HEAD

1082290

Autoriteit Financiële Markten
Afdeling Melden en Registreren
Postbus 11723
1001 GS AMSTERDAM

Date	12 november 2009
Reference	19199/NR
Subject	Deponering Q3 cijfers
Handled by	Nanda Raijer
E-mail	Nanda.raijer@intertrustgroup.com

Geachte mevrouw, mijnheer,

Hierbij deponering wij conform artikel 5:25 Wft een press release betreffende HEAD N.V., alsmede de cijfers voor de periode eindigend 30 september 2009.

Met vriendelijke groet,

Nanda Raijer

Bijlage

13-11-2009

head.com

HEAD N.V.
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The Netherlands
T +31 20 625 1291
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Registered in Amsterdam
Trade Register No. 24 286 737
VAT No. NL8076.59.095.B.01

Tyrolia
mares
Penn

TOEZICHT FINANCIËLE VERSLAGGEVING

FORMULIER TEN BEHOEVE VAN HET HARDCOPY DEPONEREN VAN PERIODIEKE INFORMATIE ALS BEDOELD IN PARAGRAAF 5.1a.1.2 VAN DE WET OP HET FINANCIEEL TOEZICHT ('WFT'), ARTIKELEN 5:25C, 5:25D EN 5:25E WFT

1. Statutaire naam uitgevende instelling : HEAD N.V.
2. Statutaire adresgegevens :
    a) Adres (straatnaam) : Rokin 55
    b) Postcode : 1012 KK
    c) Plaats : Amsterdam
    d) Land : Nederlands

3. Kruis het type informatie aan:
    - [ ] Jaarlijkse financiële verslaggeving
    - [ ] Halfjaarlijkse financiële verslaggeving
    - [ ] Tussentijdse verklaring
    - [x] Bericht van de uitgevende instelling

4. Lidstaat van herkomst: Nederland
5. (Keuze) Lidstaat van herkomst geldig tot en met:

6. Datum vaststelling jaarrekening:

7. Kruis de taal aan van de periodieke informatie:
    - [ ] Nederlands
    - [ ] Frans
    - [ ] Duits
    - [x] Engels
    - [ ] Anders namelijk:

8. Periodieke informatie loopt van 1 januari 2009 – 30 september 2009

9. Kruis het type verslag aan:
    - [ ] Geconsolideerd en enkelvoudig
    - [ ] Enkelvoudig

10. Kruis de verslaggevingsstandaard(en) aan:
    - [ ] IFRS en Titel 9 Boek 2 BW
    - [x] IFRS
    - [ ] Titel 9 Boek 2 BW
    - [ ] Andere verslaggevingsstandaarden namelijk:

13-11-2009

FORMULIER TEN BEHOEVE VAN HET HARDCOPY DEPONEREN VAN PERIODIEKE INFORMATIE ALS BEDOELD IN PARAGRAAF 5.1a.1.2 VAN DE WET OP HET FINANCIEEL TOEZICHT ('WFT'), ARTIKELEN 5:25C, 5:25D EN 5:25E WFT

11. Welke effecten geeft de instelling uit:
    - ☑ Aandelen, andere hiermee gelijk te stellen waardebewijzen (zoals deelnemingsrechten of certificaten van aandelen) <u>en/of</u> obligaties met een kleinere nominale waarde per obligatie dan € 1.000,--
    - ☐ <u>Uitsluitend</u> andere effecten zonder aandelenkarakter (zoals obligaties) met een nominale waarde per eenheid groter of gelijk aan € 1.000,-- maar kleiner dan € 50.000,--

12. Op welke gereglementeerde markten staan de effecten van de uitgevende instelling genoteerd? Wenen

Toelichting op deze deponering

Contactpersoon

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4. Plaats : Amsterdam
5. Land : Nederland
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Aldus naar waarheid opgemaakt:

12 november 2009

Datum

Amsterdam

Plaats

i/o

Handtekening

13-11-2009

HEAD

Press Release

HEAD NV Announces Results for the Three and Nine Months ended 30 September 2009

Amsterdam - 12th November 2009 - Head N.V. (VSX: HEAD; U.S. OTC: HEDYY.PK), a leading global manufacturer and marketer of sports equipment, announced the following results today.

For the three months ended 30 September 2009 compared to the three months ended 30 September 2008:

- Net revenues were down 1.0% to €92.2 million
- Operating profit, excluding share based compensation, restructuring costs and other operating expenses and income (non-recurring) increased by €3.2 million to a profit of €8.7 million
- Operating profit as reported improved by €11.2 million to €16.0 million
- The net profit for the period, including the gain on exchange of senior notes, net of tax (€31.2 million) was €41.5 million compared to a €1.2 million net profit in Q3 2008.

For the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008:

- Net revenues were down 2.0% to €206.7 million
- Operating loss, excluding share based compensation, restructuring costs and other operating expenses and income (non-recurring) increased by €6.1 million from a loss of €9.2 million in 2008 to a loss of €3.1 million in 2009.
- Operating profit as reported improved by €7.4 million to €2.1 million
- The net profit for the period, including the gain on exchange of senior notes, net of tax (€29.3 million) was €24.4 million compared to a net loss of €8.5 million in the comparable 2008 period.

Johan Eliasch, Chairman and CEO, commented:

We continue to be affected by the current uncertain economic conditions. We believe all our markets have declined in the last twelve months. As expected, our diving division continues to be the most affected due to its link to travel and the relatively high price points of the products. Overall the sales in this division have fallen by 12% for the first nine months of the year compared to the first nine months of 2008. Although in the third quarter sales were broadly flat compared to prior year reversing the quarter on quarter decline we do not expect to see any significant recovery in the market in 2009.

The key selling season is now under way for our winter sports business and for the first nine months of the year volumes were down as anticipated in all key product groups due to cautious global preseason ordering brought about by the difficult economic conditions. In weak markets, for the nine months ski volumes were down by 20%, bindings 11% and boots 13%. Overall winter sports sales have declined by only 8.9% reflecting the improved product mix in 2009 and favourable exchange rate movements.

