



HEAD N.V.

(Incorporated in The Netherlands as a public company with limited liability, having its corporate seat in Rotterdam, The Netherlands)

Head N.V. (the **Company**) is offering up to 199,958,536 new preference shares with a nominal value of €0.01 each (the **Offer Shares**). The Offer Shares are being offered by granting the holders of ordinary shares in the capital of the Company having a nominal value of €0.01 (the **Ordinary Shares**) as at the Record Date the non-transferable entitlement to subscribe (subject to being an Eligible Person) for the Offer Shares pro rata to their holdings of Ordinary Shares at an issue price per Offer Share of €0.05 (the **Issue Price**), subject to applicable securities laws and on the terms set out in this Prospectus (the **Offering**).

Each person holding Ordinary Shares immediately following the close of trading in the Ordinary Shares on the official market of the Vienna Stock Exchange at 17:40 Central European Time (CET) on February 10, 2011 (the **Record Date**) that is an Eligible Person will be entitled and will have the right to subscribe for 2.267 Offer Shares for every 1 Ordinary Share held on the Record Date (rounded down to the nearest Offer Share).

Eligible Persons may, subject to applicable securities laws, subscribe for Offer Shares during the period from 09:00 CET on February 11, 2011 until 15:30 CET on February 18, 2011 (the **Exercise Period**). The entitlement may only be exercised during the Exercise Period. After the Exercise Period has ended, the entitlement may no longer be exercised by Eligible Persons. Once an Eligible Person has validly exercised its entitlement, that exercise cannot be revoked or modified except as otherwise described in "The Offering – Exercise Period".

The entitlement to subscribe for Offer Shares is not transferable. The Offer Shares may only be transferred with the approval of the Supervisory Board. No application has been or will be made to list or trade the Offer Shares or the entitlement to subscribe for Offer Shares on the official market of the Vienna Stock Exchange or elsewhere.

The statutory preemptive rights (*wettelijke voorkeursrechten*) in respect of the Offering have been excluded for the purposes of the Offering.

Subsequent to the publication of this Prospectus, an extraordinary general meeting of shareholders of the Company will be convened at which, among other things, it will be proposed to (i) amend the articles of association so that all of the Preference Shares, and thus all of the Offer Shares, have the terms and conditions set out in "Proposed Terms and Conditions of the Offer Shares" and to (ii) increase the authorised share capital of the Company from €4,000,000, comprising 200,000,000 Ordinary Shares and 200,000,000 Preference Shares, to €14,000,000, comprising 1,200,000,000 Ordinary Shares and 200,000,000 Preference Shares, so as to facilitate the Offering and, ultimately, the conversion of the Offer Shares into Ordinary Shares (the **Resolutions**). The extraordinary general meeting to approve the Resolutions is expected to be convened on April 1, 2011.

Head Sports Holdings N.V. and its affiliates (including the ECJ Foundation), which, directly and indirectly, control in aggregate 48,242,062 shares in Head N.V. (representing 54.69% of the current issued share capital), have committed to vote in favour of the Resolutions. Head Sports Holdings N.V., a Netherlands

Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch, the Company's Chairman and CEO, and his family members.

Head Sports Holdings N.V. intends to exercise its entitlement to subscribe for all of the Offer Shares for which it is eligible. Mr. Ralf Bernhart, a member of our Management Board, also intends to instruct the Stichting Head Option plan (which holds his Ordinary on his behalf) to exercise his entitlement to subscribe for all of the Offer Shares for which he is eligible. Mr. Richard Hurowitz, a member of the Supervisory Board, indirectly controls 7,916,549 shares in Head N.V. (representing 8.98% of the current issued share capital). Mr. Hurowitz has not expressed his intention to cause the entities that hold the shares he controls to exercise their entitlement to Offer Shares.

Settlement of the Offering is conditional upon the passing of the Resolutions. If any of the Resolutions is not passed on or before June 1, 2011, the Offering will be withdrawn. Consequently, (i) both the exercised and unexercised entitlement to subscribe for Offer Shares will lapse without compensation to the holders of that entitlement; (ii) subscriptions for Offer Shares that have been made will be disregarded, and (iii) any subscription payments made and received by the Company or the Subscription Agent (if any) will be returned without interest or compensation.

Immediately after the EGM, the Company will publish a press release stating whether or not all of the Resolutions have been passed and whether the Offering has accordingly become unconditional. If all of the Resolutions are passed at the EGM and the Offering accordingly becomes unconditional, the Settlement Date is expected to be April 29, 2011.

Any Offer Shares not validly subscribed for by Eligible Persons during the Exercise Period, including any Offer Shares not subscribed for as a result of the rounding-down of Shareholders' entitlements to Offer Shares or not issued as a result of a failure by the relevant Shareholder to timely complete and submit all subscription forms or to pay the Issue Price, in each case in accordance with the instructions of the Subscription Agent, will be bought by our principal shareholder, Head Sports Holdings N.V., at the Issue Price, subject to the terms and conditions of an underwriting agreement between the Company and Head Sports Holdings N.V. See "The Offering – Unexercised entitlement and underwriting arrangements".

This document (the Prospectus) does not constitute an offer to sell or the solicitation of an offer to buy Offer Shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful. The Offer Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the Securities Act) and may not be offered or sold in the United States or to U.S. persons except to qualified institutional buyers, as defined in Rule 144A of the Securities Act ("QIBs") pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each purchaser of Offer Shares offered hereby, in making a purchase, will be deemed to have made certain acknowledgements, representations and agreements as set out in "Selling and Transfer Restrictions" and each QIB purchaser in the United States must execute a letter in the form of Annex 1 to this Prospectus as a condition precedent to subscribing for any Offer Shares. Potential investors in the Offer Shares should carefully read "Selling and Transfer Restrictions".

Investing in the Offer Shares involves risk. See "Risk Factors" for a discussion of certain risks that should be carefully considered by prospective investors prior to an investment in the Offer Shares.

This document constitutes a prospectus for the purposes of Article 3 of Directive 2003/71/EC (the **Prospectus Directive**) and has been prepared in accordance with the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (the **FSA**). This Prospectus was approved by, and filed with, the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) (**AFM**) on February 10, 2011. The Company has requested that the AFM provide a certificate of approval and a copy of this document to the relevant competent authorities in each of Austria, France, Germany, Italy and the United Kingdom.

This Prospectus will be published in the English language only.

Prospectus dated February 11, 2011.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The Offer Shares offered hereby have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Offering is being extended (i) in the United States, only to QIBs pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the Securities Act, and (ii) outside the United States, in offshore transactions in accordance with Regulation S under the Securities Act. Any Offer Shares offered and sold in the United States will be subject to certain transfer restrictions as described in "Selling and Transfer Restrictions", and each QIB purchaser in the United States must execute a letter in the form of Annex 1 to this Prospectus as a condition precedent to subscribing for any Offer Shares.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (RSA 421-B) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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1. SUMMARY

This summary should be read as an introduction to the more detailed information appearing elsewhere in the Prospectus. Any decision by an investor to invest in the Offer Shares should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference and, in particular, the information in the chapter headed "Risk Factors" and any supplements to the Prospectus required under the applicable laws that are published by us.

This summary does not provide a complete overview and does not contain all the information that you should consider in connection with any decision relating to the Offer Shares. Civil liability attaches to us in respect of this summary, and any translation of this summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus. Where a claim relating to the information contained in the Prospectus is brought before a court in the European Economic Area, the plaintiff investor may, under the national legislation of the State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated. Words and expressions defined elsewhere in the Prospectus have the same meaning in this summary. If this summary is translated into any language other than English and there are any inconsistencies, whether or not as to interpretation, between the English text and the translation, the English text prevails.

OVERVIEW

Head N.V. was incorporated under the laws of The Netherlands on August 24, 1998 as a public company with limited liability (*naamloze vennootschap*), or N.V. Our statutory seat is in Rotterdam, The Netherlands. We are registered under number 24286737 at the Commercial Register in Amsterdam, The Netherlands. Our address is at Rokin 55, 1012 KK Amsterdam, The Netherlands and our telephone number is +31 20 625 1291.

We believe we are a leading global manufacturer and marketer of branded sporting goods serving the skiing, racquet sports and diving markets. We have created or acquired a portfolio of brands—*Head* (principally alpine skis, ski boots, bindings and snowboard products and tennis, racquetball and squash racquets, tennis balls, tennis footwear and badminton products), *Penn* (tennis balls and racquetball balls), *Tyrolia* (ski bindings) and *Mares* (diving equipment). We believe our key products have attained leading market positions and are used by many of today's top athletes.

With a broad product offering marketed mainly from middle to high-price points, we supply sporting equipment and accessories to all major distribution channels in the skiing, racquet sports and diving markets, including pro shops, specialty sporting goods stores and mass merchants. Our products are sold through over 37,000 specialty sporting goods stores, chain stores and department stores in over 85 countries and target sports enthusiasts of varying levels of ability and interest ranging from the novice to the professional athlete. Our strongest presence has traditionally been in Europe.

Over the past six decades, we believe we have earned a reputation as a leading developer and manufacturer of innovative, high-quality and technologically-advanced sporting equipment. Our focus continues to be on our core products of skiing, tennis and diving equipment. In order to expand market share and maximise profitability, we have increased our emphasis on marketing and new product development, further leveraging our brands, global distribution network and traditional strength in manufacturing.

THE OFFERING

The summary below describes the principal terms of the Offering. Certain terms and conditions described below are subject to important limitations and exceptions. Please see "The Offering" and "Selling and Transfer Restrictions" for a more detailed description of the terms and conditions of the Offering.

Issuer	Head N.V.
Number of Shares outstanding at the date of the Prospectus	88,204,030 Ordinary Shares are issued and outstanding. No Preference Shares have been issued to date.
Offering	Up to 199,958,536 new Preference Shares with a nominal value of €0.01 each. These Preference Shares constitute the Offer Shares .
Use of proceeds and rationale for the Offering	<p>Given the seasonality of the Company's cash flows and working capital requirements, it has been necessary in the past for the Company to support its liquidity requirements with debt facilities. In light of recent economic conditions, including the impact on the availability and cost of debt financing, the Company considers it prudent financial planning to seek additional equity finance from its shareholders.</p> <p>The net proceeds of the Offering will be used for general corporate purposes.</p>
Conditions to the Offering	<p>Subsequent to the publication of the Prospectus, an extraordinary general meeting of shareholders will be convened at which, among other things, it will be proposed to (i) amend the Articles so that all of the Preference Shares, and thus all of the Offer Shares, will have the terms and conditions set out in "<u>Proposed Terms and Conditions of the Offer Shares</u>" and to (ii) increase the authorised share capital of the Company from €4,000,000, comprising 200,000,000 Ordinary Shares and 200,000,000 Preference Shares, to €14,000,000, comprising 1,200,000,000 Ordinary Shares and 200,000,000 Preference Shares, so as to facilitate the Offering and, ultimately, the conversion of the Offer Shares into Ordinary Shares (the Resolutions).</p> <p>Settlement of the Offering is conditional upon the passing of the Resolutions. If any of the Resolutions is not passed on or before June 1, 2011, the Offering will be withdrawn. Consequently, (i) both the exercised and unexercised entitlement to subscribe for Offer Shares will lapse without compensation to the holders of that entitlement; (ii) subscriptions for Offer Shares that have been made will be disregarded, and (iii) any subscription payments made and received by the Company or the Subscription Agent (if any) will be returned without interest or compensation.</p>
Entitlement	Subject to applicable securities laws, each Eligible Person will be entitled to subscribe for 2.267 Offer Shares for each Ordinary Share held on the Record Date (rounded down to the nearest Offer Share). No fractional Offer Shares will be issued. The entitlement to subscribe for Offer Shares is not transferable.
Issue Price	€0.05 per Offer Share
Record Date	Immediately following the close of trading in the Ordinary Shares on the official market of the Vienna Stock Exchange at 17:40 CET on February 10, 2011
Listing and trading in the Offer Shares	No application has been or will be made to list or trade the Offer Shares or the entitlement to subscribe for Offer Shares on the Vienna

Stock Exchange.

Transfer Restrictions

The entitlement to subscribe for Offer Shares is not transferable. The Offer Shares may only be transferred with the approval of the Supervisory Board (which approval is deemed to be given if, within 6 weeks of the initial request, the Supervisory Board has neither (i) approved the transfer, nor (ii) nominated a third party to purchase the shares). See further "Transfer of Offer Shares and restriction on transfer of Offer Shares" in the section headed "Proposed Terms and Conditions of the Offer Shares"

Exercise of entitlement to subscribe for Offer Shares

Subject to applicable securities laws, Eligible Persons can only validly exercise their entitlement to subscribe for Offer Shares during the Exercise Period.

Once you have validly exercised your entitlement to subscribe for Offer Shares, you cannot revoke or modify that exercise unless the Company amends a material term of the Offering or amends the Prospectus in a material respect. If you have exercised your entitlement, you will be obliged to pay the Issue Price for any Offer Shares being subscribed for.

If you have not validly exercised your entitlement to subscribe for Offer Shares before the end of the Exercise Period at 15:30 CET on February 18, 2011, you will no longer be able to exercise your entitlement.

Exercise Period

Commences at 09:00 CET on February 11, 2011 and ends at 15:30 CET on February 18, 2011

Unexercised entitlement and underwriting arrangements

Any Offer Shares not validly subscribed for by Eligible Persons during the Exercise Period, including any Offer Shares not subscribed for as a result of the rounding-down of Shareholders' entitlements to Offer Shares or not issued as a result of a failure by the relevant Shareholder to timeously complete and submit all subscription forms or to pay the Issue Price, in each case in the accordance with the instructions of the Subscription Agent, will be bought by our principal shareholder, Head Sports Holdings N.V., at the Issue Price, subject to the terms and conditions of an underwriting agreement between the Company and Head Sports Holdings N.V.

Potential dilution

In aggregate, up to 199,958,536 Preference Shares will be issued. Accordingly, if a holder of Ordinary Shares does not participate in the Offering, his proportionate ownership and voting interests in the Company will be immediately diluted by approximately 69.3% by the issue of the Offer Shares. If and when the Offer Shares are converted into Ordinary Shares (at a ratio of 5 Ordinary Shares for each 1 Offer Share), the proportionate ownership and voting interest in the Company of a holder of Ordinary Shares that did not participate in the Offering may be diluted further, up to a maximum of approximately 91.9% in aggregate

Subscription Agent

VEM Aktienbank AG

Subscription

Holders of bearer Ordinary Shares should exercise their entitlement in

accordance with the instructions received from their financial intermediary. Holders of registered Ordinary Shares should contact the Subscription Agent and should exercise their entitlement in accordance with the instructions received from it.

The Subscription Agent will be responsible for collecting exercise instructions from Eligible Persons. All questions concerning the timelines, validity and form of instructions to the Subscription Agent in relation to the exercise of the entitlement to subscribe for Offer Shares will be determined by the Subscription Agent. The Company is not liable for any action or failure to act by a financial intermediary through which shareholders hold their Ordinary Shares or the Subscription Agent (as the case may be) in connection with any subscriptions or purported subscriptions.

Payment and delivery

The Offer Shares will be in registered form and will not be listed. Delivery of the Offer Shares will accordingly be effected via entry in the Company's register of shareholders, which will be administered by Computershare Deutschland GmbH & Co KG, an affiliate of the Subscription Agent. No share certificates for Offer Shares will be issued.

Immediately after the EGM, the Company will publish a press release stating whether or not all of the Resolutions have been passed and whether the Offering has accordingly become unconditional. If all of the Resolutions are passed at the EGM and the Offering accordingly becomes unconditional, the Settlement Date will be April 29, 2011.

If the Offering has become unconditional, the Subscription Agent will send a written notice to you stating the number of Offer Shares allotted to you. This written notice will include instructions for the payment of the Issue Price for the Offer Shares allotted to you. Payment for the Offer Shares must be made in accordance with the instructions in the written notice and in any event on or before the Settlement Date.

Selling and transfer restrictions

The Company has not and will not take any action outside Austria, France, Germany, Italy, the Netherlands, Switzerland or the United Kingdom to permit the exercise of the entitlement to subscribe for Offer Shares by the general public. The Company urges you to carefully study the restrictions described under “Selling and Transfer Restrictions”. The Company reserves the right, with sole and absolute discretion, to treat as invalid any subscription or purported subscription which appears to the Company to have been executed, effected or dispatched in a manner that may involve a breach or violation of the laws of any jurisdiction or if the Company believes that the same may violate applicable legal or regulatory requirements or may be inconsistent with the procedures and terms set out in the Prospectus or in breach of the representations and warranties to be made by an accepting holder, as described herein.

The Offer Shares offered hereby have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a

transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Offering is being extended (i) in the United States, only to QIBs pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the Securities Act, and (ii) outside the United States, in offshore transactions in accordance with Regulation S under the Securities Act. Any Offer Shares offered and sold in the United States will be subject to certain transfer restrictions as described in "Selling and Transfer Restrictions", and each QIB purchaser in the United States must execute a letter in the form of Annex 1 to the Prospectus as a condition precedent to subscribing for any Offer Shares.

Governing law

Dutch law

Expected Timetable of the Offering

The timetable below lists certain expected key dates for the Offering.

Record Date	Immediately following the close of trading in the Ordinary Shares on the official market of the Vienna Stock Exchange at 17:40 CET on February 10, 2011
Exercise Period commences	09:00 CET on February 11, 2011
Exercise Period ends	15:30 CET on February 18, 2011
EGM at which Resolutions will be proposed expected to be convened on	April 1, 2011
Allotment of Offer Shares (1)	April 1, 2011
Issuance of, payment for and delivery of the Offer Shares (1)	April 29, 2011

(1) These dates assume that the EGM is held on the date indicated above and that all of the Resolutions are passed at the EGM.

Whether all of the Resolutions have been passed and that the Offering has accordingly become unconditional will be made public through publication of a press release by the Company immediately after the EGM. The results of the Offering will also be made public through publication of a press release by the Company as soon as possible after allotment of the Offer Shares.

The Company may adjust the dates, times and periods given in the timetable and throughout this Prospectus. If the Company should decide to adjust dates, times or periods, or if it otherwise becomes necessary to adjust any of the dates, times or periods, it will notify the AFM and will issue a press release and (if required) an advertisement in the Daily Official List. Any other material alterations will be published in a press release, in an advertisement in the Daily Official List (if required) and in a supplement to this Prospectus (if required).

SUMMARY OF PROPOSED TERMS AND CONDITIONS OF THE OFFER SHARES

The summary below describes the principal terms and conditions of the Offer Shares. Please see "Proposed Terms and Conditions of the Offer Shares" for a more detailed description of the proposed terms and conditions of the Offer Shares.

Subsequent to the publication of the Prospectus, an extraordinary general meeting of shareholders will be convened at which, among other things, it will be proposed to (i) amend the Articles so that all of the Preference Shares, and thus all of the Offer Shares, will have the terms and conditions set out in "Proposed

Terms and Conditions of the Offer Shares" and to (ii) increase the authorised share capital of the Company from €4,000,000, comprising 200,000,000 Ordinary Shares and 200,000,000 Preference Shares, to €14,000,000, comprising 1,200,000,000 Ordinary Shares and 200,000,000 Preference Shares, so as to facilitate the Offering and, ultimately, the conversion of the Offer Shares into Ordinary Shares (the **Resolutions**).

Settlement of the Offering is conditional upon the passing of the Resolutions. If any of the Resolutions is not passed on or before June 1, 2011, the Offering will be withdrawn.

Head Sports Holdings N.V. and its affiliates (including the ECJ Foundation), which, directly and indirectly, control in aggregate 48,242,062 shares in Head N.V. (representing 54.69% of the current issued share capital), have committed to vote in favour of the Resolutions. Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch, the Company's Chairman and CEO, and his family members.

Voting rights	Each Offer Share will confer the right to cast one vote at the general meeting of shareholders of the Company
Preemptive rights	Until they are converted into Ordinary Shares, the Offer Shares will carry no preemptive rights in respect of further issuances of Ordinary Shares, unless determined otherwise by the general meeting of shareholders.
Transfer Restrictions	The Offer Shares will be issued as registered and "restricted shares" and will be subject to the transfer restrictions included in the Articles, which provide that the Offer Shares may only be transferred with the approval of the Supervisory Board.
Listing and trading of the Offer Shares	No application has been or will be made to list or trade the Offer Shares or the entitlement to subscribe for Offer Shares on the Vienna Stock Exchange.
Dividends	The Offer Shares will not carry an entitlement to dividends or other distributions until they are converted
Conversion of the Offer Shares	<p>On the tenth anniversary of issue, each Offer Share then outstanding will automatically convert into five Ordinary Shares without any further action of the holders of the Offer Shares required.</p> <p>Early conversion is possible upon a resolution to that effect by the meeting of holders of Ordinary Shares (excluding holders of Offer Shares in respect of their holding of Offer Shares) adopted with a simple majority of all votes cast.</p> <p>On conversion, the Offer Shares, which will then be Ordinary Shares, will be registered shares and not bearer shares. Registered shares cannot currently be traded on the Vienna Stock Exchange. Once converted into bearer shares, or if it becomes possible to trade registered shares over the Vienna Stock Exchange, the Company will apply for listing of those Ordinary Shares on the Vienna Stock Exchange if and to the extent required under applicable Austrian laws and regulations.</p>
Redemption	Redemption of all issued and outstanding Offer Shares is possible with

the approval of the meeting of holders of Offer Shares only and further with due observance of the relevant provisions of the Articles. If Offer Shares are cancelled, each holder of Offer Shares will be paid, per Offer Share, a redemption price equal to the Issue Price of the Offer Share. The redemption price will be paid in cash in euro.

SUMMARY OF RISK FACTORS

Specific risks that are discussed in the chapter headed "Risk Factors" include the following:

Risks Associated with Our Business

- The impact of the current global economic turmoil and any further deterioration of global economic conditions, as well as the related financial crisis, on us, our customers and end-users of our products may have a material adverse effect on our business, results of operations and financial condition.
- Weather and other factors beyond our control have caused and could continue to cause a decline in demand for our products.
- The sporting goods industry is highly competitive and our success depends upon our ability to respond quickly to changes in consumer preferences.
- Changes in the tastes of the sporting public affect the demand for our products, and in recent years, we have observed a declining interest in skiing and tennis.
- Our failure to introduce innovative products to the market could adversely affect our sales and margins.
- Shifts in currency exchange rates may adversely affect our results of operations.
- We are dependent in part on the performance of third-party suppliers, which may cause delays in filling orders, affect the quality of some products or affect the image of our trademarks. Some of our key products are produced in single locations.
- We are dependent on patents and trademarks, and inadequate protection of our patents and trademarks, or patent or trademark litigation, could adversely affect our business.
- Environmental and consumer safety regulations by European Union, U.S., Chinese and other national and local regulatory bodies could adversely affect our business.
- We have product liability exposure resulting from the use of our products.
- Changes in income tax law in Austria and in other countries have affected, and in the future may again affect, our net income dramatically; additionally, as a result of applicable accounting rules, we may be required to write-down a portion of our deferred tax assets.
- We may be affected by raw material and energy price increases.
- We are indirectly controlled by one shareholder whose interests may conflict with yours.
- Price Risk.
- Cash flow and fair value interest rate risk

Risks Associated with the Offer Shares

- Our shareholders may or may not approve the proposed amendments to our Articles so as to include the proposed terms and conditions of the Offer Shares. If any of these resolutions is not passed on or before June 1, 2011, the Offering will be withdrawn.
- The Offer Shares will not yield interest and may not become convertible until 2021.
- The conversion rights attached to the Offer Shares may be diluted.
- An early conversion may be triggered by our majority shareholder and his interests may diverge from yours.
- The Offer Shares will not be listed and therefore you may be unable to sell them.

2. RISK FACTORS

Before investing in the Offer Shares, prospective investors should consider carefully, together with the other information contained in this Prospectus and any supplements to this Prospectus, the factors and risks relating to our business, the industries we operate in and the Offer Shares.

We believe that the factors set out below represent the risks inherent in investing in Offer Shares. All of the factors are contingencies which may or may not occur. We are not in a position to express a view on the likelihood of any such contingency occurring. One or more of the risks described below could affect us simultaneously. We believe that the risks and uncertainties described below are the material risks and uncertainties that we face. However, additional risks or uncertainties not currently known to us or that we currently may consider immaterial may also have a negative effect on our business, future prospects, financial conditions and results of operations.

A summary of these risk factors is contained in the "Summary" section of this Prospectus.

Risks Associated with Our Business

The impact of the current global economic turmoil and any further deterioration of global economic conditions, as well as the related financial crisis, on us, our customers and end-users of our products may have a material adverse effect on our business, results of operations and financial condition.

We and the sporting goods industry in general are dependent on the economies in which we sell our products, and in particular on levels of consumer spending. Economic conditions affect not only the ultimate consumer, but also retailers, our primary direct customers. As a result, our results may be adversely affected by downward trends in the economies in which we sell our products.

The recent weakening of consumer confidence, declining income and asset values in many areas and other adverse factors related to the current global economic conditions, have resulted and may continue to result in our current and potential customers as well as the end-users postponing or reducing spending on our products.

The global financial crisis has also led to more limited availability of credit which may have a negative impact on the financial condition, and in particular on the purchasing ability, of some of our distributors and our independent retailers, and may also result in requests for extended payment terms, credit losses, insolvencies, limited ability to respond to demand or diminished sales channels available to us. This global crisis may also affect our suppliers who may have difficulties obtaining necessary credit, which could jeopardise their ability to provide timely deliveries to us. The current economic environment may also result in adverse effects to payment terms with suppliers, suppliers requesting credit support or otherwise reducing credit, which may have a negative effect on our cash flows and working capital.

The related currency fluctuations, such as the recent severe volatility in exchange rates, may also: increase the costs of our products that we may not be able to pass on to our customers or impair the purchasing power of our customers in different markets; result in significant competitive benefit to certain of our competitors who incur a material part of their costs in other currencies than we do; hamper our pricing; and increase our hedging costs and limit our ability to hedge our exchange rate exposure.

The difficult global economic conditions may also result in inefficiencies due to our deteriorated ability to appropriately forecast developments in our industry and plan our operations accordingly, and failures to adjust our costs appropriately. Adverse economic conditions affecting us, our current and potential customers and their spending on our products may have a material adverse effect on our business, results of operations and financial condition.

Further negative developments in our business, results of operations and financial condition due to the current difficult global economic conditions or other factors could cause lowered credit ratings of our short and long-term debt or their outlook from the credit rating agencies and, consequently, impair our ability to raise new financing or refinancing our current borrowings and increase our costs associated with any new debt instruments.

Weather and other factors beyond our control have caused and could continue to cause a decline in demand for our products.

Adverse weather can cause a significant decline in our sales, as in 2006 and 2007 when the poor snow conditions globally during the 2006/2007 season substantially reduced revenues for our Winter Sports products and negatively impacted our 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 our diving business.

The sporting goods industry is highly competitive and our success depends upon our ability to respond quickly to changes in consumer preferences.

The sporting goods industry is highly competitive and includes many regional, national and international companies, some of which we believe have achieved a substantial market share. We compete primarily on the basis of product features, brand recognition, quality and price, and the failure to remain competitive could adversely affect our results of operations and financial condition. Some of our competitors offer types of sports products that we do not sell, and some of our competitors are larger and have substantially greater financial and other resources than us.

Our success also depends partly on our ability to anticipate and respond quickly to changing merchandise trends, consumer taste and consumer preferences. Any failure to so respond could adversely affect consumer acceptance of our brand names and product lines and could harm our business.

Changes in the tastes of the sporting public affect the demand for our products, and in recent years, we have observed a declining interest in skiing and tennis.

In recent years, we have observed declining demand overall in the global ski and tennis markets. We estimate that 6.5 million pairs of skis were sold per year worldwide in the late 1980s, whereas approximately 4.1 million pairs were sold in 2006. In 2007, we estimate that the market declined to approximately 3.0 million pairs, and in 2009, we estimate that 3.1 million pairs were sold. We estimate that snowboard sales have developed from approximately 0.8 million boards sold in 1995 to a peak of approximately 1.6 million in 2000, and approximately 1.2 million sold in 2006. In 2009, we estimate approximately 0.9 million snowboards were sold. We have observed a general decline in demand in the tennis market since the period of peak demand in the early 1990s. We believe this decline is due to competing leisure activities, including computer games and the Internet. We and the sporting goods industry in general are dependent on the tastes of the sporting public and its priorities in spending on leisure activities. A further decrease in interest in skiing and tennis would cause a decline in the size of the markets from which we derive most of our sales and could thus cause a decline in our revenues and consolidated operating results.

Our failure to introduce innovative products to the market could adversely affect our sales and margins.

Our success is dependent in part on our introduction of innovative products that represent an improvement over existing products that we or other manufacturers offer. We believe that our future growth and success will depend significantly on our continued ability to identify, develop, introduce and market innovative sports products such as our Head Intelligence and Liquidmetal, Super Shape and KERS skis and snowboard equipment, our Head Titanium, Head Intelligence, Head Liquidmetal, Head Cross Bow, Head Microgel, Head Speed series of tennis racquets and YouTek, and our Mares line of diving equipment. However, we cannot assure you that our product innovations will lead to improved business or financial performance. Our

operating results may fluctuate as a result of the amount, timing and market acceptance of new products that we or our competitors introduce. In addition, our failure to introduce new, innovative products will adversely affect our margins because margins on the sales of sports products tend to decline over time with the entry of competitive products into existing markets.

Shifts in currency exchange rates may adversely affect our results of operations.

We operate in a multi currency environment in which a portion of our revenues and expenses are denominated in currencies other than the euro. Approximately 31% of our revenues were denominated in U.S. dollars in 2009. As a result, we are subject to currency translation risk and, to a lesser extent, currency transaction risk. Currency translation risk arises because we measure and record the financial condition and results of operations of each of our subsidiaries in their functional currency and then translate these amounts into our reporting currency, the euro. We hedge part of our firm commitments for sales to Japan, the United Kingdom, Switzerland and Canada. Accordingly, shifts in currency exchange rates may adversely affect our results of operations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations—Factors Affecting Revenues”.

We are dependent in part on the performance of third-party suppliers, which may cause delays in filling orders, affect the quality of some products or affect the image of our trademarks. Some of our key products are produced in single locations.

We outsource a substantial portion of our 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, snowboards, snowboard bindings, snowboard boots, helmets, body protection) and Thailand (diving products). Approximately 34% of our cost of sales in 2009 consisted of fees paid to third-party manufacturers. Furthermore, a substantial number of our third-party licensees, who produce apparel and other products under the Head brand, outsource their manufacturing to third parties.

As a result of this outsourcing, we, as well as our third-party licensees, are dependent in part on the performance of third-party suppliers in order to deliver quality products in a timely manner. We and our licensees are also increasingly subject to risks relating to the local economic and political conditions in the countries to which we outsource our manufacturing operations. Although these factors have not had an adverse impact on our operations to date, we cannot assure you that they will not affect quality control, orders and shipments, or the image of our trademark in the case of licensees. In addition, we and our third-party manufacturers produce certain of our key products, such as ski boots and tennis racquets or tennis balls, at single production sites, exposing us to the risk that major incidents at such sites, such as fire or earthquake damage, could substantially reduce or halt production. In the event that we are required to shift the manufacturing of some of our products from one geographical location, or from one contract manufacturer, to another, our ability to fulfil orders and our cost of sales may be adversely affected, which would negatively impact our results of operations.

We are dependent on patents and trademarks, and inadequate protection of our patents and trademarks, or patent or trademark litigation, could adversely affect our business.

