HEAD®

Annual Report 2009

HEAD N.V.

FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2009

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HEAD N.V. AND SUBSIDIARIES
DIRECTORS' REPORT

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), 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 part of the year, the Company experiences highly seasonal revenue streams. Following industry practice, the Company begins to receive orders from its customers in the Winter Sports division from March until June, during which time the Company books approximately three quarters of its orders for the year. The Company will typically begin shipment of skis, boots and bindings in July and August, with the peak shipping period occurring in October and November. At this time, the Company will begin to receive re-orders from customers, which constitute the remaining quarter of 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 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 skis and snowboards and a protection line consisting of helmets and body protection, *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. 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 utilize sales representatives and independent distributors to serve specialized markets and related distribution channels.

Europe

Sales to customers within Europe accounted for 60.2% of the Company's 2009 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 25.6% of the Company's 2009 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 and re-establish Head brand names in the U.S. winter sports market.

The success of *Head* Titanium, Intelligence, Liquidmetal, Microgel and Youtek racquets has helped to significantly raise Head's profile as a tennis brand in North America. The Company seeks to further heighten this profile through the endorsement by the U.S. Professional Tennis Association, the world's largest association of tennis-teaching professionals, and other sales and marketing efforts.

Asia
Sales to customers in Asia accounted for 9.9% of the Company's 2009 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 4.3% of the Company's 2009 sales. These markets mainly consist of Latin America, Africa and Australia. The Company believes the number of countries in these markets in which sales were made exceeded 50 in 2009. 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 2009 was approximately €870 million at the wholesale level, consisting of €300 million for skis, €140 million for bindings, €210 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 2009, approximately 3.1 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 0.9 million in 2009 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 3.1 million in 2009. 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 slightly improved in 2009 to 2.9 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. The Company estimates that the market for tennis racquets in 2009 was approximately 9.4 million units at a wholesale value of approximately €266 million. Based on information currently available but also including internal estimates, the Company assumes a decline in 2009 compared to 2008 of 4% and 5% in units and value respectively.

The Company estimates the worldwide sales of tennis balls was approximately 23.3 million dozens at wholesale level of a value of €176 million, representing a decline in 2009 compared to 2008 of 3% and 2% in volume and value respectively.

Diving market
The Company defines the diving market as the market for diving equipment, wetsuits, dry suits and diving accessories. The Company estimates the worldwide wholesale market in 2009 was approximately €400 million. The Company believes that the diving market was declining in 2009 in Europe and Asia by approximately 15% and in the United States by approximately 20%. During the second half of 2009, 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 2009/2010 winter season started with early snow in Europe and in some parts of the United States of America. but with late snow in Japan. Retailers in Europe reported a growing winter sports equipment business mainly driven by accessories and skiwear. Ski sales in Europe for the period ending December 31, 2009 have been flat compared to 2008 and significantly down in Japan and in Canada. Good snow conditions all over the world as of January 2010 led to some good sell through and retailers could significantly reduce their inventory. For the pre-season bookings 2010, the Company is expecting similar numbers as 2009.

Racquet Sports
The tennis market, along with the general economy, was impacted by the recessionary forces as a growing unemployment rate, but also consumers that became concerned about their jobs, postponed purchased to some degree. The declines in the overall markets were more pronounced in the United States of America, Japan and in Eastern Europe and fairly flat in the rest of the world. The Company has witnessed signs of improvements in the latter part of 2009 and expects 2010 to be a more stable market globally.

Diving
Worldwide diving markets further declined in 2009. 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 Europe mainly coming from Germany and France principally as a result of new advanced products, improved operations and strong performances by the European sales

teams. Mares also gained market shares in the Asian markets but lost some percentages in the United States.

Profitability

Income statement:

Total net revenues decreased by €7.0 million, or 2.1%, to €319.0 million from €326.0 million in the comparable 2008 period. An increase of racquet sports sales was offset by declined sales of the winter sports and diving divisions as consequence of the economical crisis.

Winter Sports revenues decreased by €6.1 million, or 3.9%, to €150.3 million from €156.4 million in the comparable 2008 period. This was mainly caused by declining volumes in all of the Company's product categories except helmets reflecting the general economical situation, especially in North America.

Racquet Sports revenues increased by €4.7 million, or 3.9%, to €126.2 million from €121.4 million in the comparable 2008 period. This increase was due to the strengthening of the U.S. dollar against the euro as well as favorable product mix.

Diving revenues decreased by €6.3 million, or 12.0%, to €46.1 million from €52.4 million in the comparable 2008 period. This decrease was driven by the significant downsizing of the diving markets caused by the economic crisis.

Licensing decreased by €0.1 million, or 2.1%, to €5.5 million from €5.6 million in the comparable 2008.

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 decreased by €0.8 million, or 7.7%, to €9.0 million from €9.7 million in the comparable 2008 period due to lower sales.

Cost of Sales. Cost of Sales decreased by €11.0 million, or 5.4%, to €191.9 million from €202.9 million in 2008.

- Variable production costs decreased by €5.3 million, or 3.2%, to €160.1 from €165.4 million in 2008 mainly due to lower personnel expenses.
- Fixed production costs decreased by €4.6 million, or 16.8%, to €222.5 million from €227.1 million in 2008 due to personnel expenses and lower depreciation.
- Research and development expenses decreased by €1.1 million, or 12.0%, to €8.1 million from €9.2 million in 2008 mainly reflecting lower personnel expenses.

Gross Profit. Gross profit increased by €4.1 million to €127.2 million from €123.1 million in the comparable 2008 period. Gross margin increased to 39.9% in 2009 from 37.8% in the comparable 2008 period. The shortfall of the revenues could be overcompensated in the Winter Sports Division but led to lower gross margin in Diving. However, major impact was achieved in the Racquets Sports Division mainly as a consequence of the transfer of the ball production to Shenzhen, China.

Selling and Marketing Expense. Selling and marketing expense decreased by €4.6 million, or 4.9%, to €88.6 million from €93.2 million in the comparable 2008 period. Positive development of the Company's accounts receivable resulted in lower bad debt provisions. Higher advertising costs for sponsored pro players were more than offset by lower personnel expenses and other cost savings.

General and Administrative Expense. General and administrative expense decreased by €2.7 million, or 9.1%, to €26.9 million from €29.6 million in the comparable 2008 period. This decrease was mainly due to lower personnel expenses and lower expenditures for outside services.

Restructuring Costs. 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 in Shenzhen, China. Restructuring costs relating to the restructuring programs recorded in 2008 amounted to €4.3 million.

Share-Based Compensation Income. In 2009, the Company recorded €9.0 million expense relating to the Stock Option Plans compared to an income of €5.3 million in the comparable 2008 period which reflected the price decline over this 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 24 of the consolidated financial statements).

Other Operating Income, net. Other operating income, net increased by €7.3 million, to €7.8 million from €0.5 million in the comparable 2008 mainly due to the gain on a sale of trademarks of €7.6 million registered in Korea.

Operating Profit. As a result of the foregoing, an operating profit of €8.4 million was recorded in 2009 compared to an operating profit of €1.9 million in the comparable 2008 period.

Interest Expense. For the year ended December 31, 2009, interest expense decreased by €1.6 million, or 12.7%, to €11.3 million from €13.0 million in the comparable 2008 period resulting from the waiver of €42.0 million senior notes in the course of the exchange offer and a decrease in short-term borrowings.

Interest and Investment Income. Interest and investment income decreased by €0.5 million, or 47.7% to €0.6 million from €1.2 in the comparable 2008 period. This decrease was due to lower cash and cash equivalents in the first half of the year compared to 2008 and lower interest rates.

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.

Income Tax Benefit (Expense). For the year ended December 31, 2009, the income tax expense was €16.4 million, an increase of €16.5 million compared to an income tax benefit of €0.1 million in the comparable 2008 period. This increase in income tax expense 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 of €1.2 million and lower taxable losses before share-based compensation (income) expense as this income/expense has no tax effect.

Profit (Loss) for the year. As a result of the foregoing factors, the Company reported profit of €22.3 million compared to a loss of €9.7 million in 2008.

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, 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 increased by €34.3 million to cash provided by operating activities of €29.4 million compared to cash used for operating activities of €4.9 million in the comparable 2008 period which was mainly due to the profit for the year, the reduction in working capital and lower interest payments. Cash from operations was used to purchases property, plant and equipment (net of proceeds) of €5.1 million.

As of December 31, 2009, the Company had €114.4 million of total debt, consisting of €27.7 million of 8.5% senior notes due 2014, €43.7 million of 10.0% senior secured notes due 2012, €13.9 million long-term obligations under a sale-leaseback agreement and two mortgage agreements due from 2012 to 2017, €6.3 million other long-term debt comprising secured loans in Italy and Japan and a liability against the Company's venture partner of €2.5 million. In addition, the Company used lines of credit with several banks in Austria, France and Japan of €20.3 million.

As of December 31, 2009, the Company had €36.0 million cash on hand and €0.9 million restricted cash and €6.6 million available-for-sale financial securities (predominantly money market funds) which are restricted. In addition, the Company had €3.3 million available credit lines.

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. In addition, the Company began the construction of a new diving manufacturing plant in Bulgaria, which was completed by the middle of 2008.

In 2009 and 2008, the Company spent approximately €5.6 million and €14.2 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 and the construction of the plant in Bulgaria in 2008. The Company expects to spend approximately €20.0 million on investment in property, plant and equipment, including expenditures for maintenance of the Company's facilities and equipment, and €24.4 million on research and development, in the 2010 to 2012 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, 2009, the Company employed 2,016 people worldwide compared to 2,366 at the end of 2008. The decrease reflects the shut-down of the tennis ball production in Phoenix, United States as well as a reduction in production capacity in the Company's ski and bindings production.

