HEAD®

Annual Report 2015

HEAD B.V.
ANNUAL REPORT FOR THE PERIOD ENDED DECEMBER 31, 2015

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HEAD B.V. AND SUBSIDIARIES
DIRECTORS' REPORT

The directors' report is kept at the registered office of the Company. A copy can be obtained upon request.

HEAD B.V. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

MANAGEMENT BOARD

Johan Eliasch
Ralf Bernhart
George Nicolai
Suzanne Roëll

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

	Note	As of December 31, 2015	2014
		(in thousands)	
ASSETS:			
Non-current assets			
Property, plant and equipment	5	€ 53,272	€ 52,150
Other intangible assets	6	15,117	14,636
Goodwill	6	8,259	7,962
Investments accounted for using the equity method	21	508	605
Deferred income tax assets	20	49,267	51,407
Trade receivables	8, 15	1,888	1,031
Other non-current assets		5,865	5,264
Total non-current assets		134,175	133,056
Current assets			
Inventories	7	107,002	98,771
Trade and other receivables	8, 10, 15	138,308	128,277
Prepaid expense		2,721	2,494
Available-for-sale financial assets	9, 15	--	--
Cash and cash equivalents	15, 27	46,216	32,540
Total current assets		294,247	262,083
Total assets		€ 428,422	€ 395,139
EQUITY:			
Share capital	11	€ 617	€ 922
Other reserves	11	85,937	124,209
Treasury shares	11	(683)	(37,252)
Retained earnings		86,215	66,822
Fair Value and other reserves including cumulative translation adjustments (CTA)	17, 19	2,528	(3,806)
Total equity		174,615	150,895
LIABILITIES:			
Non-current liabilities			
Borrowings	14, 15	95,391	96,408
Employee benefits	17	19,551	19,432
Provisions	13	2,940	4,633
Other long-term liabilities	16	5,242	5,769
Total non-current liabilities		123,124	126,243
Current liabilities			
Trade and other payables	10, 12, 15	76,673	65,276
Current income tax liabilities		2,221	1,290
Borrowings	14, 15	42,443	42,997
Provisions	13	9,346	8,438
Total current liabilities		130,683	118,002
Total liabilities		253,807	244,245
Total liabilities and equity		€ 428,422	€ 395,139

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

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

	Note		For the Years Ended December 31, 2015		2014
			(in thousands)		
Total net revenues		€	417,553	€	375,376
Cost of sales	24		237,914		214,231
Gross profit			**179,639**		**161,144**
Selling and marketing expense	24		117,497		112,093
General and administrative expense	24		27,769		30,967
Share-based compensation income	22, 24		(89)		(378)
Other operating expense, net	15, 24		628		4,524
Operating profit			**33,834**		**13,939**
Interest and other finance expense	15		(6,451)		(6,335)
Interest and investment income	15		332		346
Share of loss of Joint Ventures	21		(150)		(76)
Other non-operating expense, net	15		(2,912)		(2,208)
Profit before income taxes			24,653		5,666
Income tax expense:					
Current			(2,690)		(1,816)
Deferred			(2,569)		(1,002)
Income tax expense	20		(5,260)		(2,818)
Profit for the year		**€**	**19,393**	**€**	**2,849**
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Available-for-sale financial assets	9, 19		--		7
Tax effect	20		--		(2)
Foreign currency translation adjustment on group companies			6,372		6,861
			6,372		6,866
Items that will not be reclassified to profit or loss:					
Remeasurements on Employee Benefits	17, 19		(53)		(921)
Tax effect	20		14		240
			(38)		(681)
Other comprehensive income for the period, net of tax		**€**	**6,334**	**€**	**6,185**
Total comprehensive income for the period		**€**	**25,726**	**€**	**9,034**

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

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

	Note	Attributable to equity holders of the Company						Total Equity
		Ordinary Shares / Preference Shares						
		Shares[1]	Share Capital	Other Reserves	Treasury Shares	Retained Earnings	Fair Value and Other Reserves/ CTA[2]	
		(in thousands, except share data)						
Balance at January 1, 2014		83,518,508	€ 922	€ 124,209	€ (5,717)	€ 63,973	€ (9,991)	€ 173,396
Share Buy Back	11	(19,709,398)	€ --	€ --	€ (31,535)	€ --	€ --	€ (31,535)
Profit for the year		--	--	--	--	2,849	--	2,849
Changes in fair value and other including CTA reserves	9, 17, 19	--	--	--	--	--	6,185	6,185
Total comprehensive income in 2014		--	--	--	--	--	--	9,034
Balance at December 31, 2014		63,809,110	€ 922	€ 124,209	€ (37,252)	€ 66,822	€ (3,806)	€ 150,895
Transactions with the owners of the Company:								
Share Buy Back	11	(973,903)	€ --	€ --	€ (1,065)	€ --	€ --	€ (1,065)
Cancellation of treasury shares	11	--	(291)	(37,343)	37,634	--	--	--
Cancellation of ordinary shares	11	(62,835,207)	(631)	(43,536)	--	--	--	(44,167)
Issuance of preference shares	11	61,489,731	617	42,607	--	--	--	43,225
Profit for the year		--	--	--	--	19,393	--	19,393
Changes in fair value and other including CTA reserves	17, 19	--	--	--	--	--	6,334	6,334
Total comprehensive income in 2015		--	--	--	--	--	--	25,726
Balance at December 31, 2015		61,489,731	€ 617	€ 85,937	€ (683)	€ 86,215	€ 2,528	€ 174,615

[1] As of December 31, 2015, treasury shares amounting to 260,022 are deducted from the number of shares (2014: 28,365,668), see Note 11

[2] see Note 19

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

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

	Note		For the Years Ended December 31, 2015		2014
			(in thousands)		
OPERATING ACTIVITIES:					
Profit for the year		€	19,393	€	2,849
Adjustments to reconcile net profit to net cash provided by operating activities:					
Depreciation and amortization	5, 6		9,865		9,219
Amortization and write-off of debt issuance cost and bond discount	14		267		232
Provision (Release) for leaving indemnity and pension benefits	17		18		(321)
Loss (gain) on sale of availabe-for-sale financial assets	9		(22)		17
Loss (gain) on sale of property, plant and equipment	5		45		(36)
Share-based compensation income	22		(89)		(378)
Deferred income	16		(1,248)		(1,051)
Finance costs	15		5,785		5,671
Interest income	15		(310)		(362)
Income tax expense	20		2,690		1,816
Deferred tax expense	20		2,569		1,002
Changes in operating assets and liabilities:					
Accounts receivable	8		(6,534)		(5,674)
Inventories	7		(5,167)		(11,843)
Prepaid expense and other assets			(495)		(1,028)
Accounts payable, accrued expenses and other liabilities	12, 13, 16		9,525		4,293
Interest paid			(5,628)		(5,914)
Interest received			148		229
Income tax paid			(2,281)		(1,406)
Net cash provided by (used for) operating activities			28,532		(2,687)
INVESTING ACTIVITIES:					
Purchase of property, plant and equipment	5		(9,974)		(10,409)
Proceeds from sale of property, plant and equipment	5		191		155
Cash paid for the acquisition of subsidiaries			(125)		(9,759)
Cash and cash equivalents of the acquired subsidiaries			--		612
Purchase of available-for-sale financial assets/loan	9, 21		(10,100)		--
Proceeds from sale of available-for-sale financial assets/loan	9, 21		10,122		5,000
Net cash used for investing activities			(9,887)		(14,401)
FINANCING ACTIVITIES:					
Increase (decrease) in short-term borrowings	14		(601)		1,398
Payments on long-term debt	14		(5,233)		(2,314)
Share Buy Back	11		(1,065)		(31,535)
Cancellation of ordinary shares	11		(291)		--
Change in restricted cash	27		(78)		5,033
Net cash used for financing activities			(7,269)		(27,419)
Effect of exchange rate changes on cash and cash equivalents			2,220		3,759
Net increase (decrease) in cash and cash equivalents			13,596		(40,747)
Cash and cash equivalents, unrestricted at beginning of period			31,023		71,770
Cash and cash equivalents, unrestricted at end of period			44,618		31,023
Cash and cash equivalents, restricted at end of period			1,598		1,517
Cash and cash equivalents, at end of period		€	46,216	€	32,540

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

HEAD B.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. On February 16, 2015, the Company announced the withdrawal of the listing of its shares from the Vienna Stock Exchange as of March 31, 2015. On March 17, 2015, the Company announced the details of the 2015 Annual General Meeting including a resolution to convert the legal form of the Company into a private limited liability company and to amend the articles of association. On April 28, 2015, the Company announced that all of the resolutions put to the Annual General Meeting were approved. As of May 8, 2015, Head N.V. has changed its legal form from N.V. to B.V., a private limited liability 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).

