

ANNUAL REPORT

2015/2016

Annual Report of Tatry mountain resorts, a.s.
and its subsidiaries as of 31/10/2016

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Commentary from CEO



Ing. Bohuš Hlavatý

CEO and Chairman of the Board of Directors
Tatry mountain resorts, a. s.

Dear Shareholders, Fans of Mountains,

It is time to summarize another successful year of TMR. For the past financial year 2015/16 we managed to increase total revenues by 14.5%; and operating profit before depreciation is up 2.9%. We achieved net consolidated profit of EUR 2.746 mil.

The fact is that the winter 2015/16 did not bring needed freezing temperatures that would have enabled snowmaking already at the beginning of the season. Also, one cannot say that there was abundance of snowfall, especially in the first half of the winter season. In spite of that, we were able to offer our clients the most kilometers of ski trails and good conditions for winter sports, that's how we achieved a rise in the visit rate. Our hotels were yet again fully occupied during the peak periods, such as the New Year's Eve and the "Golden Week", as well as during spring break. The season was relatively long with strong Easter break and lasted till the end of April. Last season we launched the Gopass mobile app that helped to boost our online ski pass sales by 20%. The summer in the Tatras was record-breaking in terms of the visit rate also thanks to an unfavorable security situation in foreign vacation destinations and thanks to the fact that bookings of summer stays started sooner than prior year. Occupancy during some July and August weeks approached the limit. The total number of visitors increased year-over-year by 9.9% in Mountain Resorts, while in Leisure Parks it remained at the same level as in prior year.

The positive results were achieved also by our ancillary services in the stores, rentals, dining facilities focused on quality, increased sale of season passes thanks to the presale at special rates called Smart Season Pass, as well as by effective marketing via the Gopass program. Besides these, the increases were triggered also by attractions and events organized in our resorts, such as the Ice Dome and the Bear Days at Hrebienok, or the widely successful World Cup Ladies, which got organized in Jasná again after 32 years.

In the past year we kicked off our activities in the Real Estate segment. During the year we sold all the newly-built Chalets Jasná de Luxe Center in the Jasná resort. In Jasná we also started the transformation of an old post office into a hotel, and we kicked off the execution of the project Jasná Center.

As for investments, during the year we invested 24 million euros, most of which flowed into infrastructure, lodging capacities, attractions, and ancillary services in our Slovak resorts. As part of the modernization project of Silesian Amusement Park, we opened first new attractions in the summer. In the following period we will continue in our efforts to build the "New Era" in Poland through modernization of Silesian Amusement Park and the Polish SON resort, where we have already gone a long way in obtaining necessary permits.


Bohuš Hlavatý

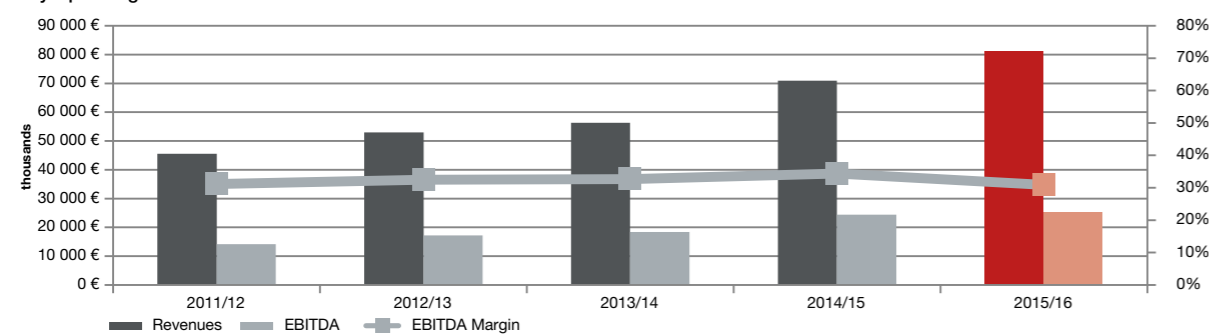
OPERATIONS REVIEW



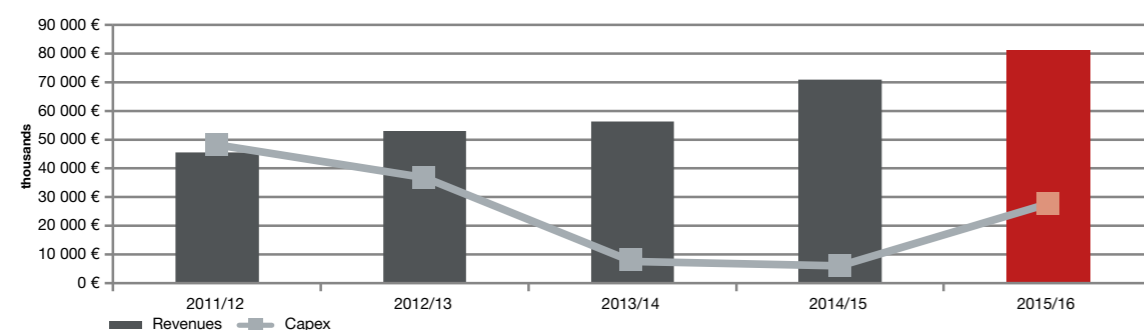
Consolidated Financial Highlights

in €'000 unless specified otherwise	2015/16	2014/15	2013/14	2012/13	2011/12
Revenues	81 202	70 915	56 309	54 348	43 807
EBITDA	25 111	24 410	18 411	18 566	13 987
EBIT	12 075	11 112	5 094	7 666	6 050
Net Income	2 746	-751	683	6 604	10 186
CAPEX	23 625	6 000	7 500	36 710	48 207
No. of employees	1 095	804	1 018	1 334	1 232
Earnings per share (EUR)	0,46	-0,10	0,10	0,98	1,52
Hotel Occupancy (%)	56,5	54,6	51,2	50,7	48,4
Avg. Daily Rate per Room (EUR)	65,4	62,4	61,1	55,2	45,2
Visit Rate Mountain Resorts ('000)	2 121	1 930	1 512	1 616	1 478
Visit Rate Leisure Parks ('000)	784	777	598	633	529
EBITDA (%)	30,9	34,4	32,7	34,2	31,9
EBIT (%)	14,9	15,7	9,0	14,1	13,8
Equity	106 003	103 331	102 312	101 477	276 416
Debt/Equity (%)	216,8	215,3	223,0	210,0	5,8
Debt/Capital (%)	68,4	68,3	69,0	67,7	5,5
Debt/EBITDA	9,2	9,1	12,4	11,5	1,2
Interest Coverage Ratio	1,1	1,0	0,7	11,3	11,2

Key Operating Results



Revenues vs. CAPEX



Our History

1992

- Establishment of SKI Jasná, a.s., the legal predecessor of TMR, by the National Property Fund of the Slovak Republic in March 1992

2003

- Change of name to Jasná Nízke Tatry, a. s. in March 2003

2009

- In June 2009 Shareholders of Jasná Nízke Tatry, a.s. agreed on raising of the capital to EUR 250 million and on renaming the Company Tatry mountain resorts, a.s. Consequently, a new equity issue was listed on the Bratislava Stock Exchange.
- In October 2009 TMR purchased Tatras Cableways (TLD), which dissolved without liquidation and merged with TMR on May 5, 2010. At the same time TMR, as its successor, continues to conduct TLD's business activity, especially operation of mountain resorts in the High Tatras - Tatranská Lomnica and Starý Smokovec.
- In December 2009 TMR acquired 100% of Grandhotel Praha, a.s. (Grandhotel Praha) and 50% of Interhouse Tatry, s.r.o., which was the owner of Grandhotel Starý Smokovec at that time.

2010

- In October 2010 TMR purchased all shares of Tatry mountain resorts services and thus became its 100% owner.
- TMR initiated cooperation with the resort of Štrbské Pleso in December 2010.

2011

- In April 2011 TMR acquired Tatralandia Holiday Resort. This trademark comprises Aquapark Tatralandia, a lodging facility Holiday Village Tatralandia, an entertainment park Fun Park, and Tropical Paradise. The acquisition of Tatralandia was an important step for TMR in pursuing the strategy to create an all-year tourist destination.

2012

- Dual listing of TMR shares on exchanges in Warsaw and Prague took place in October 2012
- In November 2012 TMR through an associated company Melida, a.s. signed a lease contract with the Czech union of physical education for operating SKIAREÁL Špindlerův Mlýn.
- In November 2012 TMR founded Korona Ziemi with a Polish town of Gmin Zawoja, with the purpose of creating an entertainment-educational park.

2013

- On February 16, 2013 TMR acquired the other 50% in Interhouse, s.r.o. (Grandhotel Starý Smokovec).
- As of May 1, 2013 subsidiaries of TMR – Tatry mountain resorts services, a.s., Grandhotel Praha, a.s. and Interhouse s.r.o. – merged and seized without liquidation.
- Share capital of TMR was decreased from EUR 221.3 million to EUR 47.0 million on October 22, 2013 based on the approval by the Extraordinary General Meeting held on August 22, 2013.

2014

- In March 2014 TMR acquired a 97% share in a Polish ski resort Szczyrkowski Ośrodek Narciarski S.A. (SON).

2015

- In April 2015 TMR agreed to acquire a 75% share in a Polish entity that owns and since May 2015 is operating Silesian Amusement Park (Śląskie Wesołe Miasteczko).

Company Profile

Basic Overview of TMR

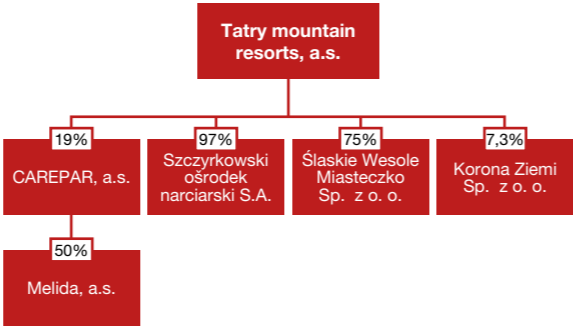
Tatry mountain resorts, a.s. with its registered seat in Liptovský Mikuláš, SK together with its subsidiaries (TMR, the Group) is the biggest provider of tourism in Slovakia with emerging activities in neighboring countries, especially in and Poland. TMR's revenues primarily come from operation of mountain resorts, an aquapark, and an amusement park, from provision of hotel and dining services, and from sports shops and additional services in the resorts. In terms of revenue breakdown, the largest share comes from sale of ski passes and cableway tickets in mountain resorts (42.0%) and from accommodation services in hotels that TMR owns and runs (24.5%). Additional revenues come from ticket sale in the leisure parks (13.0%), and from ancillary services provided by the dining facilities on the slopes and in the aquapark (13.7%) and sports stores under the Tatry Motion brand (5.8%). In addition to the mentioned business activities TMR conducts its business activities in real estate, revenues and income of which are generated mainly from lease of accommodation facilities and sale of apartments. TMR runs all its operations in regions of the High and Low Tatras in Slovakia and in the Polish Beskids and Silesia.

TMR's key assets in the Low Tatras include: resort Jasná Nízke Tatry, hotels Tri Studničky****, Wellness hotel Grand Jasná****, Chalets Jasná de Luxe****, Hotel Srdiečko**, and Hotel Rotunda. Aquapark Tatralandia is located in the vicinity of Jasná with Holiday Village Tatralandia bungalows. TMR at the same time owns and leases out Hotel Liptov**, Ski&Fun Záhradky**, Kosodrevina Lodge, and lodging facility Otopné.

In the High Tatras TMR owns and runs resorts Vysoké Tatry - Tatranská Lomnica and Starý Smokovec, and the ski area Štrbské Pleso, which TMR co-manages. In the High Tatras TMR also owns hotels Grandhotel Praha**** Tatranská Lomnica, Grandhotel**** Starý Smokovec, Hotel FIS*** at Štrbské pleso and Mountain hotel Hrebienok.

TMR also owns 19% in Carepar, a.s., which holds a 50% share in Melida a.s., which since the winter 2012/13 leases and operates the resort Špindlerův Mlýn in the Czech Republic. In Poland TMR owns 97% in the mountain resort Szczyrkowski Ośrodek Narciarski S.A. (SON), a 75% share in Silesian Amusement Park (Śląskie Wesołe Miasteczko), and 7.3% in an educational- entertainment project through a Polish company Korona Ziemi Sp. z o.o.

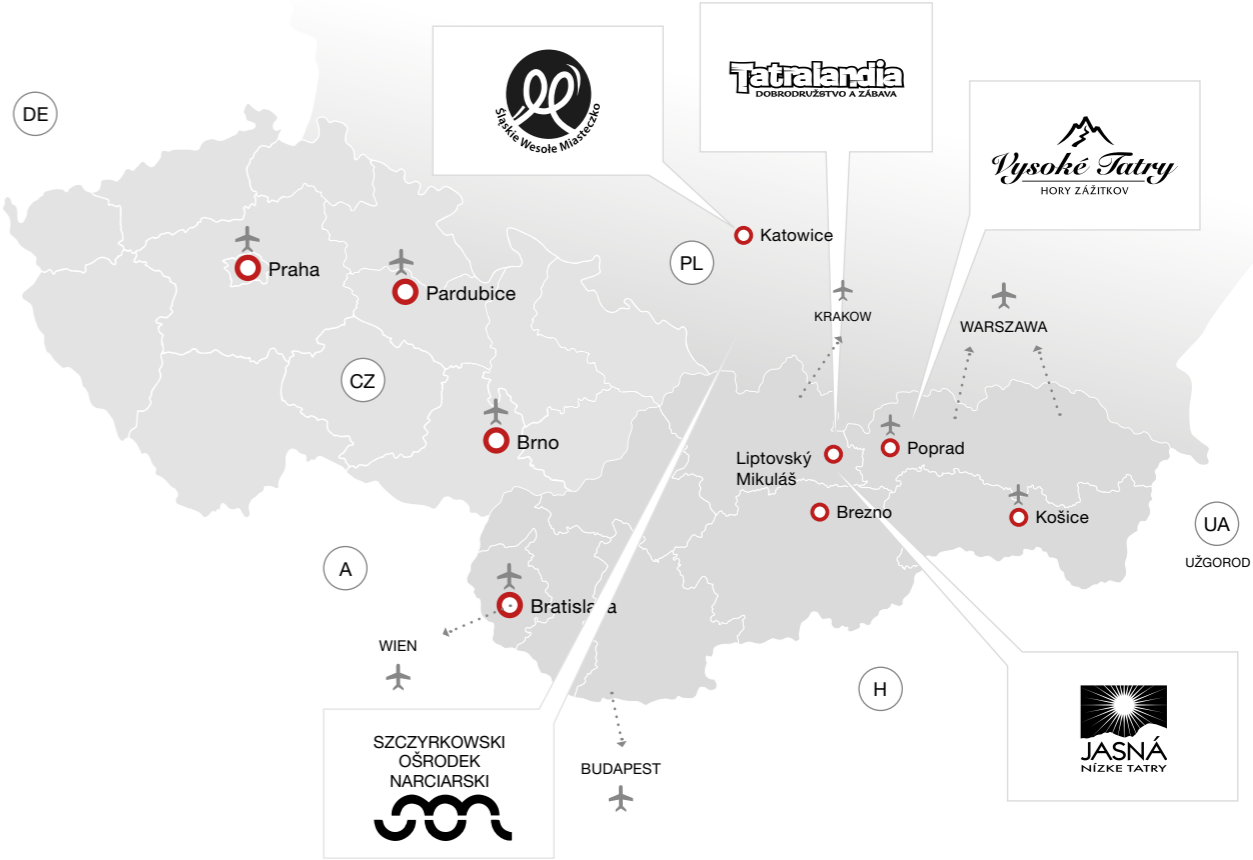
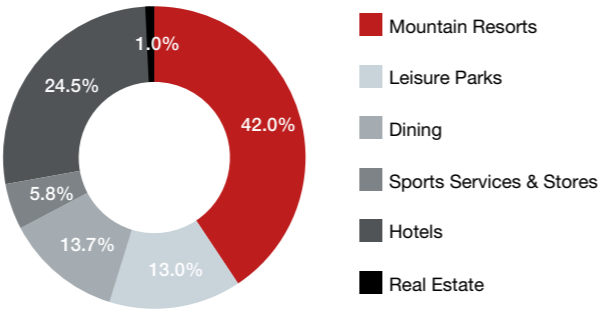
The TMR Group



Business Segments of TMR

TMR's business activities are concentrated into three key segments: Mountains & Leisure, Hotels a Real estate.

Revenue Breakdown



Mountain Resort VYSOKÉ TATRY

- All-season resort offering complex services for all the types of clients in the summer and winter season
- Three ski areas- Tatranská Lomnica, Štrbské Pleso and Starý Smokovec
- Situated in the oldest national park in Slovak republic TANAP
- 5 months of snow guaranteed
- 24 km of ski trails, 20 km of snowmaking
- 20 cableways and lifts
- Max. transportation capacity 20,615 persons/ hour
- **Hotels** - Grandhotel Praha**** Tatranská Lomnica, Grandhotel**** Starý Smokovec, Hotel FIS*** Štrbské Pleso, Mountain hotel Hrebienok

Mountain Resort JASNÁ NÍZKE TATRY

- The biggest winter sports resort in Central Europe
- Ski areas - Chopok North and Chopok South
- Host of FIS Ski World Cup Ladies 2015, Junior Alpine FIS World Cup 2014
- 49 km of ski trails, 33 km of snowmaking
- 28 cableways and lifts
- Max. transportation capacity 32,684 persons/ hour
- **Hotels** - Hotel Tri Studničky****, Wellness hotel Grand Jasná****, Chalets Jasná de Luxe**** and Hotel Srdiečko**, Hotel Rotunda
- **Real Estate** - lease out of hotels Liptov**, Hotel SKI & FUN**, Kosodrevina Lodge, lodging facility Otopné, sale of Chalets Jasná Otopné

Mountain Resort SZCZYRKOWSKI OŚRODEK NARCIARSKI (SON)

- EUR 30 mil. planned investments (since April 2014)
- 25 km of ski trails, 11 km with snowmaking
- 13 lifts
- Max. transportation capacity: 8,700 persons/ hour

SILESIA AMUSEMENT PARK (SAP, ŚLĄSKIE WESOŁE MIASTECZKO)

- The largest and oldest leisure park in Poland
- Area: 26 ha
- 50 attractions
- Location: Park Śląski (Silesian Park) near Chorzów, PL

Aquapark TATRALANDIA

- The biggest aquapark with accommodation in Central Europe
- Unique indoor complex Tropical Paradise also with seawater and authentic corals
- A Hawaii complex with two artificial surf wave lanes
- 14 swimming pools (10 year-around) with thermal, sea and pure water
- 21 steam, water, jet spas, saunas and procedures, a wellness center
- 26 toboggans and waterslides (6 year-round) and 300 different attractions
- Liptov Arena - a multipurpose cultural- entertainment sports arena in Tatralandia
- Housing - Holiday Village Tatralandia
- 700 beds in 155 bungalows and apartments in 11 theme villages
- Congress center, 5D cinema, etc.
- Real Estate - sale of apartments in Holiday Village Tatralandia

I. MOUNTAINS AND LEISURE

The main segment Mountains and Leisure includes the ownership and operation of three mountain resorts: Jasná Nízke Tatry - Chopok North and South, Vysoké Tatry - Tatranská Lomnica, Starý Smokovec and Štrbské Pleso (TMR doesn't own but co-manages ski area Štrbské Pleso), and the Polish SON. The resorts currently offer 100 km of trails with transport capacity 62 thousand persons per hour. Since the winter season 2012/13 TMR also co-manages the ski resort Špindlerův Mlýn in the Czech Republic, which has been leased for 20 years to Melida, a.s., in which currently TMR indirectly owns 9.5%. The main segment also includes the Leisure Parks subsegment - Aquapark Tatralandia and Silesian Amusement Park. In order to cover complex client's needs, in the Mountain and Leisure segment TMR offers a wide range of ancillary services, such as ski schools, rental, service, sports stores and dining.

■ Mountain Resorts

VYSOKÉ TATRY (THE HIGH TATRAS)

The High Tatras as the greatest mountain range in Slovakia are also the oldest national park in our country (Tatra National Park - TANAP). Therefore, all the tourist activities are performed considering the nature conservation and rare biotopes. In the area of the High Tatras the Company owns and operates cableways in Tatranská Lomnica and Starý Smokovec and closely cooperates with the owner of the Štrbské Pleso resort which they manage together.

TATRANSKÁ LOMNICA

Winter Season

Tatranská Lomnica resort holds the lead in Slovakia with its longest 5.5 km trail and a 1,300 m vertical drop. The trail in Lomnické sedlo has the highest elevation in Central Europe. The base elevation of the resort is at the bottom station of the 6-seat cableway in Tatranská Lomnica, in 888 m a.s.l., and its summit elevation point is at the exit station of elevated cableway to Lomnický štít in 2,634 m a.s.l. Ski trails of different levels can satisfy all the skiers from beginners to experts guaranteeing five months of snow coverage. In addition to the advanced skiers this resort is also visited by free riders. The resort is equipped with modern snowmaking system, which reaches the highest point of the Esíčka trail at Skalnaté pleso. In September 2015 the ski portal Skiresort.info ranked the ski resort Tatranská Lomnica among the world's top 14 resorts with up to 20 km of trails; and in the category "Beginners" it was ranked among the world's top resorts with infrastructure and services suitable for ski beginners.

Summer Season

Tatranská Lomnica turns in the summer months into an attractive leisure center for the whole family. It provides possibility of trips to the top of Lomnický štít in 2,634 m a.s.l. The resort is regularly extending its offer of services and today it offers a number of attractions, such as mountain cart rides from the midstation Start and an authentic project for children - Tatras wilderness located in 1,751 m above sea level. It is a natural fun trail from Tatranská Lomnica, around Skalnaté pleso, Starý Smokovec and Hrebienok, to Štrbské Pleso with games, competitions and mini eco-park Marmot Land at Skalnaté Pleso that is suited mainly for children. Youngsters can also enjoy themselves all-year round in an indoor children's center - The Chamois Land - with a big playground with a maze and a chill-out zone for parents.

Ski Trails

Ski resort Tatranská Lomnica offers up to 46 ha of ski trails (out of which almost 32 ha have technical snowmaking) with a total length of nearly 12 km. The ski trails in the resort are mostly easy (six trails - 5,700 m) to moderate (five trails - 5,190 m) with technical snowmaking. The ski trail for experts in Lomnické sedlo (1,240 m) is best suited for most advanced skiers, with an average angel of almost 47%. In addition to skiing and snowboarding are for visitors available also attractions as snowbike, skifox and snowcoot.

Transport Facilities

In the resort there are three gondolas, and four chairlifts with total length of 10,272 m. The maximum transport capacity is 11,645 persons per hour. Two of the cableways are equipped with shields, so called bubbles, and one also with heated seats and better wind resistant system (RPD). At the beginning of the winter season 2013/14 a new 15-person gondola was completed starting at the Start location leading to Skalnaté pleso with the transportation capacity of 2,400 persons/hour. It substituted the original old 4-seat gondola. The 15-person gondola is design-wise and struction-wise similar to the gondola at the Chopok Mountain South. 37 cabins



by Doppelmayr transports skiers to Skalnaté pleso in seven minutes and exceeds the vertical drop of 599 m. The cableway resists winds up to 22-24 m/s. The start station of the gondola Štart - Skalnaté pleso starts at 1,170 m a.s.l., and the end station is located at 1,772 m a.s.l. The all-year most attractive cableway is still the elevated gondola to Lomnický štít which can get visitors to the top of the second highest peak of the High Tatras just in 8 minutes, and which has been in operation for 75 years now.

STARÝ SMOKOVEC

Winter Season

Starý Smokovec resort - Hrebienok and ski trails Jakubova lúka I and II with snowmaking - is oriented during the winter season on beginner skiers and families with children, as well as on alternative leisure activities, such as snowtubing, sledging on 2.5 km long sledging track and funtools - skifox, snowbike and snowcoot. A central part is a funicular. The finish station of a comfortable panorama funicular from Starý Smokovec to Hrebienok is the favorite start point for winter hikes to mountain lodges and waterfalls.

Summer Season

In the summer the resort offers attractions like summer tubing, mountain carts or trampolines. Starý Smokovec and Hrebienok are also the perfect places for hiking trips to Small or Great Cold Valley. The resort is also well known for its organization of Bear Days, the project dedicated to families with children.

Ski Trails

Ski trails in total length of 3,375 m are more suitable rather for beginners. All three trails are easy. Besides them, the resort offers the longest lit up sledge trail in Slovakia.

Transport Facilities

The resort disposes a modern funicular from Starý Smokovec to Hrebienok and two ski lifts in the area of Hrebienok and Jakubkova lúka I and II. The total transportation capacity of the resort is 2,700 persons per hour, out of which 1,600 is by funicular. Visitors can with this funicular reach the altitude of 1,272 m a.s.l., while in 7 minutes overcome the 255 m elevation from the bottom station (1,025 m a.s.l.).

ŠTRBSKÉ PLESO

Winter Season

The resort in the highest Tatra settlement on Štrbské Pleso is suited also for clients requiring the highest standard of services which this specific resort can provide its visitors. Nine kilometers of easy and moderate ski trails and more than 26 km cross-country trails are used by families with children

as well as advanced skiers. Vysoké Tatry - Štrbské Pleso provides its visitors with services such as ski and snowboard rental, ski services and ski school for beginners. The resort is well suited also for leisure skiers.

Summer Season

The resort is in summer a popular place for tourists, since it is an ideal place to start a mountain hike, or simple walks around Štrbské and Popradské pleso. After years of examining the state of Štrbské pleso was in 2008 allowed to restart operation of punt hiring which has more than 130-year tradition. There are 11 wooded punts and one sport punt anchored near newly built pier overlooking the Tatra peaks. The Mini Tatralandia park is available for the youngest clients directly under the ski-jump. For several years now Štrbské Pleso organizes a favorite sports fun event Marmots at the Lake.

Ski Trails

Ski resort in Štrbské Pleso offers its clients several trails of easy (eight trails - 3,220 m) and moderate (five trails - 5,600 m) difficulty. The resort has 8,820 meters of slopes with technical snowmaking. Part of the resort is also lit up and thus suitable for night skiing. All trails in the resort together overcome the elevation of 1,251 m and also because of high levels of real snow belong among the most popular ones.

Transport Facilities

There are eight cableways altogether, out of which there are three chairlifts, four lifts, and one moving belt with a total length of 4,964 meters in the resort. Their maximum transport capacity is 7,020 persons per hour. Two cableways are used to transport visitors towards Solisko station (1,840 m a.s.l.), one 4-seat cableway from the bottom of Štrbské Pleso (1,351 m a.s.l.) and another six-seat cableway from Furkotská dolina. The third cableway is located parallel to the ski-jump, where the other lifts are located too.

JASNÁ NÍZKE TATRY (THE LOW TATRAS)

The Low Tatras are the largest national park in our country (the Low Tatras National park - NAPANT), stretch 82 km in the middle of Slovakia. The second highest peak of the Low Tatras is Chopok, 2,024 m a.s.l. and you can get close to its summit by cableways from Liptov or Horehronie. This is also one of the reasons why Chopok area is the most visited place in the Low Tatras.

Winter Season

Jasná Nízke Tatry resort is the top ski resort in Slovakia with excellent conditions for winter sports on the both sides of Chopok. The resort offers a lot of slopes on different levels of difficulty from blue to black, as well as twelve freeride zones and a snowpark. After skiing there is an interesting

après-ski program available for both skiers and non-skiers. In the fiscal year 2011/2012 cableways to Chopok from the north and south side have been completed together with a skewed ski elevator Twinliner Biela Púť - Priehyba, which thus again after many years restored the connection between both sides of the resort. In October 2012 the Jasná resort was voted among the top 10 winter destinations in Europe by the prestigious tourist guide publisher Lonely Planet. In April 2014 Jasná Nízke Tatry was awarded five prestigious awards in the international Skiareatest in Italian Bolzano and thus succeeded among strong alpine resorts. In November 2014 during World Snow Awards in London Jasná was awarded for the category Best Up And Coming Resort. In November 2015 Jasná won a prestige prize in Kitzbühel, a "ski Oscar" in the World Ski Awards in the category The Best Slovak Ski Resort of 2015. By winning this prize, Jasná has been included among the best 24 resorts in the world.

Summer Season

The resort in the summer offers a wide range of sports - mountain carts, Tarzania, Nordic walking and a ride in the bike park on nearly 13 km of trails. The bike park on one of its four tracks of various levels of difficulty from Rovná hoľa uses natural conditions and together with wooden hurdles and landscape provides good conditions for training of professional riders as well as for less experienced or amateur cyclist and families with children. On the north and south side of Chopok for families with children there is an educational fun trail with and entertainment program- Drakopark Chopok. At Chopok South near the Kosodrevina area there is a free cableway museum Von Roll from 1954.

Ski Trails

Jasná Nízke Tatry as the largest ski resort in Slovakia is suitable for all categories of visitors. Wide range of different types of slopes lies on 91 ha of land. There are almost 49 km of ski trails. On 33.4 km of trails is built a fully automated high-pressure technical snowmaking system with 527 snow guns. There are eight easy blue trails in total length of 19,235 meters, 15 moderate red trails in total length of 17,910 meters and

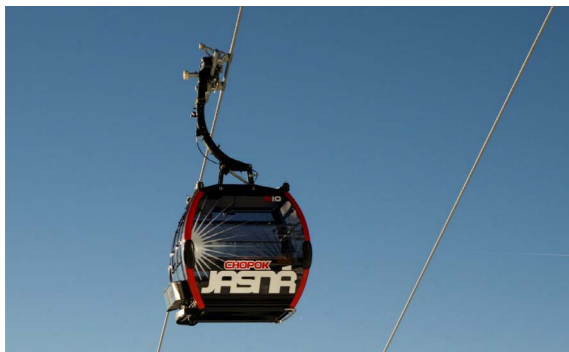
six black trails for experts in total length of 7,325 meters. In addition to these trails the resorts offer seven ski roads in total length of 4,520 meters. In the resort there are also 12 free ride zones, two cross-country skiing trails and a snow park. One trail in total of 990 meters is lit up and used for night skiing.

Transport Facilities

The resort operates 28 cableways and lifts with a total transport capacity of 32,684 persons per hour. There are three 6-seat cableways, four 4-seat cableways and one 2-seat cableway. There are also five cabin cableways - 24-seat Funitel, two 15-seat gondolas and one 8-seat gondola and 50-seat ski funicular Twinliner. For the winter season 2016/17 a new 15-person gondola was completed in the Krupova - Kosodrevina location with the transportation capacity of 2,800 persons/hour and a 403-meter vertical drop. Thanks to this gondola skiers can enjoy a comfortable ride and a smooth transfer to another 15-person gondola, which takes them all the way to the top of Mt. Chopok.

With construction of Funitel Doppelmayr 24-FUN from Priehyby to Chopok was completed the link between the north and south part of the resort as well as convenient transport from the valley station of Záhradky resort (together with 6-seat cableway) up to Chopok. Cabin cableway Funitel is one of the most advanced technologies of its kind in the world and can operate at wind speed up to 120 km/h. Specific is the mounting of the booth on two ropes with two power drives, resulting in higher safety and wind resistance. This cableway system consists of 22 cabins, each for 24 persons, which provides a total transport capacity of 2,480 persons per hour. With the bottom station at Priehyba in 1,349 m a.s.l. and top station in 2,004 m a.s.l. the cableway overcomes elevation of 655 meters at a distance of 2,130 meters. Funitel's transport speed is 7 m/s and the route itself takes about 6.5 minutes.

To the cableway from the north side is connected another cabin cableway - gondola Doppelmayr 15-MGD from the south side. This facility has its bottom station in 1,488 m a.s.l. at Kosodrevina and top station just like Funitel at Chopok in



2,004 m a.s.l. Gondola enables operation at wind speed up to 90 km/h and has the maximum slope of 74.91°. Total length of its track is 1,433 m with an elevation of 516 m. With the speed of 6 m/s the route takes 5.44 minutes. Total transport capacity with its 18 booths, 15 seats in each, is 2,800 persons/ hour.

Connection to the bottom station of Funitel is provided by another novelty in Slovakia, skew lift Twinliner 50-SSB from Doppelmayr. This new cableway enables clients to get from Biela Púť to the bottom station of Funitel even in unfavorable weather, when other cableways do not operate. The cableway consists of one 50-seat wagon which travels for four minutes in 2 m/s. The total transport capacity is 324 persons per hour. The wagon moves on rails and is pulled by a tow rope. The entire track is built on 26 supports above ground.

The last three cableways were in mountain conditions in Slovakia used for the first time in the winter season 2012/13 and the 15-seat gondola is also the first one with its special design.

SZCZYRKOWSKI OŚRODEK NARCIARSKI (SON)

SON) is located in the Polish Beskid Mountains near the town of Szczyrk. The resort offers skiing possibilities on 65 hectares of perfectly laid-out and long trails. The longest trail is 5.3 km long. TMR plans to modernize and expand the resort and invest here more than EUR 30 million in medium term.

■ Dining

TMR operates the following dining facilities and après-ski bars:

VYSOKÉ TATRY:

Café Dedo 2,634 m a.s.l.

Stylish cafe with a panoramic terrace at the second highest peak in Slovakia is called Café Dedo. Its name is related to



Lomnický štít which has always been called Dedo. Café is also a good place for private social events at the highest level.

Restaurant Skalnaté pleso 1,751 m a.s.l.

Restaurant with one of the highest elevation points in the High Tatras. Its 250 seats sunny terrace provides beautiful panoramic views of the surrounding peaks and mountain trails as well as of the steepest slope in Slovakia, Lomnické sedlo.

Restaurant Pizza & Pasta 1,145 m a.s.l.

At the mid-station Štart half way to Skalnaté pleso there hides a restaurant with Italian cuisine as well as with traditional Slovak meals. The restaurant is in operation the whole winter season. In the evening, this place offers an evening full of culinary experiences with an interesting program.

Après-Ski Bar Tatranská Lomnica 850 m a.s.l.

The greatest après-ski bar in the Tatras and in Slovakia at the bottom station of the lift in Tatranská Lomnica offers skiers refreshment and entertainment not only during skiing. During the summer the 158-person après-ski bar provides a kids' play room for families with children and a chill zone.

Restaurant Hrebienok 1,280 m a.s.l.

A popular spot with a sun deck directly in Mountain hotel Hrebienok offers traditional fast food and snack, alcoholic and non-alcoholic beverages.

Old Štart Burger 1,173 m a.s.l.

The old cableway station Štart has a fully renovated interior. The history of the building is exhibited in the wall pictures. The restaurant's exterior is original with the original sign ŠTART. A sun terrace with sunbeds enables relaxation. The menu includes hamburgers and a wide range of beverages.

Restaurant Slalom - Štrbské Pleso 1,400 a.s.l.

A modern cafeteria in Štrbské Pleso right below the Interski trail at the start station of the cableway to Solisko- Expres catering national and international cuisine. The spacious and sunny spot also provides a unique view of Front Solisko.





Pizza Snack Bivac- Solisko 1,840 a.s.l.
A pizza and snack restaurant with a sun deck offering panoramic views of the valley, Štrbské pleso, Mt. Kriváň, or the Low Tatras.

JASNÁ NÍZKE TATRY:

Restaurant & Club Happy End - Biela Púť 1,117 m a.s.l.
A stylish mountin ski-in ski-out restaurant Happy End, is an ideal center of nightlife and winter club season in Liptov with a years-long tradition. During the day it offers a quality restaurant with a capacity of 500 persons, après-ski entertainment after skiing and at night the greatest disco in the region with live concerts and the capacity of 1.000 guests.

Bernardino Burger Restaurant - Brhliská 1,423 m a.s.l.
This restaurant offers a great burger menu, salads and desserts and is located at the top point of a Grand Jet cableway, where an easy - so called blue, trail starts. For parents with children is available the largest children’s room on the slope.

Von Roll Restaurant - Luková 1,670 m a.s.l.
The observation a la carte restaurant and a self-service restaurant Von Roll is built in a historic building in the ski lift station of Luková. Historic features and furniture remained even after the reconstruction and thus give the Museum Restaurant an unusual atmosphere. In the winter it provides unique culinary experiences as Tatra Dinner of Experiences.

Après-ski Bars
Après-ski bars in the resort offer daily snack on the slope, regular events, great music, drinks and competitions. Après-ski bars are the meeting points for skiers directly on the slopes and a place for a quick snack.

CHAMPAGNE BAR Happy End - Biela Púť 1,117 m a.s.l. - the only bar on the slopes that offers genuine champagne and the widest selection of wines and sparkling champagnes.

FUNIBAR - Priehyba 1,349 m a.s.l. - new après-ski bar at Priehyba, at the entrance station of FUNITEL with opening glass roof and cupola. It is one of the first of its kind in Central Europe.

SNOW BAR - Zadné Dereše 1,440 m a.s.l. -is a place for snack at Chopok South.

Après-ski bars at base stations Záhradky - FIS BAR 1.028 m a.s.l., Biela Púť, Happy End - 1,117 m a.s.l. and the après-ski bar Lúčky - 943 m a.s.l. are the natural gateways to the ski resorts.

Après-ski bar Krupová 1,084 m a.s.l. - is an addition of

the winter 2016/17, located at the new 15-seat gondola Krupová - Kosodrevina on the south side of Mt. Chopok.

Snack Bar - Rovná Hoľa 1,491 m a.s.l.
Snack Bar Rovná Hoľa has a superb location with convenient access for skiers transported by the 6-seat cableway from Záhradky.

Rotunda Restaurant - Chopok 2,004 m a.s.l.
A reconstructed viewpoint restaurant with a 360-degree panoramic view located at 2,004 m n.m. at the top of Chopok Mountain with a capacity of 100, five apartments, and a sunny 200-person terrace. It is Located at the exit station of Funitel and 15-seat gondola. Rotunda Restaurant offers a magnificent view of the High and West Tatras and Horehronie. The Rum Bar with the highest altitude located in Rotunda offers visitors 61 world-famous brands of rums. In Rotunda’s foyer there is the 60-person self-service Energy Bar.

Restaurant Kosodrevina - Kosodrevina 1,494 m a.s.l.
Restaurant is popular mainly due to its spacious and sunny terrace facing south. A part of this restaurant is a mini museum - Cableway operator’s room, which is devoted to the cableway and all the visitors of mountains.

TATRALANDIA:

Paradiso Restaurant
A tropical restaurant with a 200-person capacity, located in the heart of Tropical Paradise Tatralandia. Culinary cuisine with exotic and grilled dishes, or homemade pasta set in a unique interior with tropical flora.

Barbados Bar
A bar located among four pools with clear and sea water with a wide range of tropical mixed drinks and fresh lemonades.

Zbojnícka koliba
Offers various traditional dishes in the surroundings inspired by a Liptovian village within Holiday Village Tatralandia.

Marina Bar
A stylish marina bar next to a pirate ship in Tropical Paradise caters creative variations of fresh-baked pies, ice cream desserts and smoothies.

Medrano
An outdoor terraced 400-seat summer restaurant Medrano in Tatralandia has a unique yacht-shaped roof design with views of Liptovska Mara and surroundings. The stylish joint offers traditional cuisine with fresh salads and desserts.

■ *Sports Services and Stores*

Ancillary services and sports retail stores are run under the Tatry Motion brand, which provides synergic effects and allows them to be easily identified. A chain of stylish stores offers trendy fashion of different brands.

The chain of stores in the High Tatras consists of three operations in Tatranská Lomnica - New Shop, Intersport Rent, and Shop Grand; one in Starý Smokovec in the building of railway station- Shop Starý Smokovec; Shop Hrebienok at the exit station of the funicular at Hrebienok; and two in Štrbské Pleso - Intershop Rent and Vist Fashion.

In Jasná Nízke Tatry Tatry Motion stores are located at Záhradky- Drive In Shop & Rental Záhradky and at Biela Púť there is Shop, Rental, Peak Perfomance Shop, and Souvenir Shop Priehyba. A part of the store is also a reservation point for services of ski school. The location near Grand Jet cableway includes a store with luxury clothing Vist Shop. In the area of Hotel Grand there is Grand Shop, at the top of Chopok Mountain there are Souvenirs at Demian’s, and at Chopok South there are Shop & Rental Srdiečko and Shop & Rental Krupová. Some of the stores also include ski rentals and service stations. The services were expanded by Test center Völkl Lúčky.

In Aquapark Tatralandia there are four stores offering souvenirs and specialized summer and sports merchandise - Paradiso Shop, Aquashop, Exit Shop, and Surf Shop. FITBAR in Liptov Arena is a mix of a sports store and a sports refreshments stall.

■ *Leisure Parks*

AQUAPARK TATRALANDIA

Aquapark Tatralandia with lodging facility Holiday Village is one of the largest all-year aquapark in Central Europe. It offers its customers 14 pools and 26 waterslides, out of which ten are all-year and five are summer ones, as well as sauna world and Wellness Paradise. Fun Park Tatralandia is also located within the aquapark. The year-round indoor shell-shaped facility Tropical Paradise with a sea water pool, a unique roof deck allows sunbathing and provides a snorkeling pool with authentic coral reefs and marine life. New for the summer 2016 was the launch of an indoor simulator, Surf Waves Tatralandia, which utilizes the technology of an artificial river creating waves similar to ocean. The unique Hawaii complex includes four lanes of 68 square meters. The new attraction guided by experienced instructors is suitable for age groups 6 and over.

SILESIAAN AMUSEMENT PARK (ŚLĄSKIE WESOŁE MIASTECZKO)

Silesian Amusement Park near the Polish town of Chorzów is the largest and oldest theme park in Poland. It was launched in 1959. It spreads on the area of 26 ha. It is located in the upper Silesian industrial district with its unique ‘green oasis’ of Silesian Park (Park Śląski). Airplanes hung on a 4530-meter tower are the park’s most popular attraction. Since 1985 the ‘Russian wheel’ has been in operation, which gives a view of whole Silesia. In 2007 an 2118- meter high roller coaster ride was added. There are 5042 attractions in the park. TMR owns a 75% share of the park and has been operating it since May 2015. TMR has committed to invest PLN 120 mil. (EUR 30 mil.) into modernization of the park in the course of five years.

Current Information on TMR Mountain Resorts as of the End of Fiscal Year 2015/16

	Length of trails (m)	Capacity (persons/ hour)	Trails with technical snowmaking (m)	Number of cableways/ lifts	Snowmaking units
the Low Tatras	48 990	32 684	33 450	28	527
Jasná Nízke Tatry	48 990	32 684	33 450	28	527
the High Tatras	24 325	20 615	20 385	20	284
Tatranská Lomnica	12 130	11 645	10 540	9	227
Starý Smokovec	3 375	2 700	1 025	3	0
Štrbské Pleso	8 820	6 270	8 820	8	57
The Polish Beskid Mountains	25 000	8 700	11 000	13	15
SON	25 000	8 700	11 000	13	15
Total	98 315	61 999	64 835	61	826



II. HOTELS

Within the Company, TMR in its hotel segment currently owns and operates portfolio of nine renowned hotels and lodging facilities in the High and Low Tatras, in categories ranging up to four stars, and leases three hotels and lodging facilities to third parties. All hotels operated by TMR offer together more than 2,000 beds. The hotels can please a wide spectrum of clients from individuals and families to corporate clientele. Hotel facilities offer a suitable place for conferences and business meeting effectively covering the off-peak season.

THE HIGH TATRAS

Grandhotel Praha**, Tatranská Lomnica**
125 rooms, 236 beds
It is situated in the center of Tatranská Lomnica, at the foot of Lomnický štít, in the heart of the High Tatras. Its history dates back more than 110 years, since the grand opening in 1905. The wellness center Grand Mountain Spa combines local spa tradition with healing effects of the Tatra’s nature.

Grandhotel**, Starý Smokovec**
75 rooms, 147 beds
From the point of view of history, location, or architecture this Grandhotel is justly considered one of the most prestigious hotels not only in the High Tatras, but also in Slovakia. Its unique vintage ambiance is attractive for its traditional Austrian-Hungarian cuisine and views from its spacious Art nouveau rooms.

Hotel FIS*, Štrbské Pleso**
80 rooms, 194 beds
Mountain ski in - ski out Hotel FIS is located right below the FIS slope, in the center of a sport area at Štrbské pleso. The location is its main competitive advantage. The first truly dog-friendly hotel in Slovakia is located in the elevation of 1,346 m. The hotel with its own sports arena and a pro fitness center also offers a natural wellness & spa designed in a mountain-meadow style.



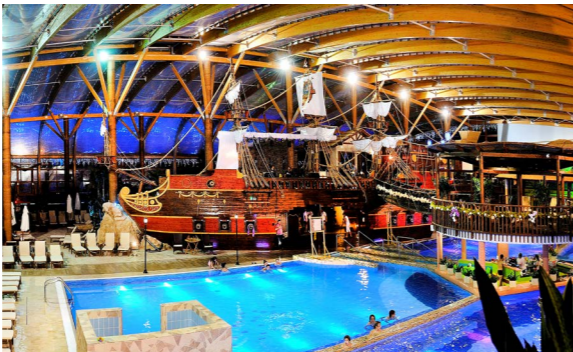
Mountain hotel Hrebienok
40 rooms, 61 beds
A hotel with a unique location at the foothill of Slavkovsky peak in the tourist trails hub at Hrebienok. The hotel is accessible from Stry Smokovec by a funicular (7 minutes), by foot via the green tourist track, or via a paved road (45 minutes). Elevated at 1,285 m a.s.l. the hotel offers 40 simply and economically equipped tourist rooms in lower standard with bathrooms and a dining facility.

THE LOW TATRAS

Hotel Tri Studničky **, Demänovská Dolina**
36 rooms, 100 beds
Its architecture and layout of exteriors and interiors complements the surrounding mountain environment and the panorama of local mountains. It is located in a beautiful forest area near a mountain stream. In 2010 new conference rooms with attractive views of a mountain stream were added, as well as a renovated wellness center with the first beach in the Tatra Mountains. These services complete the gap in the offer of this authentic boutique hotel.

Wellness hotel Grand**, Jasná**
157 rooms, 311 beds
This mountain hotel is situated in the center of Jasná, at 1,100 m a.s.l., right near the start station of the 8-seat cabin cableway Grand Jet. Its ski in-ski out location is exceptional, as well as the renovated wellness center or a multipurpose conference hall with a 350-person capacity. This kids friendly hotel is well-suited for families with children.

Chalets Jasná de Luxe ****
16 chalets, 32 apartments, 128 beds
Luxury apartments in the style of French alpine lodges provide a 4-star hotel quality. Their strategic advantage is their ski-in ski-out location directly on the slope at Záhradky (18 apartments) and at Otupné (14 apartments)



III. REAL ESTATE

and their provision of premium services. Each chalet has two apartments, each with two separate bedrooms. Guests can visit a private spa in the basement of some chalets.

Hotel Srdiečko**
45 rooms, 125 beds
A ski-in ski-out hotel with an unbeatable ski in-ski out location, directly below the slopes in the resort of Jasná Nízke Tatry - Chopok South. A friendly ambiance and a homey feel surrounded by nature in a less busy area of Jasná, equipped with a new wellness center, saunas, and an open-air jacuzzi.

Hotel Rotunda
3 rooms,12 beds
Located at the top of Chopok Mountain in the Low Tatras at 2,004 m. Hotel Rotunda is a part of the renovated facility Rotunda, which connects the north and south side of Chopok Mountain with cableways The ski in ski out hotel with the highest elevation offers lodging for the most demanding clients that want to enjoy a top experience in comfort and seek out an absolute escape. The hotel includes a panoramic restaurant Rotunda with Slovak and world cuisine, Energy Bar with quick snacks, and Rum Bar with a selection of specialty world rums.

Holiday Village Tatralandia
155 rooms and apartments, 700 beds
It is a unique lodging resort of its kind in Slovakia in the vicinity of the Aquapark Tatralandia. It consists of 155 stylish bungalows and apartments, divided into 11 theme villages, with reception, restaurant and other hotel services. This complex offers an ideal environment for family or individual holiday any time of the year. It offers plentiful activities, such as sports facilities, playgrounds, game zones, bonfires.



The goal of this segment is to develop infrastructure and construction activity in the mountain regions. In its realization the Company plans to capitalize on the unique location in the High and Low Tatras region. TMR’s strategy in this segment is mostly development, construction, and sale of apartments and non-housing areas. Currently, construction of Chalets Jasná de Luxe Center and the first stage of a square in front of the music club Happy End are underway. Alongside these projects necessary infrastructure is being built for the natural development of tourism in the following areas - cableways, infrastructure, trails, information signs, etc. TMR is not planning any green-field projects (on undeveloped land). It focuses solely on traditional, urban areas, where sport and tourism have been part of history for decades.

The Company within the Real Estate segment owns and leases out hotels Liptov**, SKI hotel**, Kosodrevina Lodge, and lodging facility Otupné in Jasná. Since May 2013 TMR has been offering bungalows in Holiday Village Tatralandia for sale. So far revenues from the Real Estate segment have come mainly from the hotel leases, and the segment achieves gain on sale of bungalows Holiday Village Tatralandia and sale of apartments Chalets Jasná de Luxe.

Chalets Jasná Otupné
Chalets Jasná de Luxe Center consists of thirteen newly built deluxe chalets directly on the slope of Otupné in the Jasná resort. In each chalet there are two apartments, joined with an optional living room door. Each chalet includes a spa. For property owners TMR provides facility management and sale of vacant capacities.





Strategy

VISION

By capitalizing on our position of a natural monopoly due to the unique position of the Tatras, to become a premier, internationally renowned tourism services provider striving to revive mountain resorts, aquaparks, theme and amusement parks in the region of Central and Eastern Europe from the investment, sports, cultural, and social point of view.

MISSION STATEMENT

TMR’s mission is to provide services in tourism at a constantly increasing level, in particular through business activities divided into three key segments - Mountains & Leisure, Hotels, and Real Estate, where the Mountain & Leisure segment covers operation of mountain resorts, an aquapark, a leisure park and additional services throughout the year. The Company plans to fulfil its mission through synergies leading to a complex satisfaction of both, its clients and shareholders.

COMPETITIVE ADVANTAGE

As opposed to other operators of mountain resorts and tourist services in the region of Central Eastern Europe, TMR holds a position of natural monopoly due to the unique geographical location of TMR’s key mountain resorts in the highest mountain range in the region - the Tatras. This advantage predetermines them to be premier tourist destinations in Central and Eastern Europe. Besides the attractive mountain environment, the following facts form the competitive advantage for TMR:

- There are more than 7.5 million people living within 200 km of the Tatras - a client base with a long term tradition of visiting the Tatras.
- The Poprad Airport ensures easy access by air from key European cities outside the mountainous area, e.g. London, Warsaw, Riga, Tel Aviv, and by charter or private flights from summer destinations, such as Turkey, Bulgaria, Greece, and Albania.
- To the east of the Tatras there are ski resorts with only limited comparable services.
- The high altitude provides a competitive advantage for TMR, comparing to other resorts in the region, since it significantly mitigates the risk of unfavorable weather as a result of global warming.
- TMR is able to capitalize on intra-segmental and intra-subsegmental synergies in sales, purchase, operations, and support areas of the Group.
- TMR’s business model is well diversified with revenue generation from mountain resorts, leisure parks, hotels and complementary services

- TMR mitigates the risk of seasonality with its summer season comparably strong to its winter season thanks to its summer cableway operations and summer activities, popularity of hotels in the mountain resorts, the summer operation of Silesian Amusement Park, and the all-year operation of Aquapark Tatralandia

BUSINESS STRATEGY

The long term strategic goal of the Company for the next ten years is to gain a leading role in winter and summer tourism in the region of Central and Eastern Europe. Leadership in the area of tourism provides TMR with the ability to set trends and standards in this industry. At the same time it leads the Company to differentiation. As a result, TMR works on offering premium services for reasonable prices in comparison with other similar resorts in Europe. A wide spectrum of services and their quality are the key for the Company’s direction. This goal is based on three pillars, which are highly interconnected:

PILLAR 1: INCREASING QUALITY WITH INVESTMENTS

By the end of 2016, for the last ten years TMR had invested in its resorts and hotels around 230 million euros. As a result of these investments, the services provided by TMR in the High and Low Tatras improved significantly. TMR resorts thus reached the level of Alpine resorts, and increased their leading position in the region within the industry. Investments completed in the last ten years include eleven new cableways, which means an increase of the transportation capacity by 59%; extension of technical snowmaking by more than 100% to total of 54 km of ski trails with snowmaking and 811 snow guns; ski trail areas larger by 46%, in total length of 73 km in both the High and the Low Tatras; or tens of après ski bars and restaurants on the slopes of the ski resorts. Other investments were aimed at improvement and renovation of accommodation capacities, and enhancement of infrastructure in all the resorts and at enhancement of services and operations, such as the Tropical Paradise in Aquapark Tatralandia.

In the following periods TMR plans for its resorts in the Slovak Tatras to grow organically and capitalize on the completed investments. Future CAPEX in the Slovak resorts will mainly cover maintenance investments and investments into additional enhancement of services provided, tailored to customers’ needs, such as lodging facilities, après-ski and dining options, and other complementary services. As for investments into development of the newly acquired assets, the same as in Slovakia, TMR plans to develop “The New Era of SON

and Silesian Amusement Park”. TMR plans to get the Polish SON resort to the level of its Tatra resorts. In the medium term TMR committed to modernize and expand the resort by investing over EUR 30 mil. there. At the same time, since the operations takeover in May 2015 Silesian Amusement Park is undergoing a five-year modernization project with the budget of EUR 30 mil.

PILLAR 2: STRATEGIC ACQUISITIONS AND EXPANSION OF OPERATIONS IN CEE

After fulfillment of the primary vision of - New Era of the Tatras - in 2012/13, TMR currently concentrates on strategic acquisitions of ski resorts and amusement parks on the local market, as well as on the international level, namely in the region of Central and Eastern Europe. The most recent addition to the Company’s portfolio was Silesian Amusement Park in Poland in May 2015. Other key acquisitions include the ski resort Szczyrkowski Ośrodek Narciarski (SON) in the Polish Beskids from March 2014 or Holiday Resort Tatralandia, acquired in April 2011, which includes Aquapark Tatralandia and Holiday Village Tatralandia. Strategic expansion of the operations on the neighboring Czech market includes an indirect minority interest in Melida a.s., the operator of the Špindlerův Mlýn resort. In 2013 TMR founded a Polish company - Korona Ziemi Sp. z o.o. - together with the Polish town of Zawoja as part of establishing TMR’s presence on the Polish market.

PILLAR 3: CONSTANT OPERATIONS & SERVICES ENHANCEMENT

Management wants to achieve intensive growth of the number of visitors primarily by intensive customer orientation. Strategic steps to achieve this goal include increasing the variety and quality of the services provided. TMR expands the scale of attractions offered

and improves the quality of ski schools, ski equipment rentals, and dining facilities on slopes. Moreover, it continuously improves the offer of après ski possibilities. The Company also tries to optimize transport possibilities to its resorts and cooperates with local business entities on the level of regional clusters. TMR prefers to cooperate rather than compete with them; it wants to build on their success and provide their customers easy access to its nearby mountain resorts and leisure parks and a variety of attractions for children, adrenalin sports for the young (e.g. bike parks), and relaxation zones. Regarding accommodation possibilities, TMR focuses primarily on four-star hotels and improvement of their wellness and dining services. Other strategic steps include focus on affluent clientele, essential quality of management and staff, and a sophisticated marketing strategy. Another key to TMR’s growth is innovation. In regards to that, TMR acts as the trendsetter in tourism. The loyalty program GOPASS enables its customers to shop online or via a mobile app and to collect points in its facilities by using its services and pay bargain prices, and at the same time, GOPASS serves as TMR’s Customer Relationship Management and Direct Marketing tool. This loyalty program was awarded in 2015 at The Loyalty Awards in London, where it won in categories: the Best loyalty programme of the year in the travel sector (airlines, hotels, destinations); the Best loyalty programme of the year in Central and Eastern Europe; and the Best Customer Relationship Management (CRM) in a loyalty programme for Direct Marketing. Within this pillar TMR fully utilizes synergic effects among its segments and subsegments, thus it is able to constantly optimize services it provides, as well as to keep expanding its variety of products and services, e.g. an option to use services of several mountain resorts and the aquapark with purchase of just one ticket.

Increasing quality with investments	Strategic acquisitions and expansion of operation in CEE	Constant operations & services enhancement
<ul style="list-style-type: none">■ EUR 230 million over 10 years■ New modern cableways■ Renovating hotels■ Expanding resorts■ Capitalizing on completed investments■ Modernization of SON, and Silesian Amusement Park	<ul style="list-style-type: none">■ Aquapark Tatralandia 2011■ Špindlerův Mlýn ski resort(9.5%, CZ)■ Korona Ziemi (7%, PL)■ SON ski resort, PL 2014■ Silesian Amusement Park (75%, PL) 2015	<ul style="list-style-type: none">■ Enhancing customer experience through synergies■ Focus on affluent clientele■ Trendsetter in the region■ Quality management■ GOPASS loyalty program and e-shop■ Innovative technologies



TMR'S ACTION PLAN FOR 2015/16 INCLUDED THE FOLLOWING STRATEGIC STEPS:

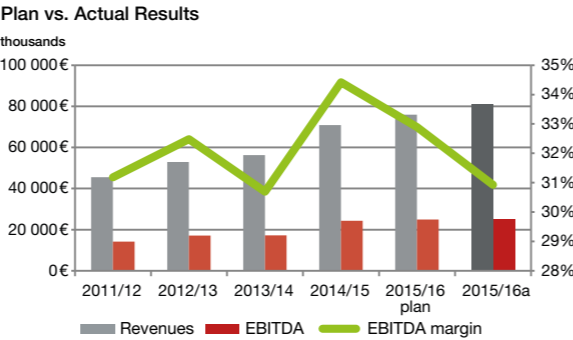
- Grow our loyal customer base through our GOPASS program and utilize GOPASS as our Direct Marketing tool
- Continue the project of modernization of Silesian Amusement Park
- Progress in the project of modernization of the Polish SON resort
- Continue to analyze acquisition targets on the regional market in tourism
- Continue to enhance and expand lodging and dining options in TMR's resorts
- Expand après-ski options on the slope and ancillary services in the resorts
- Actively increase visit rate and popularity of the resorts by organizing sports and outdoor events in the resorts; strengthen and support the resorts' brand by selecting specific events related to each resort's character perceived by the clients (families with children, sports, culture...)
- Continue to enhance ski trails and equipment in TMR mountain resorts and its hotel facilities
- Continue in utilizing synergies among segments and subsegments in sales, operations, purchase, and support services.
- Utilize synergies stemming from the cooperation with Gino Paradise Bešeňová.
- Continue in cooperation with lodging providers and other business partners in the Tatra region, in form of marketing of the region, and stay packages.

Management expects that the impact of these strategic steps will be gradually reflected in the Company's results, and mainly the impact of already completed capital investments of prior years in the total of EUR 230 mil.

FINANCIAL GOALS

For the past fiscal year the Company set goals of a stable growth in operating revenues and operating income.

The short term goal for 2015/16 included a growth in operating revenues of 7.2% and a growth in EBITDA of 2.4%. This financial plan was introduced at the Annual General Meeting on April 28, 2016. The growth was planned gentler than in the prior year, which was successful in terms of favorable weather conditions, the resorts' visit rate, the hotels' occupancy, and the season's length. Despite the fact, that the past winter season 2015/16 was one of the warmer ones and weaker in snowfall, TMR achieved, even exceeded its financial plan 2015/16. TMR concluded the year with revenues 6.8% over the plan, whereas EBITDA (earnings before interest, taxes, depreciation and amortization) slightly exceeded the plan by EUR 111 ths. (0.4%).



MARKETING STRATEGY

MARKET SEGMENTATION

TMR's client base is, besides customers from Slovakia, based mostly on visitors from neighboring countries, such as Poland, the Czech Republic, Ukraine, and Russia.

The natural market of the Company is in the regions within 200 km radius inhabited by 7.5 million people. This radius includes cities, such as Krakow and Katowice in Poland, as well as Czech cities Ostrava and Olomouc. From the geographical point of view there are other, further markets with limited access to mountains, such as Great Britain, Ireland, Russia (Moscow and Sankt Petersburg), Ukraine, and Baltic countries. Clients from the first group come by cars or buses, while the second group uses air transport.

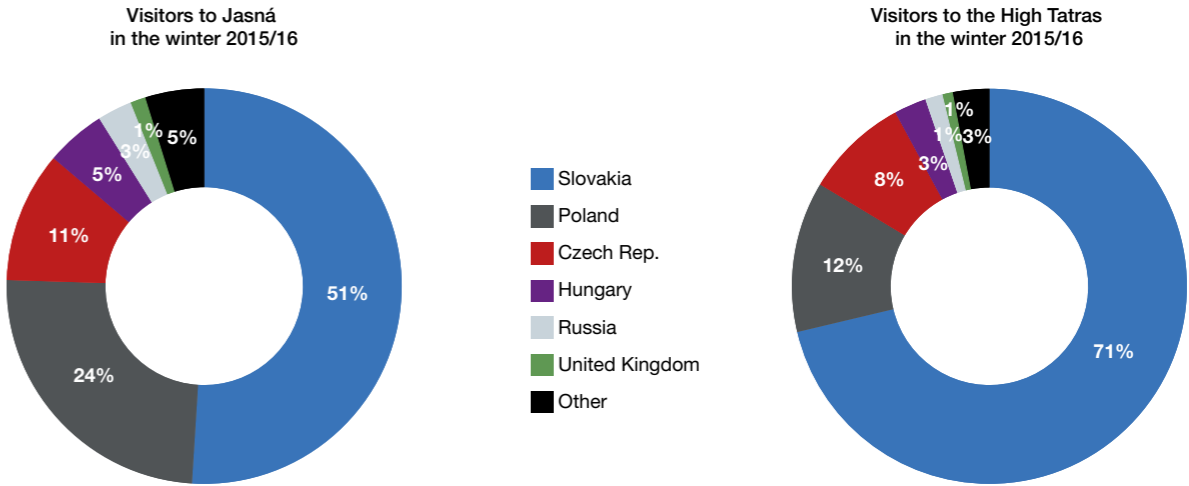
The Company also divided potential target groups into the following categories:

- affluent clients
- mainstream
- low-cost clients

The main marketing goals of the Company include clear brand placement on the market by segmentation of clients and focusing of particular marketing strategies on these specific segments that would lead to maximum synergy of all brands covered by TMR. The Company at the same time assumes shift of clientele structure towards affluent clientele generating the highest revenues and focusing at products and services with the highest added value.