We rely on a combination of patents, trademarks, trade secrets and confidentiality agreements to protect our proprietary technology, rights and know-how. We hold several hundred patents and trademarks, several of which are filed in multiple jurisdictions, including Europe, the United States and Asia. Our major trademarks are registered in our key markets and numerous other countries. We believe our patents and trademarks to be among our most valuable marketing assets and generally seek protection for them in countries where significant existing or potential markets for our products exist. We believe we have taken adequate measures to protect our proprietary information, trade names and trademarks in all our major markets, although not all our trade names and trademarks are proprietary to us for all of our products in all our markets.

We cannot assure you that the measures we (or our licensors from whom we license patents and trademarks) take to protect our intellectual property will afford us adequate protection against patent and trademark infringements, that pending patent and trademark applications will eventually be issued or that the claims allowed for any of our existing or future patents and trademarks will provide competitive advantages for our products or will not be successfully challenged or circumvented by competitors. In addition, we cannot assure you that we will be able to continue to license names for which we do not currently hold trademarks under the same terms as our existing license agreements or at all.

In the United States, patent applications are maintained in secrecy for a period after filing and the right to a patent is given to the first to invent, not the first to file, a patent application. We cannot be sure that our products or technologies do not infringe patents that may be granted in the future under pending patent applications, or that our products do not infringe any patents or proprietary rights of third parties. The validity and enforceability of third-party claims could prevent us from selling our products or could require us to obtain licenses from the owners of these patents or to redesign our products to avoid infringements. We cannot assure you that we could accomplish any of these alternatives successfully, and our inability to do so if necessary could adversely affect our business. In addition, we cannot assure you that our employees and third parties with whom we have entered into confidentiality agreements will respect these obligations, or that our competitors will not use our trade secrets or proprietary information. In addition, the laws of some countries do not protect our products and intellectual property rights to the same extent as the laws of the United States or Europe. Litigation may be necessary to defend against claims of infringement, to enforce our patents or trademarks, or to protect trade secrets and could result in substantial costs to us. We cannot assure you that we would prevail in these types of litigation.

Environmental and consumer safety regulations by European Union, U.S., Chinese and other national and local regulatory bodies could adversely affect our business.

Our operations are subject to European Union, U.S., Chinese and other national and local laws governing, among other things, water pollution, air pollution, noise pollution and hazardous substance discharges and consumer safety. We believe that our 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, we cannot assure you that we will not incur material costs or liabilities. In addition, we could incur significant costs in order to comply with any future European Union, U.S., Chinese and other 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.

We have product liability exposure resulting from the use of our products.

Some of our products are used in relatively high-risk recreational settings, and from time to time, we are named as a defendant in lawsuits asserting product liability claims relating to our sporting goods products. To date, none of these lawsuits has had a material adverse effect on us, and we do not believe that any lawsuit now pending could reasonably be expected to have such an effect. We maintain 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.

Changes in income tax law in Austria and in other countries have affected, and in the future may again affect, our net income dramatically; additionally, as a result of applicable accounting rules, we may be required to write-down a portion of our deferred tax assets.

As of December 31, 2009, we recognised €49.2 million of deferred tax assets arising mainly from Austrian tax loss carry forwards. We believe it is probable that these deferred tax assets will be realised. 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 could occur, as it did in 2004 in Austria and in 2007 in Germany, requiring us to write down €20.2 million of our deferred tax assets in 2004 and €1.4 million in 2007. Such a

write-down has caused a significant income tax expense and negatively affected our net income, and may occur again in the future.

In addition, as a result of applicable accounting rules, we may be required to consider when we will be able to use our tax loss carry forwards to offset taxable income and may, as a consequence, be required to write-down a portion of our deferred tax assets. In the event such a write-down is necessary under applicable accounting rules, it could significantly increase our deferred tax expense and negatively affect our net income.

We may be affected by raw material and energy price increases.

Our production is dependent on the timely availability of certain raw materials whose prices are driven by the oil, rubber 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 fibres 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 our earnings and cash flows, and are likely to continue to have a significant impact on earnings and cash flows in future periods. Historically, we have generally not been able to pass on to our customers increases in costs resulting from raw material and energy prices, and have sought other means, particularly through the restructuring of our production processes, to maintain operating margins. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations—Factors Affecting Revenues”.

We are indirectly controlled by one shareholder whose interests may conflict with yours.

Head Sports Holdings N.V. and its affiliates (including the ECJ Foundation), directly and indirectly, control in aggregate 48,242,062 shares in Head N.V. (representing 54.69% of the current issued share capital). Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch, the Company's Chairman and CEO, and his family members. As Head Sports Holdings N.V. is underwriting the Offering, this shareholding percentage may increase (see further “Unexercised entitlement and underwriting arrangements” and “Related Party Transactions”). Our majority shareholder thus has the power to approve the nominations of our executive officers, approve the proposed actions of the Supervisory and Management Boards, change our core business, cause us to engage in transactions with affiliated companies, cause or restrict the sale of our assets, control our dividend policy and make other fundamental corporate decisions.

The business of Head N.V. is carried out primarily by a Management Board, which appoints our executive officers, and is overseen by a Supervisory Board. Under Head N.V.’s articles of association, a Dutch foundation called the Stichting Head Option Plan has the power to nominate all members of the Management Board, appoint one-third 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. Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch, the Company's Chairman and CEO, and his family members.

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 Head N.V.’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 Boards, and the articles of association, including the rights of the Stichting, also may be amended (at the 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 he holds any of Head N.V.’s Ordinary Shares until there is an amendment to the articles of association to remove the rights of the Stichting.

Price Risk.

Head N.V. is exposed to marketable securities price risk because of marketable securities held by Head N.V. and classified on the consolidated balance sheet as available-for-sale. To manage its price risk arising from marketable securities, Head N.V. diversifies its portfolio.

Cash flow and fair value interest rate risk.

As Head N.V. has no significant interest-bearing assets, Head N.V.'s income and operating cash flows are substantially independent of changes in market interest rates. Head N.V. operates with several international banks and does not have a lead bank.

Head N.V.'s interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose Head N.V. to fair value interest rate risk. Head N.V.'s main external financial source are the Secured Notes and the Senior Notes. Borrowings issued at variable rates expose Head N.V. to cash flow interest rate risk. During 2008 and 2009, Head N.V.'s borrowings at variable rate were denominated in euro, Japanese yen, Canadian dollar and Czech koruna.

Risks Associated with the Offer Shares

Our shareholders may or may not approve the proposed amendments to our Articles so as to include the proposed terms and conditions of the Offer Shares and to increase the Company's authorised share capital so as to facilitate the Offering and, ultimately, the conversion of the Offer Shares into Ordinary Shares. If any of these resolutions is not passed on or before June 1, 2011, the Offering will be withdrawn.

Subsequent to the publication of this Prospectus, an extraordinary general meeting of shareholders (the **EGM**) will be convened at which, among other things, it will be proposed to (i) amend our Articles so that all of the Preference Shares, and thus all of the Offer Shares, will have the terms and conditions described in "Proposed Terms and Conditions of the Offer Shares", and to (ii) increase the authorised share capital of the Company from €4,000,000, comprising 200,000,000 Ordinary Shares and 200,000,000 Preference Shares, to €14,000,000, comprising 1,200,000,000 Ordinary Shares and 200,000,000 Preference Shares, so as to facilitate the Offering and, ultimately, the conversion of the Offer Shares into Ordinary Shares (the **Resolutions**). If any of the Resolutions is not passed on or before June 1, 2011, the Offering will be withdrawn.

Head Sports Holdings N.V. and its affiliates (including the ECJ Foundation), which, directly and indirectly, control in aggregate 48,242,062 shares in Head N.V. (representing 54.69% of the current issued share capital), have committed to vote in favour of the Resolutions. Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch, the Company's Chairman and CEO, and his family members. Notwithstanding this commitment, an amendment of our Articles requires *inter alia* the affirmative vote of two-thirds of the votes cast at the general meeting at which it is proposed (see further "Capital reduction and changes in capital" and "Amendment of the Articles of Association; Dissolution; Legal Merger; Split-Up"), and we accordingly can not assure you that all or any of the Resolutions will be approved and adopted on or before June 1, 2011, in which case the Offering will be withdrawn.

The Offer Shares will not yield interest and may not become convertible until 2021.

As the Offer Shares will have a zero coupon and will not carry any dividend entitlement, you will not receive any cash return on your investment. We expect the only value of your investment will be the right to convert the Offer Shares 1:5 for Ordinary Shares (provided that our shareholders resolves that the Offer Shares will be convertible). This is scheduled to occur in 2021.

The conversion rights attached to the Offer Shares may be diluted.

There are no anti-dilution mechanisms that protect the holder of an Offer Share against a dilutive transaction affecting the Ordinary Shares, such as those commonly found in convertible bonds. Examples of dilutive transactions include (rights) issues at a discount and stock dividends. As a result of such transactions the number of Ordinary Shares may increase without a corresponding proportional increase of shareholders' equity. Although each Ordinary Share will then depreciate in value, each Offer Share will still be convertible into five Ordinary Shares.

An early conversion may be triggered by our majority shareholder and his interests may diverge from yours.

The Offer Shares will become convertible 1:5 into Ordinary Shares at any time upon a resolution of the holders of Ordinary Shares (excluding holders of Offer Shares in respect of their holding of Offer Shares) to that effect. Head Sports Holdings N.V. and its affiliates (including the ECJ Foundation), directly and indirectly, control in aggregate 48,242,062 shares in Head N.V. (representing 54.69% of the current issued share capital). Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch, the Company's Chairman and CEO, and his family members. Our majority shareholder can therefore unilaterally decide whether and when the Offer Shares become convertible. As Head Sports Holdings N.V. is underwriting the Offering, this shareholding percentage may increase (see further "Unexercised entitlement and underwriting arrangements" and "Related Party Transactions"). Conversion will greatly dilute the Ordinary Shares. Under applicable Dutch law a shareholder may in principle exercise his voting and other shareholder rights as he deems fit and in his own interest. Our majority shareholder may therefore effect an early conversion in principle as it deems in its own interests, and not yours.

The Offer Shares will not be listed and therefore you may be unable to sell them.

We are not applying for listing of the Offer Shares on the Vienna Stock Exchange nor elsewhere. In addition, any transfer of the Offer Shares will require the consent of our Supervisory Board. As a result no market of any kind will likely develop for these shares, nor may you be able to find any buyer for them should you wish to sell. You may therefore not be able to monetize your investment in the Offer Shares until after they are converted into Ordinary Shares, which could be as late as the year 2021. After they are converted, they will convert into registered Ordinary Shares, which are different from the bearer Ordinary Shares (which are traded on the Vienna Stock Exchange). Although registered Ordinary Shares can be transferred without any board consent being required, they cannot currently be traded over the Vienna Stock Exchange, which is the market where our bearer Ordinary Shares are listed. At the option of the relevant shareholder, registered Ordinary Shares can be converted into bearer Ordinary Shares on submission of a request to that effect to the Management Board (upon receipt of which the Management Board must affect the conversion of the relevant shares). Once converted into bearer shares, or if it becomes possible to trade registered shares over the Vienna Stock Exchange, the Company will apply for listing of those Ordinary Shares on the Vienna Stock Exchange if and to the extent required under applicable Austrian laws and regulations.

3. IMPORTANT INFORMATION

Certain definitions

In this Prospectus, the "Company" refers to Head N.V. and references to "we", "our", "us", "Head" or "Group" refer to the Company and its direct and indirect subsidiaries, in each case unless the context requires otherwise. Certain capitalised terms are defined in the section headed "Selected Definitions".

Reliance on information and responsibility statements

The Company accepts responsibility for the information contained in this Prospectus. Having taken all reasonable care to ensure that such is the case, the Company further declares that the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Potential investors in the Offer Shares are expressly advised that an investment in the Offer Shares entails financial risk and that they should therefore carefully review the entire contents of this Prospectus, including the section headed "Risk Factors" and the information incorporated herein by reference.

In addition to your own examination of us and of the Offer Shares, including the merits and risks involved, you should only rely on the information contained in this Prospectus, or incorporated by reference herein, and any supplements to this Prospectus required under the applicable laws that are published by us which may contain information different from that contained in this Prospectus.

The information included in this Prospectus reflects the position at the date of this document and under no circumstances should the issue and distribution of this Prospectus after the date of its publication be interpreted as implying that the information included herein will continue to be correct and complete at any later date. We undertake no obligation to publicly update or revise any information, including forward-looking statements included in this Prospectus, whether as a result of new information, future events or otherwise, except as required by applicable laws and regulations or by any appropriate regulatory authority.

Market and industry data and other information sourced from third parties

We confirm that the information regarding the market prices of our Ordinary Shares in the section headed "Description of Share Capital" in this Prospectus that has been sourced from the Vienna Stock Exchange has been accurately reproduced and that, as far as we are aware and able to ascertain from the information published or provided by those third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Industry and market data and statements herein regarding market positions of companies (including ourselves) and market conditions are based on industry sources, on internal company surveys and studies, and on estimations made on the basis of management's knowledge and experience of the industry. With regards to the US tennis market we receive data from the TIA (Tennis Industry Association). For the European tennis market an organisation called Sports Market Survey (UK) receives data from the industry which we then in turn use. For Winter Sports, the sources of information included herein are Sporting Goods Intelligence (for the US market), Sporting Goods Intelligence Europe and the GFK report (a German market research group) for the Austrian, German, Switzerland market.

Although we believe these industry sources are reliable, as we do not have access to the information, methodology and other bases for such information, we have not independently verified the information. Nevertheless, as far as we are aware and able to ascertain from the information published or provided by the third parties mentioned above (being the information referred to above that has been sourced from the Vienna Stock Exchange, the Tennis Industry Association, Sports Market Survey (UK), Sporting Goods

Intelligence (for the US market), Sporting Goods Intelligence Europe and the GFK report), no facts have been omitted that would render the reproduced information inaccurate or misleading.

No representations

No person is or has been authorised to give any information or make any representation in connection with this Prospectus or the Offer Shares other than as contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been given by, on behalf of or authorised by us.

Cautionary statement on forward-looking statements

This Prospectus contains forward-looking statements. These statements relate to our future prospects, developments and business strategies.

These forward-looking statements are identified by their use of terms and phrases such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “will” and similar terms and phrases, including references to assumptions. These forward-looking statements include all matters that are not historical facts. These statements are contained in the section entitled “Risk Factors” and other sections of this Prospectus.

These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to be materially different. These factors include, but are not limited to, the following:

- the impact of the current global economic turmoil;
- weather and other factors beyond our control;
- competitive pressures and trends in the sporting goods industry;
- our ability to introduce new and innovative products; and
- our ability to realise the cost savings we expect to achieve from our cost reduction program.

Our risks are more specifically described in the section headed “Risk Factors”. If one or more of these risks or uncertainties materialise, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected.

Forward-looking statements involve risks, uncertainties and assumptions and speak only as at the date they are made. Investors should not place undue reliance on any forward-looking statements. Other than as required by applicable law or the applicable rules of any exchange on which our Ordinary Shares may be listed, we have no intention or obligation to update forward-looking statements after the date of this Prospectus.

Incorporation by reference

The following documents, each of which is available on our website at www.head.com as noted below and has been filed with the AFM, shall be deemed to be incorporated in, and form part of, this Prospectus:

- (a) Our most recent Articles of Association (*statuten*).
- (b) Our unaudited and unreviewed consolidated interim financial statements for the nine months ended September 30, 2010 (including the notes thereto and the section headed "Management's Operating and Financial Review").

- (c) The publicly available audited consolidated annual financial statements of the Company, which have been prepared in accordance with IFRS as adopted by the European Union together with the notes thereto (as they appear in the Company's annual reports for the relevant year) in respect of the years ended December 31, 2007, December 31, 2008 and December 31, 2009 as respectively included on:
- (A) page 14 up to and including page 74 of the Company's Dutch statutory annual report ¹ for 2007;
 - (B) page 23 up to and including page 81 of the Company's annual report for 2008; and
 - (C) page 29 up to and including page 87 of the Company's annual report for 2009.
- (d) The auditor's report for each of the years ended December 31, 2007, December 31, 2008 and December 31, 2009, which appear on pages 75-76 of the Company's Dutch statutory annual report for 2007 ², pages 92-93 of the Company's annual report for 2008 and pages 99-100 of the Company's annual report for 2009 respectively.
- (e) Head N.V.'s Audit Committee Charter.

No other document or information, including the contents of our website (www.head.com) or of websites accessible from hyperlinks on such website, including the websites of any member of our Group, form part of, or are incorporated by reference in, this Prospectus.

Governing law

This Prospectus is governed by and construed in accordance with the laws of The Netherlands. The District Court of Amsterdam (*Rechtbank Amsterdam*) and its appellate courts are to have exclusive jurisdiction to settle any disputes which might arise out of or in connection with this Prospectus. Accordingly, any legal action or proceedings arising out of or in connection with the Prospectus, must be brought exclusively in such courts.

¹ Note that this does not refer to Company's annual report 2007.

² Note that this does not refer to Company's annual report 2007.

4. PRESENTATION OF FINANCIAL INFORMATION

GENERAL

Unless stated otherwise, all financial information in this Prospectus is presented on a consolidated basis. Certain financial and statistical information in this Prospectus has been subject to rounding adjustments and to currency conversion adjustments, where appropriate. Unless stated otherwise, financial information set out in this Prospectus is unaudited. Unless stated otherwise, all information in this Prospectus is as at December 31, 2009.

FINANCIAL STATEMENTS AND FINANCIAL INFORMATION

Our audited consolidated financial statements for the financial years ended December 31, 2009, December 31, 2008 and December 31, 2007 (in each case including the notes thereto), together with our unaudited and unreviewed consolidated interim financial statements for the nine months ended September 30, 2010 (including the notes thereto and the section headed "Management's Operating and Financial Review"), are available on our website at www.head.com. Each of these documents is incorporated by reference into this Prospectus.

The audited financial statements for the years ended December 31, 2009, December 31, 2008 and December 31, 2007, together with our unaudited and unreviewed consolidated interim financial statements for the nine months ended September 30, 2010 (including the comparative data for the nine months ended September 30, 2009) were prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The audited consolidated financial statements for the financial years ended December 31, 2009, and the unaudited and unreviewed consolidated interim financial statements for the nine months ended September 30, 2010 (including the notes thereto and the section headed "Management's Operating and Financial Review"), must be read together with the information contained in the joint press release by the Company and HTM Sport GmbH dated November 23, 2010 relating to the 2009 Financial Statements (the text of which is set out in Annex 2 and is also available on our website at www.head.com).

CURRENCY DENOMINATIONS

Unless otherwise indicated, all references in this Prospectus to (i) "euro", "EUR" or "€" are to the lawful currency of the European Monetary Union, of which the Netherlands is a member, (ii) "U.S. dollar", "\$" or "US\$" are to United States dollars and (iii) "yen" is to Japanese Yen.

5. USE OF PROCEEDS AND RATIONALE FOR THE OFFERING

Given the seasonality of the Company's cash flows and working capital requirements, it has been necessary in the past for the Company to support its liquidity requirements with debt facilities. In light of recent economic conditions, including the impact on the availability and cost of debt financing, the Company considers it prudent financial planning to seek additional equity finance from its shareholders.

The aggregate net proceeds of the Offering comprise the anticipated gross proceeds, which are expected to amount to approximately €10,000,000, less expenses, which are expected to amount to approximately €500,000 in aggregate. The Company will use the aggregate net proceeds of the Offering for general corporate purposes.

6. THE OFFERING

Introduction

The Company is offering up to 199,958,536 Offer Shares by granting the holders of Ordinary Shares as at the Record Date the non-transferable entitlement to subscribe, subject to being an Eligible Person, for the Offer Shares pro rata to their holdings in the Ordinary Shares, at the Issue Price of €0.05 per Offer Share, subject to applicable securities laws and on the terms set out in this Prospectus. After the Exercise Period has ended, the entitlement may no longer be exercised by Eligible Persons.

Shareholders should carefully read the section headed "Selling and Transfer Restrictions".

Terms and Conditions of the Offer Shares

Subsequent to the publication of this Prospectus, an extraordinary general meeting of shareholders will be convened at which, among other things, it will be proposed to (i) amend the Articles so that all of the Preference Shares, and thus all of the Offer Shares, will have the characteristics described in "Proposed Terms and Conditions of the Offer Shares" and to (ii) increase the authorised share capital of the Company from €4,000,000, comprising 200,000,000 Ordinary Shares and 200,000,000 Preference Shares, to €14,000,000, comprising 1,200,000,000 Ordinary Shares and 200,000,000 Preference Shares, so as to facilitate the Offering and, ultimately, the conversion of the Offer Shares into Ordinary Shares (the **Resolutions**). Settlement of the Offering is conditional upon the passing of the Resolutions on or before June 1, 2011. If any of the Resolutions is not passed on or before June 1, 2011, the Offering will be withdrawn. See further "Conditions to the Offering" below.

Accordingly, if and when the Offering becomes unconditional and the Offer Shares are allotted and issued to Eligible Shareholders that have validly exercised their entitlement to subscribe for Offer Shares, the Offer Shares will have the terms and conditions set out in "Proposed Terms and Conditions of the Offer Shares".

Expected Timetable of the Offering

The timetable below lists certain expected key dates for the Offering.

Record Date	Immediately following the close of trading in the Ordinary Shares on the official market of the Vienna Stock Exchange at 17:40 CET on February 10, 2011
Exercise Period commences	09:00 CET on February 11, 2011
Exercise Period ends	15:30 CET on February 18, 2011
EGM at which Resolutions will be proposed expected to be convened on	April 1, 2011
Allotment of Offer Shares (1)	April 1, 2011
Issuance of, payment for and delivery of the Offer Shares (1)	April 29, 2011

(1) These dates assume that the EGM is held on the date indicated above and that all of the Resolutions are passed at the EGM.

Whether all of the Resolutions have been passed and that the Offering has accordingly become unconditional will be made public through publication of a press release by the Company immediately after the EGM. The results of the Offering will also be made public through publication of a press release by the Company as soon as possible after allotment of the Offer Shares.

The Company may adjust the dates, times and periods given in the timetable and throughout this Prospectus. If the Company should decide to adjust dates, times or periods, or if it otherwise becomes necessary to adjust any of the dates, times or periods, it will notify the AFM and will issue a press release and (if required) an advertisement in the Daily Official List. Any other material alterations will be published in a press release, in an advertisement in the Daily Official List (if required) and in a supplement to this Prospectus (if required).

Conditions to the Offering

Settlement of the Offering is conditional upon the passing of the Resolutions. If any of the Resolutions is not passed on or before June 1, 2011, the Offering will be withdrawn. Consequently, (i) both the exercised and unexercised entitlement to subscribe for Offer Shares will lapse without compensation to the holders of that entitlement; (ii) subscriptions for Offer Shares that have been made will be disregarded, and (iii) any subscription payments made and received by the Company or the Subscription Agent (if any) will be returned without interest or compensation.

Head Sports Holdings N.V. and its affiliates (including the ECJ Foundation), which, directly and indirectly, control in aggregate 48,242,062 shares in Head N.V. (representing 54.69% of the current issued share capital), have committed to vote in favour of the Resolutions. Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch, the Company's Chairman and CEO, and his family members. However, we can not assure you that all or any of these Resolutions will be passed on or before June 1, 2011, in which case the Offering will be withdrawn. See further "Risk Factors – Our shareholders may or may not approve the proposed amendments to our Articles so as to include the proposed terms and conditions of the Offer Shares and to increase the Company's authorised share capital so as to facilitate the Offering and, ultimately, the conversion of the Offer Shares into Ordinary Shares. If any of these resolutions is not passed on or before June 1, 2011, the Offering will be withdrawn".

Whether all of the Resolutions have been passed and whether the Offering has accordingly become unconditional will be made public through publication of a press release. If the Resolutions are passed at the EGM, this press release will be issued immediately after the EGM.

Entitlement

Subject to applicable securities laws, each Eligible Person holding Ordinary Shares immediately following the close of trading in the Ordinary Shares on the official market of the Vienna Stock Exchange at 17:40 CET on the Record Date will be entitled to and will have the right to subscribe for 2.267 Offer Shares for every 1 Ordinary Share held on the Record Date (rounded down to the nearest Offer Share). No fractional Offer Shares will be issued. The entitlement to subscribe for Offer Shares is not transferable.

The statutory preemptive rights of the holders of Ordinary Shares have been excluded with respect to the Offering.

Only holders of Ordinary Shares who qualify as Eligible Persons as of the Record Date will be entitled to take up or exercise their entitlement to subscribe for Offer Shares. The Offering does not constitute an offer of the Offer Shares to an Ineligible Person and does not confer any rights upon such person, including the right to take up or exercise, any Offer Shares.

Unexercised entitlement and underwriting arrangements

Any Offer Shares not validly subscribed for by Eligible Persons during the Exercise Period, including any Offer Shares not subscribed for as a result of the rounding-down of Shareholders' entitlements to Offer Shares or not issued as a result of a failure by the relevant Shareholder to timely complete and submit all subscription forms or to pay the Issue Price, in each case in accordance with the instructions of the Subscription Agent, will be bought by our principal shareholder, Head Sports Holdings N.V., at the Issue Price, subject to the terms and conditions of an underwriting agreement dated February 10, 2011 between the

Company and Head Sports Holdings N.V. If the Offering is withdrawn the underwriting agreement will terminate.

In consideration of its underwriting commitment, the Company will pay a fee in cash to Head Sports Holdings N.V. in an amount of €300,000.

In the underwriting Agreement, the Company has given certain warranties to Head Sports Holdings N.V., but has given no indemnities in connection with the Offering.

The underwriting agreement is subject to limited conditions precedent. If any of these conditions precedent is not fulfilled, or waived by Head Sports Holdings N.V., then the underwriting agreement will terminate. Termination of the underwriting agreement will not, however, result in the withdrawal of the Offering.

The underwriting agreement contains no lock-up arrangements in relation to the Offer Shares.

Share capital before and after the Offering

If and when the Resolutions are passed, the Offering accordingly becomes unconditional, and the Offer Shares are subsequently issued: (i) the issued share capital of the Company will increase from 88,204,030 Ordinary Shares to 288,162,566 Shares (comprising 88,204,030 Ordinary Shares and 199,958,536 Offer Shares having the terms and conditions described in "Proposed Terms and Conditions of the Offer Shares"), and (ii) the authorised share capital of the Company will have been increased from €4,000,000, comprising 200,000,000 Ordinary Shares and 200,000,000 Preference Shares, to €14,000,000, comprising 1,200,000,000 Ordinary Shares and 200,000,000 Preference Shares pursuant to the Resolutions.

Potential dilution

In aggregate, up to 199,958,536 Offer Shares will be issued. Accordingly, if a holder of Ordinary Shares does not participate in the Offering, his proportionate ownership and voting interests in the Company will be immediately diluted by approximately 69.3% by the issue of the Offer Shares. When the Offer Shares are converted into Ordinary Shares (at a ratio of 5 Ordinary Shares for each 1 Offer Share), the proportionate ownership and voting interest in the Company of a holder of Ordinary Shares that did not participate in the Offering may be diluted further, up to a maximum of approximately 91.9% in aggregate.

Record Date

The Record Date for determining the holders of the outstanding Ordinary Shares who will receive the entitlement to subscribe for Offer Shares (subject to applicable securities laws) is immediately following the close of trading on the official market of the Vienna Stock Exchange at 17:40 CET on February 10, 2011.

Listing and trading of Offer Shares

No application has been or will be made to list or trade the Offer Shares or the entitlement to subscribe for Offer Shares on the Vienna Stock Exchange or elsewhere.

Transfer restrictions

The entitlement to subscribe for Offer Shares is not transferable.

The Offer Shares may only be transferred with the approval of the Supervisory Board.

Exercise Period

Subject to the restrictions set out below, an Eligible Person can only validly exercise his entitlement to subscribe for Offer Shares from 09:00 CET on February 11, 2011 until 15:30 CET on February 18, 2011,

which is the end of the Exercise Period. Once you have validly exercised your entitlement to subscribe for Offer Shares, you cannot revoke or modify that exercise unless the Company amends a material term of the Offering or amends this Prospectus in any material respect.

The Company has not and will not take any action outside Austria, France, Germany, Italy, the Netherlands, Switzerland and the United Kingdom to permit the exercise of the entitlement to subscribe for Offer Shares by the general public. The Company urges you to carefully study the restrictions described under “Selling and Transfer Restrictions”.

The Company reserves the right, with sole and absolute discretion, to treat as invalid any subscription or purported subscription which appears to the Company to have been executed, effected or dispatched in a manner that may involve a breach or violation of the laws of any jurisdiction or if the Company believes that the same may violate applicable legal or regulatory requirements or may be inconsistent with the procedures and terms set out in this Prospectus or in breach of the representations and warranties to be made by an accepting holder, as described herein.

Subscription

For holders of bearer Ordinary Shares. If you are an Eligible Person that holds bearer Ordinary Shares and you wish to exercise your entitlement to subscribe for Offer Shares, you should exercise your entitlement in accordance with the instructions received from your financial intermediary. The Subscription Agent will be responsible for collecting exercise instructions from Eligible Persons. All questions concerning the timelines, validity and form of instructions to the Subscription Agent in relation to the exercise of the entitlement to subscribe for Offer Shares will be determined by the Subscription Agent. The Company is not liable for any action or failure to act by a financial intermediary through which shareholders hold their Ordinary Shares or the Subscription Agent (as the case may be) in connection with any subscriptions or purported subscriptions.

For holders of registered Ordinary Shares. If you are an Eligible Person that holds registered Ordinary Shares and you wish to exercise your entitlement to subscribe for Offer Shares, you should contact the Subscription Agent and you should exercise your entitlement in accordance with the instructions received from it. The Subscription Agent will be responsible for collecting exercise instructions from Eligible Persons. All questions concerning the timelines, validity and form of instructions to the Subscription Agent in relation to the exercise of the entitlement to subscribe for Offer Shares will be determined by the Subscription Agent. The Company is not liable for any action or failure to act by the Subscription Agent in connection with any subscriptions or purported subscriptions.

The entitlement to subscribe for Offer Shares can no longer be exercised by Eligible Persons after 15:30 CET on February 18, 2011, which is the end of the Exercise Period.

Allotment

Allotment of Offer Shares issued pursuant to the Offering will take place immediately after the Resolutions are passed and the Offering accordingly becomes unconditional. This is expected to be on April 1, 2011.

Subscription Agent and Registrar

VEM Aktienbank AG will act as subscription agent. The address and contact details of the Subscription Agent are as follows:

VEM Aktienbank AG
Prannerstraße 8, Munich, Germany
Telephone: +49 89 30903 320
Facsimile: +49 89 30903 7320
E-Mail: head@computershare.de
Website: www.vem-aktienbank.de

Computershare Deutschland GmbH & Co KG, an affiliate of the Subscription Agent, will act as registrar for the purposes of updating the shareholders' register of the Company in relation to the allotment and issue of the Offer Shares. The address and contact details of Computershare Deutschland GmbH & Co KG are as follows:

Computershare Deutschland GmbH & Co KG
Prannerstraße 8, D-80333 Munich, Germany
Telephone: +49 89 30903 320
Facsimile: +49 89 30903 7320
E-Mail: head@computershare.de

Payment, delivery and settlement

The Offer Shares will be in registered form and will not be listed. Delivery of the Offer Shares will accordingly be effected via entry in the Company's register of shareholders, which will be administered by Computershare Deutschland GmbH & Co KG, an affiliate of the Subscription Agent. No share certificates for Offer Shares will be issued.

Immediately after the EGM, the Company will publish a press release stating whether or not all of the Resolutions have been passed and whether the Offering has accordingly become unconditional. If all of the Resolutions are passed at the EGM and the Offering accordingly becomes unconditional, the Settlement Date is expected to be April 29, 2011.

