director of Global Sales. Rental expenses amounted to approximately €0.03 million for the year ended December 31, 2010 and 2009, respectively.

The table below shows key managements' (consisting of the Management and Executive Board) compensation:

	For the Years Ended December 31,	
	2010	2009
	(in thousands)	
Salaries and other short-term employee benefits €	3,300 €	3,265
Post-employment benefit	500	100
Other long-term benefits	--	(170)
Share-based benefits	(2,805)	8,714
Total €	995 €	11,909

Note 25 – Stock Option Plans

The Company accounts for its stock options in accordance with IFRS 2 and determined the Plan 2001, 2005 and 2009 to be cash-settled. Once vested under the Plans' terms as disclosed and exercised, the participants are issued depository receipts indexed to Head N.V. shares held by the Stichting. Upon settlement of the depository receipts, participants are only entitled to receive a cash payment subject to having requested the Stichting to sell the shares underlying the depository receipt to the market or upon exercise of the call option by Head N.V. The call option may be exercised at the time the participant resigns or employment is terminated. The settlement scheme established by the Company and the Stichting only allows for cash settlement and neither the Company nor the Stichting have an option to settle in shares, except for the Plans 2009 as described below.

The stock option plans resulted in a non-cash compensation income of €3.1 million in 2010 and non-cash compensation expense of €9.0 million in 2009, mainly from the newly issued share option plans in 2009.

On December 1, 2010, the Management Board resolved that the Stock Option Plans issued in 2009 and previously defined to be settled in cash, will be equity-settled. The Company accounted for it in accordance with IFRS 2 and recorded a non-cash compensation income of €1.7 million during the period ended November 30, 2010. As of December 1, 2010, the Company reclassified a liability of €6.2 million to equity.

Plan 2001

In September 2001, the Company adopted the Head N.V. Executive Stock Option Plan 2001 ("Plan 2001"). The Plan 2001 provides for grants of stock options to officers and employees of the Company and its subsidiaries. In accordance with IFRS 2 the Plan 2001 is treated as cash-settled share-based plan, as participants have no right to receive shares. On September 28, 2001, a total of 3,982,068 options were granted under the terms of the Plan 2001. The Company records share-based compensation expense on each balance sheet date fair values of the stock options computed using the Black and Scholes option pricing model. As at December 31, 2010, the weighted-average fair value of the grant was zero (2009: €0.07), which was estimated using the following assumptions: no dividends, expected volatility of 45.48% (2009: 94.04%), expected term of 0.7 years (2009: 1.7 years), share price of $0.55 (2009: $0.85) and risk-free interest rate of 3.10% (2009: 4.31%). The volatility is based on statistical analysis of daily share prices over the last year. As of December 31, 2010 the company did not record a liability for this Plan (liability 2009: €0.3 million).

The exercise price for all stock options granted under the Plan was fixed at inception of the Plan 2001. The vesting period varies from 0 to 6 years. The Chairman and Chief Executive Officer received 1,426,470 options under this grant, which vested immediately. In addition, he had received further options in the amount of 564,564, which will not vest to other participants. Options have a maximum term of 10 years. As of December 31, 2010 and 2009, the total intrinsic value of the liability was zero.

	Number of options	Weighted average exercise price	
Balance, December 31, 2008	3,982,068	$	4.31
Forfeiture during 2009	(391,974)	$	4.31
Balance, December 31, 2009	3,590,094	$	4.31
Forfeiture during 2010	(50,004)	$	4.31
Balance, December 31, 2010	3,540,090	$	4.31

As at December 31, 2010, the weighted average remaining contractual life of the outstanding stock options is 0.7 years, and 3,540,090 options are vested and exercisable at a price of $4.31 per share, under the Plan 2001.

Plan 2005

In May 2005, at the annual general meeting the shareholders approved the Head N.V. Executive Stock Option Plan 2005 ("Plan 2005"). The Plan 2005 provides for grants of 3,874,691 stock options to certain officers and key employees of the Company and its subsidiaries. In accordance with IFRS 2 the Plan 2005 is treated as cash-settled share-based plan, as participants have no right to receive shares. As of December 31, 2010, a total of 3,669,346 options were granted under the terms of the Plan 2005. The Company records share-based compensation expense on each balance sheet date fair values of the stock options computed using the Black and Scholes option pricing model. As at December 31, 2010, the weighted-average fair value of the grant was €0.05 (2009: €0.39), which was estimated using the following assumptions: no dividends, expected volatility of 45.48% (2009: 94.04%), expected term of 4.7 years (2009: 5.7 years), share price of €0.55 (2009: €0.65) and risk-free interest rate of 3.10% (2009: 4.31%). The volatility is based on statistical analysis of daily share prices over the last year. As of December 31, 2010 the company records a liability of €0.2 million (2009: €1.3 million).