COMMUNICATION OF STRONG TMR BRAND

Preferred goals of the TMR marketing include building of the TMR brand awareness by constant communication of image, integrated product communication with the



TMR brand, setting communication of the Company and all brands that the Company covers in order to reach maximum synergy (cobranding); and by strengthening positive and managed PR and attractive adventure tourism - through event management. In order to create awareness and build a strong company brand, a useful fact without a doubt is that TMR is a publicly traded company listed on the stock exchange in Bratislava, Prague, and Warsaw; it is the strongest player in tourism in Slovakia, or even in Central and Eastern Europe, providing full service resorts or destinations with a high level of service in the region of the High Tatras, Low Tatras, Liptov, the Polish Beskids, Silesia, and the Krkonoše Mountains in the Czech Republic.

MARKETING ACTIVITIES

The Company is using a massive marketing communication in all basic types of media - Internet, television, radio and press, and also outdoor advertising in several forms - bigboards, atypical premium billboards placed on walls of buildings in big cities and on main roads, citylights, bus banners and the like.

As for the Slovak market, also last year TMR cooperated on commercials and sponsored content in the form of product placement Divano; in the form of real-time marketing on the TV show The best weather forecast of TV JOJ, in which throughout the whole winter season live images were used from the mountain resorts Jasná Nízke Tatry, Tatranská Lomnica and Štrbské Pleso. Advance sale and mountain resorts spots were broadcasted in radios (Rádio Expres, Funradio, Rádio Jemné, and Rádio Anténa Rock). Cooperation in the form of spot campaigns continued with Rádio Anténa Rock and Rádio Jemné during the winter and summer season. Real-

time marketing broadcasted the actual conditions in the mountain resorts and Aquapark Tatralandia.

As for print media, the Company advertised in the daily Pravda, massively in weeklies of the 7PLUS publishing house, but mainly in the weekly Plus 7 dní. 300 thousand coupons with the opportunity to experience Aquapark Tatralandia for a more advantageous price were inserted in the weekly Plus7dní and the magazine Báječná žena. The Company's offer also has a very intensive presentation through a not-for-sale image magazine called TATRY MAGAZÍN, which is available in accommodation facilities and tourist facilities as the only lifestyle magazine about the life in the Tatras.

In addition to the above-mentioned advertising campaigns, TMR Marketing Department also performs other, no less important activities such as active participation in exhibitions and fairs, cooperation in destination management with entities operating in the region, such as the active Liptov Cluster and several district tourism organizations in the regions or the Slovak Tourist Board (SACR). Also cooperation with single district tourism organizations, the origin of which was supported by the Tourism Act, and active subsidy policy of the state in relation to the creation and execution of marketing campaigns for regions and creation of regional products supporting tourism, are important for TMR.

USE OF INFORMATION TECHNOLOGY AND INNOVATIONS

TMR also keeps in mind the use of innovations and continually improves its communication also via information technology. TMR communicates and informs



via individual resort and hotel websites, via the corporate website www.tmr.sk, www.gotatry.sk, or via the e-shop www.gopass.sk. In Poland TMR communicates via the SON resort’s website www.szczyrkowski.pl and via www.wesole-miasteczko.pl. All TMR hotels communicate with their clients also via a unified website www.tmrhotels.sk. In the past period TMR launched a mobile app, GOPASS, which enables customers to purchase ski passes, entry tickets, and other services directly at resort’s entry gate. This app helped to boost online ski pass sales in terms of skier days by 56% in the Slovak resorts.

The Company uses social networks for communicating with clients on a daily basis. In the Company’s key markets (Slovakia, Poland and the Czech Republic), Facebook is number one in social networks and, therefore, TMR puts emphasis on the development of a wide fan base. At present, the following resort profiles are administered (fan groups) - JASNÁ Nízke Tatry, Vysoké Tatry - The Adventure Mountains, Aquapark Tatralandia, Szczyrkowski Ośrodek Narciarski, Śląskie Wesole Miasteczko, Tatry Mountain Resorts, a.s. and smaller profiles of individual projects - Tatranská divočina, Happy End Jasná, Liptov Arena, Events in Tatras and TMR hotels, Bernardino Burger Restaurant, Burton snowpark Jasná, Rocky Mountain Bike World Jasna, Hotel Srdiečko, Nízke Tatry; Après-ski bary Jasná, Tatry Motion, Grandhotel**** Starý Smokovec, Vysoké Tatry; Hotel Fis***, Štrbské Pleso; Hotel Tri Studničky****, Nízke Tatry; Rotunda, Grandhotel Praha****, Vysoké Tatry; Hotel Grand****, Jasná-Nízke Tatry, Holiday Village Tatralandia, Chalets Jasná de Luxe, and FUN ZONE Jasná, and Centrum Górskie Korona Ziemi, and other. For marketing purposes the Company also utilizes social networks Twitter, LinkedIn, Instagram, or a YouTube channel.

The Company’s Marketing Department is continually improving the quality of live video transmissions and online information from individual resorts that are available on the Internet and thanks to which clients can get a better idea of actual conditions in the resorts. Information about changing snow conditions and operation of resorts is published online from each communication point, on both own and external web portals several times a day. Current information about the resorts is provided on LCD monitors in hotels, LCD screens in the resorts, or the dispatching center radio in Jasná Nízke Tatry during the winter season.

MARKETING ACTIVITIES ON INTERNATIONAL MARKETS

The Polish market is the most important foreign market for TMR. And that is the reason why we pay Poland special attention also in terms of marketing strategy and communication. In the past year 2014/15, the campaigns used the key visual “ZaPrzyjemność”, which was aimed

at potential clients at www.gotatry.sk, as well as on other web sites of each resort. As for Tatralandia, the focus was aimed at a varied offer during summer and at the key visual “Tatralandia - Morze atrakcji w Tatrách”. As for Baltic campaigns and campaigns for the UK market, the website www.gotatry.sk was used. The Company was also using Internet marketing tools such as YouTube, Facebook, Google Adwords campaigns, which together with classic media such as exterior advertising space, TV, radio and PR sports reported millions of views just in the winter alone. Advertising was also aimed at print media and a PR campaign. Communication with more distant markets is facilitated mainly through foreign tourist agencies, although smaller campaigns have already been carried out also in Russian-speaking countries.

MARKETING OF THE POLISH RESORTS

In 2015/16 first major marketing efforts of the Polish resorts were initiated, mostly for Silesian Amusement Park. In the first half of the summer season outdoor advertising campaigns were launched, as well as online and PR campaigns focusing mostly on the Silesia region - surroundings of Katowice. Events were held, the goal of which was to attract new clients and present new attractions.

DIRECT MARKETING

TMR is currently actively using Direct Marketing also in the GOPASS program. As of the end of the fiscal year, more than 391 ths. members in total were registered in the program, whilst during the year 132 ths. new members joined the program in Slovakia - a 51% increase. In the online presale during April through the end of October 2016 16,332 season passes “Smart Pass” were sold at a special rate, which is 86% more than in the year before.

In 2015/16, the total budget of EUR 2 million was used for the Group’s marketing activities in Slovakia and EUR 230 ths. in Poland.

EVENT MANAGEMENT

The Tatras have become a place that never sleeps also thanks to the opening of new centers of après ski entertainment and night life. Restaurant & Club Happy End in Jasná with an offer of après ski program is also an ideal place for organizing various events mainly during the winter season. The most important events in Jasná include Winter Music Opening, CGC Jasná Adrenaline (world freeride race), and Bikini Skiing (traditional spring downhill race). The High Tatras events include Snow Dogs (Snežné psy) (a grand winter event for families with children in Tatranská Lomnica), and the most visited

event Bear Days (Medvedie dni) (a grand summer event for families with children taking place at Hrebienok), or Marmots at the Lake.

OUR EVENT MANAGEMENT ACTIVITIES DURING 2015/16 IN SLOVAKIA

November 2015

Since November 29, 2015 till April 17, 2016 the Tatra Ice Dome was open to public, built with 70 tons of ice. Its core Baroque style intrigued 218 ths. visitors during its 137 days of operation. This most popular Tatra attraction was built by seven sculptors and six assistants. This activity was made possible thanks to the cooperation of TMR with the District Tourism Organization (DTO) the High Tatras Region.

December 2015

On December 5 the grandest winter season launch on the snow - Winter Music Opening Hollywood Edition- took place. Besides a sports race and an evening party, skiers enjoyed the first official skiing on the north and south side of Mt. Chopok. The popular show Diamonds Fight Night in Aquapark Tatralandia’s Liptov Arena attracted many viewers. In 13 matches according to the rules of K1, kickbox, box, and MMA female fighters competed as well. Three unforgettable evening experiences - Sky of Stars Dinner at Hrebienok - kicked off on December 30 and ran through February by the moonlight at the eleven of 1,751 meters Visitors of Tropical Paradise Tatralandia wished each other Happy New Year 2016 at the New Year’s Eve party in the swimming pools.

January 2016

On January 2 Jasná hosted a fun downhill race on plastic bags, Speed Bag Race, with lots of competitions and entertainment. During January 28 - 30 the a la carte restaurant Von Roll Lukova, set at the highest elevation of 1,670 meters on the ski trail Lukova, held the third annual Von Roll Culinary Week. In cooperation with the DTO the High Tatras Region at the end of January TMR hosted Tatry Ice Master 2016, an event of building ice sculptures attracting around 22 ths. visitors. During January 29-31 tons of ice were transformed into fantastic art by hands of sculptors from 12 teams.

February 2016

The seventh annual multi-genre event for families, called Snow Dogs, was held in Tatranská Lomnica on February 20-21. On February 25-28 Mt. Chopok hosted the top freeride race, CGC Jasná Adrenaline, in its freeride zones. Almost 80 racers from 17 countries competed in the best Slovak freeride troughs for valuable points and for qualification to the Freeride World Tour. During the race a rich accompanying program was prepared for all viewers in the freeride village at Biela Púť at Happy End.

March 2016

After 32 years the most awaited month brought the World Cup Ladies to Jasná in the events Giant Slalom and Slalom. Audi FIS Ski World Cup Jasná held on March 5-7, 2016 returned Mt. Chopok back on the world map of skiing. The unique event kicked off on March 3 with an accompanying night music party in Happy End club. The race was attended by 87 competitors from 18 countries. As part of the global project, the Taste of France, Grandhotel Starý Smokovec took part of the Taste of France 2016 during March 19-21 and prepared a special French dinner menu. The first spring grill party at Skalnaté pleso was a pleasant distraction for skiers and a sign of the coming spring. On March 25-28 one could ride a giant Easter egg with accompanied by a fun program to Mt. Chopok. On March 26 skiers again stripped to swimsuits in Jasna. With the Biking Skiing event they welcomed the spring not only on the slope in swimsuits and ski boots but also at a party in Happy End club. Skiers in the High Tatras enjoyed a fun Easter on March 27 on the slope of Interski at Štrbské pleso dressed in fun carnival costumes.

April 2016

The foolish April brought yoga on the snow and laughing yoga to Skalnaté pleso. Fans of breathing exercises spent a weekend by doing yoga on the fresh air, attending lectures and photo exhibitions in beautiful outdoors beneath Lomnický Peak. Visitors of Hotel Tri Studničky in Demänovska valley could attend cooking courses with chef Roman Kováč during the whole month. The Tatra May event in Tatranská Lomnica and May holidays at Mt. Chopok on April 30 kicked off the grilling season in the resorts, cableway trips, and the tracking season to mountain cottages.

May 2016

In May first Tatra attractions were introduced - the launch of boating at Štrbské pleso and the first downhill ride from Mt. Chopok in Bike World Jasná.

June 2016

Top world class tennis came again to the Tatras as the Poprad - Tatry Challenger Tour on June 13-18. Summer battle opening kicked off the summer in Liptov on June 18, both in the mountains and by the water. The summer full of action in the biggest tourist resorts in Jasna, Tatralandia, and the neighboring GINO Paradise Bešeňová pleased all who were impatiently awaiting the end of the school year. At Mt. Chopok fans of healthy lifestyle and active relaxation broke the record in stationary bike kilometers. Tatralandia became the surfers’ paradise as they were the first to enjoy the new indoor Hawaii arena with artificial waves. Culinary fans enjoyed the Culinary Battle Thailand Edition in Tropical Paradise Tatralandia. On June 24-26 Jasna was the meeting point of the second round of Slovak Downhill Cup.



On June 24 three evening experiences beneath Lomnický Peak, Sky of Stars Dinners, were kicked off with the themes of St. John Night, Bear Days, and the Chef Night.

July 2016

On the first day of school break in Tatralandia the little ones and grown-ups tried the surfing waves together with Slovak extreme athletes as part of the test day - "Papula Jam". From July 8 through July 24 art lovers could visit a unique exhibition under the TATRAHUNDERT project in Grandhotel Tatranská Lomnica, exhibiting the work of 16 contemporary artists who were inspired by the work of the talented officer Guyla Hembach from 1916. Tatralandia celebrated its 13th birthday during the weekend of July 9 and 10. Its visitors could enjoy a foam party, make giant bubbles, or taste the birthday cake together with exotic dancers. In cooperation with the DTO Liptov on July 16 the first of the Dragon Nights was held at Mt. Chopok. The packed accompanying program was made special with tasty dragon delicacies and an adventurous night ride by cableways. Tomi Kid Hurricane weekend Tatralandia held on July 23-24 was the right event for those who wanted to learn boxing with the champion Tomi Kid Kováč. The only freefall simulator Hurricane Factory at Tatralandia celebrated its third birthday during a sports weekend.

August 2016

The attractive 9th annual Tatra festival Bear Days at Hrebienok held on August 4-7, organized with the cooperation of the DTO High Tatras Region, attracted 38 ths. visitors to the crossing of the Tatra mountain trail. 4 days of the fun bear program was enjoyed mostly by kids. Maugli, the musical, inspired by the Jungle Book story, was a new attraction. The summer in Tatralandia was finished off with a weekend Tropical Party on August 13 and 14 with a concert by a Romanian singer Mario Bishin and a Slovak swing band Funny Fellows. The evening

experience, Sunset Mountain Dinner, at Mt. Chopok on August 20 made the unique sunset at Rotunda even more pleasant for romance lovers. On the same day visitors of the Sky of Stars Dinner at Skalnaté pleso enjoyed a starry sky and a culinary paradise on the plate. A night cableway ride to Skalnaté pleso, a visit to an observatory or to the tower in Encian Gallery provided a unique experience on three summer dates. The 6th annual adventure family competition, Marmots at the Lake, on August 27-28 concluded the summer in the High Tatras. The end of the summer does not mean the end of partying. Tatralandia's Summer Beach Party on August 27 was enjoyed also by singers Anita Soul and Igor Kmeťo jr.

September 2016

On September 3 fans of mountain bikes met at the biking event in Jasná where families with children enjoyed a relaxed program. The extreme downhill ride on mountain bikes called Mt. Chopok Bombs was enjoyed not only by bikers but also by viewers, hikers, and cableway riders. The third part of the Green Chopok event took place on September 16 in the Jasná resort with the cooperation of the DTO Liptov. In mid-September Tropical Paradise in Aquapark Tatralandia turned into an original Mexican wedding, dominated with hand-made art decorations, which kicked off Halloween in Tatralandia. Family days in Chamois Land on September 24 and 25 prepared Chamois Olympics for adults and children, accompanied by workshops.

October 2016

Guests of Hotela Tri Studničky enjoyed a culinary menu as part of Chef's Freestyle Show, which presented successful world class chefs - Roman Kováč and Maroš Haring. Chef Michal Banier took care of sweet delicacies during the evening.



SKY OF STARS DINNER

SKALNATÉ PLESO 1751 m n.m.

Od 18:00

30. december 2015 | 6. február 2016 | 27. február 2016

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UNIQUE EXPERIENCE
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ZA SEZÓNU
PER SEASON

Ochutnajte najromantickejšie noci plné hviezd vo Vysokých Tatrách!

Taste most romantic nights in High Tatras under the stars

APRESKI BAR	DRINK	CESTA NAHOR	RATRAK	NOČNÁ LANOVKA	SKALNATÉ PLESO 1751 m	ROMANTICKÁ VEČERA	5 CHODOV	OCHUTNÁVKA VÍNA	POZOROVANIE HVIEZD
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Vysoké Tatry
HORY ZÁŽITKOV

Key Performance Indicators (KPIs)

TMR management uses operating and financial key performance indicators (KPIs) to evaluate operating performance. The Group's portfolio is divided into three segments and subsegments and for this reason management monitors performance of each segment and subsegment.

Operating Performance Indicators:

Number of Visitors

As for the performance of the Mountains & Leisure segment, Management monitors performance of financial indicators based on the number of visitors in terms of sold skier days in the winter season, i.e. number of persons visiting a ski area for any part of day or night for the purpose of skiing, snowboarding, or other downhill slide. E.g., a 4-day ticket means four customers in the mountain resorts of TMR. The number of visitors on cableways in the summer season and visitors in Leisure Parks is measured in terms of sold entries.

Average Revenue per Visitor

In the main segment Mountains & Leisure and its subsegments Mountain Resorts, Leisure Parks, Dining, and Sport Services & Stores, the key indicator is the average revenue per visitor for a given period from sale of ski passes, entries, services, and products.

Occupancy

In the Hotels segment operating performance is monitored based on percentage occupancy of individual hotels in the High and Low Tatras and in the aquapark and of the weighted average of the hotel portfolio.

Average Daily Rate

Average Daily Rate (ADR) is one the key indicators to measure hotel performance. It represents average revenue from per occupied room per given period. The calculation is based on the equation where room revenues are divided by the number

of rooms sold. Management monitors ADR of each hotel and of the weighted average of the hotel portfolio.

Financial Performance Indicators:

Revenues

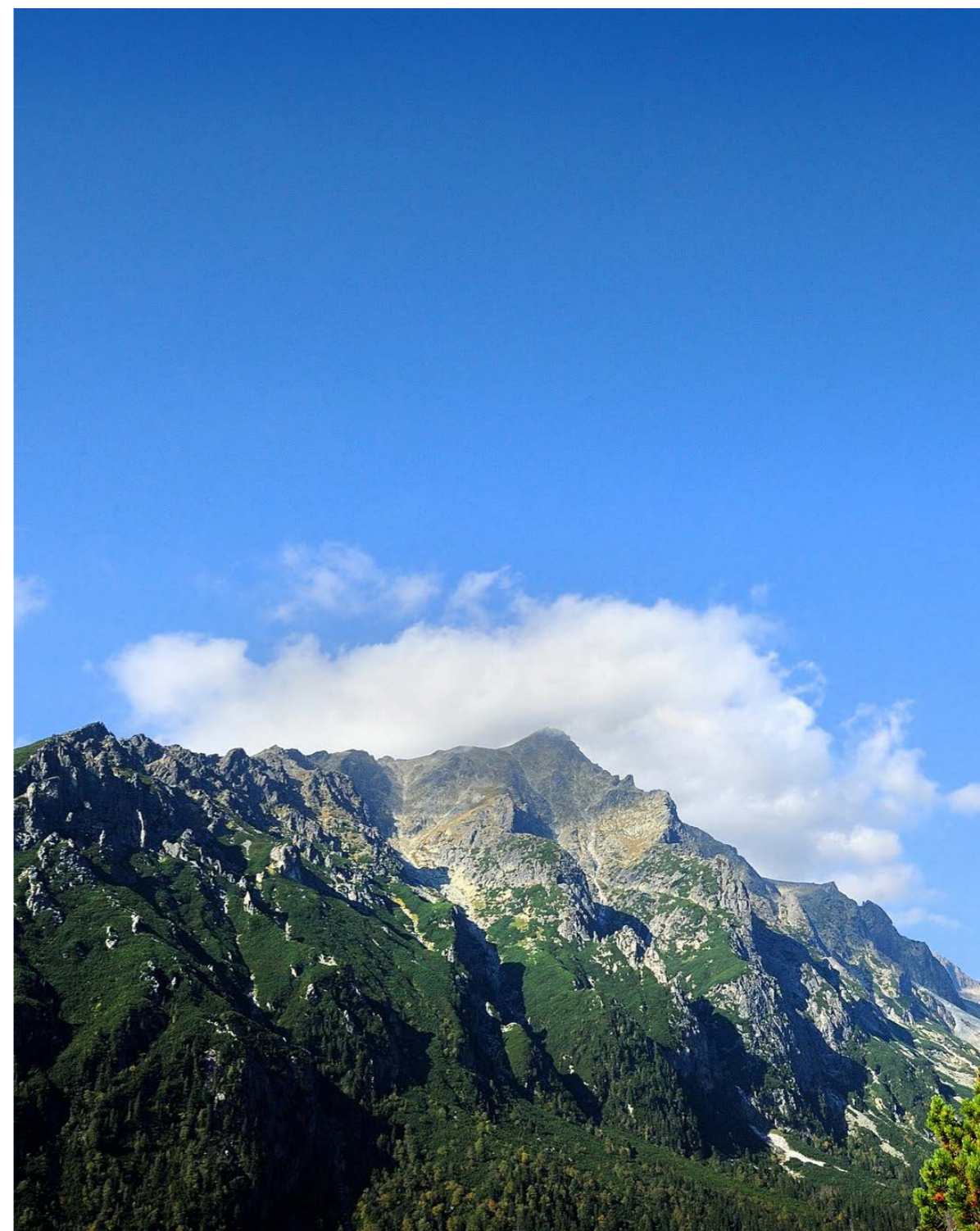
Operating revenues of the Group come solely from operating activity of the Mountains & Leisure segment – with subsegments Mountain Resorts, Leisure Parks, Dining, and Sports Services & Stores – and from segments Hotels and Real Estate.

EBITDA

To describe financial performance of TMR, management uses EBITDA (Earnings before interests, taxes, depreciation and amortization) as the key indicator, which represents income net of interest, taxes, and write-offs. EBITDA clearly indicates the Group's financial performance based on operating activities since it eliminates impact of financing, as well as accounting decisions of a non-operating character.

EBITDA Margin

In order to evaluate operating profitability of TMR, management utilizes EBITDA margin. It equals earnings before interests, taxes, depreciation and amortization (EBITDA) divided by operating revenues. Since EBITDA excludes depreciation and amortization, EBITDA margin is able to provide the investor a clearer picture of operating profitability.



Market Analysis and Trends

The target group for TMR is represented by tourists from Central and Eastern Europe, mainly from Slovakia, the Czech Republic, Poland, Ukraine, and Russia. Therefore, the visit rate in TMR's resorts is partly impacted by economic development in these countries.

Slovakia

The percentage GDP growth in Slovakia for the past period ranks among one of the highest in the EU.¹ According to the National Bank of Slovakia, in 2015 GDP increased by 3.4% year-over-year in real prices thanks to the highest utilization of EU structural funds so far, continued growth of real discretionary income on the background of dropping prices, and thanks to expected industrial exports.² Slovakia's economic growth continued to grow dynamically also in 2016 to 3.3%, even though at a slower pace due to lower utilization of the EU funds. A slight slow-down of 3.1% is expected for 2017. Afterwards, the GDP growth should grow dynamically again. Higher domestic demand and exports are expected thanks to a new car manufacture. Positive development on the labor market, investments supported by quantitative easing and by gradual utilization of the EU funding are also predicted. In 2019 the economic growth should reach 4.6%.³

The Czech Republic

According to Czech National Bank (ČNB), the economy in 2015 reported a growth of 4.3% impacted by private investments, capitalizing on reviving domestic and foreign demand, and by public investments drawing the remaining EU structural funds. In 2016 the economic growth slowed down to 2.5% due to absence of one-time growth factors, such as EU funds, regulation effect, pre-supply of tobacco products, or favorable weather.⁴ In 2017 the GDP growth is expected to improve slightly to 2.6% also thanks to an inflow of investments. Positive development of imports may lead to negative net exports.⁵

Poland

According to EBRD, Polish economy was negatively impacted by shrinking investment in the first half of 2016. EU co-funded projects are expected to speed up only from 2017, and uncertainty related to segment taxes and management of state-owned enterprises puts off companies from starting new investments. On the other hand, consumption is the main growth factor, driven by a 5% rise in real wages, record-low unemployment, and new social child benefits. This worsens net exports. The 2016 GDP growth is estimated at 3.0% and 3.2% in 2017 with continuing strong consumption.⁶

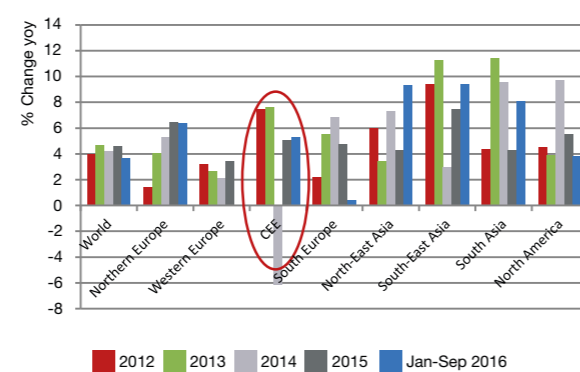
Ukraine

In 2016 Ukrainian economy finally recorded a GDP growth of estimated 1.5% following 16% cumulative real GDP contraction in the previous two years, as a result of military turbulence in the eastern part of the country, government instability, and lack of foreign investment. The recent recovery is supported by a rise in household consumption after two years and domestically financed capital investments. More stable exchange rate and prudent fiscal and monetary policies caused the inflation to decline by 40.8 percentage points year-over-year. The IMF finally released a USD 1 billion tranche. The fiscal deficit is planned to be reduced from 3.7% of GDP in 2016 to 3.0% in 2017. The banking sector continues to consolidate with a decreasing number of banks. The estimated GDP growth in 2017 is at 2.0%.⁷

Russia

Economic growth in Russia slowed significantly due to both structural and cyclical factors. Russian economy has been experiencing two years of recession. In 2016 oil prices hit their record low since 2003, household demand and corporate investments continued to decrease, inflation remained high, and sanctions and high interest rates hindered access to financing. A drop in exports on lower commodity prices was offset by imports contraction. Unemployment did not increase but wages did decrease. Export and production gains came only from few sectors, such as agriculture. Private sector capital outflows continued in 2016 but at a slower pace. Domestic demand remained weak in 2016 but the stronger rouble will boost imports and reduce trade surplus. Increasing oil prices contributed to an improved GDP growth of -0.6% and are expected to boost growth also in 2017 to estimated 1.2% along with recovering private consumption and investments.⁸

International Tourist Arrivals⁹



Travel & Tourism Competitiveness Index 2015 and 2013 comparison (Selected countries)¹⁰

Country/Economy	2015	2013
	Rank/141	Rank/140
Spain	1	4
France	2	7
Germany	3	2
United States	4	6
United Kingdom	5	5
Switzerland	6	1
Australia	7	11
Italy	8	26
Japan	9	14
Canada	10	8
Czech Republic	37	31
Hungary	41	39
Poland	47	42
Slovak Republic	61	54
Russian Federation	45	63
Ukraine	-	76

(510 thousand) and Poland, followed by German tourists. In 2015 international tourist arrivals here increased by 16.7% to 1.7 million, exceeding the record year of 2013. The number of domestic tourists also increased in 2015 by 15.8%. The ratio of domestic to foreign travelers has been traditionally 60/40.¹² For nine months of 2016 the number of domestic and international tourist arrivals increased significantly, by 18.9% and 18.0%, respectively.¹³ The reason behind the growth in 2015 and 2016, according to Slovak Tourism Agency (STA), is cooperation among tourism entities, regional and district tourism organizations, and Slovak Tourism Agency.¹⁴ Besides this, the growth was supported by new airline connections, enhancement of tourist services, Slovakia's presidency the Council of the EU. Moreover, hotel operators contribute the domestic tourist growth in 2016 to the fact that Slovaks preferred spending their vacations in Slovakia especially in the summer due to safety reasons, pointing out the volatile situation in otherwise favorite foreign holiday resorts. In 2016 STA operated with the budget of EUR 4.1 mil., whereas EUR 2.2 mil. was directed at marketing activities. In 2016 the number of total tourist arrivals was expected to exceed five million.¹⁵ According to the Travel & Tourism Competitiveness Index in 2015, Slovakia is ranked 61st out of 141, a decline from 54th place in 2013.¹⁶

Regional Tourism Industry

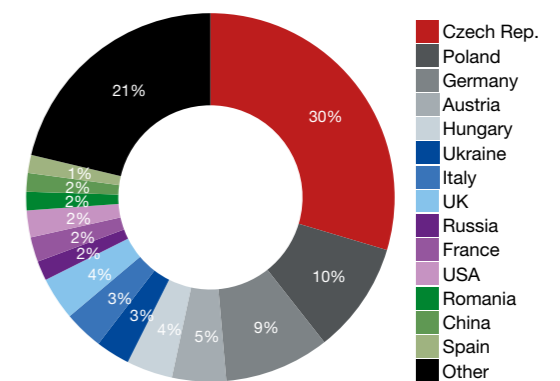
Following three consecutive years of strong growth, tourism of Central and Eastern Europe (CEE) has suffered a drop of -5.9% in international arrivals in 2014, which can be attributable to the geopolitical and economic crisis in Ukraine and Russia. The region rebounded from 2014's decrease and grew year-over-year by 5.1% in 2015. For three quarters of 2016 international arrivals in Central and Eastern Europe grew 5.3% year-over-year.¹¹

The Travel & Tourism Competitiveness Index (developed by the World Economic Forum) measures factors and policies that impact competitiveness of the Travel & Tourism sector in individual countries in context of regulatory, business, cultural, and natural environment. According to the Index, in 2015 CEE countries that are ranked higher than Slovakia are the Czech Republic (37), Poland (47), Hungary (41), and Russia (45), whereas Slovakia, which dropped from 54th place in 2013 to 61st, is perceived the least attractive.

Slovak Tourism Industry

Besides the majority of domestic tourists, Slovakia is mostly visited by neighboring countries, with the most tourists in 2015 coming yet again from the Czech Republic

Origin of Foreign Tourists in Slovakia in 2015¹⁷



Direct contribution of tourism to GDP in 2015 reached EUR 2.13 bn., and increase of EUR 190 mil.¹⁸ For 2016 it is forecasted to rise by 5.4% and is expected to grow by 3.9% p.a. to 2026. Travel and tourism directly generated 59,000 jobs or 2.5% of total jobs in 2015, and this is expected to grow by 3.0% in 2016. In ten years travel & tourism should directly generate 72,000 jobs per year (2.9% of total employment). In 2016 international tourism

¹ Eurostat
² Macroeconomic predictions of selected banks at the current year-end (December). www.nbs.sk
³ View of the Banking committee of NBS on the Medium term prediction P4Q-2015, P4Q-2016. www.nbs.sk
⁴ Inflationary expectations of the financial market. December 2015. www.cnb.cz/cs/financni_trhy/inflacni_okekavani_ft/
⁵ Inflationary expectations of the financial market. December 2016. www.cnb.cz/cs/financni_trhy/inflacni_okekavani_ft/
^{6,7,8} European Bank for Reconstruction and Development. Regional Economic Prospects in EBRD Countries of Operations: November 2016
⁹ UNWTO World Tourism Barometer. Volume 13. December 2016.

¹⁰ World Economic Forum. The Travel & Tourism Competitiveness Index 2015.
¹¹ UNWTO World Tourism Barometer. Volume 14, December 2016
¹² SACR. Visitors to tourist accommodation facilities in Slovakia (2014 - 2015)
¹³ SACR. The accommodation statistics in tourism in Slovakia 1st - 3rd Quarter. 2016. November 2016
¹⁴ In Slovakia we are approaching the record high number of tourists. www.sacr.sk/sacr/novinky/na-slovensku-sa-blizime-k-rekordnemu-poctu-turistov. 12.12.2016.
¹⁵ Slovakia's tourist arrivals - like on a rollercoaster. Trend Top in Travel. May 2016
¹⁶ World Economic Forum. Travel & Tourism Competitiveness Report 2015
¹⁷ SACR. Visitors to tourist accommodation facilities in Slovakia (2014 - 2015)
¹⁸ STA. STA's activities contributed to the record high visit rate of Slovakia in 2015. 9.5.2016.

income should grow by 7.9%.¹⁹

Despite the positive trend in tourist arrivals in 2015 and 2016, tourist arrivals in absolute values are much lower than in neighboring countries, such as Hungary or the Czech Republic, which consistently keep achieving growth each year. Moreover, according to Slovak entrepreneurs, business environment in Slovakia is less than ideal. This is evidenced by a fact that Slovakia ranked 113th out of 141 countries in the quality of business environment. Issues in the tourism sector include lack of labor force, pressure to increase wages, high social security payments, a high VAT for dining and lodging services, and great administrative burden for small and medium-sized enterprises.²⁰

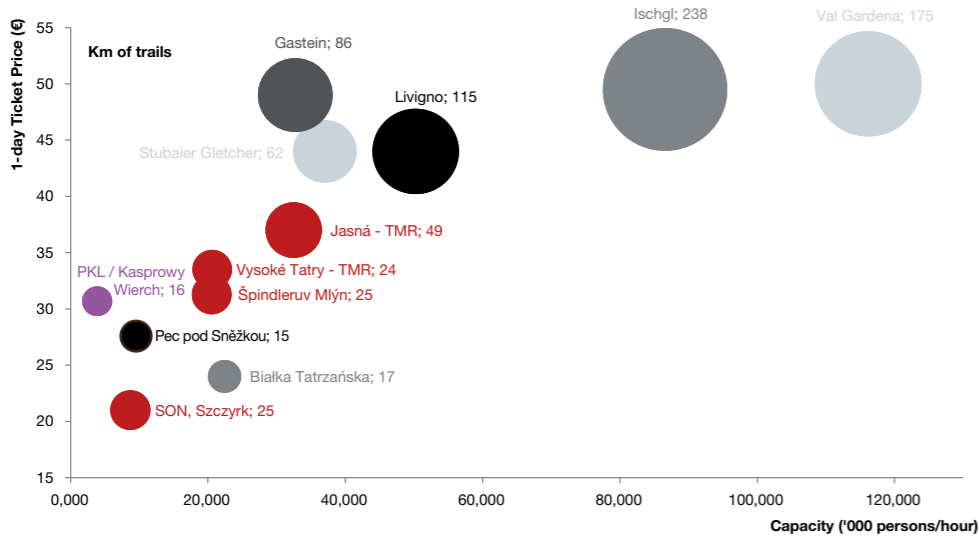
European Mountain Industry

Europe is the relevant market for TMR's ski business, especially the CEE region. In Europe the biggest skiing destinations are alpine countries - Austria, France, Switzerland, Germany, and Italy (see chart below). Worldwide, the Alps capture the greatest market share, accounting for 43% of skier visits (skier days).²¹ The second most significant is North America with 21%,. Central and Eastern Europe attracts only 10% of skiers, although this region produces 15% of skiers globally and this region's skier visits increased 1.9% in 2014/15. Since the start of the new millennium global skier destinations have been experiencing a downward trend in the number of skier visit, especially the Western European traditional skier destinations, despite the overall growing global population. The number of skier visits in the alpine countries decreased

year-over-year by 1.7% in 2014/15. This introduces an opportunity for the CEE region to grow in provision of ski resorts at least to match the regional demand and even to attract a higher number of foreign skier visits . Among alpine countries, France and Austria have the most major resorts (with over 1 million skier visits) - 13 and 14, respectively each, and France with the highest number of skier visits per year- 55.1 million but Austria records the most domestic skier visits per inhabitants- 2.1, whereas Switzerland produces the highest rate of domestic skiers- 37%, with Germany having the highest total number of domestic skiers- 14.6 million.²² Mountain industry in general is very capital intensive because of essential investments into cableways and other resort facilities, which represent great barriers of entry. Another essential entry criterion is e.g. location since skiing requires a mountainous area with a milder/ colder climate.

As for characteristics of ski resorts, they vary in size, ownership, and infrastructure. In some alpine countries, they are usually run by a large number of small private operators who join forces also with local municipalities and market the resort or the ski region as a whole, like in Italy, Switzerland or Austria. In France, on the contrary, operation of large ski resorts especially is concentrated with a major operator. German resorts are also fragmented but considerably smaller than in other alpine countries.²³ Large alpine resorts usually offer state of the art infrastructure, have over 100 km of ski trails, transport capacity of over 50,000 persons/hr, and more than 30 ski lifts. They also keep reinvesting large amounts into resorts enhancement. TMR resorts can be compared to medium-sized alpine ski resorts.

Market Positioning in Europe in Winter 2015/16²⁴



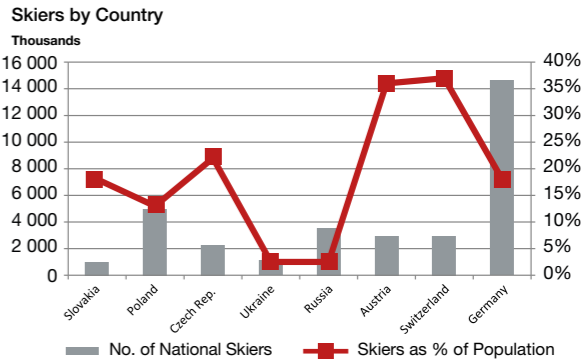
¹⁹ World Travel & Tourism Council. Travel & Tourism Economic Impact 2015 Slovakia
²⁰ Slovakia's tourist arrivals - like on a rollercoaster. Trend Top in Travel. May 2016
²¹ The number of skier visits is measured in terms of skier days; which means one person visiting a ski area for any part of day or night for purpose of skiing, snowboarding, or other downhill slide; e.g. a four-day ticket means four skier visits.
^{22,23} Vanat, Laurent. 2016 International report on mountain tourism. May 2016. www.vanat.ch
²⁴ www.skiresort.info, resorts websites

Regional Mountain Industry

In the CEE region Russia has the most ski areas - 321, although only around 67 have more than five lifts and majority have limited infrastructure. Russia is followed by Poland with 182, the Czech Republic with 176 and Slovakia with around 107. Poland's ski areas are mostly small, suitable for beginners, and Czech ski areas are located up to 1300 m above sea level. The Czech Republic had on average for the past five years the highest number of skier visits in the winter season- 8.7 million, followed by Slovakia and Poland, both with estimated 5 million. As for domestic skiers, winter sports in Poland are growing in popularity, as Poland produces the highest absolute number of skiers in the region - 5 million, who make up 13% of population. This proportion grew by more than double since 2013, which presents a great growth potential on this market. Slovakia and the Czech Republic produce a much higher percentage of skiers - 18% and 22%, although there are much more Czech skiers in the absolute number - 2.2 million. Slovakia has a competitive advantage on the supply side in the region since 80% of the geographical area is situated above 750m above sea level; and the area includes the highest mountain range in the region- the Tatras, with the highest peak of 2,655m- Gerlachovský štít.²⁵

The regional mountain industry still exhibits room to grow, in comparing to mature alpine resorts. Observable trends besides investing in resort infrastructure and equipment include extending the variety of services in mountain resorts, such as ski schools, ski service, and shops, as well as non-

skiing activities, such as après ski bars, nightlife, restaurants, family activities and events. As for summer activities, the focus is on adrenalin sports, summer family events, and cycling, evidenced by an increase in development of resorts, cycling tours, and by increased marketing. Mountain resorts incline to keep expanding technical snowmaking. Also, mountain resort tourists tend to be attracted to package deals on lodging and lift tickets, thus this trend is expected to continue. Another trend in mountain resorts is observed in consolidating marketing activities of a mountain destination or a region and mutual cooperation of mountain resort operators. District tourism organizations in Slovakia for example join together in destination management. One can observe these trends in all the locations operated by TMR. Slovak tourism agency (SACR) is cooperating with resort- and lodging operators to come up with attractive deals for foreign visitors. TMR is also cooperating with other mountain resort operators in marketing efforts.



Mountain Tourism - Country Comparison²⁶

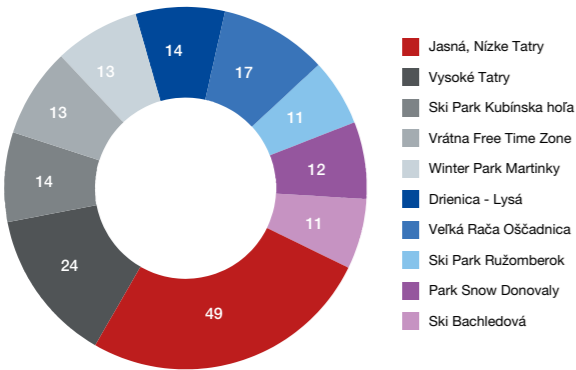
Country	No. of Ski areas*	Number of major resorts (>1 mil Skier Visits)	Skier visits	Proportion of domestic skiers (in % population)	Number of domestic skiers	% foreign skiers	Domestic Skier Visits per inhabit- ants	Skier Visits per foreign visitors
Alpine countries			172 045 672					
Austria	254	14	51 561 600	36,0%	2 959 793	66%	2,1	1,6
France	325	13	55 126 000	13,0%	8 573 709	31%	0,6	0,2
Italy	349	4	25 848 000	8,0%	4 918 584	35%	0,3	0,2
Switzerland	194	6	24 528 072	37,0%	2 958 530	46%	1,7	1,4
Germany	498	0	14 982 000	18,0%	14 606 508	10%	0,2	0,1
United States	470	5	55 695 865	8,0%	25 016 817	6%	0,2	0,1
Eastern Europe			26 244 936					
Czech Republic	176	0	8 700 000	22,0%	2 235 843	35%	0,6	0,5
Slovenia	44	0	1 133 388	15,0%	298 904	17%	0,5	0,1
Ukraine	54	0	1 400 000	2,0%	1 114 330	5%	0,0	0,0
Poland	182	0	5 000 000	13,0%	4 989 895	15%	0,1	0,0
Russia	321	0	5 011 548	2,0%	3 562 512	2%	0,0	0,0
Slovakia	107	0	5 000 000	18,0%	987 901	25%	0,7	1,0

²⁵ Vanat, Laurent. 2016 International report on mountain tourism. May 2016. www.vanat.ch
²⁶ Vanat, Laurent. 2016 International report on mountain tourism. May 2016. www.vanat.ch

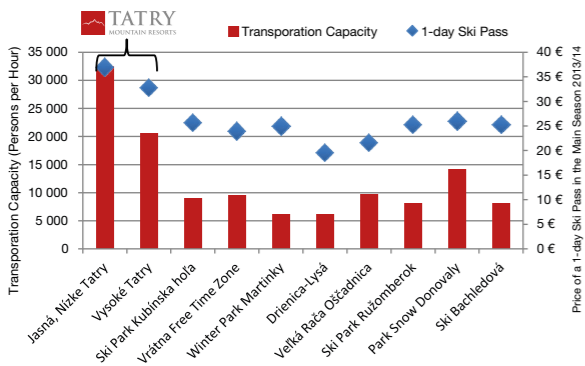
Slovak Mountain Tourism

On the Slovak mountain tourism market TMR is the clear leader in terms of the number of resorts, ski lifts, transportation capacity, km of ski trails, and lifts elevation. Mountain resorts in Slovakia are mostly operated by small private operators in cooperation with local municipalities and national parks. There are around 100 ski areas in Slovakia, and 47 major ski resorts (3*, 4*, and 5* quality) in Slovakia. When comparing individual resorts and their km of ski trails, TMR's resorts Jasná Nízke Tatry (49km) and Vysoké Tatry - Tatranská Lomnica, Starý Smokovec a Štrbské pleso (24km) are the biggest ones in Slovakia, followed by Veľká Rača Oščadnica (17km), Vrátna free time zone (13km), Skipark Kubínska Hoľa (14km), and Winter Park Martinky (13km).²⁷

Km of Trails of Leading Ski Resorts in Slovakia



Transportation Capacity and Prices of Leading Ski Resorts in Slovakia



²⁷ skiresort.info, resort websites
²⁸ Statistical Bureau of the Slovak Republic: Basic indicators for tourist lodging facilities in SR for year 2015
²⁹ Statistical Bureau of the Slovak Republic: Basic indicators for tourist lodging facilities in SR for Quarters 1 - 3, 2016
³⁰ Statistical Bureau of the Slovak Republic: Basic indicators for tourist lodging facilities in SR for Quarters 1 - 3, 2016

Regional Trends in Aquaparks

In Slovakia there is around a dozen aquaparks and thermal spas. Tatralandia ranks among the top three parks in terms of size, visit rate and services offered. The number of visitors primarily depends on the variety and quality of services offered. As for the target market, aquaparks observe an increasing share of solvent clients who tend to spend more during their visits and require higher quality and a wider scale of services. Another observable trend is the comeback of Slovak clients who now represent the majority as opposed to the past till 2009, when clients from Poland and the Czech Republic comprised the majority. Also, aquaparks observe a growing number of families with children that seek out a wide scale of activities, also as addition to water attractions. The trend also includes continuing investments into parks' development, especially all-year attractions. All-year aquaparks carry a competitive advantage as they do not depend on weather. Operators of aquaparks tend to cooperate closely with local hotels and lodging operators, and they form or join local tourism organizations (OOCR).³¹ Competition in the neighboring countries is present especially closer to the Slovak border- there are three aquaparks close to Slovakia in Poland, nine in the Czech Republic, and seven in Hungary. In 2015 a hot summer resulted in increased visit rate and revenues of aquaparks.

Regional Trends in Leisure Parks

The CEE region exhibits absence of leisure parks on a scale of Western Europe, where most of 300 parks are located, with annual revenues of around EUR 4.5 bn. There are 30 parks in Europe with an average visit rate of 1-2 mil. visitors. In Poland there are about 45 leisure parks of different size and theme. They may be divided into a number of groups depending on their main theme - luna parks, western theme parks, fairy tale theme parks, dinosaur adventure parks, and miniature theme parks. Majority are so-called dinoparks (19) and miniature parks (13). These should be treated as a substitute rather than direct competitors to TMR's Silesian Amusement Park. Besides Silesian Amusement Park, there is only one other amusement park of comparable size and with comparable number of attractions, located also in the Silesia region.

Regional Trends on the Real Estate Market

The performance of the regional real estate market depends on the stability of demand, which is impacted by macro-economic development, the job market development, income growth, and access to bank financing. In 2016 according to CBRE, foreign and domestic investors invested EUR 853 mil. on the commercial real estate market in Slovakia, almost 100% more than in 2015. The record investment volume was mostly the result of transactions with shopping malls. As for transactions in the retail segment, 11 real estate projects were sold valued at EUR 417 mil., a 188% increase year-over-year. After a retraction in 2014 and stabilization in 2015 the office space segment increased also more than 10% with transactions valued at EUR 118 mil. So far, foreign real estate investors mostly focused on Poland and the Czech Republic but in 2017 CBRE expects them to shift their focus on Slovakia, Hungary, and Romania. The lack of quality investment opportunities remains the limiting factor, though.³²

The recreational real estate market in the Jasná resort has also been experiencing a rebound. In 2016 a new project of building a 5-star hotel resort was announced opposite of Grand hotel Jasná and Chalets Jasná with 181 rooms and apartments, also for sale.³³ Besides this, developers have announced a new construction of recreational residences in Jasná.³⁴ Last year TMR completed another stage of Chalets Jasná Otupné and preparations are in works to build the Jasná Center project with multipurpose buildings, apartments, and a shopping mall. In the High Tatras, mainly in Tatranská and Veľká Lomnica several real estate projects are being prepared or already getting built.³⁵

³¹ Statistical Bureau of the Slovak Republic: Basic indicators for tourist lodging facilities in SR for Quarters 1 - 3, 2016
³² Investors invested 853 million euros to Slovak real estate. 12.1.2017. reality.etrend.sk/realitny-biznis/investori-vrazilli-do-slovenskych-realit-rekordnych-853-milionov-eur.html
³³ A five-star hotel Damian will grow beneath a ski trail in Jasná. 18.3.2016. reality.etrend.sk/komerčne-nehnutelnosti/priamo-pod-zjazdovkou-v-jasnej-vyrastie-hotel-damian-so-stovkami-lozok.html
³⁴ They will build recreational residences in Jasná. 20.6.2016. reality.etrend.sk/byvanie/v-jasnej-postavia-rekreacne-rezidence.html
³⁵ Another area of recreational houses at the golf resort beneath the Tatras.10.2.2015. reality.etrend.sk/komerčne-nehnutelnosti/pri-golfovom-ihrisku-pod-tatrami-dalsia-zona-rekreacnych-domov.html

RISK FACTORS AND RISK MANAGEMENT



Risk Factors and Risk Management

Main risks that the Group faces can be divided into market, financial, and operating risks. Management has the complete responsibility for defining and controlling the Group's risks. All these factors are either external, which means they are completely beyond Management's control, or internal risks, which can be at least partially controlled by Management. The most significant risks are described below:

Market Risks

Business Cycle

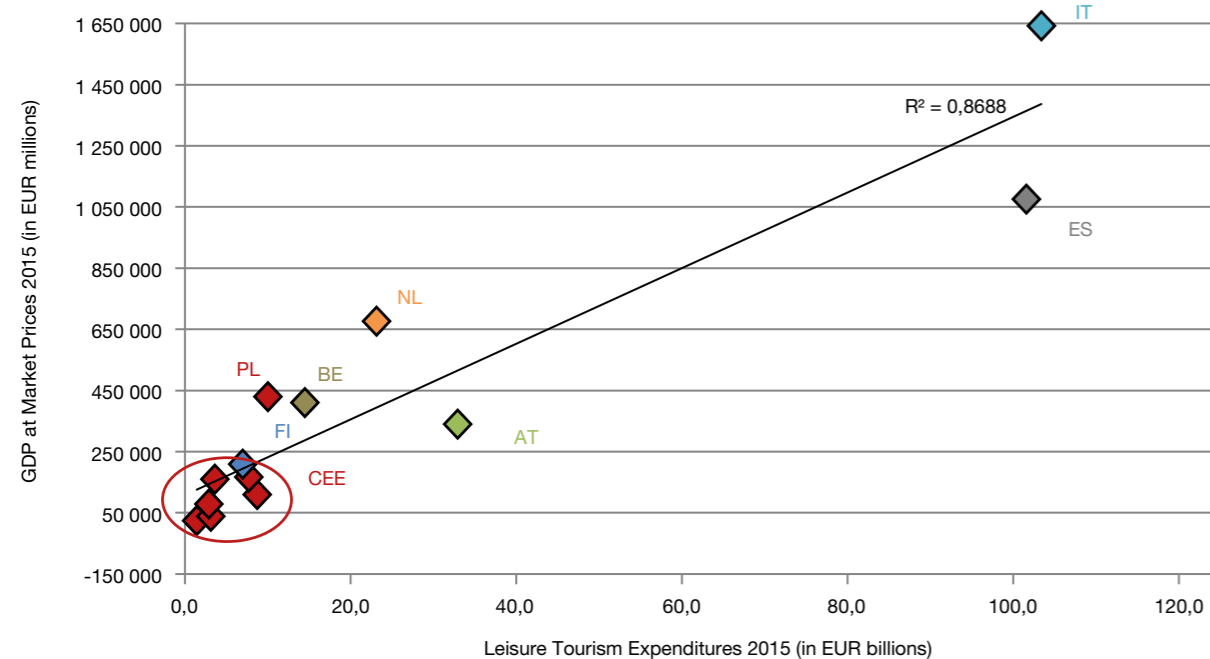
Current operations of the Group are focused in the Slovak, Czech and Polish market, although majority of the Group's clients come from the whole CEE region, and thus the Group's operations are mainly dependent on the level of economy of the Slovak and Czech Republic and countries of the CEE region. Majority of TMR's revenues depend on the number of visitors to TMR's resorts and hotels. The vacation choices of TMR's clients also depend on the business cycle of the economy, each country's economic growth, and the level

of their discretionary income, with the latter two highly correlated (see the Graph below). Development of such macroeconomic factors is an external risk for TMR. Since the majority of visitors to TMR's resorts and hotels come from various countries, each of which has its own unique macroeconomic profile, operations of TMR can be heavily affected by worsening of the economic situation on these markets. The risk of a downward business cycle is partially managed by reasonable pricing strategies and effective marketing campaigns on the relevant target markets (see Strategy).

Seasonality

TMR's business model is primarily seasonal, although TMR's strategy involves building and promoting all-year vacation destinations. The busiest months are from January through March, especially in the number of skiers, and July and August in the leisure parks and the Vysoké Tatry resort. Management is continuously working on attracting visitors in the off-season, e.g. by adding snowmaking guns, running vibrant marketing campaigns, offering bundled stay packages, and by organizing events in the resorts and hotels. Besides the

GDP vs. Tourist Spending in EU Countries¹



¹ Eurostat, WTTC

aquapark providing warm thermal water, the Tropical Paradise project in Aquapark Tatralandia was a major step towards minimizing the effects of seasonality in the aquapark since visitors of Tropical Paradise can experience summer temperatures in any season.

Weather

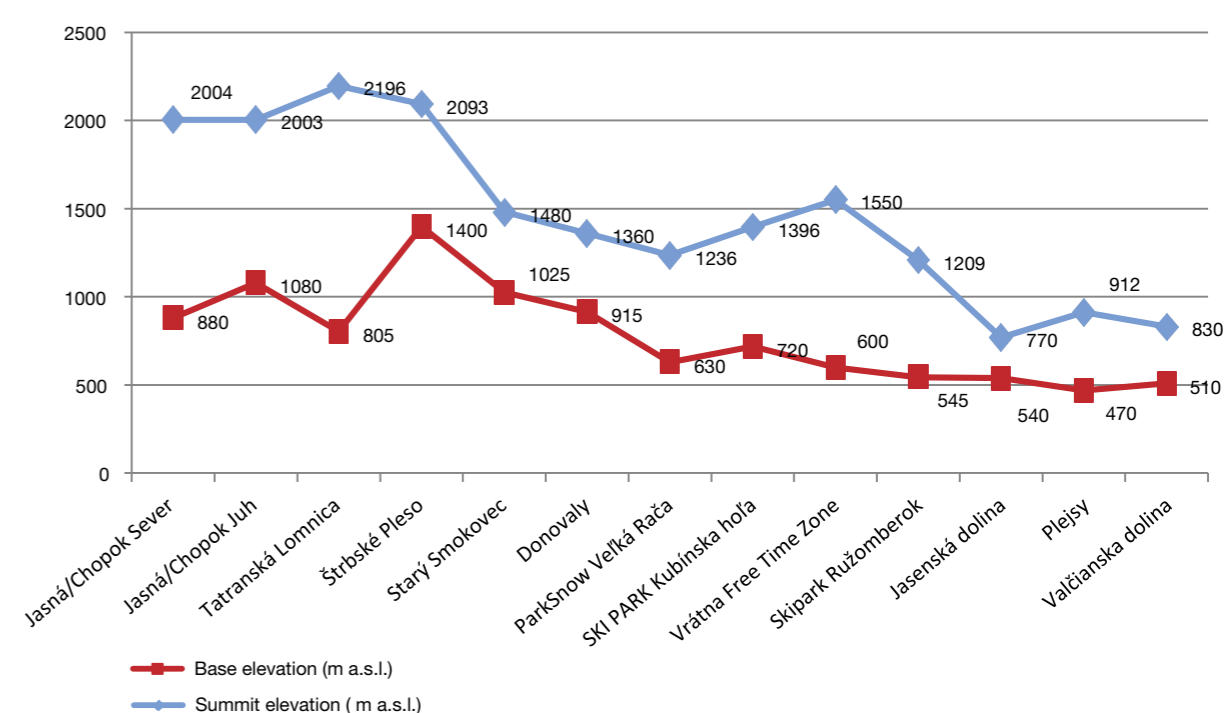
The number of TMR's visitors also depends on a successful winter season, i.e. on favorable weather conditions in terms of abundance of natural snow and temperatures below zero degrees Celsius. TMR manages the risk of low snowfall with the already-mentioned snowmaking facilities. In the winter season 2015/16 TMR's snow coverage by snowmaking facilities was 65 km. The extensive scope of coverage by technical snowmaking gives TMR an absolute advantage among competitors in Slovakia in case of shortage of natural snow. Historically, the Low Tatras area has had an average of 80 cm of snow during the winter season and the High Tatras 85 cm. Drier winters may increase the cost of snowmaking. On the other hand, warmer weather may hinder the snowmaking, since freezing temperatures are needed, and it may reduce the scope

of skiing area. At the same time, the resorts are located in a mountainous area with a generally colder climate. Also, in comparing with other Slovak mountain resorts, TMR's resorts have start and terminal cableway stations at the highest altitudes. The Polish SON resort, on the other hand, has an advantage in facing north and towards northwest winds. Warm thermal water in Tatralandia partially offsets the cold weather effects, but Tropical Paradise in Tatralandia eliminates dependence on warm weather completely. As for the summer season in the mountain resorts and the amusement park, favorable weather in the summer months is essential for hiking tourists and visits of amusement parks.

Competition

The Group's results also depend on how successfully the Group deals with competition. In the primary segment of Mountains and Leisure, specifically in Mountain Resorts TMR competes for visitors on domestic oligopolistic markets in Slovakia, Poland and the Czech Republic, with the position of a leader in terms of size and the range of services. On the European market the Group faces monopolistic competition with a large number

Base & Summit Elevation of Slovak Ski Resorts



of competitors that provide a wide supply for visitors. TMR utilizes its high quality services, massive capital investments in resort development, reasonable prices in comparing to alpine resorts, patriotism, and locality with the goal of attracting visitors. Moreover, TMR capitalizes on its competitive advantage of natural monopoly in terms of the strategic location of its key resorts in the Tatras in the highest mountain range in the region to the East and North. In the Leisure Parks subsegment TMR is also among the top players in the local market of aquaparks, although visitation of aquaparks also depends on the travel distance for the given visitor. Among theme parks Silesian Amusement Park is one of two top players in the region. Partially, TMR manages this type of risk with marketing tools, by utilizing its tangible and intangible assets, such as its strategic position in the Tatras mountain range, and by a well-defined corporate strategy described in the Strategy section.

Occupancy and Average Daily Rate

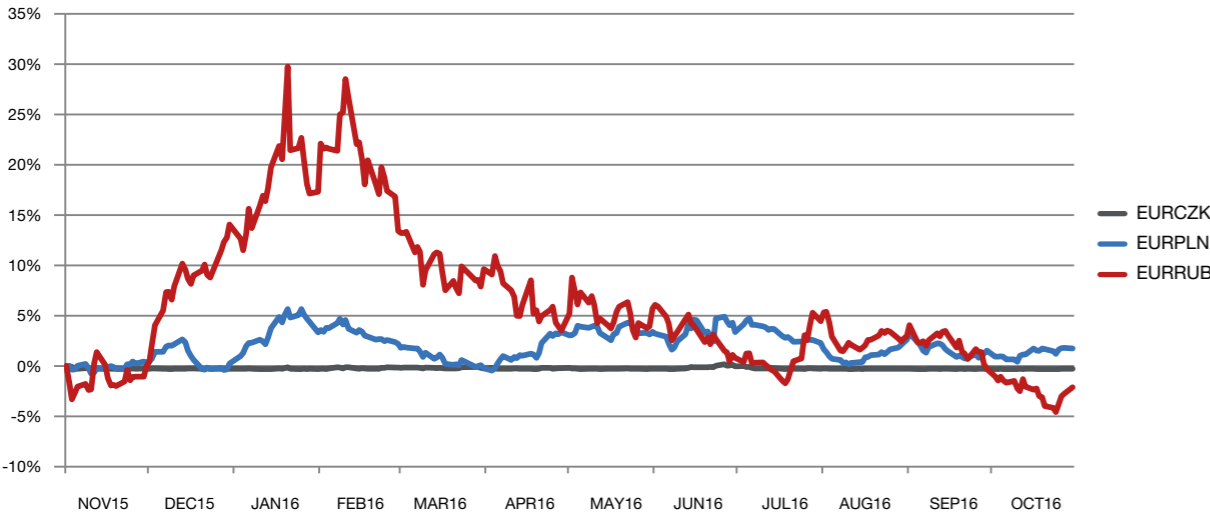
The Group’s profitability also depends on the occupancy rate of its own hotels and lodging facilities in the resorts. TMR actively works with local lodging operators in marketing the resorts in order to increase occupancy and consequently the number of resort visitors. TMR hotels’

results depend on the occupancy rate and average daily rate per room (ADR). To increase these indicators it is essential for TMR to invest heavily into development and renovation of its lodging facilities. Besides aggressive marketing activities for peak seasons, TMR actively works to increase occupancy and ADR also during the off-season by marketing conference space to corporate clientele, offering special seasonal or weekend lodging packages in conjunction with events in the hotels or resorts, e.g. live cooking show, romantic spa weekends, serving “brain food” for corporate clientele, etc.

Real Estate Market

One of the three operating segments of TMR is focused on real estate, as described in the Company Profile section. The revenues of this segment depend on sale and/or lease of residences, lodging facilities, and commercial space in the real estate projects. Even though the current performance of the Group does not depend on the success of this segment, its growth depends on the state of the real estate market, which is an external risk factor. This industry is exhibiting an upward trend for the last couple of years (see Market Analysis and Trends). In case of realization of all the projects, TMR can mitigate the risk of low apartment sales with revenues from lease

One-year Performance of Selected Currencies vs. Euro²



² ECB

of space, facility management, and operation. Also, TMR intends to capitalize on synergies from other segments, such as marketing, procurement of inventory, human resources, etc.

