

# ANNUAL REPORT

2017/2018



Annual Report of Tatry mountain resorts, a.s.  
and its subsidiaries as of 31/10/2018

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# Commentary from CEO



**Ing. Bohuš Hlavatý**  
CEO and Chairman of the Board of Directors  
Tatra mountain resorts, a. s.

Dear Shareholders, Dear Fans of Mountains,

We have had another successful year. As a result of a historically most successful winter season in the financial year 2017/18 we are reporting an almost 13% growth in revenues and EBITDA growth of 8.6%. Net consolidated profit amounted to 3.1 million euros.

Thanks to the ideal snow conditions, the winter 2017/18 was again very strong, reflecting the higher visitor numbers of the mountain resorts and the overall growth of consolidated revenues for the financial year, which reached the record level of EUR 108 million. Organic sales growth in individual resorts is complemented by revenues of the Czech Skiareal Ještěd, which we have been renting and operating since December 2017. Investments in Szczyrk, Poland, have also had a significant impact on the increase in sales, thanks to which we have attracted a record number of guests on the slopes of this resort. TMR hotels have been traditionally fully occupied during peak periods. The visit rate during the summer season was somewhat negatively affected by the weather. Growth was recorded especially in Legendia, which attracted visitors thanks to a number of new unique attractions.

Group operating profit before depreciation - EBITDA - reached EUR 34.2 million. However, due to higher wage costs, despite the increase in sales, the Group's operating efficiency measured by EBITDA margin slightly decreased to 31.6%. Due to higher depreciation and financing costs, consolidated net profit fell by 58% year-over-year.

The reported results reflect our intensive CAPEX policy. Over the past twelve years, we have invested over EUR 340 million in the development and modernization of our resorts. In the financial year 2017/18, we invested approximately EUR 54 million, out of which about 17 million had been spent in the Slovak resorts. Among other projects they included renovation of rooms in Granhotel Starý Smokovec. Significant capital expenditures in Jasná went into the initial phases of the project of a new gondola between Biela Púť and Priehyba. We have also invested heavily in Polish Szczyrk again.

Except for the extensive investments and newly modernized resorts, we also managed to provide a varied offer of fun events and services that were popular among all age groups, from skiing enthusiasts to families with children. The season was a breakthrough thanks to the implementation of the new self-service ticket machines - GOPASS Points, which extended options to purchase a discounted ski pass directly in the resort. The Smart Season Pass with its variations was again the season's number one hit. Summer season also saw many interesting events and launches. In Tatralandia, for example, we launched the largest type of Turbulence slide in Central Europe. Thanks to the growing attractions and the exciting program we prepare for our guests, our loyalty client program GOPASS has grown to nearly 1.18 million members and we believe that we will continue in positive growth trends also in the next financial year.

In terms of expanding our operations, we want to further develop our business in the golf segment as well. Since November 2018 we have been renting the Golf & Ski Resort Ostravice, with a contract for 20 years, and in January 2019 we made an agreement to rent Kaskáda Golf Resort Brno where we will oversee the operations of the hotel, restaurant and congress center. In the midterm, we plan to add a large Alpine resort into our portfolio, which our clients could use within the GOPASS program. The first step towards this goal is a marketing cooperation with the Austrian Mölltaler Gletcherbahnen Gesellschaft. Thanks to these plans we are optimistic about the further growth of our Group, which can indeed be considered a true leader of mountain tourism and leisure industry in Central Eastern Europe.

  
Bohuš Hlavatý

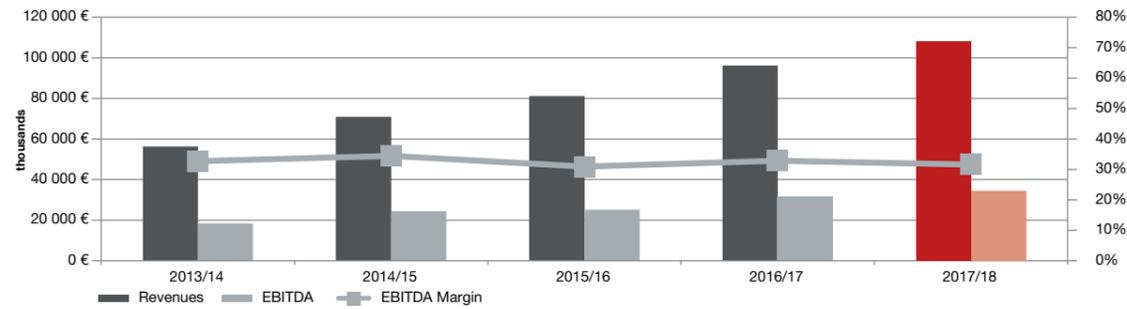
OPERATIONS REVIEW



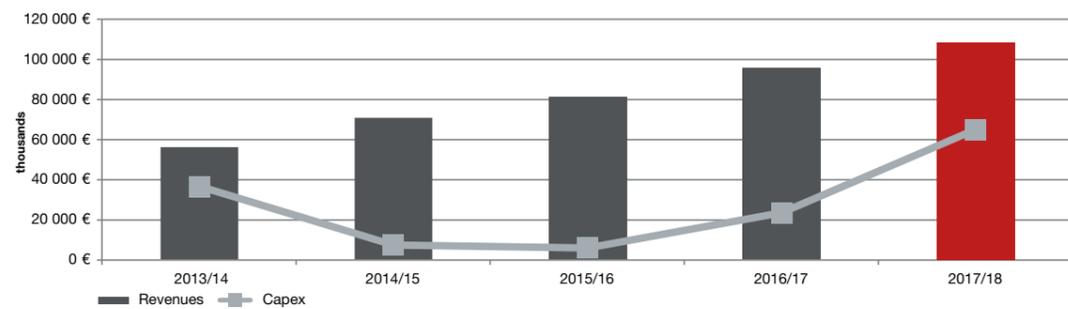
# Consolidated Financial Highlights

in €'000 unless specified otherwise	2017/18	2016/17	2015/16	2014/15	2013/14
Revenues	108 249	95 910	81 202	70 915	56 309
EBITDA	34 240	31 516	25 111	24 410	18 411
EBIT	19 291	17 688	12 075	11 112	5 094
Net Income	3 144	6 990	2 746	-751	683
CAPEX	53 887	65 058	23 625	6 000	7 500
No. of employees	1 402	1 289	1 095	804	1 018
Earnings per share (EUR)	0.48	1,10	0,46	-0,10	0,10
Hotel Occupancy (%)	62.7	56,6	56,5	54,6	51,2
Avg. Daily Rate per Room (EUR)	80.1	71,3	65,4	62,4	61,1
Visit Rate Mountain Resorts ('000)	2 706	2 287	2 121	1 930	1 512
Visit Rate Leisure Parks ('000)	907	855	784	777	598
EBITDA (%)	31.6	32,9	30,9	34,4	32,7
EBIT (%)	17.8	18,4	14,9	15,7	9,0
Equity	113 836	113 149	106 003	103 331	102 312
Debt/Equity (%)	311.1	246,9	216,8	215,3	223,0
Debt/Capital (%)	75.7	71,2	68,4	68,3	69,0
Debt/EBITDA	10.4	8,9	9,2	9,1	12,4
Total assets	521 684	437 972	375 701	360 921	359 619

## Key Operating Results



## Revenues vs. CAPEX



## TMR in Numbers

**6** resorts\*

**3,6** mil. guests + 15%

**4** mountain resorts

**2** leisure parks

**2.7** mil. skier days + 18%

**907** ths. guests + 6%

**12** own / managed hotels

**63 %** occupancy + 11%

**€ 80** ADR + 12%

Group Revenues **€ 108,2** mil. + 13%

Group EBITDA **€ 34,2** mil. + 9%

Group Net Profit **€ 3,1** mil. - 55%

FTE **1 402**

Total assets **€ 522** mil.

CAPEX **€ 54** mil.

Total Equity **€ 114** mil.

\* as of 31/10/2018

# 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).

## 2017

- On November 30, 2017 TMR made an agreement with the Czech town of Liberec to rent the sports center Ještěd for 10 years with the option of another 10 years. TMR officially took over the sports and ski resort Ještěd in December 2017, when it also launched its first winter season there.

# 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 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 stores and ancillary services in the resorts. In terms of revenue breakdown, the largest share comes from sale of ski passes and cableway tickets in the mountain resorts (42%) and from accommodation services in the hotels that TMR owns and/or runs (23%). Additional revenues come from ticket sale in the leisure parks (11%), and from ancillary services provided by the dining facilities on the slopes and in the leisure parks (15%) and sports and souvenir stores, rentals, and ski schools (6%). In addition to the mentioned business activities TMR conducts its business activities in real estate, revenues of which are generated mainly from lease of accommodation facilities and sale of apartments (3%). TMR runs all its operations in regions of the High and Low Tatras in Slovakia, in the Polish Beskids and Silesia, and in the Czech Krkonoše Mountains.

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 Pošta\*\*\*\*, 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.

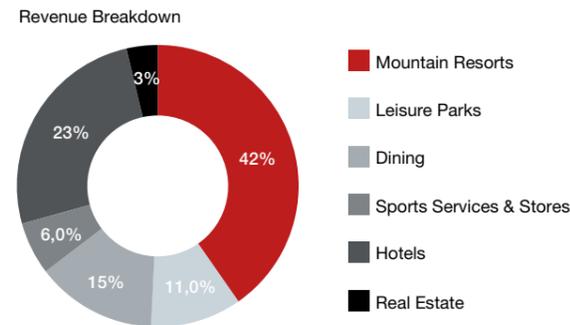
In the High Tatras TMR owns and runs resorts Vysoké Tatry - Tatranská Lomnica and Starý Smokovec, and the ski area Štrbské Pleso, which TMR co-manages. In the High Tatras TMR also owns hotels Grandhotel Praha\*\*\*\* Tatranská Lomnica, Grandhotel\*\*\*\* Starý Smokovec, Hotel FIS\*\*\* at Štrbské pleso,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

Since December 2017 TMR rents and operates a Czech ski center Ještěd. As of the end of FY 2017/18 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 97.6% in the mountain resort Szczyrkowski Ośrodek Narciarski S.A. (Szczyrk); and a 75% share in Legendia - Silesian Amusement Park (Śląskie Wesołe Miasteczko).