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 3, 2016, and will be presented to the General Meeting of Shareholders.

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.

New standards, amendments and interpretations adopted by the Company

There are no standards, amendments and interpretations which are effective for the first time for the financial year beginning on January 1, 2015, that are material to the Company.

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2015, and not early adopted

IFRS 9 "Financial instruments" (effective January 1, 2018; endorsement by the EU still to be discussed):
IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.

All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss).

For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.

The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

In December 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, IFRS 9 is now complete. The changes introduce:

- a third measurement category (FVOCI) for certain financial assets that are debt instruments
- a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component. On initial recognition, entities will record a

day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

The Company is yet to assess the full impact of IFRS 9.

IFRS 15 "Revenue from contracts with customers" (effective January 1, 2018; endorsement by the EU still to be discussed):
The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.
A new five-step process must be applied before revenue can be recognised:

- identify contracts with customers
- identify the separate performance obligation
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognise the revenue as each performance obligation is satisfied.

Key changes to current practice are:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome, etc.) – minimum amounts must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications. Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

The Company is yet to assess the full impact of IFRS 15.

IFRS 16 "Leases" (effective January 1, 2019; endorsement by the EU still to be discussed):
In January 2016, the IASB issued a new accounting standard relating to leases. Leases to date have been categorised as either finance leases (reported on the balance sheet) or operating leases (disclosed only in the notes to the financial statements). This distinction made it difficult to compare companies. IFRS 16 solves this problem by requiring all leases to be reported on a company´s balance sheet as assets and liabilities. Applying that model, a lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and depreciate lease assets separately from interest on lease liabilities in the income statement.

The Company is yet to assess the full impact of IFRS 16.

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.

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.

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.

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.

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, fixtures, furnitures and office equipment are 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 5).

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.

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 8).

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. In addition, the Company uses interest rate swaps to reduce the interest rate risk. 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").

In respect of interest rate swaps, the Company recognised all changes in the fair value of the instruments in the income statement ("Interest and other finance expense").

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 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 pledged as collateral. The amounts are collateralized with several financial institutions and earn interest while in deposit.

Share Capital

Preference shares are classified as equity (see Note 11). Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Trade 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.

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 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 operated a number of share-based compensation plans. The plans were 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”.

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 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.

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, Polish Zloty, 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. 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,	
1 Euro =	2015	2014
USD........................	1.0887	1.2141
CHF........................	1.0835	1.2024
GBP........................	0.7340	0.7789
JPY........................	131.0700	145.2300
CAD........................	1.5116	1.4063
CZK........................	27.0230	27.7350
BGN........................	1.9558	1.9558
CNY........................	7.0608	7.5358
HKD........................	8.4376	9.4170

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.

In 2014, the Company sold all marketable securities (see Note 9). 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 2014 and 2015, 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 14).

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 (if any) 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 14) at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans 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.

The table below provides a maturity analysis of the Company's material contractual obligations as of December 31, 2015 (in thousands):

Contractual Obligations	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years	Total
Borrowings, non-current					
5.25% Bond due 2018 (nominal value)	€ --	€ 60,000	€ --	€ --	€ 60,000
Mortgages	2,046	4,431	--	--	6,477
Other Long-Term Debt	2,202	116	22,972	--	25,290
Sale-Leaseback	234	8,280	--	--	8,514
Operating Leases	4,907	4,986	2,548	402	12,843
Finance Leases	880	1,126	449	107	2,562
Borrowings, current	37,960	--	--	--	37,960
Trade and other payables	57,889	--	--	--	57,889
Other long-term liabilities	--	477	--	--	477

For further details concerning the Company's interest obligations see Note 14.

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

Contractual Obligations	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years	Total
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

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

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

Capital risk management

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

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, 2015 and 2014 were as follows:

	For the Years Ended December 31,	
Gearing ratio	2015	2014
	(in thousands)	
Total borrowings	€ 137,834	€ 139,405
Cash and cash equivalents	(46,216)	(32,540)
Available-for-sale financial assets	--	--
Net debt	€ 91,618	€ 106,865
Total equity	€ 174,615	€ 150,895
Total capital	€ 266,233	€ 257,760
Gearing ratio	34.4%	41.5%

The gearing ratio at year-end 2015 decreased to 34.4% compared to year-end 2014 (41.5%) mainly due to the decrease of net debt and an increase of the total equity mainly as a result of high profits in 2015.

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, 2015 and 2014.

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets				
Available-for-sale financial assets	€ --	€ --	€ --	€ --
Derivative financial assets	--	251	--	251
Total assets	€ --	€ 251	€ --	€ 251
Liabilities				
Derivative financial liabilities	€ --	€ --	€ --	€ --
Contingent consideration	--	--	477	477
Total liabilites	€ --	€ --	€ 477	€ 477

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets				
Available-for-sale financial assets	€ --	€ --	€ --	€ --
Derivative financial assets	--	385	--	385
Total assets	€ --	€ 385	€ --	€ 385
Liabilities				
Derivative financial liabilities	€ --	€ --	€ --	€ --
Contingent consideration	--	--	420	420
Total liabilites	€ --	€ --	€ 420	€ 420

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. No available-for-sale financial assets were recorded as of December 31, 2015 and 2014, respectively.

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, 2015:

		Contingent consideration in a business combination
		(in thousands)
Opening balance	€	420
(Gains) and losses recognised in profit or loss		58
Closing balance	€	477

As per January 1, 2014, Head closed a transaction to acquire 100% of the shares of Concept Systems International GmbH. The purchase price amounted 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, 2015, the estimated fair value of the contingent bonus-payment amounting to €0.5 million is shown within "Other long-term liabilities" in the consolidated statement of financial position.

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 €22.7 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 6). No impairment charge was booked in 2015.

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 €16.4 million, if the estimated discount rate had been 10% lower than management's estimates, the recoverable amount would be higher by €20.6 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 €1.5 million in 2015 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 €0.2 million.

Impairment of Long Lived Assets

Property, plant and equipment with a carrying amount of €53.3 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.

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.

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 2015 amounting to €1.3 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 €58.7 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 – Property, Plant and Equipment

	Land	Buildings	Machinery, plant & equipment	Fixtures, furnitures & office equipment	Total property, plant & equipment
			(in thousands)		
As of January 1, 2014					
Cost	€ 3,145	€ 34,910	€ 121,499	€ 37,250	€ 196,804
Accumulated depreciation	--	(18,542)	(97,535)	(32,451)	(148,528)
Net book value	€ 3,145	€ 16,368	€ 23,964	€ 4,799	€ 48,276
Year ended December 31, 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	€ 3,290	€ 17,666	€ 25,360	€ 5,834	€ 52,150
As of December 31, 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	€ 3,290	€ 17,666	€ 25,360	€ 5,834	€ 52,150
Year ended 31 December 2015					
Opening net book value	€ 3,290	€ 17,666	€ 25,360	€ 5,834	€ 52,150
Additions	--	569	6,361	3,044	9,974
Disposals	--	--	(172)	(64)	(236)
Transfers	--	13	(79)	66	--
Exchange difference	171	478	509	72	1,230
Depreciation	--	(1,160)	(6,708)	(1,979)	(9,847)
Closing net book value	€ 3,461	€ 17,566	€ 25,272	€ 6,973	€ 53,272
As of 31 December 2015					
Cost	€ 3,461	€ 41,436	€ 131,885	€ 41,259	€ 218,041
Accumulated depreciation	--	(23,870)	(106,613)	(34,286)	(164,769)
Net book value	€ 3,461	€ 17,566	€ 25,272	€ 6,973	€ 53,272

For the year ended December 31, 2015, the Company's total proceeds on the sale of property and equipment were €0.2 million resulting in a loss of €0.05 million. 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. These gains or losses are included in "Other operating expense, net" in the consolidated income statement.

In 2015, depreciation expense of €8.3 million has been charged in "Cost of sales" (2014: €8.0 million), €0.5 million in "Selling and marketing expense" (2014: €0.4 million) and €1.1 million in "General and administrative expense" (2014: €0.8 million). No impairment charge was booked in 2015 and 2014.

Land and buildings with a carrying value of €15.0 million and €15.1 million as of December 31, 2015 and 2014, respectively, are used to secure loans (see Note 14).