Financial Risks

Exchange Rates

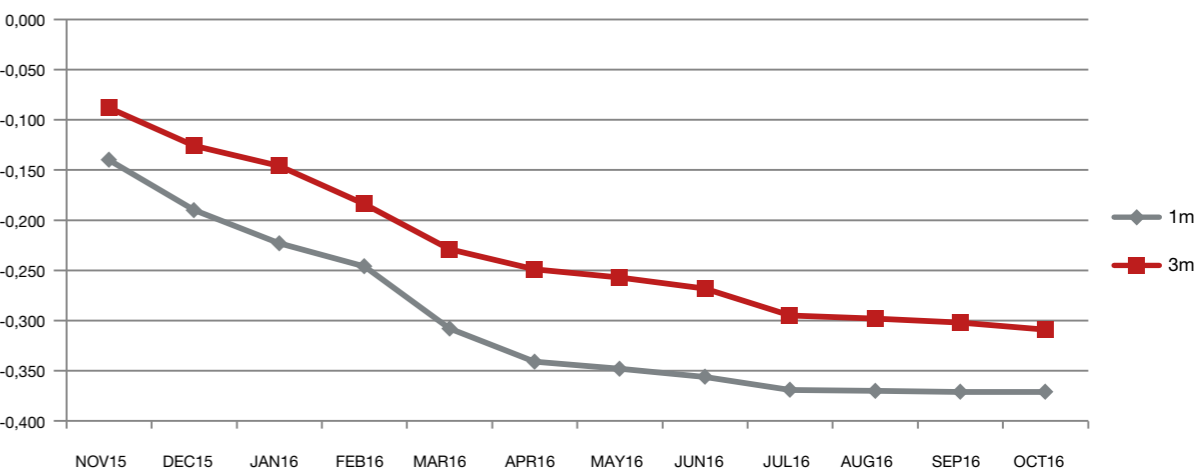
Volatility of exchange rates in relation to euro is an external risk that affects the Group’s revenues because majority of TMR’s foreign clients come from countries outside of Eurozone- the Czech Republic, Poland, Ukraine, Russia, etc, therefore their travel choices are impacted by currency movements. Appreciation of euro in respect to Polish Zloty, for instance, negatively impacts the number of visitors from Poland although during the winter season 2015/2016 Polish Zloty showed only a minor depreciation in respect to euro. Czech Crown did not show major volatility in respect to euro, and Russian Rubble continued to move downward throughout the winter due to the current geopolitical unrest, with an improvement starting in March till the summer. Investments into the resorts in terms of technology, equipment, renovation, and procurement of inventory were settled in euros and

Polish zloty. Investments settled in Polish zloty are thus exposed to volatility of exchange rates. The value of the investment in Carepar, a.s. that holds an interest in Melida a.s., which operates the Špindlerův Mlýn resort, is converted from Czech crowns into euros.

Interest Rates

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EURIBOR rates (%)³



³ www.emmi-benchmarks.eu



the investment in Carepar, a.s. that holds an interest in Melida a.s., which operates the Špindlerův Mlýn resort, is converted from Czech crowns into euros.

Credit Risk

The Group is primarily exposed to risk with trade receivables, receivables from leasing, other receivables, advances and loans granted. The extent of this risk is expressed in the book value of assets on the balance sheet. Book value of receivables, credits, and loans represent the highest possible accounting loss that would have to be accounted for in the event of counterparty's default- counterparty will fail to fully meet their contractual obligations and all guarantees and warrants would have nil value. Therefore, this value significantly exceeds the expected losses in the reserve for unredeemable receivables. The extent of the risk exposure is detailed in Consolidated Financial Statements, items 20, 34.

Liquidity

Liquidity risk arises in the general financing of the Group's activities and financial positions. It includes the risk of being unable to finance assets at an agreed maturity and interest rate and inability to liquidate assets at a reasonable price in a reasonable time frame. Individual segments in the Group use different methods of managing liquidity risk. The Group's management focuses on managing and monitoring liquidity. In order to manage liquidity, in 2009 the management changed the accounting year for the financial year ending on October 31. In the first half of its financial year the Group has the winter season representing around 60% of the Group's income. According to the development in the first half-year, the Group is able to affect income and expenses well in advance, to keep sufficient liquidity. The seasonality in the resort of Vysoké Tatry is balanced also by a strong summer season in this resort, and it provides more stable liquidity throughout the year. Payment of coupons on two tranches of bonds in total of EUR 180 mil. adds to the liquidity risk. Nevertheless, the increasing operating income for 2015/16 comfortably enabled meeting the Group's debt service despite the high level of debt. The extent of the risk exposure is detailed in Consolidated Financial Statements, item 34.

Bonds

TMR issued bonds in 2013/14 in total of EUR 180 mil. By issuing the bonds, TMR significantly increased its level of debt. At the same time, by decreasing share capital from EUR 221 mil. to EUR 47 mil. as of 22-10-2013, TMR's capital structure changed considerably in terms of the debt-to-equity ratio. The change of this ratio may cause

TMR difficulties in obtaining other external financing in the future to finance future investments into its resorts or acquisitions. In case these difficulties in obtaining further financing should occur, TMR's growth rate may slow down. It is not certain whether the Group will be able to obtain external financing, or whether external debt will be obtained under favorable conditions. Inability to receive or delay in receiving further external debt as well as financing terms, which differ from assumptions, may have a major negative impact on the operations, market position, sales, financial performance and financial outlook of the Group. For more information see Consolidated Financial Statements, item 31.

Operating Risks

Operating risk is the risk of loss resulting from embezzlement, unauthorized activities, errors, mistakes, inefficiency or system failures. This risk arises from all activities of the Group and is faced by all segments within the Group. Operating risk also includes legal risk. The Group's goal is to manage the operating risk to avoid financial losses and protect the reputation of the Group while maintaining optimal costs and avoiding measures that would hinder initiatives and creativity. The Group's management has the main responsibility for implementation of controls related to the management of operating risk. This responsibility is supported by the development of standards for the management of operating risk common for the whole Group. The operational risk is managed by the system of directives, meeting minutes and control mechanisms. The Group has the controlling department which strives to eliminate all operating risks by regular checks.

Safety

Safety is of great concern to TMR since the Group operates in types of business with varied safety risks. TMR is obliged to mitigate safety risk and guard its clients and employees in the following situations:

- In the course of developing, maintaining, and operating cableways, lifts, trails, swimming pools, toboggans, rollercoasters and other resort facilities
- In relation to health risks when providing dining services in the restaurants and hotels
- In relation to operations of the lodging facilities
- Any accidents and incidents during promotional and collaborative events
- In relation to compliance with regulations governing provision of ready-made products and services to clients

IT Security

The Group's business activities substantially depend on information technology (IT)- ticket sales platforms (interconnected in ski resorts because of universal ski passes); on lift turnstiles; cableway equipment; and in shops, restaurants, and hotels. Therefore, the Group takes extraordinary measures to mitigate the risk of break-down with high quality software and hardware components and a strong IT support in order to be able to operate under contingency mode.

Capital Investments

The first pillar of TMR's corporate strategy is based on organic growth through capital investments into its resorts and hotels. Implementation of this strategy requires major capital. During past ten years (including 2016) TMR had invested around EUR 230 mil. into development of its resorts. Each investment project is carefully analyzed under different scenarios. Despite this fact, there is risk that some of the ongoing or planned projects may be less profitable than previously planned, or even at loss. Unprofitable investments may negatively impact the operations, market position, sales, financial performance, and financial outlook of TMR.

Acquisitions

TMR plans to strengthen its position on regional markets also through new acquisitions. A risk exists that acquisitions of other entities will negatively impact future income and results of TMR, specifically in case of choosing the wrong acquisition target, unfavorable terms, or inability to receive permissions from relevant regulators (especially failure to obtain permission from the antimonopoly bureau). In case such event should happen, it may negatively impact the operations, market position, sales, financial performance, and financial outlook of TMR.

Environmental Issues

The Group's capital investments in protected outdoor areas may be subject to approvals of various governmental and environmental bodies. Since the Group conducts its operations mostly in mountainous areas, part of which belong to protected national parks, some capital investment projects may be subject to approval of various governmental bodies. Each new investment project in such area related to expansion of snowmaking, construction of a cableway, etc. must first undergo the Environmental Impact Assessment (EIA), one of main instruments of the international environmental policy of sustainable development, and it must be approved





FINANCIAL PERFORMANCE REVIEW FOR THE YEAR

Financial Performance Review for the Year

KEY RESULTS

- Total consolidated revenues increased to EUR 81.202 mil. (70.915)

■ Consolidated operating profit before interest, tax, depreciation and amortization (EBITDA) reached EUR 25.111 mil. (24.410)

■ TMR operated with EBITDA margin of 30.9% (34.4)
- Net consolidated profit amounted to EUR 2.746 mil. (-0.751)

■ Net consolidated earnings per share (EPS) reached EUR 0.456 (-0.101)

■ The number of visitors to Mountain Resorts increased to 2.121 mil. (1.930); Leisure Parks recorded 784 ths. (777) visitors

Selected Consolidated Results (IFRS)		For the Year Ended October 31	
in €'000		2015/16	2014/15
Sales		80 577	69 991
Other Operating Revenues		625	924
Total Revenues		81 202	70 915
Cost of Sales		-13 062	-11 327
Personnel and Operating Costs		-43 671	-35 355
Other Gain/ Loss		642	177
EBITDA		25 111	24 410
EBITDA Margin		30.9%	34.4%
Depreciation & Amortization		-13 036	-13 298
EBIT		12 075	11 112
Interest Income		1 336	1 403
Interest Expense		-10 958	-11 072
Income from Financial Instruments, net		1 605	-1 566
Pre-tax Income		4 058	-123
Income Tax		-1 312	-628
Net Profit		2 746	-751
Currency Translation Differences		-75	-505
Total Comprehensive Income		2 671	-1 250
EPS (€)		0.456	-0.101

The results of the past financial year 2015/16 were positively impacted by a successful winter season in terms of the season's length and visit rate, although it was one of the drier and warmer ones with a slow start, followed by yet again a good summer season. We observed increases in skier days in the winter season as well as in the number of visitors to the resorts and leisure parks in the summer. The higher visit rate and visitor spending, especially in the leisure parks, were the key drivers of the double digit percentage revenue increase. Moreover, the long-lasting impact of the massive investment projects of development of the Tatra resorts and hotels from prior periods totaling EUR 206 mil. at the end of 2015 was reflected in the Group's results also in the last year and justified an increase of ticket prices, although the average revenue from online sale of ski passes decreased year-over-year. Besides higher average revenue per visitor in the leisure parks, TMR managed to increase visitor spending also on ancillary services such as Dining and Sports Services & Stores, thus the share of these segments on the Group's total revenues increased again.

TOTAL REVENUES AND INCOME

Total Revenues

In the prior year, the Group's total consolidated revenues reached EUR 81.202 mil. (70.915), an increase of 14.5%. Thereof, operating revenues amounted to EUR 80.577 mil. (69.991) and the rest, i.e. EUR 625 ths. (924) was other operating income. Revenues were positively influenced by higher visit rate in the resorts, higher average revenue per visitor in the leisure parks and ancillary services, as well as a greater average daily room rate and higher average occupancy in Hotels.

Earnings before interest, taxes, depreciation and amortization (EBITDA)

Another TMR's key financial performance indicator - EBITDA - reached EUR 25.111 mil. (24.410); which means an increase of 2.9%. Cost of sales increased by 15.3%, and personnel and operating costs were up 23.5%. The rise in personnel and operating costs was caused mainly by the pressure of the labor market to raise wages and launching activities in the Polish resorts, especially new attractions in Silesian Amusement Park (SAP). Operating profitability ratio (EBITDA margin) reached 30.9% (34.4).

Depreciation and Amortization

The depreciation and amortization decreased to the level of EUR 13.036 mil. (13.298).

Financial Activity

Interest income of EUR 1.336 mil. (1.403) mainly stemmed from loans granted, earning fixed interest rates (see Consolidated Financial Statements, item 20). Interest expense fell to EUR 10.958 mil. (11.072); they include mainly loan expenses and expenses of the issued bonds (see Consolidated Financial Statements, item 12). Income from financial instruments, net reached EUR 1.605 mil. (-1.566) due to a positive revaluation of the 19% share in CAREPAR, a.s., which owns 50% in Melida, a.s. - the operator of the Špindlerův Mlýn resort (see Consolidated Financial Statements, item 13, 3e).

Taxes

Payable income tax was EUR -13 ths. (-16). Total income tax was recognized in the amount of EUR -1.312 mil. (-0.628).

Net Income

The Group recognized a net consolidated profit in the amount of EUR 2.746 mil. (-0.751). Profit attributable to owners of the parent company amounted to EUR 3.061 mil. (-0.677). EPS was EUR 0.456 (-0.101). Total comprehensive income after accounting for foreign currency translation reserve amounted to EUR 2.671 mil. (-1.250). The parent company reported a net profit of EUR 4.814 mil. (19 ths.).

KEY EVENTS OF THE YEAR

The positive financial results can be attributed to the diversified business model and following of the corporate strategy, under which the Group took the following actions:

Capital Investments

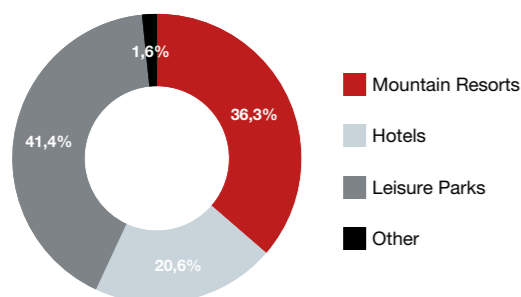
At the Annual General Meeting (AGM) in April 2016 the Board of Directors presented an investment plan for current calendar year with the estimated budget of EUR 44 mil. The actual capital expenditures of the completed investments for the year 2016 totaled EUR 24 mil.¹ EUR 14 mil. was invested into the development of the Tatra resorts of Jasná and Vysoké Tatry. A new 15-seat gondola was constructed before the winter season 2016/17 at Krupová - Srdiečko - Kosodrevina in Jasná, a new trail-grooming vehicle was added together with new snowmaking points. As a result, the resort's transport capacity increased by 2,800 persons per hour. At Mt. Chopok ski trails got upgraded; slope guards were mounted; the terrain got adjusted; and 4 km of trails with snowmaking were added. Last year in Jasná the first phase of the Jasná Center real estate project was kicked off, with a modification of the music club Happy End

¹ Management-adjusted CAPEX are recognized for the calendar year as opposed to IFRS.

and the rehabilitation of the old administrative building “Old Post” into a new hotel. In Tatranská Lomnica 44 rooms of Grandhotel Praha got renovated; rooms of Hotel FIS at Štrbské Pleso got renovated; as well as the lobby bar of Hotel Grand Jasná; a new Tatry Motion outlet was opened in Starý Smokovec; and at Krupová in Jasná investments went to dining facilities. Aquapark Tatralandia introduced the new artificial surfing wave. In July 2016 TMR acquired Mountain hotel Hrebienok.

EUR 2.8 mil. were invested in the Polish SON resort while the rest of the planned investments were postponed because of the process of obtaining the necessary permits. Silesian Amusement Park got new theme zones with new attractions, a new entry gate, dining facilities, and shops for EUR 7 mil. Also, other investment projects have kicked off to be put into operation in the summer 2017.

Investments of 2016



Loyalty Program

TMR continued in its active sales strategy also through direct marketing and building its loyal client base within the GOPASS program. GOPASS enables TMR clients to purchase TMR products and services online at special rates and by using its services in the resorts and hotels to earn loyalty points, as well. The points can be then applied against future purchases.

TMR launched a mobile Gopass app that enables orientation in the ski resort, provides up-to-date information on the state of ski trails, cableways, and weather, enables easy and safe shopping for ski passes also directly at the entry gate of a cableway or the aquapark, or provides an overview of special deals and the restaurants' menus. In April TMR again launched sale of Smart Season Pass - a season ski pass for the next season at special rates purchased via the Gopass e-shop.

As of the end of reported period, there were 392 ths. members registered in the program in Slovakia, whilst 132 ths. new members registered.

Acquisitions and Expansion

In 2016 TMR began negotiations with the mountain resort Ještěd near the Czech town of Liberec on possible lease of the resort and management of its operations. In case of agreement, TMR plans to modernize the resort in two phases with an estimated budget of CZK 671 mil. (EUR 25

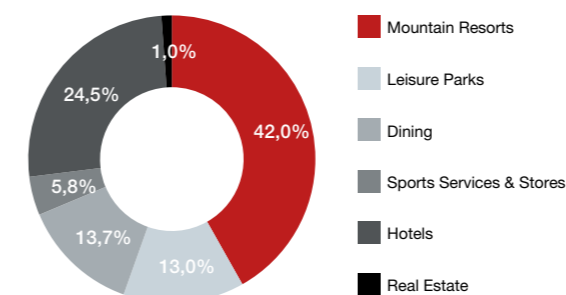
RESULTS BY SEGMENTS AND SUBSEGMENTS

Key Operating Results*	Revenues			EBITDA			EBITDA Margin		
v €'000	2015/16	2014/15	Change yoy (%)	2015/16	2014/15	Change yoy (%)	2015/16	2014/15	Change yoy (p.p.)
Mountains & Leisure	60 449	52 951	14,2%	19 593	19 669	-0,4%	32,4%	37,1%	-4,7%
Mountain Resorts	34 120	30 118	13,3%	12 510	12 566	-0,4%	36,7%	41,7%	-5,1%
Leisure Parks	10 527	9 207	14,3%	3 735	3 988	-6,3%	35,5%	43,3%	-7,8%
Dining	11 132	10 018	11,1%	2 402	2 379	0,9%	21,6%	23,7%	-2,2%
Sports Services & Stores	4 670	3 608	29,4%	946	737	28,4%	20,3%	20,4%	-0,1%
Hotels	19 910	16 751	18,9%	4 402	4 482	-1,8%	22,1%	26,8%	-4,7%
Real Estate	843	1 213	-30,5%	1 116	259	331,3%	132,5%	21,4%	111,2%
Total	81 202	70 915	14,5%	25 111	24 410	2,9%	30,9%	34,4%	-3,5%

mil.). As of the date of this report, the negotiations have not been concluded.

TMR granted a loan to a Croatian company TIKAR for a purchase of a receivable that is secured by a 3-star hotel in the Croatian town of Umag. Upon successful completion of the transaction, TMR would acquire the subject hotel and gradually expand its operations on the Croatian market. The acquisition's completion date is estimated in two years.

Revenue Breakdown



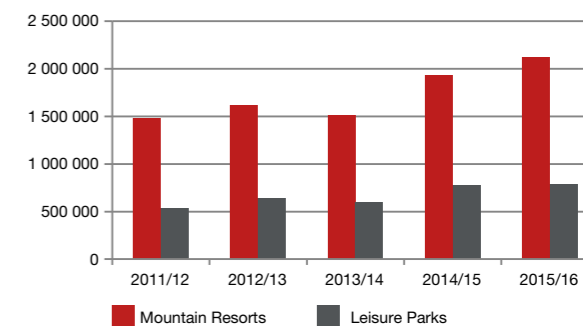
KEY PERFORMANCE INDICATORS (KPIs)

Mountains and Leisure

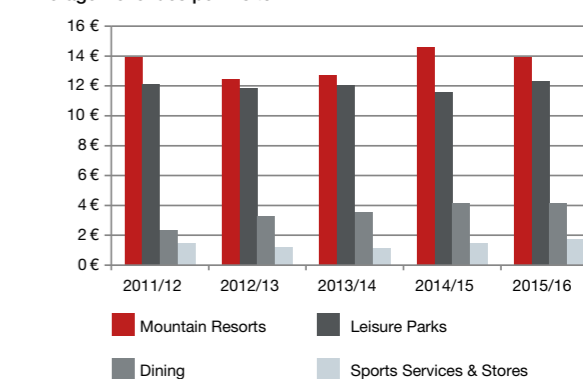
Besides the high quality standard of the services offered in our resorts that boosted the visit rate, other factors included the relatively long winter season 2014/15 lasting till the end of April, good conditions for winter sports despite less than ideal snow conditions at the beginning of the season, and a record-breaking summer in the Tatras mainly due to the unfavorable security situation in foreign vacation destinations. Mountain Resorts, including Štrbské Pleso and SON, recorded a total of 2.121 mil. (1.930) visitors/ skier days², a 9.9% increase. Leisure Parks including Silesian Amusement Park (SAP) and Aquapark Tatralandia observed 784 ths. (777) visitors.

Average revenues per visitor increased mainly in Leisure Parks, by 6.2% to EUR 12.28 (11.56). Average revenues per visitor in Mountain Resorts totaled EUR 13.92 (14.54), a 4.3% fall mainly due to an increase in discounted online sale, despite higher ticket prices at the cash registers. The resort clients spent more in dining facilities on and off the slope and in Tatralandia, which improved the average revenues by 1.0% to 4.16 EUR (4.12). Sports Services & Stores, which largely depend on performance of the resorts, grew in average revenues per visitor by 17.7% to EUR 1.74 (1.48) also thanks to the opening of additional branches.

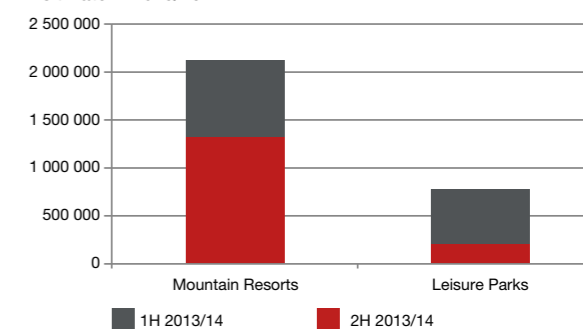
Visit Rate in Mountains and Leisure



Average Revenues per Visitor



Visit Rate in 2015/16



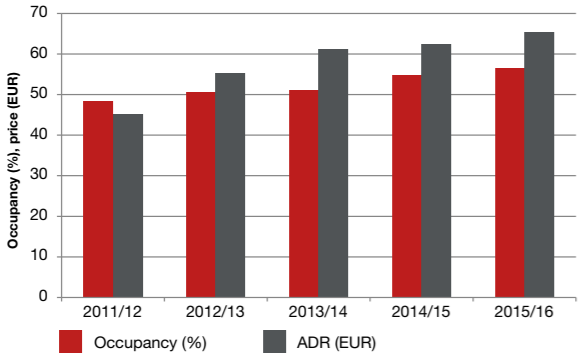
Hotels

The weighted average occupancy of the TMR hotel portfolio increased to 56.5% (54.8) with 744 (694) rooms, as 5 new chalets with 10 apartments under TMR's management were added to Otupné in Jasná. The hotels were occupied to full capacity during peak periods of the 'Golden Week' (24/12-06/01), spring break, as well as during some days

² The total visit rate is measured by the number of entry passes sold in the aquapark and for cableways in the summer season and by the number of skier days in the winter season, i.e. a person visiting a mountain resort at any time of day or night, for the purpose of skiing, snowboarding or other type of downhill run. For example, one 4-day ticket means four skier days in mountain resorts, including Štrbské pleso, co-operated by TMR and the owner of the resort.

in July and August. With hotel stays we observed a surge of guests from the neighboring countries, but the majority was domestic, followed by Czech- and Polish-speaking guests who returned in higher numbers as groups. The share of guests from Russia and Ukraine did not follow a decreasing trend but kept the level from prior year. Also thanks to the long winter season and a higher visit rate in the resorts in the summer season as well, the weighted average daily room rate (ADR) increased 4.9% to EUR 65.44 (62.36).

KPIs of Hotel Portfolio

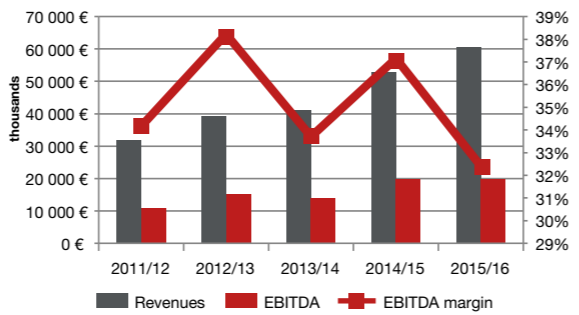


FINANCIAL OPERATING RESULTS

Mountains and Leisure

Thanks to the high level of the services offered that attracted yet again a higher number of visitors, especially in Mountain Resorts, despite the milder and drier winter season, the main segment of Mountains and Leisure, which includes subsegments of Mountain Resorts, Leisure Parks, Dining, and Sports Services & Stores, recorded a 14.2% growth in revenues year-over-year to reach EUR 60.449 mil. (52.951). The revenues of the main segment make up 74.4% of the Group's total operating revenues. Thanks to the growing visit rate and average revenue per visitor all the subsegments reported a revenue growth. Mountain Resorts were up 13.3%. Leisure Parks improved revenues by 14.3%; Dining reported an 11.1% growth; whilst Sports Services & Stores were up 29.4%. The main segment's stronger half-year in terms of revenues was the first (54% of the segment revenues, November - April) thanks to the successful winter season in Mountain Resorts. Operating profit before interest, tax and depreciation (EBITDA) maintained the level of previous year at EUR 19.593 mil. (19.669), which means that operating profitability measured by EBITDA margin reached 32.4% (37.2).

Operating Results Mountains and Leisure Parks

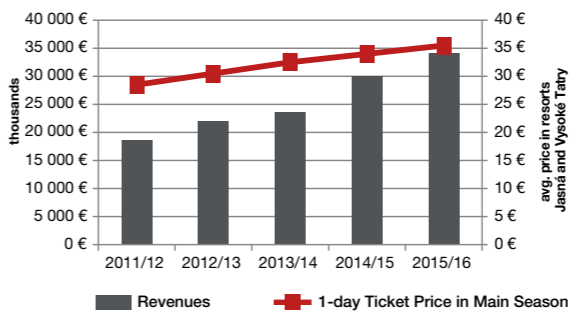


Mountain Resorts

Within the main segment of Mountains and Leisure, Mountain Resorts is the strongest subsegment in terms of revenues, with a 42.0% (42.5) share in total revenues. Its revenues come mainly from sale of ski passes in resorts Jasná Nízke Tatry, Vysoké Tatry, and SON. Other revenues come from leases of billboards and other advertising space and from marketing events in the resorts and from fees for management consulting services to the Špindlerův Mlýn resort. Thanks to the successful winter and summer season 2015/16, especially in the Tatras, the Group achieved a 13.3% revenue growth in Mountain Resorts in total of EUR 34.120 mil. (30.118). The successful winter and summer season 2015/16 in the Tatras attracted more visitors to the resorts, which boosted revenues. The average revenue per visitor fell this time despite higher prices at the cash registers. Online ski pass sales through the GOPASS program, available in resorts Jasná and Vysoké Tatry, increased year-over-year by 56% in the number of skier days sold, and made up 22% of total ski pass sales in the Tatra resorts. The sale of season passes surged the most - by 47% in the number of skier days sold, most of which the clients purchased in advance as the Smart Season Pass. Increases were observed also in the sale of 3-day passes (+30%) and 5-day passes (+26%), whereas the sale of 1-day passes fell by 13%. Half-year results of Mountain Resorts tend to be stronger in the first half of the year due to the strong winter season (63% of the segment revenues). The SON resort was closed during the summer.

Mountain Resorts' EBITDA reached almost the same level as in the prior year with EUR 12.510 mil. (12.556), and consequently Mountain Resorts reached operating profitability of 36.7% (41.7). The growth of revenues was not reflected on the EBITDA level due to increased personnel costs and purchased services, caused by the market's pressure to raise wages and by the fact that the SON resort had not built the necessary infrastructure yet, thus it did not have sufficient snowmaking, could not generate sufficient revenues and cover its operating expenses.

Pricing vs. Revenues Mountain Resorts



Leisure Parks

Revenues of Leisure Parks come mainly from sale of entry tickets to Aquapark Tatralandia and Silesian Amusement Park (SAP) and make up 13.0% (13.0) of total revenues. The revenues for last year grew by 14.3% to EUR 10.527 mil. (9.207). The revenue growth was achieved by a higher average revenue per visitor whilst the total number of visitors almost did not change year-over-year. New attractions in both parks also boosted the revenues. The second half of the financial year is traditionally stronger for Leisure Parks (May - October, 75% of the segment revenues), even though Aquapark Tatralandia runs its operations all year round, whereas SAP is closed during the winter. EBITDA fell by 6.3% to EUR 3.735 mil. (3.988) mainly due to increased operating expenses related to the new attractions in SAP. Leisure Parks' operating profitability fell to 35.5% (43.3).

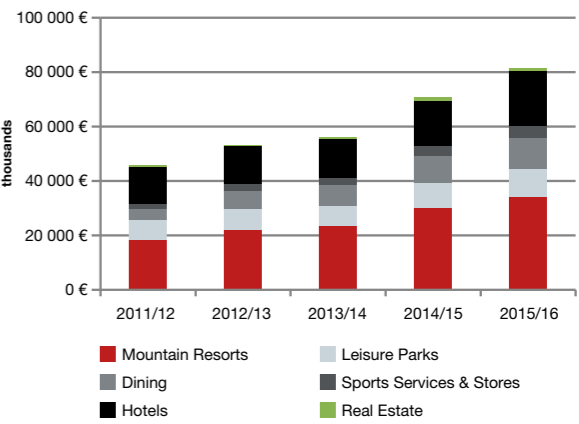
Dining

Revenues of this subsegment come from the Company's restaurants and après-ski bars in Jasná Nízke Tatry, Vysoké Tatry and Tatralandia. The last year's revenues of this segment make 13.7% (14.1) of total revenues. Revenues are evenly generated in the first (49%) and in the second half-year (51%). Total revenues of this subsegment reached EUR 11.132 mil. (10.018), which means an increase of 11.1%. The subsegment's annual growth confirms the continuing trend of the clients' rising demand for ancillary services in the resorts. Thus, TMR sees further growth potential in this subsegment. Operating profitability of this subsegment reached 21.6% (23.7), with EBITDA growing to EUR 2.402 mil. (2.379). This subsegment's success is partly dependent on success of the resorts, as Dining provides supplementary services in Mountain Resorts and Leisure Parks. The increased visit rate in the resorts, higher visitor spending, as well as numerous marketing events during the year contributed to the subsegment's positive results.

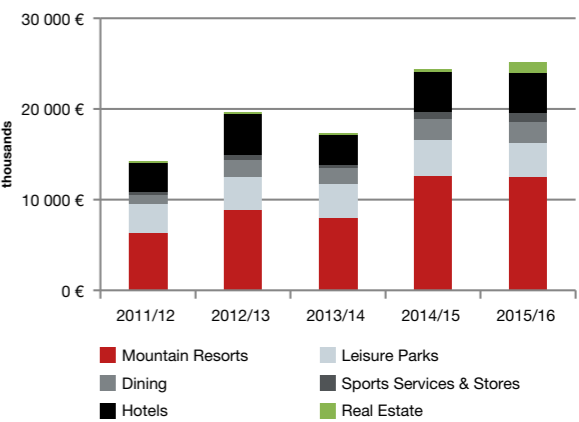
Sports Services & Stores

Revenues generated from sports stores, ski schools, ski rent and service in the Mountain Resorts under the Tatra Motion brand and revenues from stores in Aquapark Tatralandia last year made up a 5.8% (5.1) share in total revenues. Revenues from this subsegment are closely related to the visit rate in Mountain Resorts and Leisure Parks, so they too increased 29.4% to EUR 4.670 mil. (3.608). As these supplementary services are used mainly in the winter season, the stronger half-year was the first one (64%). EBITDA improved by 28.4% to EUR 946 ths. (737). Operating profitability reached 20.3% (20.4).

Operating Revenues



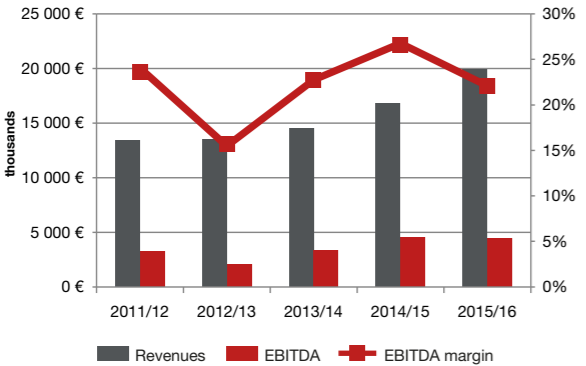
EBITDA



Hotels

The Group's second largest segment is Hotels, revenues of which make up a 24.5% (23.6) share in total revenues. Hotels ended the financial year with revenues amounting to EUR 19.910 mil. (16.751) - an 18.9% growth. The segment's revenues are almost evenly distributed in terms of seasons. The second half-year was a little stronger (51%). Besides the higher average occupancy and higher ADR of the hotel portfolio, the increased Hotels revenues are also attributable to synergic effects with Mountain Resorts and Tatralandia, supported by the client relationship management via the Gopass program and effective marketing. The results were also impacted by full occupancy especially during peak periods, such as New Year and the 'Golden week' (24/12-6/1), the record-breaking summer in the Tatras mainly thanks to the unfavorable security situation in foreign vacation destinations, and by the fact that bookings of summer stays started sooner than in the prior year. Occupancy during some days in July and August was close to the limit. EBITDA fell slightly by 1.8% to EUR 4.402 mil. (4.482), corresponding with EBITDA margin of 22.1% (26.8).

Operating Results Hotels



Real Estate

The last year's revenues of the Real Estate segment come from lease of Hotel Ski &Fun, Hotel Liptov, Kosodrevina Lodge, and the lodging facility Otupné to third parties. Real Estate revenues make up 1.0% of total revenues and they reached the level of EUR 0.843 mil. (1.213). On the like-for-like basis revenues rose by EUR 665 ths.³ Gain on sale of recreational real estate - in the past year on the sale of 29 bungalows of Holiday Village Tatralandia and nine apartments of Chalets Jasná de Luxe Center - reached EUR 770 ths. Thus, EBITDA rose to EUR 1.116 mil. (0.259) with EBITDA margin of 132.5% (21.4).

³ The reported yoy revenue decrease is caused by a change in accounting for sales in real estate projects, which in 2014/15 were recognized as revenues and in 2015/16 as gain on sale.



GROUP'S POSITION AT THE END OF THE YEAR



Group’s Position at the End of the Year

FINANCIAL POSITION

Liquidity

As of the end of 2015/16 the Group operated with liquid funds in the amount of EUR 7.493 mil. (8.219) in the form of cash and cash equivalents.

Borrowings

The total value of the Group’s borrowings amounted to EUR 229.805 mil. (222.421). Out of that issued bonds are valued at EUR 184.702 mil. (184.542). The total value of the Group’s bank loans and leases as of the end of the period came to EUR 45.103 mil. (37.879). The Group draws its bank borrowings from Tatra banka and Polish Powszechna Kasa Oszczedności Bank Polski. TMR increased the bank borrowings by fully drawing its credit facility with Tatra banka mostly for financing of the projects in Poland. The value of borrowings with maturity within 12 months was EUR 6.996 mil. (10.012). The average interest rate on the bank borrowings for the year came to 2.82% (2.86). The level of the Group’s debt as of the period end was at 68.4% (68.3) (total debt-to-capital ratio). Total debt-to-EBITDA ratio reaches the level of 9.2 (9.1) (See Consolidated Financial Statements, Item 27, 31).

Total Assets

The book value of total assets increased to EUR 375.701 mil. (360.921). The value of current assets increased to EUR 67.336 mil. (47.155). On the other hand, non-current assets fell to EUR 308.366 mil. (313.765) mainly due to some loans granted that are maturing in less than one year. The value of fixed assets amounted to EUR 283.133 mil. (272.831). The key investments completed in the last period included the new surfing wave in Aquapark Tatralandia, new attractions in SAP, a new cableway at Krupová in the Jasná resort, new snowmaking, or the reconstructed hotel Post. The acquired Mountain hotel Hrebienok and surrounding land were also added to fixed assets.

Equity

The book value of shareholders’ equity amounted to EUR 106.003 mil. (103.331), whilst retained earnings and other funds totaled EUR 24.129 mil. (24.806). Minority interest amounted to EUR 2.008 mil. (2.315).

Financial Position in €'000	October 31	
	2015/16	2014/15
Total Assets	375 701	360 921
Non-current Assets	308 365	313 766
Fixed Assets	283 133	272 831
Other Non-current	25 232	40 935
Current Assets	67 336	47 155
Liquid Assets	7 493	8 219
Equity	106 003	103 331
Liabilities	269 698	257 590
Non-current Liabilities	239 198	227 426
Current Liabilities	30 500	30 164
Total Debt	229 806	222 421

CASH FLOW

Cash flow generated from operating activities reached EUR 28.600 mil. (24.390). Cash flows assigned for investment activity reached EUR -25.752 mil. (-3.093), whilst EUR -31.226 mil. (-5.305) covered CAPEX associated with acquisition of property. Management-adjusted CAPEX of EUR 23.625 mil. were evaluated for the calendar year as opposed to IFRS. The Company recorded cash flows generated from financing activities in the amount of EUR -3.574 mil. (-16.981). During the year the Group repaid principal of loans received in the amount of EUR -21.785 mil. and drew new loans in the amount of EUR 29,030 mil.

OUTLOOK

Management expects continuing positive effects stemming from capital investments of prior periods totaling EUR 230 mil. with impact on the next financial year and following periods, in terms of increasing the visit rate, client spending in the resorts, and growing occupancy in the hotels, especially in the off-season. The higher activity in the Real Estate segment is expected to continue also in the following periods, which should generate additional revenues and income not only in this segment but also in Hotels and ancillary services through shops and dining facilities. The gradual progress in the projects of modernization of Silesian Amusement Park (SAP) and the SON resort should bring results in terms of increased visit rate and average spending per visitor already in the next period in the case of SAP and in the following periods in SON, as well. In the short term Management will be focusing on inter-segment synergies, quality management, utilization of innovative information technologies, on increasing the quality of services provided and quality of human capital, and on active sales strategy also through the GOPASS program.

Explanations
() - data in brackets refers to the corresponding value of previous period
mil. - millions
thous. - thousands
Total Debt-EBITDA ratio - is calculated as a sum of current and non-current loans and borrowings and other current liabilities to the amount of liabilities towards shareholders from the decrease of share capital, divided by EBITDA for the reported period
EBITDA - earnings before interest, taxes, depreciation, and amortization
SAP - Silesian Amusement Park (Śląskie Wesołe Miasteczko)
SON - Szczyrkowski ośrodek narciarski

Cash Flows in €'000	November 1 - October 31	
	2015/16	2014/15
Net Cash from Operating Activities	28 600	24 390
Net Cash from Investing Activities	-25 752	-3 093
Net Cash from Financing Activities	-3 574	-16 981
Net Increase in Cash and Cash Equivalents	-726	4 316

CORPORATE SOCIAL RESPONSIBILITY



Corporate Social Responsibility

ENVIRONMENT AND COMMUNITY

TMR owns and operates major tourist resorts mainly in Slovakia and Poland. Majority is located in the area of national parks. The Company concentrates solely on traditional, already urbanized areas, where sports and tourism have been a tradition for decades.

From TMR's point of view protecting fauna and flora is a very important part of ongoing investments, and of continuing development of summer and winter tourism in the Tatras. Every investment is analyzed in terms of impact on the environment.

Impact of Business Activities on Environment

TMR in all of its investment and operational activities cares for environment protection and minimal impact on the natural environment. The Company takes environment into consideration during the course of its business activities and tries to minimize their impact in every segment. TMR's effort is to select services and products in such a way that the impact on the environment is minimal. Moreover, the Company does its best to restrict relatively the use of natural resources and optimize waste production. TMR spreads this attitude towards environment internally among its employees and externally within communities by means of initiatives and events.

The goal of TMR is to conduct business activities with a minimum energy and fuel consumption. With this goal in mind the Company also adapts its capital investments into new cableways. These new cableways are built with the latest energy efficient technologies from top world producers, like Doppelmayr and Leitner.

For its operations the Company utilizes **"green energy"** - electric energy from renewable resources, i.e. solar, water, and wind energy, for which it was granted a certificate from the supplier.

In every segment the Company aims to utilize efficient management of operations at an optimal level of energy consumption, and moreover, the Company consistently works on improving operational efficiency. In addition to the selection of energy efficient cableways TMR also cares for the correct choice of trail-grooming vehicles that have lower emissions and thus decrease the impact on the environment.

Projects of 2015/16

TMR's projects of 2015/16 refer to activities of prior periods, when TMR made an active contribution to restoration of the areas, in which TMR's business activities are performed. The company was also proactive in preparation of educational activities focused on various age groups of the population.

TMR was very active in entering into the process of establishing and development of cooperation with district tourist organizations (DTOs). TMR is a member of three DTOs covering

the whole region of the Company's operation. It includes the following DTOs:

- DTO High Tatras Region
- DTO Liptov Region
- DTO Low Tatras South

All the aforementioned organizations developed projects of common communication and/or support to the regional infrastructure aiming to improve their establishment on the tourism market. The parties involved managed to put together funds of businesses operating in tourism and local governments; and, in accordance with the Act on Tourism, the state contributed to the projects in form of grants; as a result funds were raised for common support of the regions.

The **DTO Liptov Region** operated in 2016 with the budget of more than EUR 1.846 mil. It ran several projects to support summer and winter tourism, and to make regional services more attractive. The top event was the Ski World Cup in Jasná, a great opportunity to promote the Jasná ski resort and the Liptov region. Other projects included a fun family game - The treasures of Liptov; operation of a ski & aqua bus; and Liptovian Star 2016. For the first time we ran a campaign to promote summer tourism on TV and online. The campaign message 'You can find everything in Liptov' promotes a wide offer of the Liptov region and helped to increase the number of overnight stays by 18.5% year-over-year. The DTO Liptov Region led other projects to boost hiking and cycling: the project 'Known/ Unknown Čutkovská valley'; the info trail for hikers and bikers- 'Cycling Turtle'; marking of new cycling tracks; building of a new cycling info point at Háj-Nicová; and publishing of a cycling map. The key mutual projects included the discount card Liptov Region Card, which more than 70 thous. Liptov tourists applied for in 2016. The organization organized LiptovFest - a festival of good fun, food, and experiences; then the opening of the summer and winter tourism season in Liptov; and it co-financed events Riding Easter Egg to Mt. Chopok, Dragon Nights, Tropical Party, and Summer Beach Party. As part of the region support, marketing activities on new markets (Ukraine, the UK, Baltic region) included an online and print campaign and support of airline connections London - Poprad and Poprad - Riga. The DTO also helped with preparation of promotion material, attended various conventions, workshops, and exhibitions, was active in regular PR, press releases, support of infotours, etc.

Last year the High Tatras' **DTO High Tatras Region** made a contribution to the common projects in the amount of EUR 977 thous. sourced from membership fees and with a EUR 857 thous. state grant. The key events included - Tatry Ice Master, Snow Dogs, Tennis ATP Challenger Poprad - Tatry, Venetian Night at Štrbské pleso, Tatra cultural summer, Tatra Christmas, Bear Days at Hrebienok, Marmots at the Lake, and construction of

Tatry Ice Dome, which was available to visitors from December to April. During this period (137 days) it was visited by 218 thous. visitors. Common promotion materials were made, such as summer and winters maps, guides to Tatra experiences, and an accommodation catalogue. The High Tatras DTO sponsored the entire TATRY Card project. Infotours were organized for media and for tour operators from Poland, Hungary, Scandinavia, Brazil, the Czech Republic, and Great Britain. The DTO attended fairs and exhibitions in the following cities: Warsaw, Krakow, Katowice, Gliwice, Prague, Budapest, and London. The High Tatras region was also promoted at ITF SlovakiaTour under the regional tourist organization Northeast Slovakia. It continued to support marketing of two airline connections London - Poprad and Riga - Poprad, and at the end of 2016 it began to support the new direct charter connection from Kiev. The High Tatras Region DTO, with a strong tradition of cross-country skiing spent common funds for treatment of cross-country ski trails at Štrbské Pleso, Tatranská Lomnica and in the surroundings of Starý Smokovec. It also helped to renovate the sports center at Štrbské Pleso by reviving cross-country skiing areas for its fans. The DTO entirely organized and free transport for visitors and Tatry Card holders during the winter season by the ski & aqua bus and in the summer by boosting eco tram connections. During summer months, bike routes were mapped, route markings were renovated and all resulting information was published on the website and in promotion materials. The DTO also financed operations of Tatra information centers, which are the point of first contact for visitors at their arrival to the region and the key source of their information.

The High Tatras Region DTO established an incoming travel agency called Region Tatry Travel s.r.o., which in the first year of its existence focused on Great Britain and Israel. Its main operations include production of product- and stay packages and consequent negotiation of the best terms possible with business partners and foreign travel agencies in the name of all the members of the High Tatras Region DTO.

All DTOs supported their common image magazine for visitors of Tatras named TATRY MAGAZÍN. The magazine provides a lifestyle communication of attractions, events, prominent people and news in the broad Tatra region.

Education promoting positive approach to nature is apparent in many of the Company's activities. The key projects focused on such tutorial and educational tasks are projects such as The Treasure of Demian, the Dragon, Tatra Wilderness, Snow Dogs and Bear Days.

During summer families with children discovered secrets of the mountains and Demänovská Valley, looking for traces of the Demian, the Dragon. An educational trail for children covering even larger area is presently

under construction in High Tatras. The nature trail named Tatry Wild resulted from TMR's cooperation with the State Forests Enterprise of TANAP National Park and the Management of TANAP National Park. This project gradually expands from Tatranská Lomnica, through Hrebienok to Štrbské Pleso. The most attractive part of the project is the eco-mini park Marmot Cave at Skalnaté Pleso - an environment-friendly educational and fun park for children.

In September 2016 the third annual Green Chopok event took place at Mt. Chopok as a public proposal of people of Liptov for cleaner mountains. The event was attended by primary school students, as well as seniors from a tourist club and mountain fans from all Slovakia. The activists went through tons of rocks and garbage left from the winter season. The event's positive impact and a great interest from public are the reason that it will take place again next year.

The company proactively supports sport events in its resorts, either as a partner or as a sponsor. In the last period, TMR participated in the following sports races:

- FIS Ski World Cup Ladies (Jasná)
- Vertical Grand Tour (Tatranská Lomnica)
- The Slovak Freestyle Cup in Slopestyle (Jasná)
- Slovak Grand Prix (Štrbské Pleso)
- FIS Europe Cup Slopestyle (Jasná)
- Šľusovka (Jasná)
- Slovak Skialp Cup (Jasná)
- Liptov Ride (Mt. Chopok)
- Ski & Golf Slovakia (Tatranská Lomnica)
- Masters Cup (Štrbské Pleso)
- Rajec High Tatras Night Run (Štrbské Pleso)
- Triathlon and duathlon attack (Jasná)
- Mikulášska Lodge Duathlon (Jasná)
- Sky Marathon Chopok
- Poprad - Tatry Challenger Tour



HUMAN RESOURCES

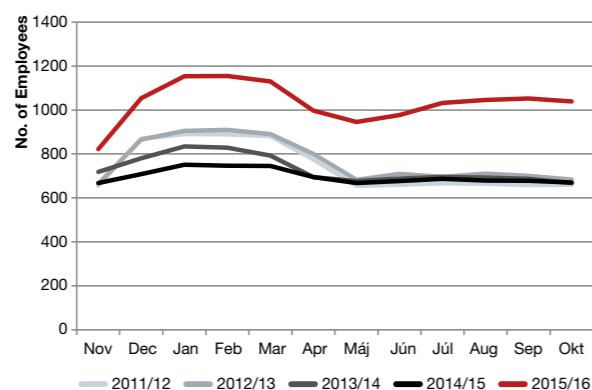
Human resources are an important factor in the Group's success, thus the HR department continues to follow the preset course of enhancing the processes in the HR management, jobs stabilization, continuing employee education, and utilization of all modern HR tools in order to achieve quality, stability, and the Group's growth.

The annual average number of the Group employees for the financial year 2015/16 totaled 1,095 (804). This proves that the Group is considered a major and credible employer. Despite the Group's positive business performance, jobs seasonality is still present. The Group hires a high number of full-time employees and contractors especially before the winter and summer season, which shows efficient human capital management. In comparing with prior years, differences between the summer and winter season are diminishing. By efficient utilization of human resources we were able to decrease the number of seasonal employees and stabilize full-time employees.

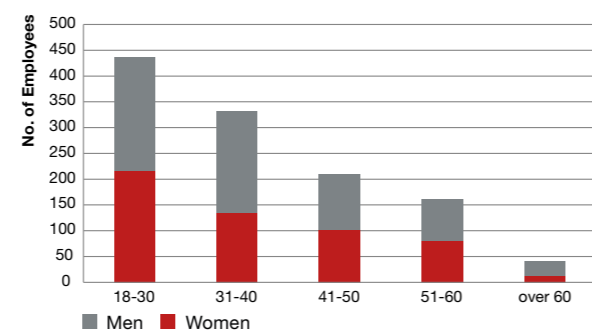
TMR strives to provide equal employment opportunity, as seen in the graph below. The Group employs 53.5% men and 46.5% women, and this ratio is closer to balance with each year. TMR gives an employment opportunity to young people without prior professional experience, as well, as 37% of our employees belong to the 18-30 age group and 28% are between 31 - 40 years old. Employees with age 41 - 50 make up 18%, and 17% of employees are over 50.

In 2015/16 the Group published 412 job offers and recorded 6,796 responses. The increase in the job offers published is the reflection of the labor market which is facing a lack of skilled labor force in the whole EU. Due to this status quo TMR puts emphasis on internal learning, requalification of the human capital, and employees' personal growth, thus TMR prefers internal recruitment in the hiring process.

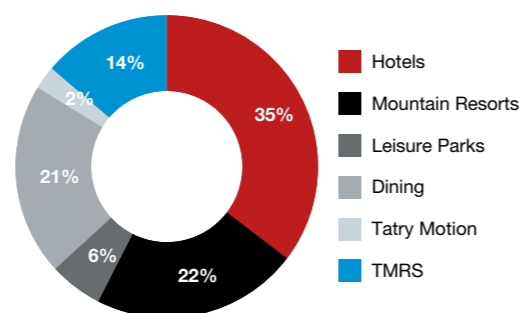
Employment Trend 2012-2016



Employees' Age and Gender Structure 2016



Employment by Segments



PROJECTS

The key performance indicator of our employees is our clients' satisfaction and their return to our resorts. On the other hand, it is important for us to monitor satisfaction of our employees and to focus on their personal and professional growth.

Communication

Last year we launched several projects aimed to support and speed up employees' integration (new and senior) as well as to support communication among all resorts, passing of information among all employees on the Company news, its strategy, new projects, and strengthening and adoption of the Company values.

TeMeR newspaper - the Company established an editor council and published the first edition of TeMeR newspaper - subtitled "Newspaper not only for Tatry mountain resorts employees", in 2,500 copies in Slovak and Polish. TeMeR newspaper is one of the new communication channels distributing up-to-date information on the Company.

Employee brochure - provides basic information on TMR, on its acquisitions, values, its vision and social program. It serves as a guide in the onboarding process and provides useful information also for long-time employees. The brochure was published in 3,000 copies and was distributed among all the employees as well as among the new ones.

Besides the regular resort meetings, so called "Resort dialogue" has been launched, where the management meets with employees on a regular basis informally. Here the employees have a chance to raise their issues. A record is kept from each meeting, and the employees get informed about the results.

Evaluation dialogues - are another tool to raise employee performance by setting goals and their evaluation. Setting of personal and career growth is a part of the dialogues, as well as defining job learning for the following year.

Cooperation with School and Universities

TMR puts emphasis on building relationships with high schools and universities in a way so that the Group can create an efficient source of qualified and highly professional employees. TMR focuses on decreasing unemployment of young people caused by differences between skills of school graduates and employers' expectations. Therefore, the Company successfully joined the dual education system in September 2016 and has 18 students of Hotel academy in Liptovský Mikuláš involved in its operations. TMR plans to participate in dual education also in the

next school year. This way TMR strives to maintain a high level of its employees' qualification by preparing its future employees for the exact technologies and equipment that it uses in its operations. By dually educating students with focus on demand of the labor market, TMR creates an opportunity for a long-term and stable company growth; and by having joined the dual education model it reacts on higher client requirements, which gives it a competitive advantage in its business sector.

Employee Learning

The Company supports a continuing development of skills, knowledge, and employee loyalty on all levels in order to enable them to efficiently fulfill their job duties, improve their job performance, and to create further advancement opportunities for the employees. The Company created and recruited professionals for the new department of learning and development, which has executed an analysis of the employees' learning needs based on the Company strategy, goals, and the system of regular job performance evaluation of the employees. The department keeps a check on the level of personal profile, potential, and qualification of each employee and sets individual development plans. The department further prepared a learning plan for 2016/17, a catalogue with internal learning courses, and a financial plan for external learning. Since August 2016 the new department ran 82 courses for 751 employees during 325 hours, i.e. 2,995 attendee hours.

Social Program and Benefits

The well designed social program includes many activities, the goal of which is to fully unify TMR employees and to achieve comprehension and adoption of TMR goals in order to build corporate culture and create a feeling of corporate togetherness. The employees have a chance to use a wide variety of employee benefits. Also this way TMR wants to enable the employees and their families to try out all the services that TMR offers, and thus to boost the overall transfer of knowledge about the products and last but not least to spread positive word of mouth in their networks.

A full-page background image featuring a skier in a bright yellow and black racing suit performing a jump over a snowy mountain ridge. The skier is in mid-air, with their yellow skis crossed. The background shows a vast, snow-covered mountain landscape under a clear, deep blue sky. A red horizontal bar is positioned on the right side of the image, containing the text 'CORPORATE GOVERNANCE'.

CORPORATE GOVERNANCE

Corporate Governance

CORPORATE GOVERNANCE PRINCIPLES

TMR's corporate governance is regulated by the principles and methods outlined in the Company Articles, TMR's Code of Conduct, in the Corporate Governance Code of companies in Slovakia, in the Rules of Organization and in the set of managing acts (guidelines), which are published at the Company's registered office. The aforementioned principles and methods are communicated to the Company's employees.

CORPORATE BODIES AND MANAGEMENT

BOARD OF DIRECTORS

The Board of Directors is a statutory body of Tatry mountain resorts, a.s. The Board of Directors regulates the Company's activities and decides all Company matters, unless legal regulations or the Company's Articles stipulate that such matters fall under the competence of the General Meeting or the Supervisory Board. Besides other documents, the Board of Directors submits the draft investment and financial plan for approval by the Supervisory Board and is responsible for meeting the plan. The Board of Directors submits the Company Articles for approval by the General Meeting. The Board of Directors convenes the General Meeting at least once a year.

The power to act on behalf of the Company in all matters is always held jointly by two members of the Board of Directors. Members of the Board of Directors are elected and removed by the Supervisory Board. The term of office of members of the Board of Directors is five years; re-election is not allowed. Additionally, the Supervisory Board shall appoint the Chairman and the Vice-Chairman of the Board of Directors from among the members of the Board of Directors.

The Board of Directors does not have its own Statute or Committees.

The Board of Directors holds sessions as necessary; at least once in two months. The Board of Directors holds a quorum if a session is attended by a majority of all members of the Board of Directors. A decision of the Board of Directors is adopted if more than half of the members of the Board of Directors voted in the affirmative.

As of 31 October 2016, the Board of Directors comprised four members:

- **Bohuš Hlavatý** - Chairman of the Board of Directors
- **Branislav Gábriš** - Vice-Chairman of the Board of Directors
- **Jozef Hodek** - member of the Board of Directors
- **Andrej Devečka** - member of the Board of Directors

Members of the Board of Directors

- **Bohuš Hlavatý** - Chairman of the Board of Directors and CEO of TMR since 29/06/2009



In June 2009 Ing. Hlavatý was first elected as a member of the Company's Board of Directors and as the Chairman of the Board of Directors. On 27/05/2014 he was reelected as a member of the Board of Directors and its Chairman, effective as of 30/06/2014. Since 2009 Mr Hlavatý also holds the office of the Company's Chief

Executive Officer. Under his leadership, TMR underwent a successful revitalization and started making use of synergies with its subsidiaries. He managed the successful issue of TMR shares on the Bratislava Stock Exchange. Since 2006 he has held a number of senior managerial positions in hotel and tourism sectors in the High and Low Tatras. In 2006 - 2008 he held the position of CEO of JASNÁ Nízke Tatry (predecessor of TMR) and CEO of Tatranské lanové dráhy (Tatra Cableways). Previously, he held top managerial positions at Slovak, Polish and Czech FMCG companies: Vodní sklo Brno (Vice-Chairman of the Executive Board 2003 - 2006), Wyborova SA (Pernod Ricard Poland) (Sales Director 2001 - 2003), Seagram Poland (Sales Director 1999 - 2001), Seagram Slovakia (Sales Director 1995 - 1999), and BOBI Slovakia (since 1997 Kimberley Clark) (Director 1994 - 1995).

Since November 2006 Ing. Hlavatý has been a partner and a legal representative in BAKK s.r.o. From 17/02/2014 till 30/06/2016 he held the role of vice-chairman of the board of directors of Czech companies ŽS REAL, a.s. and STAVCOM-HP, a.s. He is also a member of the supervisory board of KORONA ZIEMI SPÓŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA, Zawoja, Poland, a member of the supervisory boards of SZCYRKOWSKI OŚRODEK NARCIARSKI SPÓŁKA AKCYJNA, Szczyrk, Poland and ŚLĄSKIE WESOŁE MIASTECZKO SPÓŁKA Z OGRANICZONA ODPOWIEDZIALNOŚCIĄ Chorzów, Poland.

Number of shares held as of 31 October 2016: 710

- **Jozef Hodek** - member of the Board of Directors and CFO of the Company since 29/06/2009



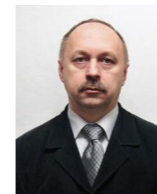
Mr. Hodek was first elected as a member of the Board of Directors in June 2009. On 27/05/2014 he was reelected, effective as of 30/06/2014. He joined the Company as the Chief Financial Officer in 2007; later he was engaged in the financial consolidation of the companies which now are

members of TMR. From 2008 to 2009, he held the position of Chief Financial Officer of Tatry mountain resort services, a.s., which merged with TMR. Currently, he serves as the Company's CFO. He was engaged in TMR efficiency improvement processes, the issue of new shares and listing on the Bratislava Stock Exchange. Previously, in 2006 to 2007, he worked in the audit department of Pricewaterhouse Cooper Slovakia. He graduated from the University of Economics, Faculty of Business Informatics in Bratislava.

Since August 2012 Mr. Hodek has also sat on the supervisory board of Melida, a.s. He is also a supervisory board member at SZCYRKOWSKI OŚRODEK NARCIARSKI SPÓŁKA AKCYJNA, Szczyrk, Poland, at KORONA ZIEMI SPÓŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA, Zawoja, Poland, and at ŚLĄSKIE WESOŁE MIASTECZKO SPÓŁKA Z OGRANICZONA ODPOWIEDZIALNOŚCIĄ Chorzów, Poland.

Number of shares held as of 31 October 2016: 431

- **Branislav Gábriš** - Vice-Chairman of the Board of Directors since 18/02/2011



Mr. Gábriš was first elected as a member of the Board of Directors and as Vice-Chairman of the Board of Directors in February 2011. At the Supervisory Board meeting on 18/03/2016 he was reelected a member of the Board of Directors and appointed the vice-chairman of the Company's Board of Directors, effective as of 18/03/2016. Previously, he worked as an IT Manager in the real estate company NITRA REAL GROUP, a.s., where held the position of Chairman of the Board of Directors. He is a graduate (master's degree: M.Sc.) of the University of Technology in Košice.

Besides serving on the Board of Directors of TMR, NITRA REAL GROUP, and TSS GRADE, a.s. (since 26/01/2016), Ing. Gábriš is a legal representative at PARMA EXIM,s.r.o., XETA, s.r.o., SANUS Real, s.r.o. and HS WEST, s. r.o. He is also chairman of the Board of Directors at Tatralandia a.s., TAVIS, a.s., he served as a chairman of the Board of Directors atSTAVCOM-HP a.s. till 30/06/2016, and as a vice-chairman of ŽS Real a.s. till 30/06/2016.

Number of shares held as of 31 October 2016: 0

- **Andrej Devečka** - member of the Board of Directors since 22/12/2011



Mr. Devečka was elected as a member of the Board of Directors in December 2011. Since 1991 he has been an owner, businessman, co-owner, executive and member of the Supervisory Board in a number of companies. Previously, he held the position of Senior Manager in Tesla Liptovský Hrádok, a technology

machinery company. He graduated from the University of Technology in Liptovský Mikuláš, with a specialization in microelectronics and laser technology.

Besides serving on the Board of Directors of TMR Ing. Devečka serves as a legal representative at HOLLYWOOD C.E.S., s.r.o. and C4U, s.r.o.

Number of shares held as of 31 October 2015: 500

Remuneration of Members of the Board of Directors

Remuneration of members of the Company's Board of Directors is governed by "Remuneration Rules for Members of the Board of Directors of Tatry Mountain Resorts, a.s." (hereinafter only the "Remuneration Rules"), approved by the Company's Supervisory Board on 12/09/2013 and by contracts on office signed between members of the Board of Directors and the Company, and approved by the Company's Supervisory Board.

In accordance with the Remuneration Rules and the signed contracts on the performance of the office, the following remuneration is paid to members of the Board of Directors:

- **Basic Flat Remuneration:** the amount is defined on an individual basis for each member of the Board of Directors, upon decision of the Supervisory Board when electing the member of the Board of Directors;
- **Extraordinary Bonuses** are paid to members of the Board of Directors after meeting the criteria defined in the Remuneration Rules. The amount of bonuses for members of the Board of Directors and deadlines for their payment are defined in the Remuneration Rules, which are tied to meeting the plan based on EBITDA. The total amount of extraordinary bonuses of the Board of Directors shall not exceed 1% of the Company's EBITDA.

SUPERVISORY BOARD

The Supervisory Board is the Company's supreme monitoring body. It supervises the exercise of the Board of Directors' competences and performance of the Company's business activities. The Supervisory Board, inter alia, approves draft financial plans submitted by the Board of Directors, significant investments and other material, financial and business transactions for the relevant financial year, approves the rules for the remuneration of members the Board of Directors and reports to the General Meeting regarding results of its monitoring activities.