HEAD

For the nine months our racquets division had mixed results - overall sales were up over 7% in what we believe has been a declining market, but volumes of our racquets fell by 8%. The improvement in sales was a result of the launch of a new series of products under the YouTek concept in conjunction with a brand repositioning which resulted in an improved product mix. Tennis ball volumes grew slightly in both the US and Europe and this, combined with the positive exchange impact on US balls, resulted in overall revenue growth.

Our gross margin for the period has seen an improvement from 38.2% to 40.3% which has helped improve our overall profitability. The improvement has come from lower manufacturing costs and an enhanced product mix in both our racquet and winter sports divisions.

For the full year 2009, we are still anticipating our sales to be lower than those achieved in 2008. We are not anticipating a quick recovery for the sporting goods market, and forecasting remains difficult during these challenging market conditions. We believe 2010 will be a difficult year, and we will seek to preserve cash as much as possible.

As previously announced, the Company has been focusing on reducing its debt and interest burden and in August this year announced the successful conclusion of an exchange of €85.7 million of unsecured senior notes plus €3.6 million of accrued interest for €43.7 million of new secured notes and 22.5 million shares. In addition, a €10.0 million short term working capital facility agreement was entered into to overcome the anticipated shortfall in cash in the third and fourth quarters of this year. In connection with this working capital facility, an additional 28.3 million shares were awarded.

The company will no longer be holding quarterly conference calls.

Results for the three and nine months ended September 30, 2009 and 2008:

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2009	2008	2009	2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(in thousands)		(in thousands)	
Revenues by product category:				
Winter Sports	€ 50.365	€ 54.343	€ 70.756	€ 77.651
Racquet Sports	33.357	30.512	100.477	93.735
Diving	10.130	10.004	36.864	41.899
Licensing	1.160	1.174	4.368	4.075
Total revenues	95.013	96.033	212.466	217.360
Sales Deductions	(2.797)	(2.917)	(5.801)	(6.397)
Total Net Revenues	€ 92.216	€ 93.116	€ 206.665	€ 210.963

Total Revenues

For the three months ended September 30, 2009 total net revenues decreased by €0.9 million, or 1.0%, to €92.2 million from €93.1 million in the comparable 2008

period. This decrease was due to decreased sales volumes in Winter Sports partially offset by a better product mix, higher sales volumes in Racquet Sports and the strengthening of the U.S. dollar against the euro.
For the nine months ended September 30, 2009 total net revenues decreased by €4.3 million, or 2.0%, to €206.7 million from €211.0 million in the comparable 2008 period. This decrease was mainly due to lower sales volumes of our Winter Sports and Diving division, partly offset by favorable product mix and the strengthening of the U.S. dollar against the euro.

Winter Sports

Winter Sports revenues for the three months ended September 30, 2009 decreased by €4.0 million, or 7.3%, to €50.4 million from €54.3 million in the comparable 2008 period. This decrease was due to lower sales volumes partially offset by favorable product mix and the strengthening of the U.S. dollar against the euro compared to the comparable 2008 period.
For the nine months ended September 30, 2009 Winter Sports revenues decreased by €6.9 million, or 8.9%, to €70.8 million from €77.7 million in the comparable 2008 period. This decrease was due to lower sales volumes of all of our major winter sports products partially offset by favorable product mix and the strengthening of the U.S. dollar against the euro.

Racquet Sports

Racquet Sports revenues for the three months ended September 30, 2009 increased by €2.8 million, or 9.3%, to €33.4 million from €30.5 million in the comparable 2008 period. This increase was due to higher sales volumes of tennis racquets and footwear and favorable product mix resulting from the launch of our new tennis racquets as well as the strengthening of the U.S. dollar against the euro.
For the nine months ended September 30, 2009 Racquet Sports revenues increased by €6.7 million, or 7.2%, to €100.5 million from €93.7 million in the comparable 2008 period. This increase was mainly due to the strengthening of the U.S. dollar against the euro and a favorable product mix. Lower sales volumes of tennis racquets were partially offset by higher sales volumes of balls, footwear and badminton products.

Diving

Diving revenues for the three months ended September 30, 2009 increased by €0.1 million, or 1.3%, to €10.1 million from €10.0 million in the comparable 2008 period due to the strengthening of the U.S. dollar against the euro compared to the comparable 2008 period.
For the nine months ended September 30, 2009, Diving revenues decreased by €5.0 million, or 12.0%, to €36.9 million from €41.9 million in the comparable 2008 period. This decrease was mainly driven by lower sales resulting from the overall decline in the economic environment and consumer spending as a result of the financial crisis.

Licensing

Licensing revenues for the three months ended September 30, 2009 remained stable at €1.2 million compared to the comparable 2008 period.

For the nine months ended September 30, 2009 Licensing revenues increased by €0.3 million, or 7.2%, to €4.4 million from €4.1 million in the comparable 2008 period due to the strengthening of the U.S. dollar against the euro.

Profitability

Gross Profit. For the three months ended September 30, 2009 gross profit increased by €2.2 million to €36.9 million from €34.7 million in the comparable 2008 period. Gross margin increased to 40.0% in 2009 from 37.3% in the comparable 2008 period.
For the nine months ended September 30, 2009 gross profit increased by €2.6 million to €83.2 million from €80.7 million in the comparable 2008 period. Gross margin increased to 40.3% in 2009 from 38.2% in the comparable 2008 period. This increase was due to improved manufacturing costs as well as a favorable product mix in Racquet Sports.

Selling and Marketing Expense. For the three months ended September 30, 2009, selling and marketing expense decreased by €0.3 million, or 1.2%, to €21.9 million from €22.1 million in the comparable 2008 period.
For the nine months ended September 30, 2009, selling and marketing expense decreased by €1.9 million, or 2.8%, to €66.0 million from €67.9 million in the comparable 2008 period. This decrease resulted from a reduction in departmental selling costs.

General and Administrative Expense. For the three months ended September 30, 2009, general and administrative expense decreased by €0.8 million, or 11.2%, to €6.3 million from €7.1 million in the comparable 2008 period.
For the nine months ended September 30, 2009, general and administrative expense decreased by €1.6 million, or 7.3%, to €20.4 million from €22.0 million in the comparable 2008 period mainly due to tough cost management.