Note 6 – Goodwill and Intangible Assets

	Goodwill	Other Intangible Assets: Trademarks	Intellectual Property	Other	Total
	(in thousands)	*(in thousands)*			
As of January 1, 2014					
Gross	€ 2,795	€ 10,685	€ --	€ 766	€ 11,452
Accumulated amortization and impairment	--	(142)	--	(123)	(264)
Net book value	€ 2,795	€ 10,543	€ --	€ 644	€ 11,187
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	€ 7,962	€ 12,151	€ 1,789	€ 696	€ 14,636
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	€ 7,962	€ 12,151	€ 1,789	€ 696	€ 14,636
Year ended December 31, 2015					
Opening net book value	€ 7,962	€ 12,151	€ 1,789	€ 696	€ 14,636
Exchange difference	296	451	--	47	499
Amortisation	--	--	--	(18)	(18)
Closing net book value	€ 8,259	€ 12,603	€ 1,789	€ 725	€ 15,116
As of December 31, 2015					
Gross	€ 8,259	€ 13,071	€ 1,789	€ 906	€ 15,766
Accumulated amortization and impairment	--	(467)	--	(181)	(649)
Net book value	€ 8,259	€ 12,603	€ 1,789	€ 725	€ 15,116

Amortization of €0.02 million (2014: €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.

Impairment test for intangible assets and goodwill

The Company completed the annual impairment test in the fourth quarter of 2015 and 2014. 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,					
	2015			2014		
	Winter Sports	Racquet Sports	Diving	Winter Sports	Racquet Sports	Diving
		(in thousands)				*(in thousands)*
Trademark	€ --	€ 11,464	€ 1,139	€ --	€ 11,013	€ 1,139
Intellectual Property	€ --	€ --	€ 1,789	€ --	€ --	€ 1,789
Goodwill	€ 3,001	€ 1,335	€ 3,923	€ 2,924	€ 1,258	€ 3,781

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 2015 is between 7.6% and 8.4% (2014: between 8.7% and 13.0%) and reflects specific risks relating to the Company's business.

Note 7 – Inventories

Inventories consist of the following:

	As of December 31,	
	2015	2014
	(in thousands)	
Raw materials and supplies	€ 22,242	€ 19,843
Work in progress	7,104	7,236
Finished goods	89,930	83,464
Provisions	(12,273)	(11,773)
Total inventories, net	€ 107,002	€ 98,771

The cost of goods sold recognised as expense and included in "Cost of sales" in the consolidated income statement amounted to €160.1 million and €146.1 million for the year ended December 31, 2015 and 2014, respectively.

The Company recognised an addition to the provision of €1.3 million and €1.2 million for impairment of inventories during the year ended December 31, 2015 and 2014, respectively.

The Company used a provision for impaired inventories of €0.7 million for the year ended December 31, 2015 and 2014, respectively.

Note 8 – Trade and Other Receivables

Accounts receivable consist of the following:

	As of December 31,			
		2015		2014
		(in thousands)		
Trade debtors	€	135,310	€	130,158
Other receivables		12,180		8,815
Allowance for doubtful accounts		(7,293)		(9,665)
Total accounts receivable, net	€	140,196	€	129,309
Less: long-term portion		(1,888)		(1,031)
Short-term portion	€	138,308	€	128,277

As of December 31, 2015 and 2014, the nominal value of long-term trade receivables was €2.0 million and €1.1 million, respectively. The average interest rate used for discounting was 5.6% and 5.3% for the year ended December 31, 2015 and 2014, respectively.

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

As of December 31, 2015 and 2014, 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.

	As of December 31, 2015		
	gross	reserve	net
	(in thousands)		
Accounts Receivable Trade not overdue, not impaired	€ 115,664	€ --	€ 115,664
Accounts Receivable Trade overdue, not impaired			
1 - 30 days	€ 6,562	€ --	€ 6,562
31 - 60 days	918	--	918
61 - 90 days	255	--	255
over 90 days	147	--	147
	€ 7,882	€ --	€ 7,882
Accounts Receivable Trade impaired			
not overdue	€ 4,150	€ 2,208	€ 1,942
overdue 1 - 30 days	38	15	23
overdue 31 - 60 days	1,288	235	1,053
overdue 61 - 90 days	1,069	367	702
overdue over 90 days	2,525	1,951	574
legal accounts	2,694	2,517	177
	€ 11,764	€ 7,293	€ 4,471
Accounts Receivable Trade total	€ 135,310	€ 7,293	€ 128,017

	As of December 31, 2014		
	gross	reserve	net
	(in thousands)		
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

The following table shows trade receivables, gross by currency:

		As of December 31, 2015		2014
		(in thousands)		
EUR	€	68,999	€	72,439
USD		37,861		31,120
JPY		14,744		13,241
CAD		4,723		4,211
CHF		3,642		4,216
GBP		2,042		2,379
Other		3,299		2,554
Trade debtors		135,310		130,158
Allowance for doubtful accounts		(7,293)		(9,665)
	€	128,017	€	120,493

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

		December 31, 2015		2014
		(in thousands)		
Balance as of January 1	€	9,665	€	10,153
Additions		1,543		1,783
Used		(1,097)		(1,171)
Released		(3,132)		(1,229)
Translation adjustments		315		129
Balance as of December 31	€	7,293	€	9,665

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

		For the Years ended December 31, 2015		2014
		(in thousands)		
Income from recoveries on receivables written off	€	81	€	25

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, 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.

Note 9 – Available-for-Sale Financial Assets

No available-for-sale financial assets were recorded as of December 31, 2015 and 2014, respectively.

Available-for-sale financial assets developed as follows during the years ended December 31, 2015 and 2014:

		Available-for-sale financial assets
		Current
		(in thousands)
Balance as of January 1, 2014	€	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	€	--
Addition		100
Change in fair value, recognized in profit or loss		22
Disposal		(122)
Balance as of December 31, 2015	€	--

In 2014, the Company sold all money market funds. In 2015, the company purchased shares amounting to €0.1 million and sold them realizing a profit of €0.02 million in December 2015.

Note 10 - 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, 2015 and 2014. 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, 2015							
	Notional Principal							
		in euro		Local currency converted into euro		Carrying value (EUR)		Fair value (EUR)
				(in thousands)				
Foreign exchange forward contracts........	€	33,731	€	33,804	€	114	€	114
Foreign exchange option contracts..........	€	942	€	938	€	27	€	27

	Notional Principal									
		in USD		Local currency converted into USD		Carrying value (USD)		Fair value (USD)		Fair Value (EUR)
						(in thousands)				
Foreign exchange forward contracts........	USD	10,702	USD	10,961	USD	171	USD	171	€	157
Foreign exchange option contracts..........	USD	1,966	USD	2,018	USD	21	USD	21	€	19

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

	Notional Principal									
		in USD		Local currency converted into USD		Carrying value (USD)		Fair value (USD)		Fair Value (EUR)
						(in thousands)				
Foreign exchange forward contracts........	USD	9,252	USD	9,755	USD	449	USD	449	€	370
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.

In 2015, one of the Company´s subsidiaries in the United States entered into two interest rate swap contracts in relation to the 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 (see Note 14). Effective date of both contracts was August 2015, termination date is agreed for March 2020. The notional principal amount was USD 5 million for each contract, so in total USD 10 million. The fixed interest rates are 1.64% and 1.50%, respectively, and the floating rate is the USD Libor. As of December 31, 2015, the negative fair value of the contracts amounts to USD 0.07 million (€0.07 million) and is recorded in “Interest and other finance expense” in the income statement and in “Other long-term liabilities” in the consolidated statement of financial position.

Note 11 – Equity

The Company is a Besloten Vennootschap ("B.V."), a Dutch private Company with limited liability (formerly a Naamloze Vennootschap ("N.V."), a Dutch public Company with limited liability). Other reserves include additional paid-in capital as well as amounts resulting from various transactions booked directly to equity.

As at December 31, 2015, the nominal value of each of the 61,749,753 preference shares (2014: 92,174,778 ordinary shares) issued was €0.01 (2014: €0.01), all fully paid.

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).

At the general meeting of shareholders on April 28, 2015, the resolution was taken to convert the legal form of the Company from a public company into a private limited liability company and to completely amend the Articles of Association. As of May 8, 2015, Head N.V. has changed its legal form from N.V. to B.V., a private limited liability company under Dutch law.

At the meeting of shareholders on October 20, 2015, the resolution was taken to cancel all issued and outstanding ordinary shares of the Company against a repayment of €0.70 and to issue an equal number of preference shares at €0.70 (nominal value: €0.01, share premium €0.69) to the shareholders that opt for preference shares. Holders of 1,345,476 ordinary shares did not opt for preference shares.