The exercise price for all stock options granted under the Plan 2005 was fixed at inception of the Plan 2005 at €2.168. Options generally vest over a period of 4 years. The Chairman and Chief Executive Officer received 1,937,346 options under this grant. Options have a maximum term of 10 years. As at December 31, 2010, 205,345 (2009: 205,345) options were available for grant under the Plan 2005 and 3,325,846 options are currently exercisable. As of December 31, 2010 and 2009, the total intrinsic value of the liability was zero.

	Number of options		Weighted average exercise price
Balance, December 31, 2008	3,669,346	€	2.168
Forfeiture during 2009	(341,000)	€	2.168
Balance, December 31, 2009	3,328,346	€	2.168
Forfeiture during 2010	(2,500)	€	2.168
Balance, December 31, 2010	3,325,846	€	2.168

Plans 2009

At the Annual General Meeting of shareholders, held on May 28, 2009, the Stock Option Plan 2009 ("Plan 2009") was approved. The Plan 2009 calls for the grant of options to the Stichting for members of Management of the Company's subsidiaries, or such affiliates as the managers may request and provides for issuance of a maximum aggregate number of 5,800,000 options. The options vest on granting. The option price is €0.10 per option and will be settled in cash. The life of the plan is 10 years from the date the options are granted. Options issued under the Plan 2009 are administered by the Stichting Head Option Plan.

On July 27, 2009, the Board of Management approved the settlement of these options to be in cash in the amount of share price less option price on the date of exercise. On December 30, 2009, all options under the Plan 2009 have been granted to the CEO of the Company.

On December 1, 2010, the Management Board resolved that the Stock Option Plan will be equity-settled.

As of December 1, 2010, the Company determined the fair values of the stock options computed using the Black and Scholes option pricing model. The weighted-average fair value of the grant was €0.48, which was estimated using the following assumptions: no dividends, expected volatility of 45.48%, expected term of 9 years, share price of €0.465 and risk-free interest rate of 3.10%. The volatility is based on statistical analysis of daily share prices over the last year. As of December 31, 2010, the intrinsic value was €2.6 million. The stock options were fully exercisable at December 31, 2010.

As of December 31, 2009, the Company recorded a liability of €3.6 million, the fair values of the stock options computed using the Black and Scholes option pricing model. The weighted-average fair value of the grant was €0.62, which was estimated using the following assumptions: no dividends, expected volatility of 94.04%, expected term of 10 years, share price of €0.65 and risk-free interest rate of 4.31%. The volatility is based on statistical analysis of daily share prices over the last year. As of December 31, 2009, the intrinsic value was €3.2 million.

	Number of options	Weighted average exercise price
Balance, December 31, 2009 (cash-settled).....	5,800,000	€ 0.10
Balance, December 31, 2010 (equity-settled)...	5,800,000	€ 0.10

In September 2009, the Supervisory Board approved a second Stock Option plan. The maximum aggregate number of options issued is 7,047,179 settled in cash. The price is €0.10 and will be settled in cash. The options vest on granting and the life of the plan is 10 years from the date the options are granted. On December 30, 2009, all options under the second Plan 2009 have been granted to the CEO of the Company.

On December 1, 2010, the Management Board resolved that the Stock Option Plan will be equity-settled.

As of December 1, 2010, the Company determined the fair values of the stock options computed using the Black and Scholes option pricing model. The weighted-average fair value of the grant was €0.48, which was estimated using the following assumptions: no dividends, expected volatility of 45.48%, expected term of 9 years, share price of €0.465 and risk-free interest rate of 3.10%. The volatility is based on statistical analysis of daily share prices over the last year. As of December 31, 2010, the intrinsic value was €3.2 million. The stock options were fully exercisable at December 31, 2010.

As of December 31, 2009, the Company recorded a liability in the amount of the fair value of the options. The fair value of the stock option plan amounted to €4.2 million and was determined by using the Black and Scholes option pricing model using the following assumptions: no dividends, expected volatility of 94.04%, expected term of 10 years, share price of €0.65 and risk-free interest rate of 4.31%. The volatility is based on statistical analysis of daily share prices over the last year. As of December 31, 2009, the intrinsic value was €3.9 million.