If the Offering has become unconditional, the Subscription Agent will send a written notice to you stating the number of Offer Shares allotted to you. This written notice will include instructions for the payment of the Issue Price for the Offer Shares allotted to you. Payment for the Offer Shares must be made in accordance with the instructions in the written notice and in any event on or before the Settlement Date.

Governing law

The Offering shall be governed by Dutch law.

7. PROPOSED TERMS AND CONDITIONS OF THE OFFER SHARES

Set out below is a description of the proposed terms and conditions of the Offer Shares. Subsequent to the publication of this Prospectus, an extraordinary general meeting of shareholders (the **EGM**) will be convened at which, among other things, it will be proposed to (i) amend the Articles so that all of the Preference Shares, and thus all of the Offer Shares, will have the terms and conditions described below and to (ii) increase the authorised share capital of the Company from €4,000,000, comprising 200,000,000 Ordinary Shares and 200,000,000 Preference Shares, to €14,000,000, comprising 1,200,000,000 Ordinary Shares and 200,000,000 Preference Shares, so as to facilitate the Offering and, ultimately, the conversion of the Offer Shares into Ordinary Shares (the **Resolutions**). Settlement of the Offering is conditional on the passing of these Resolutions and if not passed on or before June 1, 2011, the Offering will be withdrawn.

Form and Designation

The Offer Shares will be "Type I shares" as described in the Articles. Type I shares are shares in the form of an entry in a register of shareholders of the Company. No share certificates are issued in respect of Type I shares.

The Offer Shares will be designated as "Convertible Redeemable Preference Shares".

Voting Rights

Each Offer Share will confer the right to cast one vote at the general meeting of shareholders of the Company.

Preemptive rights

Until they are converted into Ordinary Shares, the Offer Shares will carry no preemptive rights in respect of further issuances of Ordinary Shares, unless determined otherwise by the general meeting of shareholders of the Company.

Transfer of Offer Shares and restriction on transfer of Offer Shares

A transfer of Offer Shares will require a deed of transfer and a written acknowledgment of that transfer by the Company. Official service of that deed, or a copy or extract, on the Company shall constitute acknowledgement of the transfer.

The Offer Shares will be issued as registered and "restricted shares" and will be subject to the transfer restrictions included in the Articles. Under these transfer restrictions, subject to certain exceptions a transfer of one or more Offer Shares requires the prior approval of the Supervisory Board. If a holder of Offer Shares wishes to transfer those Shares, the holder must submit a written request for approval to the Management Board stating the number of Offer Shares the holder wishes to transfer, the person or persons to whom the holder wishes to transfer the relevant Offer Shares, and the purchase price for the Offer Shares. The Management Board is obliged to forward this request to the Supervisory Board without delay.

Upon receipt of the written request for approval, the Supervisory Board may designate one or more persons to purchase all the relevant Offer Shares at the same price as the third-party offer, against payment in cash for the relevant Offer Shares. The approval of the Supervisory Board is deemed to be given if, within 6 weeks of the initial request, the Supervisory Board has neither (i) approved the transfer, nor (ii) nominated a third party to purchase the shares.

Prospective investors in the Offer Shares should also carefully read the section "Selling and Transfer Restrictions".

Listing and trading of the Offer Shares

No application has been or will be made to list or trade the Offer Shares on the Vienna Stock Exchange or elsewhere.

Conversion of the Offer Shares

On the tenth anniversary of issue, each Offer Share then outstanding will automatically convert into five Ordinary Shares without any further action of the holders of the Offer Shares required.

Upon issue in terms of the Offering, of the Issue Price of the Offer Shares, being an amount of €0.05 per Offer Share, an amount of €0.04 will be booked to a separate share premium account that will be maintained in the books of the Company for the Offer Shares. On conversion of the Offer Shares into Ordinary Shares, the additional nominal value of those Ordinary Shares of €0.04 will be paid up using the share premium that has been paid on the Offer Shares so that the Ordinary Shares issued pursuant to the conversion will be fully-paid up. Accordingly, holders of Offer Shares will not be obliged to contribute any further amounts to the Company's share capital in relation to the conversion of the Offer Shares into Ordinary Shares.

Early conversion is possible upon a resolution to that effect by the meeting of holders of Ordinary Shares (excluding holders of Offer Shares in respect of their holding of Offer Shares) adopted with a simple majority of all votes cast. Such a motion may only be proposed by the Management Board.

On conversion, the Offer Shares, which will then be Ordinary Shares, will be registered shares and not bearer shares. Registered shares cannot currently be traded on the Vienna Stock Exchange. Once converted into bearer shares, or if it becomes possible to trade registered shares over the Vienna Stock Exchange, the Company will apply for listing of those Ordinary Shares on the Vienna Stock Exchange if and to the extent required under applicable Austrian laws and regulations.

Dividends

The Offer Shares will not carry an entitlement to dividends or other distributions until they are converted. After conversion, the Offer Shares, which will then be Ordinary Shares, will carry the same entitlement to dividends and other distributions as the Ordinary Shares then issued and outstanding.

Liquidation, dissolution or winding up of the Company

In the event of a voluntary or involuntary liquidation, dissolution or winding up of the Company, from the balance remaining after payment of the debts of the Company will first, insofar as is possible, be paid on each Offer Share an amount equal to the Issue Price. No further repayments shall be made in respect of the Offer Shares.

Redemption

Redemption of all issued and outstanding Offer Shares is possible with the approval of the meeting of holders of Offer Shares only and further with due observance of the relevant provisions of the Articles. If Offer Shares are cancelled, each holder of Offer Shares will be paid, per Offer Share, a redemption price equal to the Issue Price of the Offer Share. The redemption price will be paid in cash in euro.

8. CAPITALISATION AND INDEBTEDNESS

The following table sets forth our cash position and consolidated capitalisation as of December 31, 2009 and as of September 30, 2010 (as adjusted to reflect the Offering), respectively.

This table should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2009 and the notes thereto, and our unaudited and unreviewed consolidated interim financial statements for the nine months ended September 30, 2010 and the notes thereto.

	As of December 31, 2009 <i>Audited (1)</i>	As of September 30, 2010 <i>Unaudited (2)</i>	
	Actual	Actual	As adjusted for the Offering
		(in thousands)	
Cash and cash equivalents.....	€ 36,024	44,670	54,170
Restricted cash	€ 911	946	946
Available for sale financial assets (money markets and other securities)	€ 6,573	7,006	7,006
Liquidity.....	€ 43,508	52,622	62,122
Current borrowings			
Secured.....	€ 16,352	19,201	19,201
Guaranteed.....	€ 5,128	6,007	6,007
Unsecured/unguaranteed.....	€ 652	744	744
Total current borrowings.....	€ 22,133	25,952	25,952
Net Current Financial Indebtedness.....	€ (21,375)	(26,670)	(36,170)
Non-current Borrowings			
10% Senior Secured Notes (Secured)	€ 43,738	43,738	43,738
8.5% Senior Notes (Guaranteed)	€ 27,705	27,768	27,768
Secured	13,011	12,045	12,045
Unsecured/unguaranteed.....	€ 7,832	8,142	8,142
Total non-current borrowings.....	€ 92,286	91,693	91,693
Total borrowings.....	€ 114,420	117,646	117,646
Net Financial Indebtedness.....	€ 70,911	65,023	55,523
Equity:			
Share capital.....	€ 882	882	2,882
Other reserves.....	€ 105,077	105,077	112,577
Treasury shares	€ (683)	(683)	(683)
Retained earnings	€ 53,286	52,373	52,373

CTA.....	€	<u>(10,073)</u>	<u>(6,319)</u>	<u>(6,319)</u>
Total equity.....	€	<u>148,489</u>	<u>151,330</u>	<u>160,830</u>
Total capitalization.....	€	<u>262,908</u>	<u>268,975</u>	<u>278,475</u>

- (1) The evaluation of the application of IFRS and a review of our financial statements by the AFM has caused the AFM, on the basis of their interpretation of relevant accounting standards, to recommend that we reconsider the attributable fair values for accounting purposes of the Senior Secured Notes and Shares issued at the time of the Exchange Offer. Had these amendments been reflected in the 2009 consolidated financial statements, the impact would have been as follows:
- *Gain on bond exchange.* The effect would have resulted in a reduction of the previously reported gain on exchange of €2.2 million to €38.1 million.
 - *Interest and other financing cost.* Senior secured notes recognized at fair value would have caused an amortization of disagio of €1.4 million for the year ended December 31, 2009.
 - *Net income.* The effect on net income would have been a decrease of €4.8 million to €17.5 million.
 - *Deferred tax asset.* The deduction of the gain on the bond exchange led to a decrease in deferred tax assets of €1.1 million to €48.1 million
 - *Other reserve.* The valuation of the shares issued would have led to an increase in other reserves of €15.9 million to €120.9 million.
 - *Total equity.* The amendments would have caused an increase in equity of €11.1 million to €159.6 million.
 - *Borrowings, non-current.* The recognition of the Senior Secured Notes at fair value would have resulted in a decrease in non-current borrowings of €12.2 million to €80.1 million.
- (2) The evaluation of the application of IFRS and a review of our financial statements by the AFM has caused the AFM, on the basis of their interpretation of relevant accounting standards, to recommend that we reconsider the attributable fair values for accounting purposes of the Senior Secured Notes and Shares issued at the time of the Exchange Offer. Had these amendments been reflected in the 2009 consolidated financial statements, the impact would have been as follows for the nine months ended September 30, 2010:
- *Interest and other financing cost.* The amortization of the disagio on the senior secured notes is €2.8 million for the period ended September 30, 2010.
 - *Net income.* The effect on net income was a decrease of €2.3 million to €0.9 million.
 - *Other reserve.* The valuation of the shares issued would have led to an increase in other reserves of €15.9 million to €120.9 million.
 - *Total equity.* The amendments would have caused an increase in equity of €8.8 million to €160.2 million.
 - *Borrowings, non-current.* The initial recognition of the Senior Secured Notes at fair value have resulted in a decrease in non-current borrowings of €9.4 million to €82.2 million.

9. SELECTED FINANCIAL AND OPERATING INFORMATION

The following table presents selected financial and operating information. This information should be read together with the section headed “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the notes thereto included in this Prospectus. Unless otherwise indicated, all amounts are provided in accordance with IFRS as adopted by the European Union. Historical results are not necessarily indicative of the results that may be achieved during any future period.

All International Financial Reporting Standards issued by the IASB, effective at the time of preparing the consolidated financial statements and applied by Head N.V., have been adopted for use in the European Union by the European Commission. The consolidated financial statements of Head N.V. have been prepared in accordance with IFRS as adopted by the European Union.

The selected consolidated financial information as of and for each of the three years ended December 31, 2009, 2008 and 2007, has been extracted or derived from our consolidated financial statements and the notes thereto, which have been audited by PricewaterhouseCoopers Accountants N.V. The selected consolidated financial information as of and for the financial year ended December 31, 2009, must be read together with the information contained in the joint press release by the Company and HTM Sport GmbH dated November 23, 2010 relating to the 2009 Financial Statements (the text of which is set out in Annex 2 and is also available on our website at www.head.com).

	As of and for Year Ended December 31,		
	2009 (7)	2008	2007
	(in thousands, except per share data)		
Income Statement Data:			
Total net revenues	€ 319,048	€ 326,030	€ 320,992
Operating profit (loss)	€ 8,368	€ 1,905	€ (686)
Gain on sale of property.....	€ —	€ —	€ —
Restructuring costs (1).....	€ (2,194)	€ (4,299)	€ (2,033)
Gain on exchange of senior notes (2).....	€ 40,314	€ —	€ —
Income tax income (expense) (3)	€ (16,427)	€ 59	€ (232)
Profit (loss) for the year	€ 22,326	€ (9,738)	€ (11,154)
Earnings per share - basic (4).....			
Profit (loss) for the year	€ 0.40	€ (0.26)	€ (0.31)
Earnings per share - diluted (4)			
Profit (loss) for the year	€ 0.40	€ (0.26)	€ (0.31)
Weighted average shares outstanding (4).....			
basic.....	55,772	37,109	36,479
diluted.....	55,772	37,109	36,479
Balance Sheet Data:			
Cash (5)	€ 36,935	€ 17,643	€ 30,264
Total assets	€ 353,460	€ 378,407	€ 389,322
Total debt.....	€ 114,420	€ 159,994	€ 154,763
Share capital	€ 882	€ 398	€ 398
Number of shares issued.....	88,204	39,821	39,821
Capital repayment per share (6)	€ —	€ —	€ 0.19
Total equity.....	€ 148,489	€ 126,034	€ 133,017

As of and for Year Ended December 31,						
	2009 (7)		2008	2007		
	(in thousands, except per share data)					
Other Financial Data:						
Cash provided by (used in) operating activities....	€	29,367	€	(4,895)	€	(2,724)
Cash used in investing activities.....	€	(4,516)	€	(9,199)	€	(674)
Cash provided by (used in) financing activities....	€	(4,709)	€	4,335	€	(8,468)

(1) In 2009, €1.0 million on writing off fixed assets and €0.4 million dismantling cost incurred in connection with the shut-down of the U.S. tennis ball factory. In connection with the transfer of parts of the ski production from the site in Kennelbach, Austria, to České Budejovice, Czech Republic €0.8 million transfer cost and production inefficiency incurred. In 2008, €2.1 million of additional depreciation and €1.0 million termination benefits were recorded in relation to the shut-down of the U.S. tennis ball factory. Additional €0.9 million for scrapping and writing-off of fixed asset were recorded due to the transfer of parts of the ski production from the site in Kennelbach, Austria, to České Budejovice, Czech Republic and €0.2 million incurred in relation to the restructuring program for diving products production. In 2007, restructuring costs of €2.0 million mainly consisted of termination costs of €1.6 million relating to the transfer of parts of the ski production and €0.4 million relating to the closure of a production site in Italy.

(2) In 2009, the Company recorded a gain on the successful bond exchange 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 related to the exchange of the senior notes.

(3) In 2009, the gain on the bond exchange led to a use of deferred tax assets of € 11.4 million. In 2007, a reduction of the German income tax rate by 9% caused a write-down of deferred tax assets on tax losses carried forward of € 1.4 million.

(4) Earnings per share and weighted average shares outstanding on a diluted basis give effect to all outstanding options calculated under the treasury stock method.

(5) Cash includes cash and cash equivalents, and in 2009, 2008 and 2007 included restricted cash of €0.9 million, €0.5 million and €2.5 million, respectively.

(6) At the general meeting of shareholders held on May 30, 2007, Head N.V.'s shareholders approved the resolution to amend the Company's articles of association to decrease the nominal value of the shares from €0.20 to €0.01 and to make a capital repayment of €0.19 per share totalling €7.2 million to our shareholders in September 2007.

(7) The evaluation of the application of IFRS and a review of our financial statements by the AFM has caused the AFM, on the basis of their interpretation of relevant accounting standards, to recommend that we reconsider the attributable fair values for accounting purposes of the Senior Secured Notes and Shares issued at the time of the Exchange Offer. Had these amendments been reflected in the 2009 consolidated financial statements, the impact would have been as follows:

- *Gain on bond exchange.* The effect would have resulted in a reduction of the previously reported gain on exchange of €2.2 million to €38.1 million.
- *Interest and other financing cost.* Senior secured notes recognized at fair value would have caused an amortization of disagio of €1.4 million for the year ended December 31, 2009.
- *Net income.* The effect on net income would have been a decrease of €4.8 million to €17.5 million.
- *Deferred tax asset.* The deduction of the gain on the bond exchange led to a decrease in deferred tax assets of €1.1 million to €48.1 million
- *Other reserve.* The valuation of the shares issued would have led to an increase in other reserves of €15.9 million to €120.9 million.
- *Total equity.* The amendments would have caused an increase in equity of €11.1 million to €159.6 million.
- *Borrowings, non-current.* The recognition of the Senior Secured Notes at fair value would have resulted in a decrease in non-current borrowings of €12.2 million to €80.1 million.

The following table sets out unaudited and unreviewed selected consolidated financial information of Head N.V. as of and for the nine month period ended September 30, 2010 with unaudited and unreviewed comparative figures as of and for the nine-month period ended September 30, 2009. The information in this table must be read together with the information contained in the joint press release by the Company and HTM Sport GmbH dated November 23, 2010 relating to the 2009 Financial Statements (the text of which is set out in Annex 2 and is also available on our website at www.head.com):

As of and for Nine Months Ended September 30,				
	2010 (6)		2009	
	(unaudited)		(unaudited)	
	(in thousands, except per share data)			
Income Statement Data:				
Total net revenues	€	218,373	€	206,665
Other operating income (expense) (1).....	€	(197)	€	8,182
Operating profit.....	€	6,916	€	2,109
Gain on exchange of senior notes.....	€	-	€	40,314
Income tax income (expense) (2)	€	853	€	(11,474)
Profit (loss) for the period.....	€	(913)	€	24,406
Earnings per share – basic				
Profit (loss) for the period	€	(0.01)	€	0.54

		As of and for Nine Months Ended September 30,	
		2010 (6)	2009
		(unaudited)	(unaudited)
		(in thousands, except per share data)	
Earnings per share – diluted			
Profit (loss) for the period	€	(0.01)	€ 0.54
Weighted average shares outstanding			
basic.....		87,944	44,930
diluted.....		87,944	44,930
Balance Sheet Data:			
Cash (3)	€	45,617	€ 24,996
Total assets	€	368,766	€ 356,967
Total debt (4)	€	117,646	€ 118,387
Share capital (5)	€	882	€ 882
Number of shares issued (5).....		88,204	88,204
Total equity	€	151,330	€ 149,706
Other Financial Data:			
Cash provided by (used in) operating activities.....	€	11,070	€ 13,008
Cash used in investing activities.....	€	3,799	€ (3,434)
Cash provided by (used in) financing activities.....	€	1,153	€ (454)

- (1) In August 2009, the Company realised a gain on a sale of trademarks registered in Korea of €7.6 million.
- (2) In 2009, €11.4 million deferred tax expense related to the utilisation of tax losses carried forward in relation to the gain on the exchange of the senior notes.
- (3) Cash includes cash and cash equivalents, and in 2010 and 2009, included restricted cash of €0.9 million, respectively.
- (4) In August 2009, €85.7 million senior notes plus 3.6 million accrued interest have been exchanged for €43.7 million senior secured notes and 22.5 million shares.
- (5) In connection with the exchange offer the Company newly issued 48,383,353 shares and increased share capital by €0.5 million.
- (6) The evaluation of the application of IFRS and a review of our financial statements by the AFM has caused the AFM, on the basis of their interpretation of relevant accounting standards, to recommend that we reconsider the attributable fair values for accounting purposes of the Senior Secured Notes and Shares issued at the time of the Exchange Offer. Had these amendments been reflected in the 2009 consolidated financial statements, the impact would have been as follows for the nine months ended September 30, 2010:
- *Interest and other financing cost.* The amortization of the disagio on the senior secured notes is €2.8 million for the period ended September 30, 2010.
 - *Net income.* The effect on net income was a decrease of €2.3 million to €0.9 million.
 - *Other reserve.* The valuation of the shares issued would have led to an increase in other reserves of €15.9 million to €120.9 million.
 - *Total equity.* The amendments would have caused an increase in equity of €8.8 million to €160.2 million.
 - *Borrowings, non-current.* The initial recognition of the Senior Secured Notes at fair value have resulted in a decrease in non-current borrowings of €9.4 million to €82.2 million.

The following are the interest cover and debt equity ratios of Head N.V. for the years ended December 31, 2009, 2008 and 2007:

		Year Ended December 31,		
		2009	2008	2007
Interest cover ratio		0.8	0.2	(0.1)
Debt/equity ratio		1.4	2.0	1.9
EBIT	€	8,368	1,905	(688)
Interest expense		(10,560)	(12,521)	(12,191)
Interest income		606	1,161	2,031
Interest Expense, net	€	(9,954)	(11,360)	(10,159)
Total liabilities	€	204,971	252,373	256,306
Equity (1).....	€	148,489	126,034	133,017

(1) The increase in the equity of €11.1m is due to a decrease in retained earnings for the year of €4.8m plus the adjustment to the fair value of the shares issued to Note holders (€7.6m) plus the impact of the adjustment to the fair value of the shares issued in connection with the working capital guarantee (€8.2m). The reduction on the gain on the sale of senior notes arises from an adjustment to the fair value of the Senior Secured Notes

(€13.7m) less the adjustment to the fair value of the shares issued to the Note holders (€7.6m) less the adjustment to the fair value of the shares issued in connection with the working capital guarantee (€8.2m).

10. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Note: The audited consolidated financial statements for the financial years ended December 31, 2009, and the unaudited and unreviewed consolidated interim financial statements for the nine months ended September 30, 2010 (including the notes thereto and the section headed "Management's Operating and Financial Review"), must be read together with the information contained in the joint press release by the Company and HTM Sport GmbH dated November 23, 2010 relating to the 2009 Financial Statements (the text of which is set out in Annex 2 and is also available on our website at www.head.com).

OVERVIEW

We generate revenues in our principal markets by selling goods directly to retail stores and, to a lesser extent, by selling to distributors. We also receive licensing and royalty income. As many of our goods, especially Winter Sports goods, are shipped during a specific part of the year, we experience highly seasonal revenue streams. In accordance with general industry practice, we receive what we call “pre-season” orders from our Winter Sports division customers from March until June. These pre-season orders typically account for approximately three quarters of our orders in any given year. We typically begin shipping skis, boots and bindings in July and August, with the peak shipping period occurring in October and November. At this time, we begin to receive re-orders from our Winter Sports Division customers, which generally constitute the remaining quarter of yearly orders for our Winter Sports products. This inflow of re-orders may last, depending on weather patterns, into the first quarter of the following year. Racquet Sports and Diving product revenues also experience seasonality, but to a lesser extent than Winter Sports revenues.

Winter Sports

The 2009/2010 winter season started with early snow in Europe and in some parts of the United States but with late snow in Japan. Retailers in Europe reported a growing winter sports equipment business mainly driven by accessories and skiwear. Ski sales in Europe have been flat compared to 2008 and significantly down in Japan and in Canada. Good snow conditions all over the world as from January 2010 onwards for the rest of the season led to some good sell through also in Japan and retailers could reduce their inventory. In the Olympic Games in Vancouver Head skiers won four Gold, one Silver and six Bronze medals the best performing Alpine Ski brand during these games. This increases the popularity and demand for the Company's products at retail and consumer level and helped to gain additional market share in a still slightly declining equipment market. There is a significant trend towards renting the ski equipment. Based on actual bookings the Company believes sales in 2010 are ahead of 2009.

Racquet Sports

In 2009, 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.

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

Diving

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

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

Business Rationalisation

As part of the Company's continued strategy to manage costs in October 2007, the Company announced the transfer of parts of the ski production from its site in Kennelbach, Austria to its site in 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 was incurred. The Company largely completed the program during 2009.

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.

On March 5, 2009, the Company closed its Phoenix, Arizona tennis and racquetball ball production plant. All tennis and racquetball products sold globally are now manufactured at the new plant in Shenzhen, China. The Company's Phoenix facility is still owned by the Company and is being used as a warehouse.

Joint-Venture

In January 2005, a joint-venture established by the Company and its Chinese partner began manufacturing tennis balls in China for exclusive sale to the Company. The Company and its Chinese partner have a 83% and 17% interest, respectively, in this joint-venture. In accordance with International Accounting Standard (IAS) 27 in connection with Standing Interpretations Committee (SIC) 12, this joint-venture qualifies as a special purpose entity due to the fact that it was formed to manufacture tennis balls solely on the Company's behalf. As a result, the Company consolidated this entity and, in accordance with IAS 32, recorded borrowings of €2.5 million (\$3.6 million) and €2.6 million (\$3.6 million) as of December 31, 2009 and 2008, respectively, for the contribution of our joint-venture partner.

The Company's joint-venture partner has the right to receive a guaranteed yearly return of 12% on its investment; if the joint venture is unable to meet this obligation, whether in whole or in part, then Head Sport GmbH is obliged to make payment to the joint venture partner.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Factors Affecting Revenues

As a manufacturer and distributor of branded sporting goods, the Company's revenues are affected by the overall economic trends of its principal geographic market, which is Europe, but also by the United States and Japan, and by 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 typically result in fewer purchases of skiing and snowboarding equipment, and poor weather at a diving location may reduce interest in the sport and related equipment purchases. Other factors that can affect the Company's revenues are consumer preferences for renting versus purchasing equipment or for a particular technical innovation, as well as the general level of interest in the sports for which the Company produce equipment. In addition, the rate of leisure travel can affect the Company's revenues, as purchases of its equipment are often made in anticipation of or in connection with trips to skiing or diving destinations. For further discussion of the factors affecting demand for the Company's products, see "[Risk Factors](#)."

The majority of the Company's revenues are denominated in euro, the functional currency of its European operations. 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 the revenues or margins from our products manufactured on a 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 our 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. As a consequence of our restructuring projects (including the transfer of ball production to China, and skis to Budweis) we reduced our headcount, which resulted in reduced personnel expenses.

Approximately 90% of the Company's annual capital expenditures are for maintenance and replacement of the Company's facilities and equipment, including moulds 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.

RESULTS OF OPERATIONS

Nine Month Period Ended September 30, 2010 compared to Nine Month Period Ended September 30, 2009

For a discussion of the Company's results of operations for the nine months ended September 31, 2010 compared to the nine months ended September 31, 2009, please see our unaudited and unreviewed consolidated interim financial statements for the nine months ended September 30, 2010 (including the notes thereto and the section headed "Management's Operating and Financial Review"), which is available on our website (www.head.com) and is incorporated by reference into this Prospectus.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

The following table sets forth each line item of the Company's consolidated statement of operations as a percentage of total net revenues for the periods shown:

	For the Years Ended December 31, 2009 (1)		2008		Change
	€	%	€	%	€
	<i>(in thousands, except percentages)</i>				
Total net revenues	319,048	100.0%	326,030	100.0%	(6,983)
Cost of sales	191,858	60.1%	202,899	62.2%	(11,041)
Gross profit	127,189	39.9%	123,131	37.8%	4,058
Selling and marketing expense	88,557	27.8%	93,167	28.6%	(4,609)
General and administrative expense	26,866	8.4%	29,560	9.1%	(2,694)
Share-based compensation (income) expense	9,011	2.8%	(5,341)	(1.6%)	14,352
Restructuring costs	2,194	0.7%	4,299	1.3%	(2,106)
Other operating income, net	(7,807)	(2.4%)	(458)	(0.1%)	(7,349)
Operating profit	8,368	2.6%	1,905	0.6%	6,463
Interest and other finance expense	(11,313)	(3.5%)	(12,954)	(4.0%)	1,641
Interest and investment income	606	0.2%	1,159	0.4%	(553)
Gain on exchange of senior notes	40,314	12.6%	—	—	40,314
Share of profit of associates	25	0.0%	—	—	25

	For the Years Ended December 31,				
	2009 (1)		2008		Change
	€	%	€	%	€
	<i>(in thousands, except percentages)</i>				
Other non-operating income, net	752	0.2%	92	0.0%	660
Profit (loss) before income taxes	38,753	12.1%	(9,798)	(3.0%)	48,550
Income tax benefit (expense)	(16,427)	(5.1%)	59	0.0%	(16,486)
Profit (loss) for the year	22,326	7.0%	(9,738)	(3.0%)	32,064

(1) The evaluation of the application of IFRS and a review of our financial statements by the AFM has caused the AFM, on the basis of their interpretation of relevant accounting standards, to recommend that we reconsider the attributable fair values for accounting purposes of the Senior Secured Notes and Shares issued at the time of the Exchange Offer. Had these amendments been reflected in the 2009 consolidated financial statements, the impact would have been as follows:

- *Gain on bond exchange.* The effect would have resulted in a reduction of the previously reported gain on exchange of €2.2 million to €38.1 million.
- *Interest and other financing cost.* Senior secured notes recognized at fair value would have caused an amortization of disagio of €1.4 million for the year ended December 31, 2009.
- *Net income.* The effect on net income would have been a decrease of €4.8 million to €17.5 million.
- *Deferred tax asset.* The deduction of the gain on the bond exchange led to a decrease in deferred tax assets of €1.1 million to €48.1 million
- *Other reserve.* The valuation of the shares issued would have led to an increase in other reserves of €15.9 million to €120.9 million.
- *Total equity.* The amendments would have caused an increase in equity of €11.1 million to €159.6 million.
- *Borrowings, non-current.* The recognition of the Senior Secured Notes at fair value would have resulted in a decrease in non-current borrowings of €12.2 million to €80.1 million.

Total Net Revenues. For the year ended December 31, 2009, 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 a consequence of the economic crisis.

The following table sets forth revenues for each of the Company's product categories for each of the years ended December 31, 2009 and 2008:

Product category:	For the Years Ended December 31,		
	2009	2008	% Change
	<i>(in thousands, except percentages)</i>		
Winter Sports	€ 150,307	€ 156,359	(3.9%)
Racquet Sports	126,188	121,449	3.9%
Diving	46,063	52,359	(12.0%)
Licensing	5,463	5,582	(2.1%)
Total Revenues	328,020	335,748	(2.3%)
Sales Deductions	(8,972)	(9,717)	(7.7%)
Total Net Revenues	€ 319,048	€ 326,030	(2.1%)

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 favourable 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. We believe this decrease was driven by the significant downsizing of the diving markets caused by the economic crisis.

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

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 16.5%, to €23.6 million from €28.3 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 during the year 2009 was overcompensated by the Winter Sports Division but led to lower gross margin of the Diving division. 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 removal 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) Expense. 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 for the financial year ended December 31, 2009).

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 and Other Finance 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.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

The following table sets forth each line item of the Company's consolidated statement of operations as a percentage of total net revenues for the periods shown:

	For the Years Ended December 31,				
	2008		2007		Change
	€	%	€	%	€
	(in thousands, except percentages)				
Total net revenues	326,030	100.0%	320,992	100.0%	5,039
Cost of sales.....	202,899	62.2%	196,911	61.3%	5,988
Gross profit.....	123,131	37.8%	124,080	38.7%	(949)
Selling and marketing expense.....	93,167	28.6%	94,319	29.4%	(1,153)
General and administrative expense	29,560	9.1%	30,062	9.4%	(502)
Share-based compensation income.....	(5,341)	(1.6%)	(218)	(0.1%)	(5,124)
Restructuring costs.....	4,299	1.3%	2,033	0.6%	2,266
Other operating income, net.....	(458)	(0.1%)	(1,430)	(0.4%)	972
Operating profit (loss)	1,905	0.6%	(686)	(0.2%)	2,591
Interest and other finance expense.....	(12,954)	(4.0%)	(12,592)	(3.9%)	(362)
Interest and investment income	1,159	0.4%	2,069	0.6%	(909)
Other non-operating income, net.....	92	0.0%	287	0.1%	(195)
Loss before income taxes.....	(9,798)	(3.0%)	(10,922)	(3.4%)	1,124
Income tax benefit (expense)	59	0.0%	(232)	(0.1%)	292
Loss for the year.....	(9,738)	(3.0%)	(11,154)	(3.5%)	1,416

Total Net Revenues. For the year ended December 31, 2008, total net revenues increased by €5.0 million, or 1.6%, to €326.0 million from €321.0 million in the comparable 2007 period. The increase of winter sport and diving sales was partly offset by the decreased sales of Racquet Sports.