As long as no ordinary shares are issued, all rights previously attached to the ordinary shares accrue on the newly issued preference shares. As of December 31, 2015, no ordinary shares are issued. In case ordinary shares will be issued at any time in the future, the presentation and disclosure of the shares needs to be reconsidered and the preference shares might be presented as a liability.

	As of December 31, 2015
	(in thousands)
Shares issued as of January 1, 2014	92,175
Less: Shares held by the Stichting as of January 1, 2014	(260)
Less: Shares held by Head N.V. as of January 1, 2014	(8,396)
Shares issued less treasury shares as of January 1, 2014	83,519
Share Buy Back Head N.V. in 2014	(19,709)
Shares issued as of December 31, 2014	92,175
Less: Shares held by the Stichting as of December 31, 2014	(260)
Less: Shares held by Head N.V. as of December 31, 2014	(28,106)
Shares issued less treasury shares as of December 31, 2014	63,809
Share Buy Back Head N.V. in 2015	(974)
Cancellation of treasury shares in 2015	(29,340)
Cancellation of ordinary shares in 2015	(62,835)
Issuance of preference shares in 2015	61,750
Shares issued as of December 31, 2015	61,750
Less: Shares held by the Stichting as of December 31, 2015	(260)
Less: Shares held by Head B.V. as of December 31, 2015	--
Shares issued less treasury shares as of December 31, 2015	61,490

Dividends

In 2015 and 2014, the Company did not pay a dividend.

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 shares.

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 sheet.

Treasury Shares

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

	As of December 31,	
	2015	2014
	(in thousands)	
Number of shares as of January 1	28,366	8,656
Share Buy Backs	974	19,709
Cancellation of shares	(29,080)	--
Number of shares as of December 31	260	28,366

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.

On March 17, 2015, the Company announced an Unconditional Offer to Buy Back Shares in bearer form at a price of €1.10 per Bearer Share and in registered form at a price of U.S. dollar 1.16 per New York Share. On April 15, 2014, the Company announced that it had acquired 691,432 Bearer Shares at a price of €1.10 per Share and 282,471 New York Shares at a price of U.S. dollar 1.16 per share.

As of December 31, 2015, 260,022 treasury shares (0.42% of the Company´s issued shares) were held by the Stichting. 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.

Majority Shareholder

Head Sports Holdings N.V and its shareholders controlled 61,089,243 shares, or approximately 98.93% of the Company's issued shares, as of December 31, 2015. 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 control the Company's operations.

Note 12 – Trade and Other Payables

Accounts payable consist of the following:

		As of December 31,		
		2015		2014
		(in thousands)		
Trade payables	€	32,812	€	24,197
Allowances		4,950		4,899
Commissions		3,457		3,270
Personnel expenses		10,965		10,553
Deferred Income		1,926		2,360
Interest		869		858
Legal, Audit, Consulting		2,247		2,027
Fiscal Authorities		3,982		3,373
Advertising		4,230		4,363
Social Institution		1,911		1,814
Freight & duties		1,743		1,598
Payable for cancelled ordinary shares		651		--
Other		6,930		5,964
Total	€	76,673	€	65,276

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

Note 13 – Provisions

Provisions consist of the following:

	Warranty	Product Liability	Litigation	Other	Total
	(in thousands)				
Net book value as of January 1, 2014	€ 4,066	€ 93	€ 3,148	€ 2,083	€ 9,390
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	€ 4,390	€ 147	€ 6,472	€ 2,062	€ 13,071
Current year provision booked to expense	1,570	--	45	1,213	2,828
Amount paid (use of provision)	(1,488)	(34)	(962)	(1,176)	(3,660)
Reversal booked to income (unused amount)	(50)	(40)	--	--	(90)
Exchange difference	5	--	37	96	138
Net book value as of December 31, 2015	€ 4,427	€ 73	€ 5,592	€ 2,195	€ 12,286

	As of December 31, 2015	As of December 31, 2014
	(in thousands)	
Non-current	€ 2,940	€ 4,633
Current	9,346	8,438
	€ 12,286	€ 13,071

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 2015, the Company classified €2.9 million (2014: €2.9 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

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 €5.6 million the resolution of these matters will not materially affect the Company's financial position. In 2015, the Company classified the entire provision of €5.6 million as 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 good will. The Company took the point that the former licensee's claims were unfounded and has defended 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.

Note 14 – Borrowings

	As of December 31, 2015 (at amortized costs)				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years
	(in thousands)				
Lines of credit	€ 37,960	€ 37,960	€ --	€ --	€ --
Bond	59,592	--	59,592	--	--
Sale-leaseback transaction	8,514	234	8,280	--	--
Mortgages	6,477	2,046	4,431	--	--
Other borrowings, non-current	25,290	2,202	116	22,972	--
	€ 137,834	€ 42,443	€ 72,419	€ 22,972	€ --

	As of December 31, 2014 (at amortized costs)				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years
	(in thousands)				
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	25,581	3,040	1,949	20,591	--
	€ 139,405	€ 42,997	€ 13,823	€ 82,585	€ --

Borrowings are denominated in the following currencies:

	As of December 31,	
	2015	2014
	(in thousands)	
EUR	€ 100,174	€ 101,525
USD	23,785	24,161
JPY	7,316	6,761
CNY	6,357	6,085
GBP	201	873
Total Borrowings	€ 137,834	€ 139,405

The tables below show contractually agreed (undiscounted) interest payments and repayments of the financial liabilities as of December 31, 2015 and 2014:

	Obligations December 31, 2015	CASH FLOW 2016 Interest fixed	CASH FLOW 2016 Interest variable	CASH FLOW 2016 Re-demption	CASH FLOW 2017 - 2018 Interest fixed	CASH FLOW 2017 - 2018 Interest variable	CASH FLOW 2017 - 2018 Re-demption
				(in thousands)			
Lines of credit	€ 37,960	€ --	€ 870	€ 37,960	€ --	€ --	€ --
Bond	59,592	3,150	--	--	5,478	--	60,000
Sale-leaseback transaction	8,514	321	--	234	158	--	8,280
Mortgages	6,477	328	--	2,046	268	--	4,431
Other borrowings, non-current	25,290	52	502	2,202	2	1,004	116
	€ 137,834	€ 3,851	€ 1,372	€ 42,443	€ 5,906	€ 1,004	€ 72,827

	CASH FLOW 2019 - 2020 Interest fixed	CASH FLOW 2019 - 2020 Interest variable	CASH FLOW 2019 - 2020 Re-demption	CASH FLOW THEREAFTER Interest fixed	CASH FLOW THEREAFTER Interest variable	CASH FLOW THEREAFTER Re-demption
			(in thousands)			
Lines of credit	€ --	€ --	€ --	€ --	€ --	€ --
Bond	--	--	--	--	--	--
Sale-leaseback transaction	--	--	--	--	--	--
Mortgages	--	--	--	--	--	--
Other borrowings, non-current	--	586	22,972	--	--	--
	€ --	€ 586	€ 22,972	€ --	€ --	€ --

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 €0.4 million will be booked to liabilities.

Based on the interest rate and the existing interest rate swap contracts (see Note 10) as of December 31, 2015, we expect additional interest payments of €0.1 million per year (not included in the table above) until the termination date of the contracts which is agreed for March 2020.

	Obligations December 31, 2014	CASH FLOW 2015 Interest fixed	CASH FLOW 2015 Interest variable	CASH FLOW 2015 Re-demption	CASH FLOW 2016 - 2017 Interest fixed	CASH FLOW 2016 - 2017 Interest variable	CASH FLOW 2016 - 2017 Re-demption
			(in thousands)				
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
	€ 139,405	€ 3,991	€ 1,564	€ 42,997	€ 7,395	€ 1,236	€ 13,823

	CASH FLOW 2018 - 2019 Interest fixed	CASH FLOW 2018 - 2019 Interest variable	CASH FLOW 2018 - 2019 Re-demption	CASH FLOW THEREAFTER Interest fixed	CASH FLOW THEREAFTER Interest variable	CASH FLOW THEREAFTER Re-demption
			(in thousands)			
Lines of credit	€ --	€ --	€ --	€ --	€ --	€ --
Bond	2,328	--	60,000	--	--	--
Sale-leaseback transaction	--	--	--	--	--	--
Mortgages	43	7	2,536	--	--	--
Other borrowings, non-current	--	376	20,591	--	--	--
	€ 2,371	€ 383	€ 83,127	€ --	€ --	€ --

Borrowings, current

Borrowings, current consist of the following:

	As of December 31, 2015	As of December 31, 2014
	(in thousands)	
Lines of credit	€ 37,960	€ 37,845
Current maturities of borrowings, non-current	4,483	5,152
Total Borrowings, current	€ 42,443	€ 42,997

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, 2015 and 2014, respectively. As of December 31, 2015, the fair value of trade receivables that serve as collateral for the Company's revolving credit lines was €54.1 million (2014: €54.6 million).