	Number of options	Weighted average exercise price
Balance, December 31, 2009 (cash-settled).....	7,047,179	€ 0.10
Balance, December 31, 2010 (equity-settled)...	7,047,179	€ 0.10

Note 26 – Average Number of Employees

	For the Years Ended December 31,	
	2010	2009
Salaried employees....	767	770
Hourly paid employees....	1,330	1,395
Total....	2,097	2,165

Note 27 – Expenses by Nature

	For the Years Ended December 31,	
	2010	2009
	(in thousands)	
Depreciation, amortization and impairment charges................. €	10,513 €	12,308
Employee benefit expenses..	68,555	75,762
Changes in inventory..	(3,219)	(2,716)
Raw material and merchandise..	133,804	129,034
Shipment cost..	6,716	6,832
Commissions..	8,694	9,316
Advertising expenses..	42,069	39,935
Legal, Audit, Consulting, Outside services..........................	21,296	19,120
Other expenses..	29,391	21,089
Total cost of sales, selling and marketing, general and administrative and other operating (income) expense..............€	317,819 €	310,680

For the years ended December 31, 2010 and 2009, a foreign exchange gain of € 0.1 million and of €0.3 million has been recorded in other operating (income) expense, net, respectively.

The Company incurred research and development costs amounting to €8.9 million and €8.1 million for the year ended December 31, 2010 and 2009, respectively.

Note 28 – Employee benefit expense

	For the Years ended December 31,	
	2010	2009
	(in thousands)	
Salaries and wages..€	54,604 €	50,175
Social security and other benefit..	15,860	15,296
Share options granted to directors and employees..................	(3,081)	9,011
Pension costs - defined benefit plans..................................	418	345
Post-employment benefits...	754	935
Total...€	68,555 €	75,762

Note 29 – List of (direct and indirect) Participations as of December 31, 2010

	Domicile	Proportion of Issued capital held
Head Holding Unternehmensbeteiligung GmbH	Austria	100.0%
HTM Sport GmbH (former HTM Sport- und Freizeitgeräte AG)	Austria	100.0%
Head Sport GmbH (former Head Sport AG)	Austria	100.0%
Head International GmbH	Austria	100.0%
Head Technology GmbH	Austria	100.0%
Tyrolia Technology GmbH	Austria	100.0%
Head Austria GmbH	Austria	100.0%
Head Canada Inc.	Canada	100.0%
Head Sport s.r.o.	Czech Republic	100.0%
HTM Sport s.r.o.	Czech Republic	100.0%
HTM Bulgaria EOOD	Bulgaria	100.0%
Head France S.A.S.	France	100.0%
Head Germany GmbH	Germany	100.0%
Head UK Ltd	England	100.0%
Mares S.p.A.	Italy	100.0%
HTM Sports Japan KK	Japan	100.0%
Head Spain S.A.	Spain	100.0%
Head Switzerland AG	Switzerland	100.0%
HTM USA Holdings Inc.	USA	100.0%
Head USA Inc.	USA	100.0%
Head Sports Inc.	USA	100.0%
Penn Racquet Sports Inc.	USA	100.0%
Mares Asia Pacific Ltd.	Hong Kong	100.0%
Power Ahead Holding Ltd.	British Virgin Islands	82.9%
Head Sports (Hui Zhou) Corp.	China	82.9%
Mares Benelux B.V.	The Netherlands	50.0%
Mares New Zealand Ltd.	New Zealand	50.0%

Note 30 – Cash and cash equivalents

As at December 31, 2010 and 2009, cash and cash equivalents contains cash of €49.3 million and €36.0 million, respectively and restricted cash of €2.0 million and €0.9 million, respectively representing deposits pledged as collateral on outstanding lines of credit.

Note 31 – Earnings per Share – Basic and Diluted

		For the Years Ended December 31,		
		2010		2009
		(in thousands, except per share data)		as Amended
Profit for the year	€	7,324	€	17,548
Weighted average number of ordinary shares in issue		87,944		55,772
Earnings per share - basic	€	0.08	€	0.31

		For the Years Ended December 31,		
		2010		2009
		(in thousands, except per share data)		as Amended
Profit for the year	€	7,324	€	17,548
Weighted average number of ordinary shares in issue		87,944		55,772
Share options		5,948		--
Weighted average number of ordinary shares for diluted earnings per share		93,892		55,772
Earnings per share - diluted	€	0.08	€	0.31

Note 32 – Principal Accountant Fees and Services

PricewaterhouseCoopers (PwC) has served as the Company's independent public auditors for each of the years ended in the two-year period ended December 31, 2010. The following table presents the aggregate fees for professional audit services and other services rendered by PricewaterhouseCoopers in 2010 and 2009 (in thousands):

		For the Years Ended December 31		
		2010		2009
Audit Fees	€	597	€	481
Audit-Related Fees		20		20
Tax Fees		250		317
All Other Fees		333		404
Total Audit Fees	€	1,200	€	1,223

Audit Fees primarily relate to the audit of Head N.V.'s Annual Consolidated and Company financial statements set forth in our Statutory Annual Report and other services normally provided in connection with statutory and regulatory filings, which mainly include the statutory audits of financial statements of our subsidiaries.

Audit-Related Fees consist of fees incurred for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements or that are traditionally performed by the external auditor, and include consultations concerning financial accounting and reporting standards.

Tax Fees comprise tax services for corporate income tax compliance and other tax advisory services.