Share-Based Compensation Expense (Income). For the three months ended September 30, 2009, the Company recorded €0.6 million of share-based compensation expense for our Stock Option Plans compared to €0.4 million of share-based compensation income in the comparable 2008 period.
For the nine months ended September 30, 2009, the Company recorded €0.8 million of share-based compensation expense for our Stock Option Plans compared to €4.4 million of share-based compensation income in the comparable 2008 period. The increase in the Company's share price resulted in a higher liability and accordingly increased share-based compensation expense.

Other Operating Expense (Income), net. For the three months ended September 30, 2009, other operating income, net increased by €8.5 million, to €8.1 million from other operating expense, net of €0.3 million in the comparable 2008. This increase resulted mainly from the gain on a sale of certain trademarks registered in Korea of €7.6 million and foreign exchange rate fluctuations.
For the nine months ended September 30, 2009, other operating income, net increased by €8.0 million to €8.2 million from €0.2 million in the comparable 2008 mainly due to the gain on a sale of trademarks registered in Korea of €7.6 million.

Operating Profit (Loss). As a result of the foregoing factors, operating income for the

three months ended September 30, 2009 increased by €11.2 million to €16.0 million from €4.8 million in the comparable 2008 period.
For the nine months ended September 30, 2009, the operating result increased by €7.4 million to an operating profit of €2.1 million from an operating loss of €5.3 million in the comparable 2008 period.

Interest Expense. For the three months ended September 30, 2009, interest expense decreased by €0.5 million, or 14.3%, to €2.7 million from €3.2 million in the comparable 2008 due to the waiver of €42.0 million of our 8.5% senior notes as a result of the exchange offer.
For the nine months ended September 30, 2009, interest expense decreased by €0.6 million, or 6.2%, to €8.9 million from €9.5 million in the comparable 2008 period.

Interest Income. For the three months ended September 30, 2009, interest income decreased by €0.1 million, or 68.1%, to €0.1 million from €0.2 million in the comparable 2008 period.
For the nine months ended September 30, 2009, interest income decreased by €0.5 million, or 53.4% to €0.4 million from €0.9 million in the comparable 2008 period. This decrease was due to lower cash and cash equivalents.

Gain on Exchange of Senior Notes. 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 €5.4 million of expense relating to the exchange of the senior notes.

Other Non-operating Income, net. For the three months ended September 30, 2009, other non-operating income, net increased by €0.1 million to €0.5 million from €0.4 million in the comparable 2008 period mainly attributable to foreign currency gains.
For the nine months ended September 30, 2009, other non-operating income, net increased by €0.5 million to €2.0 million from €1.5 million in the comparable 2008 period mainly attributable to foreign currency gains.

Income Tax Benefit (Expense). For the three months ended September 30, 2009, the income tax expense was €14.6 million, an increase of €13.6 million compared to €1.0 million in the comparable 2008 period. This increase was mainly due to the tax expense incurred as a result of the gain on exchange of senior notes. Tax losses brought forward by the company have been utilised. For the nine months ended September 30, 2009, the income tax expense was €11.5 million compared to an income tax benefit of €3.9 million in the comparable 2008 period. This increase in income tax expense was due to the tax expense incurred as a result of 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 of €1.2 million and lower taxable losses before share-based compensation (income) expense as this income/expense has no tax effect. Tax losses brought forward by the company have been utilised.

Net Profit (Loss). As a result of the foregoing factors, for the three months ended September 30, 2009, the Company had a net profit of €41.5 million, compared to a net profit of €1.2 million in the comparable 2008 period. For the nine months ended September 30, 2009, the Company had a net profit of €24.4 million compared to a net loss of €8.5 million in the comparable 2008 period.

HEAD

Consolidated Results

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2009	2008	2009	2008
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
	(in thousands)		*(in thousands)*	
Total net revenues	€ 92.216	€ 93.116	€ 206.665	€ 210.963
Cost of sales	55.351	58.416	123.445	130.299
Gross profit	36.865	34.701	83.219	80.664
Gross margin	40,0%	37,3%	40,3%	38,2%
Selling and marketing expense	21.865	22.138	65.959	67.879
General and administrative expense	6.333	7.133	20.369	21.976
Share-based compensation expense (income)	605	(354)	812	(4.428)
Restructuring costs	176	607	2.152	739
Other operating expense (income), net	(8.129)	346	(8.182)	(224)
Operating profit (loss)	16.015	4.832	2.109	(5.279)
Interest expense	(2.735)	(3.192)	(8.921)	(9.512)
Interest income	55	171	398	854
Gain on exchange of senior notes	42.214	--	40.314	--
Other Non-operating income, net	476	392	1.980	1.519
Income tax benefit (expense)	(14.561)	(995)	(11.474)	3.939
Profit (Loss) for the period	€ 41.464	€ 1.209	€ 24.406	€ (8.480)

About Head

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

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

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

We hold leading positions in all of our product markets and our products are endorsed by some of the world's top athletes including Andre Agassi, Hermann Maier, Bode Miller, Lindsey Vonn, Amelie Mauresmo, Svetlana Kuznetsova, Novak Djokovic, Andrew Murray, Ivan Ljubicic, Didier Cuche, Marco Büchel, Patrick Staudacher, Maria Riesch and Sarka Zahrobska.

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

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This press release should be read in conjunction with the company's report for the three and none months ended 30 September 2009.

This press release and the statements of Mr. Johan Eliasch quoted herein contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. Investors are cautioned that all forward-looking statements involve risks and uncertainties. Although Head believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that the forward-looking statements included in this press release will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included and quoted herein, the inclusion of such information should not be regarded as a representation by Head or any other person that the objectives and plans of Head will be achieved.

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

HEAD

HEAD N.V.
INTERIM FINANCIAL STATEMENTS

For the Period Ended
September 30, 2009

HEAD N.V.

INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2009

INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PRESENTATION OF INFORMATION

Percentages and some amounts contained herein are rounded for ease of presentation, and some amounts may therefore not total. Most financial information is presented in euro. In some cases, this report contains translations of amounts in other currencies into euro at specified rates solely for the convenience of the reader. You should not construe these translations as representations that these amounts actually represent these euro amounts or could be converted into euro at the rate indicated.