The Supervisory Board is comprised of nine members. The term of office is five years, and re-election is not allowed. Members of the Supervisory Board are elected and removed by the General Meeting. If, at the moment of an election, the Company employs more than 50 employees on full-time employment, two thirds of the members of the Supervisory Board are elected and removed by the General Meeting and one third is elected and removed by the Company's employees. The Supervisory Board elects the Chairman and Vice-Chairman of the Supervisory Board from among its members.

As of 31 October 2016, the Supervisory Board was comprised of nine members:

- **Igor Rattaj** - Chairman of the Supervisory Board, elected by the General Meeting;
- **František Hodorovský** - Vice-Chairman of the Supervisory Board, elected by the General Meeting;
- **Adam Tomis** - member of the Supervisory Board, elected by the General Meeting
- **Pavol Mikušiak** - member of the Supervisory Board, elected by the General Meeting;
- **Roman Kudláček** - member of the Supervisory Board, elected by the General Meeting;
- **Martin Kopecký** - member of the Supervisory Board, elected by the General Meeting from;
- **Ján Štetka** - independent member of the Supervisory Board, elected by TMR employees;
- **Peter Kubeňa** - independent member of the Supervisory Board, elected by TMR employees;
- **Miroslav Roth** - independent member of the Supervisory Board, elected by TMR employees.

Changes during the year:

28/04/2016 - the Annual General Meeting reelected František Hodorovský a member of the Supervisory Board, effective as of 28/04/2016. At the same time the Supervisory Board at its meeting on 28/04/2016 appointed František Hodorovský its vice-chairman as of 28/04/2016.

Members of the Supervisory Board

- **Igor Rattaj** - Chairman of the Supervisory Board since 29/06/2009

Mr. Rattaj has held the office of the Chairman of the Supervisory Board since June 2009, when he was elected by the General Meeting as a member of the Supervisory Board and reelected by the General Meeting on 12/04/2014. He has extensive experience in financing. Additionally, he is a member of Supervisory Boards and an Executive in a number of companies. He worked as Director for Trading with Securities in J&T Securities. Previously, he held the position of Vice-Chairman of the Board of Directors and Director for Private Banking at "Podnikatelská banka" in Prague. He graduated from the Slovak University of Technology, Faculty of Electrical Engineering in Bratislava.

Besides his role as TMR's Chairman of the Supervisory Board, Ing. Rattaj holds positions as a member of the Board of Directors of 1. Garantovaná, a.s., a chairman of the Board of Directors at MELIDA, a.s. and Capital Industrial, a.s. until 27/10/2016. As of 31/10/2016 he also serves as a legal representative at KPRHT 5, s. r. o., Thalia s.r.o., C4U, s.r.o, MONTIR, s.r.o. and RCBT, s. r. o. He is also a member of the Supervisory Board of RIVERSAND a. s., Snowparadise a.s., Huricane Factory a.s. and SOLIVARY akciová spoločnosť Prešov in liquidation.

Number of shares held as of 31 October 2016: 3,300 (Igor Rattaj), 1,262,139 (C.I. CAPITAL INDUSTRIES LIMITED, 100%), 664,058 (KEY DEE LIMITED, 50%)

- **František Hodorovský** - member of the Supervisory Board since 18/01/2011

In January 2011, Mr Hodorovský was first elected by the General Meeting as a member of the Supervisory Board and, at the same time, he was elected by the Supervisory Board as Vice-Chairman of the Supervisory Board, as the owner of Tatralandia, which was acquired by the Company. The Annual General Meeting reelected František Hodorovský a member of the Supervisory Board, effective as of 28/04/2016. The Supervisory Board at its meeting on 28/04/2016 appointed František Hodorovský its vice-chairman as of 28/04/2016. Since 1996, he has held various positions as a legal representative, partner and shareholder in various companies operating in the tourism industry. He graduated from the University of Economics in Bratislava, Faculty of Business Management.

Besides his role as TMR's member of the Supervisory Board, Ing. Hodorovský serves as a legal representative in BELGOMET, s.r.o., DITERGO, s.r.o., ELAFINA, s.r.o., FOREST HILL COMPANY, s. r. o., MINERVASIS, s.r.o. , SLOVKARPATIA DANUBE, s.r.o, SLOVKARPATIA, s.r.o., ENNEL, s.r.o. and TLD, s. r. o.; as a partner in E-is-W, s.r.o. and DITERGO, s.r.o.

Number of shares held as of 31 October 2016: 0 (František Hodorovský), 1,030,919 (BELGOMET, s.r.o., 100%)

- **Adam Tomis** - member of the Supervisory Board since 12/04/2014

Mr. Tomis was elected a Supervisory Board member by the General Meeting on 12/04/2014. Currently, he serves as a project manager responsible for non-banking investments of the J&T Group. During 2012-2013 he worked in a consulting firm McKinsey&Company on projects in banking and telecommunications. Before, he had served for eight years at the investment firm Benson Oak Capital and for one year at the independent air travel agency Travel Service. Mr. Tomis earned his college degree at the Charles University in Prague, the Institute of Economic Studies, majoring in Finance, financial markets, and banking.

Number of shares held as of 31 October 2016: 0

- **Pavol Mikušiak** - member of the Supervisory Board since 27/4/2013

Ing. Mikušiak was elected a member of the Supervisory Board in April 2013 by the General Meeting. He is a member of corporate bodies of several Slovak companies. Since 1996 he serves as business director of CBA Verex, a.s. Previously he worked as foreign trade director at Verex, s.r.o. (1992 - 1996) and as a scientific researcher at Research Institute in Liptovský Mikuláš (1987 - 1992). He graduated from the Technical University in Košice, the Faculty of information technologies and programming.

Currently, besides his role as TMR's member of the Supervisory Board, Ing. Mikušiak serves as a member of the Supervisory Board at CBA SK, a.s., OSKO, a.s., and LEVEL a.s. At the same time, he holds a position of chairman of the Board of Directors at Svätôjánske Kúpele, a.s., and NARCIUS, a.s., vice-chairman of the Board of Directors at CBA VEREX, a.s., VEREX HOLDING, a.s. and VEREX-ELTO, a.s.; and a member of the board at VETEX ŽILINA, a.s. He is a legal representative of ELTO REALITY, s.r.o., VEREX REALITY s.r.o., HYDINA HOLDING, s.r.o., PeLiM, pracovne a čistiarne, s.r.o. and NAVOS s.r.o.

Number of shares held as of 31 October 2016: 0

- **Roman Kudláček** - member of the Supervisory Board since 21/4/2012

In April 2011, Mr Kudláček was elected by the General Meeting as a member of the Supervisory Board. He has extensive experience in machinery and engineering. Since 2000 he has held the position of Chairman of the Board of Directors in K&M, a.s. From 2001 to 2008, he worked as an executive of Liptosol, s.r.o. in Liptovský Mikuláš. Previously he held the position of Chairman of the Board of Directors at the machinery manufacturer LIPTOVSKÉ STROJÁRNE plus, a.s. (1997 - 1999). From 1993 to 1999 he was an Executive of RBL, s.r.o. During the prior two years he was engaged in retail business activities.

Besides his membership on the Supervisory Board of TMR, Mr Kudláček is a legal representative at NORDBELL s.r.o. and a member of the Supervisory Board at EUROCOM Investment, s.r.o. a WORLD EXCO s.r.o.

Number of shares held as of 31 October 2016: 1,000

- **Martin Kopecký** - member of the Supervisory Board from 25/04/2015

PhDr. Martin Kopecký, MSc, CFA was elected a member of the Supervisory Board by the General Meeting on 25/04/2015. Since 2011 he has been working at J&T IB and Capital Markets, specializing in bonds issues and M&As within the J&T group, as well as externally. He has experience with transactions in banking, consumer finance, and retail. Previously, he worked at Ernst & Young in transactions consulting and valuations. He earned his master's degree at Oxford University and PhDr. at Charles University in Prague. Also he is a CFA - Chartered Financial Analyst.

Besides his role as a Supervisory Board member, he is also a partner at IKE Media s.r.o., the Czech Rep.

Number of shares held as of 31 October 2016: 0

- **Ján Štetka** - independent member of the Supervisory Board since 30/6/2012

In June 2012, Mr. Štetka was elected as a member of the Supervisory Board by employees of the Company. Since 1998 he has been working for TMR as Cableways Operation Manager in the resort Jasná Nízke Tatry. Before joining TMR he worked as Director for Cableways in Telemar, a.s. and before that he worked at Javorina travel agency. He has a master degree (M.Sc.) as a graduate of the Slovak University of Technology in Bratislava, with a specialization in mechanical engineering.

Number of shares held as of 31 October 2016: 15
■ Peter Kubeňa - independent member of the Supervisory Board since 30/6/2012
Mr. Kubeňa was elected as a member of the Supervisory Board by employees of the Company in June 2012. He presently works at TMR as Facility Management Director in Aquapark Tatralandia; he has held this position since 1998. Previously, he studied gardening and landscaping at the Slovak Agricultural University.
Number of shares held as of 31 October 2016: 0
■ Miroslav Roth - Miroslav Roth - independent member of the Supervisory Board since 30/6/2012
Mr. Roth was elected as a member of the Supervisory Board by employees of the Company in June 2012. He works for the Company as an electrical networks specialist in the resort Vysoké Tatry. He had previously held this position from 1985 in Tatranské lanové dráhy, a.s.
Number of shares held as of 31 October 2016: 0

Remuneration of Members of the Supervisory Board

Remuneration of members of the Company's Supervisory Board is regulated by the "Remuneration Rules for Members of the Supervisory Board of Tatry Mountain Resorts, a.s." (hereinafter only the "Supervisory Board Remuneration Rules") approved by the Company's General Meeting on 30 April 2010 and in accordance with contracts on office signed between members of the Supervisory Board and the Company, and approved by the Company's General Meeting.

Basic remuneration is paid to members of the Supervisory Board in accordance with the Supervisory Board Remuneration Rules and the contracts on office.

Total remuneration paid for the year ending 31 October 2016 totaled EUR 42 thousand.

AUDIT COMMITTEE

The Company has an Audit Committee in place which monitors the preparation of financial statements and recommends an auditor for auditing the Company's financial statement. Other responsibilities are defined by law and by the Company's Articles. The Audit Committee is comprised of two members, who are elected and removed by the General Meeting based on the proposal submitted

either by the Board of Directors or by the Company's shareholders.

As of 31 October 2016, the Audit Committee comprised two members:

- **Jozef Hodek** - TMR's CFO and member of the Board of Directors
- **Viera Prokopová** - independent member of the Audit Committee

Remuneration of the Audit Committee

Remuneration of the Audit Committee is regulated by contracts on office signed between members of the Audit Committee and the Company and approved by the Supervisory Board and by the rules of remuneration approved by the Supervisory Board.

For the year ending 31 October 2016 based on the decision of the Supervisory Board from 18/03/2016, remuneration for 2015/16 was distributed to the Audit Committee member, Mrs. Prokopová, in the amount of EUR 400. No remuneration was paid to Mr. Hodek.

TOP MANAGEMENT

The top management's responsibility is the day-to-day management of operations and service departments. In 2015 a new organizational structure was implemented.

As of 31 October 2016, the top management comprised eight members:

- **Bohuš Hlavatý** - CEO of TMR and Chairman of the Board of Directors
- **Jozef Hodek** - CFO of TMR and member of the Board of Directors
- **Dušan Slavkovský** - Director of the Mountain Resort Vysoké Tatry and member of the Board of Directors
- **Matej Hulej** - Director of the Mountain Resort Jasná Nízke Tatry
- **Tomáš Kimlička** - Finance Director
- **Vladimír Čukan** -Director of Development
- **František Šoltis** - Director of Trade and Marketing
- **Igor Mráz** - Director of Aquapark Tatralandia till 30/03/2015 and Director of Aquaparks from 04/08/2015

- **Bohuš Hlavatý** - CEO and Chairman of the Board of Directors of the Company

For personal data see the description of his position in the Board of Directors.

- **Jozef Hodek** - CFO and member of the Board of Directors of the Company

For personal data see the description of his position in the Board of Directors.

- **Dušan Slavkovský** - Director of the Mountain Resort Vysoké Tatry

Mr. Slavkovský was first elected as a member of the Board of Directors in May 2010. On 23/03/2015 he was reelected, effective as of 01/05/2015. At the Supervisory Board Meeting on 28/04/2016 he was removed as a member of the Board of Directors effective as of 28/04/2016 due to the change in Articles of Association approved by the AGM, which decreased the number of members of the Board of Directors from six to four. In the past he served as Director of mountain resorts; following an organizational restructuring in the Company he is now Director of the mountain resort Vysoké Tatry. Previously he held the position of Director of Tatranské lanové dráhy, a.s. Under his leadership the Vysoké Tatry resort, which was primarily focused on the year-long operation of cableways, was turned into a mountain resort providing comprehensive and high-quality year-long services. Previous jobs include Odštepný závod ŽSR Tatranské lanové dráhy (Director) and Tatranské lanové dráhy, a. s. (Director).

Besides his roles at TMR, Ing. Slavkovský sits on the Board of Directors of 1. Tatranská, akciová spoločnosť and Tatranské družstvo. He is also vice-chairman of SZCZYRKOWSKI OŚRODEK NARCIARSKI SPÓŁKA AKCYJNA, SZCYRK, Poland.

Number of shares held as of 31 October 2016: 105

- **Matej Hulej** - Director of the Mountain Resort Jasná Nízke Tatry

Mr Hulej joined the company in 2007, since May 2010 he has held the position of Director for Sports Services and Stores of TMR. Since 2015 he serves as Director of the Mountain Resort Jasná Nízke Tatry. Previously he worked as Sales Director at Flash Web spol. s r.o. and as Product and Stock Manager at Outdoor Bratislava. He graduated from the University of Economics in Bratislava, branch Information Technologies. Additionally, Mr. Hulej is Director of the SAFL civic association; for the last nine years, the association has organised the internationally recognised freeride ski races, one of ten world Freeride World Qualification contests, known as JASNA ADRENALIN.

Number of shares held as of 31 October 2016: 104

- **Tomáš Kimlička** - Finance Director

Tomáš Kimlička joined TMR in 2010 as Finance Director responsible for accounting, taxes, controlling, reporting, IT procurement, and office management. Previously he held various senior finance roles at Pirelli Cables, SkyEurope Airlines, and Dell. Mr. Kimlička graduated from the University of Economics in Bratislava, Faculty of Business Informatics with major in Accounting and Audit.

Number of shares held as of 31 October 2016: 0

- **Vladimír Čukan** - Director of Development

He has held his role since TMR's incorporation. Earlier he served as a member of the board of directors at Tatranské lanové dráhy, a.s. Under his leadership all key investment projects have been undertaken in mountain resorts of the High and Low Tatras, especially cableway constructions, ski trails with snowmaking, and parking lots. Previous roles include the ski resort of SCR-Veľká Rača, a.s. (Director), Roller bearing plant of Kysucké Nové mesto (Manufacturing Director and Director of Quality), TOS Čelákovice (metallurgy).

Number of shares held as of 31 October 2016: 500

- **František Šoltis** - Director of Trade and Marketing

He has served as Director of Trade and Marketing at TMR since April 2007. He has managed marketing campaigns in Slovakia, the Czech Republic, Poland, Ukraine, and in the Baltic countries. The team under his leadership organized more than 100 TMR marketing events. He launched the loyalty CRM system GOPASS, which as of today has more than 60 thousand members. Besides this role at TMR he represents the Company in district tourist organizations of the High and Low Tatras and Liptov. Before his career in TMR he served as a director in companies Seagram Slovakia and Belvedere Slovakia.

Number of shares held as of 31 October 2016: 107

- **Igor Mráz** - Director of Aquaparks

Mr. Mráz was integrated to TMR in April 2011 as director of Aquapark Tatralandia. He held an executive role in Aquapark Tatralandia since 2003 till 30/03/2015 and again since 04/08/2015. He served on positions of a project manager and an investments director. From 2009 to 2012 he also served as a member of the Board of Directors at Tatralandia a.s. Under his leadership the successful project, Tropical Paradise, was launched. From 01/11/2014 till 31/07/2015 he served as a legal representative at EUROCOM Investment, s.r.o. Before

coming to work at Aquapark Tatralandia, he worked at a private architectural firm. He graduated from Technical University in Košice, Faculty of Civil Engineering majoring in Civil Engineering.

Number of shares held as of 31 October 2016: 0

Remuneration of the Key Management

The Company's key management comprises members of the Board of Directors and members of the Top Management. The Board of Directors determines and approves the remuneration of Top Management based on achieved results in each resort and segment. For the year ended on October 31, 2016 key management was paid basic remuneration totaling EUR 697 ths. (634). Extraordinary bonuses to key management amounted to EUR 1,206 ths. (814).

Remuneration of TMR Leadership 2015/16 in €'000	Basic Re-muneration	Extraor-dinary Bonuses	Total
Key Management	697	1 206	1 903
Supervisory	42	0	42
Audit Committee	0	0	0
Total	739	1 206	1 945

Remuneration of TMR Leadership 2014/15 in €'000	Basic Re-muneration	Extraor-dinary Bonuses	Total
Key Management	634	814	1 448
Supervisory	43	0	43
Audit Committee	0	0	0
Total	677	814	1 491

GENERAL MEETING

The General Meeting is the Company's supreme body. Its competence includes mainly the following:

- Amendments to the Articles;
- Decisions on an increase/decrease in the Company's registered capital; instructing the Board of Directors to increase the share capital in accordance with Article 210 of the Commercial Code and decisions to issue preferred or convertible bonds;

- Decisions on termination of the Company and/or change in the legal form;
- Election and removal of members of the Supervisory Board, except for members of the Supervisory Board elected and removed in accordance with Article 200 of the Commercial Code by employees in accordance with applicable law;
- Approval of annual individual financial statements and extraordinary individual financial statements, decisions regarding the distribution of profit or settlement of loss, and decisions on remuneration ;
- Decisions regarding the termination of trading the Company's shares on the stock exchange and decision on the fact that the Company ceases to be a publicly traded company;
- Decisions on transformation of registered shares into share certificates and vice versa
- Decisions regarding the approval of a contract on transfer of business or a part thereof;
- Approval of the Supervisory Board Remuneration Rules and the contracts on office signed by members of the Supervisory Board;
- Deciding other issues falling under the competence of the General Meeting in accordance with the Articles and under existing law.

The competence of the General Meeting is defined by Act 513/1991 Coll. of the Commercial Code, as amended, and the Company's Articles. The General Meeting is comprised of all shareholders, members of the Board of Directors, and members of the Supervisory Board present at the session and/or third parties invited by the Company's body (bodies) or shareholders who convened the meeting. Each shareholder is authorised to attend the General Meeting, vote, ask for information and explanations regarding corporate matters and/or entities controlled by the Company, if relevant to the agenda of the General Meeting, and file proposals. Shareholders can exercise their rights at the General Meeting through authorised representatives who shall prove their authorisation by a written power of attorney defining the scope of the authorisation. Exercise of the shareholders' voting rights is not limited in the Articles. The number of votes held by each shareholder is defined by the proportion between the nominal value of the shares held by the shareholder and the amount of registered capital, whilst every EUR 7 of the shares' nominal value means one voting right.

Decision-Making Procedure of the General Meeting

The General Meeting decides by majority vote held by the present shareholders. In matters related to amendments of the Articles, an increase or decrease in the registered capital, instructing the Board of Directors to increase the registered

capital, the issuance of preference bonds or exchangeable bonds, the termination of the Company or change in the legal format a 2/3 majority of votes of the present shareholders is required and a notarised record shall be prepared on the results of the voting. A 2/3 majority of votes of the present shareholders is also necessary for approval of the General Meeting's decision on the termination of trading the Company's shares on the stock exchange and for the election and removal of members of the Supervisory Board, as well as for the General Meeting's decision that the Company ceases to be a public joint-stock company and becomes a private joint-stock company. For amendments to the Articles in terms of establishing the option of correspondence voting and for amendments to the Articles in terms of establishing and defining the requirements for attending the General Meeting and for shareholders' voting through electronic equipment, affirmative votes of 3/5 majority of all votes are required. Minutes of the General Meetings are freely available at the Company's website: www.tmr.sk.

The Annual General Meeting for the period from 1 November 2015 - 31 October 2016 was held on 28 April 2016.

Annual General Meeting Held on 28 April 2016

At the Annual General Meeting held on 28 April 2016, the shareholders adopted the following key resolutions:

1. Approval of the presence of third parties at the Annual General Meeting
2. Approval of the annual individual financial statements as of 31 October 2015
3. Approval of the distribution of individual net profit achieved in the financial year beginning on 01/11/2014 and ending on 31/10/2015 in the amount of EUR 18,548.69. A part of the profit in the amount of EUR 1,854.87 was to be added to the reserve fund, and EUR 16,693.82 was to be transferred to the Retained earnings account.
4. Approval of the auditor - KPMG Slovensko spol. s.r.o. to audit the financial statements for the year ending 31 October 2016
5. Reelection of the member of the Supervisory Board - František Hodorovský and approval of his role contract.
6. Change in Articles of Association - expansion of the scope of business activities and a change in the number of members of the Board of Directors (from six to four).

Description of Shareholders' Rights

Legal regulations and Articles of Association hereof regulate the rights and the obligations of the shareholder. Both legal and natural persons may become a shareholder of the Company. The shareholder may not exercise the rights of the shareholder which would affect the rights

and professional interests of other shareholders. The company must treat all shareholders on equal terms. The shareholder shall have the right to participate on the management of the Company, on its profits and on its liquidation balance upon the cancellation of the Company with liquidation. The right to participate on the management of the Company shall be exercised by the shareholder by participation at the General Meeting and by execution of the rights related to this participation, whereas the shareholders shall be bounded with the organizational measures applicable to the proceedings of General Meeting. At the General Meeting any shareholder may vote, ask for information and explanations concerning the matters of the Company or the matters of parties controlled thereby, which are related to the agenda of the General Meeting, make proposals, and request to have their suggested topics to be included in the agenda of the General Meeting in accordance with relevant regulations. The date relevant for the exercise of the rights according to previous sentence shall be the day indicated in the notice of General Meeting in accordance with section 180, subsection 2 of the Commercial Code. The shareholder or shareholders holding shares, of which the nominal value equals not less than 5% of the share capital, are entitled to request for convocation of an extraordinary general meeting by including specification of their reason.

The shareholder shall be entitled to share the profits generated by the Company (dividend), which were allocated by the General Meeting for their distribution. The shareholder shall not be under the obligation to refund to the Company the dividends obtained in good faith. Following the winding up of the Company with the liquidation the shareholders shall be entitled to share liquidation balance in the amount stipulated by the law. At the Company headquarters the shareholder is entitled to view Company documents that are filed in a document archive or in a financial statement register pursuant to a specific law, and the shareholder is entitled to request copies of these documents or request to have them mailed at a specified address on the shareholder's expense and risk.

Further details on the shareholders' rights are described in the Company's Articles of Association at www.tmr.sk/investor-relations/corporate-governance.

SUPERVISORY BOARD REPORT

For the financial period from 1 November 2015 to 31 October 2016, the Company's Supervisory Board carried out the Company monitoring activities consisting of nine members. In April 2016, the Annual General Meeting reelected the Supervisory Board Member, F. Hodorovsky, who was also appointed vice chairman of the Supervisory

Board at its meeting on 28/04/2016, effective as of 28/04/2016. In the period from 1 November 2015 to 31 October 2016, the Supervisory Board held seven sessions:

- On 18/03/2016 eight members of the Supervisory Board were present.
- On 28/04/2016 eight members of the Supervisory Board were present.
- On 24/05/2016 eight members of the Supervisory Board were present.
- On 24/06/2016 eight members of the Supervisory Board were present.
- On 03/08/2016 nine members of the Supervisory Board were present.
- On 12/09/2016 seven members of the Supervisory Board were present.
- On 07/10/2016 seven members of the Supervisory Board were present.

During the financial year ending 31/10/2015 as part of its control function, the Supervisory Board focused at controlling the Board of Directors' fulfillment of its duties assigned by the General Meeting, at monitoring the Board of Directors activity in terms of effective management of the Company, achievement of strategic goals in given conditions and determining the Company's growth plans, the operating and financial activity, the Company's assets, liabilities and receivables, correct bookkeeping, fulfillment of the business plan, financial budget, investment plan and compliance with the Company's Articles of Association, Code of Conduct and general legally binding regulations. The Supervisory Board approved the financial plans submitted by the Board of Directors, major investments and other material financial and business transactions for the relevant financial year, and submitted the results of its monitoring activities to the General Meeting. As part of their role, the Supervisory Board members have electronic access to production systems, through which they can get a daily report on the Company's financial performance. The Supervisory Board meetings were always attended also by the chairman of the Board of Directors (and CEO) and by CFO who is also a member of the Board of Directors. They informed the Supervisory Board members in detail on the Company performance including finance (CAPEX, Cash Flow, debt service).

THE COMPANY'S CORPORATE GOVERNANCE CODE

The Company is fully aware of the importance of compliance with the Corporate Governance principles. On 3 November 2010, the Board of Directors declared observance of the Corporate Governance Code in

Slovakia. Moreover, on 8 October 2012 the Company declared adherence to the Corporate Governance Code principles for companies listed on the Warsaw Stock Exchange. Information on adherence to the codes is available on the Company's website www.tmr.sk/investor-relations/corporate-governance.

As for the **Corporate Governance Code for companies in Slovakia**, the Company's corporate governance fails to comply with this Code in the following items:

- **I.A.5.** The right to elect and to remove members of the Company's bodies:

Partly met. The General Meeting elects and removes members of the Supervisory Board and the Audit Committee. The Board of Directors is elected and removed by the Supervisory Board.

- **I.C.1.** Irrespective of distribution of powers in the Company, the remuneration strategy and any major amendment thereto should be a separate item in the agenda of the General Meeting:

Partly met. The Company acts in accordance with the Commercial Code and the Articles. The General Meeting approves the Remuneration Rules for members of the Supervisory Board. The Remuneration Rules for members of the Board of Directors and the Audit Committee are approved by the Supervisory Board.

- **I.C.3.** Shareholders should get sufficient information allowing them to properly assess the decision on share-based remuneration:

Partly met. The Company acts in accordance with the Commercial Code and the Articles. The General Meeting approves the Remuneration Rules for members of the Supervisory Board. The Remuneration Rules for members of the Board of Directors and the Audit Committee are approved by the Supervisory Board.

- **I.D.3.** Shareholders should be encouraged to participate in key decisions regarding corporate governance, such as the nomination and election of members of the Company's bodies. Shareholders should be given the opportunity to express their opinion on the policy of remuneration of members of the Company's bodies and key members of the executive management. The share component (share options) of the remuneration schemes for members of the Company's bodies and employees should be approved by the shareholders:

Partly met. In the scope defined by the valid legal regulations, as part of the discussion regarding the

discussed item of the General Meeting's agenda, shareholders have the right to express their opinion either in writing or verbally. This right is unlimited. Nomination and election of members of the Board of Directors is the responsibility of the Supervisory Board.

- **II.A.4.** Obstacles to cross-border voting should be eliminated:

Partly met. The existing deadlines allow responses of both local and foreign shareholders. The Company so far does not allow electronic voting at General Meeting.

- **IV.A.4.** Companies should disclose at least the following basic information:

- d) key requirements and reasoning for obtaining annual bonuses and benefits in kind:

Partly met. The variable component in remuneration of the Board of Directors is defined by the Board of Directors Remuneration Rules. The Remuneration Rules are approved by the Supervisory Board. The Remuneration Rules do not include benefits in kind.

- e) Basic description of the supplementary pension or remuneration in case of early termination of the term of office:

Not met. The Company does not have any rules in place regarding supplementary pensions or bonuses in case of resignation from office.

- f) Information on preliminary works and the decision-making process regarding the remuneration strategy:

Not met. The variable component in remuneration of the Board of Directors is defined by the Board of Directors Remuneration Rules, and derived from results achieved by the company. The Remuneration Rules are approved by the Supervisory Board.

- g) Sum of bonuses granted for services provided above the scope of the job description, f. sum of payments to the supplementary pension scheme, g. estimated sum of benefits in kind granted as a part of the remuneration scheme:

Not met. So far, these amounts were not material.

- **IV.A.9.** Internal structure of bodies and strategy in the Company's corporate governance, mainly the contents of the Corporate Governance Code, and procedure for implementation:

Partly met. Corporate Governance is based on the Corporate Governance Code in Slovakia, the Ethics Code of TMR, the Articles and the Company's internal guidelines/documented processes in place.

- **IV.F.** The framework of the Company's corporate governance should be supplemented by efficient procedures defining and supporting acquisitions of analyses and advisory services from analysts, traders with securities, rating agencies, etc. These analyses and advisory services, relevant for decision making by investors, should not be charged with conflict of interests, which could impair their integrity:

Not met. The present external advisors in relations with investors are, at the same time, employed by one of the shareholders (J&T Banka, a.s.). However, a conflict of interests, if any, is contractually covered by the "Chinese walls" on the side of the advisors and by the Corporate Ethics Code of advisors acting exclusively in the best interests of the client.

- **V.E.1.** Supervisory Board should also comprise independent members so that they perform efficient monitoring of the management. The Chairman of the Supervisory Board should always be independent:

Partly met. There are three independent members in the Supervisory Board - representatives of the Company employees that are not part of the Company's top management. The Chairman of the Supervisory Board, as an individual and through the companies he owns, holds a significant shareholder stake in the Company and interferes in the management of the Company.

- **V.E.4.A.** Nomination Committee can be comprised of members of the Supervisory Board, and members of the Board of Directors, and/or management, however, most of its members should be independent members of the Supervisory Board. The key role of the Nomination Committee is to give recommendations regarding the election and removal of members of the Company's bodies and to evaluate the overall structures of the bodies and individual members of the bodies:

Not met. The Company does not have any Nomination Committee in place. Nominations of members of the Board of Directors are the responsibility of the Supervisory Board.

- **V.E.4.B.** The Remuneration Committee should be comprised exclusively of members of the Supervisory Board, most of which should be independent members of the Supervisory Board. The key role of the Remuneration Committee should include submitting proposals and recommendations regarding rules for all forms of

remuneration of members of the Board of Directors and/or other key management of the Company, and supervising that remuneration of individuals is in line with the Company's Remuneration Rules:

Partly met. The Company does not have any Remuneration Committee in place. The remuneration of the Board of Directors is the responsibility of the Supervisory Board.

■ **V.E.4.C.** The Audit Committee should be comprised exclusively of members of the Supervisory Board and members appointed by the General Meeting, most of which should be independent members of the Supervisory Board. The key role of the Committee should include submitting proposals and recommendations regarding internal monitoring and external audit and the supervision over compliance with legal regulations and recommendations regarding the Company's financial reporting and audits. At least once in six months, the Committee should submit a report to the Supervisory Board, providing information regarding its activities and findings.

Partly met. The Audit Committee is comprised of two members: a member of the Board of Directors and an independent member appointed by the General Meeting.

As to the **Best Practices for GPW Listed Companies 2016** required by the Warsaw Stock Exchange, the Company's corporate governance does not accord with the Best Practices in the following issues:

■ **I.Z.1.3.:** A company should operate a corporate website and publish on it, in a legible form and in a separate section: a chart showing the division of duties and responsibilities among members of the management board drawn up according to principle II.Z.1;

Partially met. Currently, the Company website does not present such chart. However, the website lists members of the Board of Directors with description of their roles, and their short CV.

■ **I.Z.1.15.** A company should operate a corporate website and publish on it, in a legible form and in a separate section: information about the company's diversity policy applicable to the company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; where the company has not drafted and implemented a diversity policy, it should publish the explanation of its decision on its website;

Not met. Even though the Company strives to enable equal employment opportunity and employs 60% men and 40% women, it has not yet prepared and implemented a diversity policy for its statutory bodies and top management, thus such policy is not published on the Company website either. Main criteria for selecting candidates for key positions and statutory bodies are competency and fulfillment of requirements for a given role; not factors such as sex or age.

■ **I.Z.1.20.** A company should operate a corporate website and publish on it, in a legible form and in a separate section: an audio or video recording of a general meeting;

Partly met. The Company tries to publish video recordings from its general meetings if benefit of these recordings is justified in comparing to high costs associated with them and if they fit within the budget for the general meeting.

■ **II.Z.1.** The internal division of responsibilities for individual areas of the company's activity among management board members should be clear and transparent, and a chart describing that division should be available on the company's website.

Partly met. The Company presents its internal division of responsibilities among members of the Board of Directors on its website in wording.

■ **II.Z.3.** At least two members of the supervisory board should meet the criteria of being independent referred to in principle II.Z.4.

Not met. None of the Supervisory Board members meets the criteria of independence referred to in principle II.Z.4. Even though the Company considers three members of the Supervisory Board, elected by the Company employees, as independent, since they hold non-managerial roles in the Company, according to the current Best Practices for GPW Listed Companies 2016, they cannot be considered independent.

■ **II.Z.10.1.** In addition to its responsibilities laid down in the legislation, the supervisory board should prepare and present to the ordinary general meeting once per year an assessment of the company's standing including an assessment of the internal control, risk management and compliance systems and the internal audit function; such assessment should cover all significant controls, in particular financial reporting and operational controls;

Partly met. The Supervisory Board presents to the Annual General Meeting a report prepared according to the legislation and the Company's Articles of Association.

■ **II.Z.10.2.** a report on the activity of the supervisory board containing at least the following information:
- full names of the members of the supervisory board and its committees;
- supervisory board members' fulfilment of the independence criteria;
- number of meetings of the supervisory board and its committees in the reporting period;
- self-assessment of the supervisory board;

Partly met. The Supervisory Board's report has not so far included a description on supervisory board members' fulfilment of the independence criteria, since the members elected by the Company employees are considered independent automatically.

■ **IV.Z.2.** If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

Not met. The Company has not so far broadcasted its general meetings publicly, since potential benefit of the general meeting being broadcasted does not outweigh costs associated with its organizing. The Company does not exclude the possibility of broadcasting its general meetings in the future, although such decision is subject to the approval of shareholders at the general meeting by amendment of the Articles of Association.

■ **IV.Z.3:** Presence of representatives of the media should be allowed at general meetings.

Presence of third parties is usually allowed based on the proposal by the Board of Directors at Annual General Meetings. At the Annual General Meetings in 2016 a proposal was presented by the Board of Directors to allow presence of third parties at the general meeting. This proposal was adopted by the shareholders and third parties were allowed to attend the general meeting. The Company does not exclude a possibility that it will allow attendance of third parties at all general meetings, although such decision would have to be preceded by the approval of the shareholders at the general meeting in the form of change in Articles of Association.

■ **VI.Z.4.** In this activity report, the company should report on the remuneration policy including at least the following:

- 1) general information about the company's remuneration system;
- 2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting

the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;
3) information about non-financial remuneration components due to each management board member and key manager;
4) significant amendments of the remuneration policy in the last financial year or information about their absence;
5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.

Partly met. The Company publishes its general remuneration rules for the Board of Directors and Supervisory Board and the total sum of remuneration of the Board of Directors, Top Management and Supervisory Board. The Company has not entered into any agreements with any members of bodies or employees under which the company would be obliged to provide such members or employees with any compensation if their office or employment terminates by resignation, notice served by the employee, removal, notice served by the employer without giving a reason or if their office or employment terminates as a result of an acquisition offer. The Company does not disclose information about non-financial remuneration, as it has not been material so far, nor assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.

OTHER SUPPLEMENTARY DATA

Tatry mountain resorts, a.s. is the issuer of 6,707,198 shares admitted to trading on the listed parallel market of the Bratislava Stock Exchange, on the main market of the Prague Stock Exchange, and on the main market of the Warsaw Stock Exchange (WSE) with the following structure:

ISIN: SK11220010287
Security type and form: ordinary bearer shares
Nominal share value: 7.00 EUR
Number of shares outstanding: 6,707,198
% share in share capital: 100%
Limitation on transferability of shares: none

The Company, a.s. as of 31/10/2014 issued two tranches of bonds in the total of EUR 180 mil.:

Bonds TMR I 4.50%/ 2018

ISIN: SK4120009606

Volume: 70 000 000 EUR

Market: The Bratislava Stock Exchange

Nominal Value: 1 000 EUR

Coupon Rate: fixed rate 4.50% p.a.

Coupon Payment: semi-annual always on 17-06 and 17-12

Maturity Date: 17 December 2018

Issue Date: 17-12-2013

Bonds TMR I 4,50%/ 2018 are senior, secured by a pledge over certain immovable assets owned by the Company. For more information see the Security Prospectus available at <http://tmr.sk/investor-relations/bonds/>.

Bonds TMR II 6.0%/ 2021

ISIN: SK4120009614

Volume: 110 000 000 EUR

Market: The Bratislava Stock Exchange

Nominal Value: 1 000 EUR

Coupon Rate: fixed rate 6.00% p.a.

Coupon Payment: annual always on 05-02

Maturity Date: 5 February 2021

Issue Date: 05-02-2014

Bonds TMR II 6,0%/ 2021 are junior, subordinated. For more information see the Security Prospectus available at <http://tmr.sk/investor-relations/bonds/>.

As of 31/10/2016 the Company has not issued any employee stock or preferred shares.

The Company, based on the decision of the General Meeting, may issue bonds, convertible into Company shares (convertible bonds), or bonds with the senior subscription rights to Company shares (preferred bonds), provided that the General Meeting at the same time decides on the conditional raising of share capital.

In case of the buy-back of own Company shares with the purpose of their transfer to Company employees, the Article 161a Par. 2 point a) of the Commercial Code shall not be applied. In this case the purchased shares shall be transferred to the Company employees within 12 (twelve) months from their acquisition by the Company.

In case of the buy-back of own Company shares with the purpose of preventing an eminent major damage to the Company, the Article 161a Par. 2 point a) of the Commercial Code shall not be applied. The Board of Directors is obliged to inform the next General Meeting about the circumstances according to the Article 161a Par. 4 of the Commercial Code.

The voting rights attached to Company shares have no limitations. The holders of securities issued by the Company

do not have differing controlling rights.

As of 31/10/2016 the Company has no knowledge of any shareholder agreements that might lead to limitations on transferability of the securities and to limitations on voting rights.

The Company incurred no research and development costs in FY 2015/16.

TMR does not have any branch office abroad and does not use any financial derivatives to hedge its financial risks. The cash flows and liquidity ratios are monitored in regular intervals. The Company ensures internal controls through regular monitoring of the financial plan and overall financial position. Management of market risks, business and financial activities is described in the Risk Factors and Risk Management section and in the Consolidated Financial Statements, par. 34.

The Company has not entered into any agreements which would become effective, changed or terminated as a result of change in control, or as a result of an acquisition offer. The Company has not entered into any agreements with any members of bodies or employees under which the company would be obliged to provide such members or employees with any compensation if their office or employment terminates by resignation, notice served by the employee, removal, notice served by the employer without giving a reason or if their office or employment terminates as a result of an acquisition offer.

During FY 2015/16 the Company prepared Separate Financial Statements in accordance with International Financial Reporting Standards (IFRS).

The Company is not subject to any special regulations, which would require disclosure of additional information in terms of Article 34 Par. 2 a) of the Slovak Act No. 429/2002 Coll. in connection with Article 20 Par. 1 g) of the Slovak Act No. 431/2002 Coll.

CONTRACTS WITH EXTERNAL ADVISORS AND RELATED PARTIES

Lease of the Špindlerův Mlýn Resort

Melida, a.s., a company associated with TMR, signed a lease contract on 6 November 2012 as the lessee with the company SKIAREÁL Špindlerův mlýn, a.s., as the lessor. The subject of the contract was the lease of the Špindlerův Mlýn resort in the Czech Republic. As of the date of this report TMR held a 19% interest in CAREPAR, a.s., which owns 50% in Melida, a.s. Based on the lease contract, Melida, a.s. will be operating the ski resort Špindlerův Mlýn in the Krkonoše Mountains for 20 years for the lease

fee in the amount of CZK 43.8 mil. per year. Besides the sole operation of Špindlerův Mlýn, Melida committed to provide further development of the resort by expanding trails, renewing technological equipment, and by improving skiers' experience in any other way with investments in the minimum amount of CZK 800 mil. during the whole lease term. TMR acts in the lease contract as a by-party that provides a guarantee for Melida, a.s. by guaranteeing Melida's liabilities resulting from the lease contract and by providing it a zero-interest loan.

Contracts with Melida, a.s.

TMR provides Melida, a.s. with consulting services in management and analysis of cableways, dining facilities, ski schools, rentals, shops, in marketing, bookkeeping, and project financing. Also TMR provides Melida, a.s. with consulting services on the project of building infrastructure in the Špindlerův Mlýn ski resort. TMR made an agreement with Melida to temporarily lend it employees of TMR in order to boost the winter season and to realize some investments.

Financial Audit

As of the date of this Annual Report, KPMG Slovensko spol. s.r.o., seated at Dvořákovo nábrežie 10, 811 02 Bratislava, is responsible for the audit of separate and consolidated financial statements. KPMG Slovensko spol. s.r.o. has been approved to perform the audit of the Company's Separate Financial Statements as of 31 October 2016 and Consolidated Financial Statements as of 31 October 2016 based on the decision of the General Meeting held on 28 April 2016.

Advisors

As of the date of this Annual Report, the Company had a contract signed with J&T IB and Capital Markets, a.s. organizačná zložka, seated at Dvořákovo nábrežie 10, 811 02 Bratislava, on the provision of advisory services with respect to relations with investors.

As of the date of this Annual Report, the Company had a contract signed with Ernst & Young seated at Hodžovo námestie 1/A, Bratislava 811 06, on the provision of advisory services in preparation of financial statements.

PROPOSAL ON DISTRIBUTION OF PROFIT

For the year ending 31 October 2016, the Company achieved net profit of EUR 4.814 mil. according to Separate Financial Statements. The Board of Directors proposes the following distribution of profit:

1. EUR 481 ths. will be allocated to the reserve fund;
2. The remainder in the amount of EUR 4.333 mil. will be transferred to the retained earnings account.

SHARES



Shares

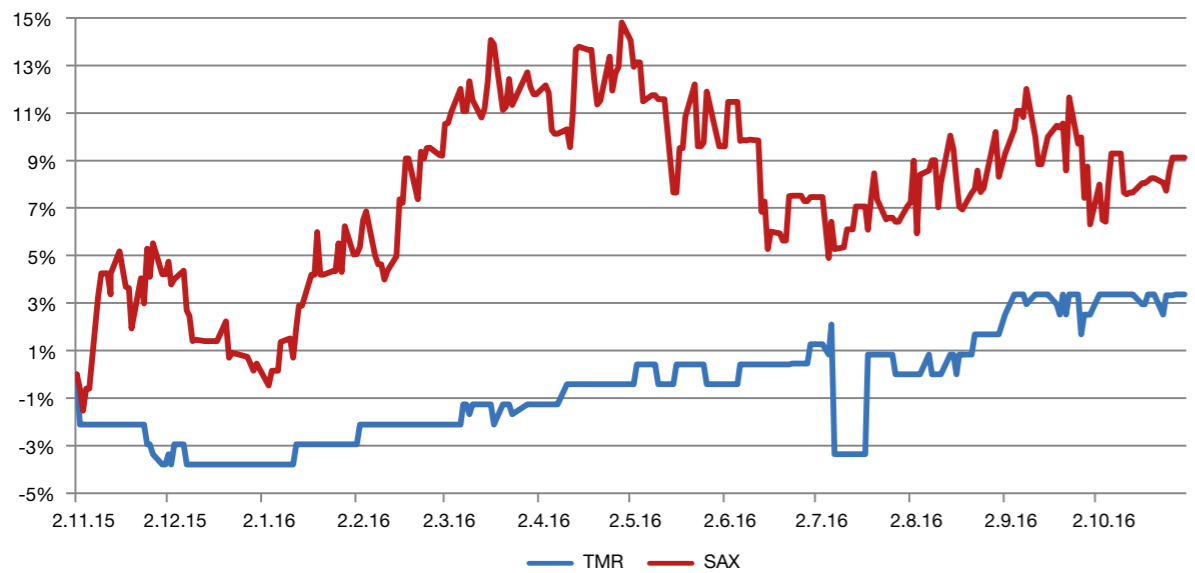
Shareholder Club

TMR and individual shareholders joined together in partnership based on trust in order to move successfully forward, create loyalty with special offers in the region's most popular resorts, and to increase the number of registered shareholders. For this reason Shareholder Club was established at the beginning of 2010. Shareholders who own 25 and more shares have the right to benefits that help them to get to know the Company and its activities better through special deals as part of the GOPASS program. You can find more information on <http://tmr.sk/shareholder-club/>.

Shareholder Club Benefits

No. of Shares	Benefits - No. of GOPASS points
25	6 entries
40	12 entries
80	25 entries
130	1 season ticket
250	2 season tickets
500 VIP	More info at www.tmr.sk/shareholder-club/
750 VIP GOLD	More info at www.tmr.sk/shareholder-club/

TMR Stock Performance on the BSSE

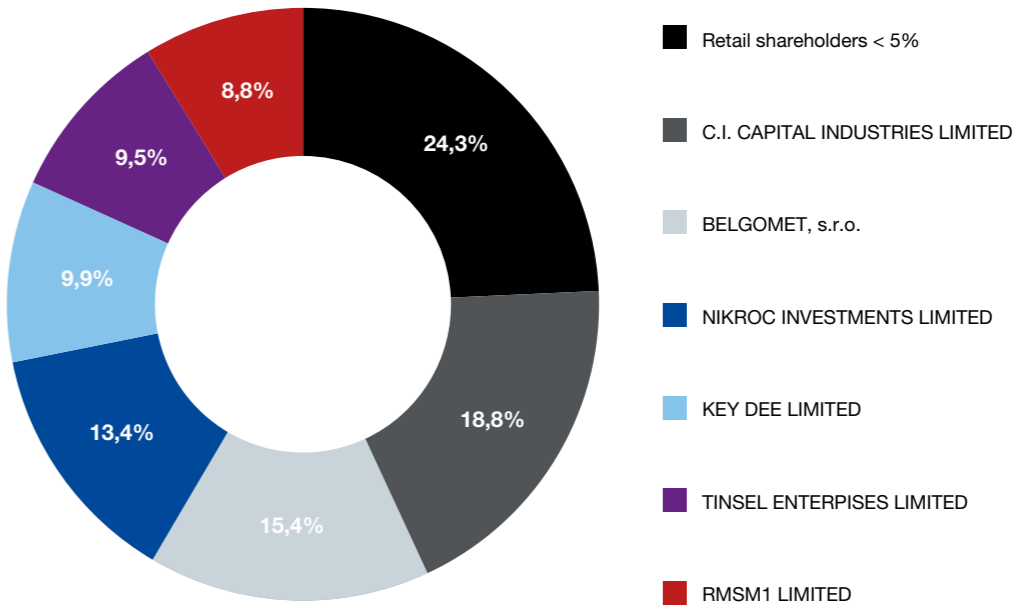


Closing Price	BSSE (EUR)	WSE (PLN)	PSE (CZK)
31.10.2016	24.60	152.10	717.00
31.10.2015	24.09	112.00	695.00

* BSSE - the Bratislava Stock Exchange
WSE - the Warsaw Stock Exchange
PSE - the Prague Stock Exchange
SAX - Slovak Stock Index

Shares

Shareholder Structure as of 31.10.2016



To the best of the Company's knowledge the following entities held the following direct or indirect interest in the share capital and the Company voting rights as of 31/10/2016:

Company / Name	No. of Shares	Interest in Share Capital		Voting Rights %
		in EUR thousands	%	
Retail shareholders < 5%	1 628 655	11 401	24.3%	24.3%
C.I. CAPITAL INDUSTRIES LIMITED	1 262 139	8 835	18.8%	18.8%
BELGOMET, s.r.o.	1 030 919	7 216	15.4%	15.4%
NIKROC INVESTMENTS LIMITED	897 771	6 284	13.4%	13.4%
KEY DEE LIMITED	664 058	4 648	9.9%	9.9%
TINSEL ENTERPRISES LIMITED	635 490	4 448	9.5%	9.5%
RMSM1 LIMITED	588 166	4 117	8.8%	8.8%
Total	6 707 198	46 950	100.0%	100.0%

Consolidated Financial Statements

**Tatry mountain resorts, a.s.
and Subsidiary Companies**

**Consolidated Financial Statements
for the Period from 1 November 2015 to 31 October 2016**

**prepared in accordance with the
International Financial Reporting
Standards ("IFRS") as adopted by the European Union**

Consolidated statement of profit and loss and other comprehensive income

<i>In thousands of euros</i>	Note	1/11/2015 – 31/10/2016	1/11/2014 – 31/10/2015
Revenues	6	80,577	69,991
Other operating revenues	7	625	924
Total revenues		81,202	70,915
Consumption of material and goods	8	-13,062	-11,327
Purchased services	9	-21,165	-17,108
Personnel expenses	10	-21,629	-17,474
Other operating expenses	11	-877	-773
Gain on sale of assets		732	36
Gain on revaluation of investment property	17	-	228
Creation and reversal of value adjustments to receivables	21	-90	-87
Profit before interest, tax, depreciation and amortisation (EBITDA)*		25,111	24,410
Depreciation and amortisation	15,16	-13,036	-13,298
Goodwill impairment losses	16	-	-
Profit before interest and tax (EBIT)		12,075	11,112
Interest income	12	1,336	1,403
Interest expenses	12	-10,958	-11,072
Net profit/(loss) from financial instruments	13	1,605	-1,566
Negative goodwill	3	-	-
Profit/(loss) before tax		4,058	-123
Income tax	14	-1,312	-628
Profit/(loss)		2,746	-751
Attributable to:			
- Holders of interest in the parent company's equity		3,061	-677
- Non-controlling interest		-316	-74
Other components of the comprehensive income			
- Items not subsequently reclassified to profit/(loss):			
Revaluation of tangible assets upon transfer to investment property		-	-
- Items that may be subsequently reclassified to profit/(loss):			
Revaluation of available-for-sale securities to fair value	14	-	6
Foreign currency translation reserve		-75	-505
Total comprehensive income		2,671	-1,250

Consolidated statement of profit and loss and other comprehensive income (continued)

		2,671	-1,250
Total comprehensive income			
Attributable to:			
- Holders of interest in the parent company's equity		2,979	-1,176
- Non-controlling interest		-308	-74
Earnings per share (in EUR)	26	0.456	-0.101
Number of shares		6,707,198	6,707,198

*EBITDA represents a profit from recurring activities of the Group before taxes, interest, amortisation and depreciation, adjusted for other income and expenses, which are listed under EBITDA.

The Notes on pages 93 to 142 constitute an integral part of the Consolidated Financial Statements.

An overview of the statement of profit and loss by particular segments is in Note. 4 – Information on Operating Segments.

Consolidated statement of financial position

<i>In thousands of euros</i>	Note	31/10/2016	31/10/2015
Assets			
Goodwill and intangible assets	16	14,657	15,187
Property, plant and equipment	15	276,579	266,277
Investment property	17	6,554	6,554
Loans provided	20	2,746	23,406
Other receivables	22	7,829	2,342
Total non-current assets		308,365	313,766
Inventories	19	5,591	5,348
Trade receivables	21	2,534	1,734
Assets available for sale		-	938
Loans provided	20	26,125	6,677
Other receivables	22	21,087	21,509
Financial investments	24	2,259	385
Cash and cash equivalents	25	7,493	8,219
Other assets	23	2,247	2,345
Total current assets		67,336	47,155
Total assets		375,701	360,921
Equity	26		
Share capital		46,950	46,950
Share premium		30,430	30,430
Profit/(loss) for the period		3,061	-677
Retained earnings and other funds		24,129	24,806
Foreign currency translation reserve		-575	-493
Total equity attributable to holders of interest in the parent company's equity		103,995	101,016
Non-controlling interest		2,008	2,315
Total equity		106,003	103,331
Liabilities			
Loans and borrowings	27	38,107	27,867
Provisions	30	157	56
Other long-term liabilities	29	-	-
Bonds issued	31	178,680	178,520
Deferred tax liability	18	22,254	20,983
Total non-current liabilities		239,198	227,426
Loans and borrowings	27	6,996	10,012
Trade payables	28	7,544	5,939
Provisions	30	482	121
Bonds issued	31	6,022	6,022
Other short-term liabilities	29	9,456	8,070
Total current liabilities		30,500	30,164
Total liabilities		269,698	257,590
Total equity and liabilities		375,701	360,921

The Notes on pages 93 to 142 constitute an integral part of the Consolidated Financial Statements.

Consolidated statement of changes in equity

In thousands of euros

	Share capital	Share premium	Legal reserve fund	Funds from revaluation	Revaluation reserve	Retained earnings	Equity attributable to holders of interest in the parent company's equity	Non-controlling interest	Total
Balance as of 1 November 2015	46,950	30,430	4,448	146	-493	19,535	101,016	2,315	103,331
Transfer of Retained earnings to Legal reserve fund									
Profit for the period	-	-	1	-	-	-1	3,061	-315	2,746
Other components of the comprehensive income, after tax									
- Items not subsequently reclassified to profit/(loss):									
Revaluation of tangible assets upon transfer to investment property	-	-	-	-	-	-	-	-	-
- Items that may be subsequently reclassified to profit/(loss):									
Revaluation of available-for-sale securities to fair value	-	-	-	-	-	-	-	-	-
Foreign currency translation reserve	-	-	-	-	-82	-	-82	7	-75
Total comprehensive income for the period	-	-	1	-	-82	3,060	2,979	-308	2,672
Transactions with owners, recognised directly in equity									
Contributions to the fund	-	-	-	-	-	-	-	-	-
Effect of acquisition of a subsidiary	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	-	-
Balance as of 31 October 2016	46,950	30,430	4,449	146	-575	22,595	103,995	2,008	106,003

Consolidated statement of changes in equity (continued)

In thousands of euros

	Share capital	Share premium	Legal reserve fund	Funds from revaluation	Revaluation reserve	Retained earnings	Equity attributable to holders of interest in the parent company's equity	Non-controlling interest	Total
Balance as of 1 November 2014	46,950	30,430	4,448	140	-115	20,212	102,065	247	102,312
Profit for the period	-	-	-	-	-	-677	-677	-74	-751
Other components of the comprehensive income, after tax									
- Items not subsequently reclassified to profit/(loss):									
Revaluation of tangible assets upon transfer to investment property	-	-	-	-	-	-	-	-	-
- Items that may be subsequently reclassified to profit/(loss):									
Revaluation of available-for-sale securities to fair value	-	-	-	6	-	-	6	-	6
Foreign currency translation reserve	-	-	-	-	-378	-	-378	-127	-505
Total comprehensive income for the period	-	-	-	6	-378	-677	-1,049	-201	-1,250
Transactions with owners, recognised directly in equity									
Contributions to the fund	-	-	-	-	-	-	-	-	-
Effect of acquisition of a subsidiary	-	-	-	-	-	-	-	2,269	2,269
Total transactions with owners	-	-	-	-	-	-	-	2,269	2,269
Balance as of 31 October 2015	46,950	30,430	4,448	146	-493	19,535	101,016	2,315	103,331

The Notes on pages 93 to 142 constitute an integral part of the Consolidated Financial Statements.

Consolidated cash flow statement*In thousands of euros*

	Note	1/11/2015 – 31/10/2016	1/11/2014 – 31/10/2015
OPERATING ACTIVITIES			
Profit/(loss)		2,746	-751
Adjustments related to:			
Gain on disposal of property, plant and equipment and intangible assets		-732	-36
Depreciation and amortisation	15,16	13,036	13,298
Reversal of value adjustments to receivables		90	87
Net (gain)/loss on financial instruments (non-cash)	13	-2,026	1,716
Gain on revaluation of investment property	17	-	-228
Net interest (income)/expenses	12	9,622	9,669
Change in provisions		462	4
Income tax	14	1,284	628
Change in trade receivables, other receivables and other assets		1,377	-3,015
Change in inventories		-243	-2,427
Change in trade payables and other liabilities		2,996	5,144
Cash flow from operating activities before income tax		28,612	24,089
Income tax paid		12	301
Cash flow from operating activities		28,600	24,390
INVESTMENT ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets	15,16	-31,226	-5,305
Proceeds from disposal of property, plant and equipment and intangible assets		2,774	2,222
Cost of business combinations, net of cash acquired	5	-	-735
Loans provided		-293	-8,084
Repayment of loans provided		6,806	8,110
Cost of acquisition of financial investments		-1	-15
Proceeds from disposal of financial investments		153	-
Interest received	20, 22	35	714
Cash flow from investment activities		-25,752	-3,093
FINANCIAL ACTIVITIES			
Repayment of liabilities from financial lease		-1,048	-993
Financial lease received		1,176	-
Repayment of received loans and borrowings		-21,785	-9,032
New loans and borrowings		29,030	4,019
Repayment of liability from reduction of share capital		-	-29
Interest paid		-10,947	-10,947
Dividends paid		-	-
Cash flow from financial activities		-3,574	-16,981
Net increase/(decrease) of cash and cash equivalents		-726	4,316
Cash and cash equivalents at the beginning of the year	25	8,219	3,903
Cash and cash equivalents at end of the year	25	7,493	8,219

The Notes on pages 93 to 142 constitute an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. Information about the Company
2. Significant accounting policies
3. Significant accounting estimates and assumptions
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7. Other operating revenues
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9. Services purchased
10. Personnel expenses
11. Other operating expenses
12. Interest income and expenses
13. Net profit from financial instruments
14. Income tax and deferred tax
15. Property, plant and equipment
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17. Investments in real estate
18. Deferred tax asset, deferred tax liability
19. Inventories
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23. Other assets
24. Financial investments
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26. Equity
27. Loans and borrowings
28. Trade payables
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32. Fair value information
33. Operating lease
34. Information about risk management
35. Related parties
36. Subsequent events
37. Capital commitments and capital management
38. Contingent assets and contingent liabilities
39. Companies within the Group

1. Information about the Company

Tatry mountain resorts, a.s. (the "parent company" or the "Company") is a joint stock company with its registered office and place of business in Demänovská Dolina 72, 031 01 Liptovský Mikuláš. The Company was established on 20 March 1992 and incorporated on 1 April 1992. The Company's identification number is 31 560 636 and its tax identification number is 2020428036.

The Company is not a fully liable partner in other accounting entities.

The Company's shares have been registered on the Bratislava Stock Exchange since 19 November 1993, on the Warsaw Stock Exchange (WSE) since 15 October 2012 and on the Prague Stock Exchange (BCCP) since 22 October 2012. On 22 August 2013, an extraordinary General Meeting was held, which decided on a reduction in the share capital of the Company Tatry Mountain Resorts, a.s. from EUR 221,338 thousand to EUR 46,950 thousand, i.e. by EUR 174,388 thousand. Subsequently, in the course of 2014, the Company made two bond issues in the total nominal value of EUR 180,000 thousand, which have been admitted to trading on the Bratislava Stock Exchange since 19 February 2014. See Note 31 – Bonds issued.

In 2009, the Company decided to change its accounting period from the calendar year to a financial year from 1 November to 31 October. The change was to make the accounting period more realistic, as the Company's operations were subject to seasonal variations.

On 1 May 2013, the parent company Tatry mountain resorts, a.s. and subsidiaries GRANDHOTEL PRAHA a.s., Interhouse Tatry s.r.o. and Tatry mountain resorts services, a.s. merged. On that day, the company Tatry mountain resorts, a.s. became the successor company, and assumed all legal, trade and other liabilities, as well as the assets of its subsidiaries. All subsidiaries ceased to exist by the merger with the parent company, and then were expunged from the Commercial Register.

The structure of the Company's shareholders as of 31 October 2016 and as of 31 October 2015 was as follows:

31 October 2016

	Share in share capital		Voting rights
	In EUR'000	%	%
C.I.CAPITAL INDUSTRIES LIMITED	8,835	18.8%	18.8%
BELGOMET s.r.o.	7,216	15.4%	15.4%
NIKROC INVESTMENTS LIMITED	6,284	13.4%	13.4%
KEY DEE LIMITED	4,648	9.9%	9.9%
TINSEL ENTERPRISES LIMITED	4,468	9.5%	9.5%
RMSM1 LIMITED	4,117	8.8%	8.8%
Minority shareholders	11,401	24.3%	24.3%
Total	46,950	100%	100%

31 October 2015

	Share in share capital		Voting rights
	In EUR'000	%	%
C.I. CAPITAL INDUSTRIES LIMITED	8,835	18.8%	18.8%
J&T SECURITIES MANAGEMENT LIMITED	7,339	15.6%	15.6%
BELGOMET, s.r.o.	7,216	15.4%	15.4%
KEY DEE LIMITED	4,648	9.9%	9.9%
TINSEL ENTERPRISES LIMITED	4,448	9.5%	9.5%
RMSM1 LIMITED	4,117	8.8%	8.8%
Mgr. Miroslav Voštiar	3,306	7.0%	7.0%
Minority shareholders	7,040	15.0%	15.0%
Total	46,950	100%	100%

1. Information about the Company (continued)

The consolidated financial statements of the Company for the period ending 31 October 2016 comprise the statements of the parent company and its subsidiaries (together referred to as the "Group").

The principal activities of the Group include cable and ski lift operations, restaurant and dining services, the operation of ski and snowboard schools, purchase and sale of goods, hotel management, and operation of an amusement park.

The average number of Group employees during the period from 1 November 2015 to 31 October 2016 was 1,095, out of which 25 were management (from 1 November 2014 to 31 October 2015, it was 804 employees, out of which 25 were management).

During the year, the Group used the services of employment agencies for short-term personnel leasing. From 1 November 2015 to 31 October 2016, it was 184 employees (from 1 November 2014 to 31 October 2015: 277 employees).