All Other Fees represent professional services provided for services not directly supporting financial statement audits. In 2010, other fees include expenses incurred with the review of our accounts by the Netherlands Authority for the Financial Markets (the "AFM") as well as fees for the shares offering described in Note 33. In 2009, it mainly includes fees in relation with the Company's exchange offer (see Note 16).

Note 33 – Subsequent Events

Shares Offering

On February 11, 2011 the Company announced a rights offering of up to 199,958,536 new preference shares at an issue price of €0.05 per new preference share. On February 17, 2011 the Company announced the withdrawal of the rights offering launched on February 11, 2011 as the offering was not well received and the number of eligible shareholders who had exercised their entitlement to subscribe for preference shares had been lower than anticipated. This prompted the management board to withdraw the offering. Certain costs in connection with the shares offering are recognized in the 2010 income statement.

Share Buy Back

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. Head granted an option to acquire Head Option Shares in the event of a Change of Control becoming effective on or before March 14, 2012. The price for the Option Shares (representing 4.49% of the then issued and outstanding share capital) shall be €2,969 million payable in cash on settlement. The rights and obligations of the parties terminate on March 22, 2012.

The shares bought back were used to fulfil Head N.V.'s outstanding obligations under its stock option programme (see Note 25 and below). This buyback presented Head N.V. with the opportunity to service its stock option programme without shareholders suffering dilution, at an attractive price, through a direct repurchase that, with current trading volumes, would have been unattainable via any on-exchange buyback.

Bond Repurchase

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 (see Note 16). These notes will be cancelled.

Resignation of Supervisory Board Member Mr. Richard Hurowitz

On March 29, 2011, Mr. Richard Hurowitz who joined the Supervisory Board of Head N.V. in May 2010 resigned after funds managed by Octavian Advisors LP sold their equity interest in Head N.V..

Exercise of the 2009 Stock Option Plans

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 NV held by the Company as treasury shares (see Share Buy Back above), and the issuance by Head NV of 3,970,748 new shares.

As a result of this transaction, Head Sports Holdings N.V. and its shareholders control 66.28% of Head N.V.. The total number of issued shares in Head N.V. increased from 88,204,030 to 92,174,778. The total number of own shares that the Company holds after the exercise of these options amounts to 260,022 (0.3%).

HEAD N.V.
COMPANY STATEMENT OF FINANCIAL POSITION
Before proposed appropriation of results

	Note	As of December 31, 2010	2009 as Amended
		(in thousands)	
Non-current assets:			
Investment in subsidiary	4	€ 139,432	€ 139,432
Total non - current assets		139,432	139,432
Current assets:			
Amounts receivables from related companies		12,677	7,734
Prepaid expenses		7	67
Trade receivables, net		1	107
VAT to be received		3	--
Cash	5	1,048	364
Total current assets		13,737	8,273
Total assets		€ 153,169	€ 147,705
Non-current liabilities:			
Other long-term liabilities	6	€ --	€ 7,850
Total non-current liabilities		--	7,850
Current liabilities (due within one year):			
Amounts owed to related companies		--	2,282
VAT		--	36
Accruals and other liabilities	7	1,420	738
Total current liabilities		1,420	3,056
Shareholders' equity:			
Share capital	10	882	882
Share premium	10	122,881	116,692
Retained earnings	10	19,226	38,542
Result for the year	10	8,760	(19,316)
Shareholders' equity		151,749	136,800
Total liabilities and equity		€ 153,169	€ 147,705

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

HEAD N.V.
COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Note		For the Years Ended December 31, 2010		2009 as Amended
			(in thousands)		
Total net revenues		€	3,068	€	2,278
Cost of sales			2,970		2,156
Gross profit			98		122
Selling and marketing expense			37		109
General and administrative expense			3,824		3,296
Share-based compensation expense	6		(1,660)		7,850
Operating loss			(2,102)		(11,132)
Cost of working capital guarantee	3		--		(8,220)
Interest income (loss)			(3)		5
Foreign exchange gain (loss)			(134)		31
Dividend income			11,000		--
Result for the year		€	8,760	€	(19,316)

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

HEAD N.V.
COMPANY STATEMENT OF CHANGES IN EQUITY

as Amended		Share Capital		Share Premium		Retained Earnings		Result for the Year		Total Shareholder's Equity
						(in thousands)				
Balance at January 1, 2009.............	€	398	€	101,302	€	28,944	€	9,598	€	140,242
Transfer of result for the year..........		--		--		9,598		(9,598)		--
Transfer from Stichting..................		--		(477)		--		--		(477)
Capital increase............................		484		15,867		--		--		16,352
Result for the year.........................		--		--		--		(19,316)		(19,316)
Balance at December 31, 2009.........	€	882	€	116,692	€	38,542	€	(19,316)	€	136,800
Transfer of result for the year..........		--		--		(19,316)		19,316		--
Stock option plan, equity settled.......		--		6,189		--		--		6,189
Result for the year.........................		--		--		--		8,760		8,760
Balance at December 31, 2010.........	€	882	€	122,881	€	19,226	€	8,760	€	151,749