The following table sets forth revenues for each of the Company's product categories for each of the years ended December 31, 2008 and 2007:

	For the Years Ended December 31,		
	2008	2007	% Change
	(in thousands, except percentages)		
Product category:			
Winter Sports	€ 156,359	€ 140,533	11.3%
Racquet Sports	121,449	129,836	(6.5%)
Diving	52,359	51,818	1.0%
Licensing	5,582	7,208	(23.3%)
Total Revenues	335,748	329,467	1.9%
Sales Deductions	(9,717)	(8,475)	14.7%
Total Net Revenues	€ 326,030	€ 320,992	1.6%

Winter Sports increased by €15.8 million, or 11.3%, to €156.4 million from €140.5 million in the comparable 2007 period. This increase was due to higher sales volumes of skis, ski boots and helmets and better mix of all of the Company's winter sports products compared to the 2007 period. The Company believes that this increase was due primarily to the success of its ski racing sponsorship campaign rather than as a result of better snow conditions in the 2007/2008 winter season compared to the 2006/2007 winter season. The strengthening of the yen against the euro also positively affected the Company's sales.

Racquet Sports decreased by €8.4 million, or 6.5%, to €121.4 million from €129.8 million in the comparable 2007 period. This decrease was due to the strengthening of the euro against the U.S. dollar and the British pound as well as unfavourable product mix partially offset by higher sales volumes of balls and sales from the Company's newly-introduced tennis footwear.

Diving revenues increased by €0.5 million, or 1.0%, to €52.4 million from €51.8 million in the comparable 2007 period. This increase was mainly driven by the introduction of new advanced products but negatively affected by the strengthening of the euro against the U.S. dollar and the British pound and the negative economic conditions.

Licensing decreased by €1.7 million, or 23.3%, to €5.6 million from €7.3 million in the comparable 2007 period due primarily to the Company's decision not to renew our licensing agreement with Sports Authority in the United States, and the impact of exchange rates.

Sales deductions consist of sales incentives, which are earned by the Company's customers subsequent to delivery of its product, including cash discounts for volume rebates and other than cash consideration. Sales deductions increased by €1.2 million, or 14.7%, to €9.7 million from €8.5 million in the comparable 2007 period due to higher sales in the last quarter and promotion sales of close out products during the second quarter 2008.

Cost of Sales. Cost of Sales increased by €6.0 million, or 3.0%, to €202.9 million from €196.9 million in 2007.

- Variable production costs increased by €3.9 million, or 2.4%, to €165.4 million from €161.4 million in 2007 mainly due to increased sales volumes partially offset by lower personnel expenses and the strengthening of the euro against the U.S. dollar.

- Fixed production costs increased by €3.3 million, or 13.1%, to €28.3 million from €25.0 million in 2007 due to additional cost for the tennis ball production facility in China which was partially offset by lower personnel expenses and other costs resulting from various restructuring programs.
- Research and development expenses decreased by €1.2 million, or 11.7%, to €9.2 million from €10.5 million in 2007.

Gross Profit. Gross profit decreased by €0.9 million to €123.1 million from €124.1 million in the comparable 2007 period. Gross margin decreased to 37.8% in 2008 from 38.7% in the comparable 2007 period. This decrease was due to increased raw material and energy prices as well as unfavourable product mix in Racquet Sports.

Selling and Marketing Expense. Selling and marketing expense decreased by €1.2 million, or 1.2%, to €93.2 million from €94.3 million in the comparable 2007 period. Lower warranty and departmental selling expenses as well as the strengthening of the euro against the U.S. dollar more than offset higher advertising cost for the Company's sponsored professional ski racers, its newly introduced badminton products and tennis footwear.

General and Administrative Expense. General and administrative expense decreased by €0.5 million, or 1.7%, to €29.6 million from €30.1 million in the comparable 2007 period. This decrease was mainly due to currency impact.

Restructuring Costs. In 2008, we recorded €4.3 million of restructuring expenses relating primarily to the transfer of parts of the ski production from the Company's site in Kennelbach, Austria to its site in Budweis, Czech Republic and to the shifting of tennis ball production from the Company's site in Phoenix, in the United States to its site in Shenzhen, China.

Share-Based Compensation (Income) Expense. The liability relating to the Stock Option Plans recorded on the Company's balance sheet is dependent on the Company's share price. For the year ended December 31, 2008, the Company recorded €5.3 million of non-cash share-based compensation income for its Stock Option Plans as the share price declined over this period, compared to €0.2 million of non-cash share-based compensation income in the comparable 2007 period.

Other Operating Income, net. Other operating income, net decreased by €1.0 million, to €0.5 million from €1.4 million in the comparable 2007 period mainly due to a release of an environmental accrual of €0.3 million for the Company's Estonian premises in 2007 and foreign currency exchange losses in 2008.

Operating Profit/(Loss). As a result of the foregoing, an operating profit of €1.9 million was recorded compared to an operating loss of €0.6 million in 2007.

Interest Expense. For the year ended December 31, 2008, interest expense increased by €0.4 million, or 2.9%, to €13.0 million from €12.6 million in the comparable 2007 period mainly due to an increase in short-term borrowings.

Interest and Investment Income. Interest and investment income decreased by €0.9 million, or 44.0%, to €1.2 million from €2.1 million in the comparable 2007 period. This decrease was due to lower cash and cash equivalents.

Income Tax Benefit (Expense). For the year ended December 31, 2008, the income tax benefit was €0.1 million, an increase of €0.3 million compared to an income tax expense of €0.2 million in the comparable 2007 period. This increase resulted from higher taxable losses before share-based compensation income as this income has no tax effect.

Loss for the Year. As a result of the foregoing factors, we reported a loss of €9.7 million in 2008, compared to a loss of €11.2 million in 2007.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity needs arise principally from its debt service requirements, its working capital requirements, and the need to fund capital expenditures for the general maintenance and expansion of the Company's production facilities and for new facilities. Given the nature of winter sports, and to a lesser extent racquet sports, the Company's operating cash flow and working capital needs are highly seasonal. Head N.V.'s need for cash is greater in the third and fourth quarters when historically its balance of inventory and trade receivables are at its peak.

Historically, Head N.V.'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 short-term, uncommitted secured and unsecured credit facilities made available to Head N.V.'s subsidiaries that the Company has historically used in the third and fourth quarters to finance the production of inventory and bridge the receipt of cash until the first quarter of the next year.

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

Historical Cash Flows

Year-end 2009

For the year ended December 31, 2009, 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 purchase 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.

Year-end 2008

For the year ended December 31, 2008, cash used for operating activities increased by €2.2 million to €4.9 million compared to cash used for operating activities of €2.7 million in the comparable 2007 period, which was mainly due to lower gross profit. the Company's operating cash requirements and purchases of property, plant and equipment (net of proceeds) of €14.0 million were financed by sales of marketable securities and cash on hand.

As of December 31, 2008, the Company had €160.0 million of total debt (including current portion of €2.4 million), consisting of €111.9 million of Senior Notes, €12.3 million long-term obligations under a sale-leaseback agreement and a mortgage agreement due 2017, €8.6 million other long-term debt obligations comprising secured loans in Italy, Japan and the Czech Republic and a liability against our venture partner of €2.6 million. In addition, the Company used lines of credit with several banks in Austria, France, Canada and Japan of €24.7 million (excluding current portion of €2.4 million).

As of December 31, 2008, the Company had €17.2 million cash on hand and €0.5 million restricted cash and €6.2 million available-for-sale financial securities (predominantly money market funds) which are restricted. In addition, the Company had €2.6 million available in credit lines.

Year-end 2007

For the year ended December 31, 2007, net cash used for operating activities increased by €25.8 million to a net cash outflow of €2.7 million compared to net cash generated by operating activities of €23.1 million in 2006. This decrease was due to lower cash from operations as a consequence of higher losses and a higher level of working capital, resulting mainly from substantially higher inventory levels and a substantially lower level of accounts payable. Our operating cash requirements, purchases of property, plant and equipment (net of proceeds) of €11.6 million and the repayment of capital to shareholders of €7.2 million in connection with the reduction of the nominal value of our shares were financed by sales of marketable securities and cash on hand.

At the Annual General Meeting of the shareholders held on May 30, 2007, Head N.V.'s shareholders approved the resolution to amend the Articles of Association to decrease the nominal value of the shares from €0.20 to €0.01 and to make a capital repayment of €0.19 per share totaling €7.2 million to our shareholders in September 2007,

As of December 31, 2007, we had €154.8 million of total debt (including current portion of €2.5 million), consisting of €111.6 million of Senior Notes, €12.5 million of long-term obligations under a sale-leaseback agreement and a mortgage agreement due 2017, €9.5 million of other long-term debt comprising of secured loans in Italy, the Czech Republic and Japan and a liability toward our venture partner of €2.0 million in connection with its guaranteed return on its investment. Of this total debt as at December 31, 2007, our short-term debt was €19.1 million and consisted of lines of credit with several banks in Austria and Japan.

As of December 31, 2007, we had €27.8 million cash on hand, mainly in euro, and no available unused credit facilities. In addition, we had €10.2 million in money market funds held in euro which were recognised in our balance sheet as "Available-for-sale financial assets," and €2.5 million of restricted cash comprised of deposits pledged as collateral for outstanding lines of credit.

Loan and Financing Agreements

Long-term Indebtedness

Senior Notes. In January 2004, HTM issued €135.0 million of 8.5% unsecured senior notes due 2014, guaranteed by Head N.V. and certain of its subsidiaries (see below – "Guarantees for Senior Notes and Secured Notes"), referred to as the "Senior Notes" in this Prospectus. The Senior Notes are listed on the Luxembourg Stock Exchange. With the proceeds from the sale, all of Head N.V.'s outstanding 10.75% senior notes due 2006 were redeemed. The total redemption payment was €70.1 million of which €3.5 million represented the redemption premium. In addition, Head N.V. used a portion of the remaining proceeds to repay €25.8 million of other outstanding debt. In June 2004, Head N.V. repurchased the equivalent of €5.5 million of the Senior Notes for €5.0 million and realised a gain of €0.3 million. As a result of this transaction, Head N.V. wrote-off €0.1 million of debt issue costs. In 2005, Head N.V. repurchased the equivalent of €15.7 million of the Senior Notes for €14.3 million and realised a gain of €0.9 million. As a result of this transaction, Head N.V. wrote off an additional €0.1 million of debt issue costs. At December 31, 2008 and 2007, Head N.V. had €111.9 million and €111.6 million, respectively of Senior Notes outstanding.

On April 21, 2009, HTM 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, HTM announced improved terms of the Exchange Offer. Under the improved terms, bondholders were offered €510.625 aggregate principal amount of newly issued Secured Notes and 262.372 Ordinary Shares for each €1,000 principal amount of Senior Notes offered for exchange. The Exchange Offer expired on August 13,

2009, and the consideration was distributed to noteholders 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 Secured Notes and 22,491,278 Ordinary Shares in Head N.V. issued to the noteholders. The 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 Secured Notes then outstanding. In addition to guarantees by Head N.V. and certain of its subsidiaries (see below – "Guarantees for Senior Notes and Secured Notes"), the Secured Notes are secured by pledges or charges, as applicable, over certain inventory and trade receivables of HTM and certain subsidiaries of HTM, and cash under certain circumstances. The value of this security must be at least equal to the aggregate principal amount of the Secured Notes outstanding from time to time. As at the date of this Prospectus that amount is €43,000,000 and is secured by: (i) the inventory of each of the Company's Austrian subsidiaries (HTM Sport GmbH, Head Sport GmbH and Head International GmbH); (ii) the inventory and receivables of each of the Company's subsidiaries in Canada (Head Canada Inc.), the United States (Head USA Inc.) and the United Kingdom (Head UK Limited), and (iii) the receivables of each of the Company's subsidiaries in Italy (Mare S.p.A) and Spain (Head Spain S.L.).

Also, tendering noteholders forfeited any interest accrued on the Senior Notes from and including February 2, 2009 up to and including August 1, 2009. Accordingly, approximately €3.6 million of interest accrued was forfeited.

Guarantees for Senior notes and Secured Notes. The Senior Notes and the Secured Notes are jointly and severally guaranteed by Head N.V. (the Netherlands) and Head Holding Unternehmensbeteiligung GmbH (Austria), HTM's indirect and direct parent companies, respectively, and the following subsidiaries of HTM: Head Sport GmbH and Head International GmbH (Austria), Mares S.p.A. (Italy), Head USA Inc and Penn Racquet Sports Inc, (United States), Head Sport s.r.o. (the Czech Republic) and Head Canada Inc. (Canada)

Liability toward our Venture Partner. In July 2005, Head Sport AG (now known as Head Sport GmbH) signed an agreement for the establishment of a company in the British Virgin Islands. The business venture was established to found a Chinese company to manufacture tennis balls for exclusive sale to Head Sport GmbH. Head Sport GmbH and its venture partner have a 83% and 17% interest in the newly-formed company, respectively. In accordance with IAS 27 in connection with SIC 12, 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 Head Sport GmbH. As a result, Head N.V. consolidated this entity. In accordance with IAS 32, Head N.V. recorded a liability of €2.5 million and €2.6 million, as of December 31, 2009 and 2008, respectively, for the contribution of the Company's venture partner. Head Sport GmbH's venture partner has the right to receive a guaranteed return of 12% per year on its investment balance starting in the month after the operation began; if the joint venture is unable to meet this obligation, whether in whole or in part, then Head Sport GmbH is obliged to make payment to the joint venture partner. Operations started in January 2007.

Sale-Leaseback. HTM 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. HTM has the obligation to purchase the property back after 15 years for €8.2 million. HTM 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. HTM is also required to pay the bank a monthly deposit of €0.01 million, which will be repaid to HTM, plus interest of 6.7%, at the time of repurchase. Because of HTM's continuing involvement, this transaction has been accounted for as a financing such that HTM has recorded €10.6 million of cash and long-term borrowings at the inception date of this agreement. At December 31, 2008 and 2007, the remaining obligation under the financing agreement was €9.8 million and €10.0 million, respectively.

Mortgage Agreements. In 2002, one of Head N.V.'s subsidiaries entered into a mortgage agreement secured by the Penn Phoenix property (owned by Penn Racquet Sports Inc.) 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 was €2.2 million (\$3.1 million) and €2.4 million (\$3.4 million), respectively, and the carrying value of the property was €1.4 million (\$2.1 million) and €1.6 million (\$2.3 million) as of December 31, 2009 and 2008, respectively.

In July 2009, one of the Company's subsidiaries 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 instalments 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 over property of Head Sports Inc (Hui Zhou). 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. In August 2010 we paid off RMB 6.0 million and received on the new agreement a short-term loan of RMB 16.0 million (€1.8 million). The balance as of September 30, 2010 was RMB 30.0 million (€3.3 million).

Other Long-Term Debt. Other long-term debt comprises secured loans in Italy and Japan outstanding with several banks. The weighted average interest rate on other long-term debt was 2.86% and 3.00% 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 was €6.3 million and €8.6 million, respectively. The agreement with one Italian bank is secured by certain property of Mares S.p.A.

Short-term Indebtedness

Oesterreichische Kontrollbank Aktiengesellschaft (OeKB). In the second quarter of 2001, Head N.V.'s subsidiaries entered into a new financing agreement providing multiple revolving credit lines with the "Oesterreichische Kontrollbank" (**OeKB**) which were renegotiated in 2003 for a total amount of €15.0 million secured by all Austrian trade receivables. As of December 31, 2009, the fair value of trade receivables of Head International GmbH that serve as collateral for Head N.V.'s revolving credit lines was €56.5 million (2008: €53.1 million). As of December 31, 2009 and 2008, the Company had outstanding borrowings under this line of credit of €15.0 million. The weighted average interest rate on this indebtedness was 2.45% as of December 31, 2009 and 4.95% as of December 31, 2008. These loans had been made in the form of credits for specific exports. No more credit facilities are available under the terms of this commitment.

Japanese Bank Loans. As of December 31, 2009 and 2008, HTM Sports Japan KK, the Company's Japanese subsidiary, had short-term uncommitted credit lines with Sumitomo Bank of approximately €5.1 million and €4.7 million, respectively, that are renewed annually. HTM Sport GmbH guarantees the payments to Sumitomo Bank in the amount of the outstanding debt. The weighted average interest rate on these loans was 2.6% as of December 31, 2009 and 2.8% as of December 31, 2008, respectively.

Other Uncommitted Bank Loans. As of December 31, 2009, the Company had short-term uncommitted credit lines with various banks in France (secured by all trade receivables of Head France S.A.S.) of approximately €0.2 million. The weighted average interest rate on these loans was 1.95% as of December 31, 2009.

Capital Expenditures

In 2009, 2008 and 2007, the Company spent €5.6 million, €14.2 million and €13.7 million, respectively, on facilities and equipment maintenance (upkeep, replacement and/or improvement). The Company expect to spend approximately €7.6 million on investment in property, plant and equipment, including expenditures for maintenance of its facilities and equipment, in 2010. 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 for existing products.

Research and Development

The Company believes that it is an industry leader in the development of innovative and technologically advanced sports equipment. The Company's research and development groups identify consumer needs and shifts in consumer preferences in order to develop new product ideas and concepts. In addition, the Company encourages cross-fertilisation of ideas among divisions, which has led to further product innovations. Head N.V. incurred research and development costs amounting to €8.1 million, €9.2 million and €10.5 million for the years ended December 31, 2009, 2008 and 2007, respectively. For patents and licenses, Head N.V. incurred costs amounting to €0.8 million, €1.2 million and €1.2 million for the years ended December 31, 2009, 2008 and 2007, respectively. To ensure quality and precision, the majority of our products are designed on our own computer-aided design and manufacturing, or CAD/CAM, systems. We expect to spend approximately €29.4 million on research and development in the 2010 to 2012 period.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet entities or off-balance sheet arrangements that are reasonably likely to have a material impact on its financial position and consolidated results of operations.

Contractual Obligations

The following table 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-Lease back	163	361	412	8,759	9,695
Operating Leases.....	3,833	4,907	2,703	421	11,864
Borrowings, current.....	20,287	—	—	—	—

In connection with the Company's benefit plans, it is required to meet certain funding requirements, which could require the Company to make certain cash payments in the future. Head N.V. does not expect to make significant contributions during 2010.

In January 2004, HTM, one of our subsidiaries, sold €135.0 million of Senior Notes. In August 2009, in connection with the Exchange Offer €85,723,000 in principal amount of existing Senior Notes were 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 10% Secured Notes and 22,491,278 shares newly issued to the noteholders. Also, tendering noteholders 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 was forfeited.

The contractual interest payable under the Company's mortgage agreement is 7.33%, under its sale-leaseback agreement is 6.7% and, under the Company's other long-term debt, it varies between 1.40% and 12.0% on its business venture liability (3.54% on average).

Expected interest expense on contractual obligations for the periods indicated are as follows as of December 31, 2009, (in thousands):

Expected Interest Expense	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years	Total
Long-Term Debt Obligations					
8.50% Senior Notes due 2014.....	€ 2,389	€ 4,777	€ 2,588	€ —	€ 9,754
10.0% Senior Notes due 2012.....	4,374	6,925	—	—	11,299
Mortgage.....	242	331	179	102	854
Other Long-Term Debt	438	843	814	404	2,499
Capital (Finance) Lease Obligations					
Sale-Leaseback.....	640	1,246	1,194	1,409	4,489
	<u>8,083</u>	<u>14,123</u>	<u>4,775</u>	<u>1,915</u>	<u>28,895</u>

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's consolidated financial statements prepared in accordance with IFRS as adopted by the European Union are dependent upon and sensitive to accounting methods, assumptions and estimates that the Company uses as a basis for the preparation of our consolidated financial statements and reconciliation. The Company has identified the following critical accounting estimates and related assumptions and uncertainties inherent in its accounting policies that the Company believes are essential to an understanding of the underlying financial reporting risks, and the effect that these accounting estimates, assumptions and uncertainties have on its consolidated financial statements under IFRS as adopted by the European Union.

Impairment of Trade Receivables

The Company maintains a provision for impairment of trade receivables for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of its customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provisions may be required. The Company specifically analyses trade receivables and evaluates historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in its customer payment terms when evaluating the adequacy of the provision for impairment of trade receivables. These estimations are continually reviewed. Major recoveries related to changes in reserves did not occur in 2009 and there has been no change in the Company's policy in relation to the provisions.

Impairment of Long-Lived Assets

Property, plant and equipment and other intangible assets with a definite useful life are initially stated at cost less accumulated depreciation and impairment losses. 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 its current plans. The Company's 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 its 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 realised gains and losses on asset disposals and consideration of market trends such as technological obsolescence or change in market demand.

Goodwill and other intangible assets with an indefinite useful life are carried at cost less accumulated impairment losses and are tested at least annually for impairment. An intangible asset is classified as having an indefinite useful life when the future economic benefit of such asset is not limited to a certain period of time.

When events or changes in circumstances indicate that the carrying amount may not be recoverable, property, plant and equipment and intangible assets are reviewed for impairment. When such assets' carrying

amount is greater than the recoverable amount of those assets, an impairment loss is recognised equal to the difference between the fair value of the assets and their carrying value. Factors the Company considers important, which could trigger an impairment review, include the following:

- significant underperformance relative to historical or projected future results;
- significant changes in the manner of our use of the acquired assets or the strategy for the related business; and
- significant negative industry or economic trends.

The assessment of tangible and intangible long-lived assets for possible impairment requires certain judgments and estimates to be made by us, primarily related to our future cash flows. The Company's future cash flows reflect a number of assumptions including sales volume, prices and terminal values of tangible long-lived assets, which are based on the expected life of products and forecasted life cycle.

While the Company believes that its assumptions are appropriate, such estimates could differ materially from what will actually occur in the future.

Provision for Product Warranties

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

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 is written down to the net realisable value based upon assumptions about future demand and market conditions. If actual future demand or market conditions are less favourable than those projected by the Company, additional inventory write-downs may be required.

Realisation of Tax Loss Carry Forwards

The Company recognises deferred tax assets in the amount that the Company believes is probable to be realised. While the Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the amount to be realised, in the event the Company was to determine that it would not be able to realise 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.

As of December 31, 2009, the Company recognised €49.2 million of deferred tax assets, mainly on Austrian tax loss carry forwards. The Company believes it is probable that these deferred tax assets will be realised. Austria and some other countries allow an unlimited carryover of net operating losses. The realisation of operating loss carry forwards in a given jurisdiction is ultimately dependent upon the Company's ability to

generate future earnings in the respective jurisdictions. There can be no guarantee that the Company will generate future earnings.

WORKING CAPITAL STATEMENT

Head N.V. is of the opinion that the working capital available for Head N.V. is sufficient for its present requirements for the next 12 months from the date of the publication of this Prospectus.

11. BUSINESS AND INDUSTRY OVERVIEW

OVERVIEW

We believe we are a leading global manufacturer and marketer of branded sporting goods serving the skiing, racquet sports and diving markets. We have created or acquired a portfolio of brands—*Head* (principally alpine skis, ski boots, bindings and snowboard products and tennis, racquetball and squash racquets, tennis balls, tennis footwear and badminton products), *Penn* (tennis balls and racquetball balls), *Tyrolia* (ski bindings) and *Mares* (diving equipment). We believe our key products have attained leading market positions and are used by many of today's top athletes.

With a broad product offering marketed mainly to middle to high-price points, we supply sporting equipment and accessories to all major distribution channels in the skiing, racquet sports and diving markets, including pro shops, specialty sporting goods stores and mass merchants. Our products are sold through over 37,000 specialty sporting goods stores, chain stores and department stores in over 85 countries and target sports enthusiasts of varying levels of ability and interest ranging from the novice to the professional athlete. Our strongest presence has traditionally been in Europe.

Over the past six decades, we believe we have earned a reputation as a leading developer and manufacturer of innovative, high-quality and technologically-advanced sporting equipment. Our focus continues to be on our core products of skiing, tennis and diving equipment. In order to expand market share and maximise profitability, we have increased our emphasis on marketing and new product development, further leveraging our brands, global distribution network and traditional strength in manufacturing.

OUR PRODUCTS

Winter Sports

Winter Sports products accounted for 45.8% of our total net revenues in 2009.

Head Ski

We believe our *Head* ski brand is one of the leading ski brands in the world. We sell a broad range of carving skis designed for all levels of skiers, from the novice to the professional racer. Our ski products represented 35.6% of our total Winter Sports net revenues in 2009.

Technology

We believe that we are an industry leader in the development of innovative and technologically-advanced skis. Our skis are differentiated from various other skis by patented technical features and directional stability. In February 2002, we introduced a patented “ski management” system—*Head Intelligence* skis. This product line utilises the technology we introduced in 2000 with our *Head Intelligence* line of tennis racquets and incorporates the piezoelectric *Intellifiber* and *Head Chipsystem*. *Head Intelligence* skis transfer the energy created from contact with the surface of the snow through the Intellifibers, which absorb vibrations and adjust the stiffness of the skis based upon speed and snow conditions. During the Winter Olympics in Turin in 2006, we introduced our high-end Liquidmetal skis. With our latest introduction of Hollow Glasfiber Technology (Aircoat), we have introduced high performing superlight skis in the recreational segment, including models specifically designed for women. In 2009 we introduced KERS technology (Kinetic Energy Recovery System) which was used very successfully by our sponsored race team in the World Cup and at the Olympics in Vancouver.

Market Share

We estimate that the global ski market was approximately €300 million at the wholesale level in 2009. We believe, based on our market knowledge and experience, that in 2009 *Head* skis were the number two selling skis in Europe and that we held the number three position worldwide based on units sold. We estimate our market share for skis worldwide was 16% in 2009, approximately twice our estimated market share of 8% for our *Head* skis in 1996.

Our strategy is to increase our market share through geographic expansion and focused product offerings. We plan to pursue market share growth in the United States and are seeking further opportunities in developing ski markets such as Eastern Europe and, to a lesser extent, South America and China.

Positioning

We were the first ski manufacturer to introduce a fully integrated line of skis, boots and bindings. We believe that this integrated product offering is key to maintaining preferred relationships with trade customers and increasing our global market share. In addition, our integrated product line allows us to achieve synergies in distribution and engage in joint product development among our internal product groups in the development of new carving products and other products.

Manufacturing

We manufacture *Head* skis at our manufacturing plants in Kennelbach, Austria and České Budejovice, Czech Republic, where we use a computerised manufacturing system. As part of our efforts to reduce costs, we have transferred most of our ski manufacturing from our plant in Kennelbach to our plant in České Budejovice. We have been able to greatly improve our labour productivity through factory automation. We use some of our excess capacity to manufacture skis for other branded ski companies.

Bindings

We believe that we are the largest manufacturer of ski bindings. Our bindings business represented 26.2% of our total Winter Sports net revenues in 2009. In 2007, we produced bindings under the *Head* brand for the first time.

Technology

We believe that the *Tyrolia* brand has consistently offered outstanding performance in safety and reliability while introducing technological innovations.

In 2006, we introduced a redesigned junior *Rail Flex* line with improved performance and a women-specific line of light-weight *Rail Flex* models, both of which can be adjusted without tools, based on boot size. We are currently in the process of extending this line to adults.

In 2007, we introduced *Speedrail* based on the existing *Rail Flex* system but with a new length adjustment feature and easier mounting capabilities for the dealer. For our professional racers we developed a complete new racing heel and a new *Free Flex* function called *Free Flex Pro*. The new racing bindings were only used by professional ski racers in 2007, and were launched in the retail market in 2008. They show improved performance, as demonstrated by our successes in the World Cup.

In 2008, we introduced a redesigned and improved rental line to assure our leading position in that market segment. In 2009 we introduced the new Power Rail System which allows easy boot size adjustment and pre-mounting in shop. This system can be used for retail, rental and demo.

Market Share

We estimate that the market for bindings worldwide was approximately €140 million at the wholesale level in 2009, a substantial decrease compared to 2007, due to the extraordinarily warm winter worldwide during the 2006/2007 season which did not lead to a market recovery in 2009. We estimate that our market share worldwide in production of bindings was approximately 31% in 2009 in terms of number of units sold (including production for other Original Equipment Manufacturers, or OEMs).

We continue to observe a growing demand for integrated bindings systems, specific features for shaped skis as well as new technologies. We intend to respond to these changing demands by developing complete new and innovative solutions of integrated binding-ski systems to enhance the coordination of movement and forces of all products equipped with these systems. These integrated systems also offer convenient mounting technology for our dealers.

Manufacturing

All of our *Head/Tyrolia* bindings are manufactured at our technologically-advanced plant in Schwechat, Austria and assembled under our supervision in the Czech Republic. *Head/Tyrolia* bindings consist of over 100 separate components, many of which are made in-house. Most of the assembling is performed by robotics, with the remainder being assembled by hand.

Ski Boots

We market our ski boots principally under the *Head* brand name. We also supply private label boots marketed to lower price points. Our ski boot business represented 26.2% of our total Winter Sports net revenues in 2009.

Technology

In 2007, we introduced *Raptor*, a new performance oriented line of boots. This line has been designed with two different types of fit and with the direct contribution of our racers, including Bode Miller who was involved in all stages of product development. The *Raptor* boots offer a classic racing style, together with a high level of comfort. In 2007, we also introduced a new technology that allows us to customise the design of our boots. In terms of sales, our new *Edge+* product line has the potential to reinforce our strong position in the recreational segment. In 2008, we introduced the *i-Type*, an innovative ski boot which features several patented solutions such as the *Flex Walking Sole*, to walk more easily and safely and the *Double Memory Buckles*, which close the forefoot with a simple movement and keep the closing position memorised. The boots also feature the *Auto Ski Walk*, an intelligent mechanism that automatically selects the walking and skiing mode when stepping out of or into the ski binding. A new line of ski boots, *Vector*, was launched in 2008/2009, which has been designed for the high performance skier.

Market Share

We estimate that the market for ski boots worldwide was approximately €210 million in 2009. Based on our market knowledge and experience, we believe that *Head* ski boots held a solid number three position worldwide in 2009 based on units sold. We estimate that our volume market share in 2009 was approximately 17%, compared to an estimated 9% market share in 1998, reflecting continuous yearly increases in market share.

Manufacturing

In 2004, we transferred the production of our ski boots from Estonia to our new factory in Litovel, Czech Republic, which allowed us to improve our efficiency and service. We completed the transfer of our production to the Czech Republic in 2006 with the closure of the injection department in Italy. Since 2006, we have produced all of our ski boots in the Czech Republic.

Snowboards

We market our snowboard products under the *Head* brand. These products accounted for 12% of our total Winter Sports net revenues in 2009.

Technology

In 2009, we launched the unique *NEXT* binding concept with total auto-open straps. This innovation avoids straps from getting in the way when entering or stepping out of the binding, so far the main problem with strap bindings. In the rental market, we introduced our *Speed Disc* and *TNT Shield* technologies, which facilitate the adjustment of bindings by our dealers and enhance the protection of rental snowboards, respectively. In addition, the top line of snowboards have been upgraded to include KERS technology. The Company has also introduced a unique speed lacing system (SLS) in its snowboard boot line.

Market Share

We estimate that the global market for snowboards was between 0.9 and 1.0 million units in 2009 and that our market share was approximately 6.5% worldwide.

Manufacturing

We rely on contract manufacturers in Austria for snowboards and contract manufacturers in China for snowboards, snowboard bindings, boots, helmets, body protection and bags.

Wintersports Protection

The Protection category is the fastest growing segment of winter sport.

Technology

Focusing on in-mould technology and lightweight materials, the *Head* helmet line offers some of the lightest helmets on the market. Innovations like *Twist Stop Goggle Retainers* that prevent goggles from slipping, *Radiant Ventilation* for climate control in the helmets, full cover beanie liners for better fit, the first women-specific liners, height adjustable ear pads for individual fitting and integrated visors to prevent cold spots between the helmet and goggles have added to the uniqueness of *Head* helmets. We also offer spine protection equipment.

Manufacturing

We rely on one of the most competitive helmet contract manufacturers and one of the most respected body protection manufacturers in China.

