

HEAD[®]



Annual Report 2014

HEAD N.V.
ANNUAL REPORT FOR THE PERIOD ENDED DECEMBER 31, 2014

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HEAD N.V. AND SUBSIDIARIES DIRECTORS' REPORT

Business and Strategy

The Company:

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

With a broad product offering, the Company supplies sporting equipment, apparel and accessories to all major distribution channels in the skiing, tennis and diving markets, including pro shops, specialty sporting goods stores and mass merchants. The Company's products are sold through some 37,000 customers in over 85 countries and target sports enthusiasts of varying levels of ability and interest ranging from the novice to the professional athlete. The Company's strongest presence has traditionally been in Europe. The United States is the next largest market for the Company's products after Europe.

The Company generates revenues in its principal markets by selling goods directly to retail stores and to a lesser extent, by selling to distributors. It also receives licensing and royalty income. Winter Sports goods are shipped during a specific period of the year, and therefore the Company experiences highly seasonal revenue streams. Following industry practice, the Company begins to receive orders from its customers in the Winter Sports division from March until June, during which time the Company books approximately three quarters of its orders for the year. The Company will typically begin shipment of skis, boots and bindings in July and August, with the peak shipping period occurring in October and November. At this time, the Company will begin to receive re-orders from customers, which constitute the remaining approximate quarter of its yearly orders. This re-orders inflow may last, depending on the course of weather into the first quarter of the next year. Racquet Sports and Diving product revenues experience almost no seasonality. Revenue from sales is recognised at the time of shipment.

Strategy:

Over the last six decades, the Company has become one of the world's most widely recognised developers, manufacturers and marketers of innovative, high-quality and technologically advanced sporting equipment. The Company's focus continues to be its core products of skiing, racquet sports and diving equipment. In order to expand market share and maximize profitability, the Company's strategy includes an emphasis on marketing and new product development, leveraging further its brands, global distribution network and traditional strength in manufacturing and the Company continuously seeks means for reducing its fixed costs.

Expand Market Share. The Company continues to focus on expanding its market share, by developing innovative products such as the new Joy collection in Winter Sports, a complete line of women's alpine ski equipment including the ultralight Graphene ski. In addition, the Winter Sports division also launched a new boot with integrated Perfect Fit and Adapt Fit technologies, a customisation system that provides the optimal combination of precision, comfort and durability. In Racquet Sports, the successful Graphene family of racquets was added to with the release of the Graphene Radical, Graphene Prestige and Graphene Extreme. In Diving, the Fusion Regulator with Twin Power technology and a new entry level watch computer were

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developed.

Rapidly Develop and Launch New Products. The Company intends to continue its tradition of product innovation and development by identifying new product opportunities and moving quickly to launch these products successfully. After the Company identifies a new product opportunity, the Company relies on its in-house research and development department and the manufacturing facilities available to produce the desired product concept. Thereafter, through a combination of the integrated marketing program, high brand awareness and global distribution organisation efficiency the Company is able to introduce the new products to the market rapidly.

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

Sales and Distribution:

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

Europe

Sales to customers within Europe accounted for 56% of the Company's 2014 sales. Head International GmbH operates as a single distribution company for Winter Sports and Racquet Sports products for several key markets and invoices and ships products to the Company's customers in Switzerland, Germany, Italy, Poland, Benelux and Austria. Mares S.p.A. operates as a single distribution company for Diving products for the European market. As a result, all of the Company's invoicing to customers in these markets, and to European third-party distributors, occurs from Head International GmbH or Mares S.p.A. The distribution companies in these countries function as sales agencies.

North America

Sales to customers in North America accounted for 28% of the Company's 2014 sales. The Company distributes Head, Tyrolia, Penn and Mares through its subsidiaries Head USA and Head Canada. In the U.S., Winter Sports, Racquet Sports and Diving have separate sales/marketing organisations and sales forces but share all administrative and logistical functions. The goal is to improve distribution and to increase penetration in North America.

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

Asia

Sales to customers in Asia accounted for 11% of the Company's 2014 sales. In Japan, the Company's largest market in Asia, its Winter Sports and Racquet Sports products are distributed by its own subsidiary distribution unit. In 2011, the Company signed an agreement to set up a distribution company for Diving products in Japan. For snowboard and protection products, the Company has established a successful cooperation between its subsidiary and

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USP, a marketing and sales specialist in the action sport market. Racquet Sports and Diving products in Hong Kong are served through the Company's subsidiary in Hong Kong. In 2013, the Company signed an agreement to set up a distribution company for Diving products in the Philippines. For the rest of Asia the Company's products are sold only to independent importers or distributors on a wholesale basis.

Other Markets

Sales to customers in other markets accounted for 5% of the Company's 2014 sales. These markets mainly consist of Latin America, Africa and Australia. Diving customers in Australia and New Zealand are served through local branches of the Company's subsidiary in Hong Kong. Sales of products in these regions occur from Head International GmbH and Mares S.p.A. to independent importers/distributors.

Industry overview:

Winter sports market

The Company defines the winter sports market as the market for alpine skis, ski boots and bindings, snowboard equipment and protection equipment. The Company estimates that there are approximately 50 million skiers and 8 million snowboarders active worldwide and that the market for winter sports equipment, excluding protection, in 2014 was approximately €880 million at the wholesale level, consisting of €300 million for skis, €150 million for bindings, €250 million for boots and €180 million for snowboard equipment. The ski market consists predominantly of Europe, North America and Asia, with Europe constituting approximately 66%, the US and Canada approximately 24% and Japan approximately 10% in 2014. The snowboard market is broadly equally divided between Europe, North America and Asia.

Ski sales have traditionally been the primary component of the winter sports market, with trends in ski sales directly affecting sales of bindings, ski boots and other ski accessories. The market for skis, however, has undergone a transformation in the past 25 years by declining from an estimated 6.5 million pairs sold per year worldwide in the late 1980's to approximately 3.2 million pairs in 2014. The reduction in ski sales has resulted primarily from a shift in preference among some consumers from skiing to snowboarding in the early 1990's, an absence of significant product innovation, except for the introduction of the carving ski in 1996, the severe decline in the Japanese market and the growing trend towards rental equipment. The market is also impacted in the short term by weather conditions, for example the bad snow fall experienced in many parts of Europe and North America during the 2013/14 season resulted in a drop in the number of skier days which negatively impacted the equipment sales market in 2014.

The ski bindings and ski boot markets broadly reflect the trends in the ski market. We estimate that 3.2 million sets of bindings and 3.6 million pairs of boots were sold in 2014.

The snowboard market peaked at 1.6 million boards in 2000 and has since decreased to 0.8 million in 2013 and has remained stable at this level in 2014.

Racquet sports market

The Company defines the racquet sports market as the market for tennis, racquetball, paddle and squash racquets, accessories and footwear and additionally for tennis balls and racquetball balls. Based on external market information and internal estimates, we believe that the market for tennis racquets in 2014 in the U.S., the world's biggest market, was slightly up in revenues

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despite a decline of almost 6% in units. We believe that the European tennis racquet market declined by around 2% in both revenues and units, and the Asian tennis market showed a slight decrease. We estimate the global market in tennis racquets in 2014 at approximately 7.9 million units with a wholesale value of €290 million.

The Company estimates that worldwide sales of tennis balls were approximately 24 million dozens with a wholesale value of approximately €200 million. The market was stable in most regions during 2014.

Diving market

The Company defines the diving market as the market for diving masks, fins, suits, BCDs (buoyancy control devices), regulators, computers and diving accessories and most recently dive-certifications. The Company estimates the worldwide equipment wholesale market in 2014 was approximately €400 million. The Company believes that the diving equipment market declined during 2014 in EMEA (Europe, the Middle East and Africa) and the United States but grew slightly in Asia (except Japan). The Company believes the worldwide diving certification market was broadly flat during 2014, with declines in Europe and the United States which were offset by growth in Asia.

Sportswear market

The Company defines its sportswear market as the European market for tennis and skiwear and in addition includes the bag business in the UK market. In other countries outside Europe, Head sportswear is a licensed business. The distribution of sportswear for tennis and skiwear is fully integrated into the Company's distribution units.

While the tennis apparel market is dominated by large international brands like Nike and Adidas with smaller brands having local importance, the skiwear market is regionally very fragmented.

Business development:

Winter Sports

The 2014/2015 winter season started well in both North America and Japan with early snow in December but in Europe the season had an extremely late start. Most of the European markets did not get snow before the end of December and retailers experienced poor sell through in the month of December after a good start in the first half of November. Reorders on winter sport equipment for our Company during the month of December were approximately 40% lower than the prior year. This negative development came mainly from the key European markets of Germany, Austria and Switzerland as a result of very warm weather and late snow. Since the end of 2014, the situation has improved in many parts of Europe and resorts are reporting very good traffic. The late start will have a negative impact on our 2015 pre-season orders but good conditions for the rest of the 2014/15 season would help to partly compensate for the slow start.

Racquet Sports

The interest in tennis and the participation in the sport were almost stable in 2014 resulting in a flat tennis ball market. Introductions of new performance tennis racquets at the beginning of the year, followed by new introductions during the year, drove sales and led to an increase of the average selling price of tennis racquets especially in the U.S. market. Even given this

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growth, the market has yet to recover the drop it experienced in 2013 as the uncertain state of the economy in various European countries as well as in the United States continued to influence the racquet sports market.

Diving

The political turmoil in Egypt and the continued economic-crisis in Southern Europe continued to affect European markets during 2014. Nevertheless, the Company believes Mares increased its market shares in most markets as a result of new advanced products and improved operations. During 2014, the Company completed the integration of the SSI business acquired as per January 1, 2014 (see Note 31). SSI certification numbers continued to grow with strongest contributions coming from Asian resort markets. Head swimming kept growing with Head athletes winning a number of medals at the World and European Championships 2014.

Sportswear

The development of the skiwear market is clearly linked to the timing and levels of snowfall over Europe as well as local economic conditions. For the 2013/2014 season snow arrived late over the Alps which has had a slowdown effect on re-fill orders. A big snow wave in the early part of 2014 helped our sell in efforts of the 2014/2015 skiwear collections. However, the late arrival of the snow in the 2014/15 ski season will have a negative impact on the sell-through of skiwear.

Similar to skiwear the tennis sportswear market in Europe is also linked to the weather but also the economy, fashion trends and versatile product offering continues to influence the business across the region. In a market that is believed to be flat our business is stable across most subsidiary markets.

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Profitability

Income statement:

Total Net Revenues increased by €16.7 million, or 4.7%, to €375.4 million from €358.7 million in the comparable 2013 period. This increase was due to higher sales in all divisions.

Winter Sports revenues increased by €4.7 million, or 2.9%, to €164.7 million from €160.0 million in the comparable 2013 period. This increase was mainly due to higher volumes in skis and bindings and a favourable product mix for skis and boots.

Racquet Sports revenues increased by €4.7 million, or 3.3%, to €149.5 million from €144.8 million in the comparable 2013 period. This increase was mainly due to higher volumes for tennis racquets and Head balls, a favourable product mix for racquets and balls and higher revenues for accessories, partly offset by exchange rate movements.

Diving revenues increased by €4.8 million, or 9.2%, to €57.1 million from €52.3 million in the comparable 2013 period. This increase was due to the inclusion of the new SSI business (see Note 31), partly offset by lower equipment sales.

Sportswear revenues increased by €0.2 million, or 3.4%, to €6.8 million from €6.6 million in the comparable 2013 period. This increase was mainly due to higher sales for Winter Sportswear, partly offset by lower sales of bags in the UK market.

Licensing revenues increased by €2.0 million, or 38.1%, to €7.2 million from €5.2 million in the comparable 2013 period mainly due to better than expected sales.

Sales deductions consist of sales incentives, which are earned by the Company's customers subsequent to delivery of its product, including cash discounts, volume rebates and other than cash consideration. Sales deductions slightly decreased by €0.3 million, or 2.9%, to €9.9 million from €10.2 million in the comparable 2013 period.

Cost of Sales. Cost of Sales increased by €0.4 million, or 0.2%, to €214.2 million from €213.8 million in 2013.

- Variable production costs increased by €0.5 million, or 0.3%, to 183.0 million from €182.5 million in 2013.
- Fixed production costs decreased by €0.8 million, or 3.9%, to €20.1 million from €21.0 million in 2013.
- Research and development expenses increased by €0.8 million, or 7.5%, to €11.1 million from €10.3 million in the comparable 2013 period.

Gross Profit. Gross profit increased substantially by €16.3 million, or 11.2%, to €161.1 million from €144.9 million in the comparable 2013 period. Gross margin increased to 42.9% in 2014 from 40.4% in the comparable 2013 period. This increase was mainly due to higher licensing revenues, lower cost of sales for our bindings and tennis ball business and a change in the mix in our diving business due to the new SSI business.

Selling and Marketing Expense. Selling and marketing expense increased by €8.0 million, or 7.7%, to €112.1 million from €104.1 million in the comparable 2013 period. This was mainly due to higher advertising costs in our Winter Sports and Racquet Sports divisions and to higher departmental selling costs for our new SSI business and in our Winter Sports and Racquet Sports divisions.

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General and Administrative Expense. General and administrative expense increased by €1.4 million, or 4.8%, to €31.0 million from €29.6 million in the comparable 2013 period mainly due to higher business unit administration and warehouse costs for our new SSI business.

Share-Based Compensation Income/Expense. In 2014, the Company recorded an income of €0.4 million relating to the Stock Option Plans which was mainly due to the decrease of the share price at December 31, 2014 compared to December 31, 2013. In 2013, the Company recorded an expense of €0.1 million relating to the Stock Option Plans which was mainly due to the increase of the share price at December 31, 2013 compared to December 31, 2012.

Other Operating Expense/Income, net. In 2014, the Company recorded other operating expense, net, of €4.5 million which was mainly due to an increase of the provision for litigation, higher costs in our Diving division and foreign exchange losses. In 2013, the Company recorded other operating income, net, of €0.9 million, which was mainly due to the release of a provision for an environmental matter.

Operating Profit. As a result of the foregoing, an operating profit of €13.9 million was recorded in 2014 compared to an operating profit of €12.1 million in the comparable 2013 period.

Interest and Other Finance Expense. For the year ended December 31, 2014, interest and other finance expense increased by €1.3 million, or 25.1%, to €6.3 million from €5.1 million in the comparable 2013 period. This increase was mainly due to higher interest expense as a result of higher debt.

Interest and Investment Income. Interest and investment income decreased by €0.2 million to €0.3 million in 2014 compared to €0.5 million in 2013.

Other Non-Operating Expense/Income, net. In 2014, the Company recorded other non-operating expense, net, of €2.2 million compared to other non-operating income, net, of €0.2 million in 2013. This swing of €2.4 million was mainly due to foreign exchange gains in 2013 and foreign exchange losses in 2014.

Income Tax Expense. For the year ended December 31, 2014, income tax expense amounted to €2.8 million compared to €2.4 million in 2013. Income tax expense in both years was driven by current income tax expense of €1.8 million in 2014 and €1.9 million in 2013. Deferred income tax expense amounted to €1.0 million in 2014 and €0.5 million in 2013 mainly resulting from the use of tax losses in some of the Company's operating countries.

Profit for the Year. As a result of the foregoing factors, the Company reported a profit of €2.8 million in 2014 compared to a profit of €5.3 million in 2013.

Financing:

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

Cash used for operating activities amounted to €2.7 million in 2014 compared to cash provided by operating activities of €5.0 million in the comparable 2013 period. This development was mainly due to adverse working capital movements, mainly in inventories. Cash used for

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investing activities amounted to €14.4 million in 2014 compared to €8.4 million in 2013. This increase was mainly due to the acquisition of subsidiaries (see Note 31) and higher cash outflow for the purchase of property, plant and equipment in 2014, partly offset by cash inflow of €5.0 million resulting from the sale of all money market funds (see Note 10). Cash used for financing activities amounted to €27.4 million in 2014 compared to cash provided by financing activities of €36.0 million in 2013. The cash outflow in 2014 was mainly driven by the share buy backs (see Note 12), whereas the cash inflow in 2013 was mainly due to the issuance of the Bond in the third quarter of 2013 and to an increase in short-term borrowings, partly offset by the redemption of the Senior Notes during the second quarter of 2013.

As of December 31, 2014, the Company had €139.4 million of total debt, consisting of €59.5 million Bond due 2018, €8.7 million long-term obligations under a sale-leaseback agreement due 2017, three mortgage agreements due 2018 at the latest totaling €7.8 million and €25.6 million other long-term debt comprising of loans in Italy, Japan, the United States, China and Austria. In addition, the Company used lines of credit with several banks in Austria, Japan, France, China and the United Kingdom of €37.8 million.

As of December 31, 2014, the Company had €31.0 million cash on hand and €1.5 million restricted cash.

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

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Research and Development

The Company believes that it is an industry leader in the development of innovative and technologically advanced sports equipment and apparel. Its research and development groups identify consumer needs and shifts in consumer preferences in order to develop new product ideas and concepts to satisfy such needs or preferences. The Company believes that its high level of expertise is evident in all its product lines. The Company incurred research and development costs amounting to €11.1 million and €10.3 million for the year ended December 31, 2014 and 2013, respectively.

Capital Expenditures

A significant amount of the Company's annual capital expenditure is invested for the maintenance of current facilities including moulds, tools and equipment. Some product lines change annually as new products are introduced, while others are in use for several years.

In 2014, the Company spent approximately €10.4 million (2013: €8.5 million) on facilities and equipment maintenance (upkeep, replacement and/or improvement). In the years 2015 to 2017, the Company expects to spend approximately €32.0 million on investment in property, plant and equipment, including expenditures for maintenance of the Company's facilities and equipment, and €34.5 million on research and development. The Company expects that these expenses will be financed through its operating cash flow. These expenses will be primarily for the design and manufacturing of products that are scheduled to be introduced and existing products which the Company expects to continue selling during the period.

Employees

As of December 31, 2014, the Company employed 2,499 people worldwide compared to 2,193 at the end of 2013.

Employees by categories:

	For the Years ended December 31,	
	2014	2013
Manufacturing.....	1,595	1,360
Engineering and Patent.....	98	93
Selling and Advertising.....	487	451
Warehouse.....	148	138
Business Unit Administration.....	171	151
Total.....	<u>2,499</u>	<u>2,193</u>

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Employees by geography:

	For the Years ended December 31,	
	2014	2013
Austria.....	546	518
Italy.....	199	202
Czech Republic.....	712	497
Other (Europe).....	302	290
North America.....	136	117
China.....	546	520
Other.....	58	49
Total.....	<u>2,499</u>	<u>2,193</u>

The increase in the number of employees is mainly due to the acquisition of Catis s.r.o. and its subsidiary Sitac s.r.o. as of January 1, 2014 (see Note 31).

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

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Outlook

Product Outlook:

Winter Sports

The Company experiences a continued trend towards rental equipment at the expense of low price ski packages while high-end models, such as the Supershape models or Worldcup Race skis, continue to sell well. The industry is still micro segmenting itself with many different models and characteristics. Park&Pipe, Freeskiing and Touring remain the most important niche segments, especially for a younger audience. For 2015, two completely new Allmountain lines of skis have been developed. The INSTINCT line for on piste skiing and the MONSTER line with a wider footprint for on/off piste skiing. Graphene, an incredibly light and strong material, is the main feature of those two new lines. The 2014 newly launched women category had a good start and will continue to grow 2015. The Worldcup and Supershape lines will remain our bestseller and the World Championships in Vail 2015 were a good ambassador to drive this business.

In 2014, the Company introduced, together with the new Head women ski line, a series of new SLR bindings for women and a new TriFlex plate for the Supershape skis which enhances performance. We added to our AAA-series line a demo model, Attack 13 Demo, which, we believe, is better performing than products from the competition. All products have been well accepted by the market. For our World Cup racers we developed a complete new toe system called FreeFlex Evo. The new race binding is already very successfully used by our World Cup racers and their feedback has been extremely positive. The system ski-binding is faster and better performing. At the ISPO 2015 we also presented it to the dealers and public. At the ISPO we also showed a new touring binding, called Ambition 12 Carbon, that is significantly lighter than other comparable bindings.

Customization is clearly the most important trend in the ski boots industry. More and more consumers want to have personalized products to improve comfort and performance and specialized distribution is pushing in this direction to attract consumers into the shop. This trend will grow in the future and we can expect that this will make rental standard equipment less attractive. For 2015, beside our Adaptive Fit Technology and Perfect Fit liner, we will introduce three new product lines featuring Form Fit plastic material which adapts to consumers feet shape. VECTOR EVO is targeted to high end skiers and HAMMER and THRASHER have been developed for Freeskiing and will be the first project specifically designed for this segment by the Company. In addition, the 2015 line will present a totally new cosmetic direction with a clean and high technical distinctive style and personality.

In snowboards, an additional high performance category was developed in the rental segment, emerging from the success of specific features like the Framewall technology, underlining our competence in this segment. In 2015, this will be supported by introducing the first high performance rental snowboard boot. On the retail side, Graphene technology was transferred into the snowboard line, creating the first ever women snowboard concept – Libra. Also on the boot side we could link with Perfect Fit technology, as customization is an important topic for snowboard boots as well. We also created a new, light and modern design direction for snowboard boots, the Frequency technology.

After successfully entering the racing segment previously, we are continuously increasing the number of athletes who use our helmets and goggles, creating brand visibility and enhancing

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our protective product competence in the winter sport business. For retail, we are launching the new Flexcore technology in helmets, this is a flexible, highly comfortably core material with enhanced impact performance. For 2015, the young goggle category seems to develop into a core category within the protection segment, so this category will be enhanced by new models. Helmets featuring the Flexcore technology will be enhanced as well. A new visor helmet will be introduced, as this technology is gaining momentum in the helmet market.

Racquet Sports

The Racquet Sports division launched new products in all categories in 2014.

The Company has continuously focused on developing and introducing high performance tennis racquets. In 2014, the key technology called Graphene, which was introduced in 2013, has been integrated into three additional new racquet series, the Prestige series, the Radical series and the Extreme series. Graphene significantly improves both power and maneuverability of the racquet and provides professional players as well as recreational players more speed and easy of handling. A top ranked professional player endorse every series: 2014 US Open Champion Marin Cilic endorses the Prestige series, the Graphene Radical series is promoted by Andy Murray while Richard Gasquet promotes the Graphene Extreme series. Racquets with Graphene technology have created very positive momentum at retail and at consumer level. The Company has introduced the next generation of Graphene technology – Graphene XT – that further increases both power and maneuverability by launching the Graphene XT Speed series and the Graphene XT Instinct series at the beginning of 2015.