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

HEAD N.V.
COMPANY STATEMENT OF CASH FLOWS

	Note	For the Years Ended December 31, 2010	2009 as Amended
		(in thousands)	
OPERATING ACTIVITIES:			
Result for the year		€ 8,760	€ (19,316)
Dividend received		(11,000)	--
Cost of working capital guarantee			8,220
Share-based compensation expense	6	(1,660)	7,850
Movement in accounts receivable		106	579
Movement in accounts receivable and payable, intercompany		3,775	3,330
Movement in prepaid expense and other assets		60	20
Movement in accounts payable, accrued expenses and other liabilities		643	(546)
Net cash provided (used for) operating activities		683	136
FINANCING ACTIVITIES:			
Transfer from Stichting		--	(477)
Capital increase		--	484
Net cash provided by financing activities		--	7
Net increase in cash and cash equivalents		683	143
Cash and cash equivalents at beginning of period		364	222
Cash and cash equivalents at end of period		€ 1,048	€ 365

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

HEAD N.V.
NOTES TO THE COMPANY FINANCIAL STATEMENTS

Note 1 – General information

The Company is a public limited liability company incorporated under the laws of The Netherlands and acts as a holding and finance company for the Head group and as a distributor of winter and racquet sport products in The Netherlands. For further information, it is referred to Note 1 of the consolidated financial statements.

Note 2 - Summary of Significant Accounting Policies

These accompanying company financial statements are prepared in conformity with International Financial Reporting Standards as adopted by the European Union ("EU") ("IFRS") and Book 2 Title 9 of The Netherlands Civil Code, based on Section 362.8 and 362.9. For a description of the accounting policies, it is referred to note 2: Summary of Significant Accounting Policies in the consolidated financial statements for the year ended December 31, 2010.

The investment in subsidiary is stated at acquisition cost which is the fair value at the date of acquisition. If an investment in subsidiaries is impaired, it is measured at its impaired value; any write-offs are disclosed in the income statement.

Note 3 - 2009 Comparative Information

Background and reasons for amendment

The company amended certain financial information in the prior period in respect of the accounting treatment for the 2009 private exchange offer (the „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 GmH´s newly issued secured notes and Head N.V. ordinary shares (the "Shares").

In 2010, a review of our accounts was performed by the Netherlands Authority for the Financial Markets (the "AFM"). The AFM has recommended the Company on the basis of their interpretation of relevant accounting standards to reconsider the attributable fair values for accounting purposes of the Senior Secured Notes and Shares issued at the time of the Exchange Offer. Due to fact that the application of IFRS in this area is highly complex and involves significant judgment, management followed the recommendation of the AFM and reviewed the accounting treatment in this subject. While management is still of the opinion that the accounting treatment chosen in financial statements as of December 31, 2009 accurately reflected the fair value of the Senior Secured Notes and Shares at the time of issue, it is also satisfied that existing alternative views result in a different valuation of the fair value. Therefore the Company reconsidered its accounting for this unique transaction. The fair values have been reassessed and as a result changes have been made to the accounting of these transactions in 2009.

The amendment reflected in the comparative 2009 financial statements of the Company is as follows:

	As of December 31,		
	2009 as Amended	2009 Amendment	2009
Amounts receivables from related companies	€ 7,734	€ 7,647	€ 87
Share premium	116,692	15,867	100,825
Result for the year	(19,316)	(8,220)	(11,097)
Cost of working capital guarantee	8,220	8,220	--
Shareholders' equity	€ 136,800	€ 7,647	€ 129,152

The increase in amounts receivables from related companies is due to the adjustment to fair value of the shares issued to the Note holders. The increase of loss for the year is due to the adjustment to fair value of the shares issued in connection with the working capital guarantee.

Note 4 – Investments in Subsidiary

The following investment is stated under the cost method:

Name of investment	Legal Seat	% owned
Head Holding Unternehmensbeteiligung GmbH	Vienna, Austria	100

Financial fixed assets consist of the following:

	Book value January 1, 2010	Cost of assets acquired	Book value of disposed assets	Income from participating interest	Book value December 31, 2010
			(in thousands)		
Investment in Subsidiary	€ 139,432	€ --	€ --	€ --	€ 139,432

No impairment loss on this investment has been recorded.

Note 5 - Financial risk management and critical accounting estimates and judgments

The company manages its financial risks for the group as whole. For a detailed description of financial risk management and critical accounting estimates and judgments, it is referred to Note 4 and 5 of the consolidated financial statements. The Company continues to make losses from its operation and is depending on the dividend income from its subsidiary, Head Holding Unternehmensbeteiligung GmbH.