During the third quarter of 2013, HTM Sport GmbH, a subsidiary of Head B.V., signed an agreement with an Austrian Bank for a €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 €9.2 million and had unused lines of credit of €27.3 million as of December 31, 2015. In 2014, 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 July 2012, certain Austrian subsidiaries of the Company entered into a loan agreement with an Austrian Bank. In the meantime, the loan agreement was renegotiated several times. As of December 31, 2015, the loan agreement provides a maximum of €15.0 million (from July 1 until December 31) and of €8.0 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 €15.0 million to ensure the fulfillment of the obligations of the subsidiaries of the Company under the loan. In the first quarter of 2015, the loan agreement was extended until June 2018. At December 31, 2014 and 2015, the Company did not use this credit line.

The weighted average interest rate on outstanding short-term borrowings was 2.32% and 1.91% as of December 31, 2015 and 2014, respectively.

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,	
	2015	2014
	(in thousands)	
Bond	€ 59,592	€ 59,458
Other long-term debt	40,282	42,102
Total borrowings, non-current	€ 99,874	€ 101,560
Less current portion	(4,483)	(5,152)
Non-current portion	€ 95,391	€ 96,408

Bond

On September 2, 2013, Head N.V. and HTM Sport GmbH, a subsidiary of Head N.V. (Head B.V. as of May 8, 2015), announced the issuance of a €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 €0.4 million will be booked to liabilities.

The effective interest rate for the Bond in 2015 was 5.29% and in 2014 5.30%.

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, 2015, the remaining obligation under the financing agreement is €8.5 million (2014: €8.7 million).

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

		As of December 31, 2015
		(in thousands)
2016	€	555
2017		8,438
Thereafter		--
Total minimum payments		8,993
Amount representing interest		(479)
Finance Lease Obligation		8,514
Obligations due within one year		(234)
Long-term Finance Lease Obligation	€	8,280

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

As of December 31, 2015, 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		--		(7,981)
Net book value	€	1,020	€	405

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, 2015, the outstanding balance of the mortgage was €0.8 million (2014: €1.1 million) and the carrying value of the property was €1.3 million (2014: €1.2 million).

In 2014, the Company entered into a three year mortgage agreement with a Chinese bank providing RMB 30.0 million (€3.5 million). The interest rate was 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). In 2015, the interest rate was changed to 6.9% and the amount of the agreement was reduced from RMB 30.0 million to RMB 25.0 million. At December 31, 2015, the outstanding balance of the mortgage was RMB 26.0 million (€3.7 million) and will be reduced to RMB 25.0 million in 2016 according to the amended agreement. The loan is secured by the Company´s Chinese subsidiary´s property and building. At December 31, 2015, the carrying value of the property was €2.8 million (2014: €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, 2015 the outstanding balance of the loan was €2.0 million

(2014: €2.7 million) and the carrying value of the property was €3.0 million (2014: €3.1 million).

Other long-term debt

In 2011, the Company secured a new long term agreement until 2016 with a Japanese bank. At December 31, 2015, the outstanding balance of the loan was €1.9 million (2014: €2.1 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, 2015, eligible US inventories and receivables amounted to USD 26.6 million (2014: USD 26.1 million) and USD 27.0 million (2014: USD 22.3 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, 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) were shown within current borrowings in the consolidated statement of financial position. At December 31, 2015, the Company used USD 25.0 million (€23.0 million) of this facility at an interest rate of 2.19%.

In 2015, this Company´s subsidiaries entered into two interest rate swap contracts in relation to this asset backed revolving credit agreement. For further information it is referred to Note 10.

Other long-term debt comprises a loan in Italy and small loans in Japan with an outstanding balance of €0.4 million in total at December 31, 2015.

The weighted average interest rate on other long-term debt was 2.30% as of December 31, 2015 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.

Note 15 – 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, 2015	Amounts recognized in balance sheet according to IAS 39			Fair value Dec. 31, 2015
			Amortized cost	Fair value recognized in equity	Fair value recognized in profit or loss	
				(in thousands)		
Assets						
Cash and cash equivalents	LaR	€ 46,216	€ 46,216	€ --	€ --	€ 46,216
Trade receivables	LaR	128,017	128,017	--	--	128,017
Other receivables	LaR	8,550	8,550	--	--	8,550
Derivative financial assets	FVtPL	251	--	--	251	251
Available-for-sale financial assets	AfS	--	--	--	--	--
		€ 183,034	€ 182,782	€ --	€ 251	€ 183,034
Liabilities						
Trade payables	FLaC	€ 32,812	€ 32,812	€ --	€ --	€ 32,812
Other payables	FLaC	25,077	25,077	--	--	25,077
Lines of credit	FLaC	37,960	37,960	--	--	37,960
Bond	FLaC	59,592	59,592	--	--	62,100
Sale-Leaseback	FLaC	8,514	8,514	--	--	8,608
Mortgages	FLaC	6,477	6,477	--	--	6,505
Other borrowings, non-current	FLaC	25,290	25,290	--	--	25,290
Contingent consideration	FVtPL	477	--	--	477	477
		€ 196,200	€ 195,723	€ --	€ 477	€ 198,830
Aggregated by category in accordance with IAS 39:						
Loans and receivables	LaR	€ 182,782	€ 182,782	€ --	€ --	€ 182,782
Available-for-sale financial assets	AfS	--	--	--	--	--
Financial liabilities at amortized cost	FLaC	195,723	195,723	--	--	198,353
At fair value through profit or loss	FVtPL	728	--	--	728	728

	Category in accordance with IAS 39	Carrying amount Dec. 31, 2014	**Amounts recognized in balance sheet according to IAS 39** Amortized cost	Fair value recognized in equity	Fair value recognized in profit or loss	Fair value Dec. 31, 2014
			(in thousands)			
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	--	--	--	--	--
		€ 160,046	€ 159,661	€ --	€ 385	€ 160,046
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
Other borrowings, non-current	FLaC	25,581	25,581	--	--	25,581
Contingent consideration	FVtPL	420	--	--	420	420
		€ 187,001	€ 186,581	€ --	€ 420	€ 191,258
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

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.

The tables below shows net gain (loss) by category for 2015 and 2014:

	For the Year Ended December 31, 2015					
		From Subsequent Measurement				
	Interest Income/ (Expense)	Fair Value Gain/ (Loss)	Foreign Exchange Gain/ (Loss)	Impair-ment	Gain (Loss) on Disposal	Net Gain/ (Loss)
	(in thousands)					
Loans and receivables (LaR)............................	€ 249	€ 73	€ (1,853)	€ 1,600	€ 81	€ 150
At fair value through profit or loss (FVtPL).........	(49)	(139)	(1,013)	--	--	(1,201)
Available-for-sale financial assets (AfS).............	--	--	--	--	22	22
Financial liabilities						
at amortized cost (FLaC)..............................	(5,688)	(345)	(182)	--	--	(6,215)
	€ (5,489)	€ (410)	€ (3,048)	€ 1,600	€ 102	€ (7,244)

	For the Year Ended December 31, 2014					
		From Subsequent Measurement				
	Interest Income/ (Expense)	Fair Value Gain/ (Loss)	Foreign Exchange Gain/ (Loss)	Impair-ment	Gain (Loss) on Disposal	Net Gain/ (Loss)
	(in thousands)					
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)..............................	(5,661)	(257)	(406)	--	--	(6,323)
	€ (5,362)	€ (593)	€ (2,351)	€ (542)	€ 9	€ (8,839)

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

Note 16 – Other Long-Term Liabilities

		As of December 31,		
		2015		2014
		(in thousands)		
Deferred income, non-current	€	2,122	€	2,512
Liability on share-based payments		--		89
Capitalized Lease Obligations		2,562		2,733
Other		558		435
Total other long-term liabilities	€	5,242	€	5,769

Deferred income, non-current

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

In July 2005, the Company agreed to extend an existing long-term licensing agreement started on April 1, 2005, for a further 10 years until 2019 and has received a prepayment in the amount of €4.9 million for the extended period. Additionally, the payment terms of the original agreement have been amended and it was agreed that the prepayment of €4.1 million received in November 2004 represents a one time fee with no future royalty payments. The prepayments were recorded as deferred income in the consolidated 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, 2015, the deferred income balance (non-current portion) associated with all long-term licensing agreements was €2.1 million (2014: €2.5 million). The Company recognised the short-term portion of the long-term licensing agreements of €0.7 million (2014: €1.2 million) in “Trade and other payables”.