Head's athletes who endorse Head's products look back at a very successful year 2014: four players qualified for the 2014 World Tour Final in London – Novak Djokovic, who finished the year as the number one ranked player on the ATP Tour, Andy Murray, Marin Cilic and Tomas Berdych. HEAD players won three Grand Slam titles and Maria Sharapova finished the year as WTA number two. The great successes of Head players on the ATP and WTA Tour supported sales of tennis racquets in 2014 significantly and we will continue with our endorsement strategy of world-class tennis players.

2014 was the most successful year for the Company in tennis ball sales. The Company expanded the position as market leader in tennis balls in the U.S. to a historical peak of around 63% market share in units, in Europe the tennis ball business developed very favorably too. The Company will focus on keeping its market position in the U.S. and will continue to put even more focus on expanding the tennis ball business in Europe and in Asia by developing and introducing new products in order to improve the overall product mix.

By launching new innovative products in the tennis string segment the Company has started to grow in this area. Moreover, a new and attractive line of tennis bags will create further growth of the tennis accessories category. The Company sees further significant potential for growth in the accessories segment in the future and will continue to invest into new product developments. Also in 2015 new products in the accessories category will be introduced: a new attractive range of bags, which match with racquet designs, as well as new innovative string products.

The Company continues also focusing on increasing the tennis footwear business. An additional high performance shoe "Revolt" that coordinate with tennis apparel and tennis bag designs has been developed and was launched in early 2015.

The new Head custom-made online service for tennis racquets that was introduced at the end of 2013 has been added another model "Prestige Select". We offer tennis players the

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opportunity to customize their racquet online with their individual racquet specifications and purchase their custom-made product online, directly from Head.

Diving

Mares latest product launches include the new Fusion regulator and the Smart computer watch. SSI launched a new digital platform providing Dive Training material online and offline on tablets and smartphones in over 15 languages.

Sportswear

For summer 2015 our Head tennis sportswear Performance, Vision, Club and Off-Court collections allows the player to choose, mix and match for speed, motion and fashion on and off the field of play. Key product feature for this season is the introduction of the HEAD propriety ENDOcool technology for instant cooling effect.

For winter 2015/2016 the ADVANCED, ALL-TERRAIN and SYSTEM L collections offer skiers the choice of clothing collections depending on their skiing style. Skiwear incorporates ENDOtherm technology which helps maintain the body at an optimal temperature.

Environmental Matters:

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

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

Circumstances affecting future turnover and profitability:

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

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destinations.

Most of the Company's revenues are denominated in euro, the functional currency of its European operations, and in 2014, approximately 32% 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. Because a portion of the Company's revenues are generated in U.S. dollars, a depreciation of the euro against the U.S. dollar would increase the Company's revenues when translated into euro. The Company's profitability is also affected by fluctuations in the value of the currency in which the products are sold relative to the value of the currencies in which production expenses are incurred. For example, appreciation of the U.S. dollar against the euro may adversely affect margins from its products manufactured on a U.S. dollar-cost basis and sold in Europe.

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.

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.

In 2014, the Company spent approximately €10.4 million (2013: €8.5 million) on capital expenditures which cover mainly the replacement, maintenance and expansion 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. Historically, these expenditures were financed through its operating cash flow. The Company expects its annual capital expenditures to remain stable during the next three years due to the fact that most of its restructuring programs and production outsourcing were finalized in 2010.

In connection with ordinary share options granted to officers, the Company has recorded share-based compensation income of €0.4 million and expense of €0.1 million in 2014 and 2013, respectively. As of December 31, 2014, other long-term liabilities with regards to the Company's stock options amounted to €0.1 million. The decrease compared to December 31, 2013 (€0.5 million), is mainly due to the decrease of the share price at December 31, 2014, compared to December 31, 2013. The change in fair value will be recognised as income or expense over the remaining life of the cash-settled options. Any further stock option grants will result in additional expense being recognised.

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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 56% is recorded in euro whereas approximately 39% is recorded in U.S. dollars.

Subsequent Events:

For information regarding the subsequent events, it is referred to Note 32 of the consolidated financial statements.

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Risk Report

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

Industry and business risks:

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

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

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

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

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

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

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

The Company and the sporting goods industry in general are dependent on the economies in which the products are sold, and in particular on levels of consumer spending. Economic conditions affect not only the ultimate consumer, but also retailers, the Company's primary direct customers. As a result, the Company's results may be adversely affected by downward trends in the economies in which its products are sold. Adverse weather also can cause a significant decline in the Company's sales, as in 2012 when the poor snow conditions in Europe during the 2011/2012 season substantially reduced Winter Sports revenues and negatively impacted the consolidated operating results. In addition, the occurrence of events that adversely affect economies or international tourism, such as terrorism, regional instability or natural disasters continue to adversely affect leisure travel and related discretionary consumer spending, which can have a particularly negative impact on the Company's diving business.

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

Legal and tax risks:

As of December 31, 2014, the Company recognised €51.4 million of deferred tax assets, mainly on Austrian tax losses carried forward. The Company believes it is probable that these deferred tax assets will be realized. Austria and some other countries allow an unlimited carryover of net operating losses. However, a change in income tax law lowering the applicable tax rate or limiting of carryover, requiring the Company to write down a portion of its deferred tax assets, would cause a significant income tax expense and negatively affect the Company's net income and reduce total assets.

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

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

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

The Company holds several hundred patents and trademarks, most of which are filed in multiple jurisdictions, including Europe, the United States and Asia. The Company's major trademarks are registered in its key markets and numerous other countries. The Company believes its patents and trademarks to be among its most valuable marketing assets and

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generally seeks protection for them in countries where significant existing or potential markets for the Company's products exist. The Company believes it has taken adequate measures to protect its technology and proprietary information, trade names and trademarks in all its major markets.

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

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

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

Other risks:

Head Sports Holdings N.V. and its affiliates, directly and indirectly, controlled approximately 66.28% of the Company's issued ordinary shares, as of December 31, 2014. Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch, the Company's CEO and his family members. Head Sports Holdings N.V. has the power to approve the nominations of the Company's executive officers, the Supervisory and Management Boards, change the Company's core business, cause us to engage in transactions with affiliated companies, cause or restrict the sale of the Company's assets, control the Company's dividend policy and make other fundamental corporate decisions.

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

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

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Financial risks:

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. For further description of the financial risks, it is referred to Note 3 of the consolidated financial statements.

Risk management and internal control system:

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

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

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

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

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's internal control and risk management system for the financial year ended December 31, 2014.

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

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

- The Company's internal risk management and control systems provide a reasonable assurance that the Company's financial reporting does not contain any material inaccuracies; and
- the Company's risk management and control systems functioned properly in 2014.

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The Management Board

Our Management Board currently has four members as of December 31, 2014, whose names, functions and biographies are set forth below.

Name	Age	Title
Mr. Johan Eliasch	53	Chairman of the Management Board and Chief Executive Officer
Mr. Ralf Bernhart	63	Member of the Management Board and Deputy Chairman of the Management Board
Mr. Günter Hagspiel	51	Member of the Management Board and Chief Financial Officer
Mr. Georg F. Nicolai	62	Member of the Management Board

Mr. Johan Eliasch has served as Chairman of the Management Board of Head N.V. and Group Chief Executive Officer since September 1995. He is chairman of Equity Partners, Aman Resorts and London Films. He is a non-executive director of CV Starr Underwriting Agents. He is a non-executive chairman of Investcorp Europe. He is an advisory board member of Brasilinvest Societe du Louvre, Stockholm Resilience Centre, Capstar, Foundation for Renewable Energy and Environment, Centre for Social Justice and the British Olympic Association. He is a member of the Mayors of London's, Jerusalem 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. He is chairing the Food, Energy and Water security program at RUSI. He was a former Special Representative of the Prime Minister of the United Kingdom.

Mr. Ralf Bernhart has served as the Chief Financial Officer of Head N.V. since October 2000 until May 2009. 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. Since May 2009, Mr. Bernhart is serving as the 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. Since May 2009, Mr. Hagspiel is serving as a member of the Management Board and the Chief Financial Officer of Head N.V.

Mr. George F. Nicolai was a member of the management team of Intertrust Netherlands from 1989 until 2003, and continues to act as a non-executive director. After finishing his law degree at the University of Utrecht, he joined Pierson Heldring & Pierson which became Mees Pierson and later was part of Fortis Bank and now privately owned by Blackstone 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 Pearson Plc, Pirelli and KFC and as chairman-member of several foundations.

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

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

a) Structure of the capital:

The total nominal value of the Company's issued share capital amounts to €921,748 and the Company's issued share capital consists of 92,174,778 ordinary shares of €0.01 nominal, each.

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

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

As per December 31, 2014, out of 43,324,611 listed shares, 42,726,962 shares are bearer shares and 597,649 shares are in registered form.

On February 16, 2015, the Company announced the withdrawal of the listing of its shares from the Vienna Stock Exchange. For further information it is referred to Note 32.

b) Restrictions on the transfer of securities:

The shares are freely transferable.

c) Significant direct and indirect shareholders:

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

Head Sports Holdings N.V., a Netherlands Antilles corporation and its shareholders, controlled by Mr. Johan Eliasch and his family members, held 61,089,243 shares, or approximately 66.28%, of Head N.V.'s issued shares as of December 31, 2014.

As of December 31, 2014, the Company held 28,365,668 shares, or approximately 30.77%, of Head N.V.'s issued shares in treasury.

d) Holders of any securities with special control rights:

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

e) System of control of employee share scheme:

Plan 2005

In May 2005, at the Annual General Meeting the shareholders approved the Head N.V. Executive Stock Option Plan 2005 ("Plan 2005"). The Plan 2005 provides for grants of 3,874,691 stock options to certain officers and key employees of the Company and its subsidiaries. In accordance with IFRS 2 the Plan 2005 is treated as cash-settled share-based

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plan, as participants have no right to receive shares. As of December 31, 2014, a total of 3,669,346 options were granted under the terms of the Plan 2005.

The exercise price for all stock options granted under the Plan 2005 was fixed at inception of the Plan 2005. Options generally vest over a period of 4 years. The Chairman and Chief Executive Officer received 1,937,346 options under this grant. Options have a maximum term of 10 years. As at December 31, 2014, 205,345 options were available for grant under the Plan 2005 and 3,163,221 options are currently exercisable.

For further information regarding the Stock Option Plans it is referred to Note 23.

f) Restrictions on voting rights:

There are no restrictions on voting rights.

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

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

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

The Company has established a Dutch foundation, Stichting Head Option Plan (the "Stichting"), the Board of which is controlled by Head Sports Holdings N.V. and Mr. Johan Eliasch jointly. Head Sports Holdings N.V. is an entity that is controlled by Mr. Johan Eliasch and his family members. The Stichting's sole corporate body is its Board; it does not have any members or shareholders. The Stichting has the power to nominate all members of the Management Board of the Company, to appoint one-third of the members of the Supervisory Board and nominate the remaining members of the Supervisory Board. Two third of the members of the Supervisory Board are appointed by the general meeting of shareholders from a list of nominees drawn up by the Stichting. The members of the Management Board are also appointed by the general meeting of shareholders from a list of nominees drawn up by the Stichting. A Supervisory Director appointed by the Stichting may be suspended or removed by the Stichting at any time and the Supervisory Director appointed by the general shareholders' meeting may be suspended or removed at any time by a majority vote of the general meeting of shareholders. However, any suspension or removal not proposed by the Stichting may only be adopted by the general meeting of shareholders by the affirmative vote of at least two-thirds of the votes cast. A resolution of the general meeting of shareholders to amend the Company's articles of association can only be adopted upon a proposal of the Management Board, after approval of the Supervisory Board, and requires a special majority (two-thirds majority vote), provided that a resolution to amend the articles of association with respect to article 4 shall only require an affirmative vote of an absolute majority of the votes cast.

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

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

The Company's Management Board is overseen by a Supervisory Board consisting of at least

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

On April 29, 2014, the Management Board was granted the authority by the Company's general shareholder's meeting (i) to repurchase shares representing up to 50% of the Company's issued share capital during a period of 18 months (until October 29, 2015) and (ii) to issue shares and/or grant rights to subscribe for shares as well as to limit or exclude the right of pre-emption in relation to such shares being used or rights being granted (until April 29, 2019), up to a maximum of shares/rights as the authorised capital permits.

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

In September 2011, one of the Company's subsidiaries entered into an asset backed revolving credit agreement with an US-bank providing a maximum of USD 40.0 million dependent on the level, and secured by, eligible US inventories and receivables. The original agreement covered five years. In the third quarter of 2013, this credit agreement was extended until August 2018 and in the first quarter of 2015, this credit agreement was again extended until March 2020. In the event of a) borrower's parent company ceasing to own at least 100% of the outstanding voting equity interests of the borrower or (b) Company ceasing to own, directly or indirectly, at least 100% of the outstanding voting equity interests of borrower's parent company or (c) the occupation of a majority of the seats on the board of directors of the borrower by persons who were neither (i) nominated by the board of directors of the borrower nor (ii) appointed by directors so nominated; or (d) the occupation of a majority of the seats on the board of directors of the borrower's parent company by persons who were neither (i) nominated or elected by the board of directors of borrowers parent company nor (ii) appointed by directors so nominated or elected, then, at the request of the lenders, the following actions may take place: (i) termination of the commitments, and (ii) declaration of the principal of the loans then outstanding together with accrued interest thereon and all fees and obligations of the borrower accrued to be due and payable in whole or in part.

In July 2012, certain Austrian subsidiaries of the Company entered into a loan agreement with an Austrian Bank providing a maximum of €15.0 million (from July 1 until December 31) and of €3.0 million (from January 1 until June 30). This agreement requires the Company to achieve certain yearly financial covenants. The loan is secured by certain Austrian trade receivables as well as by the inventories of certain Austrian subsidiaries in various warehouses. In addition, Mr. Johan Eliasch, the Company's CEO, granted a personal non-performance guarantee ("Ausfallsbürgschaft") up to a maximum amount of €5.0 million to ensure the fulfillment of the obligations of the subsidiaries of the Company under the loan. In the third quarter of 2013, this loan agreement was renegotiated. It was agreed to reduce the maximum amount available from July 1 until December 31 from €15.0 million to €10.0 million and to increase the personal non-performance guarantee of Mr. Johan Eliasch from a maximum amount of €5.0 million to a maximum amount of €10.0 million. In the second quarter of 2014, the loan agreement was extended until September 30, 2015. At December 31, 2013 and 2014, the Company did not use this credit line. In the event of Mr. Johan Eliasch holding directly or indirectly less than 50% of the shares or voting rights of these Austrian subsidiaries of the Company and/or no longer being able to appoint the members of the Management Board of these Austrian subsidiaries of the Company, the Austrian Bank may a) no longer fulfil payment

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obligations arising out of the loan agreement and b) terminate the loan agreement and declare the principal of the loan then outstanding together with accrued interest thereon and other fees accrued to be due and payable.

On September 2, 2013, Head N.V. and HTM Sport GmbH, a subsidiary of Head N.V., announced the issuance of a new €45.0 million Bond. On September 26, 2013, Head N.V. and HTM Sport GmbH announced the increase in size from €45.0 million to €60.0 million based on additional investor demand. The Bond was issued in Switzerland by HTM Sport GmbH and guaranteed by Head N.V. The securities are Euro denominated, carry a fixed coupon of 5.25% payable annually in arrears in September, and have a term of 5 years with maturity on September 26, 2018. The Bond is listed on the SIX Swiss Exchange (SIX). Under the Bond Purchase Agreement that was concluded with a Swiss Bank, the issuer will at the option of a Bond holder, redeem such Bond at par together with interest accrued upon a Change of Control with regard to the Company. A Change of Control occurs when: (a) an offer to acquire shares, whether expressed as a public takeover offer, a merger or similar scheme with regard to such acquisition, or in any other way, is made in circumstances where (i) such offer is available to (aa) all holders of shares, (bb) all holders of shares other than the offeror and any persons acting in concert with such offeror or (cc) all holders of shares other than persons who are excluded from the offer by reason of being connected with one or more specific jurisdictions, and (ii) such offer having become or been declared unconditional in all respects, the Company becomes aware that the right to cast more than 50% of all the voting rights (whether exercisable or not) of the Company has become unconditionally vested in the offeror and any persons acting in concert with the offeror; provided that such an offer shall not result in a Change of Control, if the offeror and any persons acting in concert with the offeror together already hold more than 50% of all the voting rights in the Company before that offer was made; or (b) the Company consolidates with or merges into any other company; or (c) the legal or beneficial ownership of all or substantially all of the assets owned by the Company, either directly or indirectly, are acquired by one or more other persons.

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

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

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

Head's general corporate governance framework and its development

As a Dutch company listed on the Vienna Stock Exchange (see Note 32) 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 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 on several occasions and the newest amendment applicable for 2014 became effective as of July 2012 to take into account national and international developments with regard to the diversity rule and the inclusion of new rules to improve cooperation between the Supervisory Board and the external auditor.

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. As of December 31, 2014, the Company, however, continued to be listed on the Vienna Stock Exchange and continued 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 bonds which have been listed on European stock exchanges. 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 believed 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

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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 July 2012. A copy of the Austrian Code of Corporate Governance valid as of July 2012 is available on the Company's website (www.head.com).

The Austrian Corporate Governance Code

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

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

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

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

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

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

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

Under Dutch law the deadlines to convene a general meeting are longer. The requirements to convene a general shareholder's meeting are therefore as follows: Notice of shareholders' meetings is given on our website (www.head.com) and by advertisement in a Dutch national newspaper and an Austrian national newspaper. The notice includes the requirements for admission to the meeting. Such notice is to be given not later than the forty-second day prior

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to the day of the meeting and is to state the place and time of the general meeting, the subjects to be considered, the procedure for participating by written proxy, the procedure for participating and exercising voting rights by electronic means, the website address of the Company, the applicable record date and, if relevant, that documents containing the subjects to be considered may be inspected at the Company's offices.

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

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

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

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

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

According to Head N.V.'s Articles of Association, the Company shall be entitled to acquire fully paid-up shares in its own capital or depository receipts in respect thereof, provided either the no valuable consideration is given or provided that a) the distributable part of the net assets is at least equal to the purchase price and b) the nominal value of the shares or the depository receipts in respect thereof which the Company acquires, holds or holds in pledge or which are held by a subsidiary does not exceed half of the issued capital. The Management Board shall require the authorisation of the general meeting for an acquisition for valuable consideration. This authorisation may be given for a maximum of 18 months. At the time of granting such authorisation, the general meeting must determine how many shares or depository receipts thereof may be acquired and between which limits the price must be (see also Note 12).

*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*

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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 a member of the management board or a member of the supervisory board, such person to be designated for this purpose by the supervisory board and the management board jointly. The member concerned shall be an independent/disinterested member.

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

Rule 27a: When concluding contracts with management board members, care shall be taken that severance payments in the case of premature termination of a contract with a management board member without a material breach shall not exceed more than two years annual pay and that not more than the remaining term of the employment contract is remunerated. In the case of premature termination of a management contract for material reasons for which a management board member is responsible no severance payment shall be made. Any agreements reached on severance payments on the occasion of the premature termination of management board activities shall take the circumstances under which said management board member left the company as well as the economic situation of the company into consideration.

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

Rule 29: The number and distribution of the options granted, the exercise prices and the respective estimated values at the time they are issued and upon exercise shall be reported in the annual report. The total remuneration of the management board for a business year must be reported in the notes to the financial statements. The Corporate Governance Report shall contain the total remuneration of each individual member of the management board (§ 239 par. 1 fig. 4 lit. a Business Code) and disclose the principles governing remuneration policy.

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

- The principles applied by the company for granting the management board variable remuneration, especially to which performance criteria the variable remuneration components are linked pursuant to C-Rule 27; the methods according to which the fulfilment of the performance criteria is determined; the maximum limits determined for the variable remuneration; the shares held in the own company and periods planned pursuant to C-Rule 28; moreover, any major changes versus the previous year must also be reported.*
- The ratio of the fixed components to the variable components of the total compensation of the management board.*
- The principles of the company retirement plan for the management board and the conditions.*
- The principles applicable to eligibility and claims of the management board of the company in the event of termination of the function.*
- The existence of a D&O insurance, if the costs are borne by the company.*

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

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

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

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*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 organisation and work procedures (self-evaluation).

There is no statutory requirement under Dutch law which sets out a certain minimum amount of meetings to be held during a year. In 2014, we had two Supervisory Board meetings and five audit committee meetings. 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.

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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 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

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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. However, the same requirement exists under Dutch law, too, but the reporting obligation is not towards the Austrian Financial Market Authority, but according to section 5:48 of the Dutch Financial Supervision Act managing directors and supervisory directors of listed companies must inform the AFM (Dutch Financial Authority) regarding their shareholding and regarding rights under which they can increase their shareholding (call options, rights to subscribe for shares, warrants etcetera) and any changes therein.

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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 any time 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

HEAD N.V. AND SUBSIDIARIES DIRECTORS' REPORT

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 under the Remuneration Policy as disclosed in the Corporate Governance Report.

II.3 Conflicts of interest

Mr. Johan Eliasch, who acts as a managing director, is not an independent director given that he, together with his family members, has a beneficial interest in Head Sports Holdings N.V., which indirectly controls Head N.V. All related party transactions between Head N.V. and Mr. Eliasch and/or entities controlled by him and his family members are set out in the section headed Related Party Transactions (see Note 22).

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.

HEAD N.V. AND SUBSIDIARIES DIRECTORS' REPORT

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 are set out in the Company's articles of association.

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 April 29, 2019, five years after the date of the last annual general meeting of Head N.V. when the authority of the Management Board was extended by resolution of the shareholders.

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

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

Gender Diversity

The Company currently has no female members of either the Supervisory Board or the Management Board. Achieving gender diversity is more difficult in certain sectors and, as a sports manufacturing company, the demographic profile of the talent pool can present challenges. However, we will work towards extending the female composition of our Board as vacancies arise and suitable candidates are identified, with an aspiration of 30% female membership by 2016.

HEAD N.V. AND SUBSIDIARIES DIRECTORS' REPORT

Functioning of the General Meeting of Shareholders

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

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

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

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

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

Amsterdam, March 12, 2015

Johan Eliasch
Chief Executive Officer

Günter Hagspiel
Chief Financial Officer

Ralf Bernhart
Managing Director

George Nicolai
Managing Director

HEAD N.V. AND SUBSIDIARIES SUPERVISORY BOARD REPORT

Supervisory Board Report

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

The Supervisory Board had three members as of December 31, 2014, whose names and details are set forth below.