The Company's bodies are:

Board of Directors:

Ing. Bohuš Hlavatý, Chairman (since 30 June 2009)
 Ing. Branislav Gábriš, Vice-Chairman (since 18 February 2011)
 Ing. Andrej Devečka, Member (since 22 December 2011)
 Ing. Jozef Hodek, Member (since 30 June 2009)
 Ing. Michal Krolák, Member (from 18 February 2011 to 18 February 2016)
 Ing. Dušan Slavkovský, Member (from 1 May 2010 to 28 April 2016)

Supervisory Board:

Ing. Igor Rattaj (since 29 June 2009)
 Ing. František Hodorovský (since 18 January 2011)
 Roman Kudláček (since 21 April 2012)
 Ing. Ján Štetka (since 30 June 2012)
 Ing. Peter Kubeňa (since 30 June 2012)
 Miroslav Roth (since 30 June 2012)
 Ing. Pavol Mikušiak (since 27 April 2013)
 Adam Tomis (since 12 April 2014)
 PhDr. Martin Kopecký, MSc, CFA (since 25 April 2015)

2. Significant accounting policies

(a) Statement of compliance

The Consolidated financial statements for the period from 1 November 2015 to 31 October 2016 have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by the EU and in accordance with Act No. 431/2002 Coll. of the National Council of the Slovak Republic on Accounting (“Act on Accounting”).

The financial statements were approved by the Board of Directors on 22 February 2017.

(b) Basis of preparation

The Consolidated financial statements have been prepared based on the historical cost principle, while the investment property and financial instruments measured at fair value were revalued to their fair value through profit or loss. Available-for-sale securities were revalued to their fair value through other comprehensive income.

The financial statements have been prepared based on the historical cost principle, while the investment property and financial instruments measured at fair value were revalued to their fair value through profit or loss. Available-for-sale securities were revalued to their fair value through other comprehensive income.

The Group's Consolidated financial statements have been prepared on a going-concern basis.

The Consolidated financial statements have been prepared in thousands EUR. The accounting standards have been consistently applied by the Group companies in accordance with the prior accounting period.

The preparation of financial statements in compliance with the International Financial Reporting Standards as adopted by the EU requires the application of various judgements, assumptions and estimates which affect the reported amounts of assets, liabilities, income and expenses. However, actual results will likely differ from these estimates. Critical accounting estimates and judgements which were made by management and which bear a significant risk of material adjustment in the next accounting period are discussed in Note 3– Critical accounting estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and also in future periods if the revision affects both current and future periods.

When preparing the Consolidated financial statements, the Group applied the following International Financial Reporting Standards, amendments to the standards and interpretations as adopted by the EU, which are effective for the accounting period starting 1 November 2014:

The application of the standards mentioned below has had no significant impact on the Group's financial statements.

Amendments to **IAS 19 Defined Benefit Plans: Employee Contributions**, effective for accounting periods beginning on or after 1 February 2015. The amendments are applied retrospectively, with earlier application being permitted. Amendments are only relevant for defined benefit plans that contain contributions from employees or from third parties, and comply with certain criteria, specifically, that they are provided in formal conditions of the benefit plan, relate to a service, and are independent of the years of service. When such criteria are complied with, a company can (but need not) account for them as a reduction of cost for services in the period when the related service is provided. The Group does not expect that the amendments will have a significant effect on its financial statements as the Group has no Defined Benefit Plans containing contributions from employees or from third parties.

Amendments to **IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception**. The amendments address issues arising when applying an investment entity exception in accordance with **IFRS 10 Consolidated Financial Statements**. Amendment to IFRS 10 clarifies that the exception in reporting consolidated financial statements applies to a parent company which is a subsidiary of an investment entity, provided the investment entity measures all its subsidiaries at fair value. Further, the amendment explains that a subsidiary of an investment entity is consolidated only if the

subsidiary itself is not an investment entity and provided support services to the investment entity. All the other subsidiaries of the investment entity are measured at fair value. In the event of applying the equity method, in accordance with the amendment to **IAS 28 Investments in Associates and Joint Ventures**, an investor may continue to carry out measurement at fair value which is applied by the investment entity in its interests in the subsidiaries. The amendments are applied retrospectively, with no impact on the Group as the Group does not apply the consolidation exception.

Amendments to **IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests**. Amendments to IFRS 11 require that the entity accounting for common operations, which accounts for acquisition of interest in a common operation, where the common operation represents business, must apply the respective accounting principles in accordance with IFRS 3 Business Combinations. Also, the amendment explains that an already existing interest in a common operation is not revalued in the event of further acquisition of an interest in the same common operation subject to ongoing joint control. Further, the added exclusion from the scope of IFRS 11 specifies that the amendments to IFRS 11 do not apply if the parties sharing a common operation, including the reporting entity, are controlled by the same party at the highest level.

International Financial Reporting Standards that have been issued but are not effective yet

As of 31 October 2016, the following significant International Financial Reporting Standards, amendments to and interpretations of the standards, which have not become effective yet, and thus were not applied by the Group when preparing these financial statements, were issued and thereafter adopted by the EU (save for significant standards referred to hereafter, which have not yet been adopted by the EU).

Amendments to **IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation** effective for accounting periods beginning on or after 1 January 2016. The amendment clarifies the principles of **IAS 16 Property, Plant and Equipment** and **IAS 38 Intangible Assets**, according to which revenue reflects the economic benefits generated from the plant's operation (including the assets) rather than economic benefits arising by using the assets. The result is that the revenue-based method cannot be applied to amortise property, plant and equipment, and it can only be applied under very extraordinary circumstances for the amortisation of intangible assets. The amendment applies prospectively, with no impact on the Group as the Group does not apply the revenue-based method to amortise non-current assets.

Amendment to **IAS 1 Disclosure Initiative**, effective for accounting periods beginning on or after 1 January 2016. The amendment to IAS 1 clarifies, not significantly changing, the existing requirements. The amendment explains:

- The requirements for significance in IAS 1.
- Certain items in the statement of profit and loss and other comprehensive income and in the statement of financial position may be divided.
- Entities may flexibly determine the order of reporting the notes to financial statements.
- The share in other comprehensive income of associates and joint ventures accounted for in accordance with the equity-based method must be reported on an aggregated basis as a single item and grouped between those items that will or will not be reclassified to profit and loss in subsequent periods.

Further, the amendment explains the requirements for additional reporting of partial results in the statement of financial position and in the statement of profit and loss and other comprehensive income. These amendments have no impact on the Group.

Amendment to **IAS 27 Equity method in the separate financial statements** effective for accounting periods beginning on or after 1 January 2016 and are applied retrospectively. Earlier application is allowed. Amendment to **IAS 27** allows the company to use the Equity method in separate financial statements when accounting for interest in subsidiaries, associates, and joint ventures. The Group does not plan to use the Equity method when accounting for interest in subsidiaries, associates, and joint ventures.

In May 2014, IASB issued **IFRS 15 Revenue from Contracts with Customers**, effective for the periods starting on 1 January 2018, with earlier adoption being permitted. IFRS 15 defines the principles for reporting revenue, and it will be applicable to all contracts concluded with customers. However, interest and income from fees which are part of financial instruments and leases will still be outside the scope of IFRS 15 and will be regulated by another respective standard (e.g. IFRS 9 and IFRS 16 Leases). According to IFRS 15, revenue will be reported in the period when the goods and services are transferred to the extent expected by the transferor. Also, the standard describes in detail a thorough set of requirements for disclosures concerning the

nature, amount, timing, and uncertainty of revenue and cash flows with customers. The Group does not expect an earlier adoption of IFRS 15 and is currently assessing its impact.

IFRS 16 Leases was issued in January 2016, replacing IAS 17 Lease, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard does not significantly change the accounting on the part of the lessee and the lessor. However, it requires the lessee reports most of its leases in the balance sheet as liabilities from lease, with the pertaining assets with the right of use. The lessee must apply a uniform model for the entire lease; however, it has the possibility not to report a short-term lease and lease of low-value assets. The method of reporting profit and loss from lease will be similar to today's accounting for financial lease, with the interest and cost associated with depreciation reported separately in the statement of profit and loss. IFRS 16 is effective for the accounting period beginning on 1 January 2019 and for the periods after this date. An earlier application of the standard is permitted, as long as the new IFRS 15 is already effective. The lessee must apply IFRS 16 using either a full retrospective approach of a modified retrospective approach. The Group does not expect an earlier adoption of IFRS 16 and is currently assessing its impact. As of the date of preparation of the financial statements, this standard has not yet been adopted by the European Union.

In January 2016, IASB issued an amendment to **IAS 7 Statement of Cash Flows** in order to improve disclosure of financing activities and help users better understand the liquidity of a reporting entity. The standard requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (e.g. profit and loss from the movement of foreign currencies). The amendment is effective from 1 January 2017. The Group is currently assessing its impact. As of the date of preparation of the financial statements, this standard has not yet been adopted by the European Union.

In July 2014, IASB issued a final version of **IFRS 9 Financial Instruments**, superseding IAS 39 Financial Instruments: Recognition and Measurement, and all preceding versions of IFRS 9. IFRS 9 introduces in one package all three aspects of accounting for projects with financial instruments: recognition and measurement, impairments and hedge accounting. IFRS 9 is effective from 1 January 2018, with the possibility of an earlier application. Save for hedge accounting, a retrospective application is required; however, it is not mandatory to provide comparative information. The Group intends to apply the new standard from the date of effect. The Group does not expect a material impact on the balance sheet and assets.

Amendment to **IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses** clarifies that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. The amendment is effective from 1 January 2017, with an earlier application of the standard being permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. No impact of the amendment on the Group is expected. As of the date of preparation of the financial statements, this standard has not yet been adopted by the European Union.

IFRS Annual Improvements

Improvement to **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**. Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. The amendment must be applied prospectively.

Improvement of **IFRS 7 Financial Instruments: Disclosures**. The improvement concerns two amendments.

(i) Servicing contracts.

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement under IFRS 7

in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendment.

(ii) Applicability of the IFRS 7 amendments as regards condensed interim financial statements.

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. The amendment must be applied retrospectively.

Amendments to IFRS 7 have no impact on the Group.

Other International Financial Reporting Standards

The Group has not adopted any other IFRS standards adopted by EU early where adoption is not mandatory at the date of preparation of the financial statements. Where transition provisions give an entity the choice of whether to apply new standards prospectively or retrospectively, the Group has decided to apply the standards prospectively.

(c) Basis of consolidation

i. Subsidiaries

Subsidiaries are those enterprises that are controlled by the Group. The control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise, so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The consolidated financial statements include the Group's interests in other entities based on the Group's power to control such entities regardless of whether the control is actually exercised or not. The financial statements of subsidiaries are included in the consolidated financial statements from the day of origin of the control until the day of cessation of the control.

ii. Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when a company holds between 20 and 50 percent of the voting rights of another entity. The consolidated financial statements include the Group's share of the recognised gains and losses of associates on an equity accounted basis (equity method) from the day of origin of the significant influence until the day of cessation of the significant influence. Investment in associate is recognised initially at cost. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount of such an associate is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has incurred obligations in respect of the associate.

iii. Scope of consolidation

The consolidation as at 31 October 2016 and at 31 October 2015 includes three companies. The parent company and two subsidiaries prepared their financial statements as at 31 October 2016. The list of all companies included in the consolidation is provided in Note 39 – Group entities.

iv. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

v. Acquisition method of accounting

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Acquisition-related costs are recognised directly in profit or loss.

The acquiree's identifiable assets acquired and the liabilities assumed that meet the recognition criteria under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Otherwise the difference is reassessed and any excess remaining (negative goodwill) after the reassessment is recognised directly in profit and loss.

The non-controlling interest is measured as *a proportionate share* of identifiable assets of the acquiree's identifiable assets.

vi. Unification of accounting principles

The accounting principles and procedures applied by the consolidated companies in their financial statements were unified in the consolidation, and comply with the principles applied by the parent company.

(d) Foreign currency

Foreign currency transactions

Items included in the financial statements of each of the Group'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 thousands of euros, which is the Group's functional and presentation currency. Transactions in foreign currencies are translated into euros at the foreign exchange rate valid at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euros at the financial statements date at the exchange rate of the European Central Bank valid at that day.

Foreign exchange differences arising from such translations are recognised through profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are measured at cost, are translated into euros using the exchange rate valid at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into euros at the foreign exchange rates valid at the dates the fair values are determined.

Foreign currency translation reserve includes all foreign exchange differences that arise from the transfer of financial statements of foreign entities within the consolidation group.

(e) Financial instruments

i. Classification

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Loans granted are non-derivative financial assets with fixed and determinable payments, not quoted in an active market, which are not classified as available-for-sale securities, financial assets held to maturity or as financial instruments at fair value through profit or loss.

Available-for-sale securities are those non-derivative financial assets that are not classified as financial instruments at fair value through profit or loss, loans and advances to banks and customers or as financial assets held to maturity.

Financial instruments at fair value through profit or loss are those that the Group principally holds for trading, that is, with the purpose of short-term profit taking.

ii. Recognition

Loans granted are recognised on the day they are provided by the Group.

Financial assets at fair value through profit or loss and available-for-sale securities are recognised on the date the Group commits to purchase the assets.

iii. Measurement

Financial instruments are measured upon initial recognition at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial instrument.

Subsequent to initial recognition, financial assets are measured at amortized costs, except for financial assets at fair value through profit and loss and available-for-sale securities, which are measured at fair value.

iv. Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the financial statements date without any deduction for acquisition-related costs. If a quoted market price is not available, the fair value of the instrument is estimated by the management using the pricing model or discounted cash flow techniques.

Where the discounted cash flow method is used, estimated future cash flows are based on the management's best estimates and the discount rate is the market rate at the date of the financial statement for an instrument with similar terms and conditions. Where pricing models are used, inputs for these models are based on market-related factors at the date of the financial statement.

v. Gain and losses on subsequent revaluation

Gains and losses arising from a change in fair value are recognised in profit or loss for financial instruments at fair value through profit or loss and directly in equity for available-for-sale securities. Changes in the fair value of available-for-sale securities are derecognised from other equity to profit or loss at the moment of sale.

vi. Derecognition

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered by the Group.

Available-for-sale assets that are sold are derecognised and the corresponding payable receivables to buyers are recognised as at the date the Group commits to sell the assets.

Loans and advances to customers are derecognised as at the day they are paid/ settled by the Group.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in banks, short-term highly liquid investments with original maturities of three months or less and short-term highly liquid investments readily convertible for known amounts of cash.

(g) Inventories

Inventories are measured at the lower of acquisition cost (purchased inventory), respectively in own costs (incurred by own activity), and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Purchased inventories are measured at cost, which includes the purchase price and other directly attributable expenses incurred in acquiring the inventories and bringing them to their existing location and condition. Own costs include direct costs and indirect costs associated with acquiring inventories by own activity.

(h) Offsetting

Financial assets and liabilities are offset and their net amount is reported in the balance sheet when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

(i) Impairment

The carrying amounts of the Group's assets, other than inventories (refer to the accounting policy under letter g)), investment property (refer to the accounting policy under letter l)), financial assets at fair value through profit or loss (refer to the accounting policy under letter c)), available-for-sale securities (refer to the accounting policy under letter c)) and deferred tax assets (refer to the accounting policy under letter p)) are reviewed at each financial statements date to determine whether there is objective indication of impairment of the asset. If any such indication exists, the asset's recoverable amount is estimated. Intangible assets that have an indefinite useful life are not subject to amortisation, but are tested annually for impairment as part of the cash-generating unit to which they belong.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Loans granted are recognised net of value adjustment for losses on loans. Value adjustments are determined on the basis of the state of the loan and performance of the borrower and the value of any collateral and all third-party guarantees is taken into account.

The recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed upon initial recognition of these financial assets). Short-term receivables are not discounted.

If assets available for sale caused a decrease in fair value recognized directly in equity and if objective reasons exist that prove that there was a decrease in the fair value of the assets, the cumulated loss recognized in equity shall be reported in the profit and loss statement even if the relevant financial asset had not been reversed from the financial position. The amount of loss recognized in the profit and loss statement is the difference between the acquisition cost and the fair value, adjusted for the impairment of the financial asset already recognized in profit and loss. A decrease in fair value of more than 20% of the acquisition cost or a decrease in fair value below the acquisition cost that lasts continuously more than nine months in case of securities investments is considered an impairment.

The recoverable amount of other assets is the greater of their value in use less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of receivables carried at amortised cost is reversed if the increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In the case of goodwill, an impairment loss cannot be decreased subsequently.

In respect of other assets, an impairment loss is reversed or decreased when there is an indication that the impairment loss no longer exists and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss can only be reversed or decreased to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. Significant accounting policies (continued)
(j) Property, plant and equipment

i. Owned assets
Single items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and impairment losses (refer to the accounting policy under letter i)). Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and costs of dismantling and removing the items and restoring the site where it was located. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as Consolidated items (major components) of property, plant and equipment.

ii. Leasing
Agreements on lease of assets in relation to which the Group assumes substantial part of risks and benefits of ownership are classified as financial leasing. Leased assets are stated at an amount equal to the lower of their fair value and the present value of the minimum leasing payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (refer to the accounting policy under letter i)).

iii. Subsequent expenditures
Subsequent expenditure is capitalised if it is probable that the future economic benefits embodied in the part of property, plant and equipment will flow to the Group and the relevant cost can be measured reliably. All other expenditures including the costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss in the period to which they relate.

iv. Depreciation
Except as specified below, depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of individual items of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

• Buildings	30 - 45 years
• Individual movables and sets of movables	
▪ Geothermal borehole	40 years
▪ Slides	25 years
▪ Cableways, ski lifts, and leisure attractions	12 - 40 years
▪ Equipment	3 - 25 years
▪ Fixtures and fittings and others	2.5 - 10 years

Depreciation methods, useful lives, as well as residual values, are reassessed annually as at the financial statement's date. Each significant part of property, plant and equipment (component) with cost significant in relation to the total cost of the relevant item is depreciated Consolidatedly.

v. Capitalized borrowing costs
Borrowing costs attributable to the asset that necessarily takes a substantial period of time to get ready for its use or sale are capitalised by the Group as part of the cost of the asset.

(k) Intangible assets

i. Goodwill and intangible assets acquired in a business combination
Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill on acquisition of subsidiaries is included under intangible assets. Goodwill on acquisition of associates is included in the investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Negative goodwill arising on an acquisition is reassessed and any excess remainder of the negative goodwill after the reassessment is recognised in profit or loss. Intangible assets acquired in a business combination are recognised at fair value on the acquisition date if the intangible asset is separable or arises from contractual or other legal rights. Intangible assets with an indefinite useful life are not subject to amortisation and are recorded at cost net of impairment loss. Intangible assets with a definite useful life are amortized over the useful life and are stated at cost net of accumulated amortisation and impairment losses.

2. Significant accounting policies (continued)

ii. Software and other intangible assets
Software and other intangible assets acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (refer to the accounting policy under letter i)). Useful life of these assets is reassessed regularly. Lease contracts refer to valuation of rights from long-term lease contracts.

iii. Amortisation
Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date the asset is available for use. The estimated useful lives are as follows:

- Software 4 – 5 years
- Lease contracts 29 years
- Valuable rights each item uses an individual depreciation plan, based on the estimated useful lives if these assets, valuable rights also include trademarks which represent non-depreciated assets. The Group uses 6, 7, 8, 12 and 50-year useful lives for its valuable rights.

(l) Investment property
Investment property represents assets that are held by the Group to generate rental income or to realise a long-term increase in value, or for both of these purposes.

Investment property is stated at fair value, which is determined by an independent registered expert or by the management. Fair value is based on current prices of similar assets on an active market under the same location and the same conditions, or where such conditions are not available, by applying the generally applicable valuation models such as the yield method. Any gain or loss arising from a change in fair value is recognised in profit or loss.

Assets that are constructed or developed for their future use as investment property are measured at fair value if the fair value can be determined reliably.

Details on the valuation of investment property are specified in Note 3(a) – Critical accounting estimates and assumptions, Valuation of investment property.

Rental income from investment property is accounted for as described in the accounting policy under letter (o).

(m) Provisions
A provision is recognised in the balance sheet when the Group has a present legal, contractual, or non-contractual obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Long-term provisions the reduction of which to their present value would have a material impact on the financial statements are discounted to their present value.

i. Long-term employee benefits
Liability of the Group resulting from long-term employee benefits other than pension plans represents the estimated amount of future benefits that employees have earned in return for their service in the current and prior periods. The liability is calculated using the projected unit credit method, discounted to its present value. A discount rate used to calculate the present value of liability is derived from the yield curve of high-quality bonds with maturities close to the conditions of the Group’s liabilities as at the date of the financial statements preparation.

ii. Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are recognised as expenses at the time of provision of the service by the employees. A payable is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or contractual obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2. Significant accounting policies (continued)

(n) Interest income and expense
Interest income and expense is recognised in profit or loss in the period to which it relates using the effective interest rate basis. All expenses on loans and borrowings are recognised in profit or loss, with the exception of capitalised borrowing costs; refer to the accounting policy under letter (j), part (v).

(o) Rental income
Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

(p) Income tax
Income tax on the profit for the current accounting period comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the current accounting period, using tax rates valid as at the date of the financial statement’s preparation, and any adjustments to tax payable in respect of previous accounting periods.

Deferred tax is accounted for using the balance sheet method and calculated from all temporary differences between the carrying amounts of assets and liabilities determined for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences weren’t taken into account: the initial recognition of assets or liabilities which affect neither accounting nor taxable profit, and the differences relating to investments in subsidiaries to the extent that it is probable that they will not be reversed in the foreseeable future. No deferred taxes are recognised on the initial recognition of goodwill.

Income tax is recognised directly in profit or loss, except for the part that relates to items recognised directly in equity, in which case the income tax is recognised in equity.

Deferred tax asset and liability are offset if there is a legally enforceable right to offset the payable tax liability and asset, and they relate to the same tax authority and the taxable entity.

A deferred tax asset is only recognised up to the amount of probable future taxable profits against which the unused tax losses and credits can be offset. Deferred tax assets are reduced by the amount for which it is probable that the related tax benefit will not be realised.

(q) Operative and financial lease payments
Payments made under operative leasing are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum leasing payments of financial leasing are divided into interest and instalments of the principal. Interest is allocated to each period during the term of the lease so as to express a constant periodic rate of interest for the period applied to the unpaid part of the principal

(r) Trade and other payables
Trade and other payables are stated at amortised cost (see point (w) Financial liabilities).

2. Significant accounting policies (continued)

(s) Revenues from services rendered

The Group recognises seven types of basic revenues from services rendered:

- Revenues from cableways and ski lifts (hereinafter also referred to as “Mountain Resorts”)
- Revenues from leisure parks (hereinafter also referred to as “Leisure Parks”)
- Revenues from sports services and stores (hereinafter also referred to as “Sports Services and Stores”)
- Revenues from hotel services (hereinafter also referred to as “Hotels”)
- Revenues from restaurant facilities (hereinafter also referred to as “Dining”)
- Revenues from real estate projects (mainly from investment property, hereinafter also referred to as “Real Estate”)
- Other revenues

The Group recognizes revenues in a scope in which economic benefits are likely to flow to the Group, and these revenues can be easily valued. Revenues are recognized at fair value. Revenues are accrued depending on in which period the services were rendered, excluding revenues from leisure parks, hotel services and restaurant facilities, which are recognised in profit or loss after the service has been rendered. Revenues from services rendered do not include value added tax. They are also net of discounts and rebates (rebates, bonuses, discounts, credit notes and the like).

Since 2012 the Group has been running a loyalty program for its clients – GOPASS. GOPASS enables its clients to earn points for purchase of products and services in its resorts and to redeem these points as discounts from future purchases.

The amount of unredeemed points are recognized as a decrease in sales against revenue time difference, as they are related to promised discounts from future purchases of clients. The Group monitors the value of unredeemed points and revalues it on a regular basis for its recognition in the financial statements.

Other services include services related to lodging, such as lease of space, parking, wellness, massages, sale of souvenirs, etc. Rent revenues are reported based on time during the whole lease term. Revenues from sale of souvenirs and other merchandise are accounted for upon transfer of significant risk and benefit of the merchandise. Other revenues from services provided are recognized after their provision.

(t) Dividends

Dividends are recognised in the statement of changes in equity and also as liabilities in the period in which they are approved.

(u) Non-current assets and disposal groups held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group held for sale) are re-measured in accordance with the International Financial Reporting Standards as adopted by the EU. Thereafter, upon initial classification as held for sale, the assets and disposal group held for sale are recognised at the lower of their carrying amount or fair value less cost to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except for inventories, financial assets, deferred tax assets and investment property, which continue to be measured in accordance with the Group's accounting policies.

Impairment losses on initial recognition as held for sale are recognised in profit or loss even if the revaluation reserve was created. The same applies to gains and losses on subsequent measurements. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment and intangible assets classified as held for sale are no longer depreciated or amortised.

In case that, after the asset assignment into the group of assets held for sale, value is realized mainly through use rather than sale thereof, the assets shall be accounted back and depreciation or amortization for property, plant and equipment and intangible assets shall be recognised in the period when such change of assets arose.

2. Significant accounting policies (continued)

(v) Reporting by segments

Operating segments are parts of the Group that are able to generate income and expenses with available financial information, which is regularly reviewed by the chief operating decision makers in order to allocate resources to the segments and to assess their performance. The management monitors 7 main segments, namely mountain resorts, leisure parks, hotels, dining, sports services and stores, real estate, and other.

(w) Financial liabilities

The Group recognises financial liabilities as other financial liabilities. The Group does not recognise any financial liabilities valued at fair value through profit or loss.

In the Group's Consolidated statement of financial position, other financial liabilities are recognized as received loans and borrowings, bonds issued, trade payables, other liabilities and current tax liabilities.

Financial liabilities are recognised by the Group on the trade date. Upon initial recognition, financial liabilities are measured at fair value including transaction costs.

Subsequent to initial recognition, financial liabilities are measured at amortized cost. Upon measurement at amortized cost the difference between the cost and the face value is recognised through profit or loss during existence of the asset or liability using the effective interest rate method.

Financial liabilities are derecognised when the Group's obligation specified in the contract expires, is settled or cancelled.

(x) Fair value estimates

The following notes summarise the main methods and assumptions used in estimating the fair values of financial assets and liabilities referred to in Note 32 – Fair value information:

i. Loans granted

Fair value is calculated based on discounted expected future principal and interest cash flows. Expected future cash flows are estimated considering credit risk and any indication of impairment. The estimated fair values of loans reflect changes in credit status since the loans were made and changes in interest rates in the case of fixed rate loans.

ii. Loans and borrowings

For loans and borrowings with no defined maturities, fair value is taken to be the amount payable on demand as at the date of preparation of the consolidated financial statement. The estimated fair value of fixed-maturity loans and borrowings is based on discounted cash flows using rates currently offered for loans and borrowings of similar remaining maturities.

i. Trade receivables/payables, other receivables and other assets/liabilities

For receivables/payables with a remaining life of less than one year, the nominal amount is deemed to reflect the fair value. Other receivables/payables are discounted to determine the fair value.

3. Significant accounting estimates and assumptions

The preparation of the financial statements according to the International Financial Reporting Standards as adopted by the EU requires the application of certain significant accounting estimates. It also requires that the management, in the application process of the Group accounting principles, should use its judgement. These accounting estimates will, therefore, rarely conform to the actual results. Estimates and assumptions that have significant risk of causing a significant adjustment to the carrying amount of assets and liabilities within the next accounting period are described below. The estimates and assumptions are continually reviewed. If the review of the accounting estimates applies only to one accounting period, it is reported in that period; if the review affects current and future accounting periods, it is reported in the period when the review was performed as well as in the future periods.

(a) Business combinations and purchase price allocation

The acquiree's or part of business's identifiable assets, liabilities and contingent liabilities are recognised and measured at their fair value on the date of acquisition. The allocation of the total cost among the net assets acquired for financial reporting purposes is performed with the support of professional advisors or the Group's management. The valuation is based on historical and prospective information available as of the date of the business combination. Any prospective information that may impact the fair value of the acquired assets is based on management's assumptions of the future development of competitive and economic environments. The results of the valuation analyses are also used for determining the amortisation and depreciation periods of the values allocated to specific intangible and tangible fixed assets.

On 14 September 2016, the Group acquired a 51% interest in a Croatian company, TIKAR D.O.O. (TIKAR). The Group paid EUR 1.4 thousand (HRK 10.2 thousand) for this 51% interest. On 21 October 2016, an agreement on the increase of TIKAR's share capital and entry of a new shareholder was signed. Under the agreement, the share capital was increased from the original HRK 20 thousand to HRK 2,500 thousand, while the Group interest in TIKAR dropped to 0.408%. Therefore, as of 31 October 2016 the Group recognises this investment as Financial investments (see Note 24 – Financial investments). The acquisition of TIKAR as a subsidiary during 2016 and its consequent reclassification as a financial investment did not have significant impact on the Group's financial statements.

On 14 April 2015, the Group acquired a 70% interest in a Polish company, PS Rozrywka, later renamed Śląskie Wesole Miasteczko Sp. z o. o. (SWM). The Group paid EUR 6,727 thousand for this 70% interest. On 4 August 2015, the Group subsequently bought another interest of 5%, in total of EUR 723 thousand. SWM is the operator of an amusement park in Chorzow, Poland. The fair value adjustment of this business combination was recognised in the consolidated financial statements as of 31 October 2015. Plant, property and equipment and goodwill before the acquisition were revalued. The result of this business combination was goodwill in the amount of EUR 644 thousand. Some items of fixed assets were revalued by the reproductive acquisition cost and some by market approach. The fair value adjustments of the business combination in the accounting period of 1 November 2014 to 31 October 2015 are listed in the table below:

<i>In thousands of euros</i>	Property, plant and equipment	Goodwill	Deferred tax liability	Total net balance sheet effect
Acquired assets and liabilities				
Assets and liabilities of Śląskie Wesole Miasteczko	976	-677	-185	114

The adjustment of goodwill of EUR -677 thousand represents a write-off of the local goodwill recognised as of the date of acquisition of the subsidiary in the amount of EUR -1,321 thousand and a reported consolidated goodwill in the amount of EUR 644 thousand.

3. Significant accounting estimates and assumptions (continued)

(b) Real estate investments valuation

Real estate investments are recognised at fair value. The fair value of real estate investments is determined either by an independent court expert or the property is valued by the management (see Significant accounting policies, note 1). In both cases the valuation is based on current market values and conditions. Market value represents the estimated value for which a property could be exchanged on the valuation day between potential seller and potential buyer in the form of a transaction based on independent parties after reasonable marketing, in which each party acts in an informed manner, prudently and without compulsion.

In the absence of actual market prices, the valuation takes into account the estimated net cash flows from property lease and capitalisation income, which reflects the specific risks inherent to a given market and also to the cash flows arising from the property.

The valuation reflects (where relevant) the type of lessees who use the property or are responsible for the fulfilment of lease liabilities or the type of prospective users, if the property is left non-rented, the general market perception of lessee solvency, the distribution of responsibilities related to maintenance and insurance of property between the Group and the lessees, and the remaining life of property.

As of 31 October 2016 the investments in property included three hotels (SKI, Liptov, Kosodrevina) and the Otupné accommodation facility with the aggregate carrying amount of EUR 1,982 thousand (as of 31 October 2015: EUR 1,982 thousand), which are leased out to third parties operating them, as well as forest areas and lands obtained as an acquisition in 2009 in the carrying amount of EUR 4,572 thousand (as of 31 October 2015: EUR 4,572 thousand). The value of hotels was determined by estimate of the hotels' management in a manner stated above. The value of lands was determined by the management using market prices, with the final value being based on the estimated market price per square metre depending on the type of land and market transactions for lands of similar character.

As of 31 October 2016, the Group's management, based on the current market conditions, revalued the investments in property. Total revaluation of investments in property in 2016 through profit and loss resulted in EUR 0 thousand (2015: a revenue of EUR 228 thousand), since fees in the rent contracts did not change. The management is not aware of any significant change in market prices of leased land.

If the fair value of that part of investment in real estate determined based on the management's estimates is different from the management's estimates by 10%, the carrying amount of investments in real estate would be higher or lower by EUR 655 thousand compared to the amount reported as of 31 October 2016 (as of 31 October 2015: EUR 655 thousand).

3. Significant accounting estimates and assumptions (continued)

(c) Goodwill and impairment testing

As of the date of the financial statements, the Group assesses whether the goodwill has not been impaired. If the indicator of possible impairment is not detected, the Group is, in accordance with IAS 36, testing goodwill recognised in business combinations during the current accounting period and goodwill recognised in prior accounting periods for possible impairment annually on 31 October, i.e. as of the date of preparation of the annual consolidated financial statements.

On the day of acquisition, the acquired goodwill is assigned to individual cash-generating units (CGU) for which it is expected to benefit from synergies arising in business combinations.

Potential impairment of goodwill is determined by comparing the recoverable amount of CGU and its book value. The value of return is determined by the value in use. This value was derived from the business plan prepared by the management.

The key prerequisite which was also the most sensitive factor in determining the recoverable amount, was expected revenues assessed by the management, profitability and cost of capital used as the discount factor for future net cash flows. The expected revenues as well as profitability are based on changes in customer target groups, strengthened marketing and increased quality of the services rendered. Projecting of cash flows applied in determining the value in use covers a medium-term period of 5 years and subsequent extrapolation for the next period. Based on such standard level of cash flows, the terminal value was calculated with the expected growth of cash flows at 2.0% p.a. (2015: 2.2%). The discount rates used in the projecting of cash flows were calculated as a weighted average cost of capital and amounted to 6.5% for Slovakia in 2016 and 6.5% in 2015 and 7.29% for Poland (accounting for income taxes).

In 2016 and 2015, goodwill was tested within CGU Vysoké Tatry, and the test did not show any reason for asset impairment. Goodwill acquired by the acquisition in 2015 of the Polish resort Ślaskie Wesole Miasteczko Sp. z o. o has been tested as of 31 October 2016 as part of the impairment test. See Note 3(d). This goodwill has not been tested as of 31 October 2015 since the Group's management concluded that the assumptions that were used by revaluation of assets acquired from the business combination in 2015 had not changed significantly.

If as at 31 October 2016, the projected EBITDA of *CGU Vysoké Tatry*, which is part of the projected cash flows was lower than 5% in comparison with management's estimates, the value in use for an individual cash-generating unit in the location of High Tatras would drop by EUR 8,995 thousand. In such a case, it would not be necessary to account for the asset impairment or goodwill even at a lower EBITDA reached. If the discount rate increased by 0.5 percentage point in comparison with the management's estimate, i.e. its value was 7.00 %, the value in use for an individual cash-generating unit for the location of High Tatras would drop by EUR 21,386 thousand. Here again it would not be necessary to account for asset impairment or goodwill even at a higher discount rate.

If as at 31 October 2015, the projected EBITDA of *CGU Vysoké Tatry* being part of projected cash flows was lower than 5% in comparison with management estimates, the value in use for an individual cash-generating unit in the location of High Tatras would drop by EUR 8 999 thousand. In such case, it would not be necessary to account for the asset impairment or goodwill even at a lower EBITDA reached. If the discount rate increased by 0.5 percentage point in comparison with the management estimate, i.e. its value was 7.00 %, the value in use for an individual cash-generating unit for the location of High Tatras would drop by 15 906 EUR thousand.. Here again it would not be necessary to account for asset impairment or goodwill even at a higher discount rate.

(d) Assets impairment testing

As of the date of the financial statements, the Group assesses whether the assets have not been impaired. IAS 36 requires the testing of asset impairment in cases where external or internal indicators would point possible asset impairment.

The Group carries on 6 principal activities: running of mountain resorts, leisure parks, restaurant services, sports services and shops, accommodation services and real estate projects, namely in five locations: Jasná (the Low Tatras), in the High Tatras, and in Liptovský Mikuláš, and in Szczyrk and Chorzow in Poland. Each of the locations was assessed by the management as an individual cash-generating unit (CGU). he Group monitors the performance and creates independent budgets for individual cash-generating units. The Group assets were allocated to individual cash-generating units according to the material

competence, whereas all assets, i.e. also the hotels, catering establishments and sports services and shops are included in individual cash-generating units, except for ski lifts and cableways.

As of 31 October 2016, the Group's management having considered the Group asset impairment, besides the impairment tests for the CGU Vysoke Tatry as goodwill is related to it as stated in par. 3(c), impairment tests have been done for both resorts (locations and individual CGUs) in Poland due to the fact that the planned indicators have not been achieved, which was analysed as an indicator of possible asset impairment of the Group. No indicators for asset impairment have been identified for CGUs in Slovakia.

Potential asset impairment is determined by comparing the recoverable value of the CGU and its book value. The recoverable value is determined by value in use. The value in use has been derived based on the business plan prepared by the management. Profitability and the cost of capital used as the discount factor for future free cash flows were the key assumption and the most sensitive indicator for determining the recoverable value. Expected revenues and profitability are based on changes in target customers groups, boosted marketing, and quality enhancement of services provided. Modelling of future cash flows used in determining the value in use covers a medium term of 5 years with the following extrapolation for next periods. Based on such normalized cash flows the terminal value was calculated assuming a terminal growth of 2.0% per anum. The discount rate used in projecting cash flows was calculated as the weighted average cost of capital and equalled 7.29% for Poland in 2016 (after accounting for income taxes). The asset impairment test did not result in need of asset impairment for either CGU in Poland.

If the projected EBITDA of the CGU Ślaskie Wesole Miasteczko Sp. z o. o., as of 31 October 2016, which is a part of projected cash flows, was 5% lower each year in comparing with the managemen's estimate, the value in use of the CGU Ślaskie Wesole Miasteczko Sp. z o. o. would decrease by EUR 10,515 ths. In this case it would not be necessary to recognise asset impairment or goodwill even by achieving of a lower EBITDA. If the discount rate was 0.5 p.p. higher than the management's estimate, i.e. it would equal 7.79%, the value in use of the CGU Ślaskie Wesole Miasteczko Sp. z o. o. would decrease by EUR 5,157 ths. Even in this case it would not be necessary to recognize asset impairment or goodwill not even when using a higher discount rate.

If the projected EBITDA of the CGU Szczyrkowski Ośrodek Narciarski, S.A, as of 31 October 2016, which is a part of projected cash flows, was 5% lower each year in comparing with the managemen's estimate, the value in use of the CGU Szczyrkowski Ośrodek Narciarski, S.A, would decrease by EUR 7,858 ths. In this case it would not be necessary to recognise asset impairment or goodwill even by achieving of a lower EBITDA. If the discount rate was 0.5 p.p. higher than the management's estimate, i.e. it would equal 7.79%, the value in use of the CGU Szczyrkowski Ośrodek Narciarski, S.A.. would decrease by EUR 4,328 ths. Even in this case it would not be necessary to recognize asset impairment or goodwill not even when using a higher discount rate.

As at 31 October 2015, no indicators of potential impairment of the Group's assets were identified. For that reason, the asset impairment test was not performed. An impairment test was performed only for the location of the High Tatras, as it has goodwill assigned, as stated in par. 3 (c).

(e) Financial instruments at fair value

The fair value of financial instruments is determined on the basis of:

Level 1:	quoted market prices (not adjusted) in active markets for identical assets or liabilities
Level 2:	inputs other than quoted prices included in Level 1 that are comparable for the asset or liability, either directly (i.e. as prices of similar instruments) or indirectly (i.e. derived from such prices)
Level 3:	inputs for the asset or liability that are not based on comparable market data (incomparable inputs)

If the quoted market price is not available, the fair value of the instrument is estimated using valuation techniques. When using the valuation models, the management uses estimates and assumptions which are consistent with available information about estimates and assumptions which have been used by market participants to determine the prices of a particular financial instrument.

<i>In thousands of euros</i>	31/10/2016				31/10/2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Available-for-sale securities	64	-	-	64	64	-	-	64
Financial instruments measured at fair value through profit or loss	-	-	2,195	2,195	-	-	321	321
Loans granted	-	-	28,706	28,706	-	-	29,932	29,932
Other receivables	-	-	28,916	28,916	-	-	23,851	23,851
Trade receivables	-	-	2,534	2,534	-	-	1,734	1,734
Cash and cash equivalents	-	-	7,493	7,493	-	-	8,219	8,219
Other assets	-	-	1,314	1,314	-	-	382	382
Total	64	-	71 158	71 222	64	-	64 439	64 503

<i>In thousands of euros</i>	31/10/2016				31/10/2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities								
Loans and borrowings	-	-	45 592	45 592	-	-	33 583	33 583
Issued bonds	-	-	194 385	194 385	-	-	192 724	192 724
Trade payables	-	-	7 544	7 544	-	-	5 939	5 939
Other liabilities	-	-	4 811	4 811	-	-	3 216	3 216
Total	-	-	252 332	252 332	-	-	235 462	235 462

As of 31 October 2016, the Group recognises, within Level 3, in particular a financial investment in CAREPAR, a.s.(19% interest) in the amount of EUR 2,041 thousand (as of 31 October 2015: EUR 15 thousand). This company owns a 50% interest in Melida a.s., which leases and operates the ski resort Špindlerův Mlýn in the Czech Rep. Since CAREPAR, a.s. as of 31 October 2016 besides the 50% interest in Melida, a.s. does not report any other significant assets or liabilities, the fair value of the investment was determined as 9.5% of the estimated fair value of Melida, a.s.

The fair value of Melida, a.s. was estimated, as of 31 October 2016, by the Group's management using the discounted cash flow method, with the application of input from the business plan and of cash flow estimates. The business plan and cash flow estimates were consistently reviewed before application by the Group's management. The lease of the ski resort is set till 2032, thus the future cash flows were projected from 2017 until 2032. The main preconditions used in the valuation were the estimated cash flows, EBITDA, its growth and the discount rate. Projected EBITDA for 2017 was EUR 4,794 ths. For 2018 a 10% growth is expected, for 2019 a 5% growth, and from 2020 till 2032 a 2% growth p.a. The discount rate used as of 31 October 2016 was 8.54%.

If the projected EBITDA of Melida, a.s., which is part of projected cash flows, was 5% lower each year in comparing with the management's estimate, the value of the investment in CAREPAR a.s. would decrease by EUR 187 ths. If the discount rate was 0.5% than the management's estimate, i.e. it would equal 9.04%, the value of CAREPAR a.s. would decrease by EUR 52 ths.

On 9 December 2015, the Group sold its entire 19% share of securities in MELIDA a.s. for EUR 153 thousand. Therefore, the Group revalued the securities of MELIDA a.s. to a value under the contract concluded as of 31 October 2015, resulting in a negative difference in valuation of EUR 1,716 thousand.

Approval of opening and closing balances of fair values of particular levels for financial assets:

<i>In thousands of euros</i>	Balance as of 31/10/2015	Revaluation through profit or loss	Revaluation through other components of comprehensive income	Increases	Decreases	Balance as of 31/10/2016
Financial assets						
Available-for-sale securities	64	-	-	-	-	64
Financial instruments measured at fair value through profit or loss	321	2 026	-	1	-153	2 195
Loans granted	29 932	-	-	5 965	-7 191	28 706
Other receivables	23 851	-	-	6 479	-1 414	28 916
Trade receivables	1 734	-	-	2 534	-1 734	2 534
Cash and cash equivalents	8 219	-	-	7 493	-8 219	7 493
Other assets	382	-	-	1 314	-382	1 314
Total	64 503	2 026	-	23 786	-19 093	71 222

Financial liabilities						
Loans and borrowings	33 583	-	-	31 254	-19 245	45 592
Issued bonds	192 724	-	-	9 910	-8 249	194 385
Trade payables	5 939	-	-	7 544	-5 939	7 544
Other liabilities	3 216	-	-	4 811	-3 216	4 811
Total	235 462	-	-	53 519	-36 649	252 332

3. Information about operating segments

Information about operating segments – Consolidated statement of profit and loss

In thousands of euros	Mountain resorts		Leisure parks		Hotels		Dining		Sports services and stores		Real estate		Other		TOTAL	
	31/10/2016	31/10/2015	31/10/2016	31/10/2015	31/10/2016	31/10/2015	31/10/2016	31/10/2015	31/10/2016	31/10/2015	31/10/2016	31/10/2015	31/10/2016	31/10/2015	31/10/2016	31/10/2015
	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m
Revenues	33,671	29,778	10,451	9,034	19,875	16,582	11,067	9,796	4,670	3,589	843	1,212	-	-	80,577	69,991
Other operating revenues	449	341	76	173	35	169	65	222	-	19	-	-	-	-	625	924
Consumption of material and goods	-2,818	-2,489	-575	-390	-3,845	-3,385	-3,777	-3,126	-1,831	-1,215	-216	-722	-	-	-13,062	-11,327
Purchased services	-10,750	-8,103	-3,022	-2,489	-5,079	-3,937	-1,592	-1,614	-420	-516	-302	-449	-	-	-21,165	-17,108
Personnel expenses	-7,627	-6,401	-3,038	-2,252	-6,303	-4,851	-3,268	-2,837	-1,393	-1,133	-	-	-	-	-21,629	-17,474
Other operating expenses	-363	-462	-106	-89	-244	-96	-89	-62	-70	-7	-5	-57	-	-	-877	-773
Gain on sale of assets	-22	-10	-43	-	-	-	-	-	-	-	797	46	-	-	732	36
Gain on revaluation of investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	228
Reversal of value adjustments to receivables	-30	-87	-8	-	-37	-	-4	-	-10	-	-1	-	-	-	-90	-87
Depreciation and amortisation	-7,016	-7,354	-1,480	-1,165	-2,769	-2,896	-729	-788	-363	-342	-88	-74	-591	-679	-13,036	-13,298
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	1,336	1,403	1,336	1,403
Interest expenses	-	-	-	-	-	-	-	-	-	-	-	-	-10,958	-11,072	-10,958	-11,072
Net profit from financial instruments	2,031	-1,715	-74	-	-	-	-	-	-	-	-	-	-352	150	1,605	-1,566
Negative goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(loss) of the segment before tax	7,525	3,498	2,181	2,822	1,633	1,586	1,673	1,591	583	395	1,028	184	-10,565	-10,199	4,058	-123
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-1,312	-628
Consolidated profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,746	-751

In 2015, the Group generates 97% (2015: 96%) of its revenues in the Slovak Republic and 3% (2015: 4%) in Poland. Inter-segment eliminations are included in the amounts reported for individual periods. No Group's client has exceeded the limit of 10% share in total revenues.

4. Information about operating segments (continued)

Information about operating segments – Consolidated statement of financial position

In thousands of euros	Mountain resorts		Leisure parks		Hotels		Dining		Sports services and stores		Real estate		Other		TOTAL	
	31/10/2016	31/10/2015	31/10/2016	31/10/2015	31/10/2016	31/10/2015	31/10/2016	31/10/2015	31/10/2016	31/10/2015	31/10/2016	31/10/2015	31/10/2016	31/10/2015	31/10/2016	31/10/2015
	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m
Goodwill and other intangible assets	7,425	7,728	3,165	2,956	4,040	4,443	7	18	20	42	-	-	-	-	14,657	15,187
Property, plant and equipment	144,197	143,698	43,421	32,828	69,326	69,099	10,394	10,689	2,477	2,487	4,335	4,880	2,429	2,596	276,579	266,277
Investment property	-	-	-	-	-	-	-	-	-	-	6,554	6,554	-	-	6,554	6,554
Inventories	476	516	88	257	567	260	360	355	2,495	2,071	1,605	1,889	-	-	5,591	5,348
Trade receivables	1,072	736	281	225	644	410	359	245	151	88	27	30	-	-	2,534	1,734
Other receivables	27,885	22,253	1,031	-	-	-	-	-	-	-	-	-	-	-	28,916	23,851
Financial investments	2,105	232	-	-	1	-	-	-	119	119	-	-	34	34	2,259	385
Other assets	774	1,332	1,093	446	380	576	8-	-9	-	-	-	-	-	-	2,247	2,345
Loans provided	23,700	26,642	811	724	3,939	2,124	-	-	-	-	43	404	378	189	28,871	30,083
Cash and cash equivalents	3,325	3,623	1,507	1,142	1,517	1,905	845	1,139	366	410	-	-	-	-	7,493	8,219
Assets available for sale	-	-	-	-	-	938	-	-	-	-	-	-	-	-	-	938
Deferred tax asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	210,892	206,760	51,397	40,176	80,414	79,755	11,965	12,437	5,628	5,217	12,564	13,757	2,841	2,819	375,701	360,921
Long-term loans and borrowings	37,009	26,804	945	269	-	219	132	491	21	68	-	16	-	-	38,107	27,867
Short-term loans and borrowings	6,996	10,012	-	-	-	-	-	-	-	-	-	-	-	-	6,996	10,012
Short-term trade payables	3,283	2,413	1,082	880	1,733	1,403	965	839	407	302	74	102	-	-	7,544	5,939
Other short-term liabilities	4,050	3,645	1,153	1,054	2,373	1,859	1,322	1,112	558	400	-	-	-	-	9,456	8,070
Provisions	489	72	38	25	61	49	34	22	14	8	3	1	-	-	639	177
Bonds issued	-	-	-	-	-	-	-	-	-	-	-	-	184,702	184,542	184,702	184,542
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-	-	22,254	20,983	22,254	20,983
Total liabilities	51,827	42,946	3,218	2,228	4,167	3,530	2,453	2,464	1,000	778	77	119	206,956	205,525	269,698	257,590

Of the total value of plant, property and equipment recognised as of 31 October 2016, EUR 16,952 thousand are the Group's assets in Poland (as of 31 October 2015: EUR 8,460 thousand). The total value of the deferred tax liability from the subsidiaries in Poland is EUR 1,731 thousand as of 31 October 2016 (as of 31 October 2015: EUR 2,027 thousand). Inter-segment eliminations are included in the amounts reported for individual periods. Inter-segment prices are determined on the basis of market rates for similar services and financing.

5. Increase and decrease of interests in companies

On 14 September 2016 the Group acquired a 51% interest in a Croatian company TIKAR D.O.O. (TIKAR). For this 51% interest the Group paid EUR 1.4 ths. (HRK 10.2 ths.). TIKAR's assets as of the acquisition date totalled EUR 2 ths. On 21 October 2016 a contract was signed to raise the registered capital of TIKAR and for the entry of a new shareholder. With the contract the registered capital was raised from HRK 20 ths. To HRK 2,500 ths., whereas the interest of the Group on TIKAR decreased to 0.408%. Thus, the Group recognizes this investment as of 31 October 2016 under Financial investments (see Note 25 – Financial investments).

On 14 April 2015, the Group acquired a 70% interest in a Polish company, PS Rozrywka, later renamed Śląskie Wesole Miasteczko Sp. z o. o. (SWM). The Group paid EUR 6,727 thousand for this 70% interest. On 4 August 2015, the Group subsequently bought another interest of 5%, in total of EUR 723 thousand. SWM is the operator of an amusement park in Chorzow, Poland.

<i>Fair value in thousands of euros</i>	Ślaskie Wesole Miasteczko Sp. z o.o.
Intangible assets	65
Property, plant and equipment	2,700
Other assets	6
Cash and cash equivalents	6,715
Loans and borrowings	-157
Other liabilities	-69
Deferred tax liability	-185
Net identifiable assets and liabilities (100% share)	9,075
Acquired share (75% share)	6,806
Cost of acquisition	-7,450
Goodwill on acquisition	644
Paid consideration, settled in cash	-7,450
Acquired cash	6,715
Net cash outflow	-735
Loss from the date of acquisition	-388

The table below provides an overview of subsidiaries acquired in 2016 and 2015:

<i>In thousands of euros</i>	Date of acquisition (gaining control)	Cost	Cash outflow	Group's interest after acquisition %
Purchase of subsidiary company				
Ślaskie Wesole Miasteczko Sp. z o. o.	14/4/2015 and 4/8/2015	7,450	-7,450	75%
TIKAR d.o.o.	14/9/2016	1	-1	0.5%*

* As described above, in the time of the acquisition the Group's interest in TIKAR was 51%, later decreased to 0.5% by the increase of the registered capital and by the entry of a new shareholder.

6. Revenues

<i>In thousands of euros</i>	1/11/2015 – 31/10/2016	1/11/2014 – 31/10/2015
Mountain resorts	33,671	29,778
Hotels	19,875	16,582
Dining	11,067	9,796
Leisure parks	10,451	9,034
Sports services and stores	4,670	3,589
Real estate	843	1,212
Total	80,577	69,991

7. Other operating revenues

<i>In thousands of euros</i>	1/11/2015 – 31/10/2016	1/11/2014 – 31/10/2015
Contractual penalties	1	3
Claims paid by insurance company	159	60
Other operating revenues	465	861
Total	625	924

8. Consumption of material and goods

<i>In thousands of euros</i>	1/11/2015 – 31/10/2016	1/11/2014 – 31/10/2015
Materials in hotels and restaurants	-5,163	-4,688
Goods	-3,805	-3,304
Fuels	-562	-690
Material for repair and maintenance	-666	-636
Material and goods – other	-2,866	-2,009
Total	-13,062	-11,327

9. Services purchased

<i>In thousands of euros</i>	1/11/2015 – 31/10/2016	1/11/2014 – 31/10/2015
Energy consumption	-4,519	-4,456
Advertising expenses	-3,268	-2,129
Other purchased services	-3,549	-3,356
Rent expenses (premises) and other	-4,216	-2,932
Other administration costs	-1,910	-1,174
Communication expenses	-992	-1,008
Repairs and maintenance expenses	-1,542	-1,099
Legal advice expenses	-533	-477
Services related to owned premises	-314	-262
Transport, accommodation, travel expenses	-272	-153
Training expenses	-50	-62
Total	-21,165	-17,108

Other purchased services represent the accounting, audit, marketing and other expenses related to administrative operation of the Group. The Group uses the services of the audit firm KPMG Slovensko spol. s r.o. for the auditing of individual and consolidated financial statements. Expenses for those items for the period from 1 November 2015 to 31 October 2016 amounted to EUR 146 thousand (for the period ending 31 October 2015: EUR 158 thousand). In the period from 1 November 2014 to 31 October 2015, KPMG Slovensko Advisory, k.s. also provided services related to tax consultancy in the amount of EUR 4 thousand. In the period from 1 November 2015 to 31 October 2016, KPMG Slovensko Advisory, k.s. was not providing these services.

10. Personnel expenses

<i>In thousands of euros</i>	1/11/2015 – 31/10/2016	1/11/2014 – 31/10/2015
Wage costs	-12,973	-8,087
Cost of personnel lease	-1,665	-4,558
Cost of social security contributions (compulsory)	-5,032	-3,325
Remuneration for members of key management and Supervisory Board	-1,945	-1,491
Other social expenses	-14	-13
Total	-21,629	-17,474

The average number of Group employees during the period from 1 November 2015 to 31 October 2016 was 1,095, out of which 25 were management (from 1 November 2014 to 31 October 2015, it was 804 employees, out of which 25 were management). During the year, the Group used the services of employment agencies for short-term personnel leasing. From 1 November 2015 to 31 October 2016, it was 184 employees (from 1 November 2014 to 31 October 2015: 277 employees).

Key management includes members of the Board of Directors and top management, which consists of CEO, CFO, directors of each resort, directors of central departments such as sales, marketing, finance, development. Members of the Board of Directors of the Parent Company are paid basic flat remuneration, which for each is set individually based on the decision of the Supervisory Board upon election of the member. Extraordinary bonuses are paid to the Board of Directors upon fulfilment of the criteria defined in the Remuneration rules. The amount of extraordinary bonuses for the members of the Board of Directors, as well as its pay date are set by the Remuneration rules, which are based on achieving the EBITDA plan. The total amount of extraordinary bonuses of the Board of Directors cannot exceed 1% of EBITDA. the Board of Directors determines the remuneration of the top management. For the year ended 31 October 2016 basic remuneration was paid out in the amount of EUR 697 ths. (For the year ended 31 October 2015: EUR 634 ths.). Extraordinary bonuses to the top management were paid out in the amount of EUR 1,206 ths. (For the year ended 31 October 2015: EUR 814 ths.) after the fulfilment of the criteria for extraordinary bonuses (achieving the EBITDA plan).

As per the Remuneration rules and the valid position contracts, members of the Supervisory Board of the Parent Company are paid basic remuneration. For the year ended 31 October 2016 basic remuneration was paid out in the amount of EUR 42 ths. (For the year ended 31 October 2015: EUR 43 ths.).

11. Other operating expenses

<i>In thousands of euros</i>	1/11/2015 – 31/10/2016	1/11/2014 – 31/10/2015
Insurance (property, cars, travel insurance)	-418	-332
Fees and commissions	-320	-310
Shortages and damages	-91	-86
Other operating expenses	-48	-45
Total	-877	-773

12. Interest income and expenses

<i>In thousands of euros</i>	1/11/2015 – 31/10/2016	1/11/2014 – 31/10/2015
Interest income	1,336	1,403
Interest expenses	-10,958	-11,072
Total	-9,622	-9,669

For the period from 1 November 2015 to 31 October 2016, the interest income of EUR 1,336 thousand (from 1 November 2014 to 31 October 2015 in the amount of EUR 1,403 thousand) is mainly from the fixed-rate loans provided. See Note 20 – Loans provided.

For the period from 1 November 2015 to 31 October 2016, the interest expenses in the amount of EUR 10,958 thousand represent the cost of loans and borrowings of EUR 1,048 thousand (from 1 November 2014 to 31 October 2015 in the amount of EUR 1,196 thousand), and the interest expenses from the bonds issued of EUR 9,910 thousand (from 1 November 2014 to 31 October 2015 in the amount of EUR 9,876 thousand). The Company issued interest-bearing bonds in the total nominal value of EUR 180 million. The first TMR I bond portion of EUR 70 million with a nominal interest rate of 4.5% p.a. is due on 17 December 2018. The second TMR II bond portion of EUR 110 million with a nominal interest rate of 6% p.a. is due on 5 February 2021. For more information on the bonds issued, see Note 31 – Bonds issued. Interest expenses for bonds also contain an aliquot interest expense from the bonds issued in the amount of EUR 6,022 thousand (as of 31 October 2015: EUR 6,022 thousand).

In the period from 1 November 2015 to 31 October 2016, the Group did not capitalise interest expenses into assets (from 1 November 2014 to 31 October 2015, the Group did not capitalise interest expenses into assets).

13. Net profit from financial instruments

<i>In thousands of euros</i>	1/11/2015 – 31/10/2016	1/11/2014 – 31/10/2015
Revaluation of financial instruments measured at fair value through the statement of profit and loss	2,026	-1,716
Cost of administration of financial instruments	-268	-178
Gain on the sale of financial instruments measured at fair value through the statement of profit and loss	-	-
Other, net	-153	328
Total	1,605	-1,566

Revaluation of financial instruments measured at fair value through the statement of profit and loss for the period from 1 November 2015 to 31 October 2016 represents a profit from revaluation of the interest in CAREPAR, a.s. in the amount of EUR 2,026 thousand (see also Note 24 Financial investments).

For the period from 1 November 2014 to 31 October 2015, the revaluation of financial instruments measured at fair value through the statement of profit and loss represented a loss from revaluation of the interest in MELIDA, a.s. in the amount of EUR 1,716 thousand.

14. Income tax and deferred tax

<i>In thousands of euros</i>	1/11/2015 – 31/10/2016	1/11/2014 – 31/10/2015
Current tax:		
Tax for the current accounting period	-3	-12
Withholding tax on interest	-10	-4
	-13	-16
Deferred tax:		
Recognition and settlement of temporary differences	-1,299	-612
Change in the tax rate	-	-
Total income tax	-1,312	-628

Deferred income taxes are calculated using statutory tax rates the validity of which is assumed in the period in which a receivable is realized or a liability is settled.

In order to calculate deferred tax from temporary differences incurred in the Slovak Republic, the Group used a 22% rate, resulting from the corporate income tax rate applicable on the date of preparation of the financial statements. Since 1 January 2017, the corporate income tax rate has been reduced to 21%. The reduction had no impact on the calculation of the deferred tax. To calculate deferred tax from temporary differences incurred in Poland, the Group used a 19% tax rate, as per the income tax rate of legal entities effective as of the date the financial statements were prepared on.

Reconciliation of the effective tax rate

<i>In thousands of euros</i>	1/11/2015 – 31/10/2016 %	1/11/2014 – 31/10/2015 %
Profit/(loss) before tax	4,058	-123
22% tax rate	22% 893	22% -27
Non-deductible expenses	11% 440	-1,036% 1,273
Income not subject to tax	-3% -132	1,136% -1,397
Current tax: withholding tax on interest	0% 10	-3% 4
Use of previously unrecognised tax losses	0% -	131% -161
Deferred tax asset not settled	0% -	0% -
Impact of Poland's tax rate	2% 101	260% -320
Change in the tax rate	0% -	0% -
Total	32% 1,312	-511% -628

Income tax reported through other components of comprehensive income

<i>In thousands of euros</i>	1/11/2015 – 31/10/2016			1/11/2014 – 31/10/2015		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Revaluation of available-for-sale securities to fair value	-	-	-	8	-2	6
Other comprehensive income	-	-	-	8	-2	6

Movements of deferred tax liability (net) during 2016 and 2015

<i>In thousands of euros</i>	Balance as of 1 November 2015	Recognised in the statement of profit and loss	Recognised in other comprehensive income	Effect of foreign exchange difference	Acquired through business combination	Balance as of 31 October 2016
2016						
Property, plant and equipment, and intangible assets	-20,894	-1,590	-	-28	-	-22,456
Investment property	-828	-44	-	-	-	-872
Losses on impairment of trade receivables and other assets	15	19	-	-	-	34
Provisions and liabilities	336	161	-	-	-	497
Tax losses	390	155	-	-	-	545
Other temporary differences	-2	-	-	-	-	-2
Total, net	-20,983	-1,299	-	-	-	-22,254

2015

<i>In thousands of euros</i>	Balance as of 1 November 2014	Recognised in the statement of profit and loss	Recognised in other comprehensive income	Effect of foreign exchange difference	Acquired through business combination	Balance as of 31 October 2015
Property, plant and equipment, and intangible assets	-20,042	-649	-	-18	-185	-20,894
Investment property	-693	-135	-	-	-	-828
Losses on impairment of trade receivables and other assets	31	-16	-	-	-	15
Provisions and liabilities	172	164	-	-	-	336
Tax losses	366	24	-	-	-	390
Other temporary differences	-	-	-2	-	-	-2
Total, net	-20,166	-612	-2	-18	-185	-20,983

See also Note 18 - Deferred tax asset, deferred tax liability.