Employees by categories:

	For the Years ended December 31,	
	2009	2008
Manufacturing	1,256	1,553
Engineering and Patent	92	103
Selling and Advertising	386	409
Warehouse	125	129
Business Unit Administration	157	172
Total	2,016	2,366

Employees by geography:

	For the Years ended December 31,	
	2009	2008
Austria	509	587
Italy	202	208
Czech Republic	414	480
Other (Europe)	209	289
USA	127	184
China	518	579
Other	37	39
Total	2.016	2.366

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 trend towards the development of specific new segments, such as Freeride, Park & Pipe and products for women. The Company still experiences a more pronounced negative impact in general on the sales of low-end and junior equipment, while high-end models, such as the Supershape models, sold relatively well. For 2010, following the success of the Company's sponsored race team in the 2009/2010 during the World Cup season and at the Olympic winter games in Vancouver, the Company will concentrate on improving product mix, especially with the new Race and Supershape KERS models, as well as with the Raptor ski boot and the new Vector ski boot.

The Company has developed the new "Peak" line with "Flow Ride Technology" specifically designed for the North American market but has also extended the range of Freestyle/ Freeride skis. 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. It is a system that can be used for retail, rental and demo, a system that is designed according to the new market requirements.

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 such as the integrative solutions with new totally integrated tool free systems such as the "Literail" for Juniors/Women followed by the new "Powerrail" for unisex and women models.

In 2009, the Company has introduced a completely new Ski boot called "Vector" which has been designed for the high performance skier. It is based on the experience developed with the successful racing boot. 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 that increases the comfort of strap bindings significantly. The Company has also introduced a unique speed lacing system SSL in its snowboard boot line. On helmets, the Company generally focus on light weight, fashion aspects and performance.

In Racquet sports, the Company launched a new umbrella technology called Youtek during the second quarter of 2009. These new racquets included the YT Radical and Speed Series. In early 2010, the Youtek range was expanded with additional series. The Company has not made any changes to its tennis ball products, where the focus is on continuity and reliability. Several new products were also launched in the categories of tennis footwear, squash, racquetball, badminton and tennis accessories.

In Diving, the Company is introducing its products in new geographical areas such as Eastern Europe and South Asia. In 2009, the Diving division launched a range of innovations with a focus on performance, fashion and comfort. The diving division's latest product launches were a full dot-matrix color dive computer and a new light weight fin technology called X-stream.

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 traveling to ski and diving destinations.

Most of the Company's revenues are denominated in euro, the functional currency of its European operations, and in 2009, 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.

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 2009 and 2008, the Company spent approximately €5.6 million and €14.2 million, respectively, on facilities and equipment maintenance. Historically, these expenditures were financed through its operating cash flow. In 2008 and 2007, however, due to lower gross profit the main financing source was the Company's cash. The Company expects its annual capital expenditures to remain stable during the next three years due to its restructuring programs and outsourced production finalized in 2009.

In connection with ordinary share options granted to officers the Company has recorded share-based compensation expense of approximately €9.0 million and income of €5.3 million, respectively in 2009 and 2008. As of December 31, 2009, other long-term liabilities with regards to the Company's stock options amounted to approximately €9.5 million. 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 64% is recorded in euro whereas approximately 25% 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.

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 its 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 oil and steel 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 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 in Austria (snowboards), Czech Republic (binding assembly), Italy 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, 2009, the Company recognized €61.6 million of deferred tax assets, mainly on Austrian tax losses carried forwards. The Company believes it is more likely than not 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.

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, 2009. 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, approve the proposed actions of 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 or 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 3 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, 2009. 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 2009.

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	48	Chairman of the Management Board and Chief Executive Officer
Mr. Ralf Bernhart	58	Member of the Management Board and Deputy Chairman of the Management Board
Mr. Günter Hagspiel	46	Member of the Management Board and Chief Financial Officer
Mr. Georg F. Nicolai	57	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 the United Kingdom Prime Minister's Special Representative on Deforestation and Clean Energy. He is Chairman of Equity Partners, Starr Underwriting Agents, London Films, Co-Chairman of Cool Earth, President of Global Strategy Forum, board member of IMG, advisory board member of Brasilinvest, Société du Louvre, Centre for Social Justice, the British Olympic Association, and member of the Mayor of London's International Business Advisory Council. He is patron of the Stockholm University.

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 Fortis Intertrust (The Netherlands) BV 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 (now Fortis Bank) 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, Macquarie, Pirelli and KFC and as chairman-member of several foundations.

The members of the Management Board are collective 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:

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

The total nominal value of the Company's issued share capital is €882,040 and consists of 88,204,030 ordinary shares of €0.01 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 of December 31, 2009, out of 20,833,333 listed shares, 16,230,875 shares are bearer shares and 4,602,458 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 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, 2009.

As of December 31, 2009, 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 September 2001, the Company adopted the Head N.V. Executive Stock Option Plan 2001 ("Plan 2001"). The Plan 2001 provided for grants of 3,982,068 stock options to officers and employees of the Company and its subsidiaries. Out of the 3,982,068 options which are vested and exercisable as of December 31, 2009, the Chairman and Chief Executive Officer received 1,426,470 options under this grant, which vested immediately. In addition, the CEO received a further number of 564,564 options, which did not vest to other participants.

In May 2005, at the annual general meeting the shareholders approved the Head N.V. Executive Stock Option Plan 2005 ("Plan 2005"). Plan 2005 provides for grants of 3,874,691 stock options to certain officers and key employees of the Company and its subsidiaries. These options vested in 2009. As at December 31, 2009, 205,345 options were available for grant under the Plan 2005 and no options are currently exercisable.

In May 2009, the Stock Option Plan 2009 ("Plan 2009") was approved. 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. On July 27, 2009, the Management Board of the Company approved the resolution that options under the Plan 2009 were granted to the Stichting. On December 30, 2009, all options were granted to the CEO of the Company.

In September 2009, the Supervisory Board approved a Stock Option plan. The maximum aggregate number of options that can be issued is 7,047,179. The price issue is set at €0.10. 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 this plan have been granted to the CEO of the Company.

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, the 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 Supervisory Board and nominate the remaining members of the Supervisory Board. 2/3 of the members of the Supervisory Board are appointed by the Company's shareholders at a general shareholders' meeting from a list of nominees drawn up by the Stichting. All Members of the Management Board are also appointed by the shareholders at a general shareholders' meeting from a list of nominees drawn up by the Stichting. Members of the Supervisory Board and of the Management Board as appointed by the general shareholders' meeting may be suspended or removed from the Supervisory Board at any time by a majority vote of the Company's shareholders at a general meeting of shareholders. However, any suspension or removal not proposed by the Stichting may only be decided at a general shareholders' meeting by a resolution adopted by a two-thirds majority vote.

A resolution of the general shareholders' meeting 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).

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 28, 2009, 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 28, 2010) 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 28, 2014), 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 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 presenting 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.

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 currently has two members, whose names and details are set forth below.

Name	Age	Nationality	Title
Mr. Jürgen Hintz	69	US	Chairman of the Supervisory Board
Mr. Viktor Klima	62	Austria	Member of the Supervisory

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.

Since May 2007, when the Company's third member of the Supervisory Board resigned the Company has been seeking for a new qualified member. At the Company's next general meeting of shareholders on May 27, 2010, Mr. Richard Hurowitz will be nominated to become a member of the Supervisory board.

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. The members of the Supervisory Board perform their duties without a mandate and independently of the subsidiary interests connected with the Company.

In 2009, the Supervisory Board performed all duties assigned to it by law and by the Company's Articles of Association. During the year, five meetings were held in the presence of the Management Board. The Supervisory Board met twice a year with the Company's key executive officers to discuss the development of the business. 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.

As the Supervisory Board consists of two members the whole Supervisory Board currently carries out the activities of an audit committee.

Audit Committee

In 2009, the Audit Committee met five times in carrying out the audit committee activities. All meetings were attended by the CEO and the CFO. The Audit Committee discussed quarterly, half-year and full year results. One meeting was attended by the external auditor. The Audit Committee discussed with the Company's external auditor 2008 annual results. The audit plan 2009 was discussed with the external auditor and the audit fee proposal for 2009 was approved. The Audit Committee also reviewed press releases, quarterly and half-year reports as well as management's assessment of internal control over financial reporting. The Company's cash position and estimated impacts of the global financial crisis on Head were discussed.

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

In 2009, 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.

Given the current small size of the Supervisory Board (two members), all issues are dealt with by the entire board and the installation of separate committees for different issues would not increase efficiency.

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, 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 7 of the Company accounts.

The Supervisory Board approved the 2009 Stock Option Plans that calls for grants of options to members of the Company's Management Board, or such affiliates as they may request. This grant of options is not performance related, but forms an element of the Board members remuneration.

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

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 Austrian stock listed companies to adhere to such Code or parts of it. The Austrian Code was amended as of January 1, 2009 to also take into account the effects of the European Transparency Directive.

The NYSE rules has also issued Corporate Governance Guidelines.

Since Head N.V. is a Dutch company, but not listed in The Netherlands but listed on the Vienna Stock Exchange and until 2008 listed in 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. applied 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 NV approved such proposal, pursuant whereto, 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 in New York and since June 2009 is no longer registered with the SEC. The Company, however, continues to be listed at the Vienna Stock Exchange and continues to have particular 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 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 at 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, 2009. A copy of the Austrian Code of Corporate Governance valid for 2009 is available on the Company's website.

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 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:
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 8:
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 Board of Management 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:
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 33:
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 NV (article 16 of the articles of association as posted on our website). The same applies for the termination of their position.

Rule 35:
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 NV, 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:
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 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 NV has not foreseen an age limit for our management board.

Rule 39:
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:
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 fulfill the tasks entrusted to the Audit Committee.

Rule 51:
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 2008, no separate remuneration schedule for our Supervisory Board has been published in the Annual Report.

Rule 59:
Under Dutch law, there is no such stipulation for entities like Head NV.

Rule 61:
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 66:
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 70:
§ 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 HEAD'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 in the Supervisory Board report.

II.3 Conflicts of interest

One of the Company's major shareholders, Mr. Johan Eliasch, who also acts as CEO of the Company, is not an independent director given that he together with his family members indirectly controls Head N.V. All related party transactions between Head N.V. and Mr. Johan Eliasch and/or entities controlled by him and his family members are set out in the section "Related party transactions". 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 28, 2014, 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.