Racquet Sports

Racquet Sports products accounted for 38.5% of our total net revenues in 2009. Under the *Head* brand name, we design, engineer and manufacture a broad offering of tennis racquets, squash racquets, badminton racquets, racquetball racquets and tennis footwear. We also sell tennis accessories under the *Head* brand and tennis balls and racquetball balls under the *Head* and *Penn* brand. In the fall of 2006, we introduced a full range of *Head* badminton products, including racquets, shuttlecocks, footwear, apparel and accessories. In 2007, we successfully entered the market of tennis footwear with a brand new range that first shipped in the spring of 2008.

Head Racquets

We estimate that in 2009 our *Head* racquets were the number two brand worldwide. Revenues from racquets amounted to 57.9% of our total Racquet Sports net revenues in 2008.

Technology

Over a period of ten years, we have gained technological leadership in the tennis market with many new, innovative technologies such as *Titanium*, *Intelligence*, *Liquidmetal*, *Flexpoint*, *Cross Bow* and *Microgel*. Leading global tennis publications such as “U.S. Tennis Magazine” and the German “Tennis Magazin” thoroughly test-play *Head* racquets against relevant competitor products and consistently rate new *Head* racquets amongst their top choices. During the second quarter of 2009, the Company launched a new umbrella technology called YouTek. These new racquets included the YT Radical and Speed Series.

We also cross-leveraged technologies to create line extensions in *Head* Squash and Racquetball with the *Titanium*, *Intelligence* and *Microgel* models.

Market Share

We estimate that the market for tennis racquets worldwide was approximately 9.4 million racquets at wholesale level corresponding to a revenue of approximately €266 million in 2009. Based on independent market statistics and our own market knowledge and experience, we believe *Head* branded tennis racquets were number two worldwide. We estimate that our market share of overall revenues generated for 2009 was approximately 21% worldwide and that our European market share was 25%.

On a long-term basis, due to our continued investment in research and development, global sales, marketing and distribution networks and increasing our level of market penetration, we seek to continue to grow our global market share for our tennis racquet products, increasing our presence in the U.S. and Japan and capitalizing on opportunities in developing markets such as Asia, South America and Eastern Europe.

In 2009, we estimate that our racquetball racquet market share was 25% in the U.S. racquetball market. We estimate that we were the number two brand in the racquetball racquet market in 2009.

Manufacturing

Production of almost all of our globally sold racquet sports (except balls) products is outsourced to third-party manufacturers in China and other Asian countries. Only a few minor items are produced in Europe.

Penn and Head Tennis Balls

We believe that Penn is one of the world’s leading manufacturers and marketers of tennis and racquetball balls. Revenues from our tennis ball division amounted to 36.3% of our total Racquet Sports net revenues in 2009.

In 2006, we launched the *Head* tennis ball brand in all markets outside the Americas to take advantage of *Head*’s strength in the market for tennis racquets worldwide. *Penn* balls will continue to be marketed and sold in some of these markets but are mainly sold in the Americas and used to sponsor tournaments in the United States.

Technology

Penn and the tennis ball division have introduced many innovations, including:

- “play related” tennis balls for different court surfaces and high altitude play;
- optical yellow tennis balls, which have become industry standard;

- the pull ring can with plastic lid;
- *Smart Optic* felt with 19% more visibility; and
- *Encore* technology for enhanced ball durability.

Market Share

We estimate that the market for tennis balls is approximately €176 million worldwide, with approximately 23.3 million dozen tennis balls sold in 2009. We believe *Head* and *Penn* were the market leaders in balls sold globally in 2009 with a volume market share of 34.7%.

The market for racquetball balls is concentrated mainly in the United States, which we estimate accounts for over 90% of the world market. In the United States, we estimate our market share was approximately 74% in 2009. Since the early 1990s, annual racquetball balls sales, including *Penn* racquetball balls sales, have been declining, and we expect the market to remain flat over the next few years.

Manufacturing

In 2006, we completed in cooperation with a business venture partner, a new tennis ball plant in Shenzhen, China, which began producing tennis balls in January 2007. Effective March 5, 2009, the Phoenix production plant closed and subsequently all tennis and racquetball products sold globally are manufactured in the new plant in China.

Head Badminton Products

Head N.V. entered the badminton equipment business in 2007. To support the introduction of our new business, Head formed a partnership with the Danish Badminton Association as the organisation's exclusive equipment supplier. With this partnership, Head has also secured worldwide television exposure through international tournaments in Denmark, including the Denmark Open and Copenhagen Masters. The Denmark Open is the biggest badminton tournament in Europe in prize money and is part of the new International Super Series introduced by the International Badminton Federation in January 2007.

Manufacturing

Manufacturing of all of our badminton products is outsourced to third-party manufacturers in China and other Asian countries.

Diving

Our diving business represented 14.2% of our total net revenues in 2009. *Mares* products cover the upper and middle market segments and include several models of air regulators, buoyancy compensator jackets, diving fins, diving masks, snorkels, exposure suits and diving computers. In addition, we offer a variety of air tanks and valves, diving boots and gloves, underwater flashlights, equipment bags, knives and various other accessories and diving instruments. In 2009 the diving division launched a swimwear equipment (goggles) and apparel range under the Head brand.

As part of a strategic decision to unify our diving products under a single brand name, sales of products under the trademark *Dacor* will be terminated and have already been substantially reduced. Furthermore, the *Sporasub* trademark has been sold.

Technology

Mares has historically been the industry's technological leader and has introduced many ground-breaking diving products ahead of the competition, including plastic fins, underwater guns and high-performance

regulators. A large part of *Mares*' sales is dependent on patented technology, including air regulators, diving fins and diving masks and the new *Liquid Skin* technology.

Market Share

We estimate that the market for diving equipment was approximately €400 million in 2009 based on exchange rates at that time. Based on our market knowledge and experience, we believe that in 2009 our *Mares* brand of diving equipment had one of the best market positions in Europe and worldwide at the wholesale level. Our market share worldwide for the *Mares* brand for 2009 is estimated at 14%.

Manufacturing

Our manufacturing setup is split into three major areas:

Higher-value-range products and latest innovations including diving computers, top of the line regulators, fins and our *Liquid Skin* diving masks are produced in our factory in Rapallo, Italy, or by subcontractors in the region.

Medium-range products, including fins, buoyancy control devices, or BCD, entry/mid level regulators and some accessories, are produced in our recently-finalised plant in Bulgaria, achieving lower production costs and higher production flexibility.

Neoprene *Mares Aquazone* snorkelling and swimming products as well as accessories are sourced in the Far East, generally based on designs developed by *Mares* in Italy.

Licensing

Licensing enables us to expand the *Head* name to additional product categories. Revenues from licensing amounted to 1.7% of our total net revenues in 2009.

Head apparel contributes approximately two-thirds of the total royalty income and is licensed in all important markets worldwide, including Europe, U.S., Japan and China. We also grant rights to the *Head* brand for other product categories such as footwear, luggage, eyewear, watches, equipment, bikes, toiletries and accessories. In addition to *Head*, we license the *Penn* brand name to approximately 10 licensees worldwide, primarily for apparel, footwear and golf products.

Licensing generated revenues of €5.5 million for the *Head* and *Penn* brands in 2009. We intend to explore other licensing opportunities for products suitable to the image of our brands. We believe that China may offer considerable potential for a further increase in licensing revenues.

We believe that substantial licensing opportunity exists by capitalizing on the success of our strong-selling products as well as through improved leveraging of our brand portfolio. We also intend to protect and maintain the premium image of our brands by licensing only high-quality goods within compatible product lines. In certain parts of Europe, Head has terminated sportswear licensing and taken this in-house. Apparel will enter the market direct from Head in 2011.

SALES AND DISTRIBUTION

Our products are sold in over 85 countries to over 37,000 accounts (specialty sporting goods stores, chain stores and department stores). Our worldwide direct sales force comprised of approximately 200 persons as of December 31, 2009. In addition, we utilise sales representatives and independent distributors to serve specialised markets and related distribution channels.

The table below shows total net revenues from external customers by geographical region, based on the location of the Company's subsidiaries (in thousands):

	For the Years Ended December 31,		
	2009	2008	2007
	(in thousands)		
Total Net Revenues from External Customers:			
Austria	€137,664	€137,016	€128,772
Italy	30,705	34,253	36,374
Other (Europe)	46,089	45,913	48,020
Asia	24,296	24,048	15,567
North America	80,294	84,801	92,259
Total net revenues	€319,048	€326,030	€320,992

Europe

Sales to customers within Europe accounted for 60% of our 2009 sales. We have centralised our European distribution organisations 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 GmbH invoices and ships products to our customers in Switzerland, Germany, Italy and Austria. As a result, all of our invoicing to customers in these markets and to third-party distributors worldwide occurs from Head International. The related former European distribution companies now function as sales agencies.

North America

Sales to customers in North America accounted for 26% of our 2009 sales. We distribute *Head*, *Tyrolia*, *Penn* and *Mares* products through our subsidiaries Head USA, Inc. and Head Canada Inc. Under Head USA, Inc.'s leadership, Winter Sports, Racquet Sports and Diving have separate sales/marketing organisations and sales forces, but share all administrative and logistical functions. Our goal is to improve distribution to increase penetration in North America and re-establish *Head* in the U.S. winter sports market.

The success of our *Head Titanium*, *Intelligence*, *Liquidmetal*, *Microgel* and *YouTek* racquets, as well as our endorsement by the U.S. Professional Tennis Association, the world's largest association of tennis-teaching professionals, and other sales and marketing efforts have helped to significantly raise Head's profile as a tennis brand in North America.

Asia

Sales to customers in Asia accounted for 10% of our 2009 sales. In Japan, our largest market in Asia, our Winter Sports products are distributed by our own subsidiary distribution unit, while our diving products are distributed by third parties. In 2007, we terminated our distribution agreement with a third party and integrated the Racquet Sports distribution into our own subsidiary in Japan. Customers in Hong Kong are served through our newly-founded subsidiary in Hong Kong. For the rest of Asia, our products are sold only to independent importers or distributors on a wholesale basis. Because we believe that we have significant growth potential in Asia, we are developing closer working relationships with all Asian *Head* distributors through the subsidiary in Hong Kong and a newly-established representative office in Shanghai.

Other Markets

Sales to customers in other markets accounted for 4% of our 2009 sales. These markets mainly consist of Latin America, Africa and Australia. We believe sales were made in over 50 countries in 2009 in these markets. Sales of our products to these regions are made by independent importers/distributors.

MARKETING

We consider the marketing function to be key to promoting our brand names worldwide. Our marketing strategy is centred around the *Head*, *Tyrolia*, *Penn* and *Mares* brands. We believe that there are significant opportunities to continue to build these brands and that increased coordination between our marketing and product development teams has greatly improved our ability to efficiently develop products consistent with consumer preferences. As a result, we have been able to increase the frequency and efficiency of our product innovations as well as the depth of our product lines in each of our key categories. Consumer research has become an integral part of product development and advertising campaigns. Each of our products is fully supported by a consistent, integrated marketing program, which is designed to be responsive to the demands of our target customers.

We use marketing strategies directed at retailers and the final end-users of our products to increase demand. Our marketing strategy for retailers is aimed at educating them on the technical features of our products. We hold clinics for retailers and sales people to inform them about our various product lines. We provide retailers with videotapes, DVDs and product brochures to further educate and assist the retail sales team.

We currently operate several websites including www.head.com, www.ridehead.com, www.tyrolia.com, www.pennracquet.com, and www.mares.com, which advertise our products and list our distributors. In recognition of the penetration of the Internet and growth in e-commerce, we have expanded our usage and reliance on the Internet, including:

- an “Online Management System,” allowing retailers to place and track orders and review credit status; and
- additional website content to cover sports and related information.

In addition, to create consumer interest, we use product promotions and point of sale advertising with sporting goods chains and through our dealers in each of our product categories. Our main website (www.head.com) continues to take a more dominant role in our overall advertising.

- We devote significant marketing resources to our ski business, including training by an in-house winter sports specialist to educate retail salespersons so they can sell *Head* skis more effectively. We also coordinate with retailers to improve displays of *Head* products and provide in-store promotional materials such as consumer catalogues, banners and posters. Head participates in a number of trade fairs each year to launch its new products and advertises its skis in leading specialty ski publications.
- Our snowboarding and protection products are promoted through our sponsorship of top calibre riders, international snowboard camps, special interest media events, snowboarding videos and Internet sites. We also have promotions in ski resorts in Europe in which potential customers can try our snowboarding equipment. Sales to end-users are supported by in-store training and point of sale materials.
- Our Racquet Sports division conducts a variety of marketing programs targeted to a broad range of players, including demonstration programs for consumers and, in coordination with retailers, in-store promotions and dealer incentive programs. We advertise our racquets in specialty tennis magazines and participate in advertising programs with specific sporting goods chains. We also advertise our products online and communicate directly with consumers globally through web-based marketing.
- We operate a strong grassroots program introducing our tennis products to instructors, coaches and other opinion leaders who are in a position to generate interest and influence the decisions of the ultimate customer. For example, through *Head* and *Penn*, we participate in the U.S. “Tennis Welcome Center” program, sponsored by the Tennis Industry Association (TIA) and the United States Tennis Association (USTA), which is designed to introduce consumers to tennis through free coaching sessions, equipment and access to courts.
- Our Diving division advertises in a number of specialised publications worldwide and conducts promotions and media campaigns in stores, diving centres and tourist resorts. *Mares* achieves high

visibility in major specialty magazines as well as larger mass media due to focused partnerships with diving resorts, aquariums and athletes. Special attention is dedicated to the *Mares* website (www.mares.com), which hosts over half a million visitors per year.

To complement our marketing strategies, we cultivate the endorsement and promotion of our products among athletes. These endorsements emphasise technical performance and increase brand awareness.

In August 2007, we entered into an alliance with the global environmental charity, Cool Earth. The partnership will result in a worldwide environmental program. As part of our initiative with Cool Earth, we encourage sports enthusiasts and consumers to increase their own carbon responsibility with Cool Earth. All products we manufacture and sell worldwide under the *Head*, *Penn*, *Tyrolia* and *Mares* brands will feature information about Cool Earth and the global warming issue. We have also launched a “Don’t pray for snow. Do something” advertising campaign in September 2007 that featured well-known athletes, including ski racer Bode Miller.

RESEARCH AND DEVELOPMENT

We believe that we are an industry leader in the development of innovative and technologically-advanced sports equipment. Our research and development groups identify consumer needs and shifts in consumer preferences in order to develop new product ideas and concepts to satisfy consumer demand. To ensure quality and precision, the majority of our products are designed on our own computer-aided design and manufacturing, or CAD/CAM, systems.

We believe that our high level of expertise is evident in all our product lines. Since Howard Head developed the first metal ski in 1950, we have consistently introduced new materials and processes into the manufacture of skis, including fibreglass, graphite, aluminium and titanium, and created an industry trend when we introduced the first complete line of carving skis. In 2005, we introduced the new “*Supershape*” ski, appropriately named because of the pronounced side-cut in the design. We believe that the incorporation of *Intelligence* Technology, to enable the ski to adapt rapidly to different conditions, and Liquidmetal qualities create a highly-competitive product. In 2008, we focused on our range of skis for women with the *Head One* series, which is designed to provide improved edge grip and easy turn initiation for the mid-speed range. In 2009 we introduced the KERS technology (Kinetic Energy Recovery System) into our top end skis.

The *Head* ski boots product line has well-established research and development resources and is one of the leading innovators, with a long history in ski boot manufacturing. In 2006, we introduced a new line of boots, named *Dream Thang*, specifically designed for women. The project represents the first 4 buckle boot developed specifically for women’s needs in terms of fit and skiing performance. In 2007, we introduced the new Racing project developed with our Racing Team and the *Edge+* line which features important innovations developed in recent years, such as Double Power Buckles, and an excellent level of comfort and ease of use. In 2008, we introduced *i-Type* line which allows skiers to comfortably walk in their ski boots. With its numerous varieties of different lasts, technical features and constructive solutions, *Head* offers the most complete range of products and specific projects for all target groups. In 2008/9 the VECTOR ski boot was launched for high performance skiers.

In the area of bindings, we continually introduce new technical features for improved performance, safety and comfort such as the newly-developed *Free Flex* systems, the unique safety “ABS” anti-friction toe plates, the new and lighter Diagonal safety feature, new integrative solutions with new mounting processes (*Rail Flex* System), innovative light-weight constructions and changes in styling and appearance in each two-to three-year product cycle. In 2006, we introduced a redesigned junior line with improved performance and light-weight *Rail Flex* models for women. In 2007, we introduced Speedrail as the next step in our *Rail Flex* system development. We also developed a complete *Head* branded product line for the 2007/2008 season. In 2008, we redesigned our rental line and introduced an adult and a junior faceplate focused on the needs of our athletes, and in 2009 we introduced the Power Rail System for easy boot adjustment and pre-mounting.

Our expertise in tennis racquet design resulted in the introduction of innovative products. In 2005, we launched *Head Flexpoint*, a unique racquet design that allows the user to obtain better control over the ball without sacrificing power. The year 2006 saw the launch of our technology, *Metallix*, geared towards recreational players. In 2007, we launched a Series of *Microgel* racquets primarily targeted at the advanced player market and endorsed by some of the best players in the world, such as Marat Safin, Andy Murray, Richard Gasquet, Svetlana Kusnetsova and Amelie Mauresmo. In 2008, we launched the *Cross Bow* technology, which aims to improve recreational players' game through specific product features. In 2009 we launched YouTek which is incorporated in the Radical and Speed series.

Penn has long been a major source of innovation in the tennis ball market, improving tennis balls through, for example, the introduction of "play related" tennis balls for different court surfaces and altitudes, optical yellow tennis balls, which have become industry standard and recyclable plastic tennis ball containers with pull ring and plastic lid.

Mares has almost a 60-year history of product innovation and we believe is one of the most advanced research and development centres in the industry. In 2007, we launched the *Liquid Skin* mask, which consists of two different areas of silicone to provide superior comfort. The technology used to produce this skirt is patented and differentiates us strategically not only by its appearance but also as compared to the growing imports of inexpensive masks produced in Asia. *Liquid Skin* mask is the most successful mask to be introduced in the history of *Mares* diving masks. Most recently, *Mares* introduced an ultra light weight regulator featuring a second stage made of carbon, and a range of swim goggles using the Liquid Skin technology.

CUSTOMERS

We sell our products through more than 37,000 specialty sporting goods stores, chain stores and department stores in over 85 countries. Our customers vary depending on where our products are sold. Our largest customers include: Price Costco and The Sports Authority in the United States; Victoria, Alpen and Xebio in Japan; Intersport International, a voluntary buying group which distributes our products predominantly in Europe; Decathlon in France and other European countries.

The payment terms that we offer to customers in our three business areas are consistent with the terms offered by other participants in the market.

Winter Sports

This business area is very seasonal. We start our winter sport sales in July and August, but our customers' sales to retail customers occur primarily in November and December. Payment by our customers is not contingent upon resale of our product by our customers. However, the standard practice in this business area is for customers to pay their vendors only after they begin to sell the vendor's products. Therefore, as a result of this practice, payment terms for this business area typically exceed 90 days, and we receive cash payments between November and February for sales starting in July. In the rental business, we agree to payment terms over one year.

Racquet Sports

Generally, payment terms are between 60 and 90 days. However, in limited cases, such as when we deliver products early or in connection with certain sales campaigns, we may grant terms over 90 days.

Diving

As a result of competition in this business area, and in line with the standard practice of our competitors, we grant payment terms of 120 days to our key customers for shipments to Italy, our major market. In addition, the diving business in Europe is very seasonal with most sales occurring in the spring and summer months.

Despite this, we produce and deliver diving equipment and products throughout the entire year so as to improve our production and logistical capabilities.

COMPETITION

The sporting goods industry is highly competitive. We compete primarily on the basis of product features, brand recognition, quality and price. We compete with numerous international and national companies that manufacture and distribute sporting goods and related equipment. We believe that we are generally in a favourable position to face the consolidation of the sports equipment market across all of our product lines.

We compete in individual market segments against various competitors.

- We believe the main competitors to our *Head* ski brand, are Rossignol, Salomon/Atomic and K2/Völkl. We believe our *Tyrolia* bindings division competes primarily with Salomon, Marker and Atomic. With respect to *Head* ski boots, we believe our main competitors are Salomon and Atomic; Nordica and Technica; and Lange and Rossignol. Dalbello is also a competitive and growing brand in several markets and in the rental segment.
- We believe the principal competitors of the *Head* tennis racquet division are Wilson Sporting Goods Co., Prince Sports Group Inc., and Babolat.
- We believe the principal competitors of *Penn/Head* tennis balls are Wilson Sporting Goods Co. and Dunlop Slazenger International. For racquetball balls, we believe our principal competitor is Ektelon.
- We believe competitors of the *Mares* diving division include Scubapro/Uwatec, Aqualung, Suunto, Oceanic and Cressi.

Some of our competitors, notably Salomon/Atomic are larger and have greater financial and other resources than we do. We generally compete on a product-by-product basis, and we believe that we generally are preserving or acquiring market share as the sporting goods industry consolidates.

SEASONALITY

As many of our goods, especially Winter Sports goods are shipped during a specific part of the year, we experience highly-seasonal revenue streams. Following industry practice, we begin to receive orders from our customers in the Winter Sports division from March until June, during which time we book approximately three quarters of our orders for the year. We 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, we begin to receive re-orders from customers, which constitute the remaining quarter of our yearly orders. This re-order inflow may last, depending on the course of weather, into the first quarter of the next year. Racquet Sports and Diving product revenues also experience seasonality, but to a lesser extent than Winter Sports revenues.

MATERIALS

As a result of the price increases for oil, rubber and steel in the world market, we have faced significant cost increases in plastic components (bindings, ski boots, diving fins), carbon-fibres (racquets), rubber (tennis balls) and metal parts (binding components and ski edges) until mid-2008. Towards the end of 2008, prices materially declined as a result of a price decrease for commodities and the economic crisis, but have since started to rise again.

PATENTS AND TRADEMARKS

We consider trademark protection to be very important to our business. Our major trademarks are registered in the United States, throughout the European Union and in several other countries. Significant trademarks include *Head*, *Tyrolia*, *Penn*, and *Mares*. We believe that these trademarks are important in identifying our

products and the trademarks are often incorporated prominently in product designs. We do not own the trademark Liquidmetal, but rather license the name pursuant to an agreement we have with Liquidmetal Technologies, Inc. This agreement had an initial term of four years commencing January 1, 2003, but was extended to December 31, 2011 under similar terms.

We utilise some proprietary or patented technologies in the formulation or manufacturing of a number of our products, including *Free Flex* technology in the manufacture of our precision bindings, “*Dimple*” and “*Shock Stop*” technology in the manufacture of our tennis racquets, “*Autowalk*,” “*Flex Walking Sole*” and “*Double Power*” buckles in the manufacture of *Head* ski boots and various other proprietary technologies used in the manufacture of our diving products. We also use patents in connection with our *Head Titanium* tennis racquets and *Head Intelligence* technology, particularly the *Chipsystem* technology. We believe our proprietary information is one of our most important and valuable assets, and generally seek patent protection for our products in countries where significant existing or potential markets for our products exist. We believe we have taken adequate measures to protect our proprietary information in all of our major markets.

We consider our proprietary technology and patent protection to be important to our business. However, we are not dependent on any one patent or set of patents. Some of our recently introduced products like *Titanium*, *Intelligence*, *Liquidmetal*, *Metallix*, tennis racquets, *Mares HUB* system and *Tyrolia* “*Super Light*” bindings have patents that have many years to run.

TREND INFORMATION

We believe the skiing market has been shrinking over the past few years. We and our competitors try to create interest by improving our products with new technical features. It is a general trend (not only in our industry) that people are more interested in improved products. We currently do not see trends as there were in previous years when, for example, there was a trend from alpine skis towards snowboards and when, during the late 1990's, there was a trend towards shaped skis.

ORGANISATIONAL STRUCTURE

Head Sports Holdings N.V. and its affiliates (including the ECJ Foundation), directly and indirectly, control in aggregate 48,242,062 shares in Head N.V. (representing 54.69% of the current issued share capital). Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch, the Company's Chairman and CEO, and his family members.

Head N.V. was formed as a public company with limited liability in 1998 and holds 100% of the issued and outstanding share capital of Head Holding Unternehmensbeteiligung GmbH, our intermediate holding company incorporated in Austria. Our primary operating subsidiary is HTM Sport GmbH, which in turn owns all of our worldwide operating and distribution subsidiaries and is the issuer of the Senior Notes and the Secured Notes.

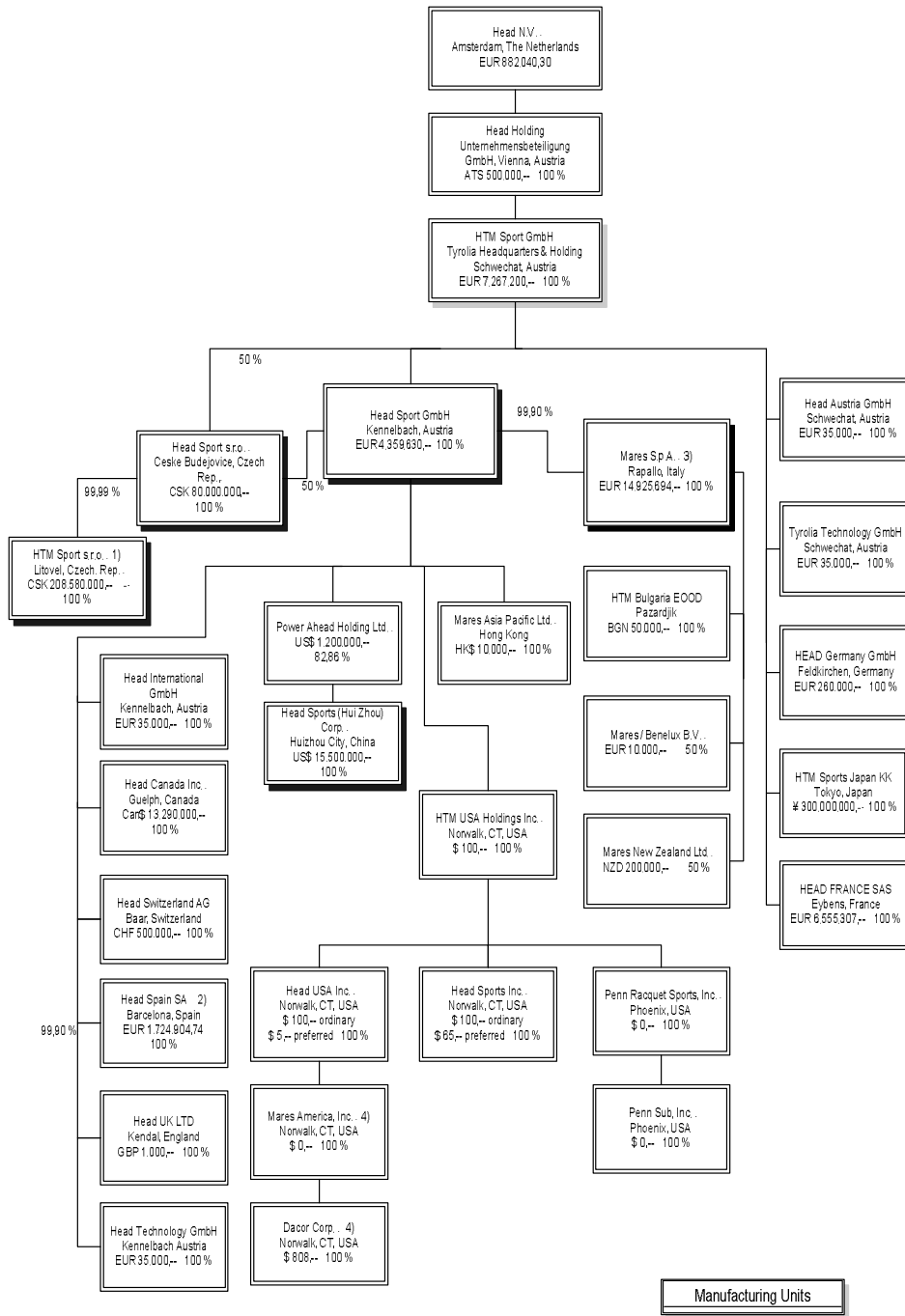
The following is a list of Head N.V.'s significant subsidiaries and their country of incorporation. The proportion of the issued capital held is the same as the proportion of voting interest.

Subsidiary	Domicile	Proportion of Issued Capital Held
Head Holding Unternehmensbeteiligung GmbH	Austria	100%
HTM Sport GmbH (formerly HTM Sport- und Freizeitgeräte AG)	Austria	100%
Head Sport GmbH (former Head Sport AG)	Austria	100%
Head International GmbH.....	Austria	100%
Head Austria GmbH.....	Austria	100%
Head Technology GmbH.....	Austria	100%
Tyrolia Technology GmbH.....	Austria	100%
HTM Bulgaria EOOD.....	Bulgaria	100%

Head Canada Inc	Canada	100%
Head Sport s.r.o.....	Czech Republic	100%
HTM Sport s.r.o	Czech Republic	100%
Head France S.A.S	France	100%
Head Germany GmbH	Germany	100%
Head UK Ltd.....	Great Britain	100%
Mares Asia Pacific Ltd	Hong Kong	100%
Mares S.p.A.....	Italy	100%
HTM Sports Japan KK	Japan	100%
Head Spain S.L.....	Spain	100%
Head Switzerland AG	Switzerland	100%
HTM USA Holdings Inc.....	United States	100%
Head USA, Inc.	United States	100%
Penn Racquet Sports, Inc.	United States	100%
Head Sports Inc.	United States	100%
	British Virgin	
Power Ahead Holding Ltd.	Islands	82.86%
Head Sports (Hui Zhou) Corp.	China	82.86%
Mares Benelux B.V.	Netherlands	50%
Mares New Zealand Ltd.....	New Zealand	50%

A diagram which sets out the structure of the group is set out below.

Organizational Chart



- 1) Minority Share HTM Sport GmbH 0,01 %
 2) Minority Share Mares SpA 0,10 %
 3) Minority Share Head Austria GmbH 0,10 %
 4) Non Operating

Status as per November 2010

PROPERTY, PLANT AND EQUIPMENT

The following table sets forth information as of the date of this Prospectus with respect to the manufacturing, production, warehousing and office facilities used by us in our business:

Location	Description	Owned/ Leased	Area (in square meters)
Kennelbach, Austria	Ski manufacturing	Leased	7,224
	Administration, marketing, research and development	Leased	5,879
Klaus, Austria	Warehousing	Leased	8,710
Schwechat, Austria.....	Binding manufacturing	Leased	13,991
	Warehousing	Leased	4,878
	Administration, marketing, research and development	Leased	1,821
Maser, Italy	Ski boot research and development	Leased	1,930
Litovel, Czech Republic	Ski boot products	Owned	7,870
	Manufacturing Warehousing	Owned	8,824
České Budjovice, Czech Republic.....	Ski manufacturing	Owned	5,790
	Warehousing	Owned	4,199
Rapallo, Italy.....	Diving manufacturing	Owned	1,500
	Warehousing	Owned	2,000
	Administration, marketing, research and development	Owned	2,500
Casazza, Italy	Manufacturing	Owned	3,966
	Warehousing	Owned	3,742
Phoenix Arizona.....	Tennis and racquetball administration, warehousing, research and development	Owned	13,009
Shenzhen, China.....	Manufacturing, warehousing and administration	Owned	37,952
Pazardzhik, Bulgaria.....	Manufacturing and warehouse	Owned	6,500

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

Additionally, we rely on third-party manufacturers in Austria (snowboards), Italy and Bulgaria (diving products), and in Asia, such as in China (accessories and snowboards, bindings, boots, helmets, body protection, badminton) and Thailand (diving products, badminton).