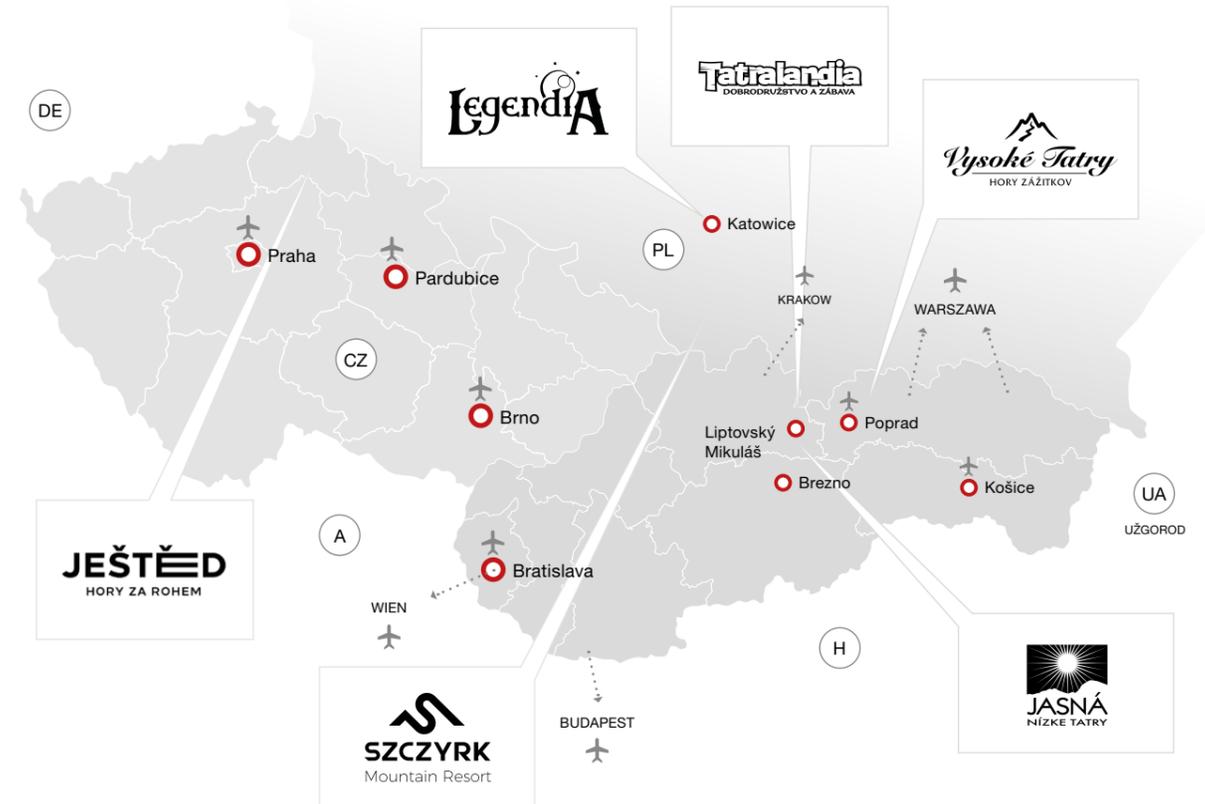
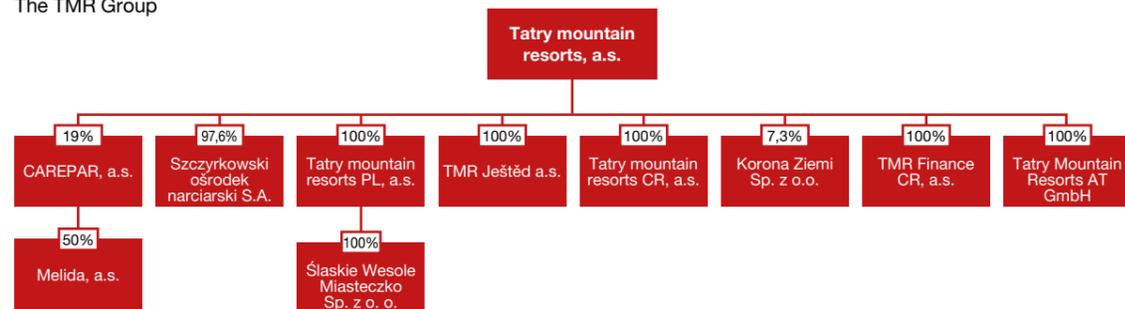
Moreover, companies Tatry mountain resorts PL, a.s., Tatry mountain resorts CR, a.s. and Tatry mountain resorts AT, GmbH were established with the purpose of further possible expansion on foreign markets. A new 100% subsidiary of TMR in the Czech Republic, TMR Finance ČR, a.s. was established in relation to a bond issue on the Czech market.

## Business Segments of TMR

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



## The TMR Group



### 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, 17 km of snowmaking
- 20 cableways and lifts
- Max. transportation capacity 21,385 persons/hour
- Hotels - Grandhotel Praha\*\*\*\* Tatranská Lomnica, Grandhotel\*\*\*\* Starý Smokovec, Hotel FIS\*\*\* Štrbské Pleso, Mountain hotel Hrebienok, Hotel Kukučka\*\*\*\*

### 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
- 50 km of ski trails, 35.5 km of snowmaking
- 27 cableways and lifts
- Max. transportation capacity 31,784 persons/hour
- Hotels - Hotel Tri Studničky\*\*\*\*, Hotel Grand Jasná\*\*\*\*, Chalets Jasná de Luxe\*\*\*\* and Hotel Srdiečko\*\*, Hotel Rotunda, Hotel Pošta\*\*\*\*
- Real Estate - lease out of hotels Liptov\*\*, Hotel SKI & FUN\*\*, Kosodrevina Lodge, lodging facility Otopné, sale of Chalets Jasná Otopné, sale of apartments in Hotel Pošta, Jasná Center

### Mountain Resort SZCZYRK MOUNTAIN RESORT (Szczyrk)

- 40 km of ski trails, 22 km with snowmaking, 5km of lit-up trails
- 12 cableways and lifts
- Max. transportation capacity: 22,000 persons/ hour
- Location - Silesia Voivodship, the Beskids, PL

### Mountain Resort SKIAREAL JEŠTĚD

- A ski resort in a close proximity of the city of Liberec, within a short driving distance from Prague
- More than 9km of slopes
- 9 ski lifts and cableways

### LEGENDIA - SILESIA AMUSEMENT PARK (Legendia, ŚLĄSKIE WESOŁE MIASTECZKO)

- The largest and oldest leisure park in Poland
- The 40-meter high roller coaster - Lech Coaster - with 4 inversion curves
- 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
- 28 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, Hurricane Factory wind tunnel, the metal miniature park Tatrapolis
- Real Estate - sale of apartments in Holiday Village Tatralandia
- Location - Liptov Region, SK

## 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 Szczyrk Mountain Resort. The resorts currently offer approximately 100 km of trails with transport capacity 75 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%. Regarding the activities on the Czech market, in November 2017 TMR also made an agreement with the Czech town of Liberec to rent the sports center Ještěd for 10 years with the option of another 10 years. TMR officially took over the sports and ski resort Ještěd on December 22, when it also launched its first winter season there.

The main segment also includes the Leisure Parks subsegment - Aquapark Tatrlandia and Legendia - 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. Lomnické sedlo (2,196 m a.s.l.) is a trail only with natural snow, and besides advanced skiers it is popular among free riders. The resort is equipped with modern snowmaking system, which reaches the highest point of the Esíčka trail at Skalnaté Lake. 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 - Tatra 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%.

##### 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 Lake 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 Lake 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 Lake 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 and sledging on 2.5 km long sledging track. 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. Attractions made of ice - Tatra Ice Dome and ice sculptures at Hrebienok - are quite popular, as well.

##### Summer Season

In the summer the resort offers attractions like summer tubing, 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. 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, in 2008 the boating on the lake with a more than 130-year old tradition was allowed to restart. There are 11 wooden boats and one sports raft anchored to a newly built pier overlooking the Tatra peaks. Orlíkovo 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

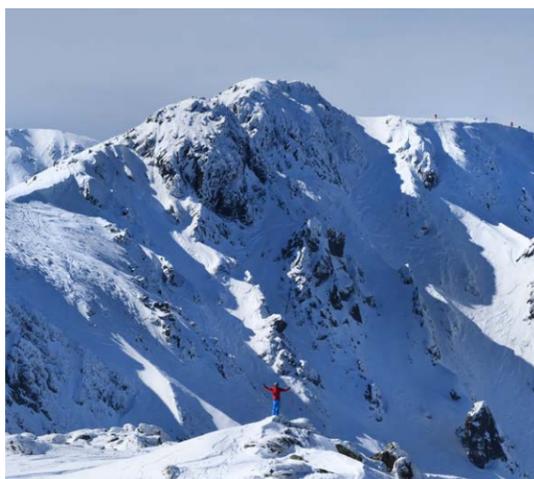
There are eight cableways altogether, out of which there are three chairlifts, four lifts, and one moving belt with a total length of 4,964 meters in the resort. Their maximum transport capacity is 7,020 persons per hour. Two cableways are used to transport visitors towards Solisko station (1,840 m a.s.l.), 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 approximately 50 km of ski trails. On 35.5 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 20,235 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 27 cableways and lifts with a total transport capacity of 31,784 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.

The connection from the south side is provided by a cabin cableway - Doppelmayr 15-MGD gondola. 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.

The connection to the bottom station of Funitel is provided by another novelty in Slovakia, the skew lift Twinliner 50-SSB by 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 at the 2 m/s speed. 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 used for the first time in mountain conditions in Slovakia in the winter season 2012/13, and the 15-seat gondola is also the first one with its special design.

#### **SZCZYRK MOUNTAIN RESORT (SZCZYRK)**

Szczyrk 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. There are 44 km of ski trails in total, out of which 22 km is with a snowmaking. There are 12 cableways and lifts available. The longest trail is 5.3 km long. The maximum transport capacity is 22,000 persons per hour. TMR has been gradually modernizing and expanding the resort.

#### SKIAREAL JEŠTĚD

On November 30, 2017 TMR made an agreement with the Czech town of Liberec to rent the sports center Ještěd for 10 years with the option of another 10 years. TMR officially took over the sports and ski resort Ještěd in December 2017, when it also launched its first winter season there. The ski resort is located in a close proximity of Liberec and is within a short driving distance from Prague. There are more than 9 km of slopes, 4 cablecars and 5 lifts in the resort.

#### ■ 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 - 888 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.

##### Retro Station Restaurant - 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 homemade hamburgers and a wide range of beverages.

##### Restaurant Slalom - Štrbské Pleso 1,400 m 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.

##### Bivac Pizza - Solisko 1,840 m 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.

##### HUMNO Restaurant & Music Pub - Tatranská Lomnica

A unique multipurpose facility with services of an après-ski bar, a culinary restaurant, a cocktail bar, and a disco club.

#### JASNÁ NÍZKE TATRY:

##### Happy End Restaurant - Biela Púť 1,117 m a.s.l.

A stylish mountain 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 - 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.

Crystal 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 - Priebyba 1,349 m a.s.l. - new après-ski bar at Priebyba, 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 - 1,028 m a.s.l., Biela Púť, Happy End - 1,117 m a.s.l., the après-ski bar Lúčky - 943 m a.s.l., and après-ski bar Krupová - 1,084 m a.s.l. are the natural gateways to the ski resorts.

#### 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.

#### Angus Restaurant - Biela Púť 1,117 m a.s.l.

A new luxury restaurant in Hotel Pošta\*\*\*\* inspired by American cuisine, located right in the center of Jasná. The a la carte menu offers steaks and dishes made of local ingredients. The extraordinary interior completes cozy ambiance.

#### 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 24-seat bar located among four pools with clear and sea water with a wide range of tropical mixed drinks and fresh lemonades.

##### Zbojnická 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.

##### Tiki Bar

This joint with the view of the surfing wave offers refreshing mixed drinks, juicy cocktails and a wide selection of ice cream flavors.

##### Hurricane Bar

The quirky Hurricane Bar offers a wide selection of beverages right at the free fall simulator Hurricane Factory Tatralandia.

##### 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.

#### LEGENDIA:

##### Old Town Cafe

A café at the entrance, offering high-quality coffee, fresh desserts, sandwiches, and croissants.

##### Ice Dream

A dream come true for all lovers of icy delicacies, ice creams and sorbets.

##### Crunchy Bite, Old Mine Tavern, Marina Snacks, Pod

Dębem, Fritek, Sweet Refreshments and snacks in Legendia, offering sandwiches, hamburgers, and Belgian fries.

##### Oberża Lecha

A restaurant offering a wide choice of Polish dishes.

### Pizza & Pasta

Perfect for fans of Italian dishes, pizza and pasta.

### SZCZYRK:

There are four dining facilities including Après-ski bar and Bistro pod Gondolą.

### ■ 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 Outlet Slovakia; one in Starý Smokovec in the building of railway station- Shop & Rental Starý Smokovec; Shop Hrebienok at the exit station of the funicular at Hrebienok; and two in Štrbské Pleso - Intersport Rent and Vist Fashion Štrbské Pleso.

In Jasná Nízke Tatry Tatra Motion stores are located at Biela Púť and include Shop, Rental, Central Shop, and Souvenir Shop Priehyba. At Záhradky there is Tatra Motion Shop & Ticket Záhradky. The stores also include 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 Vökl Lúčky and Outlet Demänová.

In Aquapark Tatralandia there are stores offering souvenirs

and specialized summer and sports merchandise - Paradiso Shop, Aquashop, Exit Shop, Tatra Motion Shop, Coqui Shop, and Darčekovo in Tatrapolis. FITBAR in Liptov Arena is a mix of a sports store and a sports refreshments stall.