Name	Age	Nationality	Title
Mr. Jürgen Hintz	72	U.S.	Chairman of the Supervisory Board
Mr. Viktor Klima	67	Austria	Member of the Supervisory Board
Mr. Franz Klammer	61	Austria	Member of the Supervisory Board

Mr. Jürgen Hintz has been a Member of the Supervisory Board of Head N.V. since May 2003 and was reappointed at the shareholders' meeting in May 2012 for another four years. In December 2004, Mr. Hintz retired as Group Chief Executive Officer of Novar plc, an international group with core activities in Intelligent Building Systems, Aluminum Extrusion Solutions, and Security Printing Services with an annual turnover of £1.5 billion. Prior to this, he was President and Chief Executive of Carnaud/Metalbox until October 1995, Executive Vice-President and member of the main Board of Procter & Gamble Company and non-Executive Director of Inchcape plc and Apple Computers Inc.

Mr. Viktor Klima has been a member of the Supervisory Board of Head N.V. since October 2000 and was reappointed at the shareholders' meeting in May 2012 for another four years. He served as Chancellor of the Republic of Austria from January 1997 until his resignation February 2000. In this capacity, Mr. Klima held the Presidency of the European Union in the second half of 1998. Prior to serving as Chancellor, he served as Minister of Finance 1996-97 and Minister of Public Economy and Transport 1992-96. Prior to his political career, he was a member of the management board of the OMV oil company, responsible for finance, capital markets and acquisitions. Prior to this position, he held various management positions within OMV. Mr. Klima took up a senior management position with Volkswagen in October 2000.

Mr. Franz Klammer was appointed as a member of the Supervisory Board of Head N.V. in September 2011. Mr. Franz Klammer ranks as one of the best downhill skiers of all time, overwhelmingly dominating the downhill event for four consecutive World Cup seasons winning 25 World Cup downhill events and a gold medal at the 1976 Winter Olympics. Mr. Klammer was Sportsman of the Year in Austria three times. After retiring from skiing, Mr. Klammer took up car racing and in 1990 won the prestigious European Tour Car Championship. Mr. Klammer has established the Franz Klammer foundation to help seriously injured athletes, is ambassador for the United Nations and has chaired the 2014 Salzburg bid for the Winter Olympics. In 2001, one of the Company's subsidiaries and the Franz Klammer GmbH entered into an agency agreement committing Mr. Franz Klammer to use and promote some of the Company's products.

HEAD N.V. AND SUBSIDIARIES SUPERVISORY BOARD REPORT

All members of the Supervisory Board are "independent" pursuant to the best practice provision of the Austrian and Dutch Corporate Governance Code. None of the Supervisory Board members are employees of the Company, have received any material direct compensation or have any other material relationship with the Company, except as explained in Note 22. The members of the Supervisory Board perform their duties without a mandate and independently of the subsidiary interests connected with the Company.

In 2014, the Supervisory Board performed all duties assigned to it by law and by the Company's Articles of Association. During the year, two face to face meetings were held with the Management Board. The main topics of discussion were strategy, targets, financing, risk management and annual budgeting. In addition, the Management Board regularly informed the Supervisory Board about the course of business and the financial situation of the Company and involved the Supervisory Board in 2014 in specific discussions on the tender offers (see Note 12). None of the members of the Supervisory Board were frequently absent from meetings.

Audit Committee

In 2014, the Audit Committee, which comprises of Mr. Hintz and Mr. Klima held meetings five times in carrying out the audit committee activities. All meetings were attended by the CFO. The Audit Committee discussed quarterly and full year results. Two meetings were attended by the external auditor during which time the Audit Committee also met with the external auditor without the Company's management being present. The Audit Committee discussed with the Company's external auditor 2013 annual results. The audit plan 2014 was discussed with the external auditor and the audit fee has been approved. The Audit Committee also reviewed press releases and quarterly reports as well as management's assessment of internal control over financial reporting. On a yearly basis, the Audit Committee evaluates its performance and reviews and assesses the adequacy of the Audit Committee charter.

On March 5, 2015, the Audit Committee discussed with the Company's external auditor 2014 annual results and also met with the external auditor without the Company's management being present.

It was concluded that due to the small size of the Company, the low complexity of the business and the established internal control structure no internal auditor is required.

Remuneration Policy

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

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

HEAD N.V. AND SUBSIDIARIES SUPERVISORY BOARD REPORT

approval. For detailed information on remuneration and stock options see Note 6 of the Company accounts.

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

Amsterdam, March 12, 2015

Viktor Klima
Supervisory Board Member

Jürgen Hintz
Supervisory Board Member

Franz Klammer
Supervisory Board Member

HEAD N.V. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

SUPERVISORY BOARD

Jürgen Hintz
Viktor Klima
Franz Klammer

MANAGEMENT BOARD

Johan Eliasch
Günter Hagspiel
Ralf Bernhart
George Nicolai

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

	Note	As of December 31,	
		2014	2013
<i>(in thousands)</i>			
ASSETS:			
Non-current assets			
Property, plant and equipment.....	5, 6	€ 52,150	€ 48,276
Other intangible assets.....	5, 7, 31	14,636	11,187
Goodwill.....	5, 7, 31	7,962	2,795
Investments accounted for using the equity method.....	22	605	669
Deferred income tax assets.....	21	51,407	52,146
Trade receivables.....	9, 16	1,031	1,306
Other non-current assets.....		<u>5,264</u>	<u>4,659</u>
Total non-current assets.....		133,056	121,038
Current assets			
Inventories.....	8	98,771	82,895
Trade and other receivables.....	9, 11, 16	128,277	118,798
Prepaid expense.....		2,494	1,831
Available-for-sale financial assets.....	10, 16	--	5,010
Cash and cash equivalents.....	16, 28	<u>32,540</u>	<u>78,318</u>
Total current assets.....		<u>262,083</u>	<u>286,852</u>
Total assets.....		<u>€ 395,139</u>	<u>€ 407,890</u>
EQUITY:			
Share capital.....	12	€ 922	€ 922
Other reserves.....	12	124,209	124,209
Treasury shares.....	12	(37,252)	(5,717)
Retained earnings.....		66,822	63,973
Fair Value and other reserves including cumulative translation adjustments (CTA).....	10, 18, 20	<u>(3,806)</u>	<u>(9,991)</u>
Total equity.....		150,895	173,396
LIABILITIES:			
Non-current liabilities			
Borrowings.....	15, 16	96,408	93,291
Employee benefits.....	18	19,432	18,836
Provisions.....	14	4,633	2,668
Other long-term liabilities.....	17	<u>5,769</u>	<u>6,136</u>
Total non-current liabilities.....		126,243	120,932
Current liabilities			
Trade and other payables.....	11, 13, 16	65,276	62,246
Current income tax liabilities.....		1,290	1,232
Borrowings.....	15, 16	42,997	43,362
Provisions.....	14	<u>8,438</u>	<u>6,723</u>
Total current liabilities.....		<u>118,002</u>	<u>113,562</u>
Total liabilities.....		<u>244,245</u>	<u>234,494</u>
Total liabilities and equity.....		<u>€ 395,139</u>	<u>€ 407,890</u>

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

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

	Note	For the Years Ended December 31,	
		2014	2013
<i>(in thousands, except per share data)</i>			
Total net revenues.....	5	€ 375,376	€ 358,667
Cost of sales.....	25	214,231	213,795
Gross profit.....		161,144	144,872
Selling and marketing expense.....	25	112,093	104,102
General and administrative expense.....	25	30,967	29,561
Share-based compensation (income) expense.....	23, 25	(378)	82
Other operating expense (income), net.....	6, 16, 25	4,524	(932)
Operating profit.....		13,939	12,058
Interest and other finance expense.....	16	(6,335)	(5,065)
Interest and investment income.....	16	346	527
Share of loss of Joint Ventures.....	22	(76)	(45)
Other non-operating (expense) income, net.....	16	(2,208)	228
Profit before income taxes.....		5,666	7,703
Income tax expense:			
Current.....		(1,816)	(1,861)
Deferred.....		(1,002)	(546)
Income tax expense.....	21	(2,818)	(2,407)
Profit for the year.....		€ 2,849	€ 5,296
Other comprehensive income:			
Items that may be reclassified subsequently			
to profit or loss:			
Available-for-sale financial assets.....	10, 20	7	(1)
Tax effect.....	21	(2)	0
Foreign currency translation adjustment on group companies.....		6,861	(3,215)
		6,866	(3,216)
Items that will not be reclassified			
to profit or loss:			
Remeasurements on Employee Benefits.....	18, 20	(921)	29
Tax effect.....	21	240	1
		(681)	30
Other comprehensive			
income (expense) for the period, net of tax.....		€ 6,185	€ (3,186)
Total comprehensive income for the period.....		€ 9,034	€ 2,110
Earnings per share:			
Basic.....	29	€ 0.04	€ 0.06
Diluted.....	29	€ 0.04	€ 0.06

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

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

	Note	Attributable to equity holders of the Company						Total Equity
		Ordinary Shares		Other Reserves	Treasury Shares	Retained Earnings	Fair Value and Other Reserves/ CTA ²	
		Shares ¹	Share Capital					
<i>(in thousands, except share data)</i>								
Balance at January 1, 2013.....		83,518,508 €	922 €	124,209 €	(5,717) €	58,677 €	(6,804) €	171,286
Profit for the year.....		--	--	--	--	5,296	--	5,296
Changes in fair value and other								
including CTA reserves.....	10, 18, 20	--	--	--	--	--	(3,186)	(3,186)
Total comprehensive income in 2013.....		--	--	--	--	--	--	2,110
Balance at December 31, 2013.....		<u>83,518,508</u> €	<u>922</u> €	<u>124,209</u> €	<u>(5,717)</u> €	<u>63,973</u> €	<u>(9,991)</u> €	<u>173,396</u>
Share Buy Back.....	12	(19,709,398) €	-- €	-- €	(31,535) €	-- €	-- €	(31,535)
Profit for the year.....		--	--	--	--	2,849	--	2,849
Changes in fair value and other								
including CTA reserves.....	10, 18, 20	--	--	--	--	--	6,185	6,185
Total comprehensive income in 2014.....		--	--	--	--	--	--	9,034
Balance at December 31, 2014.....		<u>63,809,110</u> €	<u>922</u> €	<u>124,209</u> €	<u>(37,252)</u> €	<u>66,822</u> €	<u>(3,806)</u> €	<u>150,895</u>

¹ As of December 31, 2014 treasury shares amounting to 28,365,668 are deducted from the number of shares (2013: 8,656,270), see Note 12

² see Note 20

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

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

	Note	For the Years Ended December 31,	
		2014	2013
<i>(in thousands)</i>			
OPERATING ACTIVITIES:			
Profit for the year.....		€ 2,849	€ 5,296
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation and amortization.....	6, 7	9,219	9,131
Amortization and write-off of debt issuance cost and bond discount.....	15	232	178
Release for leaving indemnity and pension benefits.....	18	(321)	(600)
Loss on sale of available-for-sale financial assets.....	10	17	--
Loss (gain) on sale of property, plant and equipment.....	6	(36)	201
Share-based compensation (income) expense.....	23	(378)	82
Deferred income.....	17	(1,051)	(960)
Finance costs.....	16	5,671	4,557
Interest income.....	16	(362)	(527)
Income tax expense.....	21	1,816	1,861
Deferred tax expense.....	21	1,002	546
Changes in operating assets and liabilities:			
Accounts receivable.....	9	(5,674)	(8,870)
Inventories.....	8	(11,843)	(1,875)
Prepaid expense and other assets.....		(1,028)	848
Accounts payable, accrued expenses and other liabilities.....	13, 14, 17	4,293	2,482
Interest paid.....		(5,914)	(4,680)
Interest received.....		229	313
Income tax paid.....		(1,406)	(2,938)
Net cash (used for) provided by operating activities.....		<u>(2,687)</u>	<u>5,046</u>
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment.....	6	(10,409)	(8,457)
Proceeds from sale of property, plant and equipment.....	6	155	253
Cash paid for the acquisition of subsidiaries.....	31	(9,759)	--
Cash and cash equivalents of the acquired subsidiaries.....	31	612	--
Formation of Joint Venture.....	22	--	(243)
Proceeds from sale of available-for-sale financial assets.....	10	5,000	--
Net cash used for investing activities.....		<u>(14,401)</u>	<u>(8,446)</u>
FINANCING ACTIVITIES:			
Increase in short-term borrowings.....	15	1,398	9,981
Proceeds from long-term debt.....	15	--	59,391
Payments on long-term debt.....	15	(2,314)	(29,373)
Share Buy Back.....	12	(31,535)	--
Change in restricted cash.....	28	5,033	(3,970)
Net cash (used for) provided by financing activities.....		<u>(27,419)</u>	<u>36,028</u>
Effect of exchange rate changes on cash and cash equivalents.....		3,759	573
Net (decrease) increase in cash and cash equivalents.....		(40,747)	33,201
Cash and cash equivalents, unrestricted at beginning of period.....		71,770	38,569
Cash and cash equivalents, unrestricted at end of period.....		<u>31,023</u>	<u>71,770</u>
Cash and cash equivalents, restricted at end of period.....		1,517	6,548
Cash and cash equivalents, at end of period.....		<u>€ 32,540</u>	<u>€ 78,318</u>

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

HEAD N.V. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – General information

Head N.V. ("Head" or the "Company") was incorporated in Rotterdam, The Netherlands, on August 24, 1998. The address of its registered office is Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands. The Company's ordinary shares are listed on the Vienna Stock Exchange ("HEAD"). On February 16, 2015, the Company announced the withdrawal of the listing of its shares from the Vienna Stock Exchange. For further information it is referred to Note 32.

The Company is a leading global manufacturer and marketer of branded sporting goods serving the skiing, tennis and diving markets. The Company has created or acquired a portfolio of brands – Head (principally alpine skis, ski bindings, ski boots, snowboard and protection products, tennis, racquetball, paddle and squash racquets, tennis balls and tennis footwear, sportswear and swimming products), Penn (tennis balls and racquetball balls), Tyrolia (ski bindings), Mares and SSI (diving).

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

These consolidated financial statements are authorized for issuance by the Board of Directors as of March 12, 2015 and will be presented to the General Meeting of Shareholders on April 28, 2015.

All forecasts and estimates presented in this report are based on the management's current judgement of the economic environment and the Company's performance in that environment. The actual results may differ significantly.

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

The Company and its subsidiaries maintain their accounting records in accordance with their local regulations and have made certain adjustments to these records to present the accompanying financial statements in conformity with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union. The consolidated financial statements have been prepared on a going concern basis, under the historical cost convention and fair value accounting for available-for-sale financial assets and financial assets and financial liabilities (including derivatives) at fair value through profit or loss.

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

HEAD N.V. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

New and amended standards adopted by the Company

The following standards have been adopted by the Company for the first time for the financial year beginning on or after January 1, 2014:

IFRS 10 "Consolidated financial statements" (effective January 1, 2014; endorsed by the EU in December 2012):

The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity to present consolidated financial statements. The new standard defines the principle of control and establishes controls as the basis for consolidation and sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee as well as the accounting requirements for the preparation of consolidated financial statements.

IFRS 11 "Joint arrangements" (effective January 1, 2014; endorsed by the EU in December 2012):

IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venturer has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

IFRS 12 "Disclosures of interests in other entities" (effective January 1, 2014; endorsed by the EU in December 2012):

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

Amendment to IFRSs 10, 11 and 12 on transition guidance (effective January 1, 2014; endorsed by the EU in the second quarter 2013):

These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period.

IAS 27 (revised 2011) "Separate financial statements" (effective January 1, 2014; endorsed by the EU in December 2012):

IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in IFRS 10.

IAS 28 (revised 2011) "Investments in Associates and Joint Ventures" (effective January 1, 2014; endorsed by the EU in December 2012):

IAS 28 (revised 2011) includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11.

The standards as described above do not have a material impact on the Company. Other standards, amendments and interpretations which are effective for the financial year beginning on January 1, 2014 are not material to the Company.

HEAD N.V. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2014 and not early adopted

IFRS 9 "Financial instruments" (effective January 1, 2018; endorsement by the EU still to be discussed):

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The Company is yet to assess the full impact of IFRS 9.

IFRS 15 "Revenue from contracts with customers" (effective January 1, 2017; endorsement by the EU still to be discussed):

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. The Company is yet to assess the full impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company. The Company generally applies new standards, amendments and interpretations according to the effective date in the EU.

Consolidation

a) Subsidiaries

The consolidated financial statements of Head include the financial statements of all owned entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Entities are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

HEAD N.V. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Company is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Company's accounting policies.

b) Disposal of subsidiaries

When the Company ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

HEAD N.V. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

c) Joint arrangements

The Company applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Company's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Company's net investment in the joint ventures), the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Company and its joint ventures are eliminated to the extent of the Company's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Company.

Segment Reporting

An operating segment is consistent with the internal reporting provided to the chief operating decision-maker, the Company's Chief Executive Officer. Decisions regarding strategy, resources, financing, capital investments and insurance are made on the basis of the Company's performance based on its consolidated operating results and consolidated balance sheet; and liquidity planning is based on the Company's consolidated cash flows. Based on similar characteristics, the operating segments are aggregated into one reporting segment.

Foreign Currency Translation

a) Functional and presentation currency

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

b) Transactions and balances

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

HEAD N.V. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.
- Income and expenses for each income statement are translated at average exchange rates prevailing during the year.
- All resulting exchange differences are recognised in other comprehensive income.

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

Property, Plant and Equipment

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 6).

Goodwill and Other Intangible Assets

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

HEAD N.V. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Impairment of Non-Financial Assets

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

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Financial Assets

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

a) Financial assets at fair value through profit or loss

Derivatives are categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets ("Other non-current assets"). Loans and receivables are classified as "trade and other receivables" and "cash and cash equivalents" in the balance sheet (see Note 9).

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c) Available-for-sale financial assets

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

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

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

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

Derivative Financial Instruments and Hedging Activities

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

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

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

Inventories

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

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work in progress. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade and Other Receivables

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

Payment terms differ depending on the customer (large distributors, small shops), product line (winter sports is a very seasonal business, whereas racquet sports and diving products experience almost no seasonality), country (payment terms vary in accordance with local practices throughout the world) and past experiences with customers. It is the Company's normal procedure to agree terms of transactions, including payment terms (60 to 180 days), with customers in advance. In the rental business the Company may have to agree to payment terms over one year and classifies those long-term trade receivables as non-current assets in the consolidated balance sheet.

Cash and Cash Equivalents

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

Restricted Cash

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

Share Capital

Ordinary shares are classified as equity (see Note 12). Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly

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attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Trade and other Payables

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

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

Borrowings

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

Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Employee Benefits

(a) Retirement benefit obligations

The Company operates various pension and other employee benefits schemes. The schemes are partly funded and partly determined by periodic actuarial calculations. The Company has both defined benefit and defined contribution plans.

A defined contribution plan is a plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a plan that is not a defined contribution plan. Typically defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the income statement.

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

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of

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employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Share-based compensation

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

Provisions

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

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

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

Revenue Recognition

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

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

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

Sales deductions

The Company accrues for customer discounts based upon estimated refund obligations and classifies all sales incentives, which are earned by the Company's customers subsequent to

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delivery of its product, including cash discounts, volume rebates and other than cash consideration, such as credits that the Company's customer can use against trade amounts owed, as sales deductions.

Interest Income

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

Leases

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

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

Research and Development Costs

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

Earnings per share

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares (see Note 12 and Note 29).

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares.

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Note 3 – Financial Risk Management

Financial Risk Factors

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

a) Market Risk

Foreign Exchange Risk

The Company operates in a multi-currency environment in which a portion of its revenues and expenses are denominated in currencies other than the euro. The Company is, as a result, subject to currency translation risk and, to a lesser extent, currency transaction risk. Currency translation risk arises because the Company measures and records the financial condition and results of operations of each of its subsidiaries in their functional currency and then translates these amounts into the reporting currency, the euro. The Company incurs transaction risk when one of its subsidiaries enters into a transaction using a currency other than its functional currency, although the Company reduces this risk by seeking, when possible, to match its revenues and costs in each currency. The Company also hedges part of its planned cash flows in Japanese yen, Swiss francs, British pounds, U.S. and Canadian dollars through forward contracts and options with Austrian and Italian banks. Shifts in currency exchange rates, particularly between the euro and the U.S. dollar, may affect the Company's results of operations, e.g. a strengthening of the U.S. dollar would negatively influence the Company's results. The table below shows the European Central Bank exchange rates for euro for those currencies that mainly influence the Company's results:

	As of December 31,	
	2014	2013
1 Euro =		
USD.....	1.2141	1.3791
CHF.....	1.2024	1.2276
GBP.....	0.7789	0.8337
JPY.....	145.2300	144.7200
CAD.....	1.4063	1.4671
CZK.....	27.7350	27.4270
BGN.....	1.9558	1.9558
CNY.....	7.5358	8.3491
HKD.....	9.4170	10.6933

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

Price Risk

The Company was exposed to marketable securities price risk because of marketable securities held by the Company and classified on the consolidated balance sheet as available-for-sale. To manage its price risk arising from marketable securities, the Company diversified its portfolio.

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In 2014, the Company sold all marketable securities (see Note 10). Due to the marginal price risk the Company does not disclose further sensitivities.

Cash flow and fair value interest rate risk

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

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's main external financial source arises from its 5.25% Bond, issued in September 2013, and other long-term financial agreements. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. During 2013 and 2014, the Company's borrowings at variable rate were denominated in euro, U.S. dollar, Chinese yuan, Japanese yen and British pounds. Due to the fact that the majority of the borrowings are issued at fixed rates, the Company does not disclose further sensitivities (see Note 15).

b) Credit Risk

Financial instruments which potentially subject the Company to significant concentrations of credit risk consist primarily of cash, cash equivalents, restricted cash, marketable securities (all marketable securities were sold in 2014) and accounts receivable. The Company places cash with high quality financial institutions. The Company's customers are concentrated in the retail industry. However, concentrations of credit risk with respect to trade accounts receivable are limited due to the large number of customers and their dispersion across many geographic areas. The Company generally performs credit reviews and sometimes obtains credit insurance before extending credit. The maximum credit risk of financial assets is the carrying amount.

c) Liquidity Risk

The Company's liquidity needs arise principally from working capital requirements, capital expenditures and the annual interest payment on its 5.25% Bond in September as well as interest payments on other long-term debt. Given the nature of Winter Sports, and to a lesser extent Racquet Sports and Diving, the Company's operating cash flow and working capital needs are highly seasonal. The Company's need for cash is greater in the third and fourth quarters when cash generated from operating activities, together with draw downs from the Company's bank lines, are invested in inventories and receivables. Historically, the Company's primary sources of liquidity have been cash provided from operating activities, proceeds from the issuance of debt and equity securities and borrowings under various credit facilities available to the Company's subsidiaries.