Unless otherwise indicated, euro amounts have been translated from other currency amounts to euro, based on the European Central Bank rates.

The condensed interim financial statements included herein have been prepared in accordance with IFRS as adopted by the European Union.

HEAD N.V. AND SUBSIDIARIES
ITEM 1. FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note		September 30, 2009		December 31, 2008
			(unaudited)		
			(in thousands, except share data)		
ASSETS:					
Non-current assets					
Property, plant and equipment, net	6	€	56,357	€	61,300
Intangible assets	6		10,935		11,146
Goodwill	6		2,698		2,643
Deferred income tax assets			54,814		63,027
Trade receivables			496		1,662
Other non-current assets			4,398		4,793
Total non-current assets			129,697		144,571
Current assets					
Inventories, net	3		92,758		77,120
Trade and other receivables			100,933		130,790
Prepaid expense			2,261		2,089
Available-for-sale financial assets			6,323		6,194
Cash and cash equivalents			24,996		17,643
Total current assets			227,271		233,836
Total assets		€	356,967	€	378,407
EQUITY:					
Share capital: €0.01 par value; 88,204,030 (39,820,677) shares issued	5, 10	€	882	€	398
Other reserves			105,077		111,489
Treasury shares	5, 8		(683)		(7,119)
Retained earnings			55,367		30,960
Fair Value and other reserves including cumulative translation adjustments (CTA)			(10,938)		(9,694)
Total equity			149,706		126,034
LIABILITIES:					
Non-current liabilities					
Borrowings	10, 11		92,162		132,955
Retirement benefit obligations			14,527		14,643
Other long-term liabilities			6,026		6,141
Total non-current liabilities			112,715		153,739
Current liabilities					
Trade and other payables			54,463		57,880
Income taxes			2,882		1,221
Borrowings	8		26,225		27,039
Provisions			10,977		12,493
Total current liabilities			94,547		98,634
Total liabilities			207,262		252,373
Total liabilities and shareholders' equity		€	356,967	€	378,407

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

HEAD N.V. AND SUBSIDIARIES
ITEM 1. FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the Three Months ended September 30, 2009 (unaudited)	For the Three Months ended September 30, 2008 (unaudited)	For the Nine Months ended September 30, 2009 (unaudited)	For the Nine Months ended September 30, 2008 (unaudited)
		(in thousands, except earnings per share data)			
Total net revenues	6	€ 92,216	€ 93,116	€ 206,665	€ 210,963
Cost of sales		55,351	58,416	123,445	130,299
Gross profit		36,865	34,701	83,219	80,664
Selling and marketing expense		21,865	22,138	65,959	67,879
General and administrative expense		6,333	7,133	20,369	21,976
Share-based compensation expense (income)		605	(354)	812	(4,428)
Restructuring costs	7	176	607	2,152	739
Other operating expense (income), net	12	(8,129)	346	(8,182)	(224)
Operating profit (loss)		16,015	4,832	2,109	(5,279)
Interest expense		(2,735)	(3,192)	(8,921)	(9,512)
Interest income		55	171	398	854
Gain on exchange of senior notes	10	42,214	--	40,314	--
Other non-operating income, net		476	392	1,980	1,519
Profit (loss) before income taxes		56,025	2,203	35,881	(12,419)
Income tax benefit (expense):					
Current		(915)	(337)	(3,240)	(1,483)
Deferred		(13,646)	(658)	(8,234)	5,422
Income tax benefit (expense)		(14,561)	(995)	(11,474)	3,939
Profit (Loss) for the period		€ 41,464	€ 1,209	€ 24,406	€ (8,480)
Other comrehensive income:					
Gains (losses) recognized directly in equity					
Unrealized loss on derivative instruments		€ --	€ (256)	€ --	€ (44)
Reclassification adjustment for derivative gains recorded in loss for the period		--	72	--	(77)
Invested intercompany receivables		(369)	1,126	(133)	91
Available-for-sale financial assets		206	(113)	97	(317)
Foreign currency translation adjustment		(906)	4,308	(1,220)	936
Income tax related to components of other comprehensive income		54	(276)	12	116
Other comprehensive income (loss) for the period, net of tax		€ (1,015)	€ 4,861	€ (1,244)	€ 705
Total comprehensive income for the period		€ 40,449	€ 6,070	€ 23,163	€ (7,775)
Earnings per share-basic					
Profit (Loss) for the period		0.69	0.03	0.54	(0.23)
Earnings per share-diluted					
Profit (Loss) for the period		0.69	0.03	0.54	(0.23)
Weighted average shares outstanding					
Basic		60,317	37,109	44,930	37,109
Diluted	10	60,317	37,109	44,930	37,109

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

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

	Note	Attributable to equity holders of the Company						Total Equity
		Ordinary Shares		Other	Treasury	Retained	Fair Value and Other Reserves/	
		Shares	Amount	Reserves	Stock	Earnings	CTA	
					(unaudited) (in thousands, except share data)			
Balance at January 1, 2008		37,109,432 €	398 €	111,489 €	(7,119) €	40,699 €	(12,450) €	133,017
Loss for the period		--	--	--	--	(8,480)	--	(8,480)
Changes in fair value and other reserves including CTA							705	705
Total recognized income and expense for the period		--	--	--	--	--	--	(7,775)
Balance at September 30, 2008		37,109,432 €	398 €	111,489 €	(7,119) €	32,219 €	(11,745) €	125,242
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	5	22,491,278	225	--	--	--	--	225
Capital increase on undertaking of guarantee for working capital facility	5, 8	25,892,075	259	--				259
Transfer of treasury shares	5, 8	2,451,223	--	(6,412)	6,436			25
Profit for the period		--	--	--	--	24,406	--	24,406
Changes in fair value and other reserves including CTA							(1,244)	(1,244)
Total recognized income and expense for the period		--	--	--	--	--	--	23,163
Balance at September 30, 2009		87,944,008 €	882 €	105,077 €	(683) €	55,367 €	(10,938) €	149,706