Liability on share-based payments

The Company recorded liabilities on share-based payments in relation to its stock option plans (see Note 22). In 2015, the Company recorded an income of €0.1 million which was due to the release of the obligation relating to the Stock Option Plan 2005 which expired during the year. No further obligation regarding stock option plans of the Company has been recorded as of December 31, 2015.

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, 2015, the capitalized lease obligations amounted to €2.6 million (2014: €2.7 million).

Other

As per January 1, 2014, Head closed a transaction to acquire 100% of the shares of Concept Systems International GmbH. The purchase price amounted 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, 2015, the estimated fair value of the contingent bonus-payment amounting to €0.5 million is shown within "Other long-term liabilities" in the consolidated statement of financial position.

In 2015, one of the Company´s subsidiaries in the United States entered into two interest rate swap contracts (see Note 10) in relation to the 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 (see Note 14). Effective date of both contracts was August 2015, termination date is agreed for March 2020. As of December 31, 2015, the negative fair value of the contracts amounts to USD 0.07 million (€0.07 million) and is recorded in "Interest and other finance expense" in the income statement and in "Other long-term liabilities" in the consolidated statement of financial position.

Note 17 – 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, 2015 and 2014, 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, 2015	As of December 31, 2014
	(in thousands)	
Beginning of the year	€ 19,432	€ 18,836
Charge to income	1,151	1,312
Release	--	(288)
Remeasurements loss (gain)	53	921
Payments	(1,133)	(1,345)
Translation adjustment	49	(3)
End of the year	€ 19,551	€ 19,432

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

		2015		2014
		(in thousands)		
Balance Sheet obligations for:				
Pension Benefits	€	6,490	€	6,376
Other Benefits		13,062		13,057
Total	€	19,551	€	19,432
Income Statement charge for:				
Pension Benefits	€	290	€	288
Other Benefits		861		736
Total	€	1,151	€	1,023
Remeasurements loss (gain) for:				
Pension Benefits	€	4	€	533
Other Benefits		49		388
Total	€	53	€	921

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
				(in thousands)		
At January 1, 2014	**€**	**6,060**	**€**	**(333)**	**€**	**5,727**
Current service cost		118		--		118
Interest expense/(income)		180		(10)		170
		298		(10)		288
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
		529		4		533
Benefit payments		(172)		--		(172)
At December 31, 2014	**€**	**6,715**	**€**	**(340)**	**€**	**6,376**
At January 1, 2015	**€**	**6,715**	**€**	**(340)**	**€**	**6,376**
Current service cost		132		--		132
Interest expense/(income)		166		(8)		158
		298		(8)		290
Remeasurements loss (gain):						
Experience adjustments		12		--		12
Return on Plan Assets, excluding amounts included in interest expense/(income)		--		(8)		(8)
		12		(8)		4
Benefit payments		(179)		--		(179)
At December 31, 2015	**€**	**6,846**	**€**	**(356)**	**€**	**6,490**

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

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
		(in thousands)	
At January 1, 2014	**€ 13,109**	**€ --**	**€ 13,109**
Current service cost	724	--	724
Release	(288)	--	(288)
Interest expense/(income)	300	--	300
	736	--	736
Remeasurements loss (gain):			
From change in financial assumptions	409	--	409
From change in demographic assumptions	(19)	--	(19)
Experience adjustments	(2)	--	(2)
	388	--	388
Benefit payments	(1,173)	--	(1,173)
Translation adjustments	(3)	--	(3)
At December 31, 2014	**€ 13,057**	**€ --**	**€ 13,057**
At January 1, 2015	**€ 13,057**	**€ --**	**€ 13,057**
Current service cost	600	--	600
Interest expense/(income)	261	--	261
	861	--	861
Remeasurements loss (gain):			
From change in financial assumptions	13	--	13
From change in demographic assumptions	(41)	--	(41)
Experience adjustments	77	--	77
	49	--	49
Benefit payments	(954)	--	(954)
Translation adjustments	49	--	49
At December 31, 2015	**€ 13,062**	**€ --**	**€ 13,062**

Other employee benefits include severance obligations and anniversary bonuses.

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

	Pension and Other Benefits		
	2015		
	Austria	Germany	Other
	(in thousands)		
Present Value of Obligation	€ 11,778	€ 4,713	€ 3,416
Fair Value of Plan Assets	--	--	(356)
Total	**€ 11,778**	**€ 4,713**	**€ 3,060**

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

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

	Pension Benefits		Other Benefits	
	2015	2014	2015	2014
Discount rate	2.5%	2.5%	2.5%	2.5%
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, 2015, amounted to €0.9 million (2014: €0.9 million).

Note 18 – 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 €5.3 million and €5.0 million for the years ended December 31, 2015 and 2014, respectively.

The future aggregate minimum payments under non-cancellable operating leases are as follows as of December 31, 2015:

		As of December 31, 2015
		(in thousands)
2016	€	4,907
2017		3,004
2018		1,982
2019		1,609
2020		939
Thereafter		402
	€	12,843

Note 19 – 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
				(in thousands)		
Balance at January 1, 2014	€	(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)
Current period changes, net of tax		--	--	--	(38)	(38)
Translation Adjustments		6,372	--	--	--	6,372
Balance at December 31, 2015	€	12,313	(5,791)	--	(3,994)	2,528

Note 20 – 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,	
	2015	2014
Dutch statutory tax rate	25.0%	25.0%
Tax rate differential	1.7	3.2
Other taxes	0.8	7.9
Prior year adjustments	(1.5)	2.9
Non taxable (income) expense	(6.0)	(4.6)
Changes in tax rates	0.5	1.3
Effect on non-recognized tax losses	0.9	14.1
Effective tax rate	21.3%	49.7%

In 2015, the Company´s effective tax rate differed from the statutory tax rate mainly due to non taxable income partly offset by higher tax rates in some of the Company´s operating countries. In 2014, 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,	
	2015	2014
	(in thousands)	
Current income tax expense	€ (2,886)	€ (1,840)
Income tax benefit of prior period adjustments	195	24
Deferred tax benefit relating to the origination and reversal of temporary differences and relating to the recognition of tax losses	1,794	1,125
Deferred tax expense relating to the use of tax losses	(4,240)	(2,053)
Deferred tax expense relating to changes in tax rates	(123)	(73)
	€ (5,260)	€ (2,818)

In 2015, the total tax expense of €5.3 million consists of current income tax expense amounting to €2.7 million and deferred tax expense amounting to €2.6 million. Deferred tax expense was mainly due to 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. 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.

The movements in deferred tax assets and liabilities during the year ended December 31, 2015 are as follows:

		December 31, 2015		(Charged) /credited to income		(Charged) /credited to OCI		Exchange differences		December 31, 2014
						(in thousands)				
Short-term:										
Deferred tax asset:										
Tax loss carried forward	€	3,698	€	1,985	€	--	€	--	€	1,713
Impairment of inventory		5,685		111		--		74		5,500
Impairment of accounts receivable		1,352		87		--		91		1,174
Provisions		1,032		(263)		--		47		1,248
Other		1,004		155		--		66		784
Total Short-term deferred tax assets	€	12,772	€	2,075	€	--	€	277	€	10,420
Deferred tax liabilities:										
Liabilities	€	(269)	€	86	€	--	€	(3)	€	(352)
Other		(364)		45		--		--		(409)
Total Short-term deferred tax liability	€	(633)	€	131	€	--	€	(3)	€	(761)
Total Short-term deferred tax asset, net	€	12,139	€	2,206	€	--	€	274	€	9,659
Long-term:										
Deferred tax asset:										
Tax loss carried forward	€	54,978	€	(6,087)	€	--	€	196	€	60,870
Fixed assets		948		(4)		--		81		872
Other intangible assets		11		(1)		--		1		11
Provisions		751		(33)		--		1		784
Employee benefits		2,011		(51)		17		17		2,027
Investments		905		41		--		19		845
Lease obligations		2,070		(59)		--		--		2,129
Other		501		9		--		6		486
Total Long-term deferred tax assets	€	62,175	€	(6,185)	€	17	€	320	€	68,023
Deferred tax liabilities:										
Fixed assets	€	(830)	€	(94)	€	--	€	(7)	€	(730)
Investments		(21,503)		1,465		--		--		(22,967)
Bond		(102)		34		--		--		(136)
Other		(2,612)		5		(3)		(172)		(2,443)
Total Long-term deferred tax liability	€	(25,047)	€	1,410	€	(3)	€	(179)	€	(26,275)
Total Long-term deferred tax asset, net	€	37,128	€	(4,775)	€	14	€	141	€	41,748
Total deferred tax asset, net	€	49,267	€	(2,569)	€	14	€	415	€	51,407

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
			(in thousands)			
Short-term:						
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
Long-term:						
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

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, 2015, the Company did not recognise deferred income tax assets of €17.2 million in respect of losses amounting to €68.4 million. €16.6 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, 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.