Cash flow forecasting is performed in the operating entities of the Company and aggregated on group level. Management monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on unused lines of credit (see Note 15) at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such

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forecasting takes into consideration the Company's debt financing plans and covenant compliance.

Surplus cash held by the operating entities over and above balance required for working capital management is transferred to the group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At December 31, 2013 the Company held money market funds of €5.0 million that were expected to readily generate cash inflows for managing liquidity risk. In 2014, the Company sold all money market funds (see Note 10).

The table below provides a maturity analysis of the Company's material contractual obligations as of December 31, 2014 (in thousands):

<u>Contractual Obligations</u>	<u>Less than 1 year</u>	<u>1 - 3 years</u>	<u>3 - 5 years</u>	<u>After 5 years</u>	<u>Total</u>
Borrowings, non-current					
5.25% Bond due 2018 (nominal value).....€	-- €	-- €	60,000 €	-- €	60,000
Mortgages.....	1,886	3,359	2,536	--	7,781
Other Long-Term Debt.....	3,040	1,949	20,591	--	25,581
Sale-Leaseback.....	225	8,514	--	--	8,740
Operating Leases.....	4,885	4,867	2,745	951	13,448
Finance Leases.....	928	1,291	513	--	2,733
Borrowings, current.....	37,845	--	--	--	37,845
Trade and other payables.....	47,176	--	--	--	47,176
Other long-term liabilities.....	--	--	420	--	420

For further details concerning the Company's interest obligations see Note 15.

The table below provides a maturity analysis of the Company's material contractual obligations as of December 31, 2013 (in thousands):

<u>Contractual Obligations</u>	<u>Less than 1 year</u>	<u>1 - 3 years</u>	<u>3 - 5 years</u>	<u>After 5 years</u>	<u>Total</u>
Borrowings, non-current					
5.25% Bond due 2018 (nominal value).....€	-- €	-- €	60,000 €	-- €	60,000
Mortgages.....	3,686	3,050	1,517	--	8,253
Other Long-Term Debt.....	3,393	2,525	18,128	--	24,046
Sale-Leaseback.....	217	459	8,280	--	8,956
Operating Leases.....	4,896	3,804	2,028	915	11,642
Finance Leases.....	684	1,219	398	--	2,301
Borrowings, current.....	36,066	--	--	--	36,066
Trade and other payables.....	44,796	--	--	--	44,796
Other long-term liabilities.....	--	--	46	--	46

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

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

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Capital risk management

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents and available-for-sale financial assets. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt. The gearing ratios at December 31, 2014 and 2013 were as follows:

Gearing ratio	For the Years Ended December 31,	
	2014	2013
	<i>(in thousands)</i>	
Total borrowings.....	€ 139,405	€ 136,653
Cash and cash equivalents.....	(32,540)	(78,318)
Available-for-sale financial assets.....	--	(5,010)
Net debt.....	<u>€ 106,865</u>	<u>€ 53,325</u>
Total equity.....	€ 150,895	€ 173,396
Total capital.....	<u>€ 257,760</u>	<u>€ 226,721</u>
Gearing ratio.....	41.5%	23.5%

The gearing ratio at year-end 2014 increased to 41.5% compared to year-end 2013 (23.5%) mainly due to the increase of net debt from €53.3 million to €106.9 million mainly as a result of the share buy backs (see Note 12) and the acquisitions (see Note 31) in 2014.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

The following table presents the Company's financial assets and liabilities that are measured at fair value at December 31, 2014 and 2013.

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	December 31, 2014			Total
	Level 1	Level 2	Level 3	
	<i>(in thousands)</i>			
<u>Assets</u>				
Available-for-sale financial assets.....	€ --	€ --	€ --	€ --
Derivative financial assets.....	€ --	€ 385	€ --	€ 385
Total assets.....	€ --	€ 385	€ --	€ 385
<u>Liabilities</u>				
Derivative financial liabilities.....	€ --	€ --	€ --	€ --
Contingent consideration.....	€ --	€ --	€ 420	€ 420
Total liabilities.....	€ --	€ --	€ 420	€ 420
	December 31, 2013			Total
	Level 1	Level 2	Level 3	
	<i>(in thousands)</i>			
<u>Assets</u>				
Available-for-sale financial assets.....	€ 5,010	€ --	€ --	€ 5,010
Derivative financial assets.....	€ --	€ 1,375	€ --	€ 1,375
Total assets.....	€ 5,010	€ 1,375	€ --	€ 6,385
<u>Liabilities</u>				
Derivative financial liabilities.....	€ --	€ --	€ --	€ --
Total liabilities.....	€ --	€ --	€ --	€ --

There were no transfers between level 1 and 2 during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These assets are included in level 1 and classified as available-for-sale. In 2014, the Company sold all marketable securities (see Note 10).

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the changes in level 3 instruments for the year ended December 31, 2014:

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	Contingent consideration in a business combination
	<i>(in thousands)</i>
Opening balance..... €	--
Acquisitions (see Note 31).....	376
(Gains) and losses recognised in profit or loss.....	44
Closing balance..... €	420

Note 4 – Critical Accounting Estimates and Judgements

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

Estimated impairment of intangible assets and goodwill

The Company tests annually whether intangible assets with an indefinite useful life and goodwill amounting to €21.9 million have suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 7). No impairment charge was booked in 2014.

If the estimated discount rate applied to the discounted cash flows had been 10% higher than management's estimates, the recoverable amount would be lower by €16.6 million, if the estimated discount rate had been 10% lower than management's estimates, the recoverable amount would be higher by €20.8 million. These assumptions still do not lead to an impairment.

Impairment of trade receivables

The Company recorded an impairment of trade receivables for incurred losses amounting to €1.8 million in 2014 resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provisions may be required. The Company specifically analyses accounts receivable and evaluates historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in the Company's customer payment terms when evaluating the adequacy of the impairment of trade receivables. These estimations are continually reviewed.

If estimations relating to the percentage of uncollected accounts receivable were increased by 10%, the Company would recognise an additional provision of €0.3 million.

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Impairment of Long Lived Assets

Property, plant and equipment with a carrying amount of €52.2 million are initially stated at cost. Depreciation on property, plant and equipment is computed using the straight-line method over their estimated useful lives. The Company has determined useful lives of property, plant and equipment after consideration of historical results and anticipated results based on the Company's current plans. The estimated useful lives represent the period the asset remains in service assuming normal routine maintenance. The Company reviews the estimated useful lives assigned to property, plant and equipment when the business experience suggests that they do not properly reflect the consumption of the economic benefits embodied in the property, plant or equipment nor result in the appropriate matching of cost against revenue. Factors that lead to such a conclusion may include physical observation of asset usage, examination of realized gains and losses on asset disposals and consideration of market trends such as technological obsolescence or change in market demand.

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

According to IAS 36.12 (d) the Company conducted an impairment test for long lived assets, in addition to the annual impairment test for intangible assets and goodwill (see Note 7). No impairment charge was booked in 2014. Management determined budgeted gross margin based on past performance and expected market development. The pre-tax discount rate 2014 is 8.7% (2013: 8.7%) and reflects specific risks relating to the Company's business.

If the estimated discount rate applied to the discounted cash flows had been 10% higher than management's estimates, the recoverable amount would be lower by €30.6 million, if the estimated discount rate had been 10% lower than management's estimates, the recoverable amount would be higher by €39.5 million. These assumptions still do not lead to an impairment.

Provision for Product Warranties

The Company provides for the estimated cost of product warranties and product returns at the time revenue is recognised. The warranty provision amounting to €4.4 million is established based on the Company's best estimates of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. Product return provisions are based on historical experiences. While the Company believes that its warranty and product return provisions are adequate and that the judgement applied is appropriate, such amounts estimated to be due and payable could differ materially from what will actually transpire in the future. The Company updates these estimated charges periodically. The actual product performance and/or field expense profiles may differ, and in those cases the Company adjusts its warranty reserves accordingly. Future warranty expenses may exceed the Company's estimates, which could lead to an increase in cost of sales. Significant differences from estimates did not occur in the past.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Inventory Obsolescence

The Company's chosen markets are competitive and subject to fluctuations in demand and technological obsolescence. The Company periodically reviews its inventory for obsolescence and declines in market value below cost. Estimated obsolescence or unmarketable inventory led to write-downs in 2014 amounting to €1.2 million of the Company's inventory to the estimated market value based upon assumptions about future demand and market conditions. If actual future demand or market conditions were less favourable than those projected by the Company, additional inventory write-downs may be required.

Employee Benefit Obligations

The present value of Employee Benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions, including the discount rate. Any changes in these assumptions will impact the carrying amount of Employee Benefit obligations. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related obligation. Other key assumptions are based in part on current market conditions.

Tax Loss Carry Forwards

The Company recognises deferred tax assets on tax loss carry forwards amounting to €62.6 million for which it is probable that they will be realized. The Company has considered future taxable income and ongoing prudent and feasible tax planning strategies. In the event that the Company was to determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made. Changes in local income tax rates may also affect deferred tax assets.

Note 5 - Segment Information

The Company's business is organised into five divisions for which certain discrete financial information exists. However, the Company's nature of products and production processes are similar, the customers largely the same and also the distribution channels the Company uses are the same for all products. This and similar long-term average gross margins of the segments implicate their similar economic characteristic. In addition, essential decisions of Company's chief decision maker, Mr. Johan Eliasch (CEO), regarding strategy, resources, financing, capital investments and insurance are made on the basis of the Company's performance based on its consolidated operating results and consolidated balance sheet; and liquidity planning is based on the Company's consolidated cash flows. This fulfils the requirements of IFRS 8.12 for aggregation of more operating segments into one reporting segment.

The tables below show net revenues from external customers and long-lived assets by geographic region based on the location of the Company's subsidiaries:

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

	For the Years Ended December 31,	
	2014	2013
	<i>(in thousands)</i>	
Revenues from External Customers:		
Austria.....	€ 161,607	€ 154,164
Italy.....	34,705	39,053
Other (Europe).....	45,623	41,784
Asia.....	32,402	25,809
North America.....	101,040	97,856
Total Net Revenues.....	€ 375,376	€ 358,667

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

	As of December 31,	
	2014	2013
	<i>(in thousands)</i>	
Long-lived assets:		
Austria.....	€ 24,325	€ 22,806
Italy.....	6,199	6,599
Czech Republic.....	18,477	13,177
Other (Europe).....	8,584	3,905
Asia.....	9,351	9,212
North America.....	7,812	6,557
Total Segment Assets.....	€ 74,749	€ 62,258

Sales by product category consist of the following:

	For the Years Ended December 31,	
	2014	2013
	<i>(in thousands)</i>	
Revenues by Product Category:		
Winter Sports.....	€ 164,683	€ 159,988
Racquet Sports.....	149,547	144,818
Diving.....	57,086	52,296
Sportswear.....	6,776	6,552
Licensing.....	7,151	5,179
Sales Deductions.....	(9,867)	(10,167)
Total Net Revenues.....	€ 375,376	€ 358,667

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

Note 6 – Property, Plant and Equipment

	Land	Buildings	Machinery, plant & equipment	Fixtures, furnitures & office equipment	Total property, plant & equipment
	<i>(in thousands)</i>				
As of January 1, 2013					
Cost.....	€ 3,409	€ 36,036	€ 130,074	€ 38,064	€ 207,583
Accumulated depreciation.....	--	(18,041)	(104,799)	(33,690)	(156,530)
Net book value.....	<u>€ 3,409</u>	<u>€ 17,995</u>	<u>€ 25,275</u>	<u>€ 4,374</u>	<u>€ 51,052</u>
Year ended 31 December 2013					
Opening net book value.....	€ 3,409	€ 17,995	€ 25,275	€ 4,374	€ 51,052
Additions.....	--	259	6,232	1,966	8,457
Disposals.....	--	(1)	(414)	(41)	(456)
Exchange difference.....	(264)	(761)	(595)	(42)	(1,662)
Depreciation.....	--	(1,124)	(6,534)	(1,458)	(9,116)
Closing net book value.....	<u>€ 3,145</u>	<u>€ 16,368</u>	<u>€ 23,964</u>	<u>€ 4,799</u>	<u>€ 48,276</u>
As of 31 December 2013					
Cost.....	€ 3,145	€ 34,910	€ 121,499	€ 37,250	€ 196,804
Accumulated depreciation.....	--	(18,542)	(97,535)	(32,451)	(148,528)
Net book value.....	<u>€ 3,145</u>	<u>€ 16,368</u>	<u>€ 23,964</u>	<u>€ 4,799</u>	<u>€ 48,276</u>
Year ended 31 December 2014					
Opening net book value.....	€ 3,145	€ 16,368	€ 23,964	€ 4,799	€ 48,276
Acquisitions.....	71	1,846	12	95	2,024
Additions.....	--	428	7,195	2,786	10,409
Disposals.....	--	--	(51)	(68)	(119)
Transfers.....	--	--	200	(200)	--
Exchange difference.....	74	219	424	47	765
Depreciation.....	--	(1,195)	(6,384)	(1,625)	(9,204)
Closing net book value.....	<u>€ 3,290</u>	<u>€ 17,666</u>	<u>€ 25,360</u>	<u>€ 5,834</u>	<u>€ 52,150</u>
As of 31 December 2014					
Cost.....	€ 3,290	€ 38,697	€ 128,068	€ 39,531	€ 209,586
Accumulated depreciation.....	--	(21,031)	(102,707)	(33,697)	(157,435)
Net book value.....	<u>€ 3,290</u>	<u>€ 17,666</u>	<u>€ 25,360</u>	<u>€ 5,834</u>	<u>€ 52,150</u>

For further information regarding the acquisitions it is referred to Note 31.

For the year ended December 31, 2014, the Company's total proceeds on the sale of property and equipment were €0.2 million resulting in a gain of €0.04 million. For the year ended December 31, 2013, the Company's total proceeds on the sale of property and equipment were €0.3 million resulting in a loss of €0.2 million. These gains or losses are included in "Other operating expense/income, net" in the consolidated income statement.

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Depreciation expense of €8.0 million has been charged in “Cost of sales” (2013: €8.0 million), €0.4 million in “Selling and marketing expense” (2013: €0.4 million) and €0.8 million in “General and administrative expense” (2013: €0.7 million). No impairment charge was booked in 2014 and 2013.

Land and buildings with a carrying value of €15.1 million and €15.5 million as of December 31, 2014 and 2013, respectively, are used to secure loans (see Note 15).

Note 7 – Goodwill and Intangible Assets

	Goodwill <i>(in thousands)</i>	Other Intangible Assets			Total
		Trademarks <i>(in thousands)</i>	Intellectual Property <i>(in thousands)</i>	Other <i>(in thousands)</i>	
As of January 1, 2013					
Gross.....	€ 2,870	€ 10,897	€ --	€ 778	€ 11,675
Accumulated amortization and impairment.....	--	(197)	--	(109)	(306)
Net book value.....	<u>€ 2,870</u>	<u>€ 10,699</u>	<u>€ --</u>	<u>€ 669</u>	<u>€ 11,369</u>
Year ended December 31, 2013					
Opening net book value.....	€ 2,870	€ 10,699	€ --	€ 669	€ 11,369
Exchange difference.....	(75)	(156)	--	(10)	(166)
Amortisation.....	--	--	--	(16)	(16)
Closing net book value.....	<u>€ 2,795</u>	<u>€ 10,543</u>	<u>€ --</u>	<u>€ 644</u>	<u>€ 11,187</u>
As of December 31, 2013					
Gross.....	€ 2,795	€ 10,685	€ --	€ 766	€ 11,452
Accumulated amortization and impairment.....	--	(142)	--	(123)	(264)
Net book value.....	<u>€ 2,795</u>	<u>€ 10,543</u>	<u>€ --</u>	<u>€ 644</u>	<u>€ 11,187</u>
Year ended December 31, 2014					
Opening net book value.....	€ 2,795	€ 10,543	€ --	€ 644	€ 11,187
Acquisitions.....	4,970	1,139	1,789	--	2,928
Exchange difference.....	198	469	--	68	537
Amortisation.....	--	--	--	(15)	(15)
Closing net book value.....	<u>€ 7,962</u>	<u>€ 12,151</u>	<u>€ 1,789</u>	<u>€ 696</u>	<u>€ 14,636</u>
As of December 31, 2014					
Gross.....	€ 7,962	€ 12,459	€ 1,789	€ 849	€ 15,097
Accumulated amortization and impairment.....	--	(308)	--	(153)	(461)
Net book value.....	<u>€ 7,962</u>	<u>€ 12,151</u>	<u>€ 1,789</u>	<u>€ 696</u>	<u>€ 14,636</u>

For further information regarding the acquisitions it is referred to Note 31.

Amortization of €0.02 million (2013: €0.02 million) is included in “Cost of sales” in the consolidated income statement.

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

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

Impairment test for intangible assets and goodwill

The Company completed the annual impairment test in the fourth quarter of 2014 and 2013. Intangible assets and goodwill are allocated to the Company's cash-generating units ("CGUs") identified according to country of operation and product category.

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

	As of December 31,					
	2014			2013		
	Winter Sports	Racquet Sports	Diving	Racquet Sports	Diving	
	<i>(in thousands)</i>			<i>(in thousands)</i>		
Trademark.....	€ --	€ 11,013	€ 1,139	€ 10,543	€ --	
Intellectual Property.....	€ --	€ --	€ 1,789	€ --	€ --	
Goodwill.....	€ 2,924	€ 1,258	€ 3,781	€ 1,175	€ 1,620	

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

Management determined budgeted gross margin based on past performance and expected market development. The pre-tax discount rate 2014 is between 8.7% and 13.0% (2013: between 8.7% and 9.1%) and reflects specific risks relating to the Company's business.

Note 8 – Inventories

Inventories consist of the following:

	As of December 31,	
	2014	2013
	<i>(in thousands)</i>	
Raw materials and supplies.....	€ 19,843	€ 17,470
Work in progress.....	7,236	7,021
Finished goods.....	83,464	69,689
Provisions.....	(11,773)	(11,285)
Total inventories, net.....	€ 98,771	€ 82,895

The cost of goods sold recognised as expense and included in "Cost of sales" in the consolidated income statement amounted to €146.1 million and €146.0 million for the year ended December 31, 2014 and 2013, respectively.

The Company recognised an addition to the provision of €1.2 million and €1.0 million for impairment of inventories during the year ended December 31, 2014 and 2013, respectively.

HEAD N.V. AND SUBSIDIARIES
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The Company used a provision for impaired inventories of €0.7 million and €0.6 million for the year ended December 31, 2014 and 2013, respectively.

Note 9 – Trade and Other Receivables

Accounts receivable consist of the following:

	As of December 31,	
	2014	2013
	<i>(in thousands)</i>	
Trade debtors.....	€ 130,158	€ 122,467
Other receivables.....	8,815	7,790
Allowance for doubtful accounts.....	(9,665)	(10,153)
Total accounts receivable, net.....	€ 129,309	€ 120,104
Less: long-term portion.....	(1,031)	(1,306)
Short-term portion.....	€ 128,277	€ 118,798

As of December 31, 2014 and 2013, the nominal value of long-term trade receivables was €1.1 million and €1.4 million, respectively. The average interest rate used for discounting was 5.3% and 4.3% for the year ended December 31, 2014 and 2013, respectively.

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

As of December 31, 2014 and 2013, for trade receivables that are neither impaired nor past due, there are no indicators that the debtors will not meet their payment obligations. There is no concentration of credit risk with respect to trade receivables, as the Company has a large number of customers, internationally dispersed.

Other receivables do not contain impaired assets.

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

	As of December 31, 2014		
	gross	reserve	net
	<i>(in thousands)</i>		
Accounts Receivable Trade not overdue, not impaired.....	€ 96,987	€ --	€ 96,987
Accounts Receivable Trade overdue, not impaired			
1 - 30 days.....	€ 7,407	€ --	€ 7,407
31 - 60 days.....	367	--	367
61 - 90 days.....	173	--	173
over 90 days.....	383	--	383
	€ 8,330	€ --	€ 8,330
Accounts Receivable Trade impaired			
not overdue.....	€ 15,052	€ 3,421	€ 11,631
overdue 1 - 30 days.....	1,190	524	666
overdue 31 - 60 days.....	1,963	404	1,559
overdue 61 - 90 days.....	904	350	554
overdue over 90 days.....	2,784	2,048	736
legal accounts.....	2,949	2,919	30
	€ 24,841	€ 9,665	€ 15,176
Accounts Receivable Trade total.....	€ 130,158	€ 9,665	€ 120,493
	As of December 31, 2013		
	gross	reserve	net
	<i>(in thousands)</i>		
Accounts Receivable Trade not overdue, not impaired.....	€ 92,387	€ --	€ 92,387
Accounts Receivable Trade overdue, not impaired			
1 - 30 days.....	€ 5,710	€ --	€ 5,710
31 - 60 days.....	500	--	500
61 - 90 days.....	117	--	117
over 90 days.....	148	--	148
	€ 6,475	€ --	€ 6,475
Accounts Receivable Trade impaired			
not overdue.....	€ 14,186	€ 4,018	€ 10,168
overdue 1 - 30 days.....	816	302	514
overdue 31 - 60 days.....	1,717	302	1,415
overdue 61 - 90 days.....	648	234	414
overdue over 90 days.....	2,718	1,914	804
legal accounts.....	3,519	3,382	137
	€ 23,604	€ 10,153	€ 13,452
Accounts Receivable Trade total.....	€ 122,467	€ 10,153	€ 112,314

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

The following table shows trade receivables, gross by currency:

	As of December 31,	
	2014	2013
	<i>(in thousands)</i>	
EUR..... €	72,439 €	71,443
USD.....	31,120	25,645
JPY.....	13,241	13,127
CAD.....	4,211	4,287
CHF.....	4,216	3,509
GBP.....	2,379	2,386
Other.....	2,554	2,070
Trade debtors.....	130,158	122,467
Allowance for doubtful accounts.....	(9,665)	(10,153)
	<u>€ 120,493 €</u>	<u>112,314</u>

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

	December 31,	
	2014	2013
	<i>(in thousands)</i>	
Balance as of January 1..... €	10,153 €	11,189
Additions.....	1,783	2,674
Used.....	(1,171)	(1,660)
Released.....	(1,229)	(1,621)
Translation adjustments.....	129	(429)
Balance as of December 31..... €	<u>9,665 €</u>	<u>10,153</u>

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

	For the Years ended December 31,	
	2014	2013
	<i>(in thousands)</i>	
Income from recoveries on receivables written off..... €	25 €	91

All income and expenses relating to allowances and write-offs of trade receivables are reported under "Selling and marketing expense". Subsequent recoveries of amounts previously written off are credited against "Other operating expense/income, net" in the income statement.