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

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

	Note	For the Nine Months ended September 30, 2009 (unaudited)	2008 (unaudited)
		(in thousands)	
OPERATING ACTIVITIES:			
Profit (Loss) for the period		€ 24,406	€ (8,480)
Adjustments to reconcile net profit (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization		9,490	9,941
Amortization and write-off of debt issuance cost and bond discount	10	2,057	321
Release for leaving indemnity and pension benefits		(111)	(266)
Restructuring costs	7	82	(524)
Gain on waiver of senior notes	10	(41,985)	--
Gain on sale of property, plant and equipment		(205)	(20)
Share-based compensation (income) expense		812	(4,428)
Deferred Income		(745)	(562)
Interest expense		8,628	9,192
Interest income		(398)	(854)
Income tax expense		3,240	1,483
Deferred tax expense (benefit)		8,234	(5,422)
Changes in operating assets and liabilities:			
Accounts receivable		30,688	24,775
Inventories	3	(16,022)	(23,814)
Prepaid expense and other assets		(349)	(453)
Accounts payable, accrued expenses, other liabilities and provisions		(5,814)	(2,754)
Interest paid	10	(8,157)	(11,800)
Income tax paid		(843)	(406)
Net cash provided by (used for) operating activities		13,008	(14,074)
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(4,148)	(11,271)
Proceeds from sale of property, plant and equipment		419	36
Purchases of available-for-sale financial assets		--	(64)
Sale of available-for-sale financial assets		--	3,393
Interest received		296	723
Net cash used for investing activities		(3,434)	(7,184)
FINANCING ACTIVITIES:			
Change in short-term borrowings, net		(501)	7,324
Proceeds from long-term debt	11	2,071	--
Payments on long-term debt		(2,096)	(1,914)
Proceeds from other long-term obligations		--	428
Capital increase	5, 8, 10	484	--
Transfer of treasury shares	5, 8	25	--
Change in restricted cash		(436)	2,000
Net cash provided by (used for) financing activities		(454)	7,838
Effect of exchange rate changes on cash and cash equivalents		(2,203)	(1,834)
Net increase (decrease) in cash and cash equivalents		6,918	(15,254)
Cash and cash equivalents at beginning of period		17,155	27,782
Cash and cash equivalents at end of period		€ 24,072	€ 12,528

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

Note 1 - Business

Head N.V. ("Head" or the "Company") is a leading global manufacturer and marketer of branded sporting goods serving the skiing, tennis and diving markets. The Company has created or acquired a portfolio of brands – *Head* (principally alpine skis, ski bindings, ski boots, and snowboard products, tennis, racquetball, squash and badminton racquets, tennis balls and tennis footwear), *Penn* (tennis balls and racquetball balls), *Tyrolia* (ski bindings), *Mares* (diving equipment). The Company's key products have attained leading market positions based on sales and reputation and have gained high visibility through their use by many of today's top athletes.

The Company generates revenues in its principal markets by selling goods directly to retail stores and, to a lesser extent, by selling to distributors. The Company also receives licensing and royalty income. As many of the Company's products, especially Winter Sports products, are shipped during a specific part of the year, the Company experiences highly seasonal revenue streams. Following industry practice, the Company begins to receive orders from its customers in the Winter Sports division from March until September, during which time the Company books approximately three quarters of its orders for the year. The Company will typically begin shipment of skis, boots and bindings in July and August, with the peak shipping period occurring in September to November. At this time, the Company will begin to receive re-orders from customers, which constitute the remaining quarter of the yearly orders. This re-orders inflow may last, depending on the course of weather into the first quarter of the next year. Racquet Sports and Diving product revenues also experience seasonality, but to a lesser extent than Winter Sports revenues.

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

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

Note 2 - General Principles and Explanations

Basis of Presentation

The condensed interim financial statements included herein have been prepared in accordance with IFRS ("International Financial Reporting Standards") as adopted by the EU. The accounting principles applied in these condensed interim financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended December 31, 2008. The condensed interim financial statements comply with IAS 34. The result of operations for the nine months period ended September 30, 2009 is not necessarily indicative of the results that may be expected for any other interim period or for the full fiscal year.

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

Note 3 – Inventories

Inventories consist of the following (in thousands):

	September 30, 2009 (unaudited)	December 31, 2008
Raw materials and supplies	€ 14,118	€ 17,021
Work in process	8,214	7,319
Finished goods	81,291	65,807
Provisions	(10,865)	(13,027)
Total inventories, net	€ 92,758	€ 77,120

Note 4 - Financial Instruments

The following table provides information regarding the Company's foreign exchange forward and option contracts as of September 30, 2009 and December 31, 2008. The fair value of the foreign currency contracts represent the amount the Company would receive or pay to terminate the contracts, considering first, quoted market prices of comparable agreements, or in the absence of quoted market prices, such factors as interest rates, currency exchange rates and remaining maturity.

	As of September 30, 2009		
	Contract amount	Carrying value	Fair value
		(in thousands)	
Foreign exchange forward contracts	€ 20,735	€ 137	€ 137
Foreign exchange option contracts	€ 1,771	€ 39	€ 39

	As of December 31, 2008		
	Contract amount	Carrying value	Fair value
		(in thousands)	
Foreign exchange forward contracts	€ 28,642	€ (427)	€ (427)
Foreign exchange option contracts	€ 9,300	€ 178	€ 178

Note 5 – Shareholders' Equity

In connection with the exchange offer 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. Eliasch and his family members. (see Note 10).

Head Sports Holdings N.V. and its shareholders controlled 48,242,064 shares, or approximately 54.69% of the Company's issued shares, as of September 30, 2009. Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Johan Eliasch and his family members resulting in the ability to significantly influence and control the Company's operations.

In accordance with SIC 12 "Consolidation – Special Purpose Entity" the Company consolidated the Stichting, as the Company was considered the main beneficiary of the Stichting. The Stichting is a Dutch foundation which holds, votes, and receives dividends on certain of the Company's ordinary shares. In conjunction with the Company's option plans, the Stichting also issues depository receipts to option holders, upon exercise of the option. As a result of consolidating the Stichting shares held by the Stichting are presented as treasury shares in the consolidated statement of financial position. As of September 30, 2009, the Stichting held 260,022 treasury shares.

