



Press Release

## HEAD NV

### HEAD NV Announces Results for the Three and Nine Months ended 30 September 2007

Amsterdam – 8<sup>th</sup> November 2007 – Head N.V. (NYSE: HED; VSX: HEAD), a leading global manufacturer and marketer of sports equipment, announced the following results today.

#### **For the three months ended 30 September 2007 compared to the three months ended 30 September 2006:**

- Net revenues were down 17.1% to €92.8 million
- Operating profit decreased by €7.9 million to €8.8 million, from €16.8 million in Q3 2006.
- The net profit for the period was down €6.9 to €4.1 million compared to a net profit of €11.0 million in Q3 2006.

#### **For the nine months ended 30 September 2007 compared to the nine months ended 30 September 2006:**

- Net revenues were down 13.0% to €211.8 million
- The Operating loss for the period was €5.4 million compared to an operating profit of €9.4 million in comparable 2006 period.
- The net loss for the period was €11.9 million compared to a net profit of €1.1 million in the comparable 2006 period.

Johan Eliasch, Chairman and CEO, commented:

*“As anticipated, the third quarter results have been negatively impacted by the performance of the Winter Sports Division. The poor snow in the 06/07 skiing season has resulted in lower sales and utilisation of our facilities. The sales in this division for the three months were down by 30.5% and profit margins were also lower compared with the prior year.*

*In the Racquet Sports Division sales were up 4.2% in the last quarter due to new product introductions partly offset by strengthening of the Euro against the US dollar. The currency movement has improved our gross margin resulting in overall gross profits up slightly in this division.*

*The Diving division continues to perform well and we believe has gained market share during 2007; revenues are up nearly 3% in the three month period compared with prior year.*

*Overall, however, primarily due to the adverse conditions affecting the Winter Sports market, we continue to anticipate that we may record an operating loss for 2007.”*





## Results for the three and nine months ended September 30, 2007 and 2006:

|                          | For the Three Months<br>ended September 30, |             | For the Nine Months<br>ended September 30, |             |
|--------------------------|---|-------------|--|-------------|
|                          | 2007  | 2006        | 2007                                       | 2006        |
|                          | (unaudited)                                 | (unaudited) | (unaudited)                                | (unaudited) |
|                          | <i>(in thousands)</i>                       |             | <i>(in thousands)</i>                      |             |
| <b>Product category:</b> |   |             |  |             |
| Winter Sports.....       | € 48,921                                    | € 70,412    | € 69,620                                   | € 100,191   |
| Racquet Sports.....      | 34,799                                      | 33,408      | 102,307                                    | 106,274     |
| Diving.....              | 10,378                                      | 10,129      | 40,697                                     | 37,988      |
| Licensing.....           | 1,365                                       | 1,190       | 5,130                                      | 5,922       |
| Total revenues.....      | 95,463                                      | 115,139     | 217,753                                    | 250,376     |
| Sales Deductions.....    | (2,658)                                     | (3,193)     | (5,983)                                    | (6,891)     |
| Total Net Revenues.....  | € 92,805                                    | € 111,946   | € 211,769                                  | € 243,485   |

As of December 31, 2006 the Company determined that certain share-based compensation plans should have been accounted for as cash-settled which originally were treated as equity-settled. These changes have been applied to the 3 and 9 months ended 30 September 2006, and accordingly restated.

### Winter Sports

Winter Sports revenues for the three months ended September 30, 2007, decreased by €21.5 million, or 30.5%, to €48.9 million from €70.4 million in the comparable 2006 period. This decrease was due to significantly lower orders placed for winter sport products.

For the nine months ended September 30, 2007, Winter Sports revenues decreased by €30.6 million, or 30.5%, to €69.6 million from €100.2 million in the comparable 2006 period. This decrease was due to lower sales volumes of all of our winter sports products as a consequence of bad snow conditions globally in the winter season 2006/2007.

### Racquet Sports

Racquet Sports revenues for the three months ended September 30, 2007, increased by €1.4 million, or 4.2%, to €34.8 million from €33.4 million in the comparable 2006 period. This increase was due to higher sales volumes in tennis racquets as a consequence of new product introductions, which were partially offset in euro value terms by the strengthening of the euro against the U.S. dollar.

For the nine months ended September 30, 2007, Racquet Sports revenues decreased by €4.0 million, or 3.7%, to €102.3 million from €106.3 million in the comparable 2006 period. This decrease was mainly due to the strengthening of the euro against the U.S. dollar in the reporting period, which diminished the euro value of US sales and intensified price competition in the European tennis ball market.