Cash on hand as of December 31, 2010 and 2009 were as follows:

	As of December 31,	
	2010	2009
	(in thousands)	
ABN AMRO Bank N.V. EUR	€ 741	€ 348
ABN AMRO Bank N.V. USD	295	5
Morgan Stanley USD	8	7
Morgan Stanley EUR	4	4
	€ 1,048	€ 364

Note 6 – Other long-term liabilities

In 2009, the Company granted 5,800,000 and 7,047,179 options under two stock option plans at an option exercise price of €0.10. The options under both plans vest on granting and the life of the plan is 10 years from the date the options are granted. The settlement of these options was planned to be in cash in the amount of share price less option price on the date of exercise.

Options issued under the 2009 Plans are administered by the Stichting Head Option Plan. In conjunction with the Company's option plans, the Stichting also issues depository receipts to option holders, upon exercise of the option. Holders of depositary receipts are entitled to dividends paid on the Company's shares and to proceeds on the sales of their shares upon request to the Stichting. However, such holders have no voting rights.

On December 1, 2010, the Management Board resolved that the Stock Option Plan will be equity-settled. The company therefore transferred the fair value of the liability of €6.2 million as of December 1, 2010, from other long-term liabilities to equity.

For further details on the plans and the valuation thereof, refer to Note 25 of the consolidated accounts and Note 8 of the company accounts.

Note 7 – Accruals and Other Liabilities

Accrued expenses and other liabilities consist of the following:

	As of December 31,	
	2010	2009
	(in thousands)	
Management and administration fee	€ 88	€ 167
Audit, consulting and legal fee	927	542
Creditors	369	--
Accrued expenses	36	29
	€ 1,420	€ 738

Note 8 – Directors' Remuneration

The Company has four managing directors and three supervisory board directors during the year. The table below shows the remuneration of the directors of the group for the year ended December 31, 2010.

		Periodic payments		Periodic expenses for future payments		Accrued for future payments		Share-based compensation expense (income)
				(in thousands)				
Management Board								
Johan Eliasch	€	545	€	--	€	--	€	(2,473)
Günter Hagspiel		376		226		160		(26)
Ralf Bernhart		328		--		--		(41)
George Nicolai		10		--		--		--
	€	1,259	€	226	€	160	€	(2,540)
Supervisory Board								
Viktor Klima	€	15	€	--	€	--	€	(9)
Jürgen Hintz		23		--		--		(9)
	€	38	€	--	€	--	€	(18)

The table below shows the remuneration of the directors of the group for the year ended December 31, 2009.

		Periodic payments		Accrued for future payments		Share-based compensation expense
				(in thousands)		
Management Board						
Johan Eliasch	€	545	€	--	€	8,452
Günter Hagspiel		328		76		19
Ralf Bernhart		406		--		31
George Nicolai		10		--		--
	€	1,289	€	76	€	8,502
Supervisory Board						
Viktor Klima	€	14	€	--	€	6
Jürgen Hintz		22		--		6
	€	36	€	--	€	13

In consideration for the WCF Guarantee Undertaking (see further "Related Party Transactions"), Head Sports Holdings N.V. and its shareholders received 28,343,298 Ordinary Shares on the settlement date of the Exchange Offer. The fair value of these shares as included in the Company's amended consolidated financial accounts for the year ended December 31, 2009 was €0.30 per share.

In 2010, a review of our accounts was performed by the Netherlands Authority for the Financial Markets (the "AFM"). The AFM has recommended the Company on the basis of their interpretation of relevant accounting standards to reconsider the attributable fair values for accounting purposes of the Shares issued for the WCF Guarantee Undertaking. Due to fact that the application of IFRS in this area is highly complex and involves significant judgment, management followed the recommendation of the AFM and reviewed the accounting treatment in this subject. While management is still of the opinion that the accounting treatment chosen in financial statements as of December 31, 2009 accurately reflected the fair value of the Shares at the time of issue, it is also satisfied that existing alternative views result in a different valuation of the fair value. Therefore the Company reconsidered its accounting for this unique transaction. The fair values have been reassessed and as a result changes have been made to the accounting of these transactions in 2009.

The share-based compensation income results from the decrease in fair value of the liability for the already existing plans against option holders due to the decrease of the company's share price. None of our Management Board members or Supervisory Board members has service contracts that provide for benefits upon termination of employment. Except for Mr. Günter Hagspiel, there are no amounts accrued to provide members of the Management Board or the Supervisory Board with pension, retirement or similar benefits. As reflected in the table above, the company incurred expenses of €0.2 million for future payments and had accrued severance benefits and bonus of €0.2 million as at December 31, 2010.