Visitors of Legandia - Silesian Amusement Park can shop for souvenirs and gifts in: Kowalski's Store, Candy Shop, Diamond River Gifts, and Skarbcu Lecha.

### ■ 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 28 waterslides, out of which ten are all-year and four 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. In 2017 Tatrapolis - a park with metal miniatures of world-famous structures, was added in Tatralandia.

#### LEGENDIA - SILESIA 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). A 40-meter high roller coaster - Lech Coaster is the park's most popular attraction. There are 50 attractions in the park. TMR owns a 75% share of the park and has been operating it since May 2015.

## II. HOTELS

Within the Company, TMR in its hotel segment currently owns and operates a portfolio of eleven renowned hotels and lodging facilities in the High and Low Tatras, in categories ranging up to four stars. 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. During FY 2016/17 the hotel's rooms underwent a renovation in the 'Classic' style.

#### 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 and offers newly renovated rooms. 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 summer operation and a unique location at the foothill of Slavkovsky Peak in the tourist trails hub at Hrebienok. The hotel is accessible from Starý 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.

#### Hotel Kukučka\*\*\*\*

45 rooms, 170 beds

Since the end of 2016 TMR has been leasing and managing 45 rooms in the hotel and residences Kukučka for private owners, mainly rooms of the LUX type and suites. TMR also operates the hotel restaurant. Hotel Kukučka with its great location underneath Lomnický Peak is close to ski slopes in the mountain resort Vysoké Tatry - Tatranská Lomnica. Hiking trails, cableways, and the restaurant Humno Music Pub are accessible only a few meters from the hotel. The whole hotel resort is divided into 4 buildings. In the main building there are 2-bedroom rooms and suites; in the residences there are 1- and 2-bedroom suites available for



guests. Wide hotel services satisfy even the individual needs of a higher-end client, as well as families with children.

#### 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.

**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.

**Hotel Pošta\*\*\*\***

31 rooms, 72 beds

The new Hotel Pošta located in the heart of Jasná offering 24 design deluxe rooms, 7 spacious apartments, a cozy boutique wellness center, culinary restaurant Angus, own cosmetics brand Tatra Wellness Elixír, baby and dog sitting, daily newspapers, shoes cleaning, concierge services, and much more.



**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 Otopné (14 apartments) 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.

### III. REAL ESTATE

The goal of this segment is to build infrastructure and buildings 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. In the past years another phase of the Chalets Jasná de Luxe Center project was completed and further construction is still ongoing. At the same time development of the project Jasná Center is also still ongoing. 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 plans its real estate projects mostly 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 Otopné in Jasná. TMR has also been offering bungalows in Holiday Village Tatralandia for sale. Revenues from the Real Estate segment come mainly from the hotel leases, from sale of bungalows Holiday Village Tatralandia and sale of apartments Chalets Jasná de Luxe.

**Chalets Jasná de Luxe**

A collection of Chalets Jasná de Luxe is located in two locations in Jasná - Jasná Centrum and Jasná Záhradky. 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.

**Jasná Center**

The first phase of the project Jasná Center, which was finalized at the end of FY 2016/17, includes a two-story building with a complete service center for visitors. There is the central dispatching with an info center and a customer service department, cash registers, ski school Maxiland, a self-service ski depot, a souvenir shop, and the luxury Crystal Bar with a view of Mt. Chopok and with a sundeck. Escalators provide a comfortable transfer for skiers from parking lots to ski trails.

# 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 Group 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 and due to a long history and significant local brands of the resorts in Poland and Czech. This advantage predetermines them to be premier tourist destinations in Central and Eastern Europe. Besides the attractive mountain environment and the resorts' history, the following facts form the competitive advantage for TMR:

- Through its loyalty program GOPASS the Group is able to build and sustain a wide client base in Slovakia, Poland, and Czech during both the winter and summer season.
- There are 64 million people living in TMR's key target countries within the CEE region, and their economic power and leisure spending has been increasing from year to year.
- 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 has years of experiences and know-how in operation of mountain resorts, leisure parks, and ancillary tourist services, as well as in building capital-intensive infrastructure.
- TMR's business model is well diversified with revenue generation from mountain resorts, leisure parks, hotels and complementary services.
- The size of the Group and its years of experiences and success enables an easier access to capital
- 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 Group is to maintain its leading role in winter and summer tourism in the region of Central and Eastern Europe and use this position to gradually enter new European markets. 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 Group 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 Group's direction. This goal is based on three pillars, which are highly interconnected:

### PILLAR 1: INCREASING QUALITY WITH INVESTMENTS

By the end of 2018, for the last 12 years TMR had invested in its resorts and hotels almost 340 million euros. As a result of these investments, the services provided by TMR in the High and Low Tatras, in Polish Szczyrk and Legendia improved significantly. TMR Slovak resorts thus reached the level of alpine resorts and increased their leading position in the region.

During 2018 TMR invested approximately 40 million euros in its resorts. Out of this amount, 17 million euros had been invested in the Slovak resorts. Significant capital expenditures in Jasná covered the initial phases of the project of a new gondola between Biela Púť and Priehyba and a new ski track with snowmaking facilities in Luková - Otupné. Furthermore, some rooms in Hotel Srdiečko had been renovated and the Koliba - Vyhliadka

Restaurant had been reconstructed. In Vysoké Tatry TMR completed the project of rooms' renovation in Grandhotel Starý Smokovec; increased the capacity of the Panorama Restaurant at Skalnaté Pleso; and modernized the restaurant of the mountain chalet Hrebienok. Investments in Tatralandia had been mainly directed into completion of two new gigantic toboggans for families with children. However, smaller projects were also undertaken, including a complete renovation of 10 apartments in Holiday Village Tatralandia. Investments in the Szczyrk resort had been directed mainly into infrastructure. As part of the second phase of modernization, TMR invested almost 17 million euros into snowmaking facilities and new ski lifts. Key investments also included a new 6-person gondola and a number of new F&B outlets. TMR also invested more than 6 million euros into the Silesian Amusement Park Legendia. The attractions include a new year-round ride called Interactive Dark Ride Bazilišek. Other capex covered F&B outlets renovation and central parking area extension.

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 last acquired assets, TMR plans to get the Polish Szczyrk resort to the level of its Tatra resorts. Further investments are also planned for the Polish amusement park, Legendia.

### PILLAR 2: STRATEGIC ACQUISITIONS AND EXPANSION

In the next couple of years TMR plans to further concentrate on development of strategic cooperations and acquisitions. 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, which is included in the GOPASS loyalty program. In November of 2017 TMR made an agreement with the Czech town of Liberec for TMR to rent and operate the ski resort Ještěd. TMR plans to develop the potential of this unique city ski resort via future investments. TMR also wants to expand its business activities in Czech by entering a new segment - golf. Since November 2018 TMR has been renting Golf & Ski Resort Ostravice and in January 2018 it started managing Kaskáda Golf Resort Brno. The Ostravice contract has been signed for 20 years and the Kaskáda contract, based on which TMR will be managing the resort's hotel, restaurant and a congress center, has been signed for 12 years. In the mid-term horizon TMR plans to broaden its portfolio with a major alpine resort, which would be easily accessible for TMR clients, sufficiently large (over 100 km of ski trails), and included

in the GOPASS program. The first step towards fulfilling this goal is a new marketing cooperation with an Austrian glacier resort, Mölltaler Gletscherbahnen Gesellschaft. The agreement enables TMR to sell ski passes to the ski resort of Mölltaler Gletscher and its affiliated resort of Ankogel - Mallnitz via the online GOPASS program, starting in November 2018.

### 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 in the recent years included 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 Group 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 program of the year in the travel sector (airlines, hotels, destinations); the Best loyalty program of the year in Central and Eastern Europe; and the Best Customer Relationship Management (CRM) in a loyalty program 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.

CAPEX	ACQUISITIONS	QUALITY
<ul style="list-style-type: none"> <li>■ Almost 340 million euros over 12 years</li> <li>■ New modern cableways and infrastructure</li> <li>■ Renovated hotels</li> <li>■ Larger, modernised resorts</li> </ul>	<ul style="list-style-type: none"> <li>■ Aquapark Tatralandia</li> <li>■ Špindlerův Mlýn, CR (9,5%)</li> <li>■ Mountain resort Szczyrk, PL</li> <li>■ Leisure Park Legendia ,PL</li> <li>■ Planned acquisition of a resort in Austrian Alps</li> <li>■ Commercial and marketing cooperations</li> <li>■ Management of resorts for the third parties</li> </ul>	<ul style="list-style-type: none"> <li>■ Better experiences for visitors as a result of synergies</li> <li>■ Trendsetter in the mountain tourism and leisure in the region</li> <li>■ GOPASS loyalty program</li> <li>■ Innovations</li> </ul>

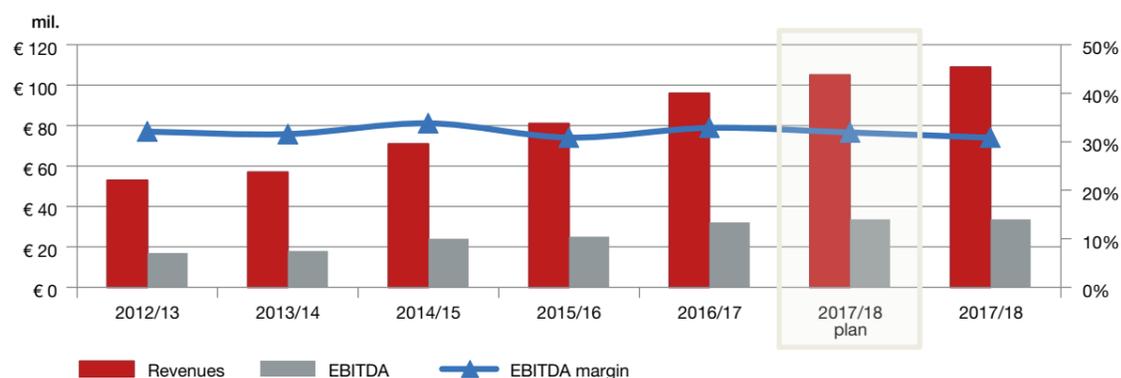
**FINANCIAL GOALS**

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

The short term goal for 2017/18 included a growth in operating revenues of 9.5% (EUR 105 mil.) and a growth in EBITDA of 6.3% (EUR 33.5 mil). This financial plan was introduced at the Annual General Meeting on April

18, 2018. In the fiscal year 2017/18 TMR concluded the year with revenues of almost 4% over the plan, whereas EBITDA (earnings before interest, taxes, depreciation and amortization) was just 2% higher than planned.

**Plan vs. Actual Results**



**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 Group 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 Group also divided potential target groups into the following categories:

- affluent clients
- mainstream
- low-cost clients

The main marketing goals of the Group 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. At the same time the Group has been observing a 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 Group's marketing include building of the TMR brand awareness by constant communication of image, integrated product communication with the TMR brand, setting communication of the Group and all brands that the Group 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 IN SLOVAKIA**

The Group 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 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, Rádio Vlna). 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 News and Media Holding publishing house, but mainly in the weekly Plus 7 dní. 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. 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](http://www.tmr.sk), [www.gotatry.sk](http://www.gotatry.sk), or via the e-shop [www.gopass.sk](http://www.gopass.sk). In Poland TMR communicates via the

Szczyrk resort's website [www.szczyrkowski.pl](http://www.szczyrkowski.pl) and via [www.legendia.pl](http://www.legendia.pl). All TMR hotels communicate with their clients also via a unified website [www.tmrhotels.sk](http://www.tmrhotels.sk). The mobile app, GOPASS, 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 15.3% in the Slovak resorts.

The Group uses social networks for communicating with clients on a daily basis. In the Group'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, Legendia, 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, 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, Mountain Lodge Hrebienok, Hotel Pošta, Chalets Jasná de Luxe, FUN ZONE Jasná, and others. For marketing purposes the Group also utilizes social networks Twitter, LinkedIn, Instagram, or a YouTube channel.

The Group'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.