13-11-2009

Note 6 - Segment Information

The Company operates in one industry segment, Sporting Goods. The following information reflects net revenues and long-lived assets based on the location of the Company's subsidiaries:

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2009	2008	2009	2008
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
	(in thousands)			
Revenues from External Customers:				
Austria	€ 43,876	€ 42,522	€ 83,072	€ 80,841
Italy	6,327	5,940	24,932	27,540
Other (Europe)	14,228	14,504	28,978	30,115
Asia	5,170	4,397	9,566	9,578
North America	22,615	25,753	60,118	62,889
Total Net Revenues	€ 92,216	€ 93,116	€ 206,665	€ 210,963

	September 30,	December 31,
	2009	2008
	(unaudited)	
	(in thousands)	
Long-lived assets:		
Austria	€ 21,127	€ 16,474
Italy	9,067	9,559
Other (Europe)	22,119	21,319
Asia	10,960	11,869
North America	6,717	15,868
Total long-lived assets	€ 69,990	€ 75,089

Note 7 – Restructuring Costs

In October 2007, the Company announced the transfer of parts of the ski production from its site in Kennelbach, Austria to its site in Budweis, Czech Republic to reduce fixed cost. As of December 31, 2008, the Company accrued €1.2 million relating to this program mainly consisting of €0.8 million, employee severance cost and stay bonus and €0.4 million of cost for deconstruction. During the nine months to September 30 2009, the Company paid out €0.6 million of these accrued costs and incurred, and paid, an additional €0.8 million of costs. As at September 30 2009, the Company had remaining accrued costs of €0.8 million relating to this project. The Company will largely complete this program during 2009.

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 accrued for €0.9 million termination benefits. During the nine months to September 30 2009, the Company paid out €0.7m of these accrued costs and incurred, 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. As at September 30 2009, the Company had remaining accrued costs of €0.3 million relating to this project.

Note 8 - Related Party Transactions

The Company receives administrative services from corporations, which are ultimately controlled by the principal shareholder of the Company. Administrative expenses amounted to approximately €3.5 million for the period ended September 30, 2009 and 2008, respectively. The company provides investor relations, corporate finance, legal and consulting services. In the amended indenture governing the senior secured notes, the Company has agreed to limit such expenses to €4.6 million per year as long as the senior secured notes are outstanding.

On August 13, 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 10). As of September 30, 2009, the Company used €2.0 million of this line and paid €0.2 million of commitment fee and interest expense.

One of the Company's subsidiaries leased its office building from its general manager. Rental expenses amounted to approximately €0.02 million for the period ended September 30, 2009 and 2008, respectively.

Note 9 – Stock Option Plan 2009

At the last 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 the life of the plan is 10 years from the date the options are granted. Options issued under the Plan 2009 will be administered by the Stichting Head Option Plan.

On July 27, 2009, the Board of Management has approved the resolution that options under the Plan 2009 were granted to the Stichting. In the best interest of the Company, 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. As of September 30, 2009, no options have been granted to any member of Management of the Company.

Note 10 – Exchange Offer to the 8.5% Senior Notes

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 consists 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 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.

Also, 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.

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.

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. Eliasch's personal guarantee will not be required if such facility is provided by a bank or other financial institution organised 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 have received 28,343,298 ordinary shares of Head N.V. on the settlement date of the exchange offer.

Note 11 – China Loan

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 the loan, 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. The loan is secured by a mortgage.

Note 12 – Sale of Trademarks

In August, 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.

HEAD N.V. AND SUBSIDIARIES
ITEM 2: MANAGEMENT'S OPERATING AND FINANCIAL REVIEW

Overview:

The Company is a leading global manufacturer and marketer of branded sporting goods serving the skiing, tennis and diving markets. The Company has created or acquired a portfolio of brands – *Head* (principally alpine skis, ski bindings, ski boots, and snowboard products, tennis, racquetball, squash and badminton racquets, tennis balls and tennis footwear), *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 31,000 customers in over 85 countries and target sports enthusiasts of varying levels of ability and interest ranging from the novice to the professional athlete. The Company's strongest presence has traditionally been in Europe. The United States is the next largest market for the Company's products after Europe.

Over the last six decades, the Company has become one of the world's most widely recognized developers and manufacturers of innovative, high-quality and technologically advanced sporting equipment. The Company's focus continues to be its core products of skiing, tennis and diving equipment. In order to expand market share and maximize profitability, for the last ten years the Company has increased its emphasis on marketing and new product development, leveraging further its brands, global distribution network and traditional strength in manufacturing and the Company is continuously looking for a possible reduction of its fixed costs.

Business development

Winter Sports. The 2008/2009 winter season started with very good snow conditions in Europe and in some parts of the U.S. but with late snow in Japan. Retailers in Europe reported a growing winter sports equipment business mainly driven by accessories (helmets) but also by ski boots. However, ski sales in Europe for the period ending December 31, 2008 have been flat compared to 2007. The Company believes that the ongoing trend towards rental equipment is responsible for the increased demand for boots compared to skis. Later in the season ski resorts already reported a declining number of visitors as a result of the current difficult economic conditions. This then also led to very cautious pre season booking behaviour especially in North America where pre season bookings are down by 25% to 30% compared to prior year and to a lesser extent in Europe and Japan. The Company assumes that pre season orders worldwide for winter sports equipment are down by approximately 10% compared to prior year. Some early snow in the Alps mid of October will help to start the retail selling season which could result in some additional re-orders from European retailers.

Racquet Sports. We estimate that the market for tennis racquets in 2008 was approximately 9.8 million units, with a value of approximately €280 million at wholesale level. For the first half of 2009, we believe that the total tennis racquet market declined by approximately 5% in units and value, with the European markets performing more positively than the US and Japan market. As for worldwide sales of tennis balls, it is our estimation that the global market also declined, but at a smaller rate than the market for tennis racquets.