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

	As of December 31,	
	2015	2014
	(in thousands)	
Austria	€ 243,651	€ 254,040
Germany	12,401	13,463
North America	7,608	10,235
Other	35,678	38,455
	€ 299,338	€ 316,193

As of December 31, 2015 and 2014, the carry forward of net operating losses of €66.5 million and €68.9 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,	
	2015	2014
	(in thousands)	
Austria	€ 13,785	€ 2,393
Non-Austria	10,868	3,273
Total income before income taxes	€ 24,653	€ 5,666

Note 21 - Related Party Transactions

Head Sports Holdings N.V. and its shareholders controlled 61,089,243 (2014: 61,089,243) shares, or approximately 98.93% (2014: 66.28%) of the Company's issued shares, as of December 31, 2015. 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 control the Company's operations.

The Company has received administrative services for the group from corporations which are ultimately owned by the principal shareholder of the Company. Payments for these services from the group amounted to approximately €4.6 million for the year ended December 31, 2014. The related party has provided consulting, corporate finance, investor relations and legal services. As of January 1, 2015, the agreement ceased and the majority shareholder absorbed all the costs related to the above mentioned services which have been reduced during 2015.

During the year 2015, the Company issued a loan in the amount of €10.0 million to a third party, guaranteed by the majority shareholder. The loan was fully repaid before year-end.

In July 2012, certain Austrian subsidiaries of the Company entered into a loan agreement with an Austrian Bank. In the meantime, the loan agreement was renegotiated several times. As of December 31, 2015, the loan agreement provides a maximum of €15.0 million (from July 1 until December 31) and of €8.0 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 €15.0 million to ensure the fulfillment of the obligations of the subsidiaries of the Company under the loan. In the first quarter of 2015, the loan agreement was extended until June 2018. At December 31, 2014 and 2015, the Company did not use this credit line.

In September 2011, Mr. Franz Klammer was appointed to the Supervisory Board of Head N.V. On April 28, 2015, the Supervisory Board resigned. 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 years 2014, 2015 and 2016, the yearly fee amounts to €0.045 million.

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 "Investments accounted for using the equity method". The agreement contains certain exit options which the Company granted to the partners. As of December 31, 2014 and 2015, no liability regarding the agreed exit options was recognised. In 2015, the Company´s subsidiary in Japan (Head Japan Co., Ltd.) took over the distribution of diving products in Japan. It is planned to liquidate the former distribution company with the 50% investment.

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,			
		2015		2014
		(in thousands)		
Balance as of January 1	€	605	€	669
Share, recognized in profit or loss		(150)		(76)
Share, recognized in other comprehensive income		53		12
Balance as of December 31	€	508	€	605

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

	For the Years Ended December 31,			
		2015		2014
		(in thousands)		
Salaries and other short-term employee benefits	€	3,512	€	3,610
Post-employment benefit		127		140
Share-based benefits		(77)		(319)
Total	€	3,562	€	3,431

Note 22 – Stock Option Plans

The Company recorded liabilities on share-based payments in relation to its stock option plans. In 2015, the Company recorded a non-cash compensation income of €0.1 million which was due to the release of the obligation relating to the Stock Option Plan 2005 which expired during the year. No further obligation regarding stock option plans of the Company has been recorded as of December 31, 2015. In 2014, the stock option plans resulted in a non-cash compensation income of €0.4 million mainly due to the decrease of the share price at December 31, 2014, compared to December 31, 2013.

Note 23 – Average Number of Employees

	For the Years Ended December 31,	
	2015	2014
Salaried employees	916	886
Hourly paid employees	1,595	1,576
Total	2,511	2,462

Note 24 – Expenses by Nature

	For the Years Ended December 31,	
	2015	2014
	(in thousands)	
Depreciation, amortization and impairment charges	€ 9,865	€ 9,219
Employee benefit expenses	93,233	87,409
Changes in inventory	5,868	(994)
Raw material and merchandise	160,134	146,112
Shipment cost	8,212	7,459
Commissions	11,277	10,043
Advertising expenses	51,016	49,202
Legal, Audit, Consulting, Outside services, Other expenses	44,114	52,986
Total cost of sales, selling and marketing expense, general and administrative expense, share-based compensation income and other operating expense	€ 383,719	€ 361,437

For the year ended December 31, 2015, a foreign exchange loss of €0.3 million has been recorded in “Other operating expense, net”. For the year ended December 31, 2014, a foreign exchange loss of €0.5 million has been recorded in “Other operating expense, net”.

The Company incurred research and development costs amounting to €11.4 million and €11.1 million for the year ended December 31, 2015 and 2014, respectively.

Note 25 – Employee benefit expense

	For the Years ended December 31,	
	2015	2014
	(in thousands)	
Salaries and wages	€ 71,607	€ 66,905
Social security and other benefits	20,564	19,859
Share-based compensation (income) expense	(89)	(378)
Pension benefits	290	288
Other benefits	861	736
Total	€ 93,233	€ 87,409

Note 26 – List of (direct and indirect) Participations as of December 31, 2015

	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 27 – Cash and cash equivalents

As at December 31, 2015 and 2014, cash and cash equivalents contains cash of €44.6 million and €31.0 million, respectively and restricted cash of €1.6million and €1.5 million, respectively representing deposits pledged as collateral.

Note 28 –Accountant Fees and Services

PricewaterhouseCoopers (PwC) has served as the Company's principal independent public auditor for each of the years ended in the two-year period ended December 31, 2015. The following table presents the aggregate fees for professional audit services and other services rendered by PricewaterhouseCoopers in 2015 and 2014 (in thousands):

	For the Years Ended December 31	
	2015	2014
Audit Fees	€ 307	€ 405
Tax Fees	454	225
All Other Fees	--	74
Total Fees	€ 761	€ 704

Audit Fees primarily relate to the audit of Head B.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.

In addition, the Company received statutory and regulatory year-end audit services in various countries from other audit firms and incurred fees amounting to €0.2 million for the years ended December 31, 2015 and 2014, respectively.

Note 29 – Subsequent Events

On February 23, 2016, Head started the marketing process of placing a "Schuldscheindarlehen" (loan agreement) with an expected issue volume of €50 million and a possible demand driven increase. Depending on interested investor's feedback the maturity might be either 5 or 7 years up to a potential of 10 years. Expected closing of this financing is end of March 2016.

HEAD B.V.

FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

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

	Note		As of December 31, 2015		2014
			(in thousands)		
Non-current assets:					
Tangible fixed assets		€	15	€	24
Investment in subsidiary	3		139,432		139,432
Total non-current assets			139,448		139,456
Current assets:					
Amounts receivables from related companies	11		8,357		1,239
Prepaid expenses			29		35
VAT to be received			26		25
Cash	4		2,932		568
Total current assets			11,345		1,868
Total assets		€	150,793	€	141,324
Current liabilities (due within one year):					
Taxes payable		€	86	€	25
Accruals and other liabilities			1,031		503
Total current liabilities			1,116		527
Shareholders' equity:					
Share capital	8		617		922
Share premium	8		81,685		119,957
Treasury shares	8		--		(36,569)
Retained earnings	8		56,487		25,299
Result for the year	8		10,887		31,189
Shareholders' equity			149,676		140,797
Total liabilities and equity		€	150,793	€	141,324

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

HEAD B.V.
COMPANY STATEMENT OF COMPREHENSIVE INCOME

		For the Years Ended December 31,		
		2015		2014
		(in thousands)		
Total net revenues	€	1,089	€	1,180
Cost of sales		--		--
Gross profit		1,089		1,180
Selling and marketing expense		1,010		1,005
General and administrative expense		1,087		3,867
Operating loss		(1,009)		(3,692)
Interest (expense) income		(114)		(27)
Foreign exchange gain (loss)		10		(92)
Dividend income		12,000		35,000
Result for the year	€	10,887	€	31,189