#### DIRECT MARKETING

TMR is currently actively using Direct Marketing also in the GOPASS program. As of the end of the fiscal year, 1.18 million members in total were registered in the program, whilst during the year almost half a million new members joined it. In the online sale during April through the end of October 2018 more than 60% of all the "Smart Pass" tickets have been sold via GOPASS. More than 21% of all the revenues in 2017/18 were realized online using the GOPASS platform.

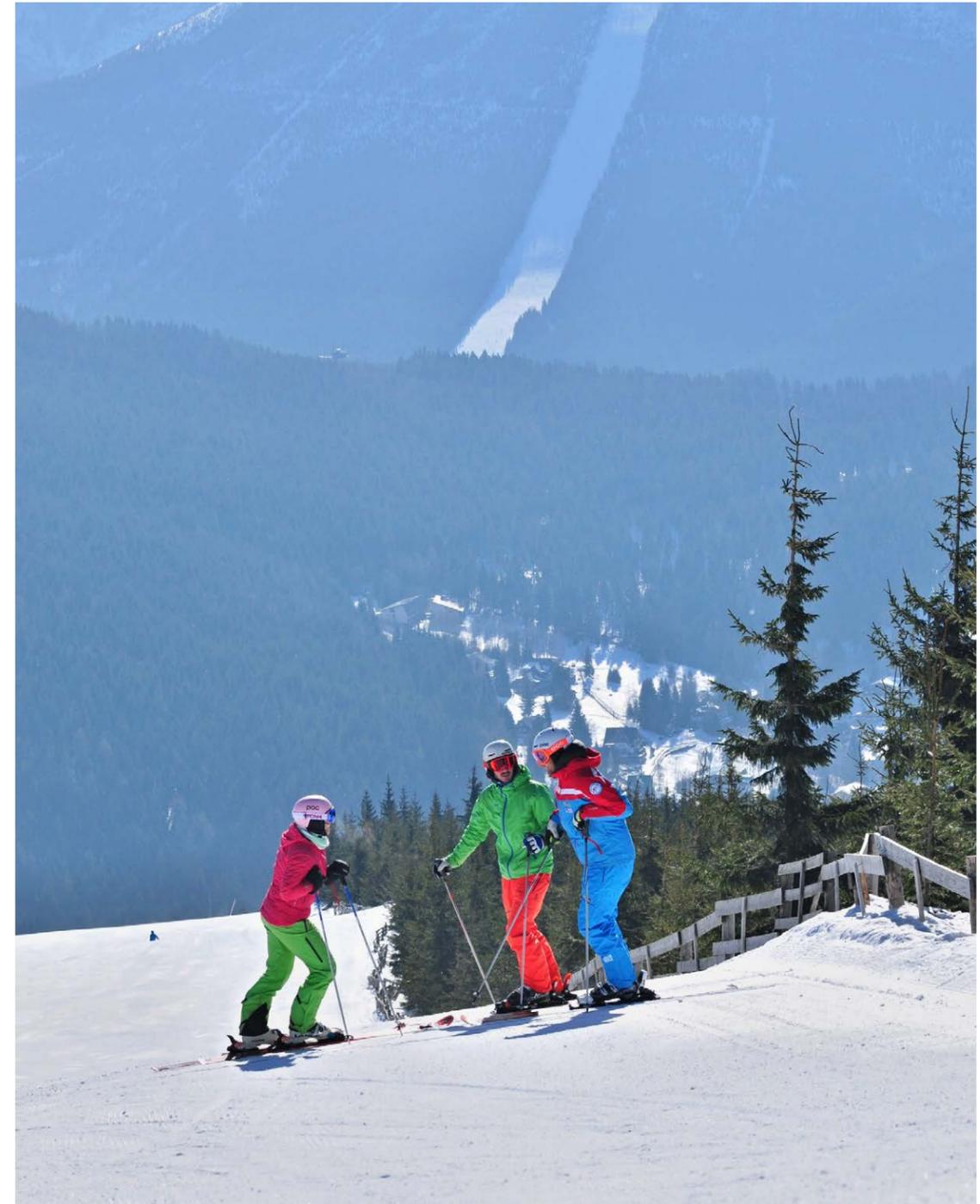
#### EVENT MANAGEMENT

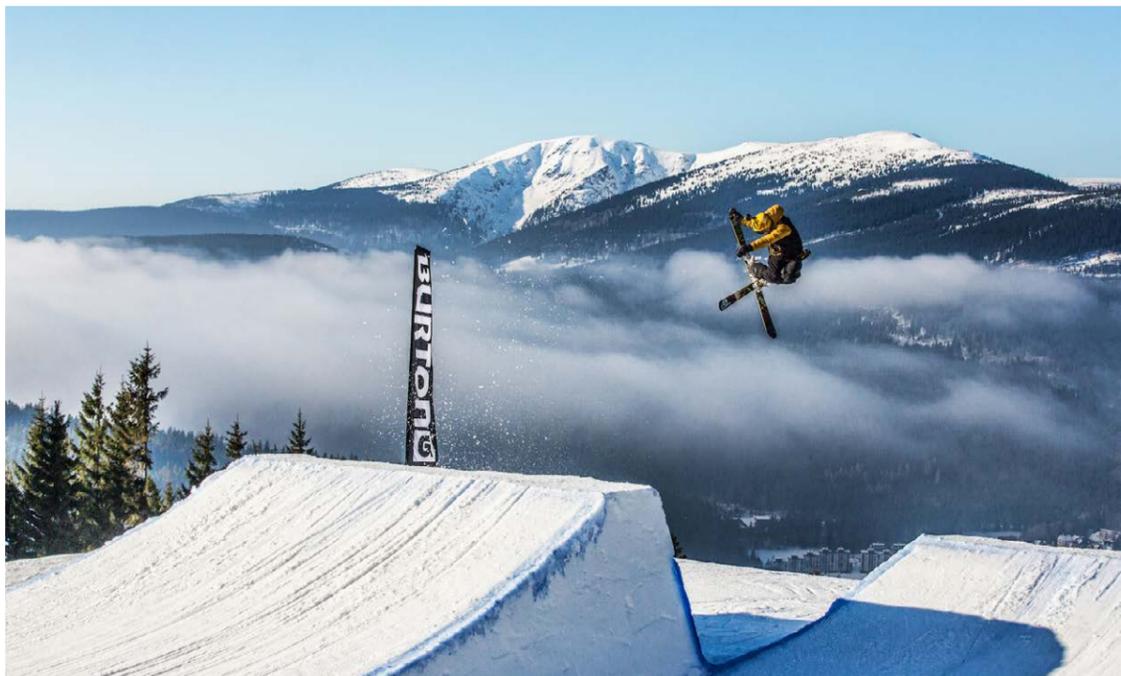
The Tatras have become a place that never sleeps also thanks to the opening of new centers of après ski entertainment and night life. Restaurant & Club Happy End in Jasná with an offer of après ski program is also an ideal place for organizing various events mainly during the winter season. The most important events in Jasná include Winter Music Opening, CGC Jasná Adrenalin (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.

#### EVENT MANAGEMENT ACTIVITIES DURING 2017/18

The ski season in the Slovak resorts began in Jasná and Štrbské Pleso on December 1. The ski season in Tatranská Lomnica was launched on December 9 in the saddle of Lomnické sedlo. During the first week of February, the guests in Jasná hotels had an opportunity to participate in the traditional Culinary Week - a gastro festival of unusual tastes. In Tatranská Lomnica families with children enjoyed the multi-genre festival Snow Dogs with a true Nordic atmosphere. During the last week of February, Mt. Chopok hosted a top class freeride race Jasná Adrenalin, which is annually organized as a part of International Freeride World Tour. A special historical sledge race (with the so called "krňačky" sledges) took place on the southern slopes of Mt. Chopok in March. The public giant slalom race referred to as the Hero Season Trophy Tour took place in Szczyrk, Špindleruv Mlýn and Vysoké Tatry, with the final round in Jasná on March 31. The winners in individual categories and resorts were awarded the Smart Pass - a season pass for the following skiing season.

During the summer season TMR launched two new giant water slides in Tatralandia. In the presence of celebrities from the world of business and sports, the new slides, the biggest of their kind in central Europe, were unveiled at a special event. At the beginning of July the International Children Violin Orchestra open air concert took place for the fifth time at Skalnaté pleso. The 11th year of the popular Bear Days event, which offered a unique selection of family-oriented activities took place at Hrebienok and the 8th kettle goulash cooking championship in the Tatras known as the Goulash Cup was held in front of the FIS Hotel in Štrbské Pleso in August





# 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 main 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.

According to the European Bank for Reconstruction and Development (EBRD), the economic performance of the CEE region in the past two years had been accelerating. Despite a certain degree of political and economic uncertainty in 2017 associated with the conflict in Eastern Ukraine, the sanctions against the Russian Federation and the migration crisis followed by escalating trade conflicts and higher oil prices in 2018, a majority of countries in the region managed to achieve economic growth, which reached an average of 3.2% in 2018. According to the EBRD, this trend should continue across the CEE region also in the course of the year 2019.<sup>1</sup>

## Slovakia

In recent years, Slovakia has experienced one of the best levels of economic growth in the European Union, especially due to external demand and a positive trade balance. This trend, in which the open Slovak economy greatly benefited from the overall European growth, was also confirmed in 2017 when the GDP increased by 3.4%. The Slovak economy was favourably affected by household consumption which was strengthened by a record-breaking low unemployment rate, growing average wage and an increase in exports supported by industrial production. According to the National Bank of Slovakia (NBS), the growth trend should continue also in the following years.<sup>2</sup> The NBS predicts GDP growth of the Slovak economy at around 4.2% in 2018 and 4.3% in 2019. The growth is to be driven mainly by the production in the automotive industry.

## The Czech Republic

According to the Czech National Bank (ČNB), economic growth of the Czech Republic in 2017 reached 4.5%. The growth was mainly driven by a significant increase in household consumption and a year-over-year growth in investment activity. Overall, the employment rate and the average wage have been steadily increasing over the years. In 2017, the employment rate has reached its highest level since 2008. In spite of a lower level of investments in 2018, GDP still grew by 3.1% and it is predicted to grow further, by 3.3% in 2019 and the following year.<sup>3</sup>

## Poland

According to EBRD the Polish economy grew by 4.8% in 2017. The growth was driven by the investment activity of both, the public and the private sectors. The higher wages and household consumption also positively impacted the growth. As a result of continued investment activity driven by the public spending, the 2018 GDP is estimated to grow by 4.7%, with a slowdown in 2019, when it is predicted to reach 3.6%.<sup>4</sup>

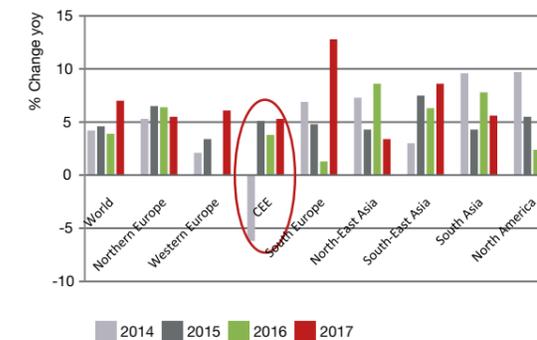
## Ukraine

In the recent years the Ukrainian economy has been slowly recovering from the contraction in 2014-2015, which was a result of military turbulence in the eastern part of the country, government instability, and lack of foreign investment. In 2017 and 2018, Ukraine's economy showed signs of moderate recovery, with household consumption and real wages picking up. The GDP of the country reached 2.5% in 2017. EBRD forecasts the Ukrainian economy to grow by 3.5 per cent in 2018 and by 3.0 per cent in 2019.<sup>5</sup>

## Russia

After a two-year recession, Russia's economy has returned to moderate growth. Mainly as a result of higher oil prices, GDP grew by 1.5% in 2017. According to EBRD, the growth rate of Russian economy in 2018 and 2019 is expected to stay at the same level as in 2017. It will be driven by recovering private consumption and investments, and supported by higher oil prices, with a negative effect from the US and EU sanctions. Without significant reforms, however, Russia's long-term economic growth may remain stuck at around 1 to 2 per cent annually due to outdated production capacities and low investments, as well as unfavourable internal structural factors (weak demographics, obsolete infrastructure and discouraging institutional characteristics of the economy).<sup>6</sup>