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

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

Note 10 – Available-for-Sale Financial Assets

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

	As of December 31,	
	2014	2013
	<i>(in thousands)</i>	
<u>Available-for-Sale, short-term</u>		
Money market funds.....	€ --	€ 5,010
Total Financial assets available-for-sale, current.....	€ --	€ 5,010

In 2014 and 2013, money market funds consisted of one subordinated bond. The Company considered money market funds to be almost cash.

Available-for-sale financial assets developed as follows during the years ended December 31, 2014 and 2013:

	Available-for-sale financial assets	
	Current	
	<i>(in thousands)</i>	
Balance as of January 1, 2013.....	€ 5,011	
Change in fair value, recognized in other comprehensive income.....		(1)
Balance as of December 31, 2013.....	€ 5,010	
Change in fair value, recognized in other comprehensive income.....		7
Change in fair value, recognized in profit or loss.....		(17)
Disposal.....		(5,000)
Balance as of December 31, 2014.....	€ --	

In 2014, the Company sold all money market funds.

The following table is a summary of the Company's financial assets' (denominated in euro) gross unrealized losses and fair value, aggregated by category and length of time that individual financial assets have been in an unrealized loss position, at December 31, 2013:

	As of December 31, 2013	
	Less Than 12 Months	
	Fair Value	Unrealized Losses
	<i>(in thousands)</i>	
Money market funds.....	€ 5,010	€ (5)
Total securities at fair value.....	€ 5,010	€ (5)

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

Note 11 - Derivative Financial Instruments

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

The following table provides information regarding the Company's foreign exchange forward and option contracts as of December 31, 2014 and 2013. The fair value of the foreign currency contracts represent the amount the Company would receive or pay to terminate the contracts, considering first, quoted market prices of comparable agreements, or in the absence of quoted market prices, such factors as interest rates, currency exchange rates and remaining maturity.

As of December 31, 2014						
Notional Principal						
	in euro	Local currency converted into euro	Carrying value (EUR)	Fair value (EUR)		
<i>(in thousands)</i>						
Foreign exchange forward contracts.....	€ 29,456	€ 29,239	€ (150)	€ (150)		
Foreign exchange option contracts.....	€ 4,380	€ 4,432	€ 165	€ 165		

As of December 31, 2014						
Notional Principal						
	in USD	Local currency converted into USD	Carrying value (USD)	Fair value (USD)	Fair Value (EUR)	
<i>(in thousands)</i>						
Foreign exchange forward contracts.....	USD 9,252	USD 9,755	USD 449	USD 449	€ 370	
Foreign exchange option contracts.....	USD --	USD --	USD --	USD --	€ --	--

As of December 31, 2013						
Notional Principal						
	in euro	Local currency converted into euro	Carrying value (EUR)	Fair value (EUR)		
<i>(in thousands)</i>						
Foreign exchange forward contracts.....	€ 25,378	€ 26,413	€ 1,009	€ 1,009		
Foreign exchange option contracts.....	€ 5,078	€ 5,548	€ 304	€ 304		

As of December 31, 2013						
Notional Principal						
	in USD	Local currency converted into USD	Carrying value (USD)	Fair value (USD)	Fair Value (EUR)	
<i>(in thousands)</i>						
Foreign exchange forward contracts.....	USD 11,070	USD 11,164	USD 86	USD 86	€ 62	
Foreign exchange option contracts.....	USD --	USD --	USD --	USD --	€ --	--

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

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

Note 12 –Equity

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

Other reserves include additional paid-in capital as well as amounts resulting from various transactions booked directly to equity.

As at December 31, 2014 the nominal value of each of the 92,174,778 shares (2013: 92,174,778 shares) issued was €0.01 (2013: €0.01), all fully paid.

On October 9, 2014, the Company announced a General Meeting in relation to Head's listing on the Vienna Stock Exchange and an Unconditional Offer to Buy Back Shares (see below). The Company has been informed by the Vienna Stock Exchange that the registered share capital of the Company is below the statutory requirement of the Stock Exchange Act and that the listing has to be withdrawn if one of the listing requirements falls away subsequent to the listing unless cured by the issuer. The Company can increase the registered share capital at the expense of the reserves of the Company by an amendment of the articles of association of the Company. Therefore, at the General Meeting on December 3, 2014, it was proposed to increase the nominal value of the ordinary shares of the Company from one eurocent (€0.01) to five eurocents (€0.05) at the expense of the reserves of the Company and to amend the articles of association of the Company. On December 3, 2014, the Company announced that the proposal to increase the nominal value of the ordinary shares was rejected by the General Meeting.

On February 16, 2015, the Company announced the withdrawal of the listing of its shares from the Vienna Stock Exchange. For further information it is referred to Note 32.

At the general meeting of shareholders on May 27, 2010, the resolution was taken to increase the authorized share capital to €4.000.000. It is divided into 200,000,000 ordinary shares with a nominal value of €0.01 per share and 200,000,000 preference shares with a nominal value of €0.01 per share.

	As of December 31,	
	2014	2013
	<i>(in thousands)</i>	
Shares issued.....	92,175	92,175
Less: Shares held by the Stichting.....	(260)	(260)
Less: Shares held by Head N.V.	(28,106)	(8,396)
Shares issued less treasury shares.....	63,809	83,519

Dividends

In 2014 and 2013, the Company did not pay a dividend.

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

Stichting

The Stichting Head Option Plan (the "Stichting") is a Dutch foundation, the Board of which is Head Sports Holdings N.V., an entity that is ultimately controlled by Mr. Johan Eliasch and his family members. The Stichting holds, votes, and receives dividends on certain of the Company's ordinary shares. In conjunction with the Company's option plans (see Note 23), the Stichting also issues depository receipts to option holders, upon exercise of the option. Holders of depository receipts are entitled to dividends paid on the Company's shares and to proceeds on the sales of their shares upon request to the Stichting. However, such holders have no voting rights.

The Company consolidated the Stichting, as the Company was considered the main beneficiary of the Stichting. As a result of consolidating the Stichting shares held by the Stichting are presented as treasury shares in the consolidated balance sheets.

Treasury Shares

Pursuant to resolutions which were approved on April 29, 2014, the Board of Management is authorized to buy back a maximum of 50% of the Company's issued share capital during a period of 18 months.

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

	As of December 31,	
	2014	2013
	<i>(in thousands)</i>	
Number of shares as of January 1.....	8,656	8,656
Share Buy Backs.....	19,709	--
Number of shares as of December 31.....	28,366	8,656

On December 13, 2013, the Company announced that it has commenced a cash Offer to repurchase up to 22,429,265 Shares of its share capital at a price of €1.90 per Share. The Offer was contingent upon the acceptance by shareholders representing at least 19,214,042 Shares, although Head had the right to waive this contingency. On December 27, 2013, on January 21, 2014, on February 11, 2014, and on March 4, 2014, the Company announced that it has decided to extend the Offer Period. On March 25, 2014, the Company announced that it has received Declarations of Acceptances representing 16,543,621 Shares and that the Company is withdrawing the Conditional Offer.

On March 28, 2014, the Company announced an Unconditional Offer to Buy Back Shares at a price of €1.60 per Share. On April 22, 2014, the Company announced that it had acquired 14,865,236 Shares at a price of €1.60 per Share.

On October 9, 2014, the Company announced a further Unconditional Offer to Buy Back Shares at a price of €1.60 per Share. On November 5, 2014, the Company announced that it had acquired 4,844,162 Shares at a price of €1.60 per Share.

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As of December 31, 2014, the Company held 28,365,668 shares, or approximately 30.77%, of Head N.V.'s issued shares in treasury. 260,022 shares were held by the Stichting, 28,105,646 shares were held by Head N.V. As of December 31, 2013, the Company held 8,656,270 shares, or approximately 9.39%, of Head N.V.'s issued shares in treasury. 260,022 shares were held by the Stichting, 8,396,248 shares were held by Head N.V.

Details of the share ownership of the Company can also be found on the Company's website: <http://head.com/corporate/investors/structure.php>

Majority Shareholder

Head Sports Holdings N.V and its shareholders controlled 61,089,243 shares, or approximately 66.28% of the Company's issued shares, as of December 31, 2014. Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch and his family members resulting in the ability to significantly influence and control the Company's operations.

Note 13 – Trade and Other Payables

Accounts payable consist of the following:

	As of December 31,	
	2014	2013
	<i>(in thousands)</i>	
Trade payables..... €	24,197 €	22,355
Allowances.....	4,899	4,428
Commissions.....	3,270	3,266
Personnel expenses.....	10,553	9,760
Deferred Income.....	2,360	2,380
Interest.....	858	1,190
Legal, Audit, Consulting.....	2,027	2,370
Fiscal Authorities.....	3,373	3,636
Advertising.....	4,363	3,501
Social Institution.....	1,814	1,674
Freight & duties.....	1,598	1,639
Other.....	5,964	6,047
Total..... €	<u>65,276</u> €	<u>62,246</u>

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

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Note 14 – Provisions

Provisions consist of the following:

	Warranty	Product Liability	Litigation	Other	Total
	<i>(in thousands)</i>				
Net book value as of January 1, 2013.....€	3,963 €	90 €	3,565 €	3,182 €	10,800
Current year provision					
booked to expense.....	1,523	34	888	1,258	3,703
Amount paid (use of provision).....	(1,418)	(27)	(427)	(1,232)	(3,104)
Reversal booked to income (unused amount).....	--	(4)	(861)	(893)	(1,758)
Exchange difference.....	(2)	--	(17)	(232)	(251)
Net book value as of December 31, 2013.....€	<u>4,066 €</u>	<u>93 €</u>	<u>3,148 €</u>	<u>2,083 €</u>	<u>9,390</u>
Current year provision					
booked to expense.....	1,732	82	5,102	1,193	8,109
Amount paid (use of provision).....	(1,415)	(28)	(449)	(1,203)	(3,095)
Reversal booked to income (unused amount).....	--	--	(1,378)	(6)	(1,384)
Exchange difference.....	7	--	49	(5)	51
Net book value as of December 31, 2014.....€	<u>4,390 €</u>	<u>147 €</u>	<u>6,472 €</u>	<u>2,062 €</u>	<u>13,071</u>

	As of December 31,	
	2014	2013
	<i>(in thousands)</i>	
Non-current.....€	4,633 €	2,668
Current.....	8,438	6,723
	<u>€ 13,071 €</u>	<u>9,390</u>

Based on the nature of our business and the liabilities involved, most of our provisions are materially considered current, based on the criteria in IAS 1.69. The cash outflow for the current portion is expected to occur within 12 months.

Warranty

The Company sells certain of its products to customers with a product warranty that provides free of cost repairs or the issuance of credit notes to the customer. The length of the warranty term varies from one to two years and depends on the product being sold. The Company accrues its estimated exposure to warranty claims based upon historical warranty claim costs as a percentage of sales multiplied by prior sales still under warranty at the end of any period. In 2014, the Company classified €2.9 million (2013: €2.7 million) as non-current warranty provision where the outflow of resources occurs after 12 months.

Product Liability

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

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product liability insurance. Management regularly reviews any cases and adjusts its estimations.

Litigation

From time to time the Company and its subsidiaries are involved in legal proceedings, claims and lawsuits arising in the ordinary course of business such as suits with several parties including competitors, customers for past receipts, former employees, suppliers and licensees. However, management believes that in respect of the provision of €6.5 million the resolution of these matters will not materially affect the Company's financial position. In 2014, the Company classified €1.7 million as non-current litigation provision.

In 2013, a potential class action lawsuit has been filed against Head USA Inc., a subsidiary of the Company in the U.S., related to Head USA Inc.'s advertising. Head USA Inc. has challenged the validity of the plaintiff's claims and will defend itself. It believes Head USA Inc.'s advertising does not violate any U.S. consumer laws, that the claims made in the lawsuit are not typical for claims of a class and that class certification should be denied.

On December 30, 2014, a former licensee of Head Sport GmbH whose license agreement expired in 2013, filed a request for arbitration with the International Court of Arbitration (ICC) against Head Sport GmbH, a subsidiary of the Company in Austria, claiming to pay compensation for loss of clientele. The Company believes that the former licensee's claims are unfounded and will defend itself.

Other

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

A provision of €1.0 million was recorded in relation to an environmental matter and was classified as non-current in 2012 and 2011. In 2013, this environmental matter was settled and the unused amount of the provision was booked to income.

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Note 15 – Borrowings

As of December 31, 2014 (at amortized costs)					
	Total	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years
<i>(in thousands)</i>					
Lines of credit.....	€ 37,845	€ 37,845	€ --	€ --	€ --
Bond.....	59,458	--	--	59,458	--
Sale-leaseback transaction.....	8,740	225	8,514	--	--
Mortgages.....	7,781	1,886	3,359	2,536	--
Other borrowings, non-current.....	<u>25,581</u>	<u>3,040</u>	<u>1,949</u>	<u>20,591</u>	<u>--</u>
	<u>€ 139,405</u>	<u>€ 42,997</u>	<u>€ 13,823</u>	<u>€ 82,585</u>	<u>€ --</u>

As of December 31, 2013 (at amortized costs)					
	Total	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years
<i>(in thousands)</i>					
Lines of credit.....	€ 36,066	€ 36,066	€ --	€ --	€ --
Bond.....	59,331	--	--	59,331	--
Sale-leaseback transaction.....	8,956	217	459	8,280	--
Mortgages.....	8,253	3,686	3,050	1,517	--
Liabilities against venture partner.....	2,610	2,610	--	--	--
Other borrowings, non-current.....	<u>21,436</u>	<u>783</u>	<u>2,525</u>	<u>18,128</u>	<u>--</u>
	<u>€ 136,653</u>	<u>€ 43,362</u>	<u>€ 6,035</u>	<u>€ 87,256</u>	<u>€ --</u>

Borrowings are denominated in the following currencies:

	As of December 31,	
	2014	2013
<i>(in thousands)</i>		
EUR.....	€ 101,525	€ 103,132
USD.....	24,161	22,002
JPY.....	6,761	7,117
CNY.....	6,085	3,593
GBP.....	<u>873</u>	<u>808</u>
Total Borrowings.....	<u>€ 139,405</u>	<u>€ 136,653</u>

The tables below show contractually agreed (undiscounted) interest payments and repayments of the financial liabilities as of December 31, 2014 and 2013:

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	Obligations December 31. 2014	CASH FLOW 2015			CASH FLOW 2016 - 2017		
		Interest fixed	Interest variable	Re- demption	Interest fixed	Interest variable	Re- demption
		<i>(in thousands)</i>					
Lines of credit.....	€ 37,845	€ --	€ 927	€ 37,845	€ --	€ --	€ --
Bond.....	59,458	3,150	--	--	6,300	--	--
Sale-leaseback transaction.....	8,740	330	--	225	478	--	8,514
Mortgages.....	7,781	434	--	1,886	573	--	3,359
Other borrowings, non-current.....	25,581	77	637	3,040	44	1,236	1,949
	<u>€ 139,405</u>	<u>€ 3,991</u>	<u>€ 1,564</u>	<u>€ 42,997</u>	<u>€ 7,395</u>	<u>€ 1,236</u>	<u>€ 13,823</u>
		CASH FLOW 2018 - 2019			CASH FLOW THEREAFTER		
		Interest fixed	Interest variable	Re- demption	Interest fixed	Interest variable	Re- demption
		<i>(in thousands)</i>					
Lines of credit.....	€ --	€ --	€ --	€ --	€ --	€ --	€ --
Bond.....		2,328	--	60,000	--	--	--
Sale-leaseback transaction.....		--	--	--	--	--	--
Mortgages.....		43	7	2,536	--	--	--
Other borrowings, non-current.....		--	376	20,591	--	--	--
		<u>€ 2,371</u>	<u>€ 383</u>	<u>€ 83,127</u>	<u>€ --</u>	<u>€ --</u>	<u>€ --</u>

Lines of credit contain revolving credit lines, which are negotiable on a frequent basis. Until the maturity date of the Company's 5.25% Bond an addition to disagio of €0.5 million will be booked to liabilities.

	Obligations December 31. 2013	CASH FLOW 2014			CASH FLOW 2015 - 2016		
		Interest fixed	Interest variable	Re- demption	Interest fixed	Interest variable	Re- demption
		<i>(in thousands)</i>					
Lines of credit.....	€ 36,066	€ --	€ 918	€ 36,066	€ --	€ --	€ --
Bond.....	59,331	3,150	--	--	6,300	--	--
Sale-leaseback transaction.....	8,956	338	--	217	651	--	459
Mortgages.....	8,253	345	--	3,686	315	--	3,050
Liabilities against venture partner.....	2,610	--	--	2,610	--	--	--
Other borrowings, non-current.....	21,436	99	551	783	127	1,102	2,525
	<u>€ 136,653</u>	<u>€ 3,932</u>	<u>€ 1,469</u>	<u>€ 43,362</u>	<u>€ 7,393</u>	<u>€ 1,102</u>	<u>€ 6,035</u>
		CASH FLOW 2017 - 2018			CASH FLOW THEREAFTER		
		Interest fixed	Interest variable	Re- demption	Interest fixed	Interest variable	Re- demption
		<i>(in thousands)</i>					
Lines of credit.....	€ --	€ --	€ --	€ --	€ --	€ --	€ --
Bond.....		5,478	--	60,000	--	--	--
Sale-leaseback transaction.....		157	--	8,280	--	--	--
Mortgages.....		11	41	1,517	--	--	--
Liabilities against venture partner.....		--	--	--	--	--	--
Other borrowings, non-current.....		--	918	18,128	--	--	--
		<u>€ 5,646</u>	<u>€ 959</u>	<u>€ 87,925</u>	<u>€ --</u>	<u>€ --</u>	<u>€ --</u>

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Borrowings, current

Borrowings, current consist of the following:

	As of December 31,	
	2014	2013
	<i>(in thousands)</i>	
Lines of credit.....	€ 37,845	€ 36,066
Current maturities of borrowings, non-current.....	5,152	7,296
Total Borrowings, current.....	€ 42,997	€ 43,362

In the second quarter of 2001, the Company's subsidiaries entered into a financing agreement providing multiple revolving credit lines with the "Österreichische Kontrollbank" ("OEKB") which were renegotiated in 2003, in the total amount of €15.0 million secured by all Austrian trade receivables. During 2011, the "OEKB" and one of the Company's Austrian banks have agreed to increase the existing line by €3.8 million leading to a total amount of €18.8 million as of December 31, 2013 and 2014. As of December 31, 2014, the fair value of trade receivables that serve as collateral for the Company's revolving credit lines was €54.6 million (2013: €50.6 million).

During the third quarter of 2013, HTM Sport GmbH, a subsidiary of Head N.V., signed an agreement with an Austrian Bank for a new €10.0 million line of credit. This line is secured by a 40% state guarantee via "OEKB" as well as the pledge of the properties of the HTM Czech Ski Boot factory in Litovel and the Head Czech Ski factory in Budweis.

In addition, the Company used lines of credit with several banks in Japan, China, France and the United Kingdom of €9.1 million and had unused lines of credit of €16.2 million as of December 31, 2014. In 2013, the Company used lines of credit with several banks in Japan, France and the United Kingdom of €7.3 million and had unused lines of credit of €21.2 million as of December 31, 2013.

In July 2012, certain Austrian subsidiaries of the Company entered into a loan agreement with an Austrian Bank providing a maximum of €15.0 million (from July 1 until December 31) and of €3.0 million (from January 1 until June 30). This agreement requires the Company to achieve certain yearly financial covenants. The loan is secured by certain Austrian trade receivables as well as by the inventories of certain Austrian subsidiaries in various warehouses. In addition, Mr. Johan Eliasch, the Company's CEO, granted a personal non-performance guarantee ("Ausfallsbürgschaft") up to a maximum amount of €5.0 million to ensure the fulfillment of the obligations of the subsidiaries of the Company under the loan. In the third quarter of 2013, this loan agreement was renegotiated. It was agreed to reduce the maximum amount available from July 1 until December 31 from €15.0 million to €10.0 million and to increase the personal non-performance guarantee of Mr. Johan Eliasch from a maximum amount of €5.0 million to a maximum amount of €10.0 million. In the second quarter of 2014, the loan agreement was extended until September 30, 2015. At December 31, 2013 and 2014, the Company did not use this credit line.

The weighted average interest rate on outstanding short-term borrowings was 1.91% and 2.08% as of December 31, 2014 and 2013, respectively.

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

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

Borrowings, non-current

Borrowings, non-current consist of the following:

	As of December 31,	
	2014	2013
	<i>(in thousands)</i>	
Bond.....	€ 59,458	€ 59,331
Liability against venture partner.....	--	2,610
Other long-term debt.....	42,102	38,645
Total borrowings, non-current.....	€ 101,560	€ 100,586
Less current portion.....	(5,152)	(7,296)
Non-current portion.....	€ 96,408	€ 93,291

Bond

On September 2, 2013, Head N.V. and HTM Sport GmbH, a subsidiary of Head N.V., announced the issuance of a new €45.0 million Bond. On September 26, 2013, Head N.V. and HTM Sport GmbH announced the increase in size from €45.0 million to €60.0 million based on additional investor demand. The Bond was issued in Switzerland by HTM Sport GmbH and guaranteed by Head N.V. The securities are Euro denominated, carry a fixed coupon of 5.25% payable annually in arrears in September, and have a term of 5 years with maturity on September 26, 2018. Transaction settlement date was September 26, 2013. The Bond is listed on the SIX Swiss Exchange (SIX).

Until the maturity date of the Bond an addition to disagio of €0.5 million will be booked to liabilities.

The effective interest rate for the Bond in 2014 was 5.30% and in 2013 5.31%.

Senior Notes

At December 31, 2012, the Company had €27.5 million of 8.5% Senior Notes outstanding. On May 6, 2013, Head N.V. and HTM Sport GmbH, a subsidiary of Head N.V., announced the redemption in full of the outstanding Senior Notes due 2014. The Senior Notes were fully redeemed on June 5, 2013.

Liability against venture partner

In July 2005, the Company signed an agreement for the establishment of a company in the British Virgin Islands. The business venture was established to found a Chinese company which manufactures tennis balls for exclusive sale to the Company. The Company and its venture

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partner had a 83% and 17% interest in the formed company, respectively. This venture qualified as a special purpose entity due to the fact that the Chinese company was formed to manufacture tennis balls solely on behalf of the Company. As a result, the Company consolidated this entity from inception. At December 31, 2013, the Company recorded a liability of €2.6 million (reported in current borrowings in the consolidated statement of financial position) for the contribution of its partner. The Company's partner in this venture had the right to receive a guaranteed yearly dividend of 12% on its investment balance. As of January 1, 2014, the Company acquired the 17% interest of its venture partner.