15. Property, plant and equipment*In thousands of euros*

	Property and plant	Indiv. movable assets and sets of movable assets	Assets under construction	Total
Cost				
Opening balance as of 1/11/2014	213,866	111,524	3,917	329,307
Additions	1,184	1,146	1,848	4,178
Additions due to business combinations	103	1,354	1,243	2,700
Disposals	-1,556	-276	-875	-2,707
Reclassification to investment property	-	-	-	-
Transfers within assets	887	342	-1,229	-
Foreign exchange difference	19	-70	-5	-56
Balance as of 31/10/2015	214,503	114,020	4,899	333,422
Opening balance as of 1/11/2015	214,503	114,020	4,899	333,422
Additions	6,285	2,571	14,769	23,625
Additions due to business combinations	-	-	-	-
Disposals	-1,511	-246	-522	-2,279
Reclassification to investment property	-	-	-	-
Transfer from assets available for sale	938	-	-	938
Transfers within assets	40	338	-378	-
Foreign exchange difference	-	-	-	-
Balance as of 31/10/2016	220,255	116,683	18,768	355,706
Accumulated depreciation and asset impairment losses				
Opening balance as of 1/11/2014	-28,139	-27,104	-	-55,243
Depreciation of the current period	-5,096	-7,384	-	-12,480
Disposals	315	275	-	590
Reclassification to investment property	-	-	-	-
Foreign exchange difference	-1	-11	-	-12
Balance as of 31/10/2015	-32,921	-34,224	-	-67,145
Opening balance as of 1/11/2015	-32,921	-34,224	-	-67,145
Depreciation of the current period	-5,472	-6,747	-	-12,219
Disposals	154	83	-	237
Reclassification to investment property	-	-	-	-
Transfer from assets available for sale	-	-	-	-
Foreign exchange difference	-	-	-	-
Balance as of 31/10/2016	-38,239	-40,888	-	-79,127
Carrying value				
As of 1/11/2014	185,727	84,420	3,917	274,064
As of 31/10/2015	181,582	79,796	4,899	266,277
As of 1/11/2015	181,582	79,796	4,899	266,277
As of 31/10/2016	182,016	75,795	18,768	276,579

In the period from 1 November 2015 to 31 October 2016, the Group carried out investments of EUR 23,625 thousand. The Group acquired the Hrebieňok Hotel in the amount of EUR 2,500 thousand, a surf wave in the Tatralandia aqua park in the amount of EUR 2,800 thousand, started to construct a new Krupová – Kosodrevina cableway in the amount of EUR 4,000 thousand. In Poland, the Group acquired the Willa Wenus building in the amount of EUR 427 thousand and a Himalaya carousel in the amount of EUR 395 thousand, and started with construction of new attractions in the leisure park, they will be put into operations during 2017, totalling EUR 7,422 thousand.

In the period from 1 November 2014 to 31 October 2015, the Group carried out investments of EUR 4,178 thousand. The investments were of minor nature, they were made in all resorts: improving and extending ski trails, investments in hotels and restaurants on slopes in the resorts and other operating investments.

By acquiring subsidiary SWM in 2015, the Group acquired fixed assets after revaluation in a total of EUR 2,700 thousand. The assets include mainly carousels and leisure attractions owned by SWM.

Unused assets

As of 31 October 2016 and 2015, the Group reported no unused assets.

Impairment loss

For the periods ending 31 October 2015 and 31 October 2016, the Group reported no loss from impairment of property, plant and equipment.

Insurance of assets

<i>In thousands of euros</i>	31/10/2016	31/10/2015
Natural disaster	198,588	198,198
Vandalism	118,986	118,828
General machinery risks	23,589	21,072
Liability for damage	28,420	13,000

Security

As of 31 October 2016, property, plant and equipment in the amount of EUR 204,052 thousand was used to secure bank loans (as of 31 October 2015: in the amount of EUR 199,483 thousand).

Capitalized borrowing costs

As of 31 October 2016, the Group did not capitalise any interest on loans into assets (as of 31 October 2015: the Group did not capitalise any interest on loans into assets).

16. Goodwill and intangible assets*In thousands of euros*

	Goodwill	Valuable rights	Lease contracts	Software	Acquired intangible assets	Total
Cost						
Opening balance as of 1/11/2014	7,864	3,964	7,483	1,848	-	21,159
Additions	-	-	-	177	-	177
Additions due to business combinations	644	-	-	65	-	709
Disposals	-	-	-	-	-	-
Foreign exchange difference	-	-	-82	-4	-	-86
Balance as of 31/10/2015	8,508	3,964	7,401	2,086	-	21,959
Opening balance as of 1/11/2015	8,508	3,964	7,401	2,086	-	21,959
Additions	-	-	-	266	25	291
Additions due to business combinations	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Foreign exchange difference	-	-	-5	-	-	-5
Balance as of 31/10/2016	8,508	3,964	7,396	2,352	25	22,245
Accumulated depreciation and asset impairment losses						
Opening balance as of 1/11/2014	-4,474	-793	-129	-643	-	-6,039
Depreciation of the current period	-	-115	-255	-448	-	-818
Disposals	-	-	-	-	-	-
Asset impairment losses	-	-	-	-	-	-
Foreign exchange difference	-	-	85	-	-	85
Balance as of 31/10/2015	-4,474	-908	-299	-1,091	-	-6,772
Opening balance as of 1/11/2015	-4,474	-908	-299	-1,091	-	-6,772
Depreciation of the current period	-	-75	-251	-491	-	-817
Disposals	-	-	-	-	-	-
Asset impairment losses	-	-	-	-	-	-
Foreign exchange difference	-	-	-	1	-	1
Balance as of 31/10/2016	-4,474	-983	-550	-1,581	-	-7,588
Carrying value						
As of 1/11/2014	3,390	3,171	7,354	1,205	-	15,120
As of 31/10/2015	4,034	3,056	7,102	995	-	15,187
As of 1/11/2015	4,034	3,056	7,102	995	-	15,187
As of 31/10/2016	4,034	2,981	6,846	771	25	14,657

By acquiring subsidiary SWM, the Group acquired intangible assets after revaluation in total of EUR 65 thousand and goodwill in total of EUR 644 thousand.

By acquiring subsidiary SON, the Group acquired fixed assets after revaluation in a total of EUR 7,510 thousand. It is valuation of rights from concluded long-term lease contracts for lands in the Szczyrk resort.

17. Investments in real estate*In thousands of euros*

	31/10/2016	31/10/2015
Cost		
Opening balance as of 1/11/2015 / 1/11/2014	6,554	7,264
Transfer from tangible assets (net)	-	-
Transfer from IP to available-for-sale assets	-	-938
Revaluation to fair value	-	228
Balance as of 31/10/2016 / 31/10/2015	6,554	6,554

As of 31 October 2016, the investments in property included three hotels (SKI, Liptov, Kosodrevina) and the Otipné accommodation facility with the aggregate carrying amount of EUR 1,982 thousand (as of 31 October 2015: EUR 1,982 thousand), which are leased out to third parties operating them, as well as forest areas and lands obtained as an acquisition in 2009 in the carrying amount of EUR 4,572 thousand (as of 31 October 2015: EUR 4,572 thousand). The value of hotels was determined by estimate of the hotels' management (see Note 3(a)). The value of lands was determined by the management using market prices, with the final value being based on the estimated market price per square metre depending on the type of land and market transactions for lands of similar character.

As of 31 October 2016, the Group's management, based on the current market conditions, revalued the investments in property. Total revaluation of investments in property in 2016 through profit and loss resulted in EUR 0 thousand (2015: revenues of EUR 228 thousand) since the rent fees did not change. The management is not aware of any significant change in the market prices of leased land.

In the period from 1 November 2015 to 31 October 2016, revenues from investments in real estate amounted to EUR 213 thousand and direct operating expenses related to investment in real estate amounted to EUR 61 thousand. In the period from 1 November 2014 to 31 October 2015: revenues from investments in real estate amounted to EUR 213 thousand and direct operating expenses related to investment in real estate amounted to EUR 126 thousand.

Investments in real estate are measured at fair value (see Note 3(b) – Significant accounting estimates and assumption, Real estate investments valuation).

Security

As of 31 October 2016, a portion of investment in real estate of EUR 1,782 thousand was used to secure bank loans (as of 31 October 2015: in the amount of EUR 1,493 thousand).

18. Deferred tax asset, deferred tax liability

Deferred tax asset (liability) have been recognised for these items:

<i>In thousands of euros</i>	Receivables		Liabilities		Total	
	31/10/2016	31/10/2015	31/10/2016	31/10/2015	31/10/2016	31/10/2015
Temporary differences related to:						
Plant, property and equipment, and intangible assets	-	-	-22,456	-20,894	-22,456	-20,894
Investment property	-	-	-872	-828	-872	-828
Losses from impairment of trade receivables and other assets	34	15	-	-	34	15
Provisions and liabilities	497	336	-	-	497	336
Tax losses	545	390	-	-	545	390
Other temporary differences	-	-	-2	-2	-2	-2
Offsetting	-1,076	-741	1,076	741	-	-
Total	-	-	-22,254	-20,983	-22,254	-20,983

Deferred tax asset was not recognised for these items (tax base):

<i>In thousands of euros</i>	31/10/2016	31/10/2015
Tax losses	-	-
Total	-	-

Deferred tax asset from carry-forward losses is recognised only up to the amount up to which it could be amortised against future tax profits in the future.

The expected last periods for amortisation of tax losses are the following:

<i>In thousands of euros</i>	2016	2017	2018	After 2018
Tax losses	591	649	649	-174

In Slovakia the maximum deadline for redemption of tax losses incurred before 1 January 2010 is 5 years. On the basis of a legislation change with effect from 1 January 2014, losses incurred after 1 January 2010 can be redeemed within 4 years and the Group can claim proportionally no more than 25% of the tax losses per year. In Poland the maximum deadline for redemption of tax losses incurred is 5 years. The Group may apply evenly maximum 50% of tax losses per year.

19. Inventories

<i>In thousands of euros</i>	31/10/2016	31/10/2015
Tovar	2,793	2,210
Material	1,193	1,290
Assets available for sale	1,605	1,848
Total	5,591	5,348

Assets available for sale means the Otopné Chalets in the amount of EUR 1,080 thousand, which the Group has built and intends to sell to third parties, apartments in the Pošta Hotel in the amount of EUR 525 thousand. Proceeds from the sale of the chalets will be recognised in 2017. It is a total of 5 chalets.

As of 31 October 2016, inventories of EUR 5,551 thousand were used to secure bank loans (as of 31 October 2015: EUR 5,336 thousand).

20. Loans provided

<i>In thousands of euros</i>	31/10/2016	31/10/2015
Short-term	26,125	6,677
Long-term	2,746	23,406
Total	28,871	30,083

As of 31 October 2016, short-term loans represent a repaid loan extended to JASNÁ Development s.r.o. (as of 31 October 2015: EUR 404 thousand) with a fixed interest rate of 5% p.a., where, as of 31 October 2016, the amount of unpaid accrued interest on that amount represents EUR 43 thousand (as of 31 October 2015, it represents EUR 29 thousand); a loan of EUR 2,217 thousand extended to the owner of Penzión Energetik (as of 31 October 2015: EUR 2,124 thousand) with a fixed interest rate of 5% p.a., where, as of 31 October 2016, the amount of unpaid accrued interest on that amount represents EUR 370 thousand (as of 31 October 2015: EUR 277 thousand); a repaid loan to Klaster Liptov (as of 31 October 2015: EUR 89 thousand) with a fixed interest rate of 3% p.a., where, as of 31 October 2016, the amount of unpaid accrued interest represents EUR 3 thousand (as of 31 October 2015: EUR 4 thousand); a loan of EUR 10,085 thousand (as of 31 October 2015: EUR 11,193 thousand) extended to WEBIS, s.r.o. with a fixed interest rate of 5% p.a., where, as of 31 October 2016, the amount of unpaid accrued interest on that amount represents EUR 2,180 thousand (as of 31 October 2015: EUR 1,739 thousand); an interest-free loan of EUR 180 thousand extended to WEBIS, s.r.o.; a loan extended to 1. Tatranská, akciová spoločnosť, of EUR 11,789 thousand (as of 31 October 2015: EUR 11,124 thousand) with a fixed interest rate of 7% p.a., where, as of 31 October 2016, the amount of unpaid accrued interest on that amount represents EUR 2,317 thousand (as of 31 October 2015: EUR 1,652 thousand); a loan of EUR 161 thousand (as of 31 October 2015: EUR 0 thousand) extended to GALAXO a.s. with a fixed interest rate of 5% p.a., where, as of 31 October 2016, the amount of unpaid accrued interest represents EUR 7 thousand; a loan extended to SON Partner in the amount of EUR 829 thousand (as of 31 October 2015: EUR 0 thousand) with a fixed interest rate of 7% p.a., where, as of 31 October 2016, the amount of unpaid accrued interest on that amount represents EUR 28 thousand; and a loan extended to Korona Ziemi in the amount of EUR 818 thousand (as of 31 October 2015: EUR 0 thousand) with a fixed interest rate of 7% p.a., where, as of 31 October 2016, the amount of unpaid accrued interest on that amount represents EUR 83 thousand.

As of 31 October 2016, long-term loans represent a loan of EUR 1,722 thousand (as of 31 October 2015: EUR 0 thousand) extended to TIKAR d.o.o. with a fixed interest rate of 8% p.a., where, as of 31 October 2016, the amount of unpaid accrued interest on that amount represents EUR 17 thousand; an interest-free loan of EUR 810 thousand extended to Melida, a.s. (as of 31 October 2015: EUR 808 thousand); a loan of EUR 78 thousand (as of 31 October 2015: EUR 101 thousand) extended to HOLLYWOOD C.E.S., with a fixed interest rate of 5% p.a., where, as of 31 October 2016, the amount of unpaid accrued interest on that amount represents EUR 0.3 thousand (as of 31 October 2015: EUR 0.4 thousand); a loan of EUR 68 thousand (as of 31 October 2015: EUR 0 thousand) extended to Mr. Čukan with a fixed interest rate of 4% p.a., where the amount of unpaid accrued interest on that amount represents EUR 0 thousand; and a loan of EUR 68 thousand (as of 31 October 2015: EUR 0 thousand) extended to Mr. Lipták with a fixed interest rate of 4% p.a., where the amount of unpaid accrued interest on that amount represents EUR 0 thousand.

21. Trade receivables

<i>In thousands of euros</i>	31/10/2016	31/10/2015
Trade receivables	2,691	1,806
Value adjustments to receivables	-157	-72
Total	2,534	1,734
<i>Short-term</i>	2,534	1,734
<i>Long-term</i>	-	-
Total	2,534	1,734

21. Trade receivables (continued)

As of 31 October 2016, trade receivables amount to EUR 2,534 thousand and include current operating and barter receivables.
As of 31 October 2015, trade receivables included current operating and barter receivables amounting to EUR 1,972 thousand.

Classification of receivables by maturities is as follows:

	31/10/2016			31/10/2015		
	Gross	Value adjustment	Net	Gross	Value adjustment	Net
Due	1,515	0	1,515	1,552	-	1,552
Overdue within 30 days	819	0	819	137	-	137
Overdue from 30 days to 180 days	261	-80	181	24	-1	23
Overdue from 180 days to 365 days	34	-15	19	11	-8	3
Overdue over 365 days	62	-62	-	82	-63	19
Total	2,691	-157	2,534	1,806	-72	1,734

As of 31 October 2016 and 31 October 2015, the amount of the value adjustments consisted of value adjustments to current operating receivables.

The development of the value adjustment during the accounting period is shown in the overview below:

	31/10/2016	31/10/2015
Balance as of 1/11/2015 / 1/11/2014	72	143
Creation of the value adjustment	95	116
Use	-5	-158
Reversal of the value adjustment	-5	-29
Balance as of 31/10/2016 / 31/10/2015	157	72

As of 31 October 2016, receivables of EUR 2,524 thousand were used to secure bank loans (as of 31 October 2015: EUR 1,972 thousand).

22. Other receivables

	31/10/2016	31/10/2015
Advances granted	28,916	23,851
Receivables from bills of exchange	-	-
Total	28,916	23,851
<i>Short-term</i>	21,087	21,509
<i>Long-term</i>	7,829	2,342
Total	28,916	23,851

Advances granted for assets are connected with future acquisitions in the amount of EUR 20,839 thousand (as of 31 October 2015: EUR 21,049 thousand) and unfinished investment activities in the amount of EUR 6,436 thousand (as of 31 October 2015: EUR 950 thousand). The Group granted an advance for a future acquisition, which is a company operating cableways. The Group intends to buy that company in the future. The contract was concluded with WEBIS, s.r.o.

23. Other assets

	31/10/2016	31/10/2015
<i>In thousands of euros</i>		
Prepaid expenses and accrued income	849	1,060
Other tax assets	1,038	311
Other assets	360	974
Total	2,247	2,345
<i>Short-term</i>	2,247	2,345
<i>Long-term</i>	-	-
Total	2,247	2,345

24. Financial investments

	31/10/2016	31/10/2015
<i>In thousands of euros</i>		
Financial instruments measured at fair value through profit or loss	2,195	321
Available-for-sale securities	64	64
Total	2,259	385

As of 31 October 2016, financial instruments measured at fair value through profit or loss represent a 19% investment in CAREPAR, a.s. in the amount of EUR 2,041 thousand (as of 31 October 2015: EUR 15 thousand), which owns a 50% interest in MELIDA a.s., which leases and operates the ski resort Špindlerův Mlýn. Financial investments further include an investment in Korona Ziemi Sp. z o.o. in the amount of EUR 119 thousand (as of 31 October 2015: EUR 119 thousand), and a cash contribution to Tatranské dopravné družstvo, which is engaged in intermediary activities in the field of services. As of 31 October 2016 and 31 October 2015, the value of the investment was EUR 34 thousand.

On 14 September 2016, the Company acquired a 51% interest in a Croatian company, TIKAR D.O.O. (TIKAR). The Company paid EUR 1.4 thousand (HRK 10.2 thousand) for this 51% interest. On 21 October 2016, an agreement on the increase of TIKAR's share capital and entry of a new shareholder was signed. Under the agreement, the share capital was increased from the original HRK 20 thousand to HRK 2,500 thousand, while the Company's interest in TIKAR dropped to 0.408%.

On 9 December 2015, the Group sold its entire 19% share of securities in MELIDA a.s. for EUR 153 thousand. Therefore, the Group revalued the securities of MELIDA a.s. to a fair market value as of 31 October 2015, resulting in a negative difference in valuation of EUR 1,716 thousand.

On 17 March 2010, the Group purchased 3,850 shares of Compagnie des Alpes (SA), a French company traded on the Paris Stock exchange, operating in the area of ski resorts and summer amusement parks. The Group purchased these shares as a financial investment. The shares are available for sale and are revalued at fair value into equity based on current stock market prices. Their value as of 31 October 2016 represents EUR 64 thousand (as of 31 October 2015: EUR 64 thousand).

25. Cash and cash equivalents

	31/10/2016	31/10/2015
<i>In thousands of euros</i>		
Cash in hand	41	36
Valuables	-	1
Current accounts in banks	7,452	8,182
Total	7,493	8,219

The Group may freely dispose of the bank accounts.

26. Equity

Share capital and share premium

The share capital approved, subscribed and fully paid as of 31 October 2016 and 31 October 2015 comprised of 6,707,198 ordinary shares in nominal value of EUR 7 per share as of 31 October 2016 and 31 October 2015.

On 12 April 2010, the issues of shares designated as ISIN: CS0009011952, series 01,02, ISIN: SK1120002110, series 01, ISIN: SK1120005527, series 01, ISIN: SK1120006061, series 01, ISIN: SK1120009156, series 01 ceased and merged into a single issue of ISIN SK1120010287.

On 25 April 2015, the annual General Meeting of Tatry mountain resorts, a.s. was held. The General Meeting decided, inter alia, on the distribution of profit generated by Tatry mountain resorts, a.s. in the period from 1 November 2014 to 31 October 2015 as recognised in the statutory financial statements prepared for that accounting period in accordance with Slovak accounting regulations, in the amount of EUR 19 thousand as follows:

- Allocation to the Reserve Fund of EUR 1 thousand
- Balance of EUR 18 thousand transferred to retained earnings of previous years

The shareholders are entitled to receive dividends and the value of vote per share at General Meetings of the Company is defined as the ratio of the value of one share and the total amount of share capital. The following table includes shareholders of the Company with the number of shares, ownership interest and voting rights.

31 October 2016	Number of shares	Ownership interest %	Voting rights %
C.I.CAPITAL INDUSTRIES LIMITED	1,262,139	18.8%	18.8%
BELGOMET s.r.o.	1,030,919	15.4%	15.4%
NIKROC INVESTMENTS LIMITED	897,771	13.4%	13.4%
KEY DEE LIMITED	664,058	9.9%	9.9%
TINSEL ENTERPRISES LIMITED	635,490	9.5%	9.5%
RMSMI LIMITED	588,166	8.8%	8.8%
Minority shareholders	1,628,655	24.3%	24.3%
Total	6,707,198	100%	100%

31 October 2015	Number of shares	Ownership interest %	Voting rights %
C.I. CAPITAL INDUSTRIES LIMITED	1,262,139	18.8%	18.8%
J&T SECURITIES MANAGEMENT LIMITED	1,048,459	15.6%	15.6%
BELGOMET, s.r.o.	1,030,919	15.4%	15.4%
KEY DEE LIMITED	664,058	9.9%	9.9%
TINSEL ENTERPRISES LIMITED	635,490	9.5%	9.5%
RMSMI LIMITED	588,166	8.8%	8.8%
Mgr. Miroslav Voštiar	472,300	7.0%	7.0%
Minority shareholders	1,005,667	15.0%	15.0%
Total	6,707,198	100%	100%

Profit/(loss) per share

	31/10/2016	31/10/2015
(Loss)/profit attributable to the Group owners (in EUR'000)	3,061	-677
Weighted average number of ordinary shares	6,707,198	6,707,198
(Loss)/profit per share in euros	0.456	-0.101

26. Equity (continued)

Legal reserve fund

The legal reserve fund amounts to EUR 4,449 thousand (as of 31 October 2015: EUR 4,448 thousand). According to the Slovak legislation, a legal reserve fund shall be mandatorily created on an annual basis, in the minimum amount of 10% of the Company's net profit and up to 20% of the subscribed share capital (on a cumulative basis). The legal reserve fund may be used only for the settlement of the Company's losses and it cannot be used for payment of dividends. The calculation of the legal reserve fund is made in compliance with the Slovak legal regulations. The legal reserve fund of the subsidiaries totals EUR 0 due to losses of prior periods. According to the Polish law the fund is mandatorily created on an annual basis; in the minimum amount of 8% of the Company's net profit and up to 33% of the subscribed share capital (on a cumulative basis).

Reduction in the share capital

On 22 August 2013, an extraordinary General Meeting was held, which decided on a reduction in the share capital of the Company Tatry Mountain Resorts, a.s. from EUR 221,338 thousand to EUR 46,950 thousand, i.e. by EUR 174,388 thousand. The change in the share capital became effective on 22 October 2013 as the day of registering the reduction in the share capital with the respective Commercial Register. After the reduction of the Company's share capital, the nominal value per share changed from the former EUR 33 per share to EUR 7 per share.

Profit (loss) distribution

For the financial year ending 31 October 2016, the Group's management proposes to distribute the profit of EUR 2,746 thousand (see Separate financial statements, where separate profit amounts to EUR 4,814 thousand) as follows:

- A deposit to the reserve fund in the amount of EUR 482 thousand,
- Transfer of the remainder of EUR 2,246 thousand to the account of retained earnings.

Change in the foreign currency translation reserve

The foreign currency translation reserve includes all foreign exchange differences resulting from conversion of the financial statements of foreign companies Szczyrk and Śląskie Wesole Miasteczko in Poland to euros.

Non-controlling interest

Non-controlling interests include a minority shareholder's 3% share in the Szczyrk subsidiary and a minority shareholder's 25% share in the Śląskie Wesole Miasteczko subsidiary.

<i>In thousands of euros</i>	31 October 2016	31 October 2015
SWM	1,808	2,078
SON	200	237
Total	2,008	2,315

<i>In thousands of euros</i>	SWM	SON	Total
Assets	12,283	15,376	27,659
Liabilities	-5,695	-8,708	-14,403
Goodwill attributable to the Group	644	-	644
Assets net of goodwill	7,232	6,668	13,900
Percentage of non-controlling interest	25.00%	3.00%	
Carrying amount of non-controlling interest	1,808	200	2,008
Revenues	1,938	864	2,802
Profit (loss)	-1,141	-996	-2,137
Other comprehensive income	-	-	-
Total comprehensive income	-1,141	-996	-2,137
Percentage of non-controlling interest	25%	3.00%	
Profit (loss) attributable to non-controlling interest	-285	-30	-315
Other comprehensive income attributable to non-controlling interest	-	-	0
Net cash and cash equivalents increase (decrease)	689	703	1,392

27. Loans and borrowings*In thousands of euros*

	31/10/2016	31/10/2015
Received loans and borrowings	43,799	36,932
Leases	1,304	947
Total	45,103	37,879
<i>Short-term</i>	6,996	10,012
<i>Long-term</i>	38,107	27,867
Total	45,103	37,879

Received loans and borrowings as of 31 October 2016 and 31 October 2015 are shown in the following overview:

Creditor	Interest rate type	Due date	Outstanding amount as of 31/10/2016 <i>In EUR '000</i>
Tatra banka, akciová spoločnosť	3M EURIBOR + margin	30/9/2020	42,480
Tatra-Leasing, s.r.o.	3M EURIBOR + margin	26/3/2017	34
Tatra-Leasing, s.r.o.	3M EURIBOR + margin	17/12/2016	15
Tatra-Leasing, s.r.o.	3M EURIBOR + margin	2/2/2018	82
PKO Bank Polski SA	3M WIBOR + margin	31/3/2020	1,138
Heineken Slovensko a.s.	-	30/11/2018	50

Creditor	Interest rate type	Due date	Outstanding amount as of 31/10/2015 <i>In EUR '000</i>
Tatra banka, akciová spoločnosť	1M EURIBOR + margin	31/12/2017	1,606
Tatra banka, akciová spoločnosť	3M EURIBOR + margin	30/9/2017	1,461
Tatra banka, akciová spoločnosť	1M EURIBOR + margin	31/12/2016	3,150
Tatra banka, akciová spoločnosť	3M EURIBOR + margin	30/9/2016	600
Tatra banka, akciová spoločnosť	1M EURIBOR + margin	31/12/2018	675
Tatra banka, akciová spoločnosť	1M EURIBOR + margin	30/9/2017	10,500
Tatra banka, akciová spoločnosť	1M EURIBOR + margin	31/12/2017	9,000
Tatra banka, akciová spoločnosť	3M EURIBOR + margin	30/11/2018	7,988
Tatra-Leasing, s.r.o.	3M EURIBOR + margin	26/3/2017	116
Tatra-Leasing, s.r.o.	3M EURIBOR + margin	17/12/2016	102
Tatra-Leasing, s.r.o.	3M EURIBOR + margin	2/2/2018	141
Powszechna Kasa Oszczędności Bank Polski, Spółka Akcyjna	3M WIBOR + margin	27/5/2021	1,443
Bank Spółdzielczy in Cieszyn	7%	31/3/2016	149

The weighted average of interest rates for loans and borrowings received as at 31 October 2016 was 2.82% (as of 31 October 2015: 2.86%). The interest is payable on a monthly basis. For more information, see Note 12 – Interest income and expenses.

27. Loans and borrowings (continued)

In the period from 1 November 2015 to 31 October 2016, loans extended by Tatra banka, a.s. were consolidated into a single loan in total of EUR 60,500 thousand. As of 31 October 2016, the amount drawn is EUR 42,480 thousand.

Security

In order to guarantee bank loans, the following assets were used: lands, technology and service buildings of mountain lift equipment: ski lifts, chair cableways, terrestrial cableways, hanging cableways, cabin cableways, transformers, operating buildings and structures: Tri Studničky Hotel, Srdiečko Hotel, Kosodrevina Hotel, Liptov Hotel, SKI Hotel, a former telecommunication building, bungalows. All movable assets of the Jasná a High Tatras resorts as well as trade receivables are pledged as well.

As of 31 October 2016, property, plant and equipment, investments in real estate, inventories and receivables of EUR 213,909 thousand were used to secure bank loans (as of 31 October 2015: in the amount of EUR 208,284 thousand).

The maturity of financial lease liabilities as of 31 October 2016 was as follows:

<i>In thousands of euros</i>	Principal	Interest	Payments
Less than 1 year	602	27	629
1 - 5 years	702	16	718
Total	1,304	43	1,347

The maturity of financial lease liabilities as of 31 October 2015 was as follows:

<i>In thousands of euros</i>	Principal	Interest	Payments
Less than 1 year	588	24	610
1 - 5 years	359	8	343
Total	947	32	953

28. Trade payables*In thousands of euros*

	31/10/2016	31/10/2015
Trade payables	6,818	5,351
Unbilled supplies	726	588
Total	7,544	5,939
<i>Short-term</i>	7,544	5,939
<i>Long-term</i>	-	-
Total	7,544	5,939

As of 31 October 2016, past due liabilities amounted to EUR 689 thousand (as of 31 October 2015: EUR 641 thousand).

29. Other liabilities

<i>In thousands of euros</i>	31/10/2016	31/10/2015
Liabilities to shareholders, employees and partners	2,881	2,000
Advances received	1,834	2,428
Deferred revenues	2,970	2,057
Liabilities to shareholders from reduction in share capital	218	223
Value added tax liabilities	-	3
Other	1,553	1,359
Total	9,456	8,070
<i>Short-term</i>	9,456	8,070
<i>Long-term</i>	-	-
	9,456	8,070

As of 31 October 2016, advances received represent mainly advances for the purchase of chalets in the amount of EUR 18 thousand (as of 31 October 2015: EUR 1,162 thousand); advances received for the Pošta Hotel suites in the amount of EUR 664 thousand (as of 31 October 2015: EUR 0 thousand); and advances received for the accommodation in hotels in the amount of EUR 1,050 thousand (as of 31 October 2015: EUR 824 thousand).

As of 31 October 2016, the liabilities to employees represent mainly a provision for bonuses for the financial year from 1 November 2015 to 31 October 2016 in the amount of EUR 2,014 thousand (as of 31 October 2015: EUR 1,412 thousand), and wage liabilities to employees of EUR 812 thousand (as of 31 October 2015: EUR 537 thousand).

As of 31 October 2016, the liabilities to shareholders from a reduction in the share capital represent EUR 218 thousand (as of 31 October 2015: EUR 223 thousand) and contain mainly an outstanding liability from the reduction in the share capital in total of EUR 174,388 thousand. For more information on the reduction in the share capital, see Note 26 – Equity.

As of 31 October 2016, the deferred income includes mainly the amount of EUR 2,199 thousand for accrual of the “Šikovní sezónka” ski passes sold (as of 31 October 2015: EUR 1,214 thousand); the amount of EUR 163 thousand is the rent for the premises of J&T BANKA, a.s., pobočka zahraničnej banky, on the premises of Grandhotel Starý Smokovec (as of 31 October 2015: EUR 208 thousand) and the amount of EUR 87 thousand is a subsidy for the Tri studničky Hotel (as of 31 October 2015: EUR 89 thousand). As of 31 October 2016, the Group did not create an additional provision for discounts on purchases to be applied in the future. As of 31 October 2016 and 31 October 2015, the provision for discounts on purchases amounted to EUR 384 thousand.

As of 31 October 2016, the amount of other liabilities contains also social security liabilities of EUR 559 thousand (as of 31 October 2015: EUR 416 thousand).

The formation and utilisation of social fund during the accounting period is shown in the following overview:

<i>In thousands of euros</i>	31/10/2016	31/10/2015
Balance as of 1/11/2015 / 1/11/2014	1	-
Creation charged to expenses	160	91
Drawdown	-138	-90
Balance as of 31/10/2016 / 31/10/2015	23	1

30. Provisions

<i>In thousands of euros</i>	Unused vacations	Other	Total
Opening balance as of 1/11/2015	121	52	173
Creation of provisions during the year	242	377	619
Addition owing to acquisition of a company	-	-	-
Reversal of provisions during the year	-121	-32	-153
Use of provisions during the year	-	-	-
Balance as of 31/10/2016	242	397	639
	31/10/2016	31/10/2015	
<i>Short-term</i>	482	121	
<i>Long-term</i>	157	56	
Total	639	177	

31. Bonds issued

In the course of 2014, the Group made two bond issues in the total nominal value of EUR 180,000 thousand, which have been admitted to trading on the Bratislava Stock Exchange since 19 February 2014. For details on each bond, see the table below.

<i>In thousands of euros</i>					Face value of the issue in the initial currency in '000	Interest rate p.a. in %	Effective interest rate p.a. in %	Carrying value as of 31/10/2016	Carrying value as of 31/10/2015
Name	ISIN	Date of issue	Due date	Initial currency of the issue					
TMR I 4.50%/2018	SK4120009606	17/12/2013	17/12/2018	EUR	70,000	4.5	4.8	70,774	70,630
TMR II 6.00%/2021	SK4120009614	5/2/2014	5/2/2021	EUR	110,000	6	6.17	113,928	113,912
Total								184,702	184,542
								6,022	6,022
<i>Long-term</i>								178,680	178,520
Total								184,702	184,542

Both the above bonds are book-entry securities in bearer form and the issue of the bonds was approved by the National Bank of Slovakia. The liability resulting from the TMR II bond is subordinate to the liability from the TMR I bond. The funds from both bonds were credited to the Group's account on 11 February 2014 in total of EUR 180,582 thousand, including the aliquot interest income from the TMR I bond in the amount of EUR 582 thousand.

The Company committed to maintain the ratio of senior debt (excluding the bonds TMR II) / EBITDA at the level up to 6.5 and DSCR (including expenses related to payment of coupons of bonds TMR I and II) at the level of at least 1.00. Both tranches are obliged to pay coupons regularly, financed from the Company's own resources. Coupons on the TMR II bonds may be paid out only once a year after presenting final audited consolidated financial statements for the prior period, based on which the following covenants must be met: (i) net profit after taxes will be higher than EUR 1.00 and (ii) senior debt/ EBITDA equals maximum 5.25. In case the covenants are not met, the coupon will be capitalized, i.e. not paid out, and will further bear interest until: (i) the maturity date of TMR II, or (ii) the above-mentioned indicator of senior debt (excluding the bonds TMR II) / EBITDA is maximum 3.00 (but the DSCR covenant of minimum 1.00 must be met).

Out of the total liability value of EUR 184,702 thousand (as of 31 October 2015: EUR 184,542 thousand), the short-term portion of EUR 6,022 thousand (as of 31 October 2015: EUR 6,022 thousand) is a coupon liability due in the course of 2016 and 2017.

Security

In order to secure the bonds issued, a pledge was created over the Group's real estate in total of EUR 80,436 thousand. It concerns assets not used to secure other liabilities of the Group.

32. Fair value information

The following overview contains information about the carrying amount and fair value of the Group's financial assets and liabilities:

<i>In thousands of euros</i>	Carrying amount		Fair value	
	31/10/2016	31/10/2015	31/10/2016	31/10/2015
Financial assets				
Loans provided (Note 20)	28,871	30,083	28,706	29,932
Other receivables (Note 22)	28,916	23,851	28,916	23,851
Trade receivables (Note 21)	2,534	1,734	2,534	1,734
Financial investments (Note 24)	2,259	385	2,259	385
Cash and cash equivalents (Note 25)	7,493	8,219	7,493	8,219
Other assets (Note 23)	1,314	385	1,314	382
Total	71,387	64,654	71,222	64,503

<i>In thousands of euros</i>	Carrying amount		Fair value	
	31/10/2016	31/10/2015	31/10/2016	31/10/2015
Financial liabilities				
Loans and borrowings (Note 27)	45,103	37,879	45,592	33,583
Bonds issued (Note 31)	184,702	184,542	194,385	192,724
Trade payables (Note 28)	7,544	5,939	7,544	5,939
Other liabilities (Note 29)	4,811	3,216	4,811	3,216
Total	242,160	231,576	252,332	235,462

As of 31 October 2016, other receivables contain the advance provided mainly for the future acquisition, i.e. the cableway operator, in the amount of EUR 19,451 thousand (as of 31 October 2015: EUR 19,451 thousand). The Group intends to buy that company in the future. The contract is concluded with WEBIS, s.r.o. for the period of one year and, therefore, the carrying amount of the advance provided does not materially differ from its fair value.

As of 31 October 2016, financial investments contain mainly the interest in Korona Ziemi SP z o.o. in the amount of EUR 119 thousand (as of 31 October 2015: EUR 119 thousand) and the shares of Compagnie des Alpes (SA) of EUR 64 thousand (as of 31 October 2015: EUR 65 thousand) and the investment in CAREPAR, a.s. in the amount of EUR 2,041 thousand (as of 31 October 2015: EUR 15 thousand) and they are carried at fair value. The fair value of CAREPAR a.s. as of 31 October 2016 estimated by the Group's management by using the Discounted cash flow method and using assumptions from the business plan and cash flow estimates. The business plan and cash flow estimates were first precisely analysed. The discount rate used in the valuation of this financial asset was 8.54% as of 31 October 2016. The key assumptions used in the valuation were future cash flows and the discount rate.

33. Operating lease

Lease on the part of the lessee

The Group rents land with ski slopes and cableways and rents some vehicles based on the operating lease contracts. Major contracts for lease of lands are concluded for the period of 30 years with another 10-year option. The major contracts have 1-year notice period.

Costs of operating lease for the period ending 31 October 2016 recognised in the profit or loss represented EUR 2,711 thousand (for the period ending 31 October 2015: EUR 2,578 thousand).

The amount of rent for the period during which the contracts cannot be terminated is as follows:

<i>In thousands of euros</i>	31/10/2016	31/10/2015
Less than 1 year	2,126	1,953
1 - 5 years	6,288	5,743
More than 5 years	3,143	4,342
Total	11,557	12,038

34. Information about risk management

This section provides details about the risks the Group is exposed to and about the method of management thereof.

The Group is exposed to risk in the following areas:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The management is fully responsible for the establishment and supervision of the Group's risk management.

Credit risk

The Group's primary exposure to credit risk arises through its trade receivables, lease receivables, other receivables and advances and loans provided. The amount of credit risk exposure is represented by the carrying amounts of these assets in the balance sheet if no form of guarantee is issued. The carrying amount of receivables, advances and loans provided represents the maximum accounting loss that would have to be recognised if the counterparty completely failed to perform its contractual obligations and all collaterals and guarantees would be of no value. Therefore, this value highly exceeds the expected losses included in the provision for unrecoverable receivables. Before the conclusion of major contracts, the Group's management evaluates the credit risk related to the counterparty at its regular meetings. Provided material risks are identified, the Group withdraws from concluding the contract.

As of 31 October 2016, the Group was exposed to the following credit risk:

<i>In thousands of euros</i>	Legal entities	Banks	Other financial institutions	Other	Total
Financial assets					
Loans provided	28,735	-	-	136	28,871
Other receivables	28,645	271	-	-	28,916
Trade receivables	2,534	-	-	-	2,534
Financial investments	2,259	-	-	-	2,259
Cash and cash equivalents	-	7,480	-	13	7,493
Other assets	13	-	-	1,301	1,314
Total	62,186	7,751	-	1,140	71,387

As of 31 October 2015, the Group was exposed to the following credit risk:

34. Information about risk management (continued)*In thousands of euros*

	Legal entities	Banks	Other financial institutions	Other	Total
Financial assets					
Loans provided	30,083	-	-	-	30,083
Other receivables	22,692	209	-	950	23,851
Trade receivables	1,734	-	-	-	1,734
Financial investments	385	-	-	-	385
Cash and cash equivalents	-	8,182	-	37	8,219
Other assets	288	36	-	58	382
Total	55,182	8,427	-	1,045	64,654

Liquidity risk

Liquidity risk arises in the general financing of the Group's activities and financial positions. It includes the risk of being unable to finance assets at an agreed maturity and interest rate and inability to realize assets at a reasonable price in a reasonable time frame. Individual companies in the Group use different methods of managing liquidity risk. Group's Management focuses on managing and monitoring the liquidity of each company controlled by the Group. In order to manage liquidity, the management changed its accounting period to a financial year ending 31 October. In the first half of its accounting period the Group has the winter season representing 60% of the Group's income. Based on the development in the first half of the year, the Group is able, in good time,

to affect the income and expenditures to maintain sufficient liquidity. In the Vysoké Tatry resort, seasonality is compensated also by a strong summer season, providing for a more stable liquidity through the entire year.

The following table includes an analysis of financial assets and liabilities of the Group classified by the remaining maturity. This analysis represents the most prudent alternative of the remaining maturities including the interest. Therefore, the earliest repayment possible is reported for liabilities and the latest repayment possible is reported for assets. Assets and liabilities without a defined maturity are reported together in the "not specified" category.

As of 31 October 2016, the Group was exposed to the following liquidity risk:

<i>In thousands of euros</i>	Carrying amount	Future cash flow	Up to 3 months	3 months up to 1 year	1 year up to 5 years	Over 5 years	Not specified
Financial assets							
Loans provided	28,872	29,760	2,844	24,708	2,208	-	-
Other receivables	28,916	1,145	874	271	-	-	-
Trade receivables	2,534	2,534	2,534	-	-	-	-
Financial investments	2,259	2,259	-	-	-	-	2,259
Cash and cash equivalents	7,493	7,493	5,946	-	-	-	1,547
Other assets	1,314	1,536	1,083	-	-	-	453
Total	71,387	44,727	13,281	24,979	2,208	-	4,259
Financial liabilities							
Loans and borrowings	-45,103	-47,825	-1,337	-6,537	-39,951	-	-
Bonds issued	-184,702	-220,875	-1,575	-8,175	-211,125	-	-
Trade payables	-7,544	-7,544	-7,544	-	-	-	-
Other liabilities	-4,811	-4,811	-4,695	-	-	-	-116
Total	-242,160	-281,055	-15,151	-14,712	-251,076	-	-116

As of 31 October 2016, loans granted for up to 1 year amount to EUR 27,552 thousand (As of 31 October 2015: EUR 6,779 thousand), most of which are payable at request or until April 2017. These loans will not be paid off within a year. The Group plans to draw these financial resources according to its needs in order to finance its investment activity and acquisitions. The loan granted is expected to be paid off within 3 years. The carrying amount of Other receivables includes the advances provided where they are not expected to be settled in cash, but by means of a transfer of shares within 3 years.

34. Information about risk management (continued)

As of 31 October 2015, the Group was exposed to the following liquidity risk:

<i>In thousands of euros</i>	Carrying amount	Future cash flow	Up to 3 months	3 months up to 1 year	1 year up to 5 years	Over 5 years	Not specified
Financial assets							
Loans provided	30,083	31,878	3,425	3,345	24,299	809	-
Other receivables	23,851	745	-	745	-	-	-
Trade receivables	1,734	1,806	1,806	-	-	-	-
Financial investments	385	385	-	-	-	-	385
Cash and cash equivalents	8,219	8,219	8,219	-	-	-	-
Other assets	382	382	382	-	-	-	-
Total	64,654,336	43,415	13,832	4,090	24,299	809	385
Financial liabilities							
Loans and borrowings	-37,879	-39,327	-2,274	-9,692	-27,340	-21	-
Bonds issued	-184,542	-230,625	-1,575	-8,175	-104,275	-116,600	-
Trade payables	-5,939	-5,939	-5,939	-	-	-	-
Other liabilities	-3,216	-3,216	-3,216	-	-	-	-
Total	-231,576	279,10783,961	-13,004	-17,867	-131,615	-116,621	-

The carrying amount of other receivables includes the advances provided where they are not expected to be settled in cash, but by means of a transfer of shares.

Foreign exchange risk

Because of the acquisition of subsidiaries in Poland during 2014 and 2015, the Group is primarily exposed to foreign exchange risk of Polish zloty versus euro. The Management regularly monitors whether the difference between receivables and payables in the foreign currency is not too big. As of 31 October 2016, the Group recognised property, plant and equipment in total of EUR 16,418 thousand, intangible assets of EUR 6,862 thousand, other assets of EUR 4,126 thousand, loans received of EUR 1,138 thousand, deferred tax liability of EUR 2,029 thousand and other liabilities in total of EUR 1,255 thousand originally denominated in Polish zloty. Other assets and liabilities of the Group are denominated in euros.

There is a secondary risk that the weakening of the Polish zloty or Russian rouble against the euro would lead to a reduction in the number of visitors to Slovakia from these countries. The Group's management is not able to quantify value of this risk for sure.

Sensitivity analysis

Appreciation of euro by 1% versus Polish zloty would have the following impact on financial assets and financial liabilities of the Group:

Impact on the portfolio

<i>In thousands of euros</i>	2016	2015
PLN	-995	14

Depreciation of euro by 1% versus Polish zloty would have a comparably large but opposite impact on financial assets and financial liabilities of the Group as opposed to appreciation.

Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations. The volume of this risk equals the sum of interest-earning assets and interest-bearing liabilities for which the interest rate differs at maturity or re-pricing compared to current interest rates. The period for which the interest rate of a financial instrument is fixed therefore indicates to what extent it is

34. Information about risk management (continued)

exposed to interest rate risk. The overview below provides information about the extent of the Group’s interest rate exposure based on the contractual maturity date of its financial instruments.

As of 31 October 2016 and 31 October 2015, the Group has the following interest-earning assets and interest-bearing liabilities:

<i>In thousands of euros</i>	31/10/2016	31/10/2015
Fixed interest rate		
Assets	36,364	37,336
Liabilities	184,702	193,662
Variable interest rate		
Assets	-	-
Liabilities	45,053	30,218

34. Information about risk management (continued)

Sensitivity analysis for instruments with variable interest rate

A change of 100 basis points in interest rates would have the following effect on profit or loss:

<i>In thousands of euros</i>	Profit (loss)	
	100 bp growth	100 bp decline
31 October 2016		
Instruments with variable interest rate	-451	451
Cash flow sensitivity	-451	451
31 October 2015		
Instruments with variable interest rate	-91	466
Cash flow sensitivity	-91	466

Interest-bearing liabilities of the Group bear variable interest rates based on EURIBOR and WIBOR. The Group considers a variable interest rate to be a self-management of the interest rate risk. EURIBOR grows under economic expansion, but also the economic performance of the population grows and the Group has higher revenues and earnings. It is quite the opposite under economic recession.

Operational risk

Operational risk is the risk of loss arising from embezzlement, unauthorised activities, error, omission, inefficiency or system failure. This risk arises in the case of all of the Group’s activities and all companies within the Group are exposed to such risk. Operational risk includes also the risk of lawsuit.

The Group’s objective is to manage the operational risk so as to prevent financial losses and damage to Group’s reputation within the effectiveness of costs spent to achieve this objective, while avoiding measures hindering initiative and creativity.

The primary responsibility for the implementation of controls to address operational risk is assigned to the Group’s management. This responsibility is supported by preparation of standards for management of operational risk applicable for the whole Group. Operational risk is managed by a system of directives, minutes from meetings and control mechanisms. The Group has a controlling department established, where it tries to eliminate all operational risks by way of regular checks.

34. Information about risk management (continued)

The Group is also exposed to risk of adverse weather-related conditions. The resort attendance is dependent on the volume and period of snow. Adverse conditions negatively affect the number of skiers and the Group’s revenues or profit or loss. Warm weather may disproportionately increase the cost of production of artificial snow and change the area for skiing. Historically, the region of the Low Tatras had an average of 80 cm of snow during the winter season and the High Tatras region had 85 cm of snow. The start of the winter season and the snow conditions affect the perception of the whole season by skiers. The Group is unable to reliably predict the snow conditions at the beginning of the winter season. Thanks to the use of snow-making systems, snow conditions during the winter season are stable every year.

35. Related parties

Identification of related parties

As shown in the following overview, the Group has a related-party relationship with its shareholders who have significant influence in the Group and other parties; as of 31 October 2016 and 31 October 2015 or during the period from 1 November 2015

to 31 October 2016 and 1 November 2014 to 31 October 2015:

- (1) Companies with joint control or significant influence over the entity and its subsidiaries or associates
- (2) Joint ventures in which the Group is a partner
- (3) Associates
- (4) Members of the company's top management or shareholders of the Group (see also Note 10 – Personnel expenses)

Information about remuneration of key management is provided in Note 10 – Personnel expenses.

Apart from personnel expenses, the Group has no transactions with related parties.

Since none of the shareholders has an ownership exceeding 20% or otherwise has significant influence in the Group, shareholders are not recognised as related parties, and the transactions mentioned above or any balances are not understood as transactions with related parties.

36. Subsequent events

On 13 December 2016, the Group paid the coupon of the TMR I bond in the amount of EUR 1,575 thousand.

On 3 February 2017, the Group paid the coupon of the TMR II bond in the amount of EUR 6,600 thousand.

The Group opened a new cableway (a 15-seat gondola) in the Chopok Juh resort from Krupová to Kosodrevina.

37. Capital commitments and capital management

In the course of 2014, the Group made two bond issues (see Note 31 - Bonds issued) in the total nominal value of EUR 180,000 thousand, which have been admitted to trading on the Bratislava Stock Exchange since 19 February 2014. The Company committed to maintain the ratio of senior debt (excluding the bonds TMR II) / EBITDA at the level up to 6.5 and DSCR (including expenses related to payment of coupons of bonds TMR I and II) at the level of at least 1.00. Both tranches are obliged to pay coupons regularly, financed from the Company’s own resources. Coupons on the TMR II bonds may be paid out only once a year after presenting final audited consolidated financial statements for the prior period, based on which the following covenants must be met: (i) net profit after taxes will be higher than EUR 1.00 and (ii) senior debt/ EBITDA equals maximum 5.25. In case the covenants are not met, the coupon will be capitalized, i.e. not paid out, and will further bear interest until: (i) the maturity date of TMR II, or (ii) the above-mentioned indicator of senior debt (excluding the bonds TMR II) / EBITDA is maximum 3.00 (but the DSCR covenant of minimum 1.00 must be met).

The Group's management deals with capital management in order to secure a sufficient amount of funds for the planned investments in the period for which the investments were planned. Neither the Group nor any of its subsidiaries, since the day they have merged with the parent company, are subject to any external capital management requirements.

No changes occurred in the approach of the Group's management to capital management occurred in the period from 1 November 2015 to 31 October 2016.

38. Contingent assets and contingent liabilities

Since many areas of the Slovak tax legislation have yet to be sufficiently tested in practice, there is an uncertainty about the application of the tax legislation in these areas by tax authorities. The extent of the uncertainty cannot be quantified and will only cease once legislative precedents or official interpretations of the authorities are set.

On 31 October 2007, the Group concluded a Contract on Pledge over the enterprise, receivables and movables in favour of the creditor Tatra banka, akciová spoločnosť, the subject-matter of which is the pledge over liabilities in the full amount of the liabilities as they are recognised in the balance sheet as of 31 October 2015 and of 31 October 2016.

The Company is a party to several legal disputes. The maximum amount of compensation for all legal disputes can amount up to EUR 913 thousand plus related charges and fees.

39. Companies within the Group

The list of companies in the Group as of 31 October 2016 and 31 October 2015 is included in the following overview:

	Country of incorporation	Consolidation method	31/10/2016		31/10/2015	
			Consol. %	Form of control	Consol. %	Form of control
Tatry mountain resorts, a.s.	Slovakia	full	100		100	
Szczyrkowski Ośrodek Narciarski, S.A.	Poland	full	97	direct	97	direct
Śląskie Wesole Miasteczko Sp. z o. o.	Poland	full	75	direct	75	direct

Independent Auditor’s Report



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Slovakia

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Fax +421 (0)2 59 98 42 22
Internet www.kpmg.sk

Translation of the statutory Auditor’s Report originally prepared in Slovak language

Independent Auditor’s Report

To the Shareholders, Supervisory Board and Board of Directors of Tatry mountain resorts, a.s.:

We have audited the accompanying consolidated financial statements of Tatry mountain resorts, a.s. (“the Company”) and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as at 31 October 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

Management as represented by the statutory body is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation of the consolidated financial statements that give a true and fair view 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Bohuš Hlavatý	Jozef Hodek	Tomáš Kimlička	Marián Vojtko
Chairman	Member	Person responsible for	Person responsible for
of the Board of Directors	of the Board of Directors	preparation of the statements	bookkeeping

KPMG Slovensko spol. s r.o. is a Slovak limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

Obchodný register Okresného súdu Bratislava I, o.i.diel Sro, vložka č. 4864/B
Commercial register of District court Bratislava I, section Sro, file No. 4864/B

iČO/Registration number: 31 348 239
Evidenčné číslo licencie audítora: 96
Licence number of statutory auditor: 96

Independent Auditor's Report

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 October 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

24 February 2017
Bratislava, Slovak Republic

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96



Responsible auditor:
Ing. Richard Farkaš, PhD.
License SKAU No. 406

Report on Audit of Consistency



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**Report on Audit of Consistency
of the annual report with the consolidated financial statements pursuant to Article 23 (5)
of Act No. 540/2007 Coll. on Auditors, Audit and Oversight of Audit
(Translation)**

To the shareholders, the Supervisory Board, and the Board of Directors of Tatry mountain resorts, a.s.:

We have audited the consolidated financial statements of Tatry mountain resorts, a.s. ("the Company") and its subsidiaries ("the Group"), as of 31 October 2016, presented in appendix to the annual report. We have issued an independent auditor's report on the consolidated financial statements on 24 February 2017 with the following wording:

Independent Auditor's Report

To the Shareholders, Supervisory Board and Board of Directors of Tatry mountain resorts, a.s.:

We have audited the accompanying consolidated financial statements of Tatry mountain resorts, a.s. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 October 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management as represented by the statutory body is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

KPMG Slovensko spol. s r.o., a Slovak limited liability company
and a member firm of the KPMG network of independent
member firms affiliated with KPMG International Cooperative
("KPMG International"), a Swiss entity.

Obchodný register Okresného
súdu Bratislava I, oddiel Sro,
vložka č. 4864/B
Commercial register of District
court Bratislava I, section Sro,
file No. 4864/B

ICO/Registration number:
31 248 238
Evidenčné číslo licencie
auditora: 96
Licence number
of statutory auditor: 96

Report on Audit of Consistency



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 October 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

24 February 2017
Bratislava, Slovak Republic

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96

Responsible auditor:
Ing. Richard Farkaš, PhD.
License SKAU No. 406

Report on the Audit of Consistency of the annual report with the consolidated financial statements

We have audited the consistency of the annual report with the consolidated financial statements in accordance with the Act on Accounting.

The accuracy of the annual report is the responsibility of the company's management. Our responsibility is to audit the consistency of the annual report with the consolidated financial statements, based on which we are required to issue an appendix to the auditor's report on the consistency of the annual report with the consolidated financial statements.

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the information presented in the annual report, subject to presentation in the consolidated financial

Report on Audit of Consistency



statements, is consistent, in all material respects, with the relevant consolidated financial statements.

We have reviewed the consistency of the information presented in the annual report with the information presented in the consolidated financial statements as of 31 October 2016. We have not audited any data or information other than the accounting information obtained from the financial statements and accounting books. We believe that the audit performed provides a sufficient and appropriate basis for our opinion.

In our opinion, the accounting information presented in the annual report is consistent, in all material respects, with the consolidated financial statements as of 31 October 2016, presented in appendix to the annual report.

24 February 2017
Bratislava, Slovak Republic

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96



Responsible auditor:
Ing. Richard Farkaš, PhD.
License SKAU No. 406

Separate Financial Statements

Tatry mountain resorts a.s.

Separate Financial Statements
for the period from 01/11/2015 to 31/10/2016

prepared in accordance
with the International Financial Reporting Standards (“IFRS”)
Standards (“IFRS”) as adopted by the EU

Separate statement of profit and loss and other comprehensive income

<i>in TEUR</i>	Note	1.11.2015 – 31.10.2016	1.11.2014 – 31.10.2015
Sales	6	77 921	67 396
Other operating revenue	7	481	874
Total revenue		78 402	68 270
Material and goods consumption	8	-12 733	-11 134
Purchased Services	9	-18 904	-15 382
Personal cost	10	-20 522	-16 816
Other operating cost	11	-848	-756
Gain on sale of assets		797	45
Increase in fair value of investment property	17	-	228
Creation and reversal of value adjustments to receivables	22	-90	-87
Profit before interest, taxes, depreciation and amortization (EBITDA)*		26 102	24 368
Depreciation and amortization	15,16	-12 054	-12 456
Goodwill impairment loss	16	-	-
Profit before interest, taxes (EBIT)		14 048	11 912
Interest income	12	1 601	1 467
Interest expense	12	-10 929	-11 152
Net profit/loss on financial instruments	13	1 674	-1 544
Profit / (loss) before taxes		6 394	683
Income tax	14	-1 580	-664
Profit/(Loss)		4 814	19
Other components of comprehensive income			
Revaluation of available-for-sale securities to fair value	14	-	5
Total comprehensive income		4 814	24
Profit / (loss) per share (in EUR)	27	0,718	0,003
Number of shares		6 707 198	6 707 198

*EBITDA represents a profit from recurring Company activities before taxes, interest, amortization and depreciation, adjusted to other income and expenses, which are listed under EBITDA.

The Notes provided on pages 154 to 202 constitute an integral part of the Separate Financial Statements. An overview of the profit and loss statement by particular segments is in par. 4 – Information on Operating Segments.

Separate Statement of Financial Position

<i>in TEUR</i>	Note	31.10.2016	31.10.2015
Assets			
Goodwill and Intangible Assets	16	7 151	7 395
Property, Plant and Equipment	15	259 627	257 817
Investments Property	17	6 554	6 554
Loans Provided	21	7 542	24 719
Other receivables	23	7 829	2 342
Investments in Subsidiaries	18	14 641	14 641
Fixed assets total		303 344	313 468
Inventory	20	5 551	5 336
Trade receivables	22	2 524	1 972
Assets available for sale	17	-	938
Loans Provided	21	31 042	6 677
Other receivables	23	20 037	21 509
Financial investments	25	2 259	385
Cash and Cash Equivalents	26	5 946	8 064
Other Assets	24	1 062	1 953
Total current assets		68 421	46 834
Assets total		371 765	360 302
Equity			
Capital	27	46 950	46 950
Share premium		30 430	30 430
Profit/(loss) for the period		4 814	19
Retained earnings and other funds		23 897	23 877
Total equity		106 091	101 276
Payables			
Loans and Borrowings	28	37 254	26 771
Reserves	31	157	24
Other non-current liabilities	30	-	-
Bonds Issued	32	178 680	178 520
Deferred tax liability	19	20 523	18 956
Total non-current liabilities		236 614	224 271
Loans and Borrowings	28	6 711	14 938
Trade payables	29	6 794	5 805
Reserves	31	217	121
Bonds Issued	32	6 022	6 022
Other current liabilities	30	9 316	7 869
Total current liabilities		29 060	34 755
Total liabilities		265 674	259 026
Total equity and liabilities		371 765	360 302

The Notes provided on pages 154 to 202 constitute an integral part of the Separate Financial Statements.

Separate Statement of Changes in Equity

<i>in TEUR</i>	Capital	Share premium	Legal reserve fund	Funds from revaluation	Retained earnings
Balance as at 1 November 2015	46 950	30 430	4 448	145	19 303
Transfer of retained earnings into the legal reserve fund	-	-	1	-	-1
Profit for the period	-	-	-	-	4 814
Other components of comprehensive income, after tax					
- items without subsequent reclassification into profit/(loss):					
Revaluation of tangible assets on transfer of investments in property	-	-	-	-	-
- items with possible subsequent reclassification into profit/(loss):					
Revaluation of available-for-sale securities at fair value	-	-	-	-	-
Total comprehensive income for the period	-	-	1	-	4 813
Transactions with owners posted directly into equity					
Contributions to the fund	-	-	-	-	-
Total transactions during the year	-	-	-	-	-
Balance as at 31 October 2016	46 950	30 430	4 449	145	24 117

Separate Statement of Changes in Equity (continued)

<i>in TEUR</i>		Capital	Share premium	Legal reserve fund	Funds from revaluation	Retained earnings
Balance as at 1. November 2014		46 950	30 430	4 448	140	19 284
Profit for the period		-	-	-	-	19
Other components of comprehensive income, after tax						
- items without subsequent reclassification into profit/(loss):						
Revaluation of tangible assets on transfer of investments in property		-	-	-	-	-
- items with possible subsequent reclassification into profit/(loss):						
Revaluation of available-for-sale securities at fair value		-	-	-	5	-
Total comprehensive income for the period		-	-	-	5	19
Transactions with owners posted directly into equity						
Contributions to the fund		-	-	-	-	-
Total transactions during the year		-	-	-	-	-
Balance as at 31. October 2015		46 950	30 430	4 448	145	19 303

24

The Notes provided on pages 154 to 202 constitute an integral part of the Separate Financial Statements.