## International Tourist Arrivals<sup>7</sup>



## Regional Tourism Industry

In spite of the ongoing security threats there was a robust increase in world tourism in 2017. The number of international tourist arrivals, measured by the World Tourism Organization (UNWTO) increased by a record 7% in 2017, thus achieving the highest ever level of 1.322 billion international tourist arrivals. WTO expects further growth of 4 - 5% in 2018.<sup>8</sup>

Thanks to the Mediterranean countries, Europe experienced the most significant growth among all the regions with an increase in the number of international tourist arrivals of 8% year-over-year. A similar increase was also achieved in Africa, following the previous year's strong growth. Asia and Pacific increased by 6% and the Middle East enjoyed an increase of 5%. The poorest results were recorded in the Americas with the growth of 3%, with North America growing only by 2% mainly as a result of a decrease in the number of international tourist arrivals to the USA.<sup>9</sup>

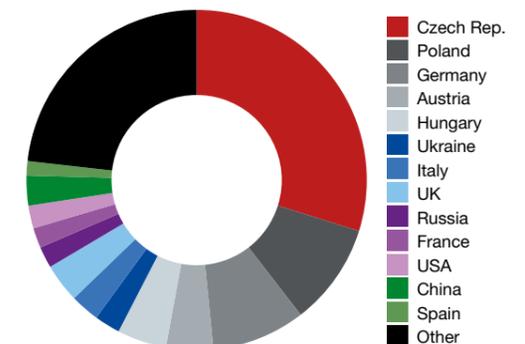
In 2017 Europe confirmed its position as a region with the highest number of international tourist arrivals (672 million). Despite the on-going security threats (terrorist attacks, immigration waves) the number of tourists who visited Europe increased by 52 million year-over-year. The number of international tourist arrivals in the region of Central and Eastern Europe grew by 5.3%.<sup>10</sup>

## Slovak Tourism Industry

The positive trend in the global tourism also influenced the Slovak market. Slovakia welcomed almost 2.2 international tourists in 2017, a 7% year-over-year growth, with the most tourists coming yet again from the Czech Republic (645 thousand) and Poland (210 thousand), followed by Germany (192 thousand).<sup>11</sup> The number of domestic tourists increased in 2017 by 7.7%. The ratio of domestic to foreign travelers has been traditionally 60/40. In the first half of 2018 the number of domestic and international tourist arrivals increased by 3.9%.<sup>12</sup>

The number of over-night stays in Slovakia in 2017 reached 14.9 million (+6%), out of which over 9.5 million can be attributed to the domestic travelers. The average length of stay remained at 2.8 days, as in the previous period.<sup>13</sup>

## Origin of Foreign Tourists in Slovakia in 2016<sup>14</sup>



<sup>1</sup> Regional Economic Prospects in EBRD Countries of Operations: November 2018 <http://www.ebrd.com/what-we-do/economic-research-and-data/data/forecasts-macro-data-transition-indicators.html>

<sup>2</sup> The Slovak Economy Forecast for 2018 by the National Bank of Slovakia

<sup>3</sup> Mid-term prediction of the ČNB 4Q 2018.

<sup>4</sup> European Bank for Reconstruction and Development. Regional Economic Prospects in EBRD Countries of Operations: November 2018

<sup>5</sup> European Bank for Reconstruction and Development. Regional Economic Prospects in EBRD Countries of Operations: November 2018

<sup>6</sup> European Bank for Reconstruction and Development. Regional Economic Prospects in EBRD Countries of Operations: November 2018

<sup>7</sup> UNWTO World Tourism Highlights: 2017 Edition, July 2017.

<sup>8</sup> UNWTO World Tourism Highlights: 2018 Edition, September 2018.

<sup>9</sup> UNWTO World Tourism Highlights: 2018 Edition, September 2018.

<sup>10</sup> UNWTO World Tourism Highlights: 2018 Edition, September 2018.

<sup>11</sup> Základné ukazovatele za ubytovacie zariadenia cestovného ruchu SR za rok 2017. Štatistický úrad SR.

<sup>12</sup> Vývoj cestovného ruchu v ubytovacích zariadeniach SR 6/2018. Štatistický úrad SR, The accommodation statistics.

<sup>13</sup> Základné ukazovatele za ubytovacie zariadenia cestovného ruchu SR za rok 2017. Štatistický úrad SR.

<sup>14</sup> Ministry of transport and construction of the Slovak Rep. The accommodation statistics.

## 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. Worldwide, the Alps capture the greatest market share, accounting for 43% of skier visits (skier days).<sup>15</sup> The second most significant is North America with 21%. Central and Eastern Europe attracts only 9% of skiers, although this region produces 13% of skiers globally. Since the start of the new millennium global skier destinations have been experiencing a downward trend in the number of skier visits, especially the Western European traditional skier destinations, despite the overall growing global population and a growing number of skier days globally. 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 15, respectively each, and France with the highest number of skier visits per year - 54 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.<sup>16</sup> 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.

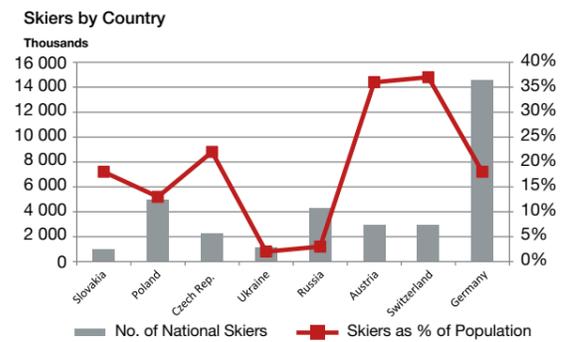
As for characteristics of ski resorts, they vary in size, ownership, and infrastructure. In some alpine countries, they are usually run by a large number of small private operators who join forces also with local municipalities and market the resort or the ski region as a whole, like in Italy, Switzerland 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.<sup>17</sup> Large alpine resorts usually offer state of the art infrastructure, have over 100 km of ski trails, transport capacity of over 50,000 persons/hour, 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.

## Regional Mountain Industry

In the CEE region Russia has the most ski areas - 354, although only around 67 have more than five lifts and majority have limited infrastructure. Russia is followed by the Czech Republic with 191, Poland with 182, 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 2,655 m- Gerlachovský štít.<sup>18</sup>

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 adrenaline sports, summer family events, and cycling, evidenced by an increase in development of resorts, cycling tours, and by increased marketing. Mountain resorts tend 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. TMR is also cooperating with other mountain resort operators in marketing efforts.



## Mountain Tourism - Country Comparison<sup>19</sup>

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 inhabitants	Skier Visits per foreign visitors
<b>Alpine countries</b>			<b>170 749 000</b>					
Austria	254	16	51 722 000	36,0%	2 960 000	66%	2,1	1,6
France	325	13	54 012 000	13,0%	8 574 000	27%	0,6	0,2
Italy	349	7	26 999 000	8,0%	4 919 000	35%	0,3	0,2
Switzerland	193	5	22 956 000	37,0%	2 959 000	46%	1,6	1,3
Germany	498	0	15 060 000	18,0%	14 607 000	10%	0,2	0,1
United States	481	6	54 905 000	8,0%	25 017 000	6%	0,2	0,1
<b>Eastern Europe</b>			<b>25 010 000</b>					
Czech Republic	191	0	5 789 000	22,0%	2 236 000	35%	0,4	0,3
Slovenia	44	0	1 071 000	15,0%	299 000	17%	0,4	0,1
Ukraine	54	0	1 400 000	2,0%	1 114 000	5%	0,0	0,0
Poland	182	0	5 000 000	13,0%	4 990 000	15%	0,1	0,1
Russia	354	0	6 750 000	3,0%	4 275 000	5%	0,0	0,0
Slovakia	107	0	5 000 000	18,0%	988 000	25%	0,7	1,0

<sup>15</sup> 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.

<sup>16</sup> Vanat, Laurent. 2018 International report on mountain tourism. April 2018. [www.vanat.ch](http://www.vanat.ch)

<sup>17</sup> Vanat, Laurent. 2018 International report on mountain tourism. April 2018. [www.vanat.ch](http://www.vanat.ch)

<sup>18</sup> Vanat, Laurent. 2018 International report on mountain tourism. May 2018. [www.vanat.ch](http://www.vanat.ch)

<sup>19</sup> Vanat, Laurent. 2017 International report on mountain tourism. May 2017. [www.vanat.ch](http://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).<sup>20</sup>

## Regional Hotel Industry

The hotel industry in Slovakia in 2017 continued the growth trend of the previous year, with total turnover from accommodation services for hotels having increased by 6.9% to 397 million euros.<sup>21</sup> TMR's hotels are located in TMR's mountain resorts and in Aquapark Tatralandia, and most of the clients utilize TMR hotels' services in addition to visiting the resorts. That's why TMR hotels compete for clients with other lodging facilities in the given resort and its surrounding. In the winter season especially, performance of the hotels is closely linked to performance of the mountain resorts. In Aquapark Tatralandia there is only one lodging facility, thus TMR holds a monopoly here. In the mountain resorts there are other mostly private operators of resort hotels, inns, bed & breakfasts, apartments, and cottages. Categories of TMR hotels range from 2-star to 4-star. In the resorts there is a greater competition in the lower category lodging than in the upscale segment.

The trend in the resorts lodging sector is to cooperate closely with the mountain resort operators in order to attract clients with affordable bundled stay packages. This trend was strong also in 2017 and 2018. The hotel market in TMR's resorts is not saturated since TMR had invested a large amount of capital in recent years, and the resorts attract new investors.

## 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, and for the past two years also due to unstable security in the world with domestic tourists more often choosing to spend their vacations in Slovakia. 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).<sup>22</sup> 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.

## 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 dino parks (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 a 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. Following robust investment activity in 2016 and 2017, the Slovak investment market has experienced yet another strong year resulting in a 2018 transactional volume of ca. 820 million euros. The sector split of income producing assets comprised mostly or retail and office space.<sup>23</sup>

The recreational real estate market in the Jasná resort has also been experiencing a rebound in the recent years. 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. Besides this, developers have announced a new construction of recreational residences and infrastructure in Jasná.<sup>24</sup> In 2015 TMR completed another stage of Chalets Jasná Otupné and construction works are underway 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.<sup>25</sup>

<sup>20</sup> [skiresort.info](#), resort websites

<sup>21</sup> Základné ukazovatele za ubytovacie zariadenia cestovného ruchu SR za rok 2017. Štatistický úrad SR.

<sup>22</sup> Waterparks were visited mostly by domestic clients. Top Trend in Travel. 19/2017. May 4, 2017

<sup>23</sup> 5 top events of the year in real estate. 29.12.2017. [reality.etrend.sk/reality-biznis/5-najdolezitejsich-udalosti-roka-v-realitynom-biznise.html](#)

<sup>24</sup> Jasná: the Slovak attempt for an alpine resort. 16.3.2017. Trend 11/2017. Real estate extra.

<sup>25</sup> 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. The 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 the management's control, or internal risks, which can be at least partially controlled by the 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. 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

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. 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).