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

HEAD B.V.
COMPANY STATEMENT OF CHANGES IN EQUITY

		Share Capital		Share Premium		Treasury Shares		Retained Earnings		Result for the Year		Total Shareholders' Equity
Balance at January 1, 2014....................	€	922	€	119,957	€	(5,034)	€	28,456	€	(3,157)	€	141,143
Transfer of result for the year................		--		--		--		(3,157)		3,157		--
Result for the year................................		--		--		--		--		31,189		31,189
Share Buy Back....................................		--		--		(31,535)		--		--		(31,535)
Balance at December 31, 2014...............	€	922	€	119,957	€	(36,569)	€	25,299	€	31,189	€	140,797
Transfer of result for the year................		--		--		--		31,189		(31,189)		--
Result for the year................................		--		--		--		--		10,887		10,887
Transactions with the owners of the Company:												
Share Buy Back..............................		--		--		(1,065)		--		--		(1,065)
Cancellation of treasury shares..........		(291)		(37,343)		37,634		--		--		--
Cancellation of ordinary shares..........		(631)		(43,536)		--		--		--		(44,167)
Issuance of preference shares...........		617		42,607		--		--		--		43,225
Balance at December 31, 2015...............	€	617	€	81,685	€	--	€	56,487	€	10,887	€	149,676

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

HEAD B.V.
COMPANY STATEMENT OF CASH FLOWS

	Note		For the Years Ended December 31, 2015		2014
			(in thousands)		
OPERATING ACTIVITIES:					
Result for the year		€	10,887	€	31,189
Adjustments to reconcile net income					
Depreciation and amortization			7		7
Dividend received			(12,000)		(35,000)
Movement in accounts receivable			(1)		(25)
Movement in accounts receivable and payable, intercompany			(7,119)		538
Movement in prepaid expense and other assets			7		(28)
Movement in accounts payable, accrued expenses and other liabilities			(62)		(89)
Net cash used for operating activities			(8,282)		(3,409)
INVESTING ACTIVITIES:					
Purchase of property, plant and equipment			--		(12)
Proceeds from sale of property, plant and equipment			2		--
Dividend received			12,000		35,000
Net cash provided by (used for) investing activities			12,002		34,988
FINANCING ACTIVITIES:					
Share Buy Back	8		(1,065)		(31,535)
Cancellation of ordinary shares	8		(291)		--
Net cash used for financing activities			(1,356)		(31,535)
Net increase in cash and cash equivalents			2,364		45
Cash and cash equivalents at beginning of period			568		524
Cash and cash equivalents at end of period		€	2,932	€	568

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

HEAD B.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. On April 28, 2015, the Company converted its legal form into a private limited company. 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, 2015.

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, 2015	Cost of assets acquired	Book value of disposed assets	Income from participating interest	Book value December 31, 2015
			(in thousands)		
Investment in Subsidiary............	€ 139,432	€ --	€ --	€ --	€ 139,432

No impairment loss on this investment has been recorded.

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

Cash on hand was as follows:

	As of December 31, 2015	As of December 31, 2014
	(in thousands)	
ABN AMRO Bank N.V. EUR	€ 2,928	€ 550
ABN AMRO Bank N.V. USD	1	1
Erste Bank	4	18
	€ 2,932	€ 568

Note 5 – Current Liabilities

Current liabilities consist of the following:

	As of December 31, 2015	As of December 31, 2014
	(in thousands)	
Management, administration fee and taxes	€ 189	€ 109
Payable for cancelled ordinary shares	651	--
Audit, consulting and legal fee	277	419
	€ 1,116	€ 527

Note 6 – Directors' Remuneration

The Company had four managing directors and three supervisory board directors during the years 2015 and 2014, respectively. The three supervisory board directors resigned on April 28, 2015, but subsequently acted as members of the advisory board. Günter Hagspiel was replaced by Suzanne Roëll on April 28, 2015, as member of the management board. The table below shows the remuneration of the directors received and accrued from the group for the years ended December 31, 2015 and 2014, respectively and the accrual as of December 31, 2015 and 2014, respectively.

	Periodic payments	Periodic expenses for future payments	Accrual for future payments	Share-based compensation expense (income)
	(in thousands)			
2015				
Management Board	€ 610	€ 67	€ 96	€ (57)
Supervisory Board	€ 61	€ --	€ --	€ --
2014				
Management Board	€ 1,262	€ 193	€ 414	€ (245)
Supervisory Board	€ 52	€ --	€ --	€ --

The share-based compensation income reported in 2015 resulted from the release of the obligation posted under other long-term liabilities as of December 31, 2014, due to the fact that the stock option plan 2005 expired in 2015. No further obligation under the stock option plan of the Company has been recorded as of December 31, 2015. The share-based compensation income 2014 resulted from the decrease in fair value of the liability for the plans against option holders mainly due to the decrease of the share price at December 31, 2014, compared to December 31, 2013. None of our Management Board members or Supervisory Board members has service contracts that provide for benefits upon termination of employment. There are no amounts accrued to provide members of the Management Board or the Supervisory Board with pension, retirement or similar benefits except for Mr. Günter Hagspiel in the 2014 period.

For further information on the share-based compensation income it is referred to Note 22 of the consolidated 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,	
	2015	2014
	(in thousands)	
Company´s result for the year	€ 10,887	€ 31,189
Net income (loss) from participating interest	8,506	(28,340)
Net income consolidated	€ 19,393	€ 2,849

	For the Years Ended December 31,	
	2015	2014
	(in thousands)	
Company´s shareholders' equity	€ 149,676	€ 140,797
Retained earnings from participating interest	24,939	10,098
Shareholders' equity consolidated	€ 174,615	€ 150,895

Note 8 – Shareholders' Equity

The Company is a Besloten Vennootschap ("B.V."), a Dutch private Company with limited liability (formerly a Naamloze Vennootschap ("N.V."), a Dutch public Company with limited liability). Other reserves include additional paid-in capital as well as amounts resulting from various transactions booked directly to equity.

Dividends

In 2015 and 2014 the Company did not pay a dividend.

Treasury Shares

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

	As of December 31,	
	2015	2014
	(in thousands)	
Balance as of January 1	28,106	8,396
Share Buy Backs	974	19,709
Cancellation of shares	(29,080)	--
Balance as of December 31	--	28,106

For further information on the share buy backs and the cancellation of shares it is referred to Note 11 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,	
	2015	2014
	(in thousands)	
Management fees	€ --	€ 2,776
Employee costs	911	882
Legal, audit and consulting	656	449
Insurance	87	73
Other	443	692
Total operative expenses	€ 2,097	€ 4,872

For further information on the reduction of the management fees it is referred to Note 11.

Note 10 – Income tax

The total loss available for tax loss carry forward at the end of 2015 provided that the Dutch tax authorities agree with the 2013 and 2014 corporate income tax return is €31.7 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 (2014: 61,089,243) shares, or approximately 98.93% (2014: 66.28%) of the Company's issued shares, as of December 31, 2015. 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 control the Company's operations.

The Company has received administrative services for the group from corporations which are ultimately owned by the principal shareholder of the Company. Payments for these services from the group amounted to approximately €4.6 million for the year ended December 31, 2014. The related party has provided consulting, corporate finance, investor relations and legal services. As of January 1, 2015, the agreement ceased and the majority shareholder absorbed all the costs related to the above mentioned services which have been reduced during 2015.

As of December 31, 2015, the Company recorded receivables against group companies of €8.4 million compared to €1.2 million as of December 31, 2014.

Amsterdam, March 3, 2016

Johan Eliasch Chief Executive Officer	Ralf Bernhart Managing Director
George Nicolai Managing Director	Suzanne Roëll Managing Director

HEAD B.V.
OTHER INFORMATION

Auditor’s Report

The report of the auditor, PricewaterhouseCoopers Accountants N.V., is presented on page 78 of this report.

Subsequent Events

For information regarding the subsequent events, it is referred to Note 29 of the consolidated financial statements.

Appropriation of Result – Provisions in Company’s Statutes

The Company’s articles of association currently 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 of Head B.V.

Report on the financial statements 2015

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Head B.V. as at 31 December 2015, 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 accompanying financial statements 2015 of Head B.V., Rotterdam ('the company'). The financial statements include the consolidated financial statements of Head B.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The financial statements comprise:

- the consolidated and company statement of financial position as at 31 December 2015;
- the following statements for 2015: the consolidated and company income statement, the consolidated and company statements of comprehensive income, changes in equity and cash flows;
- 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 section 'Our responsibilities for the audit of the financial statements' of our report.

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

Ref.: e0374724

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

Responsibilities of the management 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 the 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.

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 opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. 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.

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 the 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.

Amsterdam, 3 March 2016
PricewaterhouseCoopers Accountants N.V.

Original signed by P.C. Dams RA

Appendix to our auditor's report on the financial statements 2015 of Head B.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 judgement 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, among others of the following:

- 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 intentional 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 the 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 to cease 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.

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.

We communicate with the management 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