Separate Cash Flow Statement

<i>in TEUR</i>	Note	1.11.2015 – 31.10.2016	1.11.2014 – 31.10.2015
OPERATING ACTIVITIES			
Profit/ (Loss)		4 814	19
Adjustments related to:			
(Profit) from the sale of land, buildings and equipment and intangible assets		-797	-45
Depreciation and amortization	15,16	12 054	12 456
(Release) / creation of value adjustments to receivables		90	87
Loss / (profit) from financial instruments, net (non-monetary part)	13	-2 026	1 716
(Profit) / Loss from revaluation of investments in property	17	-	-228
Net interest expense / (income)	12	9 328	9 685
Gross change in provisions		229	-1
Income tax	14	1 580	664
Change in trade receivables, other receivables and other assets		2 670	-2 364
Variation in inventory		-215	-2 415
Change in trade liabilities and other liabilities		2 436	5 091
Cash flow from operating activity before income tax		30 163	24 665
Income tax paid		-12	269
Cash flow from operating activity		30 151	24 934
INVESTING ACTIVITIES			
Acquisition of land, buildings and equipment and intangible assets	15,16	-20 511	-4 249
Proceeds from sale of property, plant and equipment and intangible assets		2 190	2 167
Cost of acquisition of subsidiaries	5	-	-7 450
Loans Provided		-13 427	-8 580
Repayment of loans provided		7 805	8 110
Expenses for acquisition of financial investments	25	-1	-15
Income from the sale of financial investments	25	153	-
Interest receivable		35	714
Cash flow from investing activity		-23 756	-9 303
FINANCING ACTIVITIES			
Repayment of liabilities from financial leasing		-1 048	-993
Financial leasing received		1 176	-
Repayment of received loans and borrowings		-26 756	-10 152
Loans and borrowings received		29 030	10 730
Repayment of liability from reduction of share capital		-	-29
Bonds Issued		-	-
Interest paid		-10 915	-10 880
Dividends paid		-	-
Cash flow from financing activity		-8 513	-11 324
Net increase /(decrease) of cash and cash equivalents		-2 118	4 307
Cash and cash equivalents at the beginning of the year	26	8 064	3 757
Cash and cash equivalents at the end of the year	26	5 946	8 064

The Notes provided on pages 154 to 202 constitute an integral part of the Separate Financial Statements.

Notes to the Individual Financial Statements for the period from 1 November 2015 to 31 October 2016

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1. Information about the Company

Tatry mountain resorts a.s. (hereinafter referred to as the “Company”) is a joint stock company with the registered office and place of business in Demänovská Dolina 72, Liptovský Mikuláš 031 01. The company was established on 20 March 1992 and was registered in the Commercial Register on 1 April 1992. The Company identification number is 31 560 636 and the Company tax identification number is 2020428036.

The Company is not a member having unlimited liability in other accounting entities.

Starting from 19 November 1993, the Company shares are registered on the Bratislava Stock Exchange; starting from 15 October 2012, on the Warsaw Stock Exchange (WSE), and starting from 22 October 2012, on the Prague Stock Exchange (BCCP). On 22 August 2013, an extraordinary general meeting was held, which decided on a reduction in the share capital of the Company Tatry Mountain Resorts, a.s. from 221 338 ths. EUR to 46 950 ths. EUR, i.e. by 174 388 ths. EUR. Then during 2014, the Company issued two bond issues in the total nominal value of 180 000 ths. EUR, which, starting from 19 February 2014, are admitted to trading on the Bratislava Stock Exchange. See par. 32 - Bonds issued.

In 2009, the Company decided to change the accounting period from a calendar year to a fiscal year from 1 November to 31 October. Such a change was aimed at making the period more realistic as the Company activity depends on seasonal fluctuations.

On 1 May 2013, the parent company Tatry mountain resorts, a.s. and subsidiaries GRANDHOTEL PRAHA a.s., Interhouse Tatry s.r.o. and Tatry mountain resorts services, a.s, merged. On that day, the company Tatry mountain resorts, a.s. became the successor company, and assumed all legal, trade and other liabilities, as well as the assets of its subsidiaries. All subsidiaries ceased to exist by the merger with the parent company, and then were expunged from the Commercial Register.

As at 31 October 2016 and 31 October 2015, the Shareholders structure of the Company was as follows:

31 October 2016	Share in share capital		Voting rights
	In in TEUR	%	%
C.I.CAPITAL INDUSTRIES LIMITED	8,835	18.8%	18.8%
BELGOMET s.r.o.	7,216	15.4%	15.4%
NIKROC INVESTMENTS LIMITED	6,284	13.4%	13.4%
KEY DEE LIMITED	4,648	9.9%	9.9%
TINSEL ENTERPRISES LIMITED	4,468	9.5%	9.5%
RMSM1 LIMITED	4,117	8.8%	8.8%
Minority shareholders	11,401	24.3%	24.3%
Total	46,950	100%	100%

31 October 2015	Share in share capital		Voting rights
	in TEUR	%	%
C.I. CAPITAL INDUSTRIES LIMITED	8 835	18,8%	18,8%
J&T SECURITIES MANAGEMENT LIMITED	7 339	15,6%	15,6%
BELGOMET, s.r.o.	7 216	15,4%	15,4%
KEY DEE LIMITED	4 648	9,9%	9,9%
TINSEL ENTERPISES LIMITED	4 448	9,5%	9,5%
RMSM1 LIMITED	4 117	8,8%	8,8%
Mgr. Miroslav Voštiar	3 306	7,0%	7,0%
Minority shareholders	7 040	15,0%	15,0%
Total	46 950	100%	100%

1. Information about the Company (continued)

The principal activities of the Company comprise the operation of cable ways and ski lifts, restaurant and catering services, the operation of a ski and snowboard school, the purchase and sale of goods, hotel business. Since 29 March 2011, the Company has operated Aquapark Tatralandia, thus expanding the portfolio of services rendered. During 2014 and 2015 the Company acquired interests in subsidiaries in Poland that operate the Szczyrk ski resort and an amusement park in Chorzow.

In the period between 1 November 2015 and 31 October 2016, the average number of Company employees was 974, of which the management was 25 (between 1 November 2014 and 31 October 2015, it was 702, of which the management was 25).

During the year, the Company used the services of employment agencies for short-term personnel leasing. In the period between 1 November 2015 and 31 October 2016 it was 139 employees in average (between 1 November 2014 and 31 October 2015: 205 employees).

Company bodies are:

The Board of Directors

Ing. Bohuš Hlavatý, the Chairman (since 30.6.2009)
Ing. Branislav Gábriš, the Vice-Chairman (since 18.2.2011)
Ing. Andrej Devečka, the Member (since 22.12.2011)
Ing. Jozef Hodek, the Member (since 30.6.2009)
Ing. Michal Krolák, the Member (from 18.2.2011 to 18.2.2016)
Ing. Dušan Slavkovský, the Member (from 1.5.2010 to 28.4.2016)

The Supervisory Board:

Ing. Igor Rattaj (since 29.6.2009)
Ing. František Hodorovský (since 18.1.2011)
Roman Kudláček (since 21.4.2012)
Ing. Ján Štetka (since 30.6.2012)
Ing. Peter Kubeňa (since 30.6.2012)
Miroslav Roth (since 30.6.2012)
Ing. Pavol Mikušiak (since 27.4.2013)
Adam Tomis (since 12.4.2014)
PhDr. Martin Kopecký, MSc, CFA (since 25.4.2015)

2. Significant accounting policies**(a) Statement of compliance**

The separate financial statements for the period from 1 November 2015 to 31 October 2016 have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by the EU and in accordance with Art 17a), par. 3 of Act No. 431/2002 Coll. of the National Council of the Slovak Republic on Accounting (“Act on Accounting”).

Since the company has share in subsidiaries, IFRS and the Act on Accounting require the preparation of consolidated financial statement. The company has not consolidated its subsidiaries in this separate financial statement. The investments in subsidiaries are recognized at cost (net of impairment losses, if any) and dividend returns are recognized at the moment when the Company became entitled to receiving dividends from those companies. The Company applies similar treatment to associates. The Company prepares consolidated financial statements that shall be published by the end of February 2017 and that shall be available at the Company headquarters and on the Company's website.

The financial statements were approved by the Board of Directors on 22 February 2017.

(b) Basis of preparation

The separate financial statements have been prepared based on the historical cost principle, while the investment property and financial instruments measured at fair value were revalued to their fair value through profit or loss. Available-for-sale securities were revalued to their fair value through other comprehensive income.

The Company's separate financial statements have been prepared on a going-concern basis.

The separate financial statements have been prepared in thousands EUR.

The preparation of financial statements in compliance with the International Financial Reporting Standards as adopted by the EU requires the application of various judgements, assumptions and estimates which affect the reported amounts of assets, liabilities, income and expenses. However, actual results will likely differ from these estimates. Critical accounting estimates and judgements which were made by management and which bear a significant risk of material adjustment in the next accounting period are discussed in Note 3– Critical accounting estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and also in future periods if the revision affects both current and future periods.

When preparing the separate financial statements, the Company applied the following International Financial Reporting Standards, amendments to the standards and interpretations as adopted by the EU, which are effective for the accounting period starting 1 November 2015:

The application of the standards mentioned below has had no significant impact on the Company's financial statements..

Amendments to **IAS 19 Defined Benefit Plans: Employee Contributions** (Programy so stanovenými požitkami: Príspevky zamestnanca) effective for accounting periods beginning on or after 1 February 2015. The amendments are applied retrospectively, with earlier application being permitted. Amendments are only relevant for defined benefit plans that contain contributions from employees or from third parties, and comply with certain criteria, specifically, that they are provided in formal conditions of the benefit plan, relate to a service, and are independent of the years of service. When such criteria are complied with, a company can (but need not) account for them as a reduction of cost for services in the period when the related service is provided. The Company does not expect that the amendments will have a significant effect on its financial statements as the Company has no Defined Benefit Plans containing contributions from employees or from third parties.

Amendments to **IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception**. The amendments solve the issues arising in applying the exception of the investment companies under **IFRS 10 Consolidated Financial Statements**. The amendment to IFRS 10 clarifies that the exception in reported financial statements is applied to the parent company, which is a subsidiary of an investment company in the event that the investment company measures all of its subsidiaries at fair value. The amendment further clarifies that the subsidiary of an investment company is only consolidated in

2. Significant accounting policies (continued)

the event that the subsidiary itself is not an investment company and provides auxiliary services to the investment company. All the other subsidiaries of an investment company are measured at fair value. If applying the equity method, pursuant to **IAS 28 Investments in Associates and Joint Ventures** (Investície do pridružených a spoločných podnikov), investor is allowed to retain the fair value measurement method, applied by the investment company regarding its shares in subsidiaries. The amendments are valid retrospectively and have no impact on the Company, considering the fact that the Company does not apply the consolidation exception.

Amendments to **IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests** . Amendments to IFRS 11 require that a unit accounting for joint operation, where the joint operation represents the undertaking, has to apply the relevant accounting principles under IFRS 3 Business Combinations (Podnikové kombinácie). The amendment also clarifies that in the event of additional acquisition of share in the same joint operation, there is no revaluation of the existing share in the joint operation, if the joint control persists. Furthermore, the exclusion from the scope of IFRS 11 specifies that the amendments to IFRS 11 shall not apply if the parties sharing a joint operation, including the reporting company, are controlled by the same party at the highest level.

International Financial Reporting Standards that have been issued but are not effective yet

As at 31 October 2016, the following International Financial Reporting Standards, amendments to and interpretations of the Standards were issued, which have not become effective yet, and thus were not applied by the Company when compiling these Financial Statements.

Changes and amendments to **IAS 16** and **IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation**, applicable for the accounting periods starting from 1 January 2016 or later. The amendment clarifies the principles of **IAS 16 Property, Plant and Equipment** and **IAS 38 Intangible Assets**, according to which the revenues reflect the economic benefits originating by the use of assets. As a result, the yield method cannot be used for depreciation of property, plant and equipment and may be only used for depreciation of intangible assets under very exceptional circumstances. The amendment becomes valid prospectively and has no impact on the Company, since the Company does not the yield method to depreciate non-current assets.

Amendment of **IAS 1 Disclosure Initiative** , applicable for the accounting periods starting on 1 January 2016 or later. Amendment of IAS 1 clarifies the existing requirements, without significantly changing them. The amendment clarifies:

- Requirements for relevance in IAS 1.
- Certain items in the profit and loss statement and other parts of the complex result as well as in the statement of financial situation may be segmented.
- The accounting units may determine flexibly the order of accounting for notes to financial statements.
- The share in other parts of the complex result of associates and joint ventures accounted for under the equity method has to be accounted for aggregate as a single item and classified among the items that will or will not be subsequently reclassified in profit or loss.

Furthermore, the amendment explains the requirements for additional accounting for partial results in the financial situation statement and in the profit and loss statement as well as other parts of the complex result. These amendments have no effect on the Company.

Amendments to **IAS 27 Equity method in Separate Financial Statements** are effective for annual periods beginning on or after 1 January 2016 or later and should be applied retrospectively. Sooner application is allowed. The amendments to IAS 27 allos the company to use the Equity method in separate financial statements when accounting for interest in subsidiaries, associates, and joint ventures. The Group does not plan to ise the Equity method when accounting for interest in subsidiaries, associates, and joint ventures.

In May 2014, IASB issued **IFRS 15 Revenue from Contracts with Customers** , effective for the periods starting on 1 January 2018 with earlier adoption permitted. IFRS 15 defines the principles for accounting for revenues and will be applicable to all contracts concluded with customers. However, the fee interest and revenues which are a part of the financial instruments and leasing, will continue to be outside the scope of IFRS 15 and will be regulated by another applicable standard (e.g. IFRS 9 and IFRS 16 Leasing). According to IFRS 15, revenues will be accounted for at the time when the goods and services will be transferred within the scope assumed by the transferor. The Standard also describes the detailed set of requirements for **2**.

Significant accounting policies (continued)

disclosures regarding the nature, scope and time frame, as well as the uncertainty of revenues and related cash flows with customers. The Company does not expect an earlier adoption of IFRS 15 and is currently evaluating its impact.

IFRS 16 Leases was issued in January 2016 and replaces IAS 17 Lease (Lizing), IFRIC 4 Determining whether an Arrangement contains a Lease (Určovanie, či je súčasťou zmluvy aj lízing), SIC-15 Operating Leases – Incentives (Operatívny lízing – stimuly) and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease (Posudzovanie podstaty transakcií zahŕňajúcich právnu formu lízingu). The new standard does not significantly modify the accounting on the part of the lessee and lessor. However, it requires the lessee to account for a majority of his leases in the balance sheet as lease liabilities, with the relevant assets and right of use. The lessee has to apply a unified model for the whole leasing, however, also has the option not to account for the short-term leasing and leasing on low value assets. The method of accounting for the leasing profit and loss will be similar to the current accounting for financial leasing, with the interest and cost relating to depreciations accounted for separately in the profit and loss statement. IFRS 16 is effective for the accounting periods beginning on or after 1 January 2019. Earlier application of the standard is permitted if the new IFRS 15 will also be efficient. Lessee has to apply IFRS 16 either by using the full retrospective approach or the modified retrospective approach. The Company does not expect an earlier adoption of IFRS 16 and is currently evaluating its impact. As of the date of the financial statements, this standard was not adopted by the European Union yet.

In January 2016, IASB issued the amendment to **IAS 7 Statement of Cash Flows** (Výkaz o peňažných tokoch) aimed at improving the disclosure of financial activities and helping the users to better understand the liquidity of the reporting company. According to the new requirements, the company will have to disclose the changes in its financial obligations resulting from financial activities, as the changes in cash flows and non-monetary items (e.g. profit and loss from the movement of foreign currencies). The amendment is effective from 1 January 2017. The Company is currently evaluating its impact. As of the date of the financial statements, this standard was not adopted by the European Union yet.

In July 2014, IASB issued the final version of **IFRS 9 Financial Instruments** (Finančné nástroje), which replaces IAS 39 Financial Instruments: Recognition and Measurement (Finančné nástroje: vykazovanie a oceňovanie) as well as all the previous versions of IFRS 9. IFRS 9 brings all the three aspects of accounting for projects with financial instruments in a single whole: recognition and measurement, value adjustments and hedge accounting. IFRS 9 is effective from 1 January 2018, with option of later application. In addition to hedge accounting, also a retrospective application is required, however, it is not mandatory to provide comparative information. The Company plans to apply the new standard starting from the effective date. The Company started analysing the impact of the new standard on the balance sheet and assets.

Amendment to **IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses** (Vykazovanie odloženej daňovej pohľadávky z nezrealizovaných strát) clarifies that the unit has to consider whether or not the tax act restricts the sources of taxable profits against which the unit may apply the deduction of application of the temporary differences. Furthermore, the amendment provides procedures how the company has to determine the future taxable profit and explain the circumstances, based on which the taxable profit may contain return of some assets at a value higher than its residual value. The companies have to apply changes retrospectively. Upon initial adoption of changes, the change in the initial state of equity for an earlier comparative period may be recognized in the initial state of retained earnings (or in another part of equity as needed), without allocating the change between the initial state of the retained profit and other equity item. The companies applying this measure have to disclose this fact. The amendment is effective from 1 January 2017 with earlier application of the standard permitted. If a company applies the changes earlier, it has to be disclosed. No significant impact of the amendment on the Company is expected. As of the date of the financial statements, this standard was not adopted by the European Union yet.

IFRS Annual Improvements

Improvement of **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations** (Dlhodobý majetok držaný na predaj a ukončené činnosti). Disposal of the assets (or a group of assets intended for disposal) may occur by selling or reallocation among the owners. According to the amendment, a change to the aforementioned methods of asset disposal is considered as a continuation of the original plan for asset disposal rather than a new one. Therefore, the application of the IFRS 5 requirements is not interrupted. This amendment shall enter into force prospectively.

Improvement of **IFRS 7 Financial Instruments: Disclosures**. The improvement concerns the two amendments:

2. Significant Accounting Principles (continued)**(i) Service contracts.**

According to the amendment, the service contract containing a fee may represent a continued participation in the financial assets. According to the procedures for the continued participation under IFRS 7, the Company has to evaluate the nature of the fee and the procedures established, in order to determine the need of disclosure. Assessment of the service contract representing a continued participation has to be performed retrospectively. Mandatory disclosures do not have to be prepared for any period preceding the period when the company applies the changes for the first time.

(ii) Applicability of the IFRS 7 amendment regarding the financial statements prepared during the year in an abbreviated form. According to the amendment, the disclosure on mutual set-off does not apply to the financial statements prepared during the year in an abbreviated form, unless the disclosure provided significant update of the information presented in the latest annual report. This amendment shall enter into force retrospectively.

The amendments to IFRS 7 have no impact on the Company.

Other International Financial Reporting Standards

The Company has not adopted any other IFRS standards adopted by EU early where adoption is not mandatory at the date of preparation of the financial statements. Where transition provisions give an entity the choice of whether to apply new standards prospectively or retrospectively, the Company has decided to apply the standards prospectively.

(c) Financial instruments (excluding financial liabilities)**i. Classification**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Loans granted are non-derivative financial assets with fixed and determinable payments, not quoted in an active market, which are not classified as available-for-sale securities, financial assets held to maturity or as financial instruments at fair value through profit or loss.

Available-for-sale securities are those non-derivative financial assets that are not classified as financial instruments at fair value through profit or loss, loans and advances to banks and customers or as financial assets held to maturity.

Financial instruments at fair value through profit or loss are those that the Company principally holds for trading, that is, with the purpose of short-term profit taking.

ii. Recognition

Loans granted are recognised on the day they are provided by the Company.

Financial assets at fair value through profit or loss and available-for-sale securities are recognised on the date the Company commits to purchase the assets.

iii. Measurement

Financial instruments are measured upon initial recognition at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial instrument.

Subsequent to initial recognition, financial assets are measured at amortized costs, except for financial assets at fair value through profit and loss and available-for-sale securities, which are measured at fair value.

iv. Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the financial statements date without any deduction for acquisition-related costs. If a quoted market price is not available, the fair value of the instrument is estimated by the management using the pricing model or discounted cash flow techniques.

Where the discounted cash flow method is used, estimated future cash flows are based on the management's best estimates and the discount rate is the market rate at the date of the financial statement for an instrument with similar terms and conditions. **2.**

2. Significant accounting policies (continued)

Where pricing models are used, inputs for these models are based on market-related factors at the date of the financial statement.

v. Gain and losses on subsequent revaluation

Gains and losses arising from a change in fair value are recognised in profit or loss for financial instruments at fair value through profit or loss and directly in equity for available-for-sale securities. Changes in the fair value of available-for-sale securities are derecognised from other equity to profit or loss at the moment of sale.

vi. Derecognition

A financial asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered by the Company.

Available-for-sale assets that are sold are derecognised and the corresponding payable receivables to buyers are recognised as at the date the Company commits to sell the assets.

Loans and advances to customers are derecognised as at the day they are paid/ settled by the Company.

(d) Financial investments**i. Subsidiaries**

Subsidiaries are all enterprises that are controlled by the Company. The control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise, so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Investments in subsidiaries are measured at cost.

ii. Associates

Associates are those enterprises in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when a company holds between 20 and 50 percent of the voting rights of another entity. Investments in associates are recognised at cost.

The cost of financial investments is derived from the amount of spent cash or cash equivalents or is recognised at fair value of contributed assets and liabilities to acquire the enterprise at the moment of acquisition. Costs related to acquisition (transaction costs) are included in the cost of the investment.

As at the reporting date, the management reconsiders whether any events occurred which could cause impairment of financial investments. Potential impairment of financial investments below their cost is recognised through a value adjustment. Value adjustments are derived from the value of future cash flows discounted to present value.

(e) Foreign currency**Foreign currency transactions**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The separate financial statements are presented in thousands of euros, which is the Company's functional and presentation currency. Transactions in foreign currencies are translated into euros at the foreign exchange rate valid at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euros at the financial statements date at the exchange rate of the European Central Bank valid at that day.

Foreign exchange differences arising from such translations are recognised through profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are measured at cost, are translated into euros using the exchange rate valid at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into euros at the foreign exchange rates valid at the dates the fair values are determined.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in banks, short-term highly liquid investments with original maturities of three months or less and short-term highly liquid investments readily convertible for known amounts of cash.

2. Significant accounting policies (continued)

(g) Inventories

Inventories are measured at the lower of acquisition cost (purchased inventory), respectively in own costs (incurred by own activity), and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Purchased inventories are measured at cost, which includes the purchase price and other directly attributable expenses incurred in acquiring the inventories and bringing them to their existing location and condition. Own costs include direct costs and indirect costs associated with acquiring inventories by own activity.

(h) Offsetting

Financial assets and liabilities are offset and their net amount is reported in the balance sheet when the Company has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

(i) Impairment

The carrying amounts of the Company's assets, other than inventories (refer to the accounting policy under letter g)), investment property (refer to the accounting policy under letter l)), financial assets at fair value through profit or loss (refer to the accounting policy under letter c)), available-for-sale securities (refer to the accounting policy under letter c)) and deferred tax assets (refer to the accounting policy under letter p)) are reviewed at each financial statements date to determine whether there is objective indication of impairment of the asset. If any such indication exists, the asset's recoverable amount is estimated. Intangible assets that have an indefinite useful life are not subject to amortisation, but are tested annually for impairment as part of the cash-generating unit to which they belong.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Loans granted are recognised net of value adjustment for losses on loans. Value adjustments are determined on the basis of the state of the loan and performance of the borrower and the value of any collateral and all third-party guarantees is taken into account.

The recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed upon initial recognition of these financial assets). Short-term receivables are not discounted.

If assets available for sale caused a decrease in fair value recognized directly in equity and if objective reasons exist that prove that there was a decrease in the fair value of the assets, the cumulated loss recognized in equity shall be reported in the profit and loss statement even if the relevant financial asset had not been reversed from the financial position. The amount of loss recognized in the profit and loss statement is the difference between the acquisition cost and the fair value, adjusted for the impairment of the financial asset already recognized in profit and loss. A decrease in fair value of more than 20% of the acquisition cost or a decrease in fair value below the acquisition cost that lasts continuously more than nine months in case of securities investments is considered an impairment.

The recoverable amount of other assets is the greater of their value in use less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of receivables carried at amortised cost is reversed if the increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In the case of goodwill, an impairment loss cannot be decreased subsequently.

In respect of other assets, an impairment loss is reversed or decreased when there is an indication that the impairment loss no longer exists and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss can only be reversed or decreased to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. Significant accounting policies (continued)

(j) Property, plant and equipment

i. Owned assets

Single items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and impairment losses (refer to the accounting policy under letter i)). Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and costs of dismantling and removing the items and restoring the site where it was located. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items (major components) of property, plant and equipment.

ii. Leasing

Agreements on lease of assets in relation to which the Company assumes substantial part of risks and benefits of ownership are classified as financial leasing. Leased assets are stated at an amount equal to the lower of their fair value and the present value of the minimum leasing payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (refer to the accounting policy under letter i)).

iii. Subsequent expenditures

Subsequent expenditure is capitalised if it is probable that the future economic benefits embodied in the part of property, plant and equipment will flow to the Company and the relevant cost can be measured reliably. All other expenditures including the costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss in the period to which they relate.

iv. Depreciation

Except as specified below, depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of individual items of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

• Buildings	30 - 45 years
• Individual movables and sets of movables	
▪ Geothermal borehole	40 years
▪ Slides	25 years
▪ Cableways and ski lifts	12 - 40 years
▪ Equipment	5 - 12 years
▪ Fixtures and fittings and others	5 - 10 years

Depreciation methods, useful lives, as well as residual values, are reassessed annually as at the financial statement's date. Each significant part of property, plant and equipment (component) with cost significant in relation to the total cost of the relevant item is depreciated separately.

v. Capitalized borrowing costs

Borrowing costs attributable to the asset that necessarily takes a substantial period of time to get ready for its use or sale are capitalised by the Company as part of the cost of the asset.

(k) Intangible assets

i. Goodwill and intangible assets acquired in a business combination

Goodwill recognized as a result of the Company merging with its subsidiaries is measured as the excess of the sum of the consideration transferred, or the amount of the investments, over the net of the actual amounts of the identifiable assets acquired and the liabilities assumed. Goodwill on acquisition of subsidiaries and associates is included in the investments in subsidiaries and associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. Significant accounting policies (continued)

ii. Software and other intangible assets
Software and other intangible assets acquired by the Company are stated at cost less accumulated amortisation (see below) and impairment losses (refer to the accounting policy under letter i)). Useful life of these assets is reassessed regularly.

iii. Amortisation
Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date the asset is available for use. The estimated useful lives are as follows:

- Software 4 – 5 years
- Valuable rights each item uses an individual depreciation plan, based on the estimated useful lives if these assets, valuable rights also include trademarks which represent non-depreciated assets. The Company uses 6, 7, 8, 12 and 50-year useful lives for its valuable rights.

(l) Investment property
Investment property represents assets that are held by the Company to generate rental income or to realise a long-term increase in value, or for both of these purposes.

Investment property is stated at fair value, which is determined by an independent registered expert or by the management. Fair value is based on current prices of similar assets on an active market under the same location and the same conditions, or where such conditions are not available, by applying the generally applicable valuation models such as the yield method. Any gain or loss arising from a change in fair value is recognised in profit or loss.

Assets that are constructed or developed for their future use as investment property are measured at fair value if the fair value can be determined reliably.

Details on the valuation of investment property are specified in Note 3(a) – Critical accounting estimates and assumptions, Valuation of investment property.

Rental income from investment property is accounted for as described in the accounting policy under letter (o).

(m) Provisions
A provision is recognised in the balance sheet when the Company has a present legal, contractual, or non-contractual obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Long-term provisions the reduction of which to their present value would have a material impact on the financial statements are discounted to their present value.

i. Long-term employee benefits
Liability of the Company resulting from long-term employee benefits other than pension plans represents the estimated amount of future benefits that employees have earned in return for their service in the current and prior periods. The liability is calculated using the projected unit credit method, discounted to its present value. A discount rate used to calculate the present value of liability is derived from the yield curve of high-quality bonds with maturities close to the conditions of the Company’s liabilities as at the date of the financial statements preparation.

ii. Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are recognised as expenses at the time of provision of the service by the employees. A payable is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or contractual obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2. Significant accounting policies (continued)

(n) Interest income and expense
Interest income and expense is recognised in profit or loss in the period to which it relates using the effective interest rate basis. All expenses on loans and borrowings are recognised in profit or loss, with the exception of capitalised borrowing costs; refer to the accounting policy under letter (j), part (v).

(o) Rental income
Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

(p) Income tax
Income tax on the profit for the current accounting period comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the current accounting period, using tax rates valid as at the date of the financial statement’s preparation, and any adjustments to tax payable in respect of previous accounting periods.

Deferred tax is accounted for using the balance sheet method and calculated from all temporary differences between the carrying amounts of assets and liabilities determined for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences weren’t taken into account: the initial recognition of assets or liabilities which affect neither accounting nor taxable profit, and the differences relating to investments in subsidiaries to the extent that it is probable that they will not be reversed in the foreseeable future. No deferred taxes are recognised on the initial recognition of goodwill. The amount of deferred tax is based on the expected way of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates valid or approved as at the date of the financial statement’s preparation.

Income tax is recognised directly in profit or loss, except for the part that relates to items recognised directly in equity, in which case the income tax is recognised in equity.

Deferred tax asset and liability are offset if there is a legally enforceable right to offset the payable tax liability and asset, and they relate to the same tax authority and the taxable entity.

A deferred tax asset is only recognised up to the amount of probable future taxable profits against which the unused tax losses and credits can be offset. Deferred tax assets are reduced by the amount for which it is probable that the related tax benefit will not be realised.

(q) Operative and financial lease payments
Payments made under operative leasing are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum leasing payments of financial leasing are divided into interest and instalments of the principal. Interest is allocated to each period during the term of the lease so as to express a constant periodic rate of interest for the period applied to the unpaid part of the principal

(r) Trade and other payables
Trade and other payables are stated at amortised cost (see point (w) Financial liabilities).

2. Significant accounting policies (continued)

(s) Revenues from services rendered

The Company recognises six types of basic revenues from services rendered:

- Revenues from cableways and ski lifts (hereinafter also referred to as “Mountain Resorts”)
- Revenues from leisure parks (hereinafter also referred to as “Leisure Parks”)
- Revenues from sports services and stores (hereinafter also referred to as “Sports Services and Stores”)
- Revenues from hotel services (hereinafter also referred to as “Hotels”)
- Revenues from restaurant facilities (hereinafter also referred to as “Dining”)
- Revenues from real estate projects (mainly from investment property, hereinafter also referred to as “Real Estate”)
- Other revenues

The company recognises the revenues to the extent, in which it is probable that the economic benefits will flow to the Company and these revenues can be reliably evaluated. The revenues are recognised at fair value. Revenues are accrued depending on in which period the services were rendered, excluding revenues from the aqua park, hotel services and restaurant facilities, which are recognised in profit or loss after the service has been rendered. Revenues from services rendered do not include value added tax. They are also net of discounts and rebates (rebates, bonuses, discounts, credit notes and the like)

Since 2012 the Company has been running a loyalty program for its clients – GOPASS. GOPASS enables its clients to earn points for purchase of products and services in its resorts and to redeem these points as discounts from future purchases.

The amount of unredeemed points are recognized as a decrease in sales against revenue time difference, as they are related to promised discounts from future purchases of clients. The Company monitors the value of unredeemed points and revalues it on a regular basis for its recognition in the financial statements.

Other services include in particular the services provided in relation to accommodation, such as the rental of premises, parking, wellness, massage, sale of souvenirs, etc. Revenues from rental are recognised over the duration of the rental, with accruals. Revenues from the sale of souvenirs and other goods shall be recognised following the transfer of significant risks and benefits from the particular goods. Other revenues from services provided shall be recognised following the provision thereof.

(t) Dividends

Dividends are recognised in the statement of changes in equity and also as liabilities in the period in which they are approved.

(u) Non-current assets and disposal groups held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group held for sale) are re-measured in accordance with the International Financial Reporting Standards as adopted by the EU. Thereafter, upon initial classification as held for sale, the assets and disposal group held for sale are recognised at the lower of their carrying amount or fair value less cost to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except for inventories, financial assets, deferred tax assets and investment property, which continue to be measured in accordance with the Company's accounting policies.

Impairment losses on initial recognition as held for sale are recognised in profit or loss even if the revaluation reserve was created. The same applies to gains and losses on subsequent measurements. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment and intangible assets classified as held for sale are no longer depreciated or amortised.

In case that, after the asset assignment into the group of assets held for sale, value is realized mainly through use rather than sale thereof, the assets shall be accounted back and depreciation or amortization for property, plant and equipment and intangible assets shall be recognised in the period when such change of assets arose.

2. Significant accounting policies (continued)

(v) Reporting by segments

Operating segments are parts of the Company that are able to generate income and expenses with available financial information, which is regularly reviewed by the chief operating decision makers in order to allocate resources to the segments and to assess their performance. The management monitors 7 main segments, namely mountain resorts, leisure parks, hotels, dining, sports services and stores, real estate, and other.

(w) Financial liabilities

The Company recognises financial liabilities as other financial liabilities. The Company does not recognise any financial liabilities valued at fair value through profit or loss.

In the Company's separate statement of financial position, other financial liabilities are recognized as received loans and borrowings, bonds issued, trade payables, other liabilities and current tax liabilities.

Financial liabilities are recognised by the Company on the trade date. Upon initial recognition, financial liabilities are measured at fair value including transaction costs.

Subsequent to initial recognition, financial liabilities are measured at amortized cost. Upon measurement at amortized cost the difference between the cost and the face value is recognised through profit or loss during existence of the asset or liability using the effective interest rate method.

Financial liabilities are derecognised when the Company's obligation specified in the contract expires, is settled or cancelled.

(x) Fair value estimates

The following notes summarise the main methods and assumptions used in estimating the fair values of financial assets and liabilities referred to in Note 33 – Fair value information:

i. Loans granted

Fair value is calculated based on discounted expected future principal and interest cash flows. Expected future cash flows are estimated considering credit risk and any indication of impairment. The estimated fair values of loans reflect changes in credit status since the loans were made and changes in interest rates in the case of fixed rate loans.

ii. Loans and borrowings

For loans and borrowings with no defined maturities, fair value is taken to be the amount payable on demand as at the date of preparation of the consolidated financial statement. The estimated fair value of fixed-maturity loans and borrowings is based on discounted cash flows using rates currently offered for loans and borrowings of similar remaining maturities.

i. Trade receivables/payables, other receivables and other assets/liabilities

For receivables/payables with a remaining life of less than one year, the nominal amount is deemed to reflect the fair value. Other receivables/payables are discounted to determine the fair value.

3. Significant Accounting Estimates and Assumptions

The compilation of the financial statements according to the International Financial Reporting Standards as adopted by the EU requires the application of certain significant accounting estimates. It also requires that the management, in the application process of the Company accounting principles, should use its judgement. Therefore, the accounting estimates will be rarely identical with actual figures. Estimates and assumptions carrying a significant risk of causing a material modification of the book value of assets and liabilities in the future accounting period are described below in the text. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and also in future periods if the revision affects both current and future periods.

(a) Valuation of Investments in Property

Investments in property are measured at fair value. The fair value of investments in property is determined either by an independent authorized expert or by the management (see the Significant Accounting Principles, par. I); in both of the cases the valuation is based on current market values and conditions. The fair market value is the estimated value, for which the property could be exchanged, on the valuation day, between knowledgeable, willing parties being a prospective seller and a prospective buyer, in an arm's length transaction, with each party acting well informed, cautiously and without compulsion.

In the absence of current market prices, net estimated cash flow generated from the leasing of property and gains from capitalisation which reflect the risk specific for the market and also cash flow from the property shall be taken into account. The valuation reflects (where relevant) the type of lessees who use the property or are responsible for the fulfilment of lease liabilities or the type of prospective users, if the property is left non-rented, the general market perception of lessee solvency, the distribution of responsibilities related to maintenance and insurance of property between the Company and the lessees, and the remaining life of property.

As at 31 October 2016, the investments in real property cover three hotels (SKI, Liptov, Kosodrevina) and the accommodation facility Otupné with the aggregate book value of 1 982 ths. EUR (as at 31 October 2015: 1 982 ths EUR), which are leased out to third parties that operate them, as well as forest areas and lots of land obtained as an acquisition in 2009 in the book value of 4 572 ths. EUR (as at 31 October 2015: 4 572 ths EUR). The value of the hotels was estimated by the management in a manner specified above. The value of the land was determined by the management using market prices, and the final value is based on an estimate of the market price per square meter, depending on the type of land and market transactions for similar lots of land.

As at 31 October 2016, the Company management, based on current market conditions, revalued the value of investments in property. Total revaluation of investments in property in 2016, executed through the profit/loss, represented 0 ths. EUR (2015: revenue of 228 ths. EUR), since the amount of contractual lease did not change. The management is not aware of any significant change of the market prices of the leased lots of land.

If the fair value of the portion of investments in property which was determined based on management estimates differs from management estimates by 10%, the book value of investments in property would be higher or lower by 655 ths. EUR in comparison with the amount reported as at 31 October 2016 (as at 31 October 2015: 655 ths. EUR)

(b) Goodwill and Impairment Test

As at the date of the financial statements, the Company is required to assess whether there is any indication that its goodwill is impaired. If there is no indication that goodwill may be impaired, the Company shall, according to IAS 36, test reported goodwill for possible impairment on a yearly basis as at 31 October, i.e. as at the date of compilation of the annual separate financial statements.

On the day of reporting, the acquired goodwill is allocated to individual cash-generating units (CGU) that are expected to benefit from the synergies of the business combinations.

Potential decrease of the goodwill value is determined by comparing the return value of CGU and its book value. The return value is determined by the value in use. The value in use was derived from a business plan prepared by the management. The key prerequisite which was also the most sensitive factor in determining the recoverable amount was expected revenues assessed by the management, the profit margin ratio (EBIDTA) and the cost of capital used as the discount factor for future net cash flows. Expected revenues as well as the profit margin ratio are based on changes in customer target groups, strengthened marketing and increase in the quality of services rendered.

3. Significant Accounting Estimates and Assumptions (continued)

Projecting of cash flows applied in determining the value in use covers a medium-term period of 5 years and subsequent extrapolation for the next period. Based on such standard level of cash flows, the terminal value was calculated with expected growth of cash flows at 2.0% p.a. (2015: 2.2%). Discount rates applied in the projecting of cash flows were calculated as weighted average cost of capital, representing 6.5% for 2016 and 6.5% for 2015 (considering the income tax).

In 2016 and 2015, goodwill was tested within CGU Vysoké Tatry, and the test did not show any reason for asset impairment.

If as at 31 October 2016, projected EBITDA of CGU Vysoké Tatry, being part of projected cash flows was lower than 5% in comparison with management estimates, the value in use for an individual cash-generating unit in the location of High Tatras would drop by 8 995 ths. EUR. In such case, it would not be necessary to account for the asset impairment or goodwill even at a lower EBIDTA reached. If the discount rate increased by 0.5 percentage point in comparison with the management estimate, i.e. its value was 7.00 %, the value in use for an individual cash-generating unit for the location of High Tatras would drop by 21 386 ths. EUR. Here again it would not be necessary to account for asset impairment or goodwill even at a higher discount rate.

If as at 31 October 2015, projected EBITDA of CGU Vysoké Tatry, being part of projected cash flows was lower than 5% in comparison with management estimates, the value in use for an individual cash-generating unit in the location of High Tatras would drop by 8 999 ths. EUR. In such case, it would not be necessary to account for the asset impairment or goodwill even at a lower EBIDTA reached. If the discount rate increased by 0.5 percentage point in comparison with the management estimate, i.e. its value was 7.00 %, the value in use for an individual cash-generating unit for the location of High Tatras would drop by 15 906 ths. EUR. Here again it would not be necessary to account for asset impairment or goodwill even at a higher discount rate.

(c) Asset Impairment

As at the date of the financial statements, the Company is required to assess whether there is any indication that an asset may be impaired. IAS 36 requires the testing of asset impairment in cases where external or internal indicators would point out to possible asset impairment.

The Company carries on 6 principal activities: running of mountain resorts, leisure parks, restaurant services, sports services and stores, accommodation services and real estate projects, namely in three locations: Jasná (the Low Tatras), in the High Tatras, and in Liptovský Mikuláš and via its subsidiaries in Poland. Each of the locations was assessed by the management as an individual cash-generating unit (CGU). The Company monitors the performance and creates independent budgets for individual cash-generating units. The Company assets were allocated to individual cash-generating units according to the material competence, whereas all assets, i.e. also the Hotels, Catering establishments and Sports services and shops are included in individual cash-generating units, except for Ski lifts and Cable ways.

As at 31 October 2016, the Company management having considered the Company asset impairment did not identify any indicator of possible impairment. For that reason, the asset impairment test was not performed. An impairment test was performed only for the location of High Tatras, as it has assigned Goodwill as specified in par. 3(b).

As at 31 October 2015, the Company management having considered the Company asset impairment did not identify any indicator of possible impairment. For that reason, the asset impairment test was not performed. An impairment test was performed only for the location of High Tatras, as it has assigned Goodwill as specified in par. 3(b).

3. Significant Accounting Estimates and Assumptions (continued)

(d) Financial Instruments at Fair Value

The fair value of financial instruments is determined based on:

- Level 1: quoted market prices (unadjusted) in active markets for identical assets or liabilities
 Level 2: inputs other than quoted market prices included within Level 1, which are comparable for the asset or liability, either directly (as prices of comparable instruments) or indirectly (derived from prices)
 Level 3: inputs for the asset and liability, which are not determined on the basis of data from comparable markets (unobservable inputs)

When the quoted market price is not available, the fair value of the instrument is estimated using valuation techniques. When using valuation models, the management applies estimates and assumptions which are consistent with information available on estimates and assumptions that market participants would use when pricing the relevant financial instrument.

<i>in TEUR</i>	31/10/2016				31/10/2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Securities for sale	64	-	-	64	64	-	-	64
Financial instruments evaluated at fair value through the profit/loss	-	-	2 195	2 195	-	-	321	321
Loans Provided	-	-	38 418	38 418	-	-	31 305	31 305
Other receivables	-	-	27 866	27 866	-	-	22 253	22 253
Investments in Subsidiaries	-	-	14 641	14 641	-	-	14 641	14 641
Trade receivables	-	-	2 524	2 524	-	-	1 972	1 972
Cash and Cash Equivalents	-	-	5 946	5 946	-	-	8 064	8 064
Other Assets	-	-	129	129	-	-	382	382
Total	64	-	91 719	91 783	64	-	78 938	79 002

<i>in TEUR</i>	31/10/2016				31/10/2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial obligations								
Loans and Borrowings	-	-	44 512	44 512	-	-	37 587	37 587
Bonds Issued	-	-	194 385	194 385	-	-	192 724	192 724
Trade payables	-	-	6 794	6 794	-	-	5 805	5 805
Other Liabilities	-	-	4 671	4 671	-	-	3 015	3 015
Total	-	-	250 362	250 362	-	-	233 101	233 101

As at 31 October 2016, within Level 3, the Company mostly registers the financial investment (19% share) in the company CAREPAR, a.s. in amount of 2 041 ths. EUR (as at 31 October 2015: 15 ths. EUR). This Company owns 50% share in the company MELIDA a.s., which rents and operates the ski centre Špindlerov Mlyn in the Czech Republic. Since as at 31 October 2016, CAREPAR, a.s. does not account for any other significant assets or liabilities apart from the share in MELIDA a.s., the fair value of the investment in CAREPAR, a.s. was set as 9.5% of the estimated fair value of MELIDA a.s.

As at 31 October 2016, the fair value of MELIDA a.s. was estimated by the Company management using the discounted cash flow method, with the application of input from the business plan and of cash flow estimates. The business plan and cash flow estimates were consistently reviewed before application by Company management. Lease of the ski centre has been concluded until 2032, therefore, the cash flows were projected from 2017 to 2032. The main preconditions that were used in the valuation, were estimated cash flows, where the most important assumptions estimated by the management included EBITDA, its growth and discount rate. EBITDA projected for 2017 represented the value of 4,794 ths EUR. For 2018, it is expected to

3. Significant Accounting Estimates and Assumptions (continued)

grow by 10%, for 2019 by 5% and from 2020 to 2032, it is expected to grow by 2% per year. The discount rate applied in the valuation of such financial assets used as at 31 October 2016 was in amount of 8.54%.

If the EBITDA projected for MELIDA a.s., which is a part of the projected cash flows, was 5% lower every year compared to the management estimates, the value of investment in CAREPAR, a.s. would drop by 187 ths. EUR. If the discount rate increased by 0.5 percentage point in comparison with the management estimate, i.e. its value would be 9.04%, the value of CAREPAR, a.s. would drop by 52 ths. EUR.

On 9 December 2015, the Company sold its entire 19% share of securities in MELIDA a.s. in the total amount of 153 ths. EUR. For such reason the Company revalued the value of securities of MELIDA a.s. to a value under the contract concluded as at 31 October 2015, the result of which was a negative difference in valuation of 1 716 ths. EUR.

Approval of opening and closing balances of fair values of particular levels for financial assets:

<i>in TEUR</i>	Balance as of 31.10. 2015	Revaluation through profit/loss	Revaluation through other components of comprehensive income		Increases	Decreases	Balance as of 31.10. 2016
Financial assets							
Securities for sale	64	-	-	-	-	-	64
Financial instruments evaluated at fair value through the profit/loss	321	2 026	-	1	-153		2 195
Loans Provided	31 305	-	-	15 028	-7,915		38 418
Other receivables	22 253	-	-	7 027	-1,414		27 866
Investments in Subsidiaries	14 641	-	-	-	-		14 641
Trade receivables	1 972	-	-	2 524	-1,972		2 524
Cash and Cash Equivalents	8 064	-	-	5 946	-8 064		5 946
Other Assets	382	-	-	129	-382		129
Total	79 002	2 026	-	30 655	-19 900		91 783
Financial obligations							
Loans and Borrowings	37 587	-	-	31 225	-24 300		44 512
Bonds Issued	192 724	-	-	9 910	-8 249		194 385
Trade payables	5 805	-	-	6 794	-5 805		6 794
Other Liabilities	3 015	-	-	4 671	-3 015		4 671
Total	233 101	-	-	52 600	-47 539		250 362

4. Information about Operating Segments

Information about Operating Segments - Separate Profit and Loss Statement

in TEUR	Mountain Resorts		Leisure Parks		Hotels		Dining		Sports Services and Stores		Real Estate		Other		TOTAL	
	31.10.2016	31.10.2015	31.10.2016	31.10.2015	31.10.2016	31.10.2015	31.10.2016	31.10.2015	31.10.2016	31.10.2015	31.10.2016	31.10.2015	31.10.2016	31.10.2015	31.10.2016	31.10.2015
	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m
Sales	32 876	28 287	8 590	7 901	19 875	16 597	11 067	9 805	4 670	3 592	843	1 214	-	-	77 921	67 396
Other operating revenue	381	308	-	156	35	169	65	222	-	19	-	-	-	-	481	874
Material and goods consumption	-2 763	-2 351	-301	-335	-3 845	-3 385	-3 777	-3 126	-1 831	-1 215	-216	-722	-	-	-12 733	-11 134
Purchased Services	-10 023	-7 330	-1 488	-1 511	-5 079	-3 952	-1 592	-1 620	-420	-518	-302	-451	-	-	-18 904	-15 382
Personal cost	-7 178	-6 051	-2 380	-1 944	-6 303	-4 851	-3 268	-2 837	-1 393	-1 133	-	-	-	-	-20 522	-16 816
Other operating cost	-351	-452	-89	-82	-244	-96	-89	-62	-70	-7	-5	-57	-	-	-848	-756
Gain on sale of assets	-	-	-	-	-	-	-	-	-	-	797	45	-	-	797	45
Increase in fair value of investment property	-	-	-	-	-	-	-	-	-	-	-	228	-	-	-	228
Release of value adjustments to receivables	-30	-87	-8	-	-37	-	-4	-	-10	-	-1	-	-	-	-90	-87
Depreciation and amortization	-6 475	-6 685	-1 039	-991	-2 769	-2 896	-729	-789	-363	-342	-88	-74	-591	-680	-12 054	-12 456
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	1 601	1 467	1 601	1 467
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-10 929	-11 152	-10 929	-11 152
Net Profit from Financial Instruments	2 026	-1 716	-	-	-	-	-	-	-	-	-	-352	172	1 674	-1 544	-
Profit / (loss) of the segment before taxes	8 463	3 923	3 285	3 194	1 633	1 586	1 673	1 593	583	396	1 028	183	-10 271	-10 193	6 394	683
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-1 580	-664
Profit/ (Loss)															4 814	19

The Company generates all of its revenues on the territory of the Slovak Republic. Eliminations among segments are included in amounts reported for particular periods. The 10% limit of the share of total revenue was not exceeded by any Company client.

4. Information about Operating Segments (continued)

Information about Operating Segments - Separate Profit and Loss Statement

in TEUR	Mountain Resorts		Leisure Parks		Hotels		Dining		Sports Services and Stores		Real Estate		Other		TOTAL	
	31.10.2016	31.10.2015	31.10.2016	31.10.2015	31.10.2016	31.10.2015	31.10.2016	31.10.2015	31.10.2016	31.10.2015	31.10.2016	31.10.2015	31.10.2016	31.10.2015	31.10.2016	31.10.2015
	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m
Goodwill and Intangible Assets	576	626	2 508	2 266	4 040	4 443	7	18	20	42	-	-	-	-	7 151	7 395
Property, Plant and Equipment	136 858	138 367	33 808	29 699	69 326	69 099	10 394	10 689	2 477	2 487	4 335	4 880	2 429	2 596	259 627	257 817
Investments Property	-	-	-	-	-	-	-	-	-	-	6 554	6 554	-	-	6 554	6 554
Inventory	436	485	88	180	567	311	360	385	2 495	2 082	1 605	1 893	-	-	5 551	5 336
Trade receivables	1 065	826	278	233	644	484	359	290	151	104	27	35	-	-	2 524	1 972
Investments in associates	7 191	7 191	7 450	7 450	-	-	-	-	-	-	-	-	-	-	14 641	14 641
Other receivables	27 709	22 253	157	1 598	-	-	-	-	-	-	-	-	-	-	27 866	23 851
Financial investments	2 105	232	-	119	1	-	-	-	119	-	-	-	34	34	2 259	385
Other Assets	473	1 186	209	177	380	590	-	-	-	-	-	-	-	-	1 062	1 953
Loans Provided	28 618	27 955	5 606	724	3 939	2 124	-	-	-	-	43	404	378	189	38 584	31 396
Cash and Cash Equivalents	2 562	3 521	656	952	1 517	1 980	845	1 184	366	427	-	-	-	-	5 946	8 064
Assets available for sale	-	-	-	-	-	938	-	-	-	-	-	-	-	-	-	938
Deferred tax receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets total	207 593	202 642	50 760	43 279	80 414	79 969	11 965	12 566	5 628	5 261	12 564	13 766	2 841	2 819	371 765	360 302
Loans and Borrowings long term	36 156	25 852	945	109	-	228	132	496	21	70	-	16	-	-	37 254	26 771
Trade payables long term	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other non-current liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and Borrowings short term	6 711	9 516	-	5 422	-	-	-	-	-	-	-	-	-	-	6 711	14 938
Trade payables short term	2 866	2 431	749	685	1 733	1 426	965	853	407	307	74	103	-	-	6 794	5 805
Other current liabilities	4 037	3 436	1 026	929	2 373	1 933	1 322	1 156	558	415	-	-	-	-	9 316	7 869
Reserves	235	40	27	25	61	49	34	22	14	8	3	1	-	-	374	145
Bonds Issued	-	-	-	-	-	-	-	-	-	-	-	-	184 702	184 542	184 702	184 542
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-	-	20 523	18 956	20 523	18 956
Total liabilities	50 005	41 275	2 747	7 170	4 167	3 636	2 453	2 527	1 000	800	77	120	205 225	203 498	265 674	259 026

Eliminations among segments are included in amounts reported for particular periods. The prices used among segments are determined based on market prices for similar services and financing.

5. Increase and Decrease of Shares in Companies

On 14 September 2016, the Company acquired a 51% share in the Croatian company TIKAR D.O.O. (hereinafter referred to as TIKAR). For such a 51% stake, the Company paid 1.4 ths. EUR (10.2 ths. HRK). TIKAR's assets in the time of the acquisition totalled EUR ths. On 21 October 2016, a contract on the increase of capital of the company TIKAR and entry of a new shareholder was signed. The contract increased the capital from the original 20 ths. HRK to 2 500 ths. HRK, while the stock of the Company in TIKAR decreased to 0.408%. Therefore, as of 31 October 2016, the Company recognises this investment under Financial investments (see par. 25 – Financial investments).

On 14 April 2015, the Company acquired a 70% stake in Polish company PS Rozrywka, which was later renamed to Ślaskie Wesole Miasteczko Sp. z o. o. (hereinafter referred to as SWM). For such a 70% stake, the Company paid 6 727 ths. EUR. On 4 August 2015, the Company purchased an additional 5% stake, in a total amount of 723 ths. EUR. The company SWM is the operator of a theme park in the town of Chorzow, Poland.

<i>in TEUR</i>	Date of acquisition (acquisition of control)	Acquisition price	Decrease of cash flow	Share of Group after acquisition %
Acquisition of subsidiary company				
ŚlaskieWesoleMiasteczko Sp. z o. o.	14.4.2015 and 4.8.2015	7 450	-7 450	75%

The chart below provides the assets of SWM as at 1 May 2015, which was revalued for the purposes of the consolidated financial statement at fair value under IFRS EU.

<i>in TEUR</i>	Book value according to Polish accounting regulations	Fair value according to IFRS
Intangible assets	1 325	65
Property, Plant and Equipment	1 784	2 700
Other Assets	10	10
Cash and Cash Equivalents	6 714	6 714
Loans and Borrowings	-157	-157
Other Liabilities	-69	-69
Deferred tax liability	-	-185
Net identifiable assets and liabilities (100% share)	9 607	9 075
Acquired share (75% share)	7 205	6 806

6. Revenue

<i>in TEUR</i>	1.11.2015 – 31.10.2016	1.11.2014 – 31.10.2015
Mountain Resorts	32 876	28 287
Hotels	19 875	16 597
Restaurant facilities	11 067	9 805
Leisure Parks	8 590	7 901
Sports Services and Stores	4 670	3 592
Real Estate Projects	843	1 214
Total	77 921	67 396

7. Other operating revenue

<i>in TEUR</i>	1.11.2015 – 31.10.2016	1.11.2014 – 31.10.2015
Contractual penalties	1	3
Claims paid by insurance company	156	60
Other operating revenue	324	811
Total	481	874

8. Consumption of Material and Goods

<i>in TEUR</i>	1.11.2015 – 31.10.2016	1.11.2014 – 31.10.2015
Material in hotels and restaurant facilities	-5 157	-4 686
Goods	-3 610	-3 289
Fuels	-530	-642
Material for repair and maintenance	-635	-636
Material and goods – other	-2 801	-1 881
Total	-12 733	-11 134

9. Purchased Services

<i>in TEUR</i>	1.11.2015 – 31.10.2016	1.11.2014 – 31.10.2015
Energy consumption	-4 251	-4 275
Advertisement expenses	-3 129	-2 045
Rental costs (cost of premises) and others	-3 433	-2 932
Other administrative expenses	-1 640	-1 065
Repairs and maintenance expenses	-1 143	-1 097
Communication expenses	-968	-1 004
Legal advice expenses	-498	-448
Services related to owned premises	-309	-262
Transport, accommodation, travel expenses	-258	-149
Training expenses	-50	-62
Other purchased services	-3 225	-2 043
Total	-18 904	-15 382

Other purchased services represent the accounting, audit, marketing and other expenses related to administrative operation of the Company. The Company uses the services of KPMG Slovensko spol. s. r.o. auditing company for the auditing of individual and consolidated financial statements. Between 1 November 2015 and 31 October 2016, the expense of these items represented 146 ths. EUR (for the period ended on 31 October 2015: 158 ths. EUR). KPMG Slovensko Advisory, k.s. provided tax advisory services in the period from 1 November 2014 to 31 October 2015 in value of 4 ths EUR. In the period from 1 November 2015 to 31 October 2016, KPMG Slovensko Advisory, k.s. did not provide these services.

10. Personnel Expenses

<i>in TEUR</i>	1.11.2015 – 31.10.2016	1.11.2014 – 31.10.2015
Wages and salaries	-12 027	-7 532
Personnel leasing	-1 665	-4 558
Social security (compulsory)	-4 871	-3,221
Remuneration of members of key management and Supervisory Board	-1 945	-1 491
Other social expenses	-14	-14
Total	-20 522	-16 816

In the period between 1 November 2015 and 31 October 2016, the average number of Company employees was 974, of which the management was 25 (between 1 November 2014 and 31 October 2015, it was 702, of which the management was 25). During the year, the Company used the services of employment agencies for short-term personnel leasing. In the period between 1 November 2015 and 31 October 2016 it was 139 employees in average (between 1 November 2014 and 31 October 2015: 205 employees).

Key management includes members of the Board of Directors and top management, which consists of CEO, CFO, directors of each resort, directors of central departments such as sales, marketing, finance, development. Members of the Board of Directors of the Parent Company are paid basic flat remuneration, which for each is set individually based on the decision of the Supervisory Board upon election of the member. Extraordinary bonuses are paid to the Board of Directors upon fulfilment of the criteria defined in the Remuneration rules. The amount of extraordinary bonuses for the members of the Board of Directors, as well as its pay date are set by the Remuneration rules, which are based on achieving the EBITDA plan. The total amount of extraordinary bonuses of the Board of Directors cannot exceed 1% of EBITDA. the Board of Directors determines the remuneration of the top management. For the year ended 31 October 2016 basic remuneration was paid out in the amount of EUR 697 ths. (For the year ended 31 October 2015: EUR 634 ths.). Extraordinary bonuses to the top management were paid out in the amount of EUR 1,206 ths. (For the year ended 31 October 2015: EUR 814 ths.) after the fulfilment of the criteria for extraordinary bonuses (achieving the EBITDA plan).

Basic remuneration is paid to members of the Supervisory Board in accordance with the Supervisory Board Remuneration Rules and the contracts on office. For the year ending 31 October 2016, basic remuneration totalled 42 ths. EUR (in the period between 1 November 2014 and 31 October 2015: 43 ths. EUR).

The remuneration of the management, apart from the members of the Board of Directors, is approved by the Board of Directors based on the Company's profit/loss. For the year ending 31 October 2016, basic remuneration to management totalled 574 ths. EUR (in the period between 1 November 2014 and 31 October 2015: 475 ths. EUR). Extraordinary bonuses amounted to 928 ths. EUR (in the period between 1 November 2014 and 31 October 2015: 583 ths. EUR).

11. Other operating cost

<i>in TEUR</i>	1.11.2015 – 31.10.2016	1.11.2014 – 31.10.2015
Insurance (property, automobiles, travel cost)	-400	-325
Fees and commissions	-309	-300
Shortages and losses	-91	-86
Other operating cost	-48	-45
Total	-848	-756

12. Interest Income and Expense

<i>in TEUR</i>	1.11.2015 – 31.10.2016	1.11.2014 – 31.10.2015
Interest income	1 601	1 467
Interest expense	-10 929	-11 152
Total	-9 328	-9 685

For the period between 1 November 2015 and 31 October 2016, the interest income was 1 601 ths. EUR (between 1 November 2014 and 31 October 2015, it was 1 467 ths. EUR) is payable mainly from loans provided at a fixed interest rate. See par. 21 – Loans provided.

For the period between 1 November 2015 and 31 October 2016, the interest expense in the amount of 10 929 ths. EUR represents the cost of loans and borrowings of 1 019 ths. EUR (between 1 November 2014 and 31 October 2015, it was 1 276 ths. EUR), and interest expense from bonds issued of 9 910 ths. EUR (between 1 November 2014 and 31 October 2015, it was 9 876 ths. EUR) The Company issued interest-bearing bonds in the total nominal value of 180 mil. EUR. The first portion of the bonds TMR I in the amount of 70 mil. EUR with nominal interest rate of 4.5% p.a. is due on 17 December 2018. The second portion of the bonds TMR II in the amount of 110 mil. EUR with nominal interest rate of 6% p.a. is due on 05 February 2021. For more information on bonds issued, see par. 32 – Bonds issued. Interest expense for bonds also contains an aliquot interest expense from bonds issued in the amount of 6 022 ths. EUR (as at 31 October 2015: 6 022 ths. EUR).

In the period between 1 November 2015 and 31 October 2016, the Company did not capitalise interest expense into assets (between 1 November 2014 and 31 October 2015, the company did not capitalise interest expense).

13. Net Profit from Financial Instruments

<i>in TEUR</i>	1.11.2015 – 31.10.2016	1.11.2014 – 31.10.2015
Revaluation of financial instruments measured at fair value through profit and loss statement	2 026	-1 716
Cost of administration of financial instruments	-268	-178
Income from the sale of financial instruments measured at fair value through profit and loss statement	-	-
Other, net	-84	350
Total	1 674	-1 544

Revaluation of financial instruments measured at fair value through profit and loss statement for the period between 1 November 2015 and 31 October 2016 represents a profit from revaluation of share in the company CAREPAR, a.s. in the amount of 2 026 ths. EUR (see also par. 25 – Financial Investments).

In the period between 1 November 2014 and 31 October 2015, the revaluation of financial instruments measured at fair value through profit or loss from the revaluation of the stock in MELIDA, a.s. amounted to 1 716 ths. EUR.

14. Income Tax and Deferred Tax

<i>in TEUR</i>	1.11.2015 – 31.10.2016	1.11.2014 – 31.10.2015
Current tax:		
Tax of current accounting period	-3	-12
Withholding tax on interest	-10	-4
	-13	-16
Deferred tax:		
Posting and release of temporary differences	-1 567	-648
Change of tax rate	-	-
Total reported tax	-1 580	-664

Deferred income tax is calculated using enacted tax rates the validity of which is expected in a period in which the receivable is performed or the liability is settled.

To calculate deferred tax from temporary differences originated in the Slovak Republic, the Company applied a 22% rate resulting from the legal corporate income tax rate valid as at the date when the financial statements are being compiled. Subsequently, the legal corporate income tax was decreased to 21% from 1 January 2017. The decrease had no effect on the deferred tax calculation.