### 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 2017/18 TMR's snow coverage by snowmaking facilities was over 70 km of ski slopes. 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 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

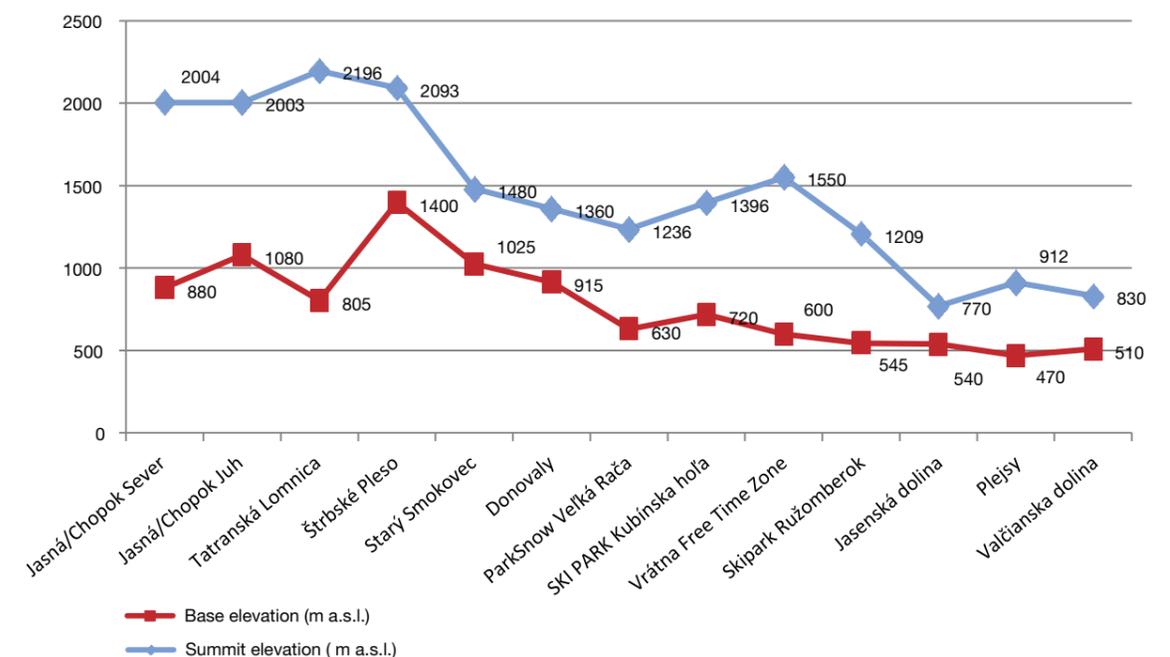
The Group's profitability also depends on the occupancy rate of its own hotels and lodging facilities in the resorts. TMR actively works with local lodging operators in

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, culinary festivals, 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

Base & Summit Elevation of Slovak Ski Resorts



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 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.

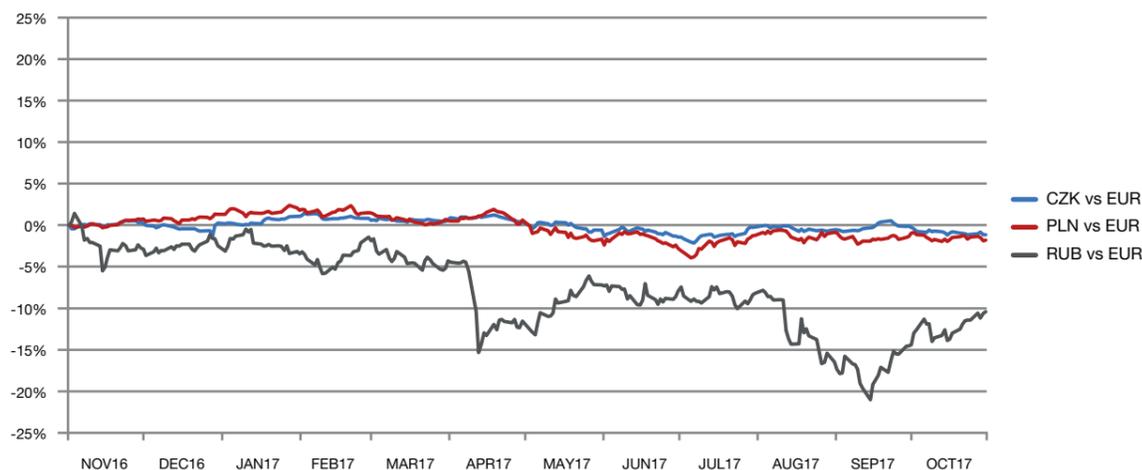
### Financial Risks

#### 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, or Russia. That is why 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 as it did at the beginning of the winter season 2016/2017 when Polish Zloty depreciated in respect to euro. During the financial year 2017/18

however, the Czech Crown and Polish Zloty were relatively flat. Russian Ruble has historically been more volatile, as its value in the recent years has been closely correlated with the oil prices. Moreover, 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.

One-year Performance of Selected Currencies vs. Euro<sup>1</sup>



<sup>1</sup> Bloomberg

### Interest Rates

Volatility of interest rates may have a direct impact on the value of the Group's interest-earning assets and interest-bearing liabilities. The extent of this risk is equal to the amount of interest-earning assets and interest-bearing liabilities, where the interest rate at maturity or at the time of a rate change is different from the current interest rate. The period of a fixed rate for a financial instrument therefore reflects the risk for fluctuations in interest rates. The Group's loan portfolio during 2017/18 consisted mostly of short- and long-term bank debt with fixed and variable rates based on 3-month and 12-month EURIBOR rates and 3-month WIBOR rates. The Group considers the variable interest rate to manage the interest rate risk automatically. In case of economic expansion, EURIBOR grows, but at the same time economic performance of the population should grow, and the Group should be more profitable. In case of economic recession, it is the exact opposite. Besides bank debt, the Group has also issued bonds with payment of regular fixed coupon which is in no way correlated to any variable rates. Loans granted by the Group earn interest at fixed interest rates, thus the Group mitigates the risk of interest rate fluctuations downward. Exposure to this risk is detailed in Consolidated Financial Statements, items 20, 27, 34.

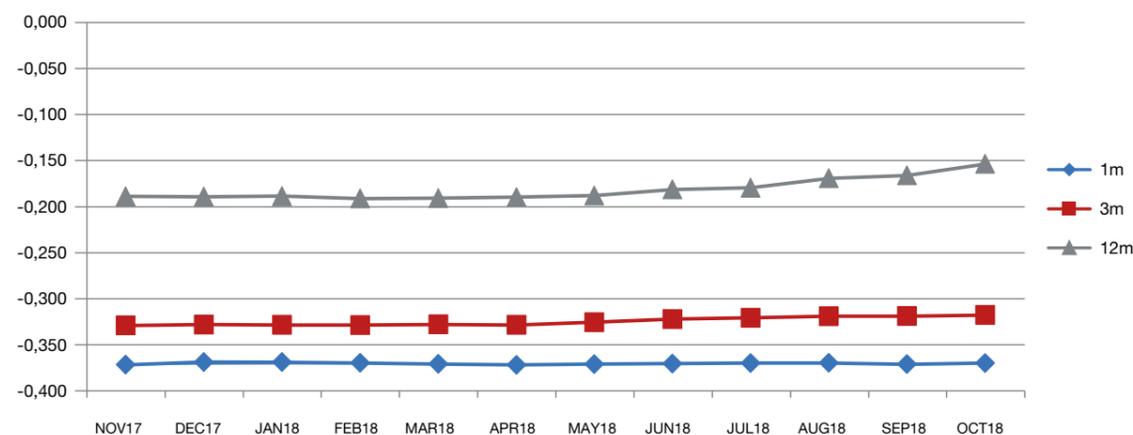
### Credit Risk

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.

EURIBOR rates (%)<sup>2</sup>



<sup>2</sup> Bloomberg

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 bond coupons adds to the liquidity risk. Nevertheless, the increasing operating income comfortably covers 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 the first two tranches of 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 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 a 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's management 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) - with ticket sales platforms (interconnected in ski resorts because of universal ski passes); on lift turnstiles; cableway equipment; and in shops, e-shop, 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

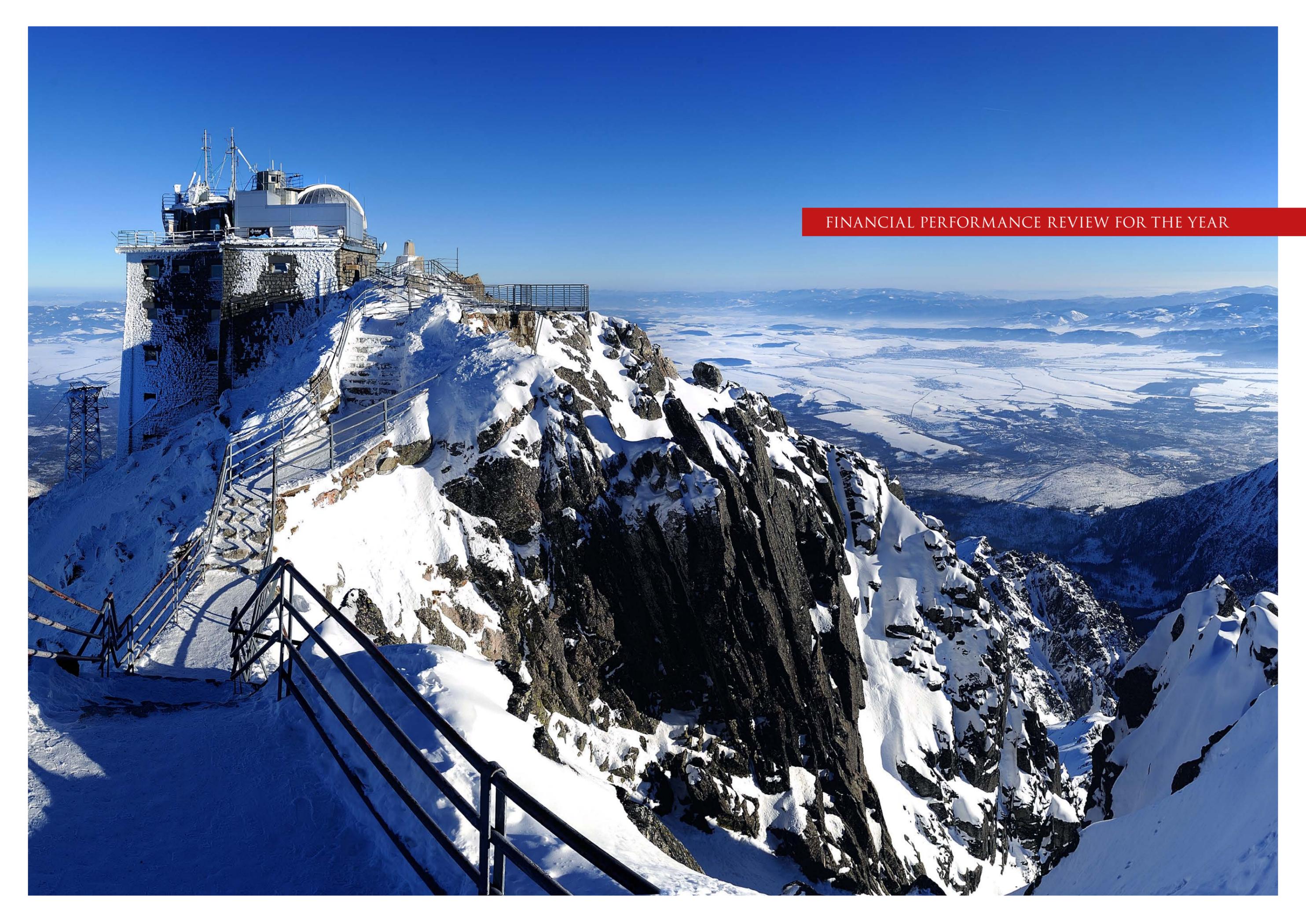
The first pillar of TMR's corporate strategy is based on organic growth through capital investments into its resorts and hotels. Implementation of this strategy requires major capital. During past 12 years (including 12 months of 2018) TMR had invested almost EUR 340 mil. into development of its resorts. 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 by relevant bodies of environmental protection. TMR's resorts in Slovakia are located in already urbanized areas and comply with all environmental regulations, although development of the SON resort in Poland as well as planned projects in Slovakia still need to undergo the EIA process.

A photograph of a snow-covered mountain peak. In the foreground, a metal staircase with railings leads up a rocky, snow-dusted slope. To the left, a stone observation tower with a domed roof and various antennas stands on the summit. The background shows a vast, snow-covered valley with winding roads and distant mountain ranges under a clear blue sky.