### Diving





Diving revenues for the three months ended September 30, 2007, increased by €0.3 million, or 2.5%, to €10.4 million from €10.1 million in the comparable 2006 period despite a negative impact of the strengthening of the euro against the U.S. dollar in the reporting period.

For the nine months ended September 30, 2007, Diving revenues increased by €2.7 million, or 7.1%, to €40.7 million from €38.0 million in the comparable 2006 period. This increase was mainly driven by improved availability throughout the distribution chain on our broad variety of diving products and was negatively affected by the strengthening of the euro against the U.S. dollar in the reporting period.

### **Licensing**

Licensing revenues for the three months ended September 30, 2007, increased by €0.2 million, or 14.7%, to €1.4 million from €1.2 million in the comparable 2006 period.

For the nine months ended September 30, 2007, Licensing revenues decreased by €0.8 million, or 13.4%, to €5.1 million from €5.9 million in the comparable 2006 period, principally due to lower revenues recorded for the first quarter of 2007

### **Profitability**

Sales deductions for the three months ended September 30, 2007, decreased by €0.5 million, or 16.8%, to €2.7 million from €3.2 million in the comparable 2006 period.

For the nine months ended September 30, 2007, sales deductions decreased by €0.9 million, or 13.2%, to €6.0 million from €6.9 million in the comparable 2006 period due to decreased sales.

For the three months ended September 30, 2007, gross profit decreased by €9.1 million to €36.4 million from €45.4 million in the comparable 2006 period. Gross margin decreased to 39.2% in 2007 from 40.6% in the comparable 2006.

For the nine months ended September 30, 2007, gross profit decreased by €14.5 million to €83.7 million from €98.2 million in the comparable 2006 period. Gross margin decreased to 39.5% in 2007 from 40.3% in the comparable 2006 period. This decrease was due to lower sales and lower utilization of production capacity for winter sports products.

For the three months ended September 30, 2007, selling and marketing expense decreased by €0.4 million, or 1.8%, to €22.4 million from €22.8 million in the comparable 2006 period.

For the nine months ended September 30, 2007, selling and marketing expense increased by €0.6 million, or 0.8%, to €68.0 million from €67.4 million in the comparable 2006 period. This increase was mainly due to higher advertising costs for our sponsored professional ski racers, which were partly offset by lower commissions, shipment costs and selling expense as a consequence of decreased sales.

For the three months ended September 30, 2007, general and administrative expense increased by €0.1 million, or 2.0%, to €7.4 million from €7.2 million in the comparable 2006 period.

For the nine months ended September 30, 2007, general and administrative expense remained stable.

Share-based Compensation Expense(Income). For the three months ended September 30, 2007, we recorded €1.7 million of share-based compensation income for our Stock Option Plans compared to €1.1 million in the comparable 2006 period, mainly due to the lower share price.





For the nine months ended September 30, 2007, we recorded €0.3 million of share-based compensation expense for our Stock Option Plans compared to € 0.2 million in the comparable 2006 period.

For the three months ended September 30, 2007, other operating income, net increased by €0.2 million to €0.5 million from €0.3 million in the comparable 2006 period due to sales of a diving brand and a non consolidated investment.

For the nine months ended September 30, 2007, other operating income, net increased by €0.3 million to €1.2 million from €0.9 million in the comparable 2006 period. This increase was due to the release of an accrual for possible environmental expenses related to the property in Estonia which we sold in 2005 and the sales of the Sporasub brand and of a non consolidated investment. This income was partly offset by lower foreign exchange gains.

As a result of the foregoing factors, operating profit for the three months ended September 30, 2007, decreased by €7.9 million to €8.8 million from €16.8 million in the comparable 2006 period. For the nine months ended September 30, 2007, an operating loss of €5.4 million was recorded compared to a profit of €9.4 million in the comparable 2006 period, reflecting a decline of €14.8 million in operating results.

For the three and nine months ended September 30, 2007, interest expense changed insignificantly compared to the comparable 2006 periods.

For the three months ended September 30, 2007, interest income decreased by €0.1 million to €0.3 million from €0.4 million in the comparable 2006 period.

For the nine months ended September 30, 2007, interest income increased by €0.1 million to €1.4 million from €1.3 million in the comparable 2006 period due to higher interest rates.