Other long-term debt

Sale-Leaseback Transaction

One of the Company's subsidiaries entered into an agreement on June 28, 2002, whereby it sold land and building to an unrelated bank and leased it back over a 15 year term. The proceeds of this sale were €10.6 million. The Company has the obligation to purchase the property back after 15 years for €8.2 million. The Company had the option to repurchase the property from the first until the tenth year of the arrangement for the present value of the future lease payments and the remaining residual value. This option was not exercised during 2012.

In 2012, the Company renegotiated the terms of the agreement resulting in a reduction of the interest rate and consequently in a reduction of the total payments. The Company is required to pay the bank a monthly deposit of €0.02 million, which will be repaid to the Company, plus interest of 3.8%, at the time of repurchase.

Because of the Company's continuing involvement, this transaction has been accounted for as a finance lease such that the Company has recorded €10.6 million of cash and long-term borrowings at the inception date of this agreement. At December 31, 2014, the remaining obligation under the financing agreement is €8.7 million (2013: €9.0 million).

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

	<u>As of December 31,</u>
	<u>2014</u>
	<i>(in thousands)</i>
2015.....	€ 555
2016.....	555
2017.....	8,438
Thereafter.....	<u>--</u>
Total minimum payments.....	9,548
Amount representing interest.....	<u>(808)</u>
Finance Lease Obligation.....	8,740
Obligations due within one year.....	<u>(225)</u>
Long-term Finance Lease Obligation.....	<u><u>€ 8,514</u></u>

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	As of December 31,
	2013
	<i>(in thousands)</i>
2014.....	€ 555
2015.....	555
2016.....	555
2017.....	8,438
Thereafter.....	--
Total minimum payments.....	10,103
Amount representing interest.....	(1,147)
Finance Lease Obligation.....	8,956
Obligations due within one year.....	(217)
Long-term Finance Lease Obligation.....	€ 8,740

As of December 31, 2014, the net book value of land and building under the sale-leaseback arrangement consists of the following (in thousands):

	Land		Building
Cost.....	€ 1,020	€	8,386
Less: Accumulated depreciation.....	--		(7,940)
Net book value.....	€ 1,020	€	446

Mortgage Agreements

In 2002, one of the Company's subsidiaries entered into a mortgage agreement secured by the Penn Phoenix property with an unrelated financial institution of €4.9 million (\$4.8 million) over a 15 year term at an interest rate of 7.33%. At December 31, 2014, the outstanding balance of the mortgage was €1.1 million (2013: €1.3 million) and the carrying value of the property was €1.2 million (2013: €1.1 million).

During 2012, the Company renegotiated an agreement with a Chinese bank and agreed to enter into a loan agreement expiring in August 2015 and providing RMB 30.0 million (€3.7 million). The loan was repayable in quarterly installments of RMB 2.5 million starting end of November 2012. The interest rate was fixed at 7.13%. In addition it was agreed that each installment of RMB 2.5 million is instantly replaced by another one-year term loan of RMB 2.5 million. As a result, at December 31, 2013, the outstanding balance of the mortgage was RMB 30.0 million (€3.6 million). The loan was secured by the Company's Chinese subsidiary's property and building. At December 31, 2013, the carrying value of the property was €2.4 million. In February 2014 and in March 2014, the Company repaid RMB 2.5 million and in April 2014, the Company repaid the remaining amount of RMB 25.0 million and agreed with the bank to cancel the agreement.

In 2014, the Company entered into a new three year mortgage agreement with another Chinese bank providing RMB 30.0 million (€3.5 million). The interest rate is fixed at 7.073%. The loan is repayable in half-yearly installments of RMB 2.0 million starting end of October 2014. In addition it was agreed that each installment is instantly replaced by another short-term loan of RMB 2.0 million. As a result, at December 31, 2014, the outstanding balance of the mortgage was RMB 30.0 million (€4.0 million). The loan is secured by the Company's

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Chinese subsidiary's property and building. At December 31, 2014, the carrying value of the property was €2.6 million.

In addition, this Chinese bank also provides a short-term credit facility for RMB 20.0 million.

In April 2011, the Company secured a new long term loan in Italy with Mares S.p.A. The loan amounted to €5.0 million with a seven-year term. For the first five years the interest rate is fixed at 4.66% while for the last two years the interest rate is variable based on the six-month Euribor plus a 1.90% margin. The loan is secured by the Rapallo and partly Casarza property of Mares S.p.A. At December 31, 2014 the outstanding balance of the loan was €2.7 million (2013: €3.4 million) and the carrying value of the property was €3.1 million (2013: €3.3 million).

Other long-term debt

In 2011, the Company secured a new long term agreement until 2016 with a Japanese bank. At December 31, 2014 the outstanding balance of the loan was €2.1 million (2013: €2.4 million) at a fixed interest rate of 3.95%.

In September 2011, one of the Company's subsidiaries entered into an asset backed revolving credit agreement with an US-bank providing a maximum of USD 40.0 million dependent on the level, and secured by, eligible US inventories and receivables. As of December 31, 2014, eligible US inventories and receivables amounted to USD 26.1 million (2013: USD 26.5 million) and USD 22.3 million (2013: USD 21.9 million), respectively. The original agreement covered five years, the interest rate is variable. In the third quarter of 2013, this credit agreement was extended until August 2018 and in the first quarter of 2015, this credit agreement was again extended until March 2020. At December 31, 2013 the Company used USD 25.0 million (€18.1 million) of this facility at an interest rate of 2.00%. At December 31, 2014, the Company used USD 28.0 million (€23.1 million) of this facility at an interest rate of 2.00%, USD 3.0 million (€2.5 million) are shown within current borrowings in the consolidated statement of financial position.

Other long-term debt comprises a loan in Italy and a small loan in Austria with an outstanding balance of €0.5 million in total at December 31, 2014.

The weighted average interest rate on other long-term debt was 2.33% as of December 31, 2013 and 2.23% as of December 31, 2014. Borrowings mature at various dates through 2020.

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

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Note 16 – Additional Disclosures on Financial Instruments

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

	Category in accordance with IAS 39	Carrying amount Dec. 31, 2014	Amounts recognized in balance sheet according to IAS 39			Fair value Dec. 31, 2014
			Amor- tized cost	Fair value recog- nized in equity	Fair value recog- nized in profit or loss	
<i>(in thousands)</i>						
Assets						
Cash and cash equivalents.....	LaR €	32,540 €	32,540 €	-- €	-- €	32,540
Trade receivables.....	LaR	120,493	120,493	--	--	120,493
Other receivables.....	LaR	6,627	6,627	--	--	6,627
Derivative financial assets.....	FVtPL	385	--	--	385	385
Available-for-sale financial assets.....	AfS	--	--	--	--	--
	€	<u>160,046</u> €	<u>159,661</u> €	<u>--</u> €	<u>385</u> €	<u>160,046</u>
Liabilities						
Trade payables.....	FLaC €	24,197 €	24,197 €	-- €	-- €	24,197
Other payables.....	FLaC	22,979	22,979	--	--	22,979
Lines of credit.....	FLaC	37,845	37,845	--	--	37,845
Bond.....	FLaC	59,458	59,458	--	--	63,450
Sale-Leaseback.....	FLaC	8,740	8,740	--	--	8,892
Mortgages.....	FLaC	7,781	7,781	--	--	7,895
Liabilities against Venture Partner.....	FLaC	--	--	--	--	--
Other borrowings, non-current.....	FLaC	25,581	25,581	--	--	25,581
Contingent consideration.....	FVtPL	420	--	--	420	420
	€	<u>187,001</u> €	<u>186,581</u> €	<u>--</u> €	<u>420</u> €	<u>191,258</u>
Aggregated by category						
in accordance with IAS 39:						
Loans and receivables.....	LaR €	159,661 €	159,661 €	-- €	-- €	159,661
Available-for-sale financial assets.....	AfS	--	--	--	--	--
Financial liabilities at amortized cost.....	FLaC	186,581	186,581	--	--	190,839
At fair value through profit or loss.....	FVtPL	805	--	--	805	805

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	Category in accordance with IAS 39	Carrying amount Dec. 31, 2013	Amounts recognized in balance sheet according to IAS 39			Fair value Dec. 31, 2013
			Amor- tized cost	Fair value recog- nized in equity	Fair value recog- nized in profit or loss	
<i>(in thousands)</i>						
Assets						
Cash and cash equivalents.....	LaR €	78,318 €	78,318 €	-- €	-- €	78,318
Trade receivables.....	LaR	112,314	112,314	--	--	112,314
Other receivables.....	LaR	5,409	5,409	--	--	5,409
Derivative financial assets.....	FVtPL	1,375	--	--	1,375	1,375
Available-for-sale financial assets.....	AfS	5,010	--	5,010	--	5,010
	€	<u>202,426</u> €	<u>196,041</u> €	<u>5,010</u> €	<u>1,375</u> €	<u>202,426</u>
Liabilities						
Trade payables.....	FLaC €	22,355 €	22,355 €	-- €	-- €	22,355
Other payables.....	FLaC	22,441	22,441	--	--	22,441
Lines of credit.....	FLaC	36,066	36,066	--	--	36,066
Bond.....	FLaC	59,331	59,331	--	--	62,100
Sale-Leaseback.....	FLaC	8,956	8,956	--	--	8,940
Mortgages.....	FLaC	8,253	8,253	--	--	8,400
Liabilities against Venture Partner.....	FLaC	2,610	2,610	--	--	2,610
Other borrowings, non-current.....	FLaC	21,436	21,436	--	--	21,436
	€	<u>181,449</u> €	<u>181,449</u> €	<u>--</u> €	<u>--</u> €	<u>184,348</u>
Aggregated by category in accordance with IAS 39:						
Loans and receivables.....	LaR €	196,041 €	196,041 €	-- €	-- €	196,041
Available-for-sale financial assets.....	AfS	5,010	--	5,010	--	5,010
Financial liabilities at amortized cost.....	FLaC	181,449	181,449	--	--	184,348
At fair value through profit or loss.....	FVtPL	1,375	--	--	1,375	1,375

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

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The tables below shows net gain (loss) by category for 2014 and 2013:

	For the Year Ended December 31, 2014					Net Gain/ (Loss)
	Interest Income/ (Expense)	Fair Value Gain/ (Loss)	Foreign Exchange Gain/ (Loss)	From Subsequent Measurement Impair- ment	Gain (Loss) on Disposal	
	<i>(in thousands)</i>					
Loans and receivables (LaR).....	€ 198	€ 53	€ (2,617)	€ (542)	€ 25	(2,883)
At fair value through profit or loss (FVTPL).....	--	(389)	672	--	--	283
Available-for-sale financial assets (AFS).....	101	--	--	--	(17)	85
Financial liabilities						
at amortized cost (FLaC).....	<u>(5,661)</u>	<u>(257)</u>	<u>(406)</u>	--	--	<u>(6,323)</u>
	<u>€ (5,362)</u>	<u>€ (593)</u>	<u>€ (2,351)</u>	<u>€ (542)</u>	<u>€ 9</u>	<u>€ (8,839)</u>

	For the Year Ended December 31, 2013					Net Gain/ (Loss)
	Interest Income/ (Expense)	Fair Value Gain/ (Loss)	Foreign Exchange Gain/ (Loss)	From Subsequent Measurement Impair- ment	Gain (Loss) on Disposal	
	<i>(in thousands)</i>					
Loans and receivables (LaR).....	€ 221	€ 145	€ (1,375)	€ (1,015)	€ 91	(1,933)
At fair value through profit or loss (FVTPL).....	--	146	2,409	--	--	2,555
Available-for-sale financial assets (AFS).....	202	--	--	--	--	202
Financial liabilities						
at amortized cost (FLaC).....	<u>(4,575)</u>	<u>(284)</u>	<u>(724)</u>	--	<u>56</u>	<u>(5,527)</u>
	<u>€ (4,153)</u>	<u>€ 7</u>	<u>€ 310</u>	<u>€ (1,015)</u>	<u>€ 147</u>	<u>€ (4,703)</u>

The Company recognised all components of net gain/loss in "Interest and investment income", "Interest and other finance expense", "Other operating expense/income, net" and "Other non-operating expense/income, net". Impairment of trade receivables is reported under "Selling and marketing expense".

Note 17 – Other Long-Term Liabilities

	As of December 31,	
	2014	2013
	<i>(in thousands)</i>	
Deferred income, non-current.....	€ 2,512	€ 3,302
Liability on share-based payments.....	89	477
Capitalized Lease Obligations.....	2,733	2,301
Other.....	<u>435</u>	<u>56</u>
Total other long-term liabilities.....	<u>€ 5,769</u>	<u>€ 6,136</u>

Deferred income, non-current

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

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

In 2010, the Company entered into another long-term licensing agreement. The prepayments amounted to €1.4 million as of December 31, 2010. In January 2011, the Company received the residual amount of the agreed prepayment of €1.4 million. The prepayments were recorded as deferred income in the consolidated statement of financial position and are recognised over the contract period.

At December 31, 2014, the deferred income balance (non-current portion) associated with all long-term licensing agreements was €2.5 million (2013: €3.3 million). The Company recognised the short-term portion of the long-term licensing agreements of €1.2 million (2013: €1.1 million) in "Trade and other payables".

Liability on share-based payments

The Company records liabilities on share-based payments in relation to its stock option plans (see Note 23). The decrease of the liability is mainly due to the decrease of the share price at December 31, 2014 compared to December 31, 2013.

Capitalized Lease Obligations

Some of the Company's subsidiaries in Austria and the subsidiaries in the Czech Republic entered into finance lease agreements. As of December 31, 2014 the capitalized lease obligations amounted to €2.7 million (2013: €2.3 million).

Other

In October 2011, the Company signed an agreement to set up a distribution company in Japan in which it holds 50%. As of December 31, 2013, the Company showed a long term liability of €0.05 million regarding agreed exit options (see Note 22). As of December 31, 2014, no liability regarding the agreed exit options was recognised.

As per January 1, 2014, Head closed a transaction to acquire 100% of the shares of Concept Systems International GmbH (see Note 31). The purchase price amounts to €4.9 million excluding a contingent bonus-payment. The contingent bonus-payment arrangement requires the Company to pay a certain percentage of the growth of diving equipment sales in the period from January 1, 2014, through December 31, 2017. As of December 31, 2014, the estimated fair value of the contingent bonus-payment amounting to €0.4 million is shown within "Other long-term liabilities" in the consolidated statement of financial position.

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Note 18 – Employee Benefits

The Company funds pension and other employee benefit plans paid to employees at some Austrian, other European and Japanese locations. The indemnities are based upon years of service and compensation levels and are generally payable upon retirement or dismissal in some circumstances, after a predetermined number of years of service. For the year ended December 31, 2014 and 2013 the only plan that includes plan assets is the French pension plan. The Company maintains sufficient assets to meet the minimum funding requirements set forth by the regulations in each country. The discount rate is based on the return of high quality corporate bonds at the reporting date.

Pension and other employee benefit plans have developed as follows:

	As of December 31,	
	2014	2013
	<i>(in thousands)</i>	
Beginning of the year.....	€ 18,836	€ 19,630
Charge to income.....	1,312	1,414
Release.....	(288)	--
Remeasurements loss (gain).....	921	(29)
Payments.....	(1,345)	(1,959)
Reclassification.....	--	(59)
Translation adjustment.....	(3)	(160)
End of the year.....	<u>€ 19,432</u>	<u>€ 18,836</u>

The table below outlines where the Company's pension and other employee benefit amounts are included in the financial statements:

	2014	2013
	<i>(in thousands)</i>	
Balance Sheet obligations for:		
Pension Benefits.....	€ 6,376	€ 5,727
Other Benefits.....	13,057	13,109
Total.....	<u>€ 19,432</u>	<u>€ 18,836</u>
Income Statement charge for:		
Pension Benefits.....	€ 288	€ 352
Other Benefits.....	736	1,062
Total.....	<u>€ 1,023</u>	<u>€ 1,414</u>
Remeasurements loss (gain) for:		
Pension Benefits.....	€ 533	€ (277)
Other Benefits.....	388	248
Total.....	<u>€ 921</u>	<u>€ (29)</u>

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The movement in the defined benefit obligation for pension plans over the year is as follows:

	Pension Benefits		
	Present Value of Obligation	Fair Value of Plan Assets	Total
	<i>(in thousands)</i>		
At January 1, 2013€	7,345	€ (321)	€ 7,024
Current service cost.....	159	--	159
Past service credit.....	(15)	--	(15)
Interest expense/(income).....	221	(14)	207
	<u>365</u>	<u>(14)</u>	<u>352</u>
Remeasurements loss (gain):			
From change in financial assumptions.....	56	--	56
Experience adjustments.....	(335)	--	(335)
Return on Plan Assets, excluding amounts included in interest expense/(income).....	--	2	2
	<u>(279)</u>	<u>2</u>	<u>(277)</u>
Benefit payments.....	(1,371)	--	(1,371)
At December 31, 2013€	<u>6,060</u>	<u>€ (333)</u>	<u>€ 5,727</u>
At January 1, 2014€	6,060	€ (333)	€ 5,727
Current service cost.....	118	--	118
Interest expense/(income).....	180	(10)	170
	<u>298</u>	<u>(10)</u>	<u>288</u>
Remeasurements loss (gain):			
From change in financial assumptions.....	501	--	501
Experience adjustments.....	28	--	28
Return on Plan Assets, excluding amounts included in interest expense/(income).....	--	4	4
	<u>529</u>	<u>4</u>	<u>533</u>
Benefit payments.....	(172)	--	(172)
At December 31, 2014€	<u>6,715</u>	<u>€ (340)</u>	<u>€ 6,376</u>

The plan assets of the French pension plan consist of an insurance contract.

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The movement in the defined benefit obligation for other employee benefit plans over the year is as follows:

	Other Benefits		
	Present Value of Obligation	Fair Value of Plan Assets	Total
	<i>(in thousands)</i>		
At January 1, 2013.....	€ 12,606	€ --	€ 12,606
Current service cost.....	746	--	746
Interest expense/(income).....	316	--	316
	<u>1,062</u>	<u>--</u>	<u>1,062</u>
Remeasurements loss (gain):			
From change in financial assumptions.....	179	--	179
Experience adjustments.....	69	--	69
	<u>248</u>	<u>--</u>	<u>248</u>
Benefit payments.....	(588)	--	(588)
Reclassification.....	(59)	--	(59)
Translation adjustments.....	(160)	--	(160)
At December 31, 2013.....	€ <u>13,109</u>	€ <u>--</u>	€ <u>13,109</u>
At January 1, 2014.....	€ 13,109	€ --	€ 13,109
Current service cost.....	724	--	724
Release.....	(288)	--	(288)
Interest expense/(income).....	300	--	300
	<u>736</u>	<u>--</u>	<u>736</u>
Remeasurements loss (gain):			
From change in financial assumptions.....	409	--	409
From change in demographic assumptions.....	(19)	--	(19)
Experience adjustments.....	(2)	--	(2)
	<u>388</u>	<u>--</u>	<u>388</u>
Benefit payments.....	(1,173)	--	(1,173)
Translation adjustments.....	(3)	--	(3)
At December 31, 2014.....	€ <u>13,057</u>	€ <u>--</u>	€ <u>13,057</u>

Other employee benefits include severance obligations and anniversary bonuses.

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The defined benefit obligation for pension and other employee benefit plans and plan assets are composed by country as follows:

	Pension and Other Benefits					
	2014					
	Austria	Germany		Other		
	<i>(in thousands)</i>					
Present Value of Obligation.....	€ 11,710	€ 4,665	€	3,397		
Fair Value of Plan Assets.....	--	--	--	(340)		
Total.....	€ 11,710	€ 4,665	€	3,057		

	Pension and Other Benefits					
	2013					
	Austria	Germany		Other		
	<i>(in thousands)</i>					
Present Value of Obligation.....	€ 10,719	€ 4,527	€	3,923		
Fair Value of Plan Assets.....	--	--	--	(333)		
Total.....	€ 10,719	€ 4,527	€	3,590		

The significant actuarial assumptions were as follows (expressed as weighted averages):

	Pension Benefits		Other Benefits	
	2014	2013	2014	2013
Discount rate.....	2.5%	3.0%	2.5%	3.0%
Rate of compensation increase.....	2.4%	2.4%	2.9%	2.9%

If the discount rate applied for pension benefits had been 0.5% higher, the present value of the obligation for pension benefits would be lower by €0.5 million, if the discount rate applied for pension benefits had been 0.5% lower, the present value of the obligation for pension benefits would be higher by €0.6 million.

The contribution for defined contribution plans for the year ended December 31, 2014 amounted to €0.9 million (2013: €0.8 million).

Note 19 – Operating Leases

The Company leases certain office space, warehouse facilities, transportation and office equipment under operating leases which largely expire at various dates through 2022. Rent expense was €5.0 million and €4.6 million for the years ended December 31, 2014 and 2013, respectively.

The future aggregate minimum payments under non-cancellable operating leases are as follows as of December 31, 2014:

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	As of December 31, 2014
	<i>(in thousands)</i>
2015.....	€ 4,885
2016.....	2,813
2017.....	2,053
2018.....	1,484
2019.....	1,260
Thereafter.....	951
	€ 13,448

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

Note 20 – Fair Value and Other Reserves Including Cumulative Translation Adjustment

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

	Foreign Currency Translation Adjustment	Foreign Exchange Loss on Invested Intercompany Receivables	AfS-Securities	Remeasurements Loss on Employee Benefits	Fair Value and Other Reserves/ CTA
	<i>(in thousands)</i>				
Balance at January 1, 2013.....	€ 2,296	(5,791)	(4)	(3,304)	(6,804)
Current period changes, net of tax.....	--	--	(1)	30	29
Translation Adjustments.....	(3,215)	--	--	--	(3,215)
Balance at December 31, 2013.....	€ (920)	(5,791)	(5)	(3,275)	(9,991)
Current period changes, net of tax.....	--	--	5	(681)	(676)
Translation Adjustments.....	6,861	--	--	--	6,861
Balance at December 31, 2014.....	€ 5,941	(5,791)	--	(3,956)	(3,806)

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Note 21 – Income Taxes

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

	As of December 31,	
	2014	2013
Dutch statutory tax rate.....	25.0%	25.0%
Tax rate differential.....	3.2	4.1
Other taxes.....	7.9	4.6
Prior year adjustments.....	2.9	(3.9)
Non taxable (income) expense.....	(4.6)	(3.9)
Changes in tax rates.....	1.3	(1.1)
Effect on non-recognized tax losses.....	14.1	6.6
Effective tax rate.....	<u>49.7%</u>	<u>31.2%</u>

In 2014 and 2013, the Company's effective tax rate differed from the statutory tax rate in the Netherlands mainly due to higher tax rates and diverse other taxes in some of the Company's operating countries and to not recognised tax losses.

The total tax expense includes the following positions:

	As of December 31,	
	2014	2013
	<i>(in thousands)</i>	
Current income tax expense.....	€ (1,840)	€ (2,000)
Income tax benefit of prior period adjustments.....	24	139
Deferred tax benefit relating to the origination and reversal of temporary differences and relating to the recognition of tax losses.....	1,125	1,854
Deferred tax expense relating to the use of tax losses.....	(2,053)	(2,481)
Deferred tax income (expense) relating to changes in tax rates.....	<u>(73)</u>	<u>81</u>
	<u>€ (2,818)</u>	<u>€ (2,407)</u>

In 2014, the total tax expense of €2.8 million was driven by current income tax expense of €1.8 million. Deferred tax expense in total amounted to €1.0 million mainly resulting from the use of tax losses in some of the Company's operating countries, partly offset by deferred tax benefits relating to the recognition of tax losses in some of the Company's operating countries and to temporary differences. Similar to 2014, the total tax expense of €2.4 million in 2013 was driven by current income tax expense of €1.9 million. Deferred tax expense in total amounted to €0.5 million mainly resulting from the use of tax losses in some of the Company's operating countries, partly offset by deferred tax benefits relating to temporary differences.

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The movements in deferred tax assets and liabilities during the year ended December 31, 2014 are as follows:

	December 31, 2014	(Charged) /credited to income	(Charged) /credited to OCI	Exchange differences	Acquisitions	December 31, 2013
<i>(in thousands)</i>						
<i>Short-term:</i>						
Deferred tax asset:						
Tax loss carried forward.....	€ 1,713	€ 651	€ --	€ --	€ --	1,062
Impairment of inventory.....	5,500	828	--	77	--	4,595
Impairment of accounts receivable.....	1,174	(293)	--	55	--	1,412
Provisions.....	1,248	345	--	13	--	890
Other.....	784	(309)	--	55	--	1,038
Total Short-term deferred tax assets.....	€ 10,420	€ 1,223	€ --	€ 201	€ --	8,996
Deferred tax liabilities:						
Liabilities.....	€ (352)	€ 753	€ --	€ (0)	€ --	(1,104)
Other.....	(409)	205	(2)	--	--	(612)
Total Short-term deferred tax liability.....	€ (761)	€ 957	€ (2)	€ (0)	€ --	(1,716)
Total Short-term deferred tax asset, net.....	€ 9,659	€ 2,180	€ (2)	€ 200	€ --	7,280
<i>Long-term:</i>						
Deferred tax asset:						
Tax loss carried forward.....	€ 60,870	€ (2,007)	€ --	€ 369	€ --	62,508
Fixed assets.....	872	(21)	--	93	--	801
Other intangible assets.....	11	(1)	--	(0)	--	12
Provisions.....	784	98	--	1	--	685
Employee benefits.....	2,027	(80)	242	(1)	--	1,866
Investments.....	845	29	--	(8)	--	824
Lease obligations.....	2,129	(57)	--	--	--	2,185
Other.....	486	(725)	--	(2)	103	1,110
Total Long-term deferred tax assets.....	€ 68,023	€ (2,763)	€ 242	€ 452	€ 103	69,989
Deferred tax liabilities:						
Fixed assets.....	€ (730)	€ 60	€ --	€ (1)	€ --	(788)
Investments.....	(22,967)	(225)	--	--	--	(22,742)
Bond.....	(136)	32	--	--	--	(167)
Other.....	(2,443)	(285)	(2)	(176)	(553)	(1,426)
Total Long-term deferred tax liability.....	€ (26,275)	€ (419)	€ (2)	€ (178)	€ (553)	(25,123)
Total Long-term deferred tax asset, net.....	€ 41,748	€ (3,182)	€ 240	€ 274	€ (450)	44,866
Total deferred tax asset, net.....	€ 51,407	€ (1,002)	€ 238	€ 475	€ (450)	52,146

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The movements in deferred tax assets and liabilities during the year ended December 31, 2013 are as follows:

	December 31, 2013	(Charged) /credited to income	(Charged) /credited to OCI	Exchange differences	December 31, 2012
	<i>(in thousands)</i>				
<i>Short-term:</i>					
Deferred tax asset:					
Tax loss carried forward.....	€ 1,062	€ 234	€ --	€ --	828
Impairment of inventory.....	4,595	383	--	(45)	4,256
Impairment of accounts receivable.....	1,412	521	--	(157)	1,048
Provisions.....	890	(318)	--	(88)	1,296
Other.....	1,038	696	--	(40)	382
Total Short-term deferred tax assets.....	€ 8,996	€ 1,517	€ --	€ (330)	€ 7,810
Deferred tax liabilities:					
Liabilities.....	€ (1,104)	€ 357	€ --	€ --	(1,461)
Other.....	(612)	(232)	0	--	(381)
Total Short-term deferred tax liability.....	€ (1,716)	€ 125	€ 0	€ --	€ (1,842)
Total Short-term deferred tax asset, net.....	€ 7,280	€ 1,642	€ 0	€ (330)	€ 5,968
<i>Long-term:</i>					
Deferred tax asset:					
Tax loss carried forward.....	€ 62,508	€ (2,185)	€ --	€ (235)	64,928
Fixed assets.....	801	611	--	(26)	216
Other intangible assets.....	12	(0)	--	(3)	15
Provisions.....	685	(202)	--	(0)	887
Employee benefits.....	1,866	(43)	(53)	(56)	2,018
Investments.....	824	5	--	(66)	885
Lease obligations.....	2,185	(54)	--	--	2,239
Other.....	1,110	(264)	--	(12)	1,386
Total Long-term deferred tax assets.....	€ 69,989	€ (2,133)	€ (53)	€ (397)	€ 72,573
Deferred tax liabilities:					
Fixed assets.....	€ (788)	€ 167	€ --	€ 15	(969)
Investments.....	(22,742)	952	--	--	(23,694)
Bond / Senior Notes.....	(167)	(138)	--	--	(29)
Other.....	(1,426)	(1,035)	54	50	(494)
Total Long-term deferred tax liability.....	€ (25,123)	€ (55)	€ 54	€ 65	€ (25,187)
Total Long-term deferred tax asset, net.....	€ 44,866	€ (2,188)	€ 1	€ (333)	€ 47,386
Total deferred tax asset, net.....	€ 52,146	€ (546)	€ 1	€ (663)	€ 53,354

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

As of December 31, 2014, the Company did not recognise deferred income tax assets of €17.9 million in respect of losses amounting to €71.0 million. €17.2 million deferred income tax assets were not recognised as it is legally not permitted to carry forward or there are a number of anti-abuse provisions which limit the carry forward of losses in specific circumstances, €0.6 million deferred income tax assets were not recognised as it is not probable to be used. This portion of not recognised deferred income tax assets will expire until 2027 at the very latest.

As of December 31, 2013, the Company did not recognise deferred income tax assets of €18.2 million in respect of losses amounting to €72.4 million. €17.4 million deferred income tax assets were not recognised as it is legally not permitted to carry forward or there are a number of anti-abuse provisions which limit the carry forward of losses in specific circumstances, €0.8 million deferred income tax assets were not recognised as it is not probable to be used.

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

	As of December 31,	
	2014	2013
	<i>(in thousands)</i>	
Austria.....	€ 254,040	€ 257,302
Germany.....	13,463	12,457
North America.....	10,235	10,968
Other.....	38,455	40,118
	€ 316,193	€ 320,845

As of December 31, 2014 and 2013, the carry forward of net operating losses of €68.9 million and €69.7 million, respectively, is legally not permitted or limited through a number of anti-abuse provisions.

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

The table below shows income before income taxes by geographic region:

	As of December 31,	
	2014	2013
	<i>(in thousands)</i>	
Austria.....	€ 2,393	€ 5,656
Non-Austria.....	3,273	2,048
Total income before income taxes.....	€ 5,666	€ 7,703

HEAD N.V. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 22 - Related Party Transactions

Head Sports Holdings N.V. and its shareholders controlled 61,089,243 (2013: 61,089,243) shares, or approximately 66.28% (2013: 66.28%) of the Company's issued shares, as of December 31, 2014. Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch and his family members resulting in the ability to significantly influence and control the Company's operations.

The Company receives administrative services from corporations which are ultimately owned by the principal shareholder of the Company. Administrative expenses amounted to approximately €4.6 million for the year ended December 31, 2014 and 2013, respectively. The related party provides consulting, corporate finance, investor relations and legal services.

In July 2012, certain Austrian subsidiaries of the Company entered into a loan agreement with an Austrian Bank providing a maximum of €15.0 million (from July 1 until December 31) and of €3.0 million (from January 1 until June 30). This agreement requires the Company to achieve certain yearly financial covenants. The loan is secured by certain Austrian trade receivables as well as by the inventories of certain Austrian subsidiaries in various warehouses. In addition, Mr. Johan Eliasch, the Company's CEO, granted a personal non-performance guarantee ("Ausfallsbürgschaft") up to a maximum amount of €5.0 million to ensure the fulfillment of the obligations of the subsidiaries of the Company under the loan. In the third quarter of 2013, this loan agreement was renegotiated. It was agreed to reduce the maximum amount available from July 1 until December 31 from €15.0 million to €10.0 million and to increase the personal non-performance guarantee of Mr. Johan Eliasch from a maximum amount of €5.0 million to a maximum amount of €10.0 million. In the second quarter of 2014, the loan agreement was extended until September 30, 2015. At December 31, 2013 and 2014, the Company did not use this credit line.

In September 2011, Mr. Franz Klammer was appointed to the Supervisory Board of Head N.V. (see also Supervisory Board Report). In 2001, one of the Company's subsidiaries and the Franz Klammer GmbH entered into an agency agreement committing Mr. Franz Klammer to use and promote some of the Company's products. The agreement was limited until August 2013 with a yearly fee of €0.06 million. In August 2013, the agreement was extended until December 2016. For the year 2013, the yearly fee amounted to €0.06 million. For the years 2014, 2015 and 2016, the yearly fee amounts to €0.045 million.

In 2007, the Company established a joint venture distribution company, Mares Benelux B.V., in The Netherlands in which it held 50%. Mares Benelux B.V. operated as distributor of Mares products in the Benelux market. The investment of €0.01 million was accounted for using the equity method and was recognised in "Investments accounted for using the equity method". During 2012 Mares S.p.A. acquired the remaining 50% at a cost of €0.01 million and therefore became 100% shareholder of Mares Benelux B.V. and took over the diving distribution in the Benelux market. As of December 31, 2013, the investment of €0.01 million was shown in "Other non-current assets" in the consolidated statement of financial position. In 2014, Mares Benelux B.V. was liquidated and cancelled from the trade register.

In October 2011, the Company signed an agreement to set up a distribution company for diving products in Japan in which it holds 50%. The investment has been classified as a joint venture under IFRS 11 and therefore the equity method of accounting has been used in the consolidated financial statements. The investment of €0.68 million was recognised in

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

“Investments accounted for using the equity method”. The agreement contains certain exit options which the Company granted to the partners. As of December 31, 2013, the Company showed a long term liability in “Other long-term liabilities” of €0.05 million (see Note 17). As of December 31, 2014, no liability regarding the agreed exit options was recognised.

In the second quarter of 2013, the Company signed an agreement to set up a distribution company for diving products in the Philippines in which it holds 40%. The investment has been classified as a joint venture under IFRS 11 and therefore the equity method of accounting has been used in the consolidated financial statements. The investment of €0.24 million was recognised in “Investments accounted for using the equity method”.

The following table shows the development of investments in joint ventures:

	December 31,	
	2014	2013
	<i>(in thousands)</i>	
Balance as of January 1.....	€ 669	€ 679
Formation of Joint Venture.....	--	243
Share, recognized in profit or loss.....	(76)	(45)
Share, recognized in other comprehensive income.....	12	(208)
Balance as of December 31.....	<u>€ 605</u>	<u>€ 669</u>

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

	For the Years Ended December 31,	
	2014	2013
	<i>(in thousands)</i>	
Salaries and other short-term employee benefits.....	€ 3,610	3,804
Post-employment benefit.....	140	166
Share-based benefits.....	(319)	67
Total.....	<u>€ 3,431</u>	<u>4,037</u>

Note 23 – Stock Option Plans

The Company accounts for its stock options in accordance with IFRS 2 and determined the Plan 2005 to be cash-settled. Once vested under the Plans' terms as disclosed and exercised, the participants are issued depository receipts indexed to Head N.V. shares held by the Stichting (see Note 12 for description of Stichting). Upon settlement of the depository receipts, participants are only entitled to receive a cash payment subject to having requested the Stichting to sell the shares underlying the depository receipt to the market or upon exercise of the call option by Head N.V. The call option may be exercised at the time the participant resigns or employment is terminated. The settlement scheme established by the Company and the Stichting only allows for cash settlement and neither the Company nor the Stichting have an option to settle in shares.

The stock option plans resulted in a non-cash compensation income of €0.4 million in 2014 mainly due to the decrease of the share price at December 31, 2014, compared to December

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

31, 2013. In 2013, non-cash compensation expense amounted to €0.1 million mainly due to the increase of the share price at December 31, 2013, compared to December 31, 2012.

Plan 2005

In May 2005, at the Annual General Meeting the shareholders approved the Head N.V. Executive Stock Option Plan 2005 ("Plan 2005"). The Plan 2005 provides for grants of 3,874,691 stock options to certain officers and key employees of the Company and its subsidiaries. In accordance with IFRS 2 the Plan 2005 is treated as cash-settled share-based plan, as participants have no right to receive shares. As of December 31, 2014, a total of 3,669,346 options were granted under the terms of the Plan 2005. The Company records share-based compensation income/expense on each balance sheet date based on the fair values of the stock options computed using the Black and Scholes option pricing model. As at December 31, 2014, the weighted-average fair value of the grant was €0.03 (2013: €0.15), which was estimated using the following assumptions: no dividends, expected volatility of 33.23% (2013: 28.22%), expected term of 0.7 years (2013: 1.7 years), share price of €1.55 (2013: €1.75) and risk-free interest rate of 1.59% (2013: 2.86%). The volatility is based on statistical analysis of daily share prices over the last year. As of December 31, 2014, the company records a liability of €0.1 million (2013: €0.5 million).

The exercise price for all stock options granted under the Plan 2005 was fixed at inception of the Plan 2005 at €2.168. Options generally vest over a period of 4 years. The Chairman and Chief Executive Officer received 1,937,346 options under this grant. Options have a maximum term of 10 years. As at December 31, 2014, 205,345 (2013: 205,345) options were available for grant under the Plan 2005 and 3,163,221 options are currently exercisable. As of December 31, 2014 and 2013, the total intrinsic value of the liability was zero.

	<u>Number of options</u>	<u>Weighted average exercise price</u>
Balance, December 31, 2012	3,268,096	€ 2.168
Forfeiture during 2013	<u>(56,000)</u>	<u>€ 2.168</u>
Balance, December 31, 2013	<u>3,212,096</u>	<u>€ 2.168</u>
Forfeiture during 2014	<u>(48,875)</u>	<u>€ 2.168</u>
Balance, December 31, 2014	<u><u>3,163,221</u></u>	<u><u>€ 2.168</u></u>

Note 24 – Average Number of Employees

	<u>For the Years Ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Salaried employees.....	886	816
Hourly paid employees.....	1,576	1,354
Total.....	<u><u>2,462</u></u>	<u><u>2,169</u></u>

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

Note 25 – Expenses by Nature

	For the Years Ended December 31,	
	2014	2013
	<i>(in thousands)</i>	
Depreciation, amortization and impairment charges.....	€ 9,219	€ 9,131
Employee benefit expenses.....	87,409	79,872
Changes in inventory.....	(994)	476
Raw material and merchandise.....	146,112	146,030
Shipment cost.....	7,459	7,541
Commissions.....	10,043	9,475
Advertising expenses.....	49,202	44,692
Legal, Audit, Consulting, Outside services, Other expenses.....	52,986	49,391
Total cost of sales, selling and marketing expense, general and administrative expense, share-based compensation income/expense and other operating income/expense.....	€ 361,437	€ 346,608

For the year ended December 31, 2014, a foreign exchange loss of €0.5 million has been recorded in "Other operating expense/income, net". For the year ended December 31, 2013, a foreign exchange gain of €0.2 million has been recorded in "Other operating expense/income, net".

The Company incurred research and development costs amounting to €11.1 million and €10.3 million for the year ended December 31, 2014 and 2013, respectively.

Note 26 – Employee benefit expense

	For the Years ended December 31,	
	2014	2013
	<i>(in thousands)</i>	
Salaries and wages.....	€ 66,905	€ 61,183
Social security and other benefits.....	19,859	17,193
Share-based compensation (income) expense.....	(378)	82
Pension benefits.....	288	352
Other benefits.....	736	1,062
Total.....	€ 87,409	€ 79,872

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

Note 27 – List of (direct and indirect) Participations as of December 31, 2014

	Domicile	Proportion of Issued capital held
Head Holding Unternehmensbeteiligung GmbH	Austria	100.0%
HTM Sport GmbH	Austria	100.0%
Head Sport GmbH	Austria	100.0%
Head International GmbH	Austria	100.0%
Head Technology GmbH	Austria	100.0%
Tyrolia Technology GmbH	Austria	100.0%
Head Austria GmbH	Austria	100.0%
Head Canada Inc.	Canada	100.0%
Head Sport s.r.o.	Czech Republic	100.0%
HTM Sport s.r.o.	Czech Republic	100.0%
HTM Bulgaria EOOD	Bulgaria	100.0%
Head France S.A.S.	France	100.0%
Head Germany GmbH	Germany	100.0%
SSI International GmbH	Germany	100.0%
Head UK Ltd	England	100.0%
Mares S.p.A.	Italy	100.0%
Head Japan Co., Ltd.	Japan	100.0%
Head Spain S.A.	Spain	100.0%
Head Switzerland AG	Switzerland	100.0%
HTM USA Holdings Inc.	USA	100.0%
Head USA Inc.	USA	100.0%
Penn Racquet Sports Inc.	USA	100.0%
Concept Systems Inc.	USA	100.0%
Mares Asia Pacific Ltd.	Hong Kong	100.0%
Power Ahead Holding Ltd.	British Virgin Islands	100.0%
Head Sports (Hui Zhou) Corp.	China	100.0%
SSI International (HK) Ltd.	Hong Kong	100.0%
Mares Japan Co, Ltd.	Japan	50.0%
Mares Philippines, Inc.	Philippines	40.0%

Note 28 – Cash and cash equivalents

As at December 31, 2014 and 2013, cash and cash equivalents contains cash of €31.0 million and €71.8 million, respectively and restricted cash of €1.5 million and €6.5 million, respectively representing deposits pledged as collateral and in 2013 including €5.0 million deposited on an escrow account.

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

Note 29 – Earnings per Share – Basic and Diluted

	For the Years Ended December 31,	
	2014	2013
	<i>(in thousands, except per share data)</i>	
Profit for the year.....	€ 2,849	€ 5,296
Weighted average number of ordinary shares in issue.....	71,912	83,519
Earnings per share - basic and diluted.....	€ 0.04	€ 0.06

Note 30 – Principal Accountant Fees and Services

PricewaterhouseCoopers (PwC) has served as the Company's independent public auditors for each of the years ended in the two-year period ended December 31, 2014. The following table presents the aggregate fees for professional audit services and other services rendered by PricewaterhouseCoopers in 2014 and 2013 (in thousands):

	For the Years Ended December 31	
	2014	2013
Audit Fees.....	€ 405	€ 362
Tax Fees.....	225	267
All Other Fees.....	74	52
Total Fees.....	€ 704	€ 681

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

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

All Other Fees represent professional services provided for services not directly supporting financial statement audits.

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

Note 31 – Business Combinations

Acquisition of Concept Systems International GmbH and its subsidiaries

As per January 1, 2014, Head closed a transaction to acquire 100% of the shares of Concept Systems International GmbH, which holds the trademarks of SSI (Scuba Schools International) and 100% of SSI GmbH, Germany and Concept Systems Inc., USA, SSI's two operational entities. SSI provides training-material and scuba dive certification for divers, dive instructors, and dive centers around the world.

The goodwill arising from the acquisition represents the expectation of the Company to increase its presence in the markets where the acquired entities are currently operating and aims to add value to both brands and leverage synergies. The goodwill is not expected to be deductible for income tax purposes.

The table below summarises the consideration for Concept Systems International GmbH and its subsidiaries, the fair value of assets acquired and liabilities assumed and the resulting goodwill (in thousands):

Consideration paid in cash.....	€	3,959
Consideration not paid as of December 31, 2014.....		127
Liabilities of acquired subsidiaries, paid in cash.....		850
Contingent consideration.....		376
Total consideration.....	€	<u>5,312</u>
Recognised amounts of identifiable assets acquired and liabilities assumed:		
Intangible assets.....		2,928
Property, plant and equipment.....		68
Inventories.....		776
Accounts receivables.....		394
Cash and cash equivalents and prepaid expenses.....		509
Accruals, accounts payables and deferred income.....		925
Deferred tax liabilities.....		450
Total identifiable net assets.....	€	<u>3,299</u>
Goodwill.....	€	2,013

The purchase price amounts to €4.9 million excluding a contingent bonus-payment. The contingent bonus-payment arrangement requires the Company to pay a certain percentage of the growth of diving equipment sales in the period from January 1, 2014, through December 31, 2017. The estimated fair value of the contingent bonus-payment amounts to €0.4 million. This is a level 3 fair value measurement. As of December 31, 2014, there was an increase of €0.04 million recognised in the income statement for the contingent bonus-payment.

The fair value of the intangible assets amounting to €2.9 million includes the fair value for the trademarks amounting to €1.1 million as well as €1.8 million for Intellectual Property.

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

Acquisition-related costs of €0.2 million have been charged to “General and administrative expense” in the consolidated income statement for the year ended December 31, 2013. Acquisition-related costs of €0.03 million have been charged to “General and administrative expense” in the consolidated income statement for the year ended December 31, 2014.

During 2014, SSI GmbH merged into Concept Systems International GmbH and subsequently the company was renamed into SSI International GmbH. Besides, a new company in Hong Kong named SSI International (HK) Ltd. was established in 2014.

Acquisition of Catis s.r.o. and its subsidiary

On January 1, 2014, the Company completed the acquisition of 100% of shares of Catis s.r.o. and its subsidiary Sitac s.r.o, both located in Czech Republic. Catis has historically assembled between 1.0 and 1.5 million bindings for Head each year.

As a result of this transaction, the Company expects to reduce costs and improve the efficiency in the production of alpine ski bindings.

The goodwill arising from the acquisition is attributable to economies of scale expected from combining the operation of the acquired entity. The goodwill is not expected to be deductible for income tax purposes.

The table below summarises the consideration paid for Catis s.r.o and its subsidiary, the fair value of assets acquired and liabilities assumed and the resulting goodwill as of January 1, 2014 (in thousands):

Total consideration paid in cash.....	€	4,950
Recognised amounts of identifiable assets acquired and liabilities assumed:		
Property, plant and equipment.....		1,956
Accounts receivables.....		96
Cash and cash equivalents and prepaid expenses.....		145
Accounts payables.....		203
Total identifiable net assets.....	€	<u>1,994</u>
Goodwill as of January 1, 2014.....	€	2,956

Acquisition-related costs of €0.1 million have been charged to “Cost of sales” in the consolidated income statement for the year ended December 31, 2013.

During 2014, Catis s.r.o. and Sitac s.r.o. merged into HTM Sport s.r.o.

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

Note 32 – Subsequent Events

On February 16, 2015, the Company announced the withdrawal of the listing of its shares from the Vienna Stock Exchange. The Company was informed that a decision has been made by the Vienna Stock Exchange to withdraw the listing of Head N.V.'s shares on the Official Market of the Vienna Stock Exchange in accordance with Art. 66 (8) and Art. 64 (5) of the Stock Exchange Act as of March 31, 2015 (last trading day).

HEAD N.V.
FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

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

		As of December 31,	
	Note	2014	2013
		<i>(in thousands)</i>	
Non-current assets:			
Tangible fixed assets.....		€ 24	€ 19
Investment in subsidiary.....	3	139,432	139,432
Total non-current assets.....		139,456	139,451
Current assets:			
Amounts receivables from related companies.....	11	1,239	1,777
Prepaid expenses.....		35	7
VAT to be received.....		25	--
Cash.....	4	568	524
Total current assets.....		1,868	2,308
Total assets.....		€ 141,324	€ 141,759
Current liabilities (due within one year):			
Taxes payable.....		€ 25	€ (6)
Accruals and other liabilities.....		503	622
Total current liabilities.....		527	616
Shareholders' equity:			
Share capital.....	8	922	922
Share premium.....	8	119,957	119,957
Treasury shares.....	8	(36,569)	(5,034)
Retained earnings.....	8	25,299	28,456
Result for the year.....	8	31,189	(3,157)
Shareholders' equity.....		140,797	141,143
Total liabilities and equity.....		€ 141,324	€ 141,759

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

HEAD N.V.
COMPANY STATEMENT OF COMPREHENSIVE INCOME

	For the Years Ended December 31,	
	2014	2013
	<i>(in thousands)</i>	
Total net revenues.....	€ 1,180	€ 572
Cost of sales.....	--	555
Gross profit.....	1,180	17
Selling and marketing expense.....	1,005	88
General and administrative expense.....	3,867	3,321
Operating loss.....	(3,692)	(3,392)
Interest (expense) income.....	(27)	63
Foreign exchange gain (loss).....	(92)	172
Dividend income.....	35,000	--
Result for the year.....	€ 31,189	€ (3,157)

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

HEAD N.V.
COMPANY STATEMENT OF CHANGES IN EQUITY

	<u>Share Capital</u>	<u>Share Premium</u>	<u>Treasury Shares</u>	<u>Retained Earnings</u>	<u>Result for the Year</u>	<u>Total Shareholders' Equity</u>
	<i>(in thousands)</i>					
Balance at January 1, 2013.....	€ 922	€ 119,957	€ (5,034)	€ 24,621	€ 3,835	€ 144,300
Transfer of result for the year.....	--	--	--	3,835	(3,835)	--
Result for the year.....	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(3,157)</u>	<u>(3,157)</u>
Balance at December 31, 2013.....	€ <u>922</u>	€ <u>119,957</u>	€ <u>(5,034)</u>	€ <u>28,456</u>	€ <u>(3,157)</u>	€ <u>141,143</u>
Transfer of result for the year.....	--	--	--	(3,157)	3,157	--
Result for the year.....	--	--	--	--	31,189	31,189
Share Buy Back.....	<u>--</u>	<u>--</u>	<u>(31,535)</u>	<u>--</u>	<u>--</u>	<u>(31,535)</u>
Balance at December 31, 2014.....	€ <u>922</u>	€ <u>119,957</u>	€ <u>(36,569)</u>	€ <u>25,299</u>	€ <u>31,189</u>	€ <u>140,797</u>

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

HEAD N.V.
COMPANY STATEMENT OF CASH FLOWS

	Note	For the Years Ended December 31,	
		2014	2013
<i>(in thousands)</i>			
OPERATING ACTIVITIES:			
Result for the year.....	€	31,189	€ (3,157)
Depreciation and amortization.....		7	--
Dividend received.....		(35,000)	--
Movement in accounts receivable.....		(25)	--
Movement in accounts receivable and payable, intercompany.....		538	3,096
Movement in prepaid expense and other assets.....		(28)	--
Movement in accounts payable, accrued expenses and other liabilities.....		(89)	54
Net cash used for operating activities.....		<u>(3,409)</u>	<u>(8)</u>
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment.....		(12)	(19)
Dividend received.....		35,000	--
Net cash provided by (used for) investing activities.....		<u>34,988</u>	<u>(19)</u>
FINANCING ACTIVITIES:			
Share Buy Back.....	8	<u>(31,535)</u>	--
Net cash used for financing activities.....		<u>(31,535)</u>	--
Net increase (decrease) in cash and cash equivalents.....		45	(27)
Cash and cash equivalents at beginning of period.....		524	550
Cash and cash equivalents at end of period.....	€	<u>568</u>	€ <u>524</u>

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

HEAD N.V.
NOTES TO THE COMPANY FINANCIAL STATEMENTS

Note 1 – General information

The Company is a public limited liability company incorporated under the laws of The Netherlands and acts as a holding and finance company for the Head group and as a Sales Agent for the distribution of the Company’s products in Benelux. For further information, it is referred to Note 1 of the consolidated financial statements.

Note 2 - Summary of Significant Accounting Policies

These accompanying company financial statements are prepared in conformity with International Financial Reporting Standards as adopted by the European Union (“EU”) (“IFRS”) and Book 2 Title 9 of The Netherlands Civil Code, based on Section 362.8 and 362.9. For a description of the accounting policies, it is referred to Note 2: Summary of Significant Accounting Policies in the consolidated financial statements for the year ended December 31, 2014.

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

Note 3 – Investments in Subsidiary

The following investment is stated under the cost method:

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

Financial fixed assets consist of the following:

	Book value January 1, 2014	Cost of assets acquired	Book value of disposed assets <i>(in thousands)</i>	Income from participating interest	Book value December 31, 2014
Investment in Subsidiary..... €	139,432 €	-- €	-- €	-- €	139,432

No impairment loss on this investment has been recorded.

Note 4 - Financial risk management and critical accounting estimates and judgements

The company manages its financial risks for the group as a whole. For a detailed description of financial risk management and critical accounting estimates and judgements, it is referred to Note 3 and 4 of the consolidated financial statements. The Company continues to make losses from its operation and is depending on the dividend income from its subsidiary, Head Holding Unternehmensbeteiligung GmbH.

HEAD N.V.
NOTES TO THE COMPANY FINANCIAL STATEMENTS

Cash on hand was as follows:

	As of December 31,	
	2014	2013
	<i>(in thousands)</i>	
ABN AMRO Bank N.V. EUR..... €	550 €	509
ABN AMRO Bank N.V. USD.....	1	1
Morgan Stanley USD.....	--	4
Morgan Stanley EUR.....	--	7
Erste Bank.....	18	2
	<u>€ 568</u>	<u>€ 524</u>

Note 5 – Current Liabilities

Current liabilities consist of the following:

	As of December 31,	
	2014	2013
	<i>(in thousands)</i>	
Management, administration fee and taxes..... €	109 €	114
Audit, consulting and legal fee.....	419	503
	<u>€ 527</u>	<u>€ 616</u>

Note 6 – Directors' Remuneration

The Company had four managing directors and three supervisory board directors during the year. The table below shows the remuneration of the directors received and accrued from the group for the year ended December 31, 2014 and the accrual as of December 31, 2014.

	Periodic payments	Periodic expenses for future payments	Accrual for future payments	Share-based compensation expense (income)
	<i>(in thousands)</i>			
Management Board				
Johan Eliasch..... €	547 €	-- €	-- €	(228)
Günter Hagspiel.....	444	168	354	(9)
Ralf Bernhart.....	264	25	60	(9)
George Nicolai.....	6	--	--	--
	<u>€ 1,262</u>	<u>€ 193</u>	<u>€ 414</u>	<u>€ (245)</u>
Supervisory Board				
Viktor Klima..... €	15 €	-- €	-- €	--
Jürgen Hintz.....	22	--	--	--
Franz Klammer.....	15	--	--	--
	<u>€ 52</u>	<u>€ --</u>	<u>€ --</u>	<u>€ --</u>

The table below shows the remuneration of the directors received and accrued from the group for the year ended December 31, 2013 and the accrual as of December 31, 2013.

HEAD N.V.
NOTES TO THE COMPANY FINANCIAL STATEMENTS

	Periodic payments	Periodic expenses for future payments	Accrual for future payments	Share-based compensation expense (income)
<i>(in thousands)</i>				
Management Board				
Johan Eliasch.....€	547 €	-- €	-- €	48
Günter Hagspiel.....	416	180	322	2
Ralf Bernhart.....	333	10	60	2
George Nicolai.....	10	--	--	--
€	<u>1,307</u> €	<u>190</u> €	<u>382</u> €	<u>51</u>
Supervisory Board				
Viktor Klima.....€	15 €	-- €	-- €	--
Jürgen Hintz.....	23	--	--	--
Franz Klammer.....	--	--	--	--
€	<u>38</u> €	<u>--</u> €	<u>--</u> €	<u>--</u>

The share-based compensation income 2014 results from the decrease in fair value of the liability for the already existing plans against option holders mainly due to the decrease of the share price at December 31, 2014, compared to December 31, 2013. The share-based compensation expense 2013 results from the increase in fair value of the liability for the already existing plans against option holders mainly due to the increase of the share price at December 31, 2013, compared to December 31, 2012. None of our Management Board members or Supervisory Board members has service contracts that provide for benefits upon termination of employment. Except for Mr. Günter Hagspiel, there are no amounts accrued to provide members of the Management Board or the Supervisory Board with pension, retirement or similar benefits. As reflected in the table above, the company incurred expenses of €0.2 million for future payments and had accrued severance benefits and bonus of €0.4 million as at December 31, 2014.

Under the Head N.V. Executive Stock Option Plan 2005 described the Company has issued options to purchase an aggregate of 2,087,346 depositary receipts representing ordinary shares to its Management Board members. For the year ended December 31, 2014, share-based compensation income amounted to €0.2 million (2013: expense of €0.1 million). The exercise price for all stock options was fixed at inception of the Plan. The vesting period was four years.

The table below shows the details of the Executive Option Plans for 2013 and 2014:

	Exercise price at the issuance	Number of non- exercised options at beginning of the year	Number of written options	Number of exercised options	Exercise price	Number of non- exercised options at the end of the year
Option Plan 2005						
Johan Eliasch.....	€2.17	1,937,346	--	--	€2.17	1,937,346
Günter Hagspiel.....	€2.17	75,000	--	--	€2.17	75,000
Ralf Bernhart.....	€2.17	75,000	--	--	€2.17	75,000

HEAD N.V.
NOTES TO THE COMPANY FINANCIAL STATEMENTS

Note 7 – Reconciliation of Shareholders' Equity

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

	For the Years Ended December 31,	
	2014	2013
	<i>(in thousands)</i>	
Company 's result for the year.....	€ 31,189	€ (3,157)
Net income (loss) from participating interest.....	(28,340)	8,453
Net income consolidated.....	€ 2,849	€ 5,296

	For the Years Ended December 31,	
	2014	2013
	<i>(in thousands)</i>	
Company 's shareholders' equity.....	€ 140,797	€ 141,143
Retained earnings from participating interest.....	10,098	32,253
Shareholders' equity consolidated.....	€ 150,895	€ 173,396

Note 8 – Shareholders' Equity

The Company is a Naamloze Vennootschap ("N.V."), a Dutch public Company with limited liability. The registered capital of a N.V. can be in the form of bearer shares or registered shares. The minimum registered and authorized capital requirement is €225,000 and the minimum paid in capital requirement for a N.V. is €45,000. Share premium include additional paid-in capital.

At the general meeting of shareholders on May 27, 2010, the resolution was taken to increase the authorized share capital to €4.000.000. It is divided into 200,000,000 ordinary shares with a nominal value of €0.01 per share and 200,000,000 preference shares with a nominal value of €0.01 per share.

Dividends

In 2014 and 2013 the Company did not pay a dividend.

Treasury Shares

Pursuant to resolutions which were approved on April 29, 2014, the Board of Management is authorized to buy back a maximum of 50% of the Company's issued share capital during a period of 18 months.

HEAD N.V.
NOTES TO THE COMPANY FINANCIAL STATEMENTS

The table below shows the movement in the number of treasury shares:

	As of December 31,	
	2014	2013
	<i>(in thousands)</i>	
Balance as of January 1.....	8,396	8,396
Share Buy Backs.....	19,709	--
Balance as of December 31.....	<u>28,106</u>	<u>8,396</u>

For further information on the share buy backs in 2014 it is referred to Note 12 of the consolidated financial statements.

Note 9 – Expenses by Nature

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

	For the Years Ended December 31,	
	2014	2013
	<i>(in thousands)</i>	
Management fees.....	€ 2,776	€ 2,826
Employee costs.....	882	238
Legal, audit and consulting.....	449	223
D&O insurance.....	73	64
Other.....	692	59
Total operative expenses.....	<u>€ 4,872</u>	<u>€ 3,410</u>

Note 10 – Income tax

The total loss available for tax loss carry forward at the end of 2014 provided that the Dutch tax authorities agree with the 2012, 2013 and 2014 corporate income tax return is €34.2 million. The Company does not report any tax as it continuously incurs tax losses from 2000 and no deferred tax assets are recognised.

Note 11 – Related Party Transactions

Head Sports Holdings N.V. and its shareholders controlled 61,089,243 (2013: 61,089,243) shares, or approximately 66.28% (2013: 66.28%) of the Company's issued shares, as of December 31, 2014. Head Sports Holdings N.V., a Netherlands Antilles corporation, and its shareholders are controlled by Mr. Johan Eliasch and his family members resulting in the ability to significantly influence and control the Company's operations.

The Company receives administrative services for the group from corporations which are ultimately owned by the principal shareholder of the Company. Payments for this services from the group amounted to approximately €4.6 million for the year ended December 31, 2014 and 2013, respectively. The related party provides consulting, corporate finance, investor relations and legal services.

As of December 31, 2014, the Company recorded receivables against group companies of €1.2 million compared to €1.8 million as of December 31, 2013.

HEAD N.V.
NOTES TO THE COMPANY FINANCIAL STATEMENTS

The Company has the obligation to provide own shares to the Stichting (see Note 12 of the consolidated financial statements for description of Stichting) in relation to the Company's stock option plans.

Amsterdam, March 12, 2015

Johan Eliasch
Chief Executive Officer

Günter Hagspiel
Chief Financial Officer

Ralf Bernhart
Managing Director

George Nicolai
Managing Director

Viktor Klima
Supervisory Board Member

Jürgen Hintz
Supervisory Board Member

Franz Klammer
Supervisory Board Member

HEAD N.V. OTHER INFORMATION

Auditor's Report

The report of the auditor, PricewaterhouseCoopers Accountants N.V., is presented on page 121 of this report.

Subsequent Events

For information regarding the subsequent events, it is referred to Note 32 of the consolidated financial statements.

Appropriation of Result – Provisions in Company's Statutes

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

Appropriation of Result

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



Independent auditor's report

To: the general meeting and supervisory board of Head N.V.

Report on the financial statements 2014

Our opinion

In our opinion the financial statements give a true and fair view of the financial position of Head N.V. as at 31 December 2014, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2014 of Head N.V., Rotterdam ('the company').

The financial statements comprise:

- the consolidated and company statement of financial position as at 31 December 2014;
- the following statements for 2014: the consolidated and company statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Head N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

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Our audit approach

Overview

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. Apart from the key audit matters, which will be explained below, other points of focus in our audit included, amongst others, the assumptions and methodologies used by the management board in its impairment assessment of non-current assets as disclosed in note 4 of the annual accounts, the inventory valuation given its seasonal nature, the recoverability of trade accounts receivable and the individual subsidiary's compliance with its loan covenants and acquisitions made in 2014.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.



Materiality

- Overall materiality: € 1.2 million which represents 0.3% of total net revenues.

Audit scope

- Our audit covered reporting units with the highest revenues from sales to third parties and production locations.
- For reporting units of a lesser significance, audit procedures are performed locally on a rotational basis.
- We conducted audit work in 14 locations.
- In addition, the group engagement team reviewed the quality and execution of the work performed by the local engagement teams through a review of periodic reporting and site visits.

Key audit matters

- Related party transactions
- Judgement in the valuation of deferred income tax assets

Materiality

The scope of our audit is influenced by the application of materiality. Our audit opinion aims on providing reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:



Overall group materiality	€ 1.2 million
How we determined it	0.3% of total net revenues.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on the characteristics of the company. The markets in which the company is operating are mature and declining and as a result, the stakeholders of Head N.V. focus most on market share. We therefore believe that total net revenues is an important metric for the financial performance of the company and we consider the overall materiality to be adequate for the size of the group.

We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above € 60,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Head N.V. is the parent of a group of entities. The financial information of this group is included in the consolidated financial statements of Head N.V.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

The group audit focused on covering the reporting units with the highest revenues from sales to third parties and production locations, among others, but not limited to Austria, the Czech Republic, the USA, Italy and China. For those units, audit procedures for group purposes are performed locally on an annual basis. Reporting units of a lesser importance are included on a rotational basis. We determined what type of work needed to be performed at each of the reporting units in scope for group audit procedures performed locally, being either a full audit of the complete financial information or specified audit procedures which focused mainly on the audit of revenues/receivables, inventory and purchasing/payables. For the reporting units that were not audited in connection with our group audit, we performed additional procedures on group level. These procedures included, among others, analytical procedures and identification of potential issues through reconciliation of the group information with management reporting and inquiries with group and senior management.

The work on the Austria reporting units and Head N.V. standalone, and the consolidation process, the audit of group IT-systems as well as the financial statement disclosures, was performed by the group engagement team. For the other reporting units where local audit procedures have been performed, we used auditors from other firms and other PwC network firms who are familiar with the local laws and regulations to perform this audit work. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at the reporting units to be



able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole.

The group engagement team visits the component teams on a rotational basis. In the current year, all closing meetings between the local auditors and local management have been attended by the group engagement team through conference calls. The group engagement team performed the work at the production and sales units in Austria and for Head N.V.

By performing the procedures above at components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters. In note 3 of the 2014 Annual Report, the company also disclosed several principal financial and / or operational risk factors that could have a material adverse effect on its financial position, results of operations and liquidity.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the matter

Related party transactions

The company receives administrative services from corporations which are ultimately owned by the principle shareholder of the company as further set out in note 22 of the financial statements. The related party provides consulting, corporate finance, investor relations and legal services. For the year ended 31 December 2014, the expenses are approximately € 4.6 million. As this is a related party transaction, it is important to assess that the services have actually been provided to the Group against terms and conditions that are customary in the business and are at arms' length.

Our audit procedures included, among others, an evaluation of the company's internal procedures in place to monitor and approve the related party services and related expenses by management and the supervisory board. We performed a site visit to the related party's premises and confirmed the services provided to the company through reconciliation of time and work summary reports issued and inquiries with relevant staff. We reconciled the costs charged to the underlying contract and the annual overview of the services provided to the company that is prepared and reviewed by company management and the supervisory board and we assessed the arms' length nature. We challenged company management and the supervisory board with corroborated evidence and findings from our site visit to the related party.



Key audit matter**How our audit addressed the matter**

Judgement in the valuation of deferred income tax assets

The group recognised deferred tax assets and liabilities of € 78 million and € 27 million respectively.

The majority of the deferred tax assets relate to losses carried forward in Austria of € 219 million which can be carried forward for an unlimited period.

For losses carried forward of € 71 million no deferred tax asset has been recognised because of restrictions for usage or because the company expects the company's future taxable result to be insufficient to be able to compensate these losses carried forward.

This area was significant to our audit as the amounts involved are significant to the financial statements. It involves management estimates on development of future taxable income including revenues and expenses and the related tax legislation is complex in relation to the restriction on the compensation of tax losses. The company's disclosures concerning income taxes are included in note 21 of the financial statements.

Our audit procedures included, among others, the assessment and application of the tax legislation and the development thereof. In particular we assessed the development of the fiscal legislation and fiscal result for the Austrian companies. For those companies, the annual realisation of the deferred asset is a small portion of the total deferred tax asset. As these companies are included in a fiscal group, the assessment was made for the fiscal group as a whole. We used our tax specialists to assist us in evaluating the deferred income tax position.

In regard to the recoverability of the deferred tax assets, both recognised and un-recognised, we evaluated the company's assumptions and methodology by reviewing historical profitability and taxable result for the entity, against managements forecast, the approved budget and local fiscal developments.

We also focused on the company's disclosures on deferred income tax positions and assumptions used and the related sensitivities and verified that these have been disclosed in accordance with the IFRS requirements.

Responsibilities of the management board and the supervisory board

The management board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and for
- such internal control as the management board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going concern basis of accounting unless the management board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.



Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit has been performed with a high but not absolute level of assurance which makes it possible that we did not detect all errors and frauds.

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the directors' report and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the directors' report and other information):

- We have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the directors' report, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were appointed as auditors of Head N.V. since the company was incorporated on 24 August 1998 and our engagement has been renewed annually by the Supervisory Board representing a total period of uninterrupted engagement appointment since 1998.

Amsterdam, 12 March 2015
PricewaterhouseCoopers Accountants N.V.

P.C. Dams RA



Appendix to our auditor's report on the financial statements 2014 of Head N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgment and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted of, among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of management board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

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

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

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

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

Amsterdam, March 12, 2015

Johan Eliasch
Chief Executive Officer

Günter Hagspiel
Chief Financial Officer

Ralf Bernhart
Managing Director

George Nicolai
Managing Director