Diving. During the first nine months of 2009, worldwide diving markets declined in the range of 20% compared to the same period in 2008. The worldwide crisis made the diving industry one of the most affected sporting good categories, as the sport is expensive and requires traveling. Key dive destinations such as the Maldives, Egypt and Thailand reported a decline of the diving tourism by around 20 to 30% during the first nine months of 2009, however showing some recovery in the last quarter. *Mares* performed better than the diving industry mainly due to a strong performance of our European distribution units, nevertheless revenues declined by 12% in the first nine months of 2009. We most recently have seen business picking up due to good late summer weather conditions in Europe, low dealer inventories and a strong product line 2009/10.

HEAD N.V. AND SUBSIDIARIES
ITEM 2: MANAGEMENT'S OPERATING AND FINANCIAL REVIEW

Results of Operations:

The following table sets forth certain consolidated income statement data:

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2009	2008	2009	2008
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
	(in thousands)		*(in thousands)*	
Total net revenues	€ 92,216	€ 93,116	€ 206,665	€ 210,963
Cost of sales	55,351	58,416	123,445	130,299
Gross profit	36,865	34,701	83,219	80,664
Gross margin	40.0%	37.3%	40.3%	38.2%
Selling and marketing expense	21,865	22,138	65,959	67,879
General and administrative expense	6,333	7,133	20,369	21,976
Share-based compensation expense (income)	605	(354)	812	(4,428)
Restructuring costs	176	607	2,152	739
Other operating expense (income), net	(8,129)	346	(8,182)	(224)
Operating profit (loss)	16,015	4,832	2,109	(5,279)
Interest expense	(2,735)	(3,192)	(8,921)	(9,512)
Interest income	55	171	398	854
Gain on exchange of senior notes	42,214	--	40,314	--
Other Non-operating income, net	476	392	1,980	1,519
Income tax benefit (expense)	(14,561)	(995)	(11,474)	3,939
Profit (Loss) for the period	€ 41,464	€ 1,209	€ 24,406	€ (8,480)

Three and Nine Months Ended September 30, 2009 and 2008

Total Net Revenues. For the three months ended September 30, 2009 total net revenues decreased by €0.9 million, or 1.0%, to €92.2 million from €93.1 million in the comparable 2008 period. This decrease was due to decreased sales volumes in Winter Sports partially offset by a better product mix, higher sales volumes in Racquet Sports and the strengthening of the U.S. dollar against the euro.

For the nine months ended September 30, 2009 total net revenues decreased by €4.3 million, or 2.0%, to €206.7 million from €211.0 million in the comparable 2008 period. This decrease was mainly due to lower sales volumes of our Winter Sports and Diving division, partly offset by favorable product mix and the strengthening of the U.S. dollar against the euro.

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2009	2008	2009	2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(in thousands)		(in thousands)	
Product category:				
Winter Sports	€ 50,365	€ 54,343	€ 70,756	€ 77,651
Racquet Sports	33,357	30,512	100,477	93,735
Diving	10,130	10,004	36,864	41,899
Licensing	1,160	1,174	4,368	4,075
Total revenues	95,013	96,033	212,466	217,360
Sales Deductions	(2,797)	(2,917)	(5,801)	(6,397)
Total Net Revenues	€ 92,216	€ 93,117	€ 206,665	€ 210,963

Winter Sports revenues for the three months ended September 30, 2009 decreased by €4.0 million, or 7.3%, to €50.4 million from €54.3 million in the comparable 2008 period. This decrease was due to lower sales volumes partially offset by favorable product mix and the strengthening of the U.S. dollar against the euro compared to the comparable 2008 period.
For the nine months ended September 30, 2009 Winter Sports revenues decreased by €6.9 million, or 8.9%, to €70.8 million from €77.7 million in the comparable 2008 period. This decrease was due to lower sales volumes of all of our major winter sports products partially offset by favorable product mix and the strengthening of the U.S. dollar against the euro.

Racquet Sports revenues for the three months ended September 30, 2009 increased by €2.8 million, or 9.3%, to €33.4 million from €30.5 million in the comparable 2008 period. This increase was due to higher sales volumes of tennis racquets and footwear and favorable product mix resulting from the launch of our new tennis racquets as well as the strengthening of the U.S. dollar against the euro.
For the nine months ended September 30, 2009 Racquet Sports revenues increased by €6.7 million, or 7.2%, to €100.5 million from €93.7 million in the comparable 2008 period. This increase was mainly due to the strengthening of the U.S. dollar against the euro and a favorable product mix. Lower sales volumes of tennis racquets were partially offset by higher sales volumes of balls, footwear and badminton products.

Diving revenues for the three months ended September 30, 2009 increased by €0.1 million, or 1.3%, to €10.1 million from €10.0 million in the comparable 2008 period due to the strengthening of the U.S. dollar against the euro compared to the comparable 2008 period.
For the nine months ended September 30, 2009, Diving revenues decreased by €5.0 million, or 12.0%, to €36.9 million from €41.9 million in the comparable 2008 period. This decrease was mainly driven by lower sales resulting from the overall decline in the economic environment and consumer spending as a result of the financial crisis.

Licensing revenues for the three months ended September 30, 2009 remained stable at €1.2 million compared to the comparable 2008 period.
For the nine months ended September 30, 2009 Licensing revenues increased by €0.3 million, or 7.2%, to €4.4 million from €4.1 million in the comparable 2008 period due to the strengthening of the U.S. dollar against the euro.

Sales deductions for the three months ended September 30, 2009 decreased by €0.1 million, or 4.1%, to €2.8 million from €2.9 million in the comparable 2008 period due lower sales.
For the nine months ended September 30, 2009 sales deductions decreased by €0.6 million, or 9.3%, to €5.8 million from €6.4 million in the comparable 2008 period due lower sales.

Gross Profit. For the three months ended September 30, 2009 gross profit increased by €2.2 million to €36.9 million from €34.7 million in the comparable 2008 period. Gross margin increased to 40.0% in 2009 from 37.3% in the comparable 2008 period.