Under the Head N.V. Executive Stock Option Plan 2001 described the Company has issued options to purchase an aggregate of 2,428,044 depositary receipts representing ordinary shares to its Management Board and Supervisory Board members. For the year ended December 31, 2010, share-based compensation amounted to income of €0.2 million. The exercise price for all stock options granted under the 2001 Plan was fixed at inception of the Plan.

Under the Head N.V. Executive Stock Option Plan 2005 described the Company has issued options to purchase an aggregate of 2,087,346 depositary receipts representing ordinary shares to its Management Board members. For the year ended December 31, 2010, share-based compensation income amounted to €0.7 million. The exercise price for all stock options was fixed at inception of the Plan. The vesting period was four years.

Under the Head N.V. Executive Stock Option Plans 2009 described the Company has issued options to purchase an aggregate of 12,847,179 depositary receipts representing ordinary shares to its Chief Executive Officer. For the year ended December 31, 2010, share-based compensation income amounted to €1.7 million. The exercise price for all stock options granted under the 2009 Plan was fixed at inception of the Plans. The options vested at grant. For further information, please see Note 25 of the consolidated financial statements.

The table below shows the details of the Executive Option Plans for 2010:

	Exercise price at the issuance	Number of non-exercised options at beginning of the year	Number of written options	Number of exercised options	Exercise price	Number of non-exercised options at the end of the year
Option Plan 2001						
Johan Eliasch................	$4.31	1,991,034	- -	- -	$4.31	1,991,034
Günter Hagspiel..............	$4.31	7,002	- -	- -	$4.31	7,002
Ralf Bernhart................	$4.31	200,004	- -	- -	$4.31	200,004
Viktor Klima.................	$4.31	115,002	- -	- -	$4.31	115,002
Jürgen Hintz.................	$4.31	115,002	- -	- -	$4.31	115,002
Option Plan 2005						
Johan Eliasch................	€2.17	1,937,346	--	- -	€2.17	1,937,346
Günter Hagspiel..............	€2.17	75,000	--	- -	€2.17	75,000
Ralf Bernhart................	€2.17	75,000	--	- -	€2.17	75,000
Option Plan 2009						
Johan Eliasch................	€0.10	12,847,179	--	--	€0.10	12,847,179

The table below shows the details of the Executive Option Plans for 2009:

	Exercise price at the issuance	Number of non-exercised options at beginning of the year	Number of written options	Number of exercised options	Exercise price	Number of non-exercised options at the end of the year
Option Plan 2001						
Johan Eliasch................	$4.31	1,991,034	- -	- -	$4.31	1,991,034
Günter Hagspiel..............	$4.31	7,002	- -	- -	$4.31	7,002
Ralf Bernhart................	$4.31	200,004	- -	- -	$4.31	200,004
Viktor Klima.................	$4.31	115,002	- -	- -	$4.31	115,002
Jürgen Hintz.................	$4.31	100,002	15,000	- -	$4.31	115,002
Option Plan 2005						
Johan Eliasch................	€2.17	1,937,346	--	- -	€2.17	1,937,346
Günter Hagspiel..............	€2.17	75,000	--	- -	€2.17	75,000
Ralf Bernhart................	€2.17	75,000	--	- -	€2.17	75,000
Option Plan 2009						
Johan Eliasch................	€0.10	--	12,847,179	--	€0.10	12,847,179

Note 9 – Reconciliation of Shareholders' Equity

The table below shows a reconciliation of company shareholders' equity and consolidated shareholders' equity and net income:

		For the Years Ended December 31, 2010		For the Years Ended December 31, 2009 as Amended
		(in thousands)		
Result for the year	€	8,760	€	(19,316)
Net income (loss) from participating interest		(1,436)		36,865
Net income (loss)	€	7,324	€	17,548

		For the Years Ended December 31, 2010		For the Years Ended December 31, 2009 as Amended
		(in thousands)		
Shareholders' equity	€	151,749	€	136,800
Retained earnings from participating interest		26,429		22,778
Shareholders' equity consolidated	€	178,179	€	159,578

Note 10 – Shareholders' Equity

The Company is a Naamloze Vennootschap ("N.V."), a Dutch public Company with limited liability. The registered capital of a N.V. is in the form of shares which represent quoted securities. The minimum registered and authorized capital requirement is €225,000 and the minimum paid in capital requirement for a N.V. is €45,000.

As at December 31, 2010 and 2009, the nominal value of the 88,204,030 shares issued was €0.01 per share.

Share premium include additional paid-in capital. The change in value of share premium represents the adjustment to fair value of shares issued to the tendering Note holders and for the working capital guarantee as amended in the comparative figures in 2009 and the transfer of the 2009 option plans from cash to equity settled.