For the three months ended September 30, 2007, other non-operating income, net increased by €0.1 million to €0.3 million from €0.2 million in the comparable 2006 period, mainly due to foreign currency loss.

For the nine months ended September 30, 2007, other non-operating income, net decreased by €0.4 million to an expense of €0.3 million from an income of €0.1 million in the comparable 2006 period, mainly due to foreign currency loss.

For the three months ended September 30, 2007, income tax expense was €2.2 million, a decrease of €1.0 million compared to income tax expense of €3.3 million in the comparable 2006 period. This decrease was due to lower pre-tax income. Additionally, €1.2 million of deferred tax expense were recorded as a result of the effect of the decrease in the German income tax rate on tax loss carry forwards.

For the nine months ended September 30, 2007, income tax benefit was €1.7 million, an increase of €2.2 million compared to an income tax expense of €0.5 million in the comparable 2006 period. This increase reflected the increase in pre-tax losses whose deductibility from future taxable profits is probable, and was partially offset by deferred income tax expense of €1.2 million as a result of the effect of the decrease in the German income tax rate on tax loss carry forwards.

As a result of the foregoing factors, for the three months ended September 30, 2007, we recorded a profit of €4.1 million, compared to €11.0 million in the comparable 2006 period. For the nine months ended June 30, 2007, we recorded a loss of €11.9 million compared to a profit of €1.1 million in the comparable 2006 period.





## Consolidated Results

|  | For the Three Months<br>ended September 30, |                         | For the Nine Months<br>ended September 30, |                         |
|--|---|-------------------------|--|-------------------------|
|  | 2007  | 2006                    | 2007                                       | 2006                    |
|  | (unaudited)                                 | Restated<br>(unaudited) | (unaudited)                                | Restated<br>(unaudited) |
|  | (in thousands)                              |                         | (in thousands)                             |                         |
| Total net revenues.....                        | € 92,805                                    | € 111,946               | € 211,769                                  | € 243,485               |
| Cost of sales.....                             | 56,454                                      | 66,498                  | 128,099                                    | 145,303                 |
| Gross profit.....                              | 36,350                                      | 45,448                  | 83,671                                     | 98,182                  |
| Gross margin.....                              | 39.2%                                       | 40.6%                   | 39.5%                                      | 40.3%                   |
| Selling and marketing expense.....             | 22,371                                      | 22,784                  | 67,984                                     | 67,421                  |
| General and administrative expense.....        | 7,377                                       | 7,234                   | 21,965                                     | 22,012                  |
| Share-based compensation expense (income)..... | (1,704)                                     | (1,066)                 | 339  | 226                     |
| Other operating income, net.....               | (513)                                       | (270)                   | (1,228)                                    | (918)                   |
| Operating profit (loss).....                   | 8,819                                       | 16,767                  | (5,389)                                    | 9,441                   |
| Interest expense.....                          | (3,102)                                     | (3,119)                 | (9,268)                                    | (9,265)                 |
| Interest income.....                           | 307   | 452                     | 1,386                                      | 1,321                   |
| Other Non-operating income (expense), net..... | 345   | 185                     | (338)                                      | 102                     |
| Income tax benefit (expense).....              | (2,233)                                     | (3,236)                 | 1,712                                      | (469)                   |
| Profit (Loss) for the period.....              | € 4,136                                     | € 11,049                | € (11,897)                                 | € 1,130                 |

## HEAD N.V. Financial Reporting and Conference Call Calendar 2008

|                           |                  |
|---------------------------|------------------|
| Year End 2007 .....       | 28 February 2008 |
| First Quarter 2008 .....  | 15 May 2008      |
| Second Quarter 2008 ..... | 14 August 2008   |
| Third Quarter 2008 .....  | 13 November 2008 |

The Company will release the results prior to the opening of the Vienna Stock Exchange and the conference calls will be held at 4pm Central European time (10am New York time). Conference call details will be distributed at least one week prior to each scheduled event and posted on our website.

In addition, Head files its financial results electronically with the SEC's EDGAR databases.

The Company archives financial results, conference call presentations and press releases on the Investor Relations page of its website.

### About Head

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





HEAD NV's ordinary shares are listed on the New York Stock Exchange ("HED") and 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, badminton products, alpine skis, ski bindings and ski boots, snowboards, bindings and boots), Penn (tennis and racquetball balls), Tyrolia (ski bindings), and Mares/Dacor (diving equipment) brands.

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

For more information, please visit our website: [www.head.com](http://www.head.com)

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