FINANCIAL PERFORMANCE REVIEW FOR THE YEAR

# Financial Performance Review for the Year

## KEY RESULTS

- Total consolidated revenues increased by almost 13% to EUR 108.249 mil. (95.910)
- Consolidated operating profit before interest, tax, depreciation and amortization (EBITDA) by 8% to EUR 34.240 mil. (31.516)
- TMR operated with EBITDA margin of 31.6% (32.9%)
- Net consolidated profit amounted to EUR 3.144 mil. (6.990)
- Net profit of the parent company reached EUR 7.573 mil. (9.223), the Board of Directors will propose a dividend payment of EUR 3.957 mil. (EUR 0.59 per share)
- The number of visitors to Mountain Resorts increased to 2.706 mil. (2.287); Leisure Parks recorded 907 ths. (855) visitors

Selected Consolidated Results (IFRS) in €'000	For the Year Ended October 31	
	2017/18	2016/17
Sales	108 020	95 683
Other Operating Revenues	229	227
<b>Total Revenues</b>	<b>108 249</b>	<b>95 910</b>
Cost of Sales	-19 244	-16 393
Personnel and Operating Costs	-57 031	-49 063
Other Gain/ Loss	2 266	1 062
<b>EBITDA</b>	<b>34 240</b>	<b>31 516</b>
EBITDA Margin	31,6%	32,9%
Depreciation & Amortization	-16 818	-13 828
<b>EBIT</b>	<b>19 291</b>	<b>17 688</b>
Interest Income	1 148	2 058
Interest Expense	-14 007	-12 094
Income from Financial Instruments, net	-3 099	169
<b>Pre-tax Income</b>	<b>3 333</b>	<b>7 821</b>
Income Tax	-189	-831
<b>Net Profit</b>	<b>3 144</b>	<b>6 990</b>
<b>Total Comprehensive Income</b>	<b>3 068</b>	<b>7 146</b>
<b>EPS (€)</b>	<b>0,480</b>	<b>1,099</b>

The results of the past financial year 2017/18 were positively impacted especially by a successful winter season. We are now reporting significant growth in visit rate during the winter season in all the mountain resorts, but especially in the Polish Szczyrk. Organic sales growth in individual resorts is complemented by revenues of the Czech Skiareal Ještěd, which we have been renting and operating since December 2017, and therefore its results are reflected in the consolidated figures for the first time. Summer season saw significant growth in visit rate in Legendia, as a result of the launch new attractions. Moreover, the long-lasting impact

of the massive investment projects of development of the Tatra resorts and hotels from prior periods totaling EUR 300 mil. by the end of 2017 was reflected in the Group's results also in the last year and justified an increase of ticket prices, especially in the most important subsegment - Mountain Resorts.

## TOTAL REVENUES AND INCOME

### Total Revenues

In the prior year, the Group's total consolidated revenues reached EUR 108.249 mil. (95.910), an increase of 12.9%. Thereof, sales amounted to EUR 108.020 mil. (95.683) and the rest, i.e. EUR 229 ths. (227) was other operating income. Revenues were positively influenced by higher visit rate in the resorts, higher average revenue per visitor in the mountain resorts, as well as a greater average daily room rate in hotels. The Group consolidated results include the impact of the Czech Skiareal Ještěd for the first time. Like-for-like revenues growth (without the impact of the newly consolidated resort) would reach 12%.

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

Another TMR's key financial performance indicator – EBITDA – reached EUR 34.240 mil. (31.516); which means an increase of 8.6%. The EBITDA is affected by a one-off income of almost 2.5 mil. EUR, representing the revaluation gain on the investment – 19% stake in CAREPAR, a.s., which owns 50% of Melida a.s. (the operator of the Špindlerův Mlýn resort). The revaluation to the fair value was due to the fact that Špindlerův Mlýn has been reporting an increase in operating profitability for the last couple of years, and this fact has not yet been reflected in the results of TMR.

Regarding the costs, cost of materials and goods sold grew by 17.4%, mainly as a result of a higher number of customers and guests served. Personnel and operating costs were up 16.2%. The rise in personnel and operating costs was caused mainly by the pressure of the labor market to raise wages, new operations (Ještěd), but also higher service costs in relation to planned acquisitions and expanding the Group's operations. Operating profitability ratio (EBITDA margin) decreased slightly year-over-year to 31.6% (32.9%).

### Depreciation and Amortization

The depreciation and amortization costs increased to EUR 16.818 mil. (13.828). This amount also includes depreciation of negative goodwill in the amount of EUR 1.869 mil. in relation to revaluation of the investment in Ještěd to fair value.

### Financial Activity

Interest income of EUR 1.148 mil. (2.058) mainly stemmed from loans granted, earning fixed interest rates (see Consolidated Financial Statements, Note 20). Interest expense rose to EUR 14,007 mil. (12.094); they include

mainly loan expenses and expenses of the issued bonds (see Consolidated Financial Statements, Note 12).

### Taxes

Total income tax was recognized in the amount of EUR mil. -0.189 (-0.831).

### Net Income

The Group recognized a net consolidated profit in the amount of EUR 3.144 mil. (6.990), a decrease of 55% year-over-year mainly due to higher depreciation costs, interest expense and loss from financial operations. Profit attributable to owners of the parent company amounted to EUR 3.222 mil. (7.370). EPS reached EUR 0.480 (1.099). Total comprehensive income after accounting for foreign currency translation reserve and revaluation of securities held for sale amounted to EUR 3.068 mil. (7.146). The parent company reported a net profit of EUR 7.573 mil. (9.223).

## 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 2018 the Board of Directors presented an investment plan for current calendar year with the estimated budget of EUR 40 mil. The actual capital expenditures of the completed and ongoing investments, including reserves, for the financial year 2017/18 totaled EUR 53.9 mil. (See Consolidated Financial Statements, note 15, 16, 17).

### 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 or via a mobile app 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.

In April TMR again launched sale of Smart Season Pass – a season pass for the following season at discounted rates through its e-shop GOPASS.

As of the end of FY, there were 1.18 million members

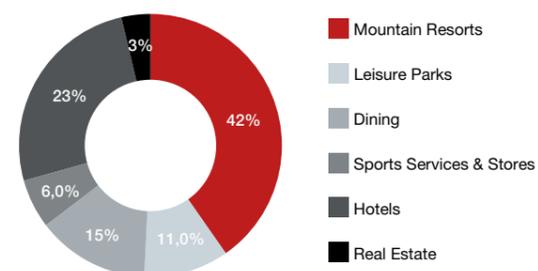
registered in the GOPASS program, whereas more than 500 ths new members joined.

## Acquisitions and Expansion

In 2017 TMR agreed with the town of Liberec on the terms of lease of the Czech mountain resort Ještěd and on its operation. TMR started operating the resort in December 2017. TMR plans to modernize the resort in two phases.

TMR also wants to expand its business in the Czech Republic in the golf segment. Since November 1, 2018, TMR has been renting and operating the Golf & Ski Resort Ostravice. The contract was signed for 20 years. In January 2019, the management agreed to lease Kaskáda Golf Resort Brno, where TMR will cover the operation of the hotel, the restaurant and the congress center. The contract was signed for 20 years.

Revenue Breakdown



## KEY PERFORMANCE INDICATORS (KPIs)

### Mountains and Leisure

Visit rate and average revenues per visitor in 2017/18 were positively impacted mainly by favorable snow conditions during the majority of the winter season, but also by the extended offer of provided services (new resort Ještěd, new attractions in Tatrallandia and Legendia). The growth was also boosted by Smart Season Passes and customized products and services via the GOPASS program. Mountain Resorts (High and Low Tatras including Štrbské Pleso, Szczyrk Resort and Ještěd), recorded a total of 2.706 mil. (2.287) visitors/ skier days<sup>2</sup>,

## RESULTS BY SEGMENTS AND SUBSEGMENTS

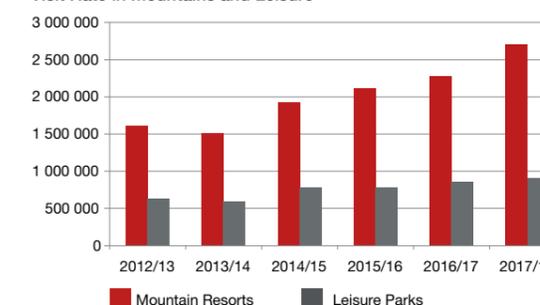
Key Operating Results*	Revenues			EBITDA			EBITDA Margin		
	2017/18	2016/17	Change yoy (%)	2017/18	2016/17	Change yoy (%)	2017/18	2016/17	Change yoy (p.p.)
<b>Mountains &amp; Leisure</b>	<b>80 567</b>	<b>67 789</b>	<b>18.8%</b>	<b>27 770</b>	<b>24 324</b>	<b>14.2%</b>	<b>34.5%</b>	<b>35.9%</b>	<b>-1.5%</b>
Mountain Resorts	45 361	36 214	25.3%	18 916	15 410	22.7%	41.7%	42.6%	-1.0%
Leisure Parks	12 342	12 473	-1.0%	4 521	4 724	-4.3%	36.6%	37.9%	-1.2%
Dining	16 013	13 302	20.4%	3 168	3 071	3.2%	19.8%	23.1%	-3.3%
Sports Services & Stores	6 851	5 800	18.1%	1 165	1 119	4.1%	17.0%	19.3%	-2.3%
<b>Hotels</b>	<b>25 081</b>	<b>22 265</b>	<b>12.6%</b>	<b>4 926</b>	<b>4 859</b>	<b>1.4%</b>	<b>19.6%</b>	<b>21.8%</b>	<b>-2.2%</b>
<b>Real Estate</b>	<b>2 601</b>	<b>5 855</b>	<b>-55.6%</b>	<b>1 544</b>	<b>2 333</b>	<b>-33.8%</b>	<b>59.4%</b>	<b>39.8%</b>	<b>19.5%</b>
<b>Total</b>	<b>108 249</b>	<b>95 910</b>	<b>12.9%</b>	<b>34 240</b>	<b>31 516</b>	<b>8.6%</b>	<b>31.6%</b>	<b>32.9%</b>	<b>-1.3%</b>

<sup>2</sup> 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.

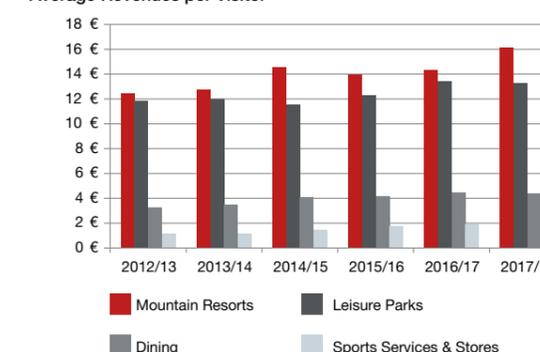
an increase of over 18% year-over-year. Like-for-like results (excluding Ještěd) still show an increase of 15%. Leisure Parks including Legendia - Silesian Amusement Park and Aquapark Tatrallandia reported a 6% growth to 907 ths. (855) visitors, with significant growth achieved mainly in the Polish Legendia, as a result of the recent investments. The visit rate in Tatrallandia recorded a slight decrease as a result of unfavorable weather conditions during the summer months.

Average revenues per visitor increased mainly in Mountain Resorts increased 12.3% to EUR 16.15 (14.37). Leisure Parks, on the contrary, reported a slight decrease by 1% to EUR 13.32 (13.45) as a result of significant increase of the number of visitors in Legendia (and thus greater impact of the lower priced tickets on the average calculation). The resort clients spent approximately the same amount in dining facilities on and off the slopes and in the leisure parks. Average dining revenues thus remained relatively unchanged at EUR 4.43 (4.45). Sports Services & Stores, which largely depend on performance of the resorts, in spite of the higher visit rate, reported average revenues per visitor by of EUR 1.9 (1.94).

Visit Rate in Mountains and Leisure



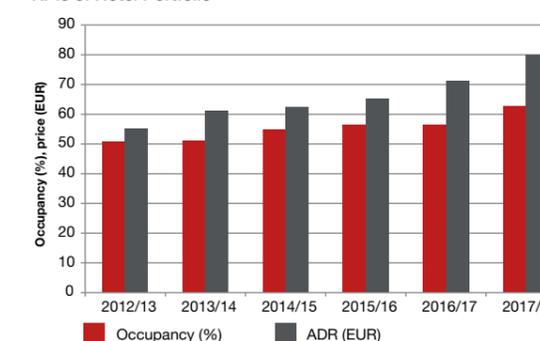
Average Revenues per Visitor



## Hotels

The weighted average occupancy of the TMR hotel portfolio grew by 10.8% to 62.7% (56.6%), with Hotel Pošta, first opened in the summer of 2017, reporting the most significant increases. The weighted average daily room rate (ADR) increased 12% to EUR 80.07 (71.30). The most significant ADR increases were recorded in Hotel Pošta, popular Chalets, but also in the newly renovated Grandhotel Starý Smokovec.

KPIs of Hotel Portfolio

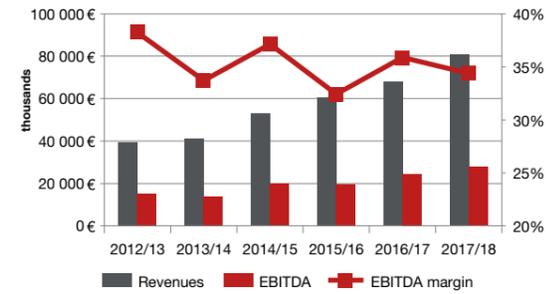


## FINANCIAL OPERATING RESULTS

### Mountains and Leisure

Thanks to the high level of the services offered that attracted yet again a higher number of visitors in Mountain Resorts and Leisure Parks, the main segment of Mountains and Leisure, which includes subsegments of Mountain Resorts, Leisure Parks, Dining, and Sports Services & Stores, recorded a 18.8% growth in revenues year-over-year to EUR 80.567 mil. (67.789). Revenues of the main segment make up 74% 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 25.3%. Leisure Parks' revenues decreased slightly, by 1%, mainly as a result of the unfavorable weather which influenced visit rate in Tatrallandia. Dining reported a 20.4% growth; whilst Sports Services & Stores improved 18.1%. Operating profit before interest, tax and depreciation (EBITDA) increased by 14.2% to EUR 27.770 mil. (24.324). Operating profitability measured by EBITDA margin decreased to 34.5% (35.9) mainly as a result of higher wage costs.

Operating Results Mountains and Leisure Parks



Real Estate

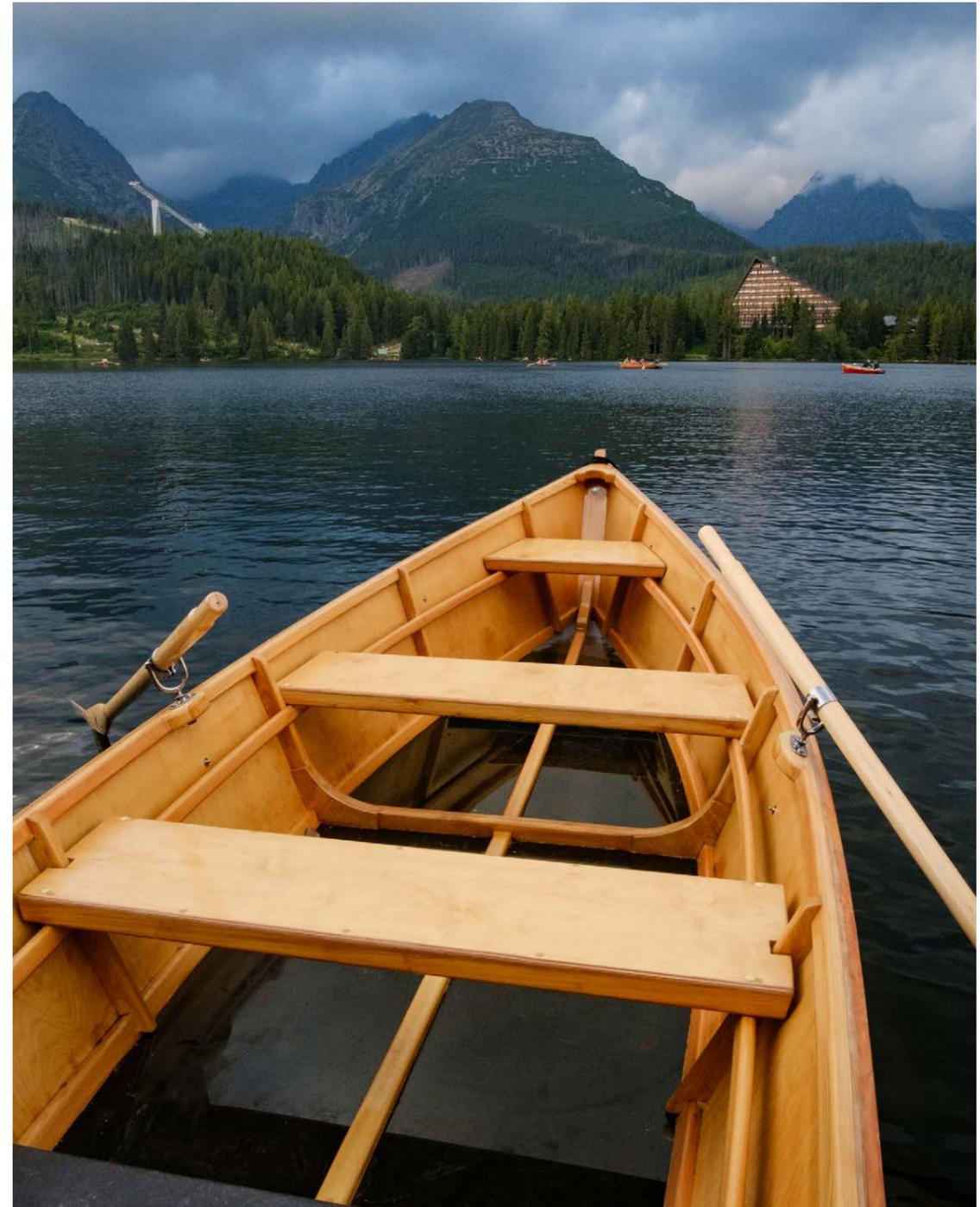
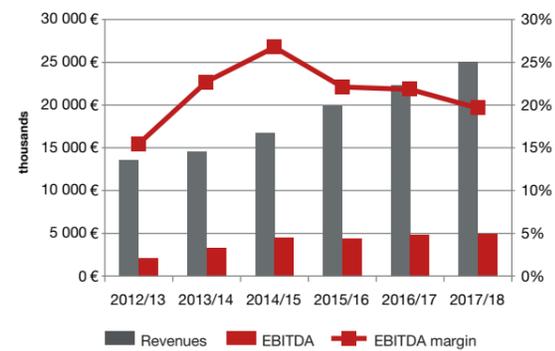
The last year's revenues of the Real Estate segment come from lease of Hotel Ski &Fun, Hotel Liptov, Kosodrevina Lodge, and the lodging facility Otupné to third parties, as well as from sale of recreational real estate. Real Estate revenues in the past financial year made up 3% of total revenues and they reached the level of EUR 2.601 mil. (5.855). Year-over-year decrease was mainly caused by a smaller number of chalets sold during November of the new fiscal year. Furthermore, in the previous year also the sale of apartments in Hotel Pošta had been included in the total amount. As a result of the lower revenues, EBITDA decreased by 109.1% to 1.544 EUR (2.333). EBITDA margin reached 59.4% (39.9%).

Hotels

The Group's second largest segment is Hotels, revenues of which historically make up a 23% share in total revenues. Hotels ended the financial year with revenues amounting to EUR 25.081 mil. (22.265) – a growth of almost 13% growth. Besides the stable average occupancy, higher ADR of practically all the hotels in the portfolio impacted the growth. EBITDA improved by approximately 10% to EUR 4.927 mil. (4.859). EBITDA margin decreased as a result of higher wages to 19.6% (21.8).

- Explanations**  
 () - data in brackets refers to the corresponding value of previous period  
**ADR** - Average daily room rate  
**EBITDA** - Earnings before interest, taxes, depreciation, and amortization  
**FY** - financial year, period from 1 November to 31 October  
**KPIs** - Key Performance Indicators  
 p.p. - percentage points  
 mil. - millions  
 ths. - thousands  
**Change yoy** - change year-over-year

Operating Results Hotels



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 2017/18 the Group operated with liquid funds in the amount of EUR 9.584 mil. (9.584) in the form of cash and cash equivalents. The increase is due to a new bond issue of TMR III 4.4%/2024.

### Borrowings

The total value of the Group's borrowings amounted to EUR 354.193 mil. (279.320). Out of that issued bonds are valued at EUR 238.417 mil. (184.842). Total value of the Group's bank loans and leases as of the end of the period came to EUR 115.777 mil. (94.478). During the fiscal year, the Group drew its bank borrowings from the Slovak banks Tatra banka, Poštová banka, J&T Banka, and from the 1. Tatranská, a.s. company. In October 2018 TMR issued a new tranche of bonds in order to refinance its other borrowings (Tatra Banka loan and repayment of bonds TMR I 4.5%/2018 in December 2018). The value of borrowings with maturity within 12 months was EUR 49.034 mil. (9.880). The increase is due to a short-term loan facility from J&T Banka which was used to repay Tatra Banka loan prior to the new bond issue. The level of the Group's debt as of the period end was at 75.7% (71.2%) (total debt-to-capital ratio). Total debt-to-EBITDA ratio reached the level of 10.3 (8.9) (See Consolidated Financial Statements, Note 27, 31).

### Total Assets

The book value of total assets increased to EUR 521.684 mil. (437.972). Value of current assets increased to EUR 125.760 mil. (84.844) mostly due to an increase in cash and cash equivalents relating to the issue of TMR III 4.4%/2024 bonds. Non-current assets rose to EUR 395.924 mil. (353.128) due to completed investments that were added to the fixed assets registry. The value of fixed assets amounted to EUR 372.556 mil. (333.718). The key completed investments transferred to fixed assets included new cableways in Szczyrk, new toboggans in Tatralandia, new attractions in Legendia and newly renovated rooms in Grandhotel Starý Smokovec (See Consolidated Financial Statements, Note 15).

### Equity

The book value of shareholders' equity amounted to EUR 113.836 mil. (113.149), whilst retained earnings and other funds totaled EUR 33.746 mil. (27.224). Minority interest amounted to EUR 0.108 mil. (1.588).

Financial Position in €'000	October 31	
	2017/18	2016/17
Total Assets	521 684	437 972
Non-current Assets	395 924	353 128
Fixed Assets	372 556	333 718
Other Non-current Assets	23 368	19 410
Current Assets	125 760	84 844
Liquid Assets	54 525	9 584
Equity	113 836	113 149
Liabilities	407 848	324 823
Non-current Liabilities	259 308	286 277
Current Liabilities	148 540	38 546
Total Debt	354 193	279 320

## SUBSEQUENT EVENTS

In November 2018 TMR paid out a loan from J&T Bank in the amount of EUR 42.036 mil. From 1 November 2018 to 14 December 2018 the Company repaid the TMR I bond in full. In December 2018 the Company signed a loan agreement with its subsidiary TMR Finance CR, a.s. for the sum of CZK 1,499.999 mil. CZK (EUR 57.953 mil.). The money received came from the bond issue of TMR Finance CR, a.s. – TMR F. CR 4.5/22 issued in November 2018.

## OUTLOOK

Management expects continuing positive effects stemming from capital investments of prior periods 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 intense 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. Besides continuing the gradual progress in the projects of modernization of all the resorts, in the short term the management will keep 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. In terms of expansion of TMR's operations, the Group will focus on the development and modernization of the leased Ještěd resort in Czechia and the development of activities in the golf segment. In the midterm horizon TMR will attempt to acquire a major alpine mountain resort.

### Explanations

() - data in brackets refers to the corresponding value of previous period