Further to the facilities described above, we own and lease additional facilities in various areas throughout the world. Our leased facilities have remaining terms generally ranging from one to four years.

Substantially all leases contain renewal options pursuant to which we may extend the lease terms in increments of one to four years. We do not anticipate any difficulty in renewing our leases as they expire.

Management considers our facilities to be well maintained and satisfactory for our operations, and believes that our facilities, together with our contract manufacturing relationships, provide sufficient capacity for our current and expected production requirements.

ENVIRONMENTAL MATTERS AND CONSUMER HEALTH AND SAFETY

Our operations are subject to European Union, U.S., Chinese and other national or 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 and consumer health and safety. The nature of our operations exposes us to the risk of claims with respect to

environmental matters and we cannot assure that material costs or liabilities will not be incurred in connection with such claims.

Based on our experience to date, we believe that the future cost of compliance with consumer safety rules and environmental laws, regulations and ordinances, or exposure to liability for environmental claims, will not have a material adverse effect on our 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 our operating results and financial condition.

We do not believe that there are any material environmental issues that will impact the utilisation of our tangible fixed assets.

LEGAL OR ARBITRATION PROCEEDINGS

General

From time to time, we are party to lawsuits and proceedings in the normal course of our business. We cannot predict the outcome of these lawsuits. Nevertheless, there are no legal, governmental or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware) which have had during the 12 months preceding the date of this Prospectus, or which to the best of our knowledge may have, a significant effect on the Company's and/or the Group's consolidated financial position or profitability.

Tax Matters

We are currently subject to various tax investigations, which are in various stages of development. The French tax authorities are investigating three areas and at the end of 2009 we accrued €500,000 for this case. The tax authorities have now estimated the final impact for the years 2005, 2006, 2007, 2008 and 2009 to be €442,000, and it may reduce further to €367,000 depending on the final decision by the authorities. Our UK subsidiary, Head UK LTD, has been subject to tax investigations associated with our transfer pricing practices. The UK tax authorities have made an assessment for the years 2003 to 2006 and are now investigating the years 2007 and 2008. We estimate, based on preliminary indications received from tax authorities, that the aggregate amount of tax, penalties and interest in respect of these UK tax issues could be up to £800,000. We accrued this amount in the first quarter of 2009. Authorities in Italy and the U.S. have recently commenced investigations of our tax affairs but it is too early for us to be able to assess the amount of liabilities, if any, that could arise as a result of these investigations.

INVESTMENTS

The Company has not planned any principal future investments. Accordingly, no information regarding the anticipated sources of funds needed to fulfil any such investments is provided.

RECENT DEVELOPMENTS

Appointment of Mr. Richard Hurowitz to our Supervisory Board

Mr. Richard Hurowitz was appointed as a member of the Supervisory Board in May 2010.

Increase of Company's authorised share capital

On May 27, 2010, our annual general meeting of shareholders resolved to amend the Articles to increase the Company's authorised share capital from €1,991,033.84 to €4,000,000.00, comprising an increase in the

number of Ordinary Shares from 99,551,692 to 200,000,000 and an increase in the number of Preference Shares from 99,551,692 to 200,000,000.

RMB 20 million loan agreement

In July 2009, one of our subsidiaries, Head Sports (HuiZhou) Corp., has reached an agreement to enter into a loan agreement with Bank of China Co., Ltd. (the **BoC Loan**). Under the loan, the subsidiary drew RMB 20.0 million (approximately €2.1 million) for financing its working capital requirements. The BoC 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 BoC Loan is repayable in three instalments of RMB 6.0 million in 2010 and RMB 7.0 million in each of 2011 and 2012. The BoC Loan is secured by a mortgage over land and real property of Head China located in Daya Bay, China. In August 2010 we paid off RMB 6.0 million and received on the new agreement a short-term loan of RMB 16.0 million (€1.8 million). The balance as of September 30, 2010 was RMB 30.0 million (€3.3 million).

2009 Stock Option Plan

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

On July 27, 2009, the Management Board approved the resolution that options under the 2009 Plan were granted to the Stichting. On December 31, 2009, all options have been granted to our Chairman and CEO, Mr. Johan Eliasch. None of the options have been exercised. See further "Directors and key executive officers, corporate governance and employees - Stock Option Plans – 2009 Stock Option Plan".

September 2009 Stock Option Plan

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

As at December 31, 2009, all 7,047,179 options under this plan have been granted to the Chairman and CEO of the Company, Mr. Johan Eliasch. None of the options have yet been exercised.

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

The Management Board has determined that the options under each of the 2009 Plan and the September 2009 Stock Option Plan will be equity settled.

12. DIRECTORS AND KEY EXECUTIVE OFFICERS, CORPORATE GOVERNANCE AND EMPLOYEES

Set out below is a summary of certain relevant information concerning the directors, executive officers and employees of the Company, along with relevant provisions of the Articles. This summary does not purport to be complete and should be read in conjunction with the Articles, which are incorporated by reference into this Prospectus and is available on the Company's website at www.head.com.

DIRECTORS AND KEY EXECUTIVE OFFICES

Under our Articles, a Dutch foundation called the Stichting Head Option Plan has the power to nominate all members of the Management Board, appoint one-third 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. Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch, the Company's Chairman and CEO, and his family members.

Supervisory Board

Our Management Board is overseen by a Supervisory Board consisting of at least three members, which also oversees the more general course of our business. Up to one-third of the members of the Supervisory Board are appointed by the Stichting. The other members of the Supervisory Board are appointed by our shareholders at a general shareholders' meeting from a list of nominees drawn up by the Stichting. Our shareholders may however decide at a general shareholders' meeting, by a resolution adopted by a two-thirds majority vote, that a given list of nominees drawn up by the Stichting will not be binding. In the event the Stichting makes a non-binding nomination, our shareholders may at a general shareholders' meeting elect persons to the Supervisory Board not nominated by the Stichting by a resolution adopted by the affirmative vote of two-thirds of the votes cast. Any member of the Supervisory Board appointed by the Stichting may be suspended or removed from the Supervisory Board by the Stichting at any time. Members of the Supervisory Board appointed by the general shareholders' meeting may be suspended or removed from the Supervisory Board at any time by a majority vote of our 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. The aforementioned rights of the Stichting shall cease as described above. Our 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 our Articles that require Supervisory Board approval.

There are currently three members of our Supervisory Board. They are Mr. Jürgen Hintz, Mr. Victor Klima and Mr. Richard Hurowitz. Mr. Klima and Mr. Hintz were re-appointed as members of the Supervisory Board in May 2008, each for a period of four years. Mr. Hurowitz was appointed as a member of the Supervisory Board by the Stichting in May 2010, also for a period of four years.

The names and biographies of the members of our Supervisory Board are set forth below.

Name	Age	Title
Mr. Jürgen Hintz.....	68	Member of the Supervisory Board and Audit Committee
Mr. Victor Klima.....	63	Member of the Supervisory Board and Audit Committee
Mr. Richard Hurowitz	36	Member of the Supervisory Board

Mr. Jürgen Hintz has been a Member of the Supervisory Board of Head N.V. since May 2003. He retired in December 2004 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. He served as Chancellor of the Republic of Austria from January 1997 until his resignation February 2000. In this capacity, Mr. Klima held the Presidency of the European Union in the second half of 1998. Prior to serving as Chancellor, he served as Minister of Finance 1996-97 and Minister of Public Economy and Transport 1992-96. Prior to his political career, he was a member of the management board of the OMV oil company, responsible for finance, capital markets and acquisitions. Prior to this position, he held various management positions within OMV. Mr. Klima took up a senior management position with Volkswagen in October 2000.

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

Audit Committee

Currently Mr. Hintz and Mr. Klima of the Supervisory Board carry out the activities of an audit committee. The role, responsibilities, composition, procedures and authority of the audit committee are set out in the Audit Committee Charter, which is incorporated by reference herein.

In 2009, the audit committee held five meetings. 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 2009 annual results. It also reviewed press releases, as well as management's assessment of internal control over financial reporting. The audit plan 2009 was discussed with the external auditor and the audit fee proposal for 2009 approved. The Company's cash position, estimated impacts of the financial crises and the Exchange Offer were discussed.

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

Aside from the Audit Committee, Head N.V. does not have any other committees. Considering the small size of the Supervisory Board, all issues are dealt with by the entire board and therefore we do not believe the installation of separate committees for different issues would increase efficiency.

Management Board

As a public limited company organised under the laws of The Netherlands, our business is carried out primarily by a Management Board and by executive officers appointed by our Management Board. Members of the Management Board are appointed by our shareholders at a general shareholders' meeting from a list of nominees drawn up by the Stichting. Our shareholders may however decide at a general shareholders' meeting, by a resolution adopted by a two-thirds majority vote that a given list of nominees drawn up by the Stichting will not be binding. In the event the Stichting makes a non-binding nomination, our shareholders may at a general shareholders' meeting elect persons to the Management Board not nominated by the Stichting by a resolution adopted by the affirmative vote of two-thirds of the votes cast. Any member of the

Management Board may be suspended or removed from the Management Board at any time by a majority vote of our 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. The Management Board is authorised to represent us, as is the Chairman of the Management Board acting alone. Our Articles state that our Management Board shall consist of one or more members. The aforementioned rights of the Stichting shall cease as described in "Risk Factors — We are indirectly controlled by one shareholder whose interests may conflict with yours". Decisions of the Management Board are adopted by a simple majority of votes cast.

The members of the Management Board are appointed for an indefinite period of time.

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

Name	Age	Title
Johan Eliasch.....	48	Chairman of the Management Board and Chief Executive Officer
Ralf Bernhart.....	59	Member of the Management Board and Deputy Chairman of the Management Board (Managing Director of HTM Sport GmbH and Head Sport GmbH)
Günter Hagspiel.....	46	Member of the Management Board and Chief Financial Officer (Managing Director of HTM Sport GmbH and Head Sport GmbH)
George F. Nicolai	57	Member of the Management Board

Mr. Johan Eliasch, born in Sweden in 1962, has served as the Chairman and CEO of Head N.V. since September 1995, and is the former Special Representative of the Prime Minister of the United Kingdom. He is chairman of Equity Partners and London Films. He is a non-executive director of CV Starr Underwriting Agents and IMG, the international sports marketing group. He is an advisory board member of Investcorp, Brasilinvest, Societe du Louvre, Centre for Social Justice and the British Olympic Association. He is a member of the Mayors of London's and Rome's International Business Advisory Councils. He is the first President of the Global Strategy Forum, a trustee of the Kew Foundation and a 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 28, 2009, our general shareholders' meeting appointed Mr. Hagspiel as a member of the Management Board and the Chief Financial Officer of Head N.V.

Mr. George F. Nicolai was a member of the management team of Intertrust Netherlands B.V. (formerly Fortis Intertrust (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, Hess Corporation, Pirelli and KFC and as chairman-member of several foundations. Since January 29, 2010 Intertrust Netherlands B.V. is no longer part of Fortis Bank but became

owned by the Dutch private equity fund Waterland Private Equity Investments. Mr. Nicolai was appointed as a member of the Management Board on August 31, 2000.

Other information relating to the Supervisory Board and the Management Board

In relation to the members of the Supervisory Board and the Management Board, there have been:

- no convictions in relation to fraudulent offences for at least the last five years;
- no bankruptcies, receiverships or liquidations with which such person, who was acting in the capacity of supervisory board member or management board member of the relevant entity, was associated for at least the last five years; or
- no official public incrimination and/or sanctions of such person by statutory or regulatory authorities(including designated professional bodies).

Furthermore, none of such persons has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer, or from acting in the management or conduct of the affairs of any issuer for at least the last five years.

The address of the Company, which is Rokin 55, 1012 KK Amsterdam, The Netherlands, serves as the business address of each member of the Supervisory Board and the Management Board.

Potential conflicts of interest

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

Mr. Richard Hurowitz, a member of the Supervisory Board, indirectly controls 7,916,549 Shares in Head N.V. (representing 8.98% of the current issued share capital). This indirect control arises by virtue of the shareholdings in Head N.V. of certain investment funds, the fund manager of which is Octavian Advisors LP (whose chief executive officer is Mr. Richard Hurowitz). The Shares held by the relevant funds were acquired pursuant to the Exchange Offer in August 2009. In addition to Ordinary Shares, these funds also hold Secured Notes. See further "Liquidity and Capital Resources - Loan and Financing Arrangements – Long-term Indebtedness" in the section of this Prospectus headed "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Other than for the potential conflicts that arise by virtue of the shareholdings and holdings of Secured Notes set out above,, 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, our Articles states that in the event of a conflict of interest between Head N.V. and a member of the Management Board, Head N.V. 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.

Compensation

Compensation of members of the Management Board is determined by the Supervisory Board in consultation with the Chairman of the Management Board. Compensation may comprise of fixed and variable elements. 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 for each member of the Management Board.

Compensation of members of the Supervisory Board is determined by the general meeting of shareholders.

The table below shows the compensation of the Management and Supervisory Board for the year ended December 31, 2007 (in thousands):

	<u>Periodic payments</u>	<u>Termination payments</u>	<u>Accrued for future payments</u>	<u>Shared-based compensation income</u>
	(in thousands)			
Management Board				
Johan Eliasch.....	€ 584	€ —	€ —	€ (58)
Ralf Bernhart.....	624	—	(22)	(178)
George Nicolai	10	—	—	€ —
	<u>€1,219</u>	<u>€—</u>	<u>€(22)</u>	<u>€(236)</u>
Supervisory Board				
William S. Cohen	€ 7	€ —	€ —	€ (4)
Viktor Klima	14	—	—	(4)
Jürgen Hintz	20	—	—	(3)
	<u>€ 41</u>	<u>€ —</u>	<u>€ —</u>	<u>€ (11)</u>

The table below shows the compensation of the Management and Supervisory Board for the year ended December 31, 2008 (in thousands):

	<u>Periodic payments</u>	<u>Termination payments</u>	<u>Accrued for future payments</u>	<u>Shared-based compensation income</u>
	(in thousands)			
Management Board				
Johan Eliasch.....	€ 601	€ —	€ —	€(2,250)
Ralf Bernhart.....	601	203	(45)	(157)
George Nicolai	10	€ —	€ —	€ —
	<u>€1,213</u>	<u>€203</u>	<u>€(45)</u>	<u>€(2,408)</u>
Supervisory Board				
Viktor Klima	€ 14	€ —	€ —	€ (66)
Jürgen Hintz	20	—	—	(57)
	<u>€ 34</u>	<u>€ —</u>	<u>€ —</u>	<u>€ (123)</u>

The table below shows the compensation of the Management and Supervisory Board for the year ended December 31, 2009 (in thousands):

	<u>Periodic payments</u>	<u>Termination payments</u>	<u>Accrued for future payments</u>	<u>Shared-based compensation income</u>
	(in thousands)			
Management Board				
Johan Eliasch	€ 545	€ —	€ —	€8,452
Günther Hagspiel	328	—	76	19
Ralf Bernhart	406	—	—	31
George Nicolai	10	—	—	—
	<u>€1,289</u>	<u>€—</u>	<u>€76</u>	<u>€8,502</u>
Supervisory Board				
Viktor Klima	€ 14	€ —	€ —	€ 6

	<u>Periodic payments</u>	<u>Termination payments</u> (in thousands)	<u>Accrued for future payments</u>	<u>Shared-based compensation income</u>
Jürgen Hintz	22	—	—	6
	<u>€ 36</u>	<u>€ —</u>	<u>€ —</u>	<u>€ 12</u>

In consideration for the WCF Guarantee Undertaking (see further "Related Party Transactions"), Head Sports Holdings N.V. and its shareholders received 28,343,298 Ordinary Shares on the settlement date of the Exchange Offer. The fair value of these shares as included in the Company's audited consolidated financial accounts for the year ended December 31, 2009 was €283,433. The evaluation of the application of IFRS and a review of our financial statements by the AFM has caused the AFM, on the basis of their interpretation of relevant accounting standards, to recommend that we reconsider the attributable fair values for accounting purposes of the Shares issued for the working capital facility. Had these amendments been reflected in the 2009 account, the fair value of the shares issued to Head Sports Holdings N.V. would have been €8,502,989.

None of our Management Board members or Supervisory Board members has service contracts that provide for benefits upon termination of employment. Save for Mr. Günther Hagspiel, there are no amounts accrued to provide members of the Management Board or the Supervisory Board with pension, retirement or similar benefits. As reflected in the table above, as at December 31, 2009 Mr. Hagspiel had accrued pension benefits of €76,000.

Under the Head N.V. Executive Stock Option Plan 2001 described below under "—Stock Option Plans," we have issued options to purchase an aggregate of 2,428,044 depositary receipts representing Ordinary Shares to some of our Management Board members and Supervisory Board members. For the year ended December 31, 2009, share-based compensation income amounted to €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 below under "—Stock Option Plans," we have issued options to purchase an aggregate of 2,087,346 depositary receipts representing Ordinary Shares to our Management Board members. For the year ended December 31, 2009, share-based compensation income amounted to €0.5 million. The exercise price for all stock options granted under the 2005 Plan was fixed at inception of the Plan. The vesting period is four years.

Under the Head N.V. Stock Option Plan 2009 and the September 2009 Stock Option Plan (each described below under "—Stock Option Plans") we have issued options to purchase an aggregate of 12,847,179 depositary receipts representing Ordinary Shares to our Management Board members. For the year ended December 31, 2009, share-based compensation income amounted to €7.8 million. The exercise price for all stock options granted under the 2009 Plan was fixed at inception of the Plan. The options vest on granting.

The table below shows the details of all vested options under the Executive Option Plans for current and former Management and Supervisory Board members for the year ended December 31, 2009:

	Exercise price at the issuance	Number of non-exercised shares at beginning of the year	Number of written shares	Number of exercised shares	Number of 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
Günther 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
Günther 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

Current shareholdings of members of the Management Board and Supervisory Board

No member of the Management Board or Supervisory Board holds shares in the Company with the following exceptions:

- Mr. Bernhart exercised his 2008 options and the 120,000 underlying shares in the Company are held by the Stichting on his behalf. Mr. Bernhart has no voting rights over these shares whilst they are held by the Stichting. Mr. Bernhart, intends to instruct the Stichting Head Option plan (which holds the Ordinary on his behalf) to exercise his entitlement subscribe for all of the Offer Shares for which he is eligible (being 272,040 Offer Shares).
- Head Sports Holdings N.V. and its affiliates (including the ECJ Foundation), directly and indirectly, control in aggregate 48,242,062 shares in Head N.V. (representing 54.69% of the current issued share capital). If the equity-settled options of Mr. Johan Eliasch are taken into account, then the aggregate (potential) shareholding on a fully-diluted basis is 61,089,241 shares in Head N.V. (representing 69.3% of the current issued share capital) See further "Stock Option Plans – 2009 Stock Option Plan" and "September 2009 Stock Option Plan" in the section headed "Directors and Key Executive Officers, Corporate Governance and Employees". Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch, the Company's Chairman and CEO, and his family members. Head Sports Holdings N.V. intends to exercise its entitlement to subscribe for all of the Offer Shares for which it is eligible (being 109,364,754 Offer Shares).
- Mr Richard Hurowitz, a member of the Supervisory Board, indirectly controls 7,916,549 shares in Head N.V. (representing 8.98% of the current issued share capital). Mr Hurowitz has not expressed his intention to cause the entities that hold the shares he controls to exercise their entitlement to Offer Shares.

BOARD PRACTICES AND CORPORATE GOVERNANCE

Head's general corporate governance framework and its development

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

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

In Austria, a self-regulatory Code of Corporate Governance was drafted in October 2002 and provides corporations with a framework for the management and control of enterprises. This Austrian Code of

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

The NYSE has also issued Corporate Governance Guidelines.

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

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

In addition, since shareholders made their investment knowing that the Company is listed on the Vienna Stock Exchange, the Company believes they expect the Company to comply with all the applicable capital market related rules and recommendations of that particular Stock Exchange. Therefore, in order to avoid the application of different sets of rules within the Group and to ensure that those corporate governance standards are being followed which have been developed for the Vienna Stock Exchange, at the annual general meeting in 2008 the shareholders of the Company were asked to approve the application of the Austrian Code of Corporate Governance. Head N.V.'s shareholders approved such proposal and the Company therefore primarily follows the Austrian Code of Corporate Governance since June 2008, which was updated to reflect advancements in corporate governance practice in Europe as of January 1, 2009. A copy of the Austrian Code of Corporate Governance valid for 2009 is available on the Company's website (www.head.com).

The Austrian Corporate Governance Code

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

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

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

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

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

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

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

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

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

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

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

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

Rule 35 (an “L” rule” which therefore refers to Austrian law applicable to Austrian companies): In accordance with the Austrian Stock Corporation Act, the supervisory board shall formulate in concrete terms a list of business transactions that are subject to its approval, and depending on the size of the

enterprise, shall define the appropriate limits on amounts; this shall also apply to any major transactions concluded by subsidiaries that are of relevance to the group.

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

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

Given the small size of the supervisory board and the management board, the Boards have agreed that meetings can also be held by phone or video conference, which is in line with Dutch law.

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

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

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

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

Rule 40 (an "L" rule" which therefore refers to Austrian law applicable to Austrian companies): Irrespective of the size of the supervisory board, it shall set up an audit committee in the case of exchange-listed companies. The audit committee shall be responsible for monitoring the preparations for the accounting procedures; for monitoring the work of the auditor; for the audit and preparation of the confirmation of the financial statements, of the proposal for the distribution of the profit, and of the report of the management board. The audit committee shall also monitor the group accounting procedures, audit any consolidated financial statements and prepare a proposal for the selection of an auditor for the financial statements and shall report on this to the supervisory board. Furthermore, the audit committee shall monitor the effectiveness of the company-wide internal control system, if given, of the internal audit system and of the

risk management system of the company. At least one person with special knowledge meeting the company's requirements and practical experience in the area of finance and accounting and reporting must belong to the audit committee (financial expert). The chairperson of the audit committee or financial expert may not be a person who in the past three years has served as a member of the management board or as management-level staff or auditor of the company or has signed an auditor's opinion or for any other reason is not independent and free of prejudice.

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

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

The remuneration paid to the supervisory board is disclosed in the Annual Report and determined by the general meeting of shareholders. Given the unchanged and small size of our Supervisory Board in 2009, no separate remuneration schedule for our Supervisory Board has been published in the Annual Report.

Rule 59 (an "L" rule" which therefore refers to Austrian law applicable to Austrian companies): The co-determination rights of employees' representatives on the supervisory board form part of the statutory Austrian system of corporate governance in addition to the co-determination rights at the operational level in the form of works councils. The employees' representatives are entitled to appoint to the supervisory board of a stock corporation one member from among their ranks for every two members appointed by the general meeting (but not external members from the trade union). (Statutory one-third parity rule).

If the number of shareholder representatives is an odd number, then one more member is appointed as an employee representative. The one-third parity representation rule also applies to all committees of the supervisory board, except for meetings and votes relating to the relationship between the company and the management board members with the exception of resolutions on the appointment or revocation of an appointment of a member of the management board and on the granting of options on stocks of the company. Employees' representatives shall exercise their functions on an honorary basis and their appointment may be terminated at any time only by the works council (central works council). The rights and obligations of employees' representatives shall be the same as those of shareholders' representatives; this shall apply, in particular, to the right to receive information and to monitoring rights, to the obligation to act with due diligence and to maintain secrecy and to their liability for failure to comply. In the event of personal conflicts of interest, employees' representatives shall abstain from voting, the same being applicable to shareholders' representatives.

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

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

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

Rule 68: The company shall publish annual financial reports, half-yearly financial reports and any other interim reports in English and German language, and shall make these available on the company's website.

If the annual financial report contains consolidated financial statements, the financial statements prepared under business law contained in the annual report need to be published and made available only in German language.

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

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

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

The Dutch Corporate Governance Code

General

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

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

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

In this regard the Dutch Corporate Governance Code Monitoring Committee declared that the existing "comply or explain" rule provides sufficient scope for the Dutch companies listed abroad to comply with the Dutch Code by applying a foreign corporate governance code.

The Company has additionally decided to provide explanations in a general form with regard to deviations by the Company from the Dutch Corporate Governance as follows:

Principles and best practice provisions

II.1 The Management Board

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

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

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

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

II.2 Remuneration

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

II.3 Conflicts of interest

One of the Company's major shareholders, Mr. Johan Eliasch, who also acts as Chairman and CEO of the Company, is not an independent director given that Mr. Eliasch indirectly controls Head N.V. All related party transactions between Head N.V. and Mr. Johan Eliasch and/or entities controlled by him and/or 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 27, 2015, five years after the date of the last annual general meeting of Head N.V. when the authority of the Management Board was extended by resolution of the shareholders.

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

EMPLOYEES

The table below shows the number of employees by main category at December 31, 2009, 2008 and 2007:

	For the Years Ended		
	December 31,		
	2009	2008	2007
Manufacturing	1,256	1,553	1,360
Engineering and Patent	92	103	115
Selling and Advertising	386	409	418
Warehouse	125	129	137
Business Unit Administration	157	172	186
Total	<u>2,016</u>	<u>2,366</u>	<u>2,216</u>

The table below shows the number of employees by geographical location at December 31, 2009, 2008 and 2007:

	For the Years Ended		
	December 31		
	2009	2008	2007
Austria.....	509	587	619
Italy.....	202	208	235
Czech Republic	414	480	389
Other (Europe)	209	289	164

USA	127	184	353
China.....	518	579	396
Other	37	39	60
Total.....	2,016	2,366	2,216

We believe that our employee relations are generally good. In Austria, most of our employees are subject to collective labour agreements covering the metal and wood processing industries. Collective labour agreements have also been entered into for some employees in other countries.

STOCK OPTION PLANS

The Stichting Head Option Plans

We have established a Dutch foundation, the Stichting Head Option Plan (the **Stichting**), the Board of which is controlled by Head Sports Holdings N.V. and Johan Eliasch. Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch, the Company's Chairman and CEO, and his family members. The Stichting holds certain of our Ordinary Shares and issues depositary receipts to our employees and other third parties. The Stichting is the shareholder and therefore votes, collects dividends on behalf of the holders of depositary receipts and may also buy and sell shares in its own name and for its own account. Holders of the depositary receipts issued by the Stichting have no voting rights. The Stichting's sole corporate body is its Board; it does not have any members or shareholders. The named Administrator, Trueblue Limited, decides on the composition of the board and has the sole power to appoint any successor administrator.

Options are granted by means of an agreement between the participant, the Stichting and us. Upon the exercise of an option, the option price is paid to us, and we issue the shares or transfer to the Stichting listed shares that we have purchased, which issues the same number of depositary receipts to the participant. Holders of depositary receipts are entitled to proceeds of the sales of their shares upon request to the Stichting. However, a lockup on such shares was in effect for two years following the initial public offering on October 3, 2000.

Under the terms of all of our option plans, in the event of a stock dividend or split, split up, conversion, exchange, reclassification, issuance of capital stock or any other substitution, the administrator of the option plan may make any or all of the following adjustments as are necessary or advisable (the form of which shall be determined by the administrator in its sole discretion) to provide each participant in the option plan with a benefit equivalent to that which he would have been entitled to had such event not occurred: (i) adjustment of the number of options granted to each participant and the number of options that may be granted generally pursuant to the plan, (ii) adjust the option price of any options, and (iii) make any other adjustments, or take such action, as the administrator, in its discretion, deems appropriate.

As of December 31, 2009, the Stichting had rights to acquire 19,631,201 Ordinary Shares at the exercise price, to enable the Stichting to issue depositary receipts representing Ordinary Shares upon the exercise of options. In 2009, 34,736 options were exercised and the Stichting held 260,022 shares, as of December 31, 2009.

2000 Stock Option Plan

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

2001 Stock Option Plan

In September 2001, we adopted the Head N.V. Executive Stock Option Plan 2001 (the **2001 Plan**). The 2001 Plan provides for grants of stock options to officers and employees of Head N.V. and its subsidiaries to purchase for \$4.31 depositary receipts representing Ordinary Shares of Head N.V. Under the 2001 plan,

3,982,068 shares were granted. On September 28, 2001, a total of 3,982,068 options were granted. As of December 31, 2009, a total of 3,590,094 options were vested and still exercisable under the terms of the 2001 Plan. Upon exercise of the options, option holders receive depositary receipts rather than our shares. Depositary receipts issued under the 2001 Plan will be administered by the Stichting. Holders of depositary receipts may, upon request, receive from the Stichting the proceeds from the sale of their shares.

The exercise price for all stock options granted under the Plan was fixed at inception of the 2001 Plan. The vesting period varies from 0 to 6 years. All options that have been vested shall become immediately exercisable. As of December 31, 2009, Johan Eliasch, our Chairman and Chief Executive Officer, had received 1,991,034 options under this grant, of which 1,426,470 options vested immediately. Options have a maximum term of 10 years. As of December 31, 2009, no other shares were available for grant under the 2001 Plan.

2005 Stock Option Plan

In May 2005, at the annual general meeting, the shareholders approved the Head N.V. Executive Stock Option Plan 2005 (the **2005 Plan**). The 2005 Plan provides for grants of stock options to officers and key employees of Head N.V. and its subsidiaries to purchase for €2.168 depositary receipts representing Ordinary Shares of Head N.V. In May 2005, a total of 3,669,346 options were granted. As of December 31, 2009, a total of 3,328,346 options were vested and exercisable under the terms of the 2005 Plan. Johan Eliasch, our Chairman and Chief Executive Officer, received 1,937,346 options under this grant. Upon exercise of the options, option holders receive depositary receipts rather than our shares. Depositary receipts issued under the 2005 Plan will be administered by the Stichting. Holders of depositary receipts may, upon request, receive from the Stichting the proceeds from the sale of their shares.

The exercise price for all stock options granted under the 2005 Plan was fixed at inception of the 2005 Plan. Options generally vest over a period of four years. We assume that 95.6% of all options granted will become fully vested. Options have a maximum term of 10 years. As of December 31, 2009, 205,345 shares were available for grant under the 2005 Plan.

2009 Stock Option Plan

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

On July 27, 2009, the Management Board approved the resolution that options under the 2009 Plan were granted to the Stichting. In the best interest of Head N.V., the Management Board approved the settlement of these options to be in cash in the amount of share price less option price on the date of exercise; the Management Board has subsequently determined that these options will be equity-settled (see further "September 2009 Stock Option Plan" below). On December 31, 2009, all options have been granted to the Chairman and CEO, Mr. Johan Eliasch. None of the options have been exercised.

September 2009 Stock Option Plan

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

As at December 31, 2009, all 7,047,179 options under this plan have been granted to the Chairman and CEO of the Company, Mr. Johan Eliasch. None of the options have yet been exercised.

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

The Management Board has determined that the options under each of the 2009 Plan and the September 2009 Stock Option Plan will be equity settled.

13. PRINCIPAL SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

PRINCIPAL SHAREHOLDERS

Head Sports Holdings N.V. and its affiliates (including the ECJ Foundation), directly and indirectly, control in aggregate 48,242,062 shares in Head N.V. (representing 54.69% of the current issued share capital). Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch, the Company's Chairman and CEO, and his family members. If the equity-settled options of Mr. Johan Eliasch are taken into account (see further "Stock Option Plans – 2009 Stock Option Plan" and "September 2009 Stock Option Plan" in the section headed "Directors and Key Executive Officers, Corporate Governance and Employees"), then the aggregate (potential) shareholding on a fully-diluted basis is 61,089,241 shares in Head N.V. (representing 69.3% of the current issued share capital).