As at December 31, 2009, the authorized share capital amounts to €1,991,033.84 and is divided into 199,103,384 shares with a nominal value of €0.01 per share. At the last general meeting of shareholders on May 27, 2010, the resolution was taken to increase the authorized share capital to €4.000.000.

Dividends

In 2010 and 2009 the Company did not pay a dividend.

HEAD N.V.
NOTES TO THE COMPANY FINANCIAL STATEMENTS

Treasury Shares

Pursuant to resolutions which were approved on May 27, 2010 the Board of Management is authorized to buy back a maximum of 50% of the Company's issued share capital during a period of 18 months (until November 27, 2011).

The table below shows the movements in treasury shares:

	As of December 31,	
	2010	2009
	(in thousands)	
Balance as of January 1	--	2,184
Transfer of treasury shares from Stichting	--	267
Transfer of treasury shares to Mr. Eliasch	--	(2,451)
Balance as of December 31	--	--

Note 11 – Expenses by Nature

The table below provided details to the incurred selling, marketing and administrative expenses:

	For the Years Ended December 31,	
	2010	2009
	(in thousands)	
Management fees	€ 2,758	€ 2,759
Employee costs	351	438
Legal, audit and consulting	697	198
Other	55	9
Total operative expenses	€ 3,861	€ 3,404

Note 12 – Income tax

The total loss available for loss carry forward at the end of 2010 provided that the Dutch tax authorities agree with the 2008, 2009 and 2010 corporate income tax return is €34.7 million. The Company does not report any tax as it incurs tax losses from 2000 (see Note 5: Critical Accounting Estimates and Judgments).

Note 13 – Related Party Transactions

Head Sports Holdings N.V. and its affiliates, directly and indirectly control in aggregate 48,242,064 shares, or approximately 54.69% of the Company's issued shares, as of December 31, 2010 and 2009. Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch and his family members resulting in the ability to significantly influence and control the Company's operations.

The Company receives administrative services from corporations which are ultimately owned by the principal shareholder of the Company. Administrative expenses amounted to approximately €2.0 million for the year ended December 31, 2010 and 2009, respectively. The related party provides investor relations, corporate finance, legal and consulting.

The Company received product deliveries of €3.0 million (2009: €2.2 million) for the distribution in The Netherlands from a group company. As of December 31, 2010, the Company recorded a receivable of €5.1 million compared to a payable of €2.3 million as of December 31, 2009, as it used the proceeds from the dividend income received in 2010 to prepay future deliveries. In addition, the company recorded receivables of €7.6 million in 2010 and in 2009 (as amended) in connection with the adjustment to fair value of the shares issued to the tendering note-holders and a receivable of €0.1 million against the Stichting resulting from the transfer of own shares.

The Company and some of its subsidiaries guarantee jointly and severally the senior secured notes on a senior unsecured or, if the guaranteeing subsidiary is a security provider, on a senior secured basis issued by one of Head N.V.'s subsidiaries. (see Note 16 of the consolidated financial statement).

The Company has the obligation to provide own shares to the Stichting in relation to the Company's stock option plans.

Amsterdam, March 31, 2011

Johan Eliasch
Chief Executive Officer

Günter Hagspiel
Chief Financial Officer

Ralf Bernhart
Managing Director

George Nicolai
Managing Director

Viktor Klima
Supervisory Board Member

Jürgen Hintz
Supervisory Board Member

HEAD N.V.
OTHER INFORMATION

Auditor's Report

The report of the auditor, PricewaterhouseCoopers Accountants N.V., is presented on page 128 of this report.

Subsequent Events

For information regarding the subsequent events, it is referred to Note 33 of the consolidated financial statements.

Appropriation of Result – Provisions in Company's Statutes

The Company's articles of association provide that the appropriation of results is at the disposal of the Board of Management.

Appropriation of Result

The Board of Management is proposing with due observance of the Company's policy on additions to reserves and on distribution of profits to allocate the result for the year to retained earnings. This proposal is not yet reflected in the accounts.

HEAD N.V. AND SUBSIDIARIES
AUDITOR'S REPORT

To the General Meeting of Shareholders of Head N.V.

Independent auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2010 as set out on pages 38 to 126 of Head N.V., Rotterdam, which comprise the consolidated and company statement of financial position as at 31 December 2010, the consolidated and company statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Head N.V. as at 31 December 2010, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 31 March 2011
PricewaterhouseCoopers Accountants N.V.

B. Koolstra RA

HEAD N.V. AND SUBSIDIARIES
RELEASE BY THE MANAGEMENT BOARD

Statement by the Management Board according to the European Transparency Guideline (implemented in Section 5:25c Dutch Financial Supervision Act)

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the directors' report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the directors' report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Amsterdam, March 31, 2011

Johan Eliasch
Chief Executive Officer

Günter Hagspiel
Chief Financial Officer

Ralf Bernhart
Managing Director

George Nicolai
Managing Director