Income tax reported through other components of comprehensive income

<i>in TEUR</i>	1.11.2015 – 31.10.2016			1.11.2014 – 31.10.2015		
	Before taxes	Tax	After taxes	Before taxes	Tax	After taxes
Revaluation of available-for-sale securities to fair value	-	-	-	6	-1	5
Other components of comprehensive income	-	-	-	6	-1	5

Reconciliation of effective tax rate

<i>in TEUR</i>	1.11.2015 – 31.10.2016		1.11.2014 – 31.10.2015	
	%		%	
Profit / (loss) before taxes		6 394		683
Tax rate 22%	22%	1 407	22%	150
Tax non-deductible expenses	5%	293	90%	633
Income not subject to tax	-2%	-130	-18%	-124
Current tax: withholding tax on interest	0%	10	1%	4
Tax losses claimed during the period	0%	-	0%	-
Change of tax rate	0%	-	0%	-
Total	25%	1 580	97%	664

14. Income Tax and Deferred Tax (continued)**Movements of deferred tax liability (net) during 2016 and 2015**

2016.

<i>in TEUR</i>	Balance as at 1. November 2015	Reported in profit and loss statement	Reported in other comprehensive income	Acquired through business combination	Balance as at 31. October 2016
Non-current tangible and intangible assets	-18 870	-1 554	-	-	-20 424
Investments in real property	-828	-44	-	-	-872
Losses from impairment of trade receivables and other assets	16	18	-	-	34
Provisions and liabilities	336	143	-	-	479
Tax losses	390	-130	-	-	260
Total, net	-18 956	-1 567	-	-	-20 523

2015

<i>in TEUR</i>	Balance as at 1. November 2014	Reported in profit and loss statement	Reported in other comprehensive income	Acquired through business combination	Balance as at 31. October 2015
Non-current tangible and intangible assets	-18 184	-686	-	-	-18 870
Investments in real property	-693	-135	-	-	-828
Losses from impairment of trade receivables and other assets	31	-15	-	-	16
Provisions and liabilities	172	164	-	-	336
Tax losses	366	24	-	-	390
Total, net	-18 308	-648	-	-	-18 956

See also par. 19 - Deferred tax liability.

15. Property, Plant and Equipment*in TEUR*

	Land and buildings	Individual movable assets and sets of movable assets	Assets under construction	Total
Acquisition price				
Opening balance as at 1.11.2014	208 525	111 411	3 859	323 795
Increases	1 146	1 047	929	3 122
Increases from company merger	-	-	-	-
Decreases	-1 556	-274	-875	-2 705
Movement to investments in real property	-	-	-	-
Movements within assets	887	191	-1 078	-
Balance as of 31.10.2015	209 002	112 375	2 835	324 212
Opening balance as at 1.11.2015	209 002	112 375	2 835	324 212
Increases	4 861	2 250	6 673	13 784
Increases from company merger	-	-	-	-
Decreases	-1 444	-206	-80	-1 730
Movement to investments in real property	-	-	-	-
Movement from investments in real property	938	-	-	938
Movements within assets	40	338	-378	-
Balance as of 31.10.2016	213 397	114 757	9 050	337 204
Accumulated depreciation and losses from impairment of assets				
Opening balance as at 1.11.2014	-28 144	-26 926	-	-55 070
Depreciation of current accounting period	-5 080	-6 830	-	-11 910
Decreases	312	273	-	585
Movement to investments in real property	-	-	-	-
Balance as of 31.10.2015	-32 912	-33 483	-	-66 395
Opening balance as at 1.11.2015	-32 912	-33 483	-	-66 395
Depreciation of current accounting period	-5 174	-6 345	-	-11 519
Decreases	153	184	-	337
Movement to investments in real property	-	-	-	-
Movement from investments in real property	-	-	-	-
Balance as of 31.10.2016	-37 933	-39 644	-	-77 577
Carrying value				
as at 01/11/2014:	180 381	84 485	3 859	268 725
as at 31/10/2015	176 090	78 892	2 835	257 817
as at 01/11/2015	176 090	78 892	2 835	257 817
as at 31/10/2016	175 464	75 113	9 050	259 627

In the period between 1 November 2015 and 31 October 2016, the Company carried out investments of 13 784 ths. EUR. The Company acquired the Hotel Hrebienok in value of 2 500 ths. EUR, the surf wave in the Aquapark Tatrallandia in value of 2 800 ths. EUR and started to construct a new Krupová – Kosodrevina cableway in the amount of EUR 4,000 ths, and made a few minor investments: improvement and expansion of ski runs, investments in hotels and restaurants on slopes in the centres and other operating investments.

15. Property, Plant and Equipment (continued)

In the period between 01 November 2014 and 31 October 2015, the Company carried out investments of 3 122 ths. EUR. The investments were of minor nature, implemented in all centres and including mostly the improvement and expansion of ski runs, investments in hotels and restaurants on slopes in the centres and other operating investments.

Unused assets

As at 31 October 2016, the Company did not hold any unused assets.

Impairment loss

For the period ended on 31 October 2015 and 31 October 2016, the Company did not show any loss from impairment of land, buildings and equipment.

Property Insurance

<i>in TEUR</i>	31.10.2016	31.10.2015
Natural disaster	184 361	192 317
Vandalism	118 539	118 315
General machinery risks	20 470	19 852
Liability for damage	15 000	13 000

Security

As at 31 October 2016, Land, buildings and equipment in the amount of 204 052 ths. EUR were used as the security of the bank loans (as at 31 October 2015: in the amount of 197 930 ths. EUR).

Capitalised financial cost

As at 31 October 2016, the Company did not capitalise any interest on loans into assets (as at 31 October 2015: the Company did not capitalise any interest on loans into assets).

16. Goodwill and Intangible Assets*in TEUR*

	Goodwill	Valuable rights	Software	Acquired intangible assets	Total
Acquisition price					
Opening balance as at 1.11.2014	3 740	3 964	1 848	-	9 552
Increases	-	-	177	-	177
Increases from company merger	-	-	-	-	-
Decreases	-	-	-	-	-
Balance as of 31.10.2015	3 740	3 964	2 025	-	9 729
Opening balance as at 1.11.2015	3 740	3 964	2 025	-	9 729
Increases	-	-	266	25	291
Increases from company merger	-	-	-	-	-
Decreases	-	-	-	-	-
Balance as of 31.10.2016	3 740	3 964	2 291	25	10 020
Accumulated depreciation and losses from impairment of assets					
Opening balance as at 1.11.2014	-350	-794	-643	-	-1 787
Depreciation of current accounting period	-	-114	-432	-	-546
Decreases	-	-	-	-	-
Losses from impairment of assets	-	-	-	-	-
Balance as of 31.10.2015	-350	-909	-1 075	-	-2 334
Opening balance as at 1.11.2015	-350	-909	-1 075	-	-2 334
Depreciation of current accounting period	-	-74	-461	-	-535
Decreases	-	-	-	-	-
Losses from impairment of assets	-	-	-	-	-
Balance as of 31.10.2016	-350	-983	-1 536	-	-2 869
Carrying value					
as at 01/11/2014	3 390	3 171	1 205	-	7 766
as at 31.10.2015	3 390	3 055	950	-	7 395
as at 01/11/2015	3 390	3 055	950	-	7 395
as at 31.10.2016	3 390	2 981	755	25	7 151

17. Investments Property*in TEUR*

	31.10.2016	31.10.2015
Acquisition price		
Opening balance as at 1.11.2015 / 1.11.2014	6 554	7 264
Transfer from tangible assets (net)	-	-
Transfer from IP to available-for-sale assets	-	-938
Revaluation at fair value	-	228
Balance as of 31.10.2016 / 31.10.2015	6 554	6 554

As at 31 October 2016, the investments in real property cover three hotels (SKI, Liptov, Kosodrevina) and the accommodation facility Otupeň with the aggregate book value of 1 982 ths. EUR (as at 31 October 2015: 1 982 ths. EUR), which are leased out to third parties that operate them, as well as forest areas and lots of land obtained as an acquisition in 2009 in the book value of 4 572 ths. EUR (as at 31 October 2015: 4 572 ths. EUR). The value of the hotels was estimated by the management (see par. 3(a) – Significant Accounting Estimates and Assumptions, Valuation of Investments in Property). The value of the land was determined by the management using market prices, and the final value is based on an estimate of the market price per square meter, depending on the type of land and market transactions for similar lots of land.

As at 31 October 2016, the Company management, based on current market conditions, revalued the value of investments in property. Total revaluation of investments in property in 2016, executed through the profit/loss, represented 0 ths. EUR (2015: revenue of 228 ths. EUR), since the amount of contractual lease did not change. The management is not aware of any significant change of the market prices of the leased lots of land.

In the period between 1 November 2015 and 31 October 2016, revenue from investments in property accounted for 213 ths. EUR and direct operating cost related to investment in property was 61 ths. EUR (Between 1 November 2014 and 31 October 2015: revenue from investments in property accounted for 213 ths. EUR, and direct operating cost related to investment in property was 126 ths. EUR).

Investments in property are valued at the fair value (see par. 3(a) – Significant Accounting Estimates and Assumptions, Valuation of investments in property).

Security

As at 31 October 2016, a part of investments in property in the amount of 1 782 ths. EUR were used as the security of the bank loans (as at 31 October 2015: in the amount of 1 493 ths. EUR).

18. Investments in Subsidiaries

<i>in TEUR</i>	31.10.2016	31.10.2015
ŚlaskieWesoleMiasteczko Sp. z o. o. (75% stake)	7 450	7 450
SzczyrkowskiOsrodeNarciarski S.A. (97% stake)	7 191	7 191
Total	14 641	14 641

On 14 April 2015, the Company acquired a 70% stake in Polish company PS Rozrywka, which was later renamed to Ślaskie Wesole Miasteczko Sp. z o. o. (hereinafter referred to as SWM). For such a 70% stake, the Company paid 6 727 ths. EUR. On 4 August 2015, the Company purchased an additional 5% stake, in a total amount of 723 ths. EUR. The company SWM is the operator of a theme park in the town of Chorzow, Poland. No impairment provision was reported for the said company as at 31 October 2015.

On 5.3.2014, the Company purchased 97% shares of Szczyrkowski Osrode Narciarski S.A. (hereinafter referred to as Szczyrk), in a total amount of 7 191 ths. EUR. It is a company holding and running a ski centre in Poland. The total value of the assets, as the date of acquisition after revaluation at the fair value was 13 321 ths. EUR, and the total value of equity was 9 031 ths. EUR. No impairment provision was reported for the said company as at 31 October 2015.

19. Deferred Tax Asset, Deferred Tax Liability

Deferred tax asset (liability) was posted for the following items:

<i>in TEUR</i>	Receivables		Payables		Total	
	31.10.2016	31.10.2015	31.10.2016	31.10.2015	31.10.2016	31.10.2015
Temporary differences related to:						
Non-current fixed and intangible assets	-	-	-20 424	-18 870	-20 424	-18 870
Investments Property	-	-	-872	-828	-872	-828
Losses from impairment of trade receivables and other assets	34	16	-	-	34	16
Provisions and liabilities	479	336	-	-	479	336
Tax losses	260	390	-	-	260	390
Set-off	-773	-742	773	742	-	-
Total	-	-	-20 523	-18 956	-20 523	-18 956

Deferred tax asset was not posted for the following items (tax base):

<i>in TEUR</i>	31.10.2016	31.10.2015
Tax losses	-	-
Total	-	-

Deferred tax asset from unredeemed losses from previous periods is posted only up to the amount to which it may be probably redeemed in the future against future tax profits.

19. Deferred Tax Asset, Deferred Tax Liability (continued)

Expected last periods for redemption of tax losses are as follows:

<i>in TEUR</i>	2016	2017	2018	post 2018
Tax losses	591	591	591	-

The maximum period for redemption of tax loss created before 1 January 2010 is 7 years; losses created after 1 January 2010 had a 5 years period. Based on legislative changes, from 1 January 2014, losses created after 1 January 2010 have a 4 years period, and the Company can also apply evenly maximum 25% of the given tax losses per year.

20. Inventory

<i>in TEUR</i>	31.10.2016	31.10.2015
Goods	2 754	2 198
Material	1 192	1 290
Assets available for sale	1 605	1 848
Total	5 551	5 336

Assets for sale include Chalets Otupné in amount of 1 080 ths. EUR, the construction of which was organized by the Company, and their sale is planned to third parties, as well as the apartments in the Hotel Pošta project in amount of 525 ths. EUR. Revenue from the sale of chalets will be reported in 2017. They are totally 5 chalets.

As at 31 October 2016, inventory of 5 551 ths. EUR (as at 31 October 2015: 2 921 ths. EUR) was used to secure bank loans.

21. Loans Provided

<i>in TEUR</i>	31.10.2016	31.10.2015
Short-term	31 042	6 677
Long-term	7 542	24 719
Total	38 584	31 396

As at 31 October 2016, short-term loans represent a paid-up loan extended to company JASNÁ Development s.r.o. (as at k 31 October 2015: 404 ths. EUR) with a fixed interest rate of 5% p.a., the amount of unpaid accumulated interest as at 31 October 2016 represents 43 ths. EUR (as at 31 October 2015 it is 29 ths. EUR), loan in amount of 2 217 ths. EUR extended to the owner of Penzión Energetik (as at 31 October 2015: 2 124 ths. EUR), with a fixed interest rate of 5% p.a., the amount of unpaid accumulated interest from this amount as at 31 October 2016 is 370 ths. EUR (as at k 31 October 2015: 277 ths. EUR), a paid-up loan extended to company Klaster Liptov (as at k 31 October 2015: 89 ths. EUR) with a fixed interest rate of 3% p.a., the amount of unpaid accumulated interest as at 31 October 2016 is 2 ths. EUR (as at k 31 October 2015: 4 ths. EUR), loan in amount of 10 085 ths. EUR (as at 31 October 2015: 11 193 ths. EUR) extended to company WEBIS, s.r.o. with a fixed interest rate of 5% p.a., the amount of unpaid accumulated interest on such amount as at 31 October 2016 is 2 180 ths. EUR (as at k 31 October 2015: 1 739 ths. EUR), loan extended to company 1. Tatranská, akciová spoločnosť in amount of 11 789 ths. EUR (as at k 31 October 2015: 11 124 ths. EUR) with a fixed interest rate of 7% p.a., the amount of unpaid accumulated interest on such amount as at 31 October 2016 is 2 317 ths. EUR (as at k 31 October 2015: 1 652 ths. EUR), loan in amount of 161 ths. EUR (as at k 31 October 2015: 0 ths. EUR) extended to company GALAXO a.s. with a fixed interest rate of 5% p.a., the amount of unpaid accumulated interest as at 31 October 2016 is 7 ths. EUR, two loans extended to company SzczyrkowskiOsrodekNarciarski S.A. (SON) in amount of 1 360 ths. EUR with a fixed interest rate of 7% p.a., the amount of unpaid accumulated interest on such amount as at 31 October 2016 is 50 ths. EUR and loan in amount of 3 558 ths. EUR with a fixed interest rate of 7% p.a., the amount of unpaid accumulated interest on such amount as at 31 October 2016 is 218 ths. EUR, loan extended to company SON Partner in amount of 829 ths. EUR (as at 31 October 2015: 0 ths. EUR) with a fixed

21. Loans Provided (continued)

interest rate of 7% p.a., the amount of unpaid accumulated interest on such amount as at 31 October 2016 is 28 ths. EUR, loan extended to company Korona Ziemi in amount of 818 ths. EUR (as at 31 October 2015: 0 ths. EUR)

with a fixed interest rate of 7% p.a., the amount of unpaid accumulated interest on such amount is as at 31 October 2016 is 83 ths. EUR and an interest-free loan of 180 ths. EUR extended to company WEBIS, s.r.o..

As at 31 October 2016, long-term loans represent two loans extended to company ŚląskieWesoleMiasteczko Sp. z o.o. (SWM) in amount of 1 539 ths. EUR with a fixed interest rate of 7% p.a., the amount of unpaid accumulated interest on such amount is as at 31 October 2016 is 39 ths. EUR and loan in amount of 3 257 ths. EUR with a fixed interest rate of 7% p.a., the amount of unpaid accumulated interest on such amount as at 31 October 2016 is 41 ths. EUR. Long-term loans further include a loan in amount of 1 722 ths. EUR (as at 31 October 2015: 0 ths. EUR) extended to company TIKAR d.o.o. with a fixed interest rate of 8% p.a., the amount of unpaid accumulated interest on such amount as at 31 October 2016 is 17 ths. EUR, interest-free loan in amount of 810 ths. EUR extended to Melida, a.s. (as at 31 October 2015: 808 ths. EUR), loan in amount of 78 ths. EUR (as at 31 October 2015: 101 ths. EUR) extended to company HOLLYWOOD C.E.S., with a fixed interest rate of 5% p.a., the amount of unpaid accumulated interest on such amount as at 31 October 2016 is 0,3 ths. EUR (as at 31 October 2015: 0,4 ths. EUR), loan in amount of 68 ths. EUR (as at 31 October 2015: 0 ths. EUR) extended to Mr. Čukan with a fixed interest rate of 4% p.a., the amount of unpaid accumulated interest on such amount is 0 ths. EUR and loan in amount of 68 ths. EUR (as at 31 October 2015: 0 ths. EUR) extended to Mr. Lipták with a fixed interest rate of 4% p.a., the amount of unpaid accumulated interest on such amount is 0 ths. EUR.

22. Trade receivables

<i>in TEUR</i>	31.10.2016	31.10.2015
Trade receivables	2 681	2 043
Value adjustments to receivables	-157	-71
Total	2 524	1 972
<i>Short-term</i>	2 524	1 972
<i>Long-term</i>	-	-
Total	2 524	1 972

As at 31 October 2016, trade receivables amount to 2 524 ths. EUR and comprise current operating and barter receivables. As at 31 October 2015, trade receivables involved current operating and barter receivables amounting to 1 972 ths. EUR.

The ageing structure of receivables is as follows:

<i>in TEUR</i>	31.10.2016			31.10.2015		
	Gross	Value adjustment	Net	Gross	Value adjustment	Net
Within due period	1 518	-	1 518	1 754	-	1 754
Overdue within 30 days	819	-	819	173	-	173
Overdue from 30 days to 180 days	261	-80	181	24	-1	23
Overdue from 180 days to 365 days	21	-15	6	11	-8	3
Overdue over 365 days	62	-62	-	81	-62	19
Total	2 681	-157	2 524	2 043	-71	1 972

As at 31 October 2016 and 31 October 2015, the value of value adjustments consisted of value adjustments to current operating receivables.

22. Trade receivables (continued)

Development of value adjustment during accounting period is shown in the following overview:

<i>in TEUR</i>	31.10.2016	31.10.2015
Balance as at 1.11.2015 / 1.11.2014	71	141
Creation of value adjustment	95	116
Use	-4	-158
Reversal of value adjustment	-5	-28
Balance as at 31.10.2016 / 31.10.2015	157	71

As at 31 October 2016, receivables in amount of 2 524 ths. EUR (as at 31 October 2015: 1 972 ths. EUR) were used to secure bank loans.

23. Other receivables

<i>in TEUR</i>	31.10.2016	31.10.2015
Advance payments made	27 866	23 851
Total	27 866	23 851
<i>Short-term</i>	20 037	21 509
<i>Long-term</i>	7 829	2 342
Total	27 866	23 851

Advance payments made for assets are mainly related to future acquisitions amounting to 20 839 ths. EUR (as at 31 October 2015: 20 839 ths. EUR), and to unfinished investment activity in the amount of 6 436 ths. EUR (as at 31 October 2015: 950 ths. EUR). The Company made in particular an advance payment for a future acquisition which is the company running cable ways. The Company plans to buy this company in the future. A contract is made with WEBIS, s.r.o.

24. Other Assets

<i>in TEUR</i>	31.10.2016	31.10.2015
Prepaid expenses and accrued income	761	1 006
Other tax assets	22	-
Other Assets	279	947
Total	1 062	1 953
<i>Short-term</i>	1 062	1 953
<i>Long-term</i>	-	-
Total	1 062	1 953

25. Financial investments

<i>in TEUR</i>	31.10.2016	31.10.2015
Financial instruments evaluated at fair value through the profit/loss	2 195	321
Securities for sale	64	64
Total	2 259	385

25. Financial investments (continued)

As at 31 October 2016, financial instruments measured at fair value through profit/loss from operations represent mainly the 19% investment in company CAREPAR a.s. in the value of 2 041 ths. EUR (as at 31 October 2015: 15 ths. EUR), which owns 50% share of the company

MELIDA a.s., which leases and operates the ski centre Špindlerov Mlyn. Other financial instruments represent an investment in company Korona Zieme Sp. z o.o. in the value of 119 ths. EUR (as at 31 October 2015: 119 ths. EUR) and a monetary investment in Tatranské dopravné družstvo, which is engaged in intermediary activities in the field of services. As at 31 October 2016 and 31 October 2015, the value of the investment was 34 ths. EUR.

On 14 September 2016, the Company acquired a 51% share in the Croatian company TIKAR D.O.O. (hereinafter referred to as TIKAR). For such a 51% stake, the Company paid 1.4 ths. EUR (10.2 ths. HRK). On 21 October 2016, a contract on the increase of capital of the company TIKAR and entry of a new shareholder was signed. The contract increased the capital from the original 20 ths. HRK to 2 500 ths. HRK, while the stock of the Company in TIKAR decreased to 0.408%.

On 9 December 2015, the Company sold its entire 19% share of securities in MELIDA a.s. in the total amount of 153 ths. EUR. For such reason the Company revalued the value of securities of MELIDA a.s. to the actual market value as at 31 October 2015, the result of which was a negative difference in valuation of 1 716 ths. EUR.

On 17 march 2010, the Company purchased 3 850 shares of Compagnie des Alpes (SA), which is a French company traded on the Paris stock exchange, engaged in the field of ski resorts and summer theme parks. The Company purchased the said shares as a financial investment. The shares are available for sale, and are measured at the fair value into equity based on actual prices on the stock exchange. As at 31 October 2016, their value is 64 ths. EUR (as at 31 October 2015: 64 ths. EUR).

26. Cash and Cash Equivalents

<i>in TEUR</i>	31.10.2016	31.10.2015
Cash	13	21
Stamps and vouchers	-	-
Current accounts with banks	5 933	8 043
Total	5 946	8 064

The Company can freely dispose of bank accounts.

27. Equity**Share capital and share premium**

As at 31 October 2016 and 31 October 2015, the approved, subscribed and fully paid-up share capital consisted of 6 707 198 ordinary shares in the nominal value of 7 EUR per share.

On 12 April 2010, issues of shares marked ISIN: CS0009011952, series 01,02 , ISIN: SK1120002110, series 01, ISIN: SK1120005527, series 01, ISIN: SK1120006061, series 01, ISIN: SK1120009156, series 01 ceased to exist and were consolidated into one issue ISIN SK1120010287.

On 28 April 2016, an ordinary general meeting of Tatry mountain resorts, a.s. was held. The general meeting decided, among other things, on the distribution of profit Tatry mountain resorts, a.s. generated in the period between 1 November 2014 and 31 October 2015 according to the statutory financial statements compiled for that accounting period according to Slovak accounting standards, in the amount of 19 ths. EUR as follows:

- Allocation to the reserve fund in amount of 1 ths. EUR
- Balance in amount of 18 ths. EUR, transfer to undistributed profit from previous periods

Shareholders have a right to the payment of dividends, and the value of share vote in the Company general meeting is determined as a ratio of the value of one share and the total value of share capital. The following table presents the Company shareholders and the number of shares, ownership interest and voting rights.

31 October 2016	Number of shares	Ownership interest %	Voting rights %
C.I.CAPITAL INDUSTRIES LIMITED	1,262,139	18.8%	18.8%
BELGOMET s.r.o.	1,030,919	15.4%	15.4%
NIKROC INVESTMENTS LIMITED	897,771	13.4%	13.4%
KEY DEE LIMITED	664,058	9.9%	9.9%
TINSEL ENTERPRISES LIMITED	635,490	9.5%	9.5%
RMSM1 LIMITED	588,166	8.8%	8.8%
Minority shareholders	1,628,655	24.3%	24.3%
Total	6,707,198	100%	100%

31 October 2016	Number of shares	Ownership Share %	Voting rights %
C.I. CAPITAL INDUSTRIES LIMITED	1 262 139	18,8%	18,8%
J&T SECURITIES MANAGEMENT LIMITED	1 048 459	15,6%	15,6%
BELGOMET, s.r.o.	1 030 919	15,4%	15,4%
KEY DEE LIMITED	664 058	9,9%	9,9%
TINSEL ENTERPISES LIMITED	635 490	9,5%	9,5%
RMSM1 LIMITED	588 166	8,8%	8,8%
Mgr. Miroslav Voštiar	472 300	7,0%	7,0%
Minority shareholders	1 005 667	15,0%	15,0%
Total	6 707 198	100%	100%

Profit / (loss) per share

	31.10.2016	31.10.2015
Profit / (loss) for the period in the. EUR	4 814	19
Weighted average number of ordinary shares	6 707 198	6 707 198
Profit / (loss) per share in EUR	0,718	0,003

27. Equity (continued)

Legal reserve fund

As at 31 October 2016, the legal reserve fund amounts to 4 449 ths. EUR (as at 31 October 2015: 4 448 ths. EUR). According to the Slovak legislation, the creation of legal reserve fund is compulsorily created on a yearly basis in the minimum amount of 10% of the Company net profit and at least up to 20% of subscribed share capital (cumulatively). The legal reserve fund can only be used for the payment of Company losses, and cannot be used for the payment of dividends. The calculation of reserve fund is made according to Slovak legal regulations.

Reduction in share capital

On 22 August 2013, an extraordinary general meeting was held, which decided on a reduction in the share capital of the Company Tatry Mountain Resorts, a.s. from 221 338 ths. EUR to 46 950 ths. EUR, i.e. by 174 388 ths. EUR. The change in the share capital became effective on 22 October 2013 as the day of making an entry of the reduction in the share capital into the respective Commercial Register. After the reduction of the Company share capital, the nominal value per share changed from original 33 EUR per share to 7 EUR per share.

Profit Distribution

For the fiscal year ended on 31 October 2016, the Company management proposes the distribution of total profit in the amount of 4 814 ths. EUR as follows:

- Allocation to the reserve fund in amount of 481 ths. EUR
- Balance in amount of 4,333 ths. EUR, transfer to undistributed profit from previous periods

28. Loans and Borrowings

<i>in TEUR</i>	31.10.2016	31.10.2015
Loans and borrowings received	42 661	40 762
Leasing	1 304	947
Total	43 965	41 709
<i>Short-term</i>	6 711	14 938
<i>Long-term</i>	37 254	26 771
Total	43 965	41 709

Loans and borrowings received as at 31 October 2016 and as at 31 October 2015 are stated in the following table:

Creditor	Interest rate type	Maturity date	Unpaid amount as at 31.10.2016 <i>in TEUR</i>
Tatra banka, akciová spoločnosť	3M EURIBOR + margin	30.9.2020	42 480
Tatra-Leasing, s.r.o.	3M EURIBOR + margin	26.3.2017	34
Tatra-Leasing, s.r.o.	3M EURIBOR + margin	17.12.2016	15
Tatra-Leasing, s.r.o.	3M EURIBOR + margin	2.2.2018	82
Heineken Slovensko a.s.	-	30.11.2018	50

28. Loans and Borrowings (continued)

Creditor	Interest rate type	Maturity date	Unpaid amount as at 31.10.2015 <i>in TEUR</i>
Tatra banka, akciová spoločnosť	1M EURIBOR + margin	31.12.2017	1 606
Tatra banka, akciová spoločnosť	3M EURIBOR + margin	30.9.2017	1 461
Tatra banka, akciová spoločnosť	1M EURIBOR + margin	31.12.2016	3 150
Tatra banka, akciová spoločnosť	3M EURIBOR + margin	30.9.2016	600
Tatra banka, akciová spoločnosť	1M EURIBOR + margin	31.12.2018	675
Tatra banka, akciová spoločnosť	1M EURIBOR + margin	30.9.2017	10 500
Tatra banka, akciová spoločnosť	1M EURIBOR + margin	31.12.2017	9 000
Tatra banka, akciová spoločnosť	3M EURIBOR + margin	30.11.2018	7 988
Tatra-Leasing, s.r.o.	3M EURIBOR + margin	26.3.2017	116
Tatra-Leasing, s.r.o.	3M EURIBOR + margin	17.12.2016	102
Tatra-Leasing, s.r.o.	3M EURIBOR + margin	2.2.2018	141
SlaskieWesoleMiasteczko Sp. Z o.o.	Margin	30.4.2016	5 422

The weighted average of interest rates for loans and borrowings as at 31 October 2016 accounted for 2.75% (as at 31 October 2015: 2.87%). The interest is due on a monthly basis. For more information, see par. 12 – Interest Income and Expense.

In the period between 1 November 2015 and 31 October 2016, the loans granted by Tatra banka, a.s. were consolidated into a single loan in a total value of 60 500 ths. EUR. The unused portion as at 31 October 2016 is 42 480 ths. EUR.

Security

The following assets were used as a security of bank loans: lots of land, technology and operating buildings of mountain lift facilities: lifts, chair-lift rope ways (hereinafter: RWs), funicular RWs, aerial RWs, gondola RWs, transformer stations, economic buildings and structures: Hotel Tri Studničky, Hotel Srdiečko, Hotel Kosodrevina, Hotel Liptov, Hotel SKI, former telecommunications building, Bungalows. All movable assets of the centres Jasná and High Tatras are put into pledge, also including trade receivables.

As at 31 October 2016, lots of land, buildings and equipment, investments in real property, inventory and receivables of 213 909 ths. EUR were used as a security of bank loans (as at 31 October 2015: in the amount of 206 731 ths. EUR).

Maturity of liabilities from financial leasing as at 31 October 2016 was as follows:

<i>in TEUR</i>	Principal	Interest	Payments
Less than 1 year	602	27	629
1 - 5 years	702	16	718
Total	1 304	43	1 347

Maturity of liabilities from financial leasing as at 31 October 2015 was as follows:

<i>in TEUR</i>	Principal	Interest	Payments
Less than 1 year	588	24	610
1 - 5 years	359	8	343
Total	947	32	953

29. Trade Liabilities

<i>in TEUR</i>	31.10.2016	31.10.2015
Trade Liabilities	6 096	5 216
Unbilled deliveries	698	589
Total	6 794	5 805
<i>Short-term</i>	6 794	5 805
<i>Long-term</i>	-	-
Total	6 794	5 805

As at 31 October 2016, overdue liabilities amounted to 689 ths. EUR (as at 31 October 2015: 641 ths. EUR).

30. Other Liabilities

<i>in TEUR</i>	31.10.2016	31.10.2015
Liabilities towards employees	2 842	1 982
Advances received	1 732	2 352
Deferred revenues	2 970	2 056
Liabilities to shareholders from reduction in share capital	218	223
Other	1 554	1 256
Total	9 316	7 869
<i>Short-term</i>	9 316	7 869
<i>Long-term</i>	-	-
Total	9 316	7 869

As at 31 October 2016, advance payments received comprise in particular of advance payments for purchase of Chalets in the amount of 18 ths. EUR (as at 31 October 2015: 1 162 ths. EUR), advance payments for apartments in Hotel Pošta in the amount of 664 ths. EUR (as at 31 October 2015: 0 ths EUR) and advance payments received for hotel stays in the amount of 1 050 ths. EUR (as at 31 October 2015: 824 ths. EUR).

As at 31 October 2016, liabilities to employees represent mainly a provision for bonuses for the fiscal year between 1 November 2015 and 31 October 2015 in the amount of 2 014 ths. EUR (as at 31 October 2015: 1 412 ths. EUR) and wage liabilities to employees in the amount of 772 ths. EUR (as at 31 October 2015: 537 ths. EUR).

As at 31 October 2016, liabilities to shareholders from reduction in share capital are in the amount of 218 ths. EUR (as at 31 October 2015: 223 ths. EUR) and contain in particular the outstanding liability from reduction in share capital are in the total amount of 174 388 ths. EUR.

As at 31 October 2016, the deferred income includes mainly the amount of 2 199 ths. EUR for accrual of ski passes sold - “Šikovná sezónka“ (as at 31 October 2015: 1 214 ths. EUR), the amount of 163 ths. EUR is rentals for the premises of J&T BANKA, a.s., a branch of a foreign bank on the premises of the Grandhotel Starý Smokovec (as at 31 October 2015: 208 ths. EUR), the amount of 87 ths. EUR is a subsidy for the Hotel Tri studničky (as at 31 October 2015: 89 ths. EUR). As at 31 October 2016, the Company did not generate sufficient reserve for discounts on purchases applied in the future. As at 31 October 2016 and 31 October 2015, the reserve for discounts on purchases was 384 ths. EUR.

As at 31 October 2016, the amount of other liabilities contains also 559 ths. EUR liabilities related to social security (as at 31 October 2015: 416 ths. EUR).

30. Other Liabilities (continued)

The creation and drawing from the social fund during the accounting period are presented in the table below:

<i>in TEUR</i>	31.10.2016	31.10.2015
Balance as at 1.11.2015 / 1.11.2014	-	-
Creation of social fund against expenses	156	87
Drawing	-135	-87
Balance as at 31.10.2016 / 31.10.2015	21	-

31. Reserves

<i>in TEUR</i>	Unused vacations	Other	Total
Opening balance as at 1.11.2015	121	24	145
Creation of provisions during the year	217	133	350
Increase from subsidiary acquisition	-	-	-
Reversal of provisions during the year	-121	-	-121
Use of provisions during the year	-	-	-
Balance as of 31.10.2016	217	157	374
	31.10.2016	31.10.2015	
<i>Short-term</i>	217	121	
<i>Long-term</i>	157	24	
Total	374	145	

32. Bonds Issued

During 2014, the Company issued two bond issues in the total nominal value of 180 000 ths. EUR, which, starting from 19 February 2014, are admitted to trading on the Bratislava Stock Exchange. Details on particular bonds are presented in the table below.

<i>in TEUR</i>									
	ISIN	Date of issue	Due date	Original currency of issue	Nominal value of issue in original currency in thousands	Interest rate p.a. in %	Effective interest rate p.a. in %	Balance as at 31.10.2016	Balance as at 31.10.2015
Name									
TMR I 4.50%/2018	SK4120009606	17.12.2013	17.12.2018	EUR	70 000	4,5	4,8	70 774	70 630
TMR II 6.00%/2021	SK4120009614	05/02/2014	05/02/2021	EUR	110 000	6,0	6,17	113 928	113 912
Total								184 702	184 542
<i>Short-term</i>								6 022	6 022
<i>Long-term</i>								178 680	178 520
Total								184 702	184 542

32. Bonds Issued (continued)

Both bonds present a book-entry security in bearer form, and their issue was approved by the National Bank of Slovakia. The liability resulting from the bond TMR II subordinate to the liability from the bond TMR I. The Company account was credited with financial resources from both of the bonds on 11 February 2014 in the total amount of 180 582 ths. EUR, including the aliquot interest income from the bond TMR I in the amount of 582 ths. EUR.

The Company undertook to achieve the value of the Senior DEBT financial indicator (excluding the TMR II bonds)/EBITDA at the level of max. 6,5 and the value of the DSCR financial indicator (including the set-off of cost against the payment of coupons from the TMR I and TMR II bonds) at the level of min.1,00.

Both of the issues are associated with regular payment of the coupon which is provided by the Company from its own resources. Payment of the coupon from the TMR II issue is only possible on an annual basis, after submitting the final audited consolidated financial statements for the previous accounting period, under which the following financial indicators will be met: (i) net profit after taxes will be higher than 1,00 EUR and at the same time (ii) the Senior DEBT financial indicator (excluding the TMR II bonds)/EBITDA at the level of max. 5.25. If the aforementioned financial indicators were not fulfilled, the coupon from the TMR II issue will be capitalised, i.e. unpaid and further bearing interest, in particular until: (i) the date of final maturity of the TMR II bonds, or (ii) the day when the aforementioned Senior DEBT financial indicator (excluding the TMR II bonds)/EBITDA is max. 3,00 (however, the DSCR contractual condition of min. 1x has to be observed).

Out of the total value of liability of 184 702 ths. EUR (as at 31 October 2015: 184 542 ths. EUR), a short-term portion amounts to 6 022 ths. EUR (as at 31 October 2015: 6 022 ths. EUR) a liability from coupon due over the course of 2016 and 2017.

Security

A right of lien was created on non-current assets of the Company, in the total amount of 80 436 ths. EUR, as the security for bonds issued. It is property which is not used as a security for other Company liabilities.

33. Data on Fair Value

The following table contains data on the book value and fair value of Company financial assets and liabilities:

<i>in TEUR</i>	Carrying value		Fair value	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Financial assets				
Loans provided (note 21)	38 584	31 396	38 418	31 305
Other receivables (note 23)	27 866	23 851	27 866	22 253
Investments in subsidiaries (note 18)	14 641	14 641	14 641	14 641
Trade receivables (note 22)	2 524	1 972	2 524	1 972
Financial investments (note 25)	2 259	385	2 259	385
Cash and Cash Equivalents (note 26)	5 946	8 064	5 946	8 064
Other assets (note 24)	129	382	129	382
Total	91 949	80 691	91 783	79 002

<i>in TEUR</i>	Carrying value		Fair value	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Financial obligations				
Loans and Borrowings (note 28)	43 965	41 709	44 512	37 587
Bonds issued (note 32)	184 702	184 542	194 385	192 724
Trade payables (note 29)	6 794	5 805	6 794	5 805
Other payables (note 30)	4 671	3 015	4 671	3 015
Total	240 132	235 071	250362	239 131

33. Data on Fair Value (continued)

As at 31 October 2016, Other receivables contain in particular an advance payment made for future acquisition, which is a company running cable ways, in the amount of 19 451 ths. EUR (as at 31 October 2015 : 19 451 ths. EUR). The Company plans to buy this company in the future. A contract is made with WEBIS, s.r.o. for a period of one year, and for this reason, the book value of advance payment made is not materially different from its fair value.

As at 31 October 2016, financial investments contain mainly a share in Korona Ziemi SP z. o. o. in the amount of 119 ths. EUR (as at 31 October 2015: 119 ths. EUR), shares of Compagnie des Alpes (SA) amounting to 64 ths. EUR (as at 31 October 2015: 64 ths. EUR) and investment in company CAREPAR, a.s. in the amount of 2 041 ths. EUR (as at 31 October 2015: 15 ths. EUR) and are posted in the fair value. As at 31 October 2016, the fair value of CAREPAR a.s. was estimated by the Company management using the discounted cash flow method, with the application of input from the business plan and of cash flow estimates. The business plan and cash flow estimates were consistently reviewed before application by Company management. The discount rate applied in the valuation of such financial assets used as at 31 October 2016 was in amount of 8.54%. The main assumptions used at valuation were the expected cash flows and the discount rate.

34. Operating Lease**Leasehold on the part of a lessee**

The Company leases lots of land on which ski runs and cable ways are built, and leases some cars based on contracts on operating lease. The most significant contracts on the lease of land are concluded for a period of 30 years with an option for additional 10 years. The most significant contracts have the notice period of 1 year.

Cost for operating lease for the period ended on 31 October 2016 shown in the profit/loss from operations amounted to 2 711 ths. EUR (for the period ended on 31 October 2015: 2 578 ths. EUR).

The amount of rent for the period in which contracts cannot be terminated, is as follows:

<i>in TEUR</i>	31.10.2016	31.10.2015
Within 1 year	2 126	1 983
From 1 year to 5 years	6 288	5 743
5 and more years	3 143	4 342
Total	11 557	12 068

35. Information on Risk Management

This section provides details of risks to which the Company is exposed, and the method of management of the risks. The Company is exposed risks in the following areas:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

The management is generally responsible for setting and control of Company risk management.

Credit Risk

The Company is exposed to this risk mainly with respect to trade receivables, lease receivables, other receivables, advance payments and loans provided. The volume of exposure to this risk is expressed as the book value of these assets in the balance sheet in case that no form of guarantees is provided. The book value of receivables, advance payments and loans provided expresses the highest possible book loss that would have been posted if the counterpart completely fails in performing its contractual obligations, and all securities and guarantees would have a zero value. Therefore, this value far exceeds the expected losses which are included in the provisions for irrecoverable debts. Before signing major contracts the Company board at regular board meetings evaluates credit risk related to counterpart. In case of identifying significant risks, the Company withdraws from signing the contract.

35. Information on Risk Management (continued)

As at 31 October 2016, the Company was exposed to the following credit risk:

<i>in TEUR</i>	Legal entities	Banks	Other financial institutions	Other	Total
Financial assets					
Loans Provided	38 448	-	-	136	38 584
Other receivables	27 595	271	-	-	27 866
Investments in Subsidiaries	14 641	-	-	-	14 641
Trade receivables	2 524	-	-	-	2 524
Financial investments	2 259	-	-	-	2 259
Cash and Cash Equivalents	-	5 933	-	13	5 946
Other Assets	-	-	4	125	129
Total	85 467	6 204	4	274	91 949

As at 31 October 2015, the Company was exposed to the following credit risk:

<i>in TEUR</i>	Legal entities	Banks	Other financial institutions	Other	Total
Financial assets					
Loans Provided	31 396	-	-	-	31 396
Other receivables	22 698	209	-	950	23 857
Investments in Subsidiaries	14 641	-	-	-	14 641
Trade receivables	1 972	-	-	-	1 972
Financial investments	385	-	-	-	385
Cash and Cash Equivalents	-	8 043	-	21	8 064
Other Assets	382	-	-	-	382
Total	71 474	8 252	-	971	80 691

Liquidity Risk

Liquidity risks arise within general financing of the Company and management of financial positions. It covers the risk of insolvency regarding the financing of assets within the agreed maturity period and at the interest rate, and also the risk of asset

management at a reasonable price within an adequate timeframe. The Company management focuses on liquidity management and monitoring. Due to liquidity management, the management changed the accounting period to a fiscal year ended on 31 October. In the first half of its accounting period, the Company has a winter season, which represents 60% of Company income. According to the trend in the first half-year, the Company can affect the side of revenues and expenses sufficiently early, so that they are able to keep sufficient liquidity. In the Vysoké Tatry centre, the seasonal nature is also balanced with a strong summer season, which ensures its more stable liquidity all year round.

The following table presents an analysis of Company financial assets and liabilities grouped by the residual maturity. The analysis presents the most prudent variant of residual maturity including interest. Therefore, for liabilities, the earliest possible repayment is reported, and for assets, the latest possible repayment is reported. Assets and liabilities which have no maturity are posted in the category “Without specification“.

35. Information on Risk Management (continued)

As at 31 October 2016, the Company was exposed to the following liquidity risk:

<i>in TEUR</i>	Carrying value	Future cash flow	Up to 3 months	3 months up to 1 year	1 year up to 5 years	Above 5 years	Without specification
Financial assets							
Loans Provided	38 584	41 461	2 844	29 951	7 856	810	-
Other receivables	27 866	271	-	271	-	-	-
Investments in Subsidiaries	14 641	14 641	-	-	-	-	14 641
Trade receivables	2 524	2 524	2 524	-	-	-	-
Financial investments	2 259	2 259	-	-	-	-	2 259
Cash and Cash Equivalents	5 946	5 946	5 946	-	-	-	-
Other Assets	129	129	129	-	-	-	-
Total	91 949	67 231	11 443	30 222	7 856	810	16 900
Financial obligations							
Loans and Borrowings	-43 965	-46 651	-1 287	-6 340	-39 024	-	-
Bonds Issued	-184 702	-220 875	-1 575	-8 175	-211 125	-	-
Trade Liabilities	-6 794	-6 794	-6 794	-	-	-	-
Other Liabilities	-4 671	-4 671	-4 671	-	-	-	-
Total	-240 132	-278 991	-14 327	-14 515	-250 149	-	-

As at 31 October 2016 the loans provided up to 1 year amount to 32 795 ths. EUR (as at 31 October 2015: 6 677 ths. EUR), a majority of which is payable on demand or by the end of April 2017. These loans will not be paid within 1 year. The Company plans to draw these funds as needed, for the purposes of financing the investment activity and acquisition. The expected drawdown of the loan provided is within 3 years.

The Book value of Other receivables contains mainly advance payments made, which are not expected to be paid in cash, but by a transfer of shares within 3 years.

The Company management plans to repay the bonds issued by the issue of new bonds.

As at 31 October 2015, the Company was exposed to the following liquidity risk:

<i>in TEUR</i>	Carrying value	Future cash flow	Up to 3 months	3 months up to 1 year	1 year up to 5 years	Above 5 years	Without specification
Financial assets							
Loans Provided	31 396	31 396	3 425	3 252	23 911	808	-
Other receivables	23 851	2 343	-	2 343	-	-	-
Investments in Subsidiaries	14 641	14 641	-	-	-	-	14 641
Trade receivables	1 972	1 972	1 972	-	-	-	-
Financial investments	385	385	-	-	-	-	385
Cash and Cash Equivalents	8 064	8 064	8 064	-	-	-	-
Other Assets	1 953	1 953	1 953	-	-	-	-
Total	82 262	60 754	15 414	5 595	23 911	808	15 026

35. Information on Risk Management (continued)**Financial obligations**

Loans and Borrowings	-41 709	-43 157	-2 274	-13 522	-27 340	-21	-
Bonds Issued	-184 542	-230 625	-1 575	-8 175	-104 275	-116 600	-
Trade Liabilities	-5 805	-5 805	-5 805	-	-	-	-
Other Liabilities	-7 869	-7 869	-7 869	-	-	-	-
Total	-239 925	-287 456	-17 523	-21 697	-131 615	-116 621	-

The Book value of Other receivables contains mainly advance payments made, which are not expected to be paid in cash, but by a transfer of shares.

Currency Risk

Due to the acquisition of subsidiaries in the Republic of Poland and due to providing a loan to and receiving a loan from these companies during 2015 and 2016, the Company is primarily exposed to the risk of changes in the exchange rate of Polish Zloty against the EUR. The management monitors regularly whether there is a large difference between foreign currency liabilities and receivables. As at 31 October 2015, the Company reported an investment in the subsidiary in the amount of 14 641 ths. EUR, and loans provided in the total amount of 9 714 ths. EUR. The other Company assets and liabilities are denominated in euro.

Secondarily, there is a risk that the weakening of the Polish Zloty or of the Russian Ruble against the EUR would lead to reducing the number of visitors from the above stated countries. The Company management is not able to reliably quantify this risk.

Sensitivity analysis

1% strengthening of the EUR against the Polish Zloty would have the following effect on the financial assets and financial liabilities of the Company:

Effect on the portfolio

<i>in TEUR</i>	2016	2015
PLN	-420	40

1% weakening of the EUR against the Polish Zloty would have an identical high but opposite effect on the financial assets and financial liabilities in comparison with strengthening.

Interest Risk

Company transactions are exposed to the risk of interest rate changes. The volume of this risk is equal to the amount of interest-bearing assets and interest-bearing liabilities, for which the interest rate differs, in the maturity period or in the period of change, from the present interest rate. Therefore, the period for which a fixed rate is determined for the financial instrument, expresses the exposure to the risk of changes in interest rates.

The table below presents Company exposure to the risk of changes in interest rates based on contractual maturity period of financial instruments.

As at 31 October 2016 and as at 31 October 2015, the Company has the following assets and liabilities linked to interest rates:

<i>in TEUR</i>	31.10.2016	31.10.2015
Fixed interest rate		
Assets	44 530	39 460
Payables	184 702	189 964
Variable interest rate		
Assets	-	-
Payables	43 915	36 287

35. Information on Risk Management (continued)

Sensitivity analysis for instruments with a variable interest rate

Change by 100 basis points in interest rates would have the following effect on the profit/loss from operations:

in TEUR

	Profit (Loss)	
	100 bb growth	100 bb decline
31.10.2016		
Instruments with variable interest rate	-439	439
Cash flow sensitivity	-439	439

in TEUR

	Profit (Loss)	
	100 bb growth	100 bb decline
31.10.2015		
Instruments with variable interest rate	-91	466
Cash flow sensitivity	-91	466

Company interest-bearing liabilities have a variable interest rate referring to EURIBOR. The Company considers the variable interest rate as the self-management of interest risk. During an economic expansion, the EURIBOR is growing, but at the same time, the population economic performance is growing, and the company has higher revenues and profits. During an economic recession, the situation is completely opposite.

Operational Risk

Operational risk is the risk of loss resulting from any fraud, unauthorised activities, failures, errors, inefficiency or failure of systems. The risk is created in all Company activities. Operational risk also includes the risk of legal disputes.

The aim of the Company is to manage the operational risk to prevent any financial losses and detriment to the Company reputation within the cost-efficiency of cost spent on achieving this objective, while avoiding any measures preventing initiatives and creativity.

The Company management has key responsibility for the implementation of inspections related to the operational risk management.

The responsibility is supported by the implementation of standards for the management of operational risk which is common for the whole Company. Operational risk is governed by a system of directives, minutes of meetings and control mechanisms. The Company has a controlling department which attempts to eliminate all operational risks through regular inspections.

The Company is also exposed to the risk of unfavourable conditions with respect to the weather. The number of visitors in the centre depends on the snow and snowfall periods. Unfavourable conditions adversely affect the number of skiers and the revenue of profit/loss from operations. Warm weather can unreasonably increase the cost of snowmaking and reduce the area where skiing is possible. Historically, the Low Tatras and the High Tatras region had on average 80cm and 85cm of snow during the winter season, respectively. The start of winter season and snow conditions affect the perception of the whole season by skiers. The Company is not able to forecast reliably in any manner the snow conditions at the beginning of winter season. Also thanks to the system of snowmaking, the snow conditions during the winter are stable each year.

36. Related Parties***Identification of related parties***

As provided in the following overview, the Company has relations of a related party with respect to its shareholders having significant influence in the Company, and with respect to other parties, as at 31 October 2016 and 31 October 2015 or during the period between 1 November 2015 and 31 October 2016 and 1 November 2014 and 31 October 2015:

- (1) Companies controlling jointly or having significant influence on the accounting entity and its subsidiary and associate companies
- (2) Jointly controlled companies in which the Company is a partner

36. Related Parties (continued)

- (3) Associates
- (4) The members of company top management or Company shareholders (see also par. 10 – Cost of staff)

Information on remuneration of key management is stated in par. 10 – Cost of staff.

Since none of the shareholders has a shareholding in the Company exceeding 20% or any significant influence, the shareholders are not provided as related parties, and the above stated transactions or balances are not understood as transactions with related parties.

The Company has the transactions provided below with respect to related parties:

<i>in TEUR</i>	Note:	Receivables	Payables	Receivables	Payables
		31.10.2016	31.10.2016	31.10.2015	31.10.2015
SzczyrkowskiOsrodekNarciarski S.A.	1	4 950	-	1 349	-
ŚlaskieWesoleMiasteczko Sp. z o. o.	2	4 796	8	-	5 422

<i>in TEUR</i>	Note:	Revenues	Costs	Revenues	Costs
		1.11.2015 - 31.10.2016	1.11.2015 - 31.10.2016	1.11.2014 - 31.10.2015	1.11.2014 - 31.10.2015
SzczyrkowskiOsrodekNarciarski S.A.	1	220	-	148	-
ŚlaskieWesoleMiasteczko Sp. z o. o.	2	118	-	40	142

¹ Szczyrkowski Osrodek Narciarski S.A. became a related party on 30 April 2014.

² Ślaskie Wesole Miasteczko Sp. z o. o. became a related party on 1 May 2015.

37. Subsequent Events

On 13 December 2016, the Company repaid the coupon from the TMR I bond in amount of 1 575 ths. EUR.

On 03 February 2017, the Company repaid the coupon from the TMR I bond in amount of 6 600 ths. EUR.

The Company opened a new cable-way (15-person car) in the centre Chopok Juh leading from Krupová to Kosodrevina.

38. Capital Commitments and Capital Management

During 2014, the Company issued two bond issues (see par. 32 – Bonds issued) in the total nominal value of 180 000 ths. EUR, which, starting from 19 February 2014, are admitted to trading on the Bratislava Stock Exchange. The Company undertook to achieve the value of the Senior DEBT financial indicator (excluding the TMR II bonds)/EBITDA at the level of max. 6,5 and the value of the DSCR financial indicator (including the set-off of cost against the payment of coupons from the TMR I and TMR II bonds) at the level of min.1,00.

38. Capital Commitments and Capital Management (continued)

Both of the issues are associated with regular payment of the coupon which is provided by the Company from its own resources. Payment of the coupon from the TMR II issue is only possible on an annual basis, after submitting the final audited consolidated financial statements for the previous accounting period, under which the following financial indicators will be met: (i) net profit after taxes will be higher than 1,00 EUR and at the same time (ii) the Senior DEBT financial indicator (excluding the TMR II bonds)/EBITDA at the level of max. 5,25. If the aforementioned financial indicators were not fulfilled, the coupon from the TMR II issue will be capitalised, i.e. unpaid and further bearing interest, in particular until: (i) the date of final maturity of the TMR II bonds, or (ii) the day when the aforementioned Senior DEBT financial indicator (excluding the TMR II bonds)/EBITDA is max. 3,00 (however, the DSCR contractual condition of min. 1x has to be observed).

The Company management proceeds to capital management in order to ensure sufficient amount of resources for planned investments in that period for which investments were planned.

Before the date of merger with the parent company, no external requirements for capital management are linked either to the Group or to its subsidiaries.

Over the course of the period between 1 November 2015 and 31 October 2016, no changes occurred in the Group management approach to capital management.

39. Contingent Assets and Contingent Liabilities

With respect to that many areas of Slovak law on taxation have not been sufficiently ascertained in practice, there is uncertainty in how tax offices will apply them. It is not possible to quantify the level of this uncertainty and it will only cease to exist when legal precedents or official interpretations of the relevant bodies are available.

On 31 October 2007, the Company signed a contract on the right of lien in an enterprise, on receivables and movables in favour of the creditor Tatra banka, joint stock company, the subject of which is a lien on liabilities for the entire scope of liabilities, which are posted in the balance sheet as at 31 October 2015 and as at 31 October 2016.

The Company has initiated several legal proceedings. The maximum amount of compensation in all legal proceedings can be up to 913 ths. EUR and accessions thereof.

Bohuš Hlavatý	Jozef Hodek	Tomáš Kimlička	Marián Vojtko
<i>The Chairman of the Board of Directors</i>	<i>Member of the Board of Directors</i>	<i>Person responsible for the compilation of Statements</i>	<i>Person responsible for bookkeeping</i>

Independent Auditor’s Report



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Translation of the statutory Auditor’s Report originally prepared in Slovak language

Independent Auditor’s Report

To the Shareholders, Supervisory Board and Board of Directors of Tatry mountain resorts, a.s.:

We have audited the accompanying individual financial statements of Tatry mountain resorts, a.s. (“the Company”), which comprise the individual statement of financial position as at 31 October 2016, the individual statements of profit or loss and other comprehensive income, the individual statement of changes in equity and the individual statement of cash flows for the year ended 31 October 2016, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

Management as represented by the statutory body is responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation of the financial statements that give a true and fair view 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditor’s Report




Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 October 2016, and of its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards as adopted by the European Union.

24 February 2017
Bratislava, Slovak Republic

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96




Responsible auditor:
Ing. Richard Farkaš, PhD.
License SKAU No. 406

Report on Audit of Consistency



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Report on Audit of Consistency
of the annual report with the individual financial statements pursuant to Article 23 (5)
of Act No. 540/2007 Coll. on Auditors, Audit and Oversight of Audit

(Translation)

To the shareholders, the Supervisory Board, and the Board of Directors of the company Tatry mountain resorts, a.s.:

We have audited the individual financial statements of Tatry mountain resorts, a.s. as of 31 October 2016, presented in appendix to the annual report. We have issued an independent auditor's report on the individual financial statements on 24 February 2017 with the following wording:

Independent Auditor’s Report

To the Shareholders, Supervisory Board and Board of Directors of Tatry mountain resorts, a.s.:

We have audited the accompanying individual financial statements of Tatry mountain resorts, a.s. (“the Company”), which comprise the individual statement of financial position as at 31 October 2016, the individual statements of profit or loss and other comprehensive income, the individual statement of changes in equity and the individual statement of cash flows for the year ended 31 October 2016, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

Management as represented by the statutory body is responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Report on Audit of Consistency



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 October 2016, and of its financial performance and its cash flows for the year ended 31 October 2016 in accordance with International Financial Reporting Standards as adopted by the European Union.

24 February 2017
Bratislava, Slovak Republic

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96

Responsible auditor:
Ing. Richard Farkaš, PhD.
License SKAU No. 406

Report on the Audit of Consistency of the annual report with the individual financial statements

We have audited the consistency of the annual report with the individual financial statements in accordance with the Act on Accounting.

The accuracy of the annual report is the responsibility of the company's management. Our responsibility is to audit the consistency of the annual report with the individual financial statements, based on which we are required to issue an appendix to the auditor's report on the consistency of the annual report with the individual financial statements.

Report on Audit of Consistency



We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the information presented in the annual report, subject to presentation in the individual financial statements, is consistent, in all material respects, with the relevant individual financial statements.

We have reviewed the consistency of the information presented in the annual report with the information presented in the individual financial statements as of 31 October 2016. We have not audited any data or information other than the accounting information obtained from the financial statements and accounting books. We believe that the audit performed provides a sufficient and appropriate basis for our opinion.

In our opinion, the accounting information presented in the annual report is consistent, in all material respects, with the individual financial statements as of 31 October 2016, presented in appendix to the annual report.

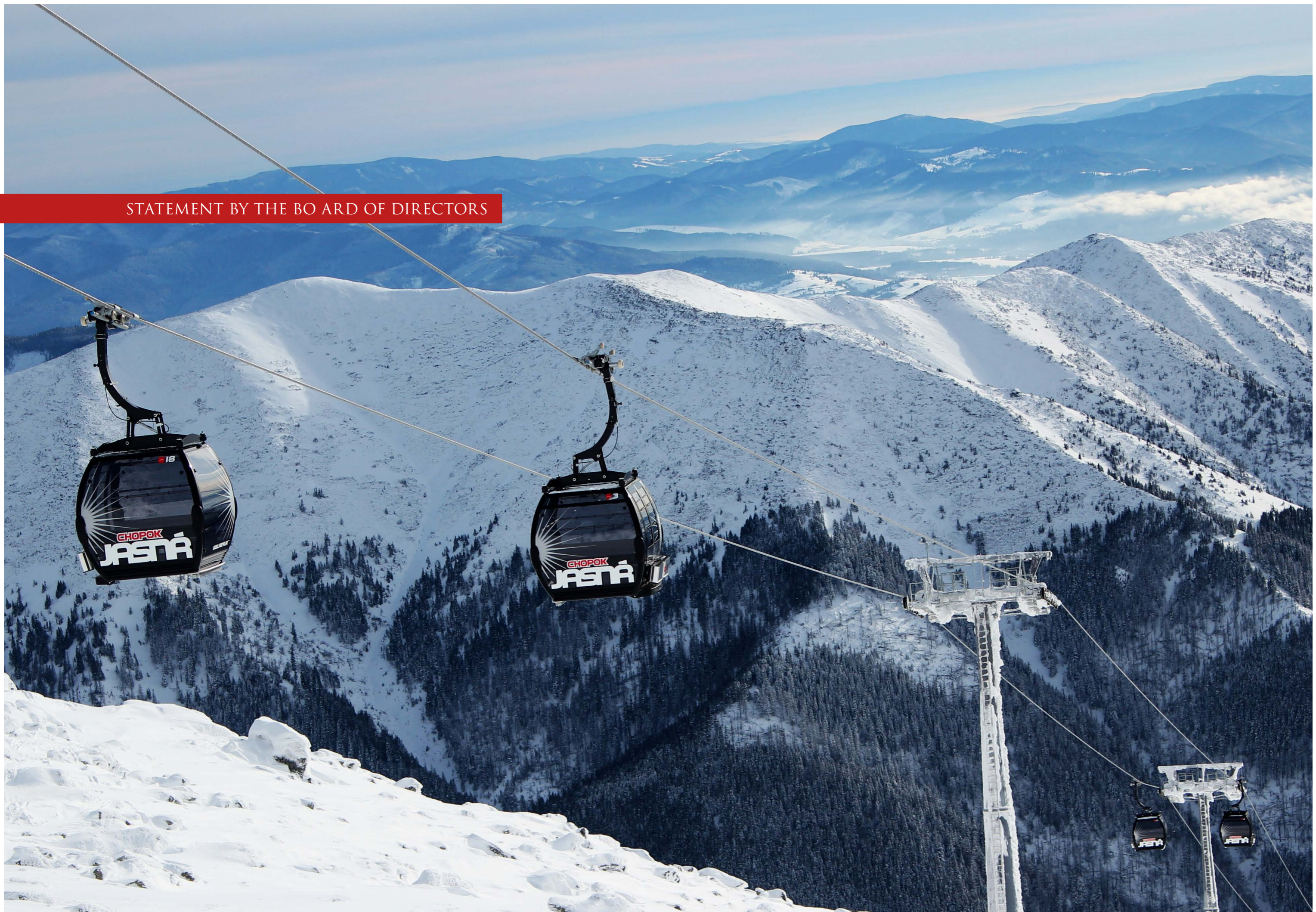
24 February 2017
Bratislava, Slovak Republic

Audit firm:
KPMG Slovensko spol. s r. o.
License SKAU No. 96



Responsible auditor:
Ing. Richard Farkaš, PhD
License SKAU č. 406

STATEMENT BY THE BOARD OF DIRECTORS



Statement by the Board of Directors

The Board of Directors of Tatry mountain resorts, a.s. hereby states that according to its best knowledge Annual Report, Consolidated Financial Statements, and Separate Financial Statements have been prepared in accordance with relevant regulations, and they present a true and accurate description of assets, liabilities, financial situation, and comprehensive results of the Group (Tatry mountain resorts, a.s. and its subsidiaries). The Board further states that Annual Report contains a true and accurate review of performance, operating results, and position of the Group, as well as an explanation of key risks and uncertainty factors that the Group faces.

Demänovská Dolina, February 25, 2017


Bohuš Hlavatý

Chairman of the Board of Directors, CEO


Jozef Hodek

Member of the Board of Directors, CFO



TATRY MOUNTAIN RESORTS, a.s.
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Photo: Marek Hajkovský