Mr Richard Hurowitz, a member of the Supervisory Board, indirectly controls 7,916,549 shares in Head N.V. (representing 8.98% of the current issued share capital).

As of the date of this Prospectus no other person is known to us to hold 5% or more of our issued share capital.

Save as set out above, the key executive officers and members of the Supervisory Board hold collectively less than 1% of our issued shares capital.

No major shareholder has different voting rights from those set out in the section headed "Description of Share Capital" below.

RELATED PARTY TRANSACTIONS

We receive administrative services from a corporation which is ultimately owned by the principal shareholder of Head N.V. Administrative expenses amounted to €4.6 million for each of the years ended December 31, 2009, 2008, 2007 and 2006. In the amended Indenture governing the Secured Notes, we have agreed to limit such expenses to €4.6 million per year as long as the Secured Notes are outstanding.

In 2001, we concluded several agreements with Mr. Johan Eliasch with respect to the management activities carried out by Mr. Johan Eliasch for the benefit of our group. In accordance with these agreements, Mr. Eliasch received an annual compensation of €545,000 for each of the years ended December 31, 2009, 2008, 2007 and 2006. See "Directors and Key Executive Officers – Compensation" in the section headed "Directors and Key Executive Officers, Corporate Governance and Employees".

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

In 2008, we signed a joint venture agreement to set up a distribution company in New Zealand in which we hold 50%. This investment of € 0.01 million was accounted for using the equity method and is recognised in "Other non-current assets." Mares S.p.A. granted a shareholder loan of €0.1 million to the newly founded company. The annual interest rate amounts to 5% p.a.. The joint venture partner had the right to purchase, at any time after December 31, 2009 all shares for the paid-in share capital at that time. Half of the loan was redeemable on December 31, 2009 but was extended. The second half of the loan was redeemable on December 31, 2010. In November 2010, an agreement was signed to terminate the joint venture. It has been agreed that the joint venture company will settle the loan on March 31, 2011.

One of Head N.V.'s subsidiaries leased its office building from its general manager. Rental expenses amounted to €0.04 million for each of the years ended December 31, 2009, 2008, 2007 and 2006.

On July 30, 2009, Head Sports Holdings N.V. and Mr. Johan Eliasch entered into an agreement with HTM and Head N.V. (the **WCF Guarantee Undertaking**) pursuant to which Mr. Johan Eliasch agreed to personally guarantee the obligations of the lender under a working capital facility providing for commitments of up to €10 million to be entered into by Head N.V. or one of its subsidiaries on commercially reasonable terms with a bank or other financial institution on or prior to the closing of the Exchange Offer, provided that Mr. Eliasch's personal guarantee would not be required if such facility was provided by a bank or other financial institution organised under the laws of the United States of America or any state thereof or the District of Columbia or any member state of the European Union having combined capital and surplus of not less than €250 million as of the date of the WCF Guarantee Undertaking. In consideration for Mr. Eliasch providing the WCF Guarantee Undertaking, the Company issued and transferred in aggregate 28,343,298 Ordinary Shares to Head Sports Holdings N.V. and its shareholders on August 19, 2009.

On August 13, 2009 we signed an agreement with a corporation, which is ultimately controlled by Mr. Johan Eliasch and his family members, for a 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. As contemplated by the WCF Guarantee Undertaking described in the paragraph immediately above, the obligations of the lender were guaranteed by Mr. Eliasch pursuant to a personal guarantee dated August 19, 2009. As of September 30, 2009 we used €2.0 million of this line, and paid €0.2 million of commitment fee and interest expense in cash. As of December 31, 2009 the outstanding amount drawn down under the facility was redeemed, the facility terminated and the personal guarantee therefore lapsed.

The Company has entered into an underwriting agreement with Head Sports Holding N.V. Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch, the Company's Chairman and CEO, and his family members. Accordingly, if no holders of Ordinary Shares that are Eligible Persons exercise their entitlement to subscribe for Offer Shares, Head Sports Holdings N.V. would acquire all of the Offer Shares and, as a result, together with its affiliates, would increase its interest in the share capital of the Company from 48,242,062 shares (representing 54.69% of the current issued share capital) to 248,242,062 shares (representing approximately 86.1% of the issued share capital of the Company immediately after the Offering) and, if the and when the Offer Shares are converted into Ordinary Shares, to 1,048,034,742 shares (representing approximately 96.3% of the Company's issued share capital after that conversion). See also "The Offering – Unexercised entitlement and underwriting arrangements".

14. DESCRIPTION OF SHARE CAPITAL

The description set forth below is a summary of material information relating to the Company's share capital and Articles as at the date of this Prospectus, together with relevant provisions of Dutch law. This summary does not purport to be complete and is qualified in its entirety by reference to the full text of the Articles.

GENERAL

Head N.V. was incorporated under the laws of The Netherlands on August 24, 1998 as a public company with limited liability (*naamloze vennootschap*), or N.V. Our commercial name is 'Head'. Our statutory seat is in Rotterdam, The Netherlands. We are registered under number 24286737 at the Commercial Register in Amsterdam, The Netherlands. Our executive offices are located at Rokin 55, 1012 KK Amsterdam, The Netherlands and our telephone number is +31 20 625 1291.

HISTORY AND DEVELOPMENT

We believe we are a leading global manufacturer and marketer of branded sporting goods serving the skiing, racquet sports and diving markets. Our Head ski division traces its origins to 1950 when it was founded by Howard Head, the inventor of the metal ski. In 1970 and 1971, AMF Incorporated acquired the predecessors of our Head ski, Tyrolia bindings and Mares diving divisions, which collectively became known as AMF's Sport Product Group. In 1989, HTM Sports Holding B.V., a company formed by Freeman Spogli & Co. and a group of Japanese investors, acquired the companies that comprised the Sports Product Group in addition to the predecessor of our ski boot activities. In 1993, this company was sold to Austria Tabak, the then Austrian government-owned tobacco monopoly, which held the company through what today is known as HTM Sport GmbH, or "HTM". Following its purchase by Austria Tabak, HTM began experiencing financial difficulties. In January 1996, our intermediate holding company subsidiary, Head Holding Unternehmensbeteiligung GmbH, or "Head Holding", acquired HTM from Austria Tabak pursuant to a Share Purchase Agreement dated September 20, 1995.

Over the last six decades, we have become one of the world's most widely recognised developers and manufacturers of innovative, high-quality and technologically advanced sporting equipment. Our focus continues to be on our core products of skiing, tennis and diving equipment. In order to expand market share and maximise profitability, we have increased our emphasis on marketing and new product development, leveraging further our brands, global distribution network and expertise in manufacturing. We have added complementary product lines and premier brands through acquisitions, including the diving products company Dacor in 1998 and the tennis ball manufacturer Penn in 1999. In October 1999, we acquired the *Blax* and *Generics* snowboard businesses and we now market their products under the *Head* brand.

SHARE CAPITAL

Our authorised share capital is €4,000,000.00, consisting of 200,000,000 Ordinary Shares and 200,000,000 Preference Shares, having a nominal value of €0.01 each. Our Ordinary Shares and Preference Shares have both been created under the Dutch Civil Code. The total nominal value of our issued share capital is €882,040.30 and consists of 88,204,030 Ordinary Shares, each having a nominal value of €0.01. No Preference Shares have been issued to date. We do not have any issued shares that are not fully paid up.

On May 27, 2010 the Management Board was granted the authority to repurchase Shares representing up to 50% of our issued share capital for a period of 18 months (i.e. until November 27, 2011).

Our Ordinary Shares were first listed on the Vienna Stock Exchange on September 28, 2000 in connection with our initial public offering.

The chart below shows the high and low market prices of our Ordinary Shares on the Vienna Stock Exchange for the financial periods indicated:

	High	Low
	<i>(euro)</i>	
Years Ended		
December 2004	3.20	1.82
December 2005	3.50	2.02
December 2006	3.95	2.41
December 2007	3.33	2.42
December 2008	2.45	0.33
December 2009	0.85	0.29
December 2010	0.63	0.42
Quarters Ended		
December 2006	2.98	2.41
March 2007	3.19	2.63
June 2007	3.33	2.75
September 2007	3.15	2.50
December 2007	2.76	2.42
March 2008	2.45	1.39
June 2008	1.53	1.25
September 2008	1.37	0.93
December 2008	1.09	0.33
March 2009	0.50	0.30
June 2009	0.46	0.29
September 2009	0.57	0.30
December 2009	0.85	0.59
March 2010	0.63	0.43
June 2010	0.51	0.43
September 2010	0.50	0.44
December 2010	0.55	0.42
Months Ended		
January 2010	0.63	0.54
February 2010	0.56	0.43
March 2010	0.48	0.43
April 2010	0.51	0.47
May 2010	0.51	0.45
June 2010	0.48	0.43
July 2010	0.50	0.45
August 2010	0.48	0.45
September 2010	0.47	0.44
October 2010	0.53	0.42
November 2010	0.55	0.49
December 2010	0.55	0.47
January 2011	0.55	0.50

On February 8, 2011, the closing market price was €0.55 per Ordinary Share on the Vienna Stock Exchange.

CHANGES IN AUTHORISED AND ISSUED SHARE CAPITAL

On May 27, 2010, our annual general meeting of shareholders resolved to amend the Articles to increase the Company's authorised share capital from €1,991,033.84 to €4,000,000.00, comprising an increase in the number of Ordinary Shares from 99,551,692 to 200,000,000 and an increase in the number of Preference Shares from 99,551,692 to 200,000,000.

In connection with the Exchange Offer of the 8.5% Senior Notes, during the financial year ending December 31, 2009, Head N.V. issued 22,491,278 new Ordinary Shares to its bond holders, and 25,892,075 Ordinary Shares to Head Sports Holdings N.V.. In addition, 2,451,223 Ordinary Shares were transferred by Head N.V. to Head Sports Holdings N.V.

The following table shows a reconciliation of the number of issued Shares outstanding at the beginning and the end of the year 2009:

	Number of Shares (1)
Balance at January 1, 2009	37,109,432
Capital increase resulting from the exchange of senior notes	22,491,278
Capital increase on undertaking of guarantee for working capital facility	25,892,075
Transfer of treasury shares	2,451,223
Balance at December 31, 2009	87,944,008
Held by the Stichting	260,022
	<u>88,204,030</u>

(1) The issued share capital comprises only Ordinary Shares. No Preference Shares have been issued to date.

SHARE CAPITAL AFTER THE OFFERING

If and when the Offering becomes unconditional and the Offer Shares are issued: (i) the issued share capital of the Company will increase from 88,204,030 Ordinary Shares to 288,162,566 Shares (comprising 88,204,030 Ordinary Shares and 199,958,536 Offer Shares having the terms and conditions described in "Proposed Terms and Conditions of the Offer Shares"), and (ii) the authorised share capital of the Company will have been increased from €4,000,000, comprising 200,000,000 Ordinary Shares and 200,000,000 Preference Shares, to €14,000,000, comprising 1,200,000,000 Ordinary Shares and 200,000,000 Preference Shares, so as to facilitate the Offering and, ultimately, the conversion of the Offer Shares into Ordinary Shares.

MARKET

Ordinary shares are available on the Vienna Stock Exchange in bearer form only and represented by a global share certificate, which we have deposited with the OeKB, as custodian. The Ordinary Shares in bearer form can only be transferred in book-entry form.

The Vienna Stock Exchange is operated by a stock corporation, the Wiener Börse AG, based on a license issued by the Austrian Federal Ministry of Finance. Members of the Exchange include banks and investment firms. The supervising authorities are the FMA and the Austrian Federal Ministry of Finance. The latter supervises the legality of the Vienna Stock Exchange's resolutions and of its organisation primarily by way of an authorised exchange commissioner appointed by the Ministry. The FMA monitors the prevention of insider trading, fairness in trading and market-related aspects.

CORPORATE PURPOSE

Article 3 of our Articles provides that we may perform all acts and do all things (as long as these are not prohibited by law), such as operate all kinds of businesses, hold, participate in, manage and finance other enterprises and companies, borrow money and provide security therefore and provide security for the debts of others and do all that is connected with the foregoing or may be conducive thereto including owning, leasing or obtaining licenses for real and intellectual properties, all which is to be interpreted in the widest sense. The Company's file number is 24286737 at the Commerce Chamber of Amsterdam (*Kamer van Koophandel*).

ORDINARY SHARES

Form

All our Ordinary Shares may be either in registered or bearer form.

Our Ordinary Shares in bearer form are represented by a global bearer share certificate, which we have deposited with OeKB as custodian and are traded on the Vienna Stock Exchange. Other than the global share certificate, no separate share certificates representing our Ordinary Shares in bearer form will be issued.

Holders of registered shares are entered in our shareholders' register. Our registered shares are not traded on the Vienna Stock Exchange. At the request of a shareholder a share certificate (consisting of a "mantel" main part only) may be issued for registered shares. At such request, we will, without a fee, issue a non-negotiable extract from the shareholders' register in the name of the holder unless a certificate has been issued for such holder's registered share. A deed of transfer together with our acknowledgement in writing (or service on us of this deed) is required to transfer registered shares.

At the option of the relevant shareholder, registered Ordinary Shares can be converted into bearer Ordinary Shares on submission of a request to that effect to the Management Board (upon receipt of which the Management Board must affect the conversion of the relevant shares).

Voting Rights

Each Ordinary Share represents the right to participate and to cast one vote at a general meeting.

Dividends

Each Ordinary Share is entitled to the same amount of dividend if one is declared.

Liquidation Rights

Upon liquidation, each holder of Ordinary Shares is entitled to the balance remaining after satisfaction of all our debts in proportion to the total number of Ordinary Shares held by each of them, and, to the extent that Preference Shares have been issued, after an amount equal to any previously declared but unpaid dividend and the paid-up nominal amount of such Preference Shares has been distributed to the holders of Preference Shares. Any dissolution or liquidation is subject to the applicable provisions of Dutch law.

Preemptive Rights

Unless restricted or limited and except for issues of Ordinary Shares in return for non-cash consideration and Ordinary Shares issued to our employees or employees of any of our group companies, holders of Ordinary Shares will generally have preemptive rights to subscribe for their pro-rata amount of all new share issuances. However, pursuant to the Articles, all authorised but unissued Shares may be issued by the Management Board and the preemptive rights associated with all currently authorised capital may be limited or excluded by the Management Board. This authority has been extended by resolution of the shareholders and will end on May 27, 2015, unless further extended by an amendment of the Articles or by a resolution of the shareholders for a period of not more than five years in each instance. When extending the authority of our Management Board to issue Shares and to limit or exclude preemptive rights, the general meeting of shareholders shall determine the number of Shares which may be issued or affected as well as the date when this authorisation shall expire.

PREFERENCE SHARES

Set out below is a description of certain terms and conditions of the Preference Shares as at the date of this Prospectus.

Proposed amendment of the terms and conditions of the Preference Shares

Subsequent to the publication of this Prospectus, an extraordinary general meeting of shareholders will be convened at which, among other things, it will be proposed to (i) amend the Articles so that all of the Preference Shares, and thus all of the Offer Shares, will have the terms and conditions described below and to (ii) increase the authorised share capital of the Company from €4,000,000, comprising 200,000,000 Ordinary Shares and 200,000,000 Preference Shares, to €14,000,000, comprising 1,200,000,000 Ordinary Shares and 200,000,000 Preference Shares, so as to facilitate the Offering and, ultimately, the conversion of the Offer Shares into Ordinary Shares (the **Resolutions**).

Settlement of the Offering is conditional upon the passing of the Resolutions. If any of the Resolutions is not passed on or before June 1, 2011, the Offering will be withdrawn. In connection with the proposed changes to the Articles, we will publish a shareholders circular setting out the proposed changes to the Articles (including the changes to the terms and conditions of the Preference Shares, and thus to the Offer Shares). See further the section headed "Proposed Terms and Conditions of the Offer Shares".

Terms and conditions of the Preference Shares as at the date of this Prospectus

The minimum amount required to be paid on the Preference Shares upon issuance is 25% of the nominal amount issued. Holders of Preference Shares do not share in our reserves and such shares are not listed. Under the current Articles, 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. In terms of the current Articles, 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, any 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 our Articles or by resolution of the shareholders for a period of five years in each instance, these authorisations will end on May 27, 2015, five years after the date of the last annual general meeting of Head N.V. when the authority of the Management Board was extended by resolution of the shareholders.

ACQUISITION OF OUR OWN SHARES

We may acquire our own Shares subject to the provisions of Dutch law. Provided they are fully paid up, we may acquire our own Shares or depositary receipts in respect thereof, provided either no valuable consideration is given or provided that:

- (a) the distribution part of the net assets is at least equal to the purchase price; and
- (b) the nominal value of the Shares or the depositary receipts in respect thereof which we and our subsidiaries acquire, hold, or hold in pledge does not exceed half of our issued share capital.

Shares held by us in our own capital as treasury stock may not be voted or counted for quorum purposes at shareholders' meetings.

OBLIGATIONS TO DISCLOSE HOLDINGS

Pursuant to the Dutch Act on Financial Supervision (*Wet op het financieel toezicht*), which act contains provisions in respect of disclosure of holdings in listed companies and which applies during the period we are listed on the Vienna Stock Exchange, the members of the Management Board and Supervisory Board that hold our shares must disclose the number of shares and options and the number of voting rights to the AFM.

Furthermore, they are required to immediately report to the AFM any changes in the number of shares and options. Also, during the period we are listed on the Vienna Stock Exchange, anyone acquiring or transferring our shares, that causes the holder's percentage of our issued capital or voting control to fall into one of the following ranges or changes from one range to another must notify the AFM.

The ranges are:

- 0 to 5% (only in the event of a decrease from above 5% to below 5%),
- 5 to 10%,
- 10 to 15%,
- 15 to 20%,
- 20 to 25%,
- 25 to 30%,
- 30 to 40%,
- 40 to 50%,
- 50 to 60%,
- 60 to 75%,
- 75 to 95%, and
- 95% or more.

The AFM discloses information to the public by publication in a newspaper distributed throughout The Netherlands. If disclosure is required, failure to disclose one's shareholding is an offense that may result in civil sanctions, including suspension of voting rights and criminal and administrative sanctions, including the imposition of fines.

PUBLIC OFFER RULES

In accordance with Directive 2004/25/EC of the European Parliament and of the Council of the European Union (the **Takeover Directive**) each Member State should ensure the protection of minority shareholders by obliging the person that acquires control of a company to make an offer to all the holders of that company's voting securities for all their holdings at an equitable price.

The directive applies to all companies governed by the laws of a Member State of which all or some voting securities are admitted to trading on a regulated market in one or more Member States. The laws of the Member State in which a company has its registered office will determine the percentage of voting rights that is regarded as conferring control over that company.

Under the laws of the Netherlands, the above percentage has been determined to be 30%. Pursuant to Article 5:70 of the Dutch Act on Financial Supervision (*Wet op het financieel toezicht*), a party – whether acting alone or in concert with others – that acquires 30% or more of the voting rights of a company whose shares are admitted to trading on a regulated market has to make an offer for the remaining shares of that company. This obligation does not apply to shareholders with existing controlling interests of more than 30% of the voting rights at the effective date of the new public offer rules.

Considering that Head Sports Holdings N.V. and its affiliates, directly and indirectly, controlled more than 30% of the voting rights at the effective date of the new public offer rules, the mandatory offer requirements do not apply to them.

SQUEEZE-OUT RULES

Pursuant to Section 2:92a of the Dutch Civil Code, a shareholder who for his own account contributes at least 95% of the issued capital may institute proceedings against the other shareholders jointly for the transfer of their shares to the claimant. The proceedings are held before the Enterprise Chamber and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*). The Enterprise Chamber may grant the claim for squeeze out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares of the minority shareholders. Once the order to transfer becomes final before the Enterprise Chamber, the person acquiring the shares must give written notice of the date and place of payment and the price to the holders of the shares to be acquired whose addresses are known to him. Unless the addresses of all of them are known to him, it must also publish the same in a newspaper with a national circulation.

In addition, after a public offer, a holder of at least 95% of the outstanding shares and voting rights has the right to require the minority shareholders to sell their shares to it. Any such request to require the minority shareholders to sell their shares must be filed with the Enterprise Chamber within three months after the end of the acceptance period of the public offer. Conversely, in such a case, each minority shareholder has the right to require the holder of at least 95% of the outstanding shares and voting rights to purchase its shares. The minority shareholders must file such claim with the Enterprise Chamber within three months after the end of the acceptance period of the public offer.

SHAREHOLDERS' MEETINGS

We are required to hold a general shareholders' meeting annually within six months of the end of the Company's calendar year. Shareholders' meetings will also be called if convened by our Supervisory Board or Management Board. One or more shareholders, who jointly represent at least one-tenth of the issued capital may, on their application, be authorised by the judge in summary proceedings to convene a general meeting of shareholders of the Company. The judge in summary proceedings shall disallow this application if it does not appear to him that the applicants have previously requested the Management Board and the Supervisory Board in writing, stating the exact matters to be considered, to convene a general meeting of shareholders of the Company, and neither the Management Board nor the Supervisory Board has taken the necessary steps so that the general meeting could be held within six weeks after the request.

Unless otherwise required by law or our Articles, decisions of our general meeting of shareholders may be adopted by a majority of the votes cast. However, resolutions regarding extraordinary transactions, including an amendment of our Articles (except for an amendment that relates to Article 4 of the Articles only), legal merger, or split-up on dissolution of our company can only be adopted upon a proposal of the Management Board, after approval of the Supervisory Board, and requires a special majority as described herein.

Further to the Shareholder Rights Act (*Wet aandeelhoudersrechten*) that entered into force on July 1, 2010, that implements the European Shareholder Rights Directive (2007/36/EC) use of a record date for general meetings of shareholders has become mandatory. This means that the rights of shareholders to participate in a general meeting of the Company and to vote in respect of their Shares will be determined based on the Shares held by them on a specified date prior to the general meeting (the record date). Dutch law sets this record date at the twenty-eighth day before that of the general meeting. The record date must be stated in the notice of the meeting.

Notice of shareholders' meetings is given on our website (www.head.com) and by advertisement in a Dutch national newspaper and an Austrian national newspaper. The notice includes the requirements for admission to the meeting. Such notice is to be given not later than the forty-second day prior to the day of the meeting and is to state the place and time of the general meeting, the subjects to be considered, the procedure for participating by written proxy, the procedure for participating and exercising voting rights by electronic

means, the website address of the Company, the applicable record date and, if relevant, that documents containing the subjects to be considered may be inspected at our offices.

Further to the Shareholder Rights Act, section 2:117(3) of the DCC was amended, pursuant where to the Company can no longer require the blocking of Shares before a general meeting of shareholders. The provisions as included in the Articles of the Company from which follow that Shares can be blocked before a general meeting are to be disregarded.

Shareholders meetings will be held in The Hague, Amsterdam, Rotterdam or Haarlemmermeer (Schiphol Airport) and chaired by the Chairman of our Supervisory Board. A holder of registered shares or his attorney wishing to attend a general meeting of shareholders should notify the Management Board in writing of his intention. Such notice must be received by the Management Board not later than on the date mentioned in the notice of the meeting.

ADOPTION OF ANNUAL ACCOUNTS

Within four months following the end of each fiscal year, our Management Board must prepare annual accounts accompanied by an annual report and submit these to the AFM. Within this period, the annual accounts and annual report must then be submitted to the Supervisory Board, which will present a report on it to the general meeting of shareholders. Our annual accounts and the annual report will be available to our shareholders within the period referred to in this paragraph. Our annual accounts must be adopted by our general meeting of shareholders.

DIVIDENDS

Dividends and Dividend Policy

Under Dutch law, we may only pay dividends on our shares if we maintain minimum paid-up share capital and the reserves required by Dutch law or by our amended articles of association. If dividends on our shares are paid in cash, we expect to pay these dividends in euros.

We have not paid any dividends since our dividend for the fiscal year ended December 31, 2003. While we currently intend to retain future earnings to finance operations, we will evaluate our dividend policy annually in light of results. Pursuant to our articles of association, the Management Board may decide which part of the free distributable profits shall be reserved. It should be noted that if Preference Shares are issued (which is presently not the case) this authority shall be applicable to the remainder of the profit after the preferred dividend to the holders of Preference Shares have been paid. Because our articles of association require that the part of the profit which is not reserved by the Management Board must be distributed to the holders of shares, the Management Board effectively decides which part of the profit (after possible satisfaction of the preferred dividend of holders of Preference Shares) shall be distributed to the holders of Ordinary Shares.

We may not pay dividends if the dividend payment would reduce our shareholders' equity below the sum of our paid-up capital and any reserves required by Dutch law or by our articles of association. Pursuant to our articles of association, the Preference Shares have preferential dividend rights. Our Management Board shall determine how much of any remaining profit shall be allocated to our reserves before dividends are paid on the Ordinary Shares. Our general meeting of shareholders may resolve, upon a proposal of our Management Board, that some or all of any dividends declared on Ordinary Shares will be paid in Ordinary Shares or securities in any other entity's share capital rather than in cash. Our Management Board may, subject to various statutory provisions, distribute one or more interim dividends. A claim for the payment of a dividend (including an interim dividend) lapses five years after the first calendar day following the day on which shareholders were first permitted to make a claim for payment of the dividend. Any such dividend will revert to us.

Cash dividends payable to holders of Ordinary Shares will be paid to UniCredit Bank Austria AG in euros for disbursement to holders. Any dividend payments would be subject to Netherlands statutory withholding taxes.

There are no fixed dates on which an entitlement to any dividend arises. There are no additional restrictions or procedures in respect of holders of Ordinary Shares who are non-residents of Austria. However, see further the paragraph titled "Non-Residents" in the "Austrian Tax" section below.

CAPITAL REDUCTION AND CHANGES IN CAPITAL

Upon the proposal of our Management Board, our general meeting of shareholders may resolve to reduce our issued share capital by cancelling shares or reducing the nominal value of our shares, subject to statutory provisions and the provisions of our articles of association.

Changes in our authorised capital can only be effected through an amendment of our articles of association. A resolution by the general meeting to amend the articles of association with respect to article 4 (Authorised capital. Classes of shares) can only be adopted on the proposal of Management Board and after approval of the Supervisory Board and shall require an affirmative vote of an absolute majority of the votes cast. The requirements relating to the proposal of the Management Board and the approval of the Supervisory Board are more onerous than is required under the Dutch Civil Code.

DELAY, DEFERRAL OR PREVENTION OF CHANGE IN CONTROL

A change in control of Head N.V. could be delayed, deferred or prevented by the Management Board. Since the articles of association of Head N.V. provide that a resolution of the general meeting to appoint, suspend or dismiss a member of the Management Board without Stichting Head Option Plan having proposed such an appointment or such a suspension or dismissal, can only be adopted by the affirmative vote of at least two thirds of the votes cast, the influence of the general meeting to force a change in control of Head N.V. is therewith limited.

AMENDMENT OF THE ARTICLES OF ASSOCIATION; DISSOLUTION; LEGAL MERGER; SPLIT-UP

A resolution of our general meeting of shareholders to amend our articles of association, or enter into a legal merger or split-up of our company can only be adopted upon a proposal of our Management Board, after approval of the Supervisory Board, and requires the affirmative vote of two-thirds of the votes cast, except that a change of the authorised capital requires an absolute majority (subject to the proposal of the Management Board and the approval of the Supervisory Board, as described above – see "Capital reduction and changes in capital"). A resolution to dissolve our company can only be adopted upon a proposal of our Management Board, after approval of the Supervisory Board, and requires the affirmative vote of three quarters of the votes cast. The requirement of a two-thirds majority of the votes cast is more onerous than is required under the Dutch Civil Code.

15. TAXATION

AUSTRIAN TAX

This section has to be read as a general overview on the taxation of the Shares according to Austrian law, but does not purport to be a comprehensive description of all Austrian tax considerations that may be relevant. The information provided in this section cannot substitute an examination of the tax treatment in the individual case and each potential investor should consult a professional tax adviser with respect to the tax consequences of an investment in Shares. This general overview is based on the laws, regulations, and published/communicated administrative and judicial interpretations in force as of the date this Prospectus. The correctness of this tax information can be affected by subsequent changes in the law or changes in the application of the law.

Austrian Residents

Taxation of dividends for Austrian resident individuals

Dividends received by an Austrian resident individual from the Shares are subject to Austrian withholding or income tax pursuant to the Austrian income tax act. If the dividends are paid out by an Austrian paying agent (which is an Austrian bank including the Austrian branch of a foreign bank which pays out the dividends to the shareholder) the Austrian paying agent must deduct 25% withholding tax. The Austrian paying agent may credit an actually paid Dutch withholding tax against the Austrian withholding tax up to an amount of 15%. The Austrian withholding tax is a final tax, which means that the withholding tax fully covers all personal income tax on such dividend income (Endbesteuerung). Alternatively, the individual shareholder may include the gross dividends (together with his other income subject to final taxation) in his regular annual tax assessment. In this case the dividends are taxed at half the average tax rate payable on the shareholder's total income and the Austrian withholding tax will be credited against the shareholder's personal income tax liability or, if higher, repaid (Regelbesteuerungsoption).

If no Austrian withholding tax is deducted from the dividends (because there is no Austrian paying agent) the shareholder has to declare the (gross) dividend income in his annual income tax return. A special flat income tax rate of 25% or, upon application by the shareholder, half the average tax rate payable on the shareholder's total income applies (Regelbesteuerungsoption). Expenses, including interest expenses, relating to the dividends are in neither case deductible.

Pursuant to the double tax treaty between Austria and the Netherlands, Dutch withholding tax may be credited against the Austrian tax payable on such dividends up to a rate of 15%.

Taxation of dividends for Austrian resident corporate entities

Dividends received by Austrian resident corporate entities from the Shares are exempt from Austrian corporate income tax. This exemption applies to shares in companies resident in the European Union or Norway if the company paying the dividends is subject to corporate income or similar tax in its country of residence and is not subject to a general tax exemption or a tax rate which is more than ten percent lower than the 25% Austrian corporate income tax rate. Any Austrian withholding deducted by an Austrian paying agent from the dividends should be credited against the corporate income tax liability of the shareholder or refunded.

Taxation of capital gains for Austrian resident individuals

For Austrian resident private investors, capital gains on the disposal of Shares are subject to personal income tax (up to 50%) if the disposal of the shares takes place within one year after acquisition (speculative transaction) or, if the transaction is not speculative but the shareholder has held at any time within the five years preceding the disposal directly or indirectly at least 1% of the capital of Head N.V (substantial

shareholdings). In the latter case, an income tax rate amounting to half the average personal income tax rate payable on the shareholder's total income is applicable. Losses from speculative transactions can only be offset against gains from speculative transactions realized within the same calendar year. Losses from the disposal of substantial shareholdings can only be offset against gains from the disposal of substantial shareholdings realized within the same calendar year. Capital losses can not be carried forward in future years.

Capital gains recognized on the disposal of Shares which are business assets are taxable irrespective of the date of the disposal or the percentage of the shareholding. For individuals such capital gains are taxed at regular progressive personal income tax rates if the disposal takes place within one year after acquisition and at half of the average personal income tax rate payable on the shareholder's total income thereafter. Capital losses derived from the disposal of the shares in corporations can be offset against other taxable income of the individual's trade or business and can be carried forward into future years.

Taxation of capital gains for Austrian resident corporate entities

Capital gains derived by Austrian resident corporate entities from Shares are subject to Austrian corporate income tax at the general rate of 25%. An exemption would apply for the sale of Shares by an Austrian resident corporation which holds at least ten percent of the shares in Head N.V. for an uninterrupted period of at least one year (international participation exemption). However, the opportunity is granted of exercising the option of full taxation of capital gains and losses from the Shares. If the option of full taxation is exercised, capital losses derived from the disposal of the Shares can be offset against other taxable income of the corporation and can be carried forward into future business years. There is, inter alia, a special tax regime for Austrian private foundations (Privatstiftung).