Compliance with Dutch Corporate Governance Code:
The Company's overall corporate governance framework as described herein, including the Corporate Governance Report 2009 as well as its explanations in general form of deviations from the Dutch Corporate Governance Code will also be submitted to the Annual Shareholders Meeting in 2010.

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 relate to:

- The appointment, suspension and dismissal of members of the Management Board and Supervisory Board;
- The adoption of the annual accounts;
- The release of liability of the members of the Management Board and Supervisory Board;
- The 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;
- The cancellation of shares;
- To amend the Company's articles of association;
- To approve the decisions of the Management Board that would entail a significant change in the identity or character of the Company or its business.

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 30, 2010

Johan Eliasch Chief Executive Officer	Günter Hagspiel Chief Financial Officer
Ralf Bernhart Managing Director	George Nicolai Managing Director

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

	Note		As of December 31, 2009		2008
			(in thousands)		
ASSETS:					
Non-current assets					
Property, plant and equipment, net	5, 6	€	54,211	€	61,300
Intangible assets	5, 7		10,995		11,146
Goodwill	5, 7		2,744		2,643
Deferred income tax assets	21		49,239		63,027
Trade receivables	9, 16		1,045		1,662
Other non-current assets	18		4,738		4,793
Total non-current assets			122,970		144,571
Current assets					
Inventories, net	8		62,829		77,120
Trade and other receivables	9, 16		122,296		130,790
Prepaid expense			1,857		2,089
Available-for-sale financial assets	10, 16		6,573		6,194
Cash and cash equivalents	16, 29		36,935		17,643
Total current assets			230,490		233,836
Total assets		€	353,460	€	378,407
EQUITY:					
Share capital	12	€	882	€	398
Other reserves	12		105,077		111,489
Treasury shares	12		(683)		(7,119)
Retained earnings			53,286		30,960
Fair Value and other reserves including cumulative translation adjustments (CTA)	10, 20		(10,073)		(9,694)
Total equity			148,489		126,034
LIABILITIES:					
Non-current liabilities					
Borrowings	15, 16		92,286		132,955
Retirement benefit obligations	18		14,276		14,643
Other long-term liabilities	17, 24		14,212		6,141
Total non-current liabilities			120,774		153,739
Current liabilities					
Trade and other payables	11, 13, 16		49,003		57,880
Income tax liabilities			1,947		1,221
Borrowings	15, 16		22,133		27,039
Provisions	14		11,114		12,493
Total current liabilities			84,197		98,634
Total liabilities			204,971		252,373
Total liabilities and equity		€	353,460	€	378,407

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, 2009		2008
			(in thousands, except per share data)		
Total net revenues	5	€	319,048	€	326,030
Cost of sales	26		191,858		202,899
Gross profit			127,189		123,131
Selling and marketing expense	26, 16		88,557		93,167
General and administrative expense	26		26,866		29,560
Share-based compensation (income) expense	24, 26		9,011		(5,341)
Restructuring costs	14		2,194		4,299
Other operating income, net	6, 22, 26		(7,807)		(458)
Operating profit			8,368		1,905
Interest and other finance expense	16, 23		(11,313)		(12,954)
Interest and investment income	16		606		1,159
Gain on exchange of senior notes	15, 16		40,314		--
Share of profit of associates	23		25		--
Other non-operating income, net	16		752		92
Profit (loss) before income taxes			38,753		(9,798)
Income tax benefit (expense):					
Current			(2,787)		(1,209)
Deferred			(13,640)		1,268
Income tax benefit (expense)	21		(16,427)		59
Profit (loss) for the year		€	22,326	€	(9,738)
Other comprehensive income:					
Gains (losses) recognized directly in equity					
Reclassification adjustment for derivative gains recorded in loss for the period		€	--	€	(192)
Tax effect	21		--		48
Invested intercompany receivables	20		22		(168)
Tax effect	21		(5)		42
Available-for-sale financial assets	10		379		(889)
Tax effect	21		(95)		222
Foreign currency translation adjustment			(680)		3,693
Other comprehensive income (loss) for the period, net of tax		€	(379)	€	2,756
Total comprehensive income (loss) for the period		€	21,946	€	(6,982)
Earnings per share;					
Basic and diluted	30	€	0.40	€	(0.26)

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

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

	Note	Attributable to equity holders of the Company						Total Equity
		Ordinary Shares		Other Reserves	Treasury Shares	Retained Earnings	Fair Value and Other Reserves/ CTA	
		Shares	Amount					
		(in thousands, except share data)						
Balance at January 31, 2008		37,109,432 €	398 €	111,489 €	(7,119) €	40,699 €	(12,450) €	133,017
Loss for the year		--	--	--	--	(9,738)	--	(9,738)
Changes in fair value and other including CTA reserves	10, 20						2,756	2,756
Total recognised income and expense in 2008		--	--	--	--			(6,982)
Balance at December 31, 2008		37,109,432 €	398 €	111,489 €	(7,119) €	30,960 €	(9,694) €	126,034
Capital increase resulting from the exchange of senior notes	12, 15	22,491,278	225	--	--	--	--	225
Capital increase on undertaking of guarantee for working capital facility	12, 15	25,892,075	259	--	--	--	--	259
Transfer of treasury shares	12, 15	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	10, 20	--	--	--	--	--	(379)	(379)
Total recognised income and expense in 2009		--	--	--	--			21,946
Balance at December 31, 2009		87,944,008 €	882 €	105,077 €	(683) €	53,286 €	(10,073) €	148,489

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, 2009	2008
		(in thousands)	
OPERATING ACTIVITIES:			
Profit (loss) for the year		€ 22,326	€ (9,738)
Adjustments to reconcile net profit (loss) to net cash (used for) provided by operating activities:			
Depreciation and amortization	6, 7	12,308	15,117
Amortization and write-off of debt issuance cost and bond discount		2,419	433
Release for leaving indemnity and pension benefits	18	(340)	(630)
Restructuring	14	(81)	837
Gain on waiver of senior notes	15	(41,985)	--
Gain on sale of property, plant and equipment	6	(199)	(9)
Share-based compensation (income) expense	24	9,011	(5,341)
Deferred income	17	(880)	(754)
Interest expense	16	10,560	12,521
Interest income	16	(606)	(1,161)
Tax expense	21	2,787	1,209
Deferred tax (benefit) expense	21	13,640	(1,268)
Changes in operating assets and liabilities:			
Accounts receivable	9	9,029	2,109
Inventories	8	14,160	636
Prepaid expense and other assets		(310)	(346)
Accounts payable, accrued expenses and other liabilities	13, 14	(12,728)	(5,576)
Interest paid		(8,415)	(12,265)
Tax paid		(1,327)	(669)
Net cash (used for) provided by operating activities		29,367	(4,895)
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	6	(5,564)	(14,227)
Proceeds from sale of property, plant and equipment	6	457	239
Purchases of available-for-sale financial assets	10	--	(64)
Sale of available-for-sale financial assets	10	--	3,820
Interest received		591	1,033
Net cash used for investing activities		(4,516)	(9,199)
FINANCING ACTIVITIES:			
Change in short-term borrowings, net	15	(4,157)	4,324
Exchange of senior notes	15	(43,738)	--
Issuance of senior secured notes	15	43,738	--
Proceeds from long-term debt	15	2,071	--
Payments on long-term debt	15	(2,708)	(2,412)
Proceeds from other long-term obligations	15	--	428
Transfer of treasury shares	12, 15	25	--
Capital increase	12, 15	484	
Change in restricted cash	29	(423)	1,994
Net cash provided by (used for) financing activities		(4,709)	4,335
Effect of exchange rate changes on cash and cash equivalents		(1,273)	(869)
Net increase (decrease) in cash and cash equivalents		18,869	(10,628)
Cash and cash equivalents, unrestricted at beginning of period		17,155	27,782
Cash and cash equivalents, unrestricted at end of period		€ 36,024	€ 17,155

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), 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 and will be presented to the General Meeting of Shareholders on May 27, 2010.

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.

New and amendment standards adopted by the Company

The Company has adopted the following new and amended IFRSs as of January 1, 2009:

IFRS 7 (Amendment), "Financial instruments: Disclosures" (effective from January 1, 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

IAS 1 (Revised), "Presentation of financial statements" (effective from January 1, 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 2 (Amendment), "Share-based Payment" (effective from January 1, 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment does not have a material impact on the Company's financial statements.

IAS 23 (Amendment), "Borrowing costs" (effective from January 1, 2009). The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Company previously recognized all borrowing costs as an expense immediately. Comparative figures have not been restated. The change in accounting policy does not have a material impact on earnings per share.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2010 or later periods but the Company has not early adopted them:

IFRIC 17 "Distributions of Non-cash Assets to Owners" is applicable from periods beginning on or after July 1, 2009 and 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. The Company will apply IFRIC 17 from January 1, 2010. It is not expected to have a material impact on the Company's financial statements.

IAS 27 (Revised), "Consolidated and separate financial statements" (effective from July 1, 2009). The revised standard 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. The Company will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from January 1, 2010.

IFRS 3 (Revised), "Business combinations" (effective from July 1, 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Company will apply IFRS 3 (revised) prospectively to all business combinations from January 1, 2010.

IAS 38 (Amendment), "Intangible assets". The Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Company's financial statements.

IFRS 5 (Amendment), "Measurement of non-current assets (or disposal groups) classified as held-for-sale". The amendment provides clarification 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, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Company will apply IFRS 5 (amendment) from January 1, 2010. It is not expected to have a material impact on the Company's financial statements.

IAS 1 (Amendment), "Presentation of financial statements". The amendment provides clarification 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. The Company will apply IAS 1 (amendment) from January 1, 2010. It is not expected to have a material impact on the Company's financial statements.

IFRS 2 (Amendment), "Group cash-settled and share-based payment transactions". 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. The new guidance is not expected to have a material 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

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

b) Associates
Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

The Company's share of its associates' post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. When the Company's share of loss in an associate equals or exceeds its interest in the associate, the Company does not recognized further losses, unless it has incurred obligations or made payments on behalf of the associate.

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.

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, net". All other foreign exchange gains and losses are presented in the income statement within "Other operating income, 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 on equity items are recognized as a separate component of equity.

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 6).

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.

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 recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. 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.

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" in the balance sheet (see Note 9).

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 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 equity.

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 in "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 on the next page.

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.

The full fair value of a derivative instrument is classified as a non-current asset or liability when the remaining 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, 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). 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 12). 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 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 payables are recognised 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 stated 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 equity. In this case, the tax is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted in the countries where the company's subsidiaries and associates 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. 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.

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 value of plan assets or 10% of the defined benefit obligation 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) Share-based compensation

The Company operates a number of share-based compensation plans. The plans are treated as 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 (income) expense with a corresponding entry to other long-term liabilities. 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 were vested.

(c) 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.

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 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 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 apply 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 - 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 12).

Note 3 – 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 programme 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 firm commitments for sales to Japan, Switzerland, United Kingdom and Canada through forward contracts and options with Austrian and Italian banks. Accordingly, shifts in currency exchange rates, particularly between the euro and the U.S. dollar, may adversely affect the Company's results of operations. The table below shows the European Central Bank exchange rates for euro for those currencies that mainly influence the Company's results:

	December 31,	
1 Euro =	2009	2008
USD	1.4406	1.3917
CHF	1.4836	1.4850
GBP	0.8881	0.9525
JPY	133.1600	126.1400
CAD	1.5128	1.6998
CZK	26.4730	26.8750
BGN	1.9558	1.9558
CNY	9.8350	9.4956
HKD	11.1709	10.7858

Due to the marginal foreign currency risk the Company does not disclose further sensitivities.

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, the Company's income and operating cash flows are substantially independent of changes in market interest rates. 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 and 2008, the Company's borrowings at variable rate were denominated in euro, Japanese yen, Canadian dollar and Chinese yuan.

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.

c) Liquidity Risk

The Company's liquidity needs arise principally from working capital requirements, capital expenditures, asset acquisitions 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 15) 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, 2009 the Company held money market funds of €6.4 million (2008: €6.0 million) and other liquid assets of €0.2 million (2008: €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, 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............ €	-- €	-- €	28.102 €	-- €	28.102
10.0% Senior Notes due 2012............	--	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	--	--	--	--
Derivative financial instruments..............	255	--	--	--	--
Trade and other payables.......................	34.939	--	--	--	--

The table below provides a maturity analysis of the Company's material contractual obligations as of December 31, 2008 (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............ €	-- €	-- €	-- €	111,904 €	111,904
Mortgage...	204	455	527	1,252	2,438
Other Long-Term Debt........................	2,033	1,474	582	7,066	11,155
Sale-Leaseback................................	153	337	386	8,972	9,848
Operating Leases..................................	4,218	4,601	2,509	1,139	12,467
Borrowings, current..............................	24,650	--	--	--	--
Derivative financial instruments..............	546	--	--	--	--
Trade and other payables.......................	41,989	--	--	--	--

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.

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).

	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 4 – Critical Accounting Estimates and Judgments

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 €13.1 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 7).

If the estimated pre-tax discount rate applied to the discounted cash flows had been 10% points higher than management's estimates, the recoverable amount would have still exceeded the carrying amount of the assets.

Impairment of trade receivables

The Company recorded an impairment of trade receivables for estimated losses amounting to €0.5 million in 2009 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 2009.

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 €54.2 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.

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 €4.1 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 recognise 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 €2.8 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 recognises deferred tax assets on tax loss carry forwards amounting to €61.6 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.

If management's estimation with respect to the probability of tax losses carry forwards to be realized were to differ by 10% points the Company would have to increase income tax expense by €6.2 million.

Note 5 - Segment Information

The Company operates in one reporting segment, Sporting Goods. The Company's nature of products and production processes are similar, the customers are largely the same and also the distribution channels the Company uses are the same for all its products. The internal reporting provided to the chief operating decision-maker, the Company's Chief Executive Officer is based on this one segment.

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

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, 2009		2008
		(in thousands)		
Revenues from External Customers:				
Austria	€	137,664	€	137,016
Italy		30,705		34,253
Other (Europe)		46,089		45,913
Asia		24,296		24,048
North America		80,294		84,801
Total Net Revenues	€	319,048	€	326,030

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.

		As of December 31, 2009		2008
		(in thousands)		
Long-lived assets:				
Austria	€	20,672	€	16,474
Italy		8,941		9,559
Other (Europe)		20,781		21,319
Asia		10,811		11,869
North America		6,744		15,868
Total segment assets	€	67,949	€	75,089

Sales by product category consist of the following:

		For the Years Ended December 31, 2009		2008
		(in thousands)		
Revenues by Product Category:				
Winter Sports	€	150,307	€	156,359
Racquet Sports		126,188		121,449
Diving		46,063		52,359
Licensing		5,463		5,582
Sales Deductions		(8,972)		(9,717)
Total Net Revenues	€	319,048	€	326,030

Note 6 – Property, Plant and Equipment

		Land		Buildings		Machinery & plant equipment		Fixtures, furnitures & office equipment		Total property, plant & equipment
						(in thousands)				
As of January 1, 2008										
Cost	€	3.004	€	30.306	€	113.405	€	39.558	€	186.273
Accumulated depreciation		--		(11.393)		(81.740)		(33.261)		(126.394)
Net book value	€	3.004	€	18.913	€	31.664	€	6.297	€	59.879
Year ended December 31, 2008										
Opening net book value	€	3.004	€	18.913	€	31.664	€	6.297	€	59.879
Additions		6		3.050		9.912		1.259		14.227
Disposals		--		(8)		(127)		(95)		(230)
Transfers		--		(25)		31		(6)		--
Exchange difference		254		266		1.946		65		2.531
Depreciation		--		(1.418)		(11.485)		(2.203)		(15.106)
Closing net book value	€	3.264	€	20.778	€	31.941	€	5.317	€	61.300
As of December 31, 2008										
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

For the years ended December 31, 2009 and 2008, the Company's total proceeds on the sale of property and equipment were €0.5 million and €0.2 million resulting in 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 statements.

Depreciation expense of €9.9 million has been charged in cost of goods sold (2008: €11.5 million), €0.3 million in selling and marketing expense (2008: €0.4 million) and €1.0 million in general and administrative expense (2008: €1.1 million). €1.0 million (2008: €2.1 million) additional depreciation was recorded in restructuring costs (see Note 14).

Land and building with a carrying value of €10.1 million and €8.0 million as of December 31, 2009 and 2008, respectively are used to secure loans (see Note 15).

Note 7 – Goodwill and Intangible Assets

		Goodwill		Intangible Assets				
				Trademarks		Other		Total
		(in thousands)		(in thousands)				
As of January 1, 2008								
Gross	€	2,894	€	10,122	€	626	€	10,748
Accumulated amortization and impairment		(11)		(184)		(54)		(238)
Net book value	€	2,882	€	9,939	€	571	€	10,509
Year ended December 31, 2008								
Opening net book value	€	2,882	€	9,939	€	571	€	10,509
Exchange difference		(239)		574		75		648
Amortisation and impairment		--		--		(12)		(12)
Closing net book value	€	2,643	€	10,512	€	633	€	11,146
As of December 31, 2008								
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 and impairment		--		--		(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

Amortization of €0.01 million (2008: €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 2009 and 2008. 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,							
	2009				2008			
		Racquet Sports		Diving		Racquet Sports		Diving
		(in thousands)				*(in thousands)*		
Trademark	€	10,396	€	--	€	10,512	€	--
Goodwill	€	1,103	€	1,641	€	1,028	€	1,615

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 pre-tax 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 result of the third year budgeted.

Management determined budgeted gross margin based on past performance and expected market development. The discount rate used 7.5% is pretax and reflects specific risks relating to the Company's business.

Note 8 – Inventories

Inventories consist of the following:

	As of December 31,			
		2009		2008
		(in thousands)		
Raw materials and supplies	€	13,196	€	17,021
Work in process		5,517		7,319
Finished goods		54,590		65,807
Provisions		(10,474)		(13,027)
Total inventories, net	€	62,829	€	77,120

The cost of inventories recognized as expense and included in "Cost of sales" amounted to €129.0 million and €129.2 million for the year ended December 31, 2009 and 2008, respectively.

The Company recognized an addition to the provision of €2.8 million and €3.1 million for impairment of inventories during the year ended December 31, 2009 and 2008, respectively. The Company used a provision for impaired inventories of €5.0 million and €4.6 million for the year ended December 31, 2009 and 2008, respectively.

Note 9 – Trade and Other Receivables

Accounts receivable consist of the following:

		As of December 31,		
		2009		2008
		(in thousands)		
Trade debtors	€	130,044	€	138,357
Other receivables		5,032		7,076
Allowance for doubtful accounts		(11,736)		(12,981)
Total accounts receivable, net	€	123,341	€	132,452
Less: long-term portion		(1,045)		(1,662)
Short-term portion	€	122,296	€	130,790

As of December 31, 2009 and 2008, the nominal value of long-term trade receivables was €1.1 million and €1.8 million, respectively. The average interest rate used was 5.5% and 5.8% for the year ended December 31, 2009 and 2008, respectively.

		As of December 31,		
		2009		2008
		(in thousands)		
Accounts Receivable Trade, net	€	118,308	€	125,376
thereof not overdue, not impaired		97,935		101,868
thereof overdue, not impaired				
1 - 30 days	€	5,423	€	6,457
31 - 60 days		693		--
61 - 90 days		243		--
over 90 days		323		--
	€	6,682	€	6,457
thereof impaired	€	13,691	€	17,051

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

As of December 31, 2009, 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.

The following table shows trade receivables, gross by currency:

	As of December 31,	
	2009	2008
	(in thousands)	
EUR	€ 76,745	€ 76,030
USD	24,238	29,871
JPY	15,446	17,183
CAD	6,832	8,127
CHF	4,625	4,755
GBP	2,018	2,262
Other	139	129
Trade debtors	130,044	138,357
Allowance for doubtful accounts	(11,736)	(12,981)
	€ 118,308	€ 125,376

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

	December 31,	
	2009	2008
	(in thousands)	
Balance as of January 1	€ 12,981	€ 12,333
Additions	452	2,833
Used	(1,298)	(2,332)
Released	(217)	(288)
Translation adjustments	(182)	435
Balance as of December 31	€ 11,736	€ 12,981

The following table presents expenses for the full write-off of trade receivables as well as income from recoveries on trade receivables written off:

	For the Years ended December 31,	
	2009	2008
	(in thousands)	
Expenses for full write-offs of receivables	€ 1,121	€ 1,239
Income from recoveries on receivables written off	€ 106	€ 101

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

Note 10 – Available-for-Sale Financial Assets

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

	As of December 31,			
	2009		2008	
	(in thousands)			
Available-for-Sale				
Money market funds	€	6,403	€	6,030
Other securities		170		164
Total Financial assets available-for-sale, current		6,573		6,194

Available-for-sale financial assets developed as follows during the years ended December 31, 2009 and 2008:

	Available-for-sale financial assets			
	Current		Non-Current	
	(in thousands)			
Balance as of January 1, 2008	€	10.230	€	608
Additions		64		--
Disposals		(3.708)		(50)
Reclassification		563		(563)
Change in fair value		(955)		6
Balance as of December 31, 2008	€	6.194	€	--
Change in fair value		379		--
Balance as of December 31, 2009	€	6.573	€	--

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, 2009 and 2008:

	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)

	As of December 31, 2008	
	Less Than 12 Months	
	Fair Value	Unrealized Losses
	(in thousands)	
Money market funds	€ 6,030	€ (856)
Other securities	164	(35)
Total temporarily impaired securities	€ 6,194	€ (890)

The Company considers money market funds to be almost cash.

For the year ended December 31, 2008, the Company recorded €0.3 million of realized gains on available-for-sale financial assets, which was recognized in "Interest and investment income".

None of these financial assets are either past due or impaired.

Note 11 - 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, 2009 and 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 December 31, 2009			
	Contract amount			
	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

	As of December 31, 2008							
	Contract amount							
		in euro		Local currency converted into euro		Carrying value		Fair value
				(in thousands)				
Foreign exchange forward contracts	€	28,642	€	28,870	€	(427)	€	(427)
Foreign exchange option contracts	€	9,300	€	9,554	€	178	€	178

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 12 –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, 2009 and 2008, respectively.

As at December 31, 2009 the nominal value of the 88,204,030 shares issued was €0.01. As at December 31, 2008, the nominal value of the 39,820,677 shares issued was €0.01.

As at December 31, 2009 and 2008, 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.

	As of December 31,	
	2009	2008
	(in thousands)	
Shares issued	39,821	39,821
Less: Treasury shares owned by the Company	--	(2,184)
Less: Shares held by the Stichting	(260)	(527)
Capital Increase due to bond exchange offer	22,491	
Capital Increase due to working capital facility	25,892	--
Shares outstanding	87,944	37,109

Dividends

In 2009 and 2008, the Company did not pay a dividend.

Increase in Share Capital

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. Johan Eliasch and his family members. (see Note 15).

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 24), 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.

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 28, 2009 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 following table provides information about the movement of treasury shares:

	As of December 31,	
	2009	2008
	(in thousands)	
Balance as of January 1	2,711	2,711
Transfer of treasury shares	(2,451)	--
Balance as of December 31	260	2,711

As of December 31, 2009 and 2008, the Company owned 260,022 and 2,711,245 shares of treasury shares, respectively of which 260,022 and 527,104, respectively were held by the Stichting at December 31, 2009 and 2008.

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, 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.

Note 13 – Trade and Other Payable

Accounts payable consist of the following:

	As of December 31,	
	2009	2008
	(in thousands)	
Accounts payables, Trade	€ 12.123	€ 17.322
Allowances	3.734	4.276
Commissions	2.588	2.572
Personnel expenses	7.030	8.600
Deferred Income	1.752	1.870
Interest	3.270	4.423
Legal, Audit, Consulting	2.831	2.514
Fiscal Authorities	4.114	4.348
Advertising	4.089	4.343
Social Institution	1.167	1.251
Freight & duties	1.249	1.202
Other	5.055	5.159
Total	€ 49.003	€ 57.880

All accounts payable are current as the settlement will take place within 12 months.

Note 14 – Provisions

Provisions consist of the following:

	As of December 31,	
	2009	2008
	(in thousands)	
Warranty	€ 4,147	€ 3,880
Product Liability	90	104
Litigation	3,263	3,891
Restructuring	367	2,087
Other	3,247	2,532
Total	€ 11,114	€ 12,493

	Warranty	Product Liability	Litigation	Restructuring	Other	Total
			(in thousands)			
Net book value as of January 1, 2008.............€	4,142 €	312 €	3,944 €	2,033 €	2,370 €	12,801
Current year provision booked to expense..................................	1,068	--	770	1,101	1,273	4,212
Amount paid..	(1,334)	(54)	(823)	(698)	(1,228)	(4,137)
Reversal booked to income or expense..	--	(154)	--	(264)	(150)	(568)
Exchange difference....................................	2	--	--	(85)	267	184
Net book value as of December 31, 2008.........€	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..	(1,400)	(13)	(28)	(1,681)	(1,237)	(4,359)
Reversal booked to income or expense..	--	(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

Warranty
The Company sells certain of its products to customers with a product warranty that provides free of cost repairs at 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.

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. There is no legal or constructive obligation until the outcome of current legal proceedings, claims and litigation is known. However, management believes that the resolution of these matters will not materially affect the Company's financial position.

The Company accrued €3.3 million and €3.9 million for suits with several parties including competitors, customers for past receipts, former employees, suppliers and licensees at December 31, 2009 and 2008 respectively.

Restructuring
Throughout 2009 and 2008, 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 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. 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.

Italy reorganization
In October 2007, the Company approved a restructuring program to outsource some parts of production and close a production site in Italy to gain more flexibility and reduce fixed cost. The costs of €0.4 million consist of termination cost and have been fully accrued as of December 31, 2007. In 2008, additional cost of €0.2 million was incurred. This restructuring process has been finalized by October 2008.

Other
The Company formed a provision of €2.1 million for potential product return risks in various geographical markets, which the Company may not always be in the economic situation to refuse. A provision of €1.0 million was recorded in relation to a potential environmental matter. Additional €0.2 million have been recognized in relation to various loss contingencies the Company is confronted with.

Note 15 – Borrowings

	As of December 31, 2009				
	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	43,738	--	43,738	--	--
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
	€ 114,420	€ 22,134	€ 46,866	€ 29,253	€ 16,168

	As of December 31, 2008				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years
			(in thousands)		
Lines of credit	€ 24.650	€ 24.650	€ --	€ --	€ --
Senior notes	111.904	--	--	--	111.904
Sale-leaseback transaction	9.848	153	337	386	8.972
Mortgage	2.438	204	455	527	1.252
Liabilities against venture partner	2.587	--	--	--	2.587
Other borrowings, non-current	8.568	2.033	1.474	582	4.479
	€ 159.994	€ 27.039	€ 2.266	€ 1.494	€ 129.195

Lines of credit contain revolving credit lines, which are negotiable on a frequent basis.

Borrowings are denominated in the following currencies:

	As of December 31,	
	2009	2008
	(in thousands)	
EUR	€ 98,448	€ 143,495
USD	4,657	5,025
JPY	9,281	10,187
CAD	--	1,287
CNY	2,034	--
Total Borrowings	€ 114,420	€ 159,994

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

	Obligations December 31, 2009	CASH FLOW 2010 Interest fixed	CASH FLOW 2010 Interest variable	CASH FLOW 2010 Re-demption	CASH FLOW 2011 - 2012 Interest fixed	CASH FLOW 2011 - 2012 Interest variable	CASH FLOW 2011 - 2012 Re-demption
				(in thousands)			
Lines of credit	€ 20,287	€ --	€ 459	€ 20,287	€ --	€ --	€ --
Senior notes	27,705	2,389	--	--	4,777	--	--
Senior secured notes	43,738	4,374	--	--	6,925		43,738
Sale-leaseback	9,695	640	--	163	1,246	--	361
Mortgages	4,191	151	91	822	253	78	1,896
Liab. venture partner	2,499	300	--	--	600	--	--
Other borrowings, non-current	6,304	126	13	862	230	13	870
	€ 114,420	€ 7,979	€ 563	€ 22,134	€ 14,032	€ 91	€ 46,865

	CASH FLOW 2013 - 2014 Interest fixed	CASH FLOW 2013 - 2014 Interest variable	CASH FLOW 2013 - 2014 Re-demption	CASH FLOW THEREAFTER Interest fixed	CASH FLOW THEREAFTER Interest variable	CASH FLOW THEREAFTER Re-demption
			(in thousands)			
Lines of credit	€ --	€ --	€ --	€ --	€ --	€ --
Senior notes	2,588	--	28,102	--	--	--
Senior secured notes	--	--	--	--	--	--
Sale-leaseback	1,194	--	412	1,409	--	8,759
Mortgages	179	--	547	102	--	926
Liab. venture partner	600	--	--	300	--	2,499
Other borrowings, non-current	15	199	588	4	100	3,983
	€ 4,576	€ 199	€ 29,649	€ 1,815	€ 100	€ 16,168

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 €0.4 million will be booked to liabilities.

Borrowings, current

Borrowings, current consist of the following:

	As of December 31, 2009	As of December 31, 2008
	(in thousands)	
Lines of credit	€ 20,287	€ 24,650
Current maturities of borrowings, non-current	1,847	2,389
Total Borrowings, current	€ 22,133	€ 27,039

In the second quarter of 2001, the Company's subsidiaries entered into a new 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, 2009, the fair value of trade receivables that serve as collateral for the Company's revolving credit lines was €56.5 million (2008: €53.1 million).

In addition, 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. In 2008, the Company used lines of credit with several banks in Austria, France, Canada and Japan of €9.7 million and had €2.6 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 2.48% and 4.50% as of December 31, 2009 and 2008, respectively.

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

Borrowings, non-current

Borrowings, non-current consist of the following:

	As of December 31,	
	2009	2008
	(in thousands)	
Senior notes	€ 27,705	€ 111,904
Senior secured notes	43,738	--
Liability against venture partner	2,499	2,587
Other long-term debt	20,191	20,853
Total borrowings, non-current	€ 94,133	€ 135,344
Less current portion	(1,847)	(2,389)
Non-current portion	€ 92,286	€ 132,955

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 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 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.

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, 2009, the fair value of trade receivables and inventory that serve as collateral was €30.0 million and €29.4 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.

At December 31, 2009, the Company had €27.7 million of senior notes and €43.7 million of senior secured notes outstanding. At December 31, 2008, the Company had €111.9 million of senior notes outstanding.

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, 2009 and 2008, the remaining obligation under the financing agreement is €9.7 million and €9.8 million, respectively.

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

		As of December 31,
		2009
		(in thousands)
2010	€	803
2011		803
2012		803
2013		803
2014		803
Thereafter		10,168
Total minimum payments		14,184
Amount representing interest		(4,489)
Obligation under financing activity		9,695
Obligations due within one year		(163)
Long-term obligations under financing activities	€	9,532

As of December 31, 2009, 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	--	(7,536)
Net book value	€ 1,020	€ 851

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, 2009 and 2008, the outstanding balance of the mortgage is €2.2 million and €2.4 million, respectively and the carrying value of the property was €1.4 million and €1.6 million as of December 31, 2009 and 2008, respectively.

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. The loan is secured by a mortgage. At December 31, the outstanding balance of the mortgage is €2.0 million and the carrying value of the property was €2.6 million as of December 31, 2009.

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 will manufacture tennis balls for exclusive sale to the Company. The Company and its venture partner have a 83% (2008: 78%) and 17% (2008: 22%) 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. The Company recorded a liability of €2.5 million and €2.6 million, as of December 31, 2009 and 2008, respectively, 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. 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 2.86% and 3.0% as of December 31, 2009 and 2008, respectively. Borrowings mature at various dates through 2016. At December 31, 2009 and 2008, the remaining outstanding long-term debt is €6.3 million and €8.6 million, respectively.

Note 16 – 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, 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	DuH	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	43,738	43,738	--	--	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
	€	149,614 €	149,359 €	-- €	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	149,359	149,359	--	--	129,043
Derivatives used for hedging (liability)	DuH	255	--	--	255	255

	Category in accordance with IAS 39	Carrying amount Dec. 31, 2008	Amounts recognized in balance sheet according to IAS 39			Fair value Dec. 31, 2008
			Amortized cost	Fair value recognized in equity	Fair value recognized in profit or loss	
			(in thousands)			
Assets						
Cash and cash equivalents	LaR	€ 17,643	€ 17,643	€ --	€ --	€ 17,643
Trade receivables	LaR	125,376	125,376	--	--	125,376
Other receivables	LaR	5,476	5,476	--	--	5,476
Derivative financial asset	DuH	297	--	--	297	297
Available-for-sale financial assets	AfS	6,194	--	6,194	--	6,194
		€ 154,986	€ 148,495	€ 6,194	€ 297	€ 154,986
Liabilities						
Trade payables	FLAC	€ 17,322	€ 17,322	€ --	€ --	€ 17,322
Other payables	FLAC	24,667	24,667	--	--	24,667
Derivative financial liabilities	DuH	546	--	--	546	546
Lines of credit	FLAC	24,650	24,650	--	--	24,650
Senior Notes	FLAC	111,904	111,904	--	--	34,148
Sale-Leaseback	FLAC	9,848	9,848	--	--	9,475
Mortgage	FLAC	2,438	2,438	--	--	2,844
Other long-term debt	FLAC	8,568	8,568	--	--	8,568
Liabilities against Venture Partner	FLAC	2,587	2,587	--	--	2,587
		€ 202,529	€ 201,983	€ --	€ 546	€ 124,806
Aggregated by category in accordance with IAS 39:						
Loans and receivables	LaR	€ 148,495	€ 148,495	€ --	€ --	€ 148,495
Derivatives used for hedging (asset)	DuH	297	--	--	297	297
Available-for-sale financial assets	AfS	6,194	--	6,194	--	6,194
Financial liabilities at amortized cost	FLaC	201,983	201,983	--	--	124,260
Derivatives used for hedging (liability)	DuH	546	--	--	546	546

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 show net gain (loss) by category:

	For the Year Ended December 31, 2009						
	Interest Income/ (Expense)	From Subsequent Measurement			Gain/ (Loss) on Disposal	Other Income	Net Gain/ (Loss)
		Fair Value Gain/ (Loss)	Foreign Currency Gain/ (Loss)	Impairment/ Reversal of Impairment			
				(in thousands)			
Loans and receivables (LaR)	€ 409 €	40 €	2.097 €	(175) €	6 €	320 €	2.697
Derivatives used for hedging (DuH)	--	(64)	(381)	--	--	--	(445)
Available-for-sale financial assets (AfS)	233	--	--	--	--	--	233
Financial liabilities at amortized cost (FLAC)	(10.612)	--	(624)	--	--	43.043	31.807
	€ (9.970) €	(24) €	1.092 €	(175) €	6 €	43.363 €	34.292

In 2009, "Other Income" includes the gain on the waiver of the Company's 8.5% senior notes (see Note 15).

	For the Year Ended December 31, 2008						
	Interest Income/ (Expense)	From Subsequent Measurement			Gain/ (Loss) on Disposal	Other Expense	Net Gain/ (Loss)
		Fair Value Gain/ (Loss)	Foreign Currency Gain/ (Loss)	Impairment/ Reversal of Impairment			
				(in thousands)			
Loans and receivables (LaR)	€ 829 €	-- €	1,386 €	(3,118) €	(525) €	-- €	(1,428)
Derivatives used for hedging (DuH)	--	465	(581)	--	--	--	(117)
Available-for-sale financial assets (AfS)	290	--	--	--	(1)	--	289
Financial liabilities at amortized cost (FLAC)	(12,470)	--	(986)	--	--	(433)	(13,889)
	€ (11,351) €	465 €	(181) €	(3,118) €	(526) €	(433) €	(15,145)

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 17 – Other Long-Term Liabilities

		As of December 31,		
		2009		2008
		(in thousands)		
Deferred income, non-current	€	4.561	€	5.676
Liability on share-based payments		9.475		465
Other		177		--
Total other long-term liabilities	€	14.212	€	6.141

Other long-term liabilities also 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. At December 31, 2009 and 2008, the deferred income balance associated with this licensing agreement was €4.6 million and €5.7 million, respectively.

As of December 31, 2009 and 2008, the Company recognised the short-term portion of the long-term licensing agreements of €0.9 million and €1.0 million, respectively in trade and other payables.

The Company records liabilities on share-based payments in relation to its stock option plans (see Note 24).

Note 18 – Retirement benefit obligations

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 years ended December 31, 2009 and 2008, the only pension plans that include plan assets are the French and Japanese pension plans. 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 expected return of long-term securities in the secondary market.

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

	As of December 31,	
	2009	2008
	(in thousands)	
Beginning of the year	€ 14.643	€ 15.157
Charge to income	1.280	1.704
Payments	(1.687)	(2.180)
Release	(11)	(203)
Exchange differences	51	163
End of the year	€ 14.275	€ 14.643

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

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Change in benefit obligation	*(in thousands)*		*(in thousands)*	
Benefit obligation at beginning of year	€ 5,193	€ 4,720	€ 10,926	€ 12,448
Service cost	121	233	385	586
Interest cost	244	239	569	484
Amendments	5	301	(16)	(64)
Actuarial loss (gain)	409	(375)	479	(564)
Settlement	--	--	--	(45)
Benefit payments	(145)	(137)	(1,618)	(1,981)
Translation adjustment	(47)	212	(11)	62
Benefit obligation at end of year	€ 5,780	€ 5,193	€ 10,712	€ 10,926
Change in plan assets				
Fair value of plan assets				
at beginning of year	792	334	--	--
Actual return on plan assets	18	13	--	--
Employer contribution	7	46	--	--
Benefit payments	(83)	(16)	--	--
Amendment	--	303	--	--
Translation adjustment	(24)	111	--	--
Fair value of plan assets at end of year	€ 711	€ 792	€ --	€ --
Unfunded status	5,069	4,402	10,712	10,926
Unrecognized net actuarial loss (gain)	(167)	172	(1,350)	(823)
Translation adjustment	3	(45)	--	--
Net amount recognized	€ 4,905	€ 4,529	€ 9,362	€ 10,103

Amounts recognized in the consolidated balance sheet consist of:

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
	(in thousands)		*(in thousands)*	
Other assets	€ 8	€ 11	€ --	€ --
Accrued benefit cost	€ 4.913	€ 4.540	€ 9.362	€ 10.103

Accrued benefit costs are included in the balance sheet line item "Retirement benefit obligation" on the consolidated balance sheets. The Company expects to make insignificant amounts of employer contributions during the years 2010 to 2013.

The contribution for defined contribution plans for the year ended December 31, 2009 and 2008 amounted to €0.1 million, respectively.

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

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
	(in thousands)		*(in thousands)*	
Service cost	€ 121	€ 233	€ 385	€ 586
Interest cost	244	239	569	484
Expected return on plan assets	(18)	(21)	--	--
Recognized actuarial (gain) loss	(2)	5	(19)	178
Net periodic benefit cost	€ 345	€ 457	€ 935	€ 1,248

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

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Discount rate	4.8%	5.1%	4.9%	5.5%
Rate of compensation increase	2.4%	2.4%	2.9%	3.2%
Expected return on plan assets	3.0%	2.9%	--	--

The plan assets of the Japanese pension plan consist of equity funds at December 31, 2009 and 2008. The Company invests in equity funds with an expected stable growth rate. The actual return on plan assets was not significant. The expected rate of return on plan assets is based upon the present rate of return and is expected to be stable. The plan assets of the French pension plan consist of an insurance contract.

	As of December 31,				
	2009	2008	2007	2006	2005
			(in thousands)		
Present value of defined benefit obligations	€ 16.492	€ 16.119	€ 17.168	€ 18.588	€ 19.408
Fair Value of plan assets	711	792	334	405	400
Deficit	€ 15.781	€ 15.327	€ 16.835	€ 18.183	€ 19.008
Experience adjustments on plan liabilities	€ (70)	€ (939)	€ (771)	€ (80)	€ 833
Experience adjustments on plan assets	€ 0	€ 7	€ 8	€ 9	€ 9

Note 19 - Commitments and Contingencies

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 approximately €4.1 million and €4.2 million for the year ended December 31, 2009 and 2008, respectively.

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, 2009:

		As of December 31, 2009
		(in thousands)
2010	€	3,833
2011		2,739
2012		2,169
2013		1,676
2014		1,028
Thereafter		421
	€	11,864

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 20 – 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 Gains on Derivative Instruments		Unrealized Loss on Securities		Fair Value and Other Reserves/ CTA
					(in thousands)				
Balance at January 1, 2008	€	(6,138)	(6,233)	€	144	€	(224)	€	(12,450)
Current period changes		--	--		(144)		(667)		(811)
Translation Adjustments		3,693	(126)		--		--		3,567
Balance at December 31, 2008	€	(2,445)	(6,359)	€	--	€	(890)	€	(9,694)
Current period changes		--	--		--		284		284
Translation Adjustments		(680)	16		--		--		(663)
Balance at December 31, 2009	€	(3,124)	(6,343)	€	--	€	(606)	€	(10,073)

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

Note 21 – 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,	
	2009	2008
Dutch statutory tax rate	25.5%	25.5%
Tax rate differential	(1.1)	5.2
Other taxes	5.8	(5.2)
Prior year adjustments	0.4	1.3
Permanent differences	8.1	4.4
Changes in tax rates	0.2	(6.4)
Effect on non-recognized tax losses	3.5	(24.2)
Effective tax rate	42.4%	0.6%

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 potential income tax liabilities of prior years.

In 2008, the Company's effective tax rate differed from the statutory tax rate in The Netherlands primarily due to the effect of non-recognized tax losses for which it is not probable to be realized of €2.4 million. Withholding taxes, other local taxes and prior year adjustments mainly in Italy and Austria and changes in local tax rates mainly in Italy, the Czech Republic and China affected the tax rate.

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

	December 31, 2009	(Charged) /credited to income	(Charged) /credited to equity	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.................................. €	60.201 €	(13.566) €	-- €	(2) €	73.769
Fixed assets..	114	(155)	--	6	263
Intangible assets..	14	0	--	(1)	14
Retirement Benefit Obligations........................	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.............. €	66.298 €	(13.445) €	(6) €	3 €	79.746
Deferred tax liabilities:					
Fixed assets.. €	(1.118) €	(358) €	-- €	(2) €	(758)
Investments..	(22.390)	(1.499)	--	0	(20.891)
Other..	(359)	100	--	0	(460)
Total Long-term deferred tax liability............. €	(23.867) €	(1.756) €	-- €	(2) €	(22.109)
Total Long-term deferred tax asset, net.......... €	42.431 €	(15.201) €	(6) €	2 €	57.637
Total deferred tax asset, net.......................... €	49.239 €	(13.640) €	(100) €	(48) €	63.027

The movements in deferred tax assets and liabilities during the year ended December 31, 2008 are as follows:

		December 31, 2008		(Charged) /credited to income		(Charged) /credited to equity		Exchange differences		December 31, 2007
						(in thousands)				
Short-term:										
Deferred tax asset:										
Tax loss carried forward	€	170	€	(2.362)	€	--	€	--	€	2.532
Impairment of inventory		4.215		(417)		--		8		4.623
Impairment of accounts receivable		1.083		(148)		--		135		1.096
Provisions		2.229		(474)		--		106		2.597
Other		290		73		48		19		149
Total Short-term deferred tax assets	€	7.987	€	(3.327)	€	48	€	269	€	10.998
Deferred tax liabilities:										
Liabilities	€	(2.099)	€	(86)	€	--	€	(1)	€	(2.012)
Other		(498)		(136)		222		--		(584)
Total Short-term deferred tax liability	€	(2.597)	€	(221)	€	222	€	(1)	€	(2.597)
Total Short-term deferred tax asset, net	€	5.390	€	(3.549)	€	270	€	268	€	8.401
Long-term:										
Deferred tax asset:										
Tax loss carried forward	€	73.769	€	6.802	€	--	€	(10)	€	66.977
Fixed assets		263		(199)		--		(3)		465
Intangible assets		14		(92)		--		3		103
Retirement Benefit Obligations		908		7		--		45		856
Investments		815		(125)		--		--		940
Lease obligations		2.424		(38)		--		--		2.462
Other		1.553		(232)		42		5		1.739
Total Long-term deferred tax assets	€	79.746	€	6.122	€	42	€	40	€	73.542
Deferred tax liabilities:										
Fixed assets	€	(758)	€	276	€	--	€	2	€	(1.036)
Investments		(20.891)		(1.507)		--		--		(19.384)
Other		(460)		(74)		--		--		(386)
Total Long-term deferred tax liability	€	(22.109)	€	(1.305)	€	--	€	2	€	(20.806)
Total Long-term deferred tax asset, net	€	57.637	€	4.817	€	42	€	42	€	52.736
Total deferred tax asset, net	€	63.027	€	1.268	€	312	€	310	€	61.137

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. These tax losses have an unlimited carryover period. As of December 31, 2009 and 2008, the Company did not recognize deferred income tax assets of €15.2 million and €14.9 million, respectively in respect of losses amounting to €46.0 million and €46.5 million, respectively, for which it is not probable to be used. Unutilized tax losses will expire until 2028, at the very latest.

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

	As of December 31,	
	2009	2008
	(in thousands)	
Austria	€ 252,958	€ 301,380
Germany	12,912	13,140
North America	13,641	18,539
Other	19,789	9,619
	€ 299,300	€ 342,678

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

	As of December 31,	
	2009	2008
	(in thousands)	
Austria	€ 52,714	€ (1,536)
Non-Austria	(13,961)	(8,262)
Total income (loss) before income taxes	€ 38,753	€ (9,798)

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 22 - 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 recorded in "Other operating income, net" in the consolidated statement of comprehensive income.

Note 23 - 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, 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 €4.6 million for the year ended December 31, 2009 and 2008, 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.

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 15). 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.

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 €0.01million was accounted for using the equity method and is 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 is redeemable at December 31, 2010. In case the shareholder loan cannot be paid back it will be converted into equity. The joint venture partner has 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 shall be reimbursed prior to the completion of the call option.

The following table shows the development of investments in associates:

	December 31,	
	2009	2008
	(in thousands)	
Balance as of January 1	€ 52	€ 10
Formation of subsidiary	--	42
Share of profit (loss)	25	--
Balance as of December 31	€ 77	€ 52

One of the Company's subsidiaries leased its office building from its Executive Director of Global Sales. Rental expenses amounted to approximately €0.04 million for the year ended December 31, 2009 and 2008, respectively.

The table below shows key managements' compensation:

	For the Years Ended December 31,	
	2009	2008
	(in thousands)	
Salaries and other short-term employee benefits €	3,265 €	3,322
Post-employment benefit	100	572
Other long-term benefits	(170)	22
Share-based benefits	8,714	(3,775)
Total €	11,909 €	142

Note 24 – 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.

The stock option plans resulted in a non-cash compensation expenses of €9.0 million in 2009 (2008: €0.5 million), mainly from the newly issued share option plans in 2009.

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, 2009, the weighted-average fair value of the grant was €0.07 (2008: $0.10), which was estimated using the following assumptions: no dividends, expected volatility of 94.04% (2008: 71.28%) expected term of 1.7 years (2008: 2.7 years), and risk-free interest rate of 4.31% (2008: 2.87%). The volatility is based on statistical analysis of daily share prices over the last year.

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.

	Number of options	Weighted average exercise price
Balance, December 31, 2008	3,982,068	$ 4.31
Balance, December 31, 2009	3,590,094	$ 4.31

As at December 31, 2009, the weighted average remaining contractual life of the outstanding stock options is 1.7 years, and 3,590,094 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, 2009, 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, 2009, the weighted-average fair value of the grant was €0.39 (2008: €0.13), which was estimated using the following assumptions: no dividends, expected volatility of 94.04% (2008: 71.28%), expected term of 5.7 years (2008: 6.7 years), and risk-free interest rate of 4.31% (2008: 2.87%). The volatility is based on statistical analysis of daily share prices over the last year.

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. Options have a maximum term of 10 years. As at December 31, 2009, 205,345 (2008: 205,345) options were available for grant under the Plan 2005 and 3,328,346 options are currently exercisable.

	Number of options	Weighted average exercise price
Balance, December 31, 2008	3,669,346	€ 2.168
Balance, December 31, 2009	3,328,346	€ 2.168

Plans 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 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.

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. As at December 31, 2009, 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, and risk-free interest rate of 4.31%. The volatility is based on statistical analysis of daily share prices over the last year.

	Number of options	Weighted average exercise price
Balance, December 31, 2009	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..

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, and risk-free interest rate of 4.31%. The volatility is based on statistical analysis of daily share prices over the last year.

	Number of options	Weighted average exercise price
Balance, December 31, 2009	7,047,179	€ 0.10

Note 25 – Average Number of Employees

	For the Year Ended December 31,	
	2009	2008
Salaried employees	770	838
Hourly paid employees	1,395	1,472
Total	2,165	2,310

Note 26 – Expenses by Nature

	For the Years Ended December 31,	
	2009	2008
	(in thousands)	
Depreciation, amortization and impairment charges €	12.308 €	15.117
Employee benefit expenses	75.762	69.287
Changes in inventory	(2.716)	(1.890)
Raw material and merchandise	129.034	129.265
Shipment cost	6.832	7.783
Commissions	9.316	7.374
Advertising expenses	39.935	41.019
Legal, Audit, Consulting, Outside services	19.120	21.989
Other expenses	21.089	34.182
Total cost of sales, selling and marketing, general and administrative and other operating (income) expense €	310.680 €	324.126

For the year ended December 31, 2009, a foreign exchange gain of € 0.3 million and for the year ended December 31, 2008 a foreign exchange loss of €0.3 million has been recorded in other operating (income) expense, net.

The Company incurred research and development costs amounting to €8.1 million and €9.2 million for the year ended December 31, 2009 and 2008, respectively.

Note 27 – Personnel Costs

	For the Years ended December 31,	
	2009	2008
	(in thousands)	
Salaries and wages €	50,175 €	56,343
Social security and other benefit	15,296	16,580
Share options granted to directors and employees	9,011	(5,341)
Pension costs - defined benefit plans	345	457
Post-employment benefits	935	1,248
Total €	75,762 €	69,287

Note 28 – List of (direct and indirect) Participations as of December 31, 2009

	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 29 – Cash and cash equivalents

As at December 31, 2009 and 2008, cash and cash equivalents contains cash of €36.0 million and €17.2 million, respectively and restricted cash of €0.9 million and €0.5 million, respectively representing deposits pledged as collateral on outstanding lines of credit.

Note 30 – Earnings per Share – Basic and Diluted

Basic earnings per share is 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 12).

	For the Years Ended December 31,			
		2009		2008
	(in thousands, except per share data)			
Profit (loss) for the year	€	22,326	€	(9,738)
Weighted average number of ordinary shares in issue		55,772		37,109
Earnings per share - basic and diluted	€	0.40	€	(0.26)

Note 31 – 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, 2009. The following table presents the aggregate fees for professional audit services and other services rendered by PricewaterhouseCoopers in 2009 and 2008 (in thousands):

	For the Years Ended December 31			
		2009		2008
Audit Fees	€	481	€	825
Audit-Related Fees		20		9
Tax Fees		317		201
All Other Fees		404		18
Total Audit Fees	€	1,223	€	1,053

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. In addition, audit fees contain agreed upon procedures performed on Head N.V.'s quarterly financial statements in 2008. 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 on June 4, 2009.

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 2009, it mainly includes fees in relation with the Company's exchange offer (see Note 15).

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

	Note	As of December 31, 2009	2008
		(in thousands)	
Non-current assets:			
Investment in subsidiary	3	€ 139,432	€ 139,432
Total non - current assets		139,432	139,432
Current assets:			
Amounts receivables from related companies		87	1,142
Prepaid expenses		67	88
Trade receivables, net		107	686
Cash	4	364	222
Total current assets		626	2,137
Total assets		€ 140,058	€ 141,569
Non-current liabilities:			
Other long-term liabilities	5	€ 7,850	€ --
Total non-current liabilities		7,850	--
Current liabilities (due within one year):			
Amounts owed to related companies		2,282	6
VAT		36	38
Accruals and other liabilities	6	738	1,282
Total current liabilities		3,056	1,326
Shareholders' equity:			
Share capital	9	882	398
Share premium	9	100,825	101,302
Retained earnings	9	38,542	28,944
Result for the year	9	(11,097)	9,598
Shareholders' equity		129,152	140,242
Total liabilities and equity		€ 140,058	€ 141,569

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, 2009		2008
			(in thousands)		
Total net revenues		€	2,278	€	3,237
Cost of sales			2,156		3,145
Gross profit			122		92
Selling and marketing expense			109		67
General and administrative expense			3,296		3,673
Share-based compensation expense	5		7,850		--
Operating loss			(11,132)		(3,648)
Interest income			5		37
Foreign exchange gain			31		209
Dividend income			--		13,000
Result for the year		€	(11,097)	€	9,598

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

HEAD N.V.
COMPANY STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Retained Earnings	Result for the Year	Total Shareholder's Equity
			(in thousands)		
Balance at January 1, 2008..............	€ 398	€ 101,016	€ 23,209	€ 5,736	€ 130,359
Transfer of result for the year...........	--	--	5,736	(5,736)	--
Transfer from Stichting....................	--	286	--	--	286
Result for the year..........................	--	--	--	9,598	9,598
Balance at December 31, 2008.........	€ 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	--	--	--	484
Result for the year..........................	--	--	--	(11,097)	(11,097)
Balance at December 31, 2009.........	€ 882	€ 100,825	€ 38,542	€ (11,097)	€ 129,152

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, 2009		2008
			(in thousands)		
OPERATING ACTIVITIES:					
Result for the year		€	(11,097)	€	9,598
Dividend received			--		(13,000)
Share-based compensation expense	5		7,850		
Movement in accounts receivable			579		(98)
Movement in accounts receivable and payable, intercompany			3,330		(10,173)
Movement in prepaid expense and other assets			20		(80)
Movement in accounts payable, accrued expenses and other liabilities			(546)		56
Net cash used for operating activities			136		(13,698)
INVESTING ACTIVITIES:					
Dividend received			--		13,000
Net cash provided by investing activities			--		13,000
FINANCING ACTIVITIES:					
Transfer from Stichting			(477)		286
Capital increase			484		--
Net cash provided by financing activities			7		286
Net increase (decrease) in cash and cash equivalents			143		(411)
Cash and cash equivalents at beginning of period			222		632
Cash and cash equivalents at end of period		€	364	€	222

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, 2009 as set out on pages 33 to 44.

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 – 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, 2009	Cost of assets acquired	Book value of disposed assets	Income from participating interest	Book value December 31, 2009
			(in thousands)		
Investment in Subsidiary........	€ 139,432	€ --	€ --	€ --	€ 139,432

No impairment loss on this investment has been recorded.

Note 4 - 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 3 and 4 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.

Note 5 – 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 will 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.

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. The fair value of the liability for the cash-settled stock option plans amounted to €7.8 million per 31 December 2009.

For further details on the plans and the valuation thereof, refer to note 24 of the consolidated accounts and note 7 of the company accounts.

Note 6 – Accruals and Other Liabilities

Accrued expenses and other liabilities consist of the following:

	As of December 31,	
	2009	2008
	(in thousands)	
Management and administration fee........	€ 167	€ 447
Audit, consulting and legal fee...............	542	296
Accrued expenses.................................	29	539
	€ 738	€ 1.282

Note 7 – Directors' Remuneration

The Company has four managing directors and two supervisory board directors during the year. 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

The share-based compensation expense results from newly issued Stock Option Plans 2009 and the increase in fair value of the liability for the already existing plans against option holders due to the increase of the company's share price. The company did not pay any pension, profit sharing or bonuses during the year.

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, 2009, share-based compensation amounted to expense 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, 2009, share-based compensation expense amounted to €0.5 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, 2009, share-based compensation expense amounted to €7.8 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 24 of the consolidated financial statements.

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

	Exercise price at the issuance	Number of non-exercised shares at beginning of the year	Number of written shares	Number of exercised shares	Exercise price	Number of non-exercised shares 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 8 – 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,		
		2009		2008
		(in thousands)		
Result for the year	€	(11,097)	€	9,598
Net income (loss) from participating interest		33,422		(19,336)
Net income (loss)	€	22,326	€	(9,738)

		For the Years Ended December 31,		
		2009		2008
		(in thousands)		
Shareholders' equity	€	129,152	€	140,242
Retained earnings from participating interest		19,337		(14,208)
Shareholders' equity consolidated	€	148,489	€	126,034

Note 9 – 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 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.

As at December 31, 2009 the nominal value of the 88,204,030 shares issued was €0.01. As at December 31, 2008, the nominal value of the 39,820,677 shares issued was €0.01.

Share premium include additional paid-in capital. The change in value of share premium represents the reassignment of own shares transferred to the Stichting for the 1998 Option Plan to the 2005 Option Plan.

Dividends

In 2009 and 2008, the Company did not pay a dividend.

Treasury Shares

Pursuant to resolutions which were approved on May 28, 2009 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.

The table below shows the movements in treasury shares:

	As of December 31,	
	2009	2008
	(in thousands)	
Balance as of January 1	2,184	2,184
Transfer of treasury shares from Stichting	267	--
Transfer of treasury shares to Mr. Eliasch	(2,451)	--
Balance as of December 31	0	2,184

Note 10 – Expenses by Nature

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

	For the Years Ended December 31,	
	2009	2008
	(in thousands)	
Management fees	€ 2,759	€ 2,678
Employee costs	438	409
Legal, audit and consulting	198	557
Other	9	95
Total operative expenses	€ 3,404	€ 3,740

Note 11 – Income tax

The total loss available for loss carry forward at the end of 2009, provided that the Dutch tax authorities agree with the 2008 and 2009 corporate income tax return, is €29.8 million. The Company does not report any tax as it incurs tax losses from 2000 (see Note 4: Critical Accounting Estimates and Judgments)

Note 12 – 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, 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, 2009 and 2008, respectively. The related party provides investor relations, corporate finance, legal and consulting.

The Company received product deliveries of €2.2 million (2008: €3.1 million) for the distribution in The Netherlands from a group company. As of December 31, 2009, the Company recorded a payable of €2.3 million compared to a receivable of €0.6 million as of December 31, 2008, as it used the proceeds from the dividend income received in 2008 to prepay future deliveries. In addition, the Company recorded 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 15 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 30, 2010

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 99 of this report.

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.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2009 of Head N.V., Rotterdam as set out on pages 29 to 97 which comprise the consolidated and company statement of financial position as at 31 December 2009, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

The directors' responsibility
The directors of the company are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of The Netherlands Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of The Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 the directors, 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 2009, 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 Netherlands Civil Code.

HEAD N.V. AND SUBSIDIARIES
AUDITOR'S REPORT

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5f of The Netherlands Civil Code, we report, to the extent of our competence, that the directors' report is consistent with the financial statements as required by 2:391 sub 4 of The Netherlands Civil Code.

Amsterdam, March 30, 2010
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 30, 2010

Johan Eliasch Chief Executive Officer	Günter Hagspiel Chief Financial Officer
Ralf Bernhart Managing Director	George Nicolai Managing Director