HEAD N.V. AND SUBSIDIARIES
ITEM 2: MANAGEMENT'S OPERATING AND FINANCIAL REVIEW

For the nine months ended September 30, 2009 gross profit increased by €2.6 million to €83.2 million from €80.7 million in the comparable 2008 period. Gross margin increased to 40.3% in 2009 from 38.2% in the comparable 2008 period. This increase was due to improved manufacturing costs as well as a favorable product mix in Racquet Sports.

Selling and Marketing Expense. For the three months ended September 30, 2009, selling and marketing expense decreased by €0.3 million, or 1.2%, to €21.9 million from €22.1 million in the comparable 2008 period.
For the nine months ended September 30, 2009, selling and marketing expense decreased by €1.9 million, or 2.8%, to €66.0 million from €67.9 million in the comparable 2008 period. This decrease resulted from a reduction in departmental selling costs.

General and Administrative Expense. For the three months ended September 30, 2009, general and administrative expense decreased by €0.8 million, or 11.2%, to €6.3 million from €7.1 million in the comparable 2008 period.
For the nine months ended September 30, 2009, general and administrative expense decreased by €1.6 million, or 7.3%, to €20.4 million from €22.0 million in the comparable 2008 period mainly due to tough cost management.

Share-Based Compensation Expense (Income). For the three months ended September 30, 2009, the Company recorded €0.6 million of share-based compensation expense for our Stock Option Plans compared to €0.4 million of share-based compensation income in the comparable 2008 period.
For the nine months ended September 30, 2009, the Company recorded €0.8 million of share-based compensation expense for our Stock Option Plans compared to €4.4 million of share-based compensation income in the comparable 2008 period. The increase in the Company's share price resulted in a higher liability and accordingly increased share-based compensation expense.

Other Operating Expense (Income), net. For the three months ended September 30, 2009, other operating income, net increased by €8.5 million, to €8.1 million from other operating expense, net of €0.3 million in the comparable 2008. This increase resulted mainly from the gain on a sale of certain trademarks registered in Korea of €7.6 million and foreign exchange rate fluctuations.
For the nine months ended September 30, 2009, other operating income, net increased by €8.0 million to €8.2 million from €0.2 million in the comparable 2008 mainly due to the gain on a sale of trademarks registered in Korea of €7.6 million.

Operating Profit (Loss). As a result of the foregoing factors, operating income for the three months ended September 30, 2009 increased by €11.2 million to €16.0 million from €4.8 million in the comparable 2008 period.
For the nine months ended September 30, 2009, the operating result increased by €7.4 million to an operating profit of €2.1 million from an operating loss of €5.3 million in the comparable 2008 period.

Interest Expense. For the three months ended September 30, 2009, interest expense decreased by €0.5 million, or 14.3%, to €2.7 million from €3.2 million in the comparable 2008 due to the waiver of €42.0 million of our 8.5% senior notes as a result of the exchange offer (see Note 10).
For the nine months ended September 30, 2009, interest expense decreased by €0.6 million, or 6.2%, to €8.9 million from €9.5 million in the comparable 2008 period.

Interest Income. For the three months ended September 30, 2009, interest income decreased by €0.1 million, or 68.1%, to €0.1 million from €0.2 million in the comparable 2008 period.
For the nine months ended September 30, 2009, interest income decreased by €0.5 million, or 53.4% to €0.4 million from €0.9 million in the comparable 2008 period. This decrease was due to lower cash and cash equivalents.

Gain on Exchange of Senior Notes. 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 €5.4 million of expense relating to the exchange of the senior notes (see Note 10).

Other Non-operating Income, net. For the three months ended September 30, 2009, other non-operating income, net increased by €0.1 million to €0.5 million from €0.4 million in the comparable 2008 period mainly attributable to foreign currency gains.
For the nine months ended September 30, 2009, other non-operating income, net increased by €0.5

million to €2.0 million from €1.5 million in the comparable 2008 period mainly attributable to foreign currency gains.

Income Tax Benefit (Expense). For the three months ended September 30, 2009, the income tax expense was €14.6 million, an increase of €13.6 million compared to €1.0 million in the comparable 2008 period. This increase was mainly due to the tax expense incurred as a result of the gain on exchange of senior notes. Tax losses brought forward by the company have been utilised.
For the nine months ended September 30, 2009, the income tax expense was €11.5 million compared to an income tax benefit of €3.9 million in the comparable 2008 period. This increase in income tax expense was due to the tax expense incurred as a result of 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 of €1.2 million and lower taxable losses before share-based compensation (income) expense as this income/expense has no tax effect. Tax losses brought forward by the company have been utilised.

Net Profit (Loss). As a result of the foregoing factors, for the three months ended September 30, 2009, the Company had a net profit of €41.5 million, compared to a net profit of €1.2 million in the comparable 2008 period. For the nine months ended September 30, 2009, the Company had a net profit of €24.4 million compared to a net loss of €8.5 million in the comparable 2008 period.

Liquidity and Capital Resources

Payments from our customers are our principal source of liquidity. Additional sources of liquidity include our credit facility, financing under capital lease arrangements and vendor financing. The cash provided by these sources has a variety of uses. Most importantly, the Company must pay its employees and vendors for the services and materials they supply. Additional uses include capital expenditures, development of new products, payment of interest, extension of credit to our customers, and other general funding of our day-to-day operations.

For the nine months ended September 30, 2009, cash provided by operating activities increased by €27.1 million to €13.0 million compared to cash used for operating activities of €14.1 million in the comparable 2008 period which was mainly a result of better operating results, lesser interest paid and lower working capital needs. Additional cash was used to purchase property, plant and equipment of €4.1 million compared to €11.3 million in the comparable 2008 period.

As of September 30, 2009, the Company had in place €43.7 million secured senior notes due 2012, €27.7 million senior notes due 2014, €11.9 million long-term obligations under a sale-leaseback agreement and a mortgage agreement due 2017, a liability against our venture partner of €2.5 million and €8.6 million other long-term debt comprising secured loans in Italy, Japan and China. In addition, the Company used lines of credit with several banks in Austria, France, Canada and Japan of €22.0 million and a working capital facility of €2.0 million provided by a corporation, which is ultimately owned by the principal shareholder of the Company (see Note 8).