Non-Residents

Dividends and capital gains derived by non-residents from the Shares are not taxable in Austria unless the Shares are attributable to an Austrian permanent establishment.

Non-resident shareholders may avoid the application of Austrian withholding tax on dividends from Shares (which can only be triggered if they receive dividends from the Shares through an Austrian bank) if they evidence their non resident-status vis-à-vis the bank by disclosing their identity and address. If any Austrian withholding tax is deducted, the tax withheld shall be credited or refunded to the non-resident shareholder upon his application, which has to be filed with the competent Austrian tax authority within five calendar years following the date of the imposition of the withholding tax.

Amendments in the taxation of income of the Shares due to the “Budgetbegleitgesetz 2011”

On 21 December 2010 the National Assembly of Austria passed a law (“Budgetbegleitgesetz 2011”)³ which provides for the following amendments in the taxation of income from the Shares for Austrian resident individuals:

- Capital gains on the disposal of the Shares are taxable for Austrian resident individuals irrespective of the holding period and the capital ownership percentage. The applicable tax rate is 25%. This tax rate also applies, if the Shares form part of the individual's business assets. If the Shares are held on Austrian deposit, the 25% tax on capital gains is withheld by the Austrian depository bank.
- Capital losses on the disposal of the Shares can be offset against capital gains from investments disposed in the same calendar year and against dividend income and interest income (except interest income from saving deposits at banks) generated in the same calendar year. Losses cannot be carried forward in future years. Capital losses can only be claimed by way of assessment by the individual.

³ As at the date of the Prospectus, the “Budgetbegleitgesetz 2011” has not yet passed the Federal Assembly of Austria and has not yet been published in the Publication in the Federal Law Gazette.

- If the Shares form part of the individual's business assets, capital losses on the disposal primarily have to be offset against capital gains realized in the same calendar year. If the capital losses exceed the capital gains, half of the exceeding amount can be offset against other operating income. If an offset against other operating income is not possible, half of the capital losses on the disposal of the Shares can be carried forward in future years.
- In case the individual's applies for the 'Regelbesteuerungsoption' dividend income and capital gains from the Shares are not taxed at half progressive tax, but at full progressive tax.
- The taxation of the realized capital gains according to the new regime shall be applicable to shares bought after 31 December 2010. The new taxation regime itself will come into force on 1 October 2011.

CERTAIN DUTCH TAX CONSEQUENCES FOR HOLDERS OF SHARES

The following summary outlines certain principal Netherlands tax consequences of the acquisition, holding, redemption and disposal of Shares, but does not purport to be a comprehensive description of all Netherlands tax considerations that may be relevant. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in Shares.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Prospectus, and it does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Netherlands tax consequences for:

- (i) Holders of Shares holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Company and holders of Shares of whom a certain related person holds a substantial interest in the Company. Generally speaking, a substantial interest in the Company arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds (i) an interest of 5% or more of the total issued capital of the Company or of 5% or more of the issued capital of a certain class of shares of the Company, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Company;
- (ii) investment institutions (*fiscale beleggingsinstellingen*); and
- (iii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are exempt from Netherlands corporate income tax.
- (iv) Corporate holders of Shares qualifying for the participation exemption (*deelnemingsvrijstelling*). Generally speaking, a shareholding is considered to qualify as a participation for the participation exemption if it represents an interest of 5% or more of the nominal paid-up share capital.

Dividend Tax

Withholding requirement

The Company is required to withhold 15% Netherlands dividend tax in respect of dividends paid on the Shares. Under the Dutch Dividend Tax Act of 1965 (*Wet op de dividendbelasting 1965*), dividends are defined as the proceeds from shares, which include:

- (i) proceeds in cash or in kind including direct or indirect distributions of profit;

- (ii) liquidation proceeds, proceeds on redemption of the Shares and, as a rule, the consideration for the repurchase of the Shares by the Company in excess of its average paid-in capital recognised for Netherlands dividend tax purposes, unless a particular statutory exemption applies;
- (iii) the par value of Shares issued to a holder of the Shares or an increase of the par value of the Shares, except when the (increase in the) par value of the Shares is funded out of the Company's paid-in capital as recognised for Netherlands dividend tax purposes; and
- (iv) partial repayments of paid-in capital for tax purposes, if and to the extent there are qualifying profits (*zuivere winst*), unless the general meeting of the shareholders of the Company has resolved in advance to make such repayment and provided that the nominal value of the Shares concerned has been reduced by an equal amount by way of an amendment of the articles of association and the paid-in capital is recognised as capital for Netherlands dividend tax purposes.

Residents of the Netherlands

If a holder is a resident of the Netherlands, Netherlands dividend tax which is withheld with respect to proceeds from the Shares will generally be creditable for Netherlands corporate income tax or Netherlands income tax purposes if the holder is the beneficial owner (as described below) thereof.

Non-residents of the Netherlands

If a holder is a resident of a country other than the Netherlands and if a treaty for the avoidance of double taxation with respect to taxes on income is in effect between the Netherlands and that country, and such holder is the beneficial owner (as described below) of the proceeds from the Shares and a resident for the purposes of such treaty, such holder may, depending on the terms of that particular treaty, qualify for full or partial relief at source or for a refund in whole or in part of the Netherlands dividend tax.

A refund of the Netherlands dividend tax is available to entities resident in another EU member state, provided these entities are not subject to corporate income tax there and would not be subject to Dutch corporate income tax, if these entities would be tax resident in the Netherlands.

Beneficial Owner

A recipient of proceeds from the Shares will not be entitled to any exemption, reduction, refund or credit of Dutch dividend tax if such recipient is not considered to be the beneficial owner of such proceeds. The recipient will not be considered the beneficial owner of these proceeds, if, in connection with such proceeds, the recipient has paid a consideration as part of a series of transactions in respect of which it is likely:

- (a) that the proceeds have in whole or in part accumulated, directly or indirectly, to a person or legal entity that would:
 - (i) as opposed to the recipient paying the consideration, not be entitled to an exemption from dividend tax; or
 - (ii) in comparison to the recipient paying the consideration, to a lesser extent be entitled to a lower rate or refund of dividend tax; and
- (b) that such person or legal entity has, directly or indirectly, retained or acquired an interest in shares, profit-sharing certificates or loans, comparable to the interest it had in similar instruments prior to the series of transactions being initiated.

Reduction of Netherlands Withholding Tax upon Redistribution of Foreign Dividends

Provided certain conditions are met, the Company may apply a reduction of the withholding tax imposed on certain qualifying dividends distributed by the Company, if the Company has itself received dividends from certain qualifying non-Netherlands subsidiaries, which dividends were subject to withholding tax upon distribution to the Company. The reduction of the Netherlands withholding tax imposed on these dividends that are distributed by the Company, is equal to the lesser of:

- (i) 3% of the amount of the dividends distributed by the Company that are subject to withholding tax; and
- (ii) 3% of the gross amount of the dividends received during a certain period from the qualifying non-Netherlands subsidiaries.

The reduction is applied to the Netherlands dividend tax that the Company must pay over to the Dutch tax authorities and not to the amount of the Dutch dividend tax that the Company must withhold.

Corporate and Individual Income Tax

Residents of the Netherlands

If a holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Shares are attributable, income derived from the Shares and gains realised upon the redemption or disposal of the Shares are generally taxable in the Netherlands (at up to a maximum rate of 25.5%).

If an individual holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes (including an individual holder who has opted to be taxed as a resident of the Netherlands), income derived from the Shares and gains realised upon the redemption or disposal of the Shares are taxable at the progressive rates (at up to a maximum rate of 52%) under the Netherlands income tax act 2001 (*Wet inkomstenbelasting 2001*) if:

- (i) the holder is an entrepreneur (*ondernemer*) and has an enterprise to which the Shares are attributable or the holder has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Shares are attributable; or
- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance of activities with respect to the Shares that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the holder of the Shares, taxable income with regard to the Shares will be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. At present, this deemed return on income from savings and investments has been fixed at a rate of 4% of the average of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year and the individual's yield basis at the end of the calendar year, insofar as the average exceeds a certain threshold. The average of the individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Shares less the fair market value of certain qualifying liabilities on 1 January and 31 December, divided by two. The fair market value of the Shares will be included as an asset in the individual's yield basis. The 4% deemed return on income from savings and investments will be taxed at a rate of 30%.

Non-residents of the Netherlands

If a holder is not a resident nor is deemed to be a resident of the Netherlands for Netherlands tax purposes (or has not opted to be taxed as a resident of the Netherlands), such holder is not taxable in respect of income derived from the Shares and gains realised upon the redemption or disposal of the Shares, unless:

- (i) the holder is not an individual and such holder (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or a permanent representative the Shares are attributable, or (2) is entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands (other than by way of securities) and to which enterprise the Shares are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25.5%.

- (ii) the holder is an individual and such holder (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Shares are attributable, or (2) realises income or gains with respect to the Shares that qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in the Netherlands with respect to the Shares which exceed regular, active portfolio management (*normaal, actief vermogensbeheer*), or (3) is entitled to a share in the profits of an enterprise that is effectively managed in the Netherlands (other than by way of securities) and to which enterprise the Shares are attributable.

Income derived from the Shares as specified under (1) and (2) by an individual is subject to individual income tax at up to a maximum rate of 52%. Income derived from a share in the profits as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "Residents of the Netherlands"). The fair market value of the share in the profits of the enterprise (which includes the Shares) will be part of the individual's Netherlands yield basis.

Gift and Inheritance Tax

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of the Shares by way of gift by, or on the death of, a holder of the Shares, unless:

- (iii) the holder of the Shares is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or
- (iv) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions; or
- (v) such Shares are attributable to an enterprise or part thereof which is carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in The Netherlands.

Value Added Tax

In general, no value added tax will arise in respect of payments in consideration for the issue of the Shares or in respect of a cash payment made under the Shares, or in respect of a transfer of Shares.

Other Taxes and Duties

No registration tax, customs duty, transfer tax, stamp duty, capital tax or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Shares.

16. SELLING AND TRANSFER RESTRICTIONS

NOTICE TO INVESTORS

The offering of the Offer Shares to persons resident in, or who are citizens of, a particular jurisdiction may be affected by the laws of that jurisdiction. Investors should consult their professional adviser as to whether they require any governmental or any other consent or need to observe any other formalities to enable the investor to accept, sell or purchase Offer Shares.

No action has been or will be taken to permit a public offering of the Offer Shares in any jurisdiction other than in Austria, France, Germany, Italy, the Netherlands, Switzerland and the United Kingdom. Receipt of this Prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus will be sent for informational purposes only and should not be copied or redistributed.

If an investor receives a copy of this Prospectus, the investor may not treat this Prospectus as constituting an invitation or offer to the investor of the Offer Shares unless, in the relevant jurisdiction, such an offer could lawfully be made to the investor, or the Offer Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if the investor receives a copy of this Prospectus or any other offering materials or advertisements, the investor should not distribute the same in or into, or send the same to any person in, or any jurisdiction where to do so would or might contravene local securities laws or regulations.

If an investor forwards this Prospectus or any other offering materials or advertisements into any such territories (whether under a contractual or legal obligation or otherwise) the investor should draw the recipient's attention to the contents of this section.

Subject to the specific restrictions described below, investors (including, without limitation, any investor's nominees and trustees) wishing to accept or purchase Offer Shares must satisfy themselves as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

Investors that are in any doubt as to whether they are eligible to subscribe for the Offer Shares should consult their professional adviser without delay.

SELLING RESTRICTIONS

For Investors in European Economic Area

In relation to each Member State that has implemented the EU Prospectus Directive (a **Relevant Member State**), an offer to the public of any Shares which are the subject of the Offering, except for (i) the public offering in Austria, France, Germany, Italy and the United Kingdom once the Prospectus has been approved by the AFM, published in accordance with the EU Prospectus Directive and notified to the competent authority in each of Austria, France, Germany, Italy and the United Kingdom, and (ii) an offer to the public in that Relevant Member State of any Offer Shares may be made at any time under the following exemptions under the EU Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet of more than €43 million, and (iii) an annual net turnover of more than €50 million, as shown in its last annual or consolidated accounts;

- to fewer than 100 natural or legal persons (other than a person that is a qualified investor within the meaning of Article 2(1)(c) of the EU Prospectus Directive); or
- in any other circumstances falling within Article 3(2) of the EU Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the EU Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offer Shares so as to enable an investor to decide to purchase Offer Shares, as that definition may be varied in that Relevant Member State by any measure implementing the EU Prospectus Directive in that Relevant Member State, and the expression **EU Prospectus Directive** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

For Investors in Switzerland

This Prospectus does not constitute a listing prospectus according to Article 32 of the Listing Rules of the SWX Swiss Exchange. The Offer Shares will not be listed on the SWX Swiss Exchange and, therefore, the Prospectus does not comply with the disclosure standards of the Listing Rules of the SWX Swiss Exchange. This Prospectus is personal to each offeree and does not constitute an offer to any other person. This Prospectus may only be used by those persons to whom it has been addressed in connection with the offer described herein and may neither directly nor indirectly be distributed or made available to other persons without the express consent of the Company.

For Investors in Japan

The Offer Shares have not been and will not be registered under the Japanese Financial Instruments and Exchange Law, as amended (the **FIEL**). This document is not an offer of securities for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements under the FIEL and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan.

For Investors in Dubai International Financial Centre

This Prospectus relates to an exempt offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (**DFSA**). This Prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with exempt offers. The DFSA has not approved this Prospectus or taken steps to verify the information set forth herein and has no responsibility for the Prospectus. The Shares to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Offer Shares should conduct their own due diligence on the Shares. If you do not understand the contents of this Prospectus you should consult an authorised financial adviser.

TRANSFER RESTRICTIONS

The Offer Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

Each purchaser of the Offer Shares outside the United States will, pursuant to Regulation S, be deemed to have represented and agreed that it has received a copy of the Prospectus and such other information as it deems necessary to make an informed investment decision and that:

- the purchaser acknowledges that the Offer Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States;
- the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares, were located outside the United States at the time the buy order for such Shares was originated and continue to be located outside the United States and have not purchased the Offer Shares for the benefit of any person in the United States or entered into any arrangement for the transfer of the Offer Shares to any person in the United States;
- the purchaser is aware of the restrictions on the offer and sale of the Offer Shares pursuant to Regulation S as described in this Prospectus; and
- the Offer Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S.

Each purchaser of the Offer Shares within the United States will be deemed to have represented and agreed that it has received a copy of the Prospectus and such other information as it deems necessary to make an informed investment decision and that:

- the purchaser acknowledges that the Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;
- the purchaser (i) is a QIB (as defined in Rule 144A), (ii) is aware that the sale to it is being made in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and (iii) is acquiring such Offer Shares for its own account or for the account of a QIB;
- the purchaser is aware that the Offer Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the Securities Act;
- if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, such Offer Shares may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) in accordance with Regulation S, or (iii) in accordance with Rule 144 (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;
- the Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any such Offer Shares; and
- the purchaser will not deposit or cause to be deposited such Offer Shares into any depository receipt facility established or maintained by a depository bank so long as such Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3).

17. ADDITIONAL INFORMATION

Corporate resolutions

On February 10, 2011 a meeting of the Supervisory Board was held. At this Supervisory Board meeting the following resolutions were approved by the Supervisory Board: (i) the proposal to put the Resolutions before the EGM (see further "The Offering – Terms and Conditions of the Offer Shares") and (ii) the entering into of the underwriting agreement between the Company and Head Sports Holdings N.V. (see further "The Offering – Unexercised entitlement and underwriting arrangements") and the designation of Mr. Ralf Bernhart to represent the Company in that regard. Given his potential conflict of interest, Mr Richard Hurowitz did not take part in the decision-making process at this meeting, was not present during deliberations of the Supervisory Board and did not vote on the resolution to approve the Offering.

The Offering was authorised by resolution of the Management Board adopted on February 10, 2011. This resolution was passed pursuant to the resolution passed at the Company's annual general meeting of shareholders held on May 27, 2010 extending to May 27, 2015 the authority of the Management Board to issue, and to grant rights to subscribe for, all authorised but unissued shares in the capital of the Company, and to limit or exclude the preemptive rights in respect of such issuances. Given his potential conflict of interest, Mr Johan Eliasch did not take part in the decision-making process at this meeting, was not present during deliberations of the Management Board and did not vote on the resolution to approve the Offering.

No significant change

There has been no significant change in the Group's financial or trading position, and no material adverse change in our financial position or prospects, since September 30, 2010.

Availability of documents

Copies of the documents set out below will be available free of charge at our registered office and at the offices of the Subscription Agent, during normal business hours from the date of this Prospectus for a period of 12 months. These documents can also be found on our website www.head.com.

- (a) Our most recent articles of association dated June 10, 2010.
- (b) Our unaudited and unreviewed consolidated interim financial statements for the nine months ended September 30, 2010 (including the notes thereto and the section headed "Management's Operating and Financial Review").
- (c) Our annual reports for the financial years ended December 31, 2009 and December 31, 2008, respectively, and our Dutch statutory annual reports for the financial year ended December 31, 2007⁴, which contain our audited consolidated financial statements, including the notes thereto, and the related auditors' reports.
- (d) A copy of the Austrian Code of Corporate Governance valid for 2009.
- (e) Head N.V.'s Audit Committee Charter.

This Prospectus and any supplement to this Prospectus (if any) may also be obtained at no cost from the date of this Prospectus or the date of the relevant supplement (if any) by sending a request in writing or by fax or email to us or the Subscription Agent, at the following addresses:

⁴ Note that this does not refer to the Company's annual report 2007.

Head N.V.

Rokin 55, 1012 KK Amsterdam, The Netherlands

Telephone: +31 20 625-1295

Facsimile: +31 20 521 4822

E-Mail: headinvestors@aol.com

Subscription Agent

VEM Aktienbank AG

Prannerstraße 8, Munich, Germany

Telephone: +49 89 30903 320

Facsimile: +49 89 30903 7320

E-Mail: head@computershare.de

Website: www.vem-aktienbank.de

The Company's register of shareholders will be administered by Computershare Deutschland GmbH & Co KG, an affiliate of the Subscription Agent, the address and contact details of which are:

Computershare Deutschland GmbH & Co KG

Prannerstraße 8, D-80333 Munich, Germany

Telephone: +49 89 30903 320

Facsimile: +49 89 30903 7320

E-Mail: head@computershare.de

Address information of OeKB

The address of OeKB is Am Hof 4, A-1011 Vienna.

Address of Head Sports Holdings N.V.

The address of Head Sports holdings N.V., which is underwriting the Offering, is 1, Berg Arrarat, Willamstad, Netherlands Antilles.

No incorporation of our website

The contents of our website (www.head.com) do not form part of, and are not incorporated by reference in, this Prospectus.

Independent auditors

Our consolidated financial statements as of and for the financial years ended December 31, 2009, December 31, 2008 and December 31, 2007, have been audited by our independent external auditors, PricewaterhouseCoopers Accountants N.V. The business address of PricewaterhouseCoopers Accountants N.V. is Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, The Netherlands. The individual auditors of PricewaterhouseCoopers Accountants N.V. are members of The Royal Dutch Institute of Chartered Accountants (*Koninklijk Nederlands Instituut van Registeraccountants*).

18. SELECTED DEFINITIONS

For convenience, certain defined terms used throughout this Prospectus are set out below:

AFM	Netherlands Authority for the Financial Markets (<i>Autoriteit Financiële Markten</i>)
Articles	The articles of association of Head N.V., dated June 10, 2010
CET	Central European Time
Company	Head N.V.
Daily Official List	The daily official list of Euronext Amsterdam N.V. (<i>Officiële Prijscourant</i>)
DCC or Dutch Civil Code	Dutch Civil Code (<i>Burgerlijk Wetboek</i>)
EGM	The extraordinary general meeting of shareholders of the Company to be convened subsequent to the publication of this Prospectus, at which, amongst other things, the Resolutions will be proposed
Eligible Person	Any person that is not an Ineligible Person
Exchange Offer	The exchange offer made on August 19, 2009 by HTM to the holders of its then outstanding Senior Notes for them to receive €510.625 aggregate principal amount of the Secured Notes and 262.372 Ordinary Shares, for each €1,000 principal amount of Senior Notes exchanged
FMA	The Austrian Financial Market Authority (<i>Finanzmarktaufsicht</i>)
FSA	The Financial Supervision Act (<i>Wet op het financieel toezicht</i>)
HTM	HTM Sport GmbH (formerly HTM Sport- und Freizeitgeräte AG), the Company's primary operating subsidiary
Ineligible Jurisdictions	The jurisdictions outside Austria, Italy, France, Germany, the Netherlands, Switzerland and the United Kingdom wherein the Offer Shares may not be offered, including, without limitation, the United States (subject to certain exceptions as set out in " <u>Selling and Transfer Restrictions</u> "), Australia, Canada and Japan
Ineligible Person	Any holder of Ordinary Shares or other person residing in an Ineligible Jurisdiction or person with a citizenship from an Ineligible Jurisdiction such that he cannot participate in the Offering or any holder of Ordinary Shares or other person residing in an Ineligible Jurisdiction wherein the Offer Shares may be offered, but to whom certain restrictions apply, as set

	out in " <u>Selling and Transfer Restrictions</u> ", such that he cannot lawfully participate in the Offering
IFRS	International Financial Reporting Standards as adopted by the European Union
Issue Price	€0.05 per Offer Share
Management Board	The management board of Head N.V.
Member State	Any member state of the European Economic Area
OeKB	Oesterreichische Kontrollbank Aktiengesellschaft
Offering	The granting of the entitlement to Eligible Persons that hold Ordinary Shares on the Record Date to subscribe for Offer Shares.
Offer Shares	Up to 199,958,536 Preference Shares that are the subject of the Offering
Ordinary Share	An ordinary share with a nominal value of €0.01 in the capital of the Company
Preference Share	A preference share with a nominal value of €0.01 in the capital of the Company, the terms and conditions of which will be proposed to be amended as described in " <u>Proposed Terms and Conditions of the Offer Shares</u> "
Prospectus	This prospectus dated February 11, 2011
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of the European Union
Resolutions	The resolutions of shareholders of the Company to be proposed to (i) amend the articles of association so that all of the Preference Shares, and thus all of the Offer Shares, have the terms and conditions set out in " <u>Proposed Terms and Conditions of the Offer Shares</u> " and to (ii) increase the authorised share capital of the Company from €4,000,000, comprising 200,000,000 Ordinary Shares and 200,000,000 Preference Shares, to €14,000,000, comprising 1,200,000,000 Ordinary Shares and 200,000,000 Preference Shares, so as to facilitate the Offering and, ultimately, the conversion of the Offer Shares into Ordinary Shares
Secured Notes	10% Senior Secured Notes due 2012 issued by HTM
Senior Notes	€135,000,000 8 ¹ / ₂ % Senior Notes due 2014 issued by HTM
Share	A share in the capital of the Company
Stichting	Stichting Head Option Plan
Supervisory Board	The supervisory board of Head N.V.

ANNEX 1

FORM OF U.S. INVESTOR LETTER

Head N.V.
Rokin 55, 1012 KK Amsterdam
The Netherlands
Facsimile Number: +31 20 521 4822
Attention: Investor Relations

[You must also send a copy of this letter to the financial intermediary through which your Ordinary Shares (as defined in the Company's prospectus dated February 11, 2011) are held. Accordingly, please insert the name, address and other contact details of the relevant financial intermediary.]

Dear Sirs,

In connection with our subscription for new Preference Shares (the "Offer Shares") of Head N.V. (the "Company") with a nominal value of €0.01 each, we hereby certify and agree as follows:

A. The undersigned is a qualified institutional buyer within the meaning of Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act").

OR

B. The undersigned is a broker-dealer acting as agent on behalf of its customer and has confirmed that its customer is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act.

In connection with our proposed subscription for Offer Shares, we hereby further represent, acknowledge and agree that:

- The Offer Shares have not been, nor will they be, registered under the Securities Act, and, therefore, (i) the Offer Shares are not being offered to shareholders of the Company within the United States, except under limited circumstances designed to avoid an offering that would require registration under the Securities Act, and (ii) the Offer Shares are being acquired by us in a transaction that is exempt from the registration requirements of the Securities Act.
- We will be acquiring the Offer Shares for our own account as principal or for one or more accounts as to which we exercise sole investment discretion ("discretionary accounts") and not with a view to or for resale or any distribution or other disposition or fractionalization thereof, in whole or in part, in the United States.
- We have received and read a copy of the Company's prospectus dated February 11, 2011, and have had access to such additional financial and other information, if any, regarding the Company and the Offer Shares as we have requested in connection with our investment decision to subscribe for Offer Shares.
- We are a corporation, partnership or other entity having such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment decision to subscribe for Offer Shares.
- We agree that if, at some future time, we wish to dispose of or exchange any of the Offer Shares we may acquire, we will not offer, sell or deliver any of such Offer Shares, directly or indirectly, unless the offer and sale is made (i) outside the United States in accordance with Rule 903 or 904 of

Regulation S under the Securities Act or (ii) in accordance with another exemption from the registration requirements of the Securities Act, if available.

If we are a broker-dealer acting as agent on behalf of its customer, we have authority to make, and do make, the statements set forth in this letter on behalf of our customer.

We undertake promptly to inform the Company if, at any time prior to the settlement date to be announced in accordance with the Company's prospectus dated February 11, 2011, any of the foregoing statements ceases to be true.

As used in this letter, "United States" shall have the meaning set out in Regulation S under the Securities Act.

We understand that this letter is required in connection with the laws of the United States. The Company is entitled to rely on this letter and we irrevocably authorize the Company to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered thereby.

Very truly yours,

[NAME OF INVESTOR]

By:
Name:
Title:

ANNEX 2

TEXT OF JOINT PRESS RELEASE OF COMPANY AND HTM SPORT GMBH DATED NOVEMBER 23, 2010 RELATING TO THE 2009 FINANCIAL STATEMENTS

Press Release

HEAD NV and HTM Sport GmbH Announce Amendment relating to its 2009 Financial Statements.

Amsterdam – 24 November 2010 – Head N.V. (VSX: HEAD; U.S. OTC: HEDYY.PK), a leading global manufacturer and marketer of sports equipment, and HTM Sport GmbH, a subsidiary of Head N.V., announced the following amendment relating to its 2009 financial statements today.

The adjustment which is one off (non recurring) and technical in its nature has no effect on the key indicators of operating performance and has no implications for the economics or cash generation of the business.

BACKGROUND

As a result of evolution of the application of IFRS and a review of our accounts by the Netherlands Authority for the Financial Markets (the **AFM**), HEAD N.V. today announced that certain financial information of the Company's previously issued financial statements for the year ended 31 December 2009 will be amended in the 2010 financial statements in respect of the accounting treatment for the 2009 private exchange offer (the **Exchange Offer**) to exchange HTM's (a subsidiary of Head N.V.'s) outstanding €135 million 8.5% senior notes due 2014 for HTM's newly issued secured noted and Head N.V. ordinary shares (the **Shares**).

Accordingly, the 30 September 2009 interim report, the 2009 year end financial statements and 2010 interim reports should be read together with the information contained in this press release.

The decision was taken on November 23, 2010 in the meeting of the Audit Committee and the Company's Board of Directors.

REASONS FOR AMENDMENT

The evaluation of the application of IFRS and a review of our financial statements by the AFM has caused the AFM, on the basis of their interpretation of relevant accounting standards, to recommend that we reconsider the attributable fair values for accounting purposes of the Senior Secured Notes and Shares issued at the time of the Exchange Offer. The application of IFRS in this area is highly complex and involves significant judgment. While management is still of the opinion that the current accounting treatment accurately reflects the fair value of the Senior Secured Notes and Shares at the time of issue, it is also satisfied that the alternative view of the AFM has sufficient merit that the adjustments proposed can be agreed upon. In this way the Company is able to both satisfy the AFM and prevent a prolonged discussion on what is considered to be a highly technical matter. The fair values have been reassessed and as a result changes are to be made to the accounting of these transactions in accordance with IAS 8. The effect would have resulted in a reduction of the previously reported gain on exchange by 5.4% from €40.3 million to €38.1 million, a decrease in noncurrent borrowings of €12.2 million to €80.1 million and an increase in equity of €11.1 million to €159.6 million.

Full details of the Exchange Offer were disclosed at the time of the offer in our press releases and in our 2009 annual accounts.

FINANCIAL IMPACT

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

- (a) The ordinary shares in Head N.V. which were issued to the Note holders and in connection with the Working Capital Guarantee pursuant to the Exchange Offer at the time of the Exchange Offer were recorded at €0.01 per share. This reflected the fair value as determined by management when preparing the financial statements 2009 based on the illiquidity of the market of the shares and the given economic and financial circumstances of the Company at that time. These shares will be corrected to value them at their respective quoted market prices as of their transaction dates of 14 August 2009 and the 30 July 2009, at €0.35 and €0.30 respectively.
- (b) The fair value of the newly issued Senior Secured Notes was recorded at the time of the Exchange Offer at a par value of €43.738 million. In light of the above amendment of the fair value of the Shares, management has also reconsidered the measurement of the Senior Notes at the time of the exchange. Based on the Exchange Offer to the Note holders to receive Senior Secured Notes and Shares, the fair value of this consideration is assessed on the market price of the old Senior Notes at the time of the exchange. This has resulted in a consequential amendment to the initial measurement of the newly issued Senior Secured Notes at the date of exchange. The corrected fair value for the newly issued Senior Secured Notes will be €30.1 million.

Had these amendments been reflected in the 2009 consolidated financial statements, the impact would have been as follows:

	<u>As reported</u>	<u>As amended</u>
	€ million	
Balance Sheet		
Deferred tax asset	49.2	48.1
Equity*	148.5	159.6
Borrowings	92.3	80.1
Profit and Loss		
Interest and other finance expense	(11.3)	(12.8)
Gain on exchange of senior notes *	40.3	38.1
<i>Profit before tax</i>	38.8	35.1
Income tax expense	(16.4)	(17.6)
Net result	22.3	17.5
Earnings per share in €	0.40	0.31

* The increase in the equity of €11.1m is due to a decrease in retained earnings for the year of €4.8m plus the adjustment to the fair value of the shares issued to Note holders (€7.6m) plus the impact of the adjustment to the fair value of the shares issued in connection with the working capital guarantee (€8.2m). The reduction on the gain on the sale of senior notes arises from an adjustment to the fair value of the Senior Secured Notes (€13.7m) less the adjustment to the fair value of the shares issued to the Note holders (€7.6m) less the adjustment to the fair value of the shares issued in connection with the working capital guarantee (€8.2m).

ONGOING FINANCIAL IMPACT

Each year from the date of the Exchange Offer until the expiry of the new Senior Secured Notes, the difference that has arisen between the fair value of the newly issued Notes and the par value of these Notes will be amortized interest expense in the Consolidated Statement of Comprehensive Income which will amount to approximately €3.8 million, €4.8 million and €3.6 million for the years ended 31 December 2010, 2011 and 2012 respectively.

About Head

HEAD N.V. is a leading global manufacturer and marketer of premium sports equipment. HEAD NV's ordinary shares are listed on the Vienna Stock Exchange (**HEAD**).

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

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

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

Tennis players: Novak Djokovic, Andy Murray, Robin Soderling, Mikhail Youzhny, Marin Cilic, Svetlana Kuznetsova, Victoria Azarenka, Andre Agassi, Guillermo Vilas, Ilie Nastase, Bjorn Borg, Mansour Bahrami.

Forward-Looking Statements

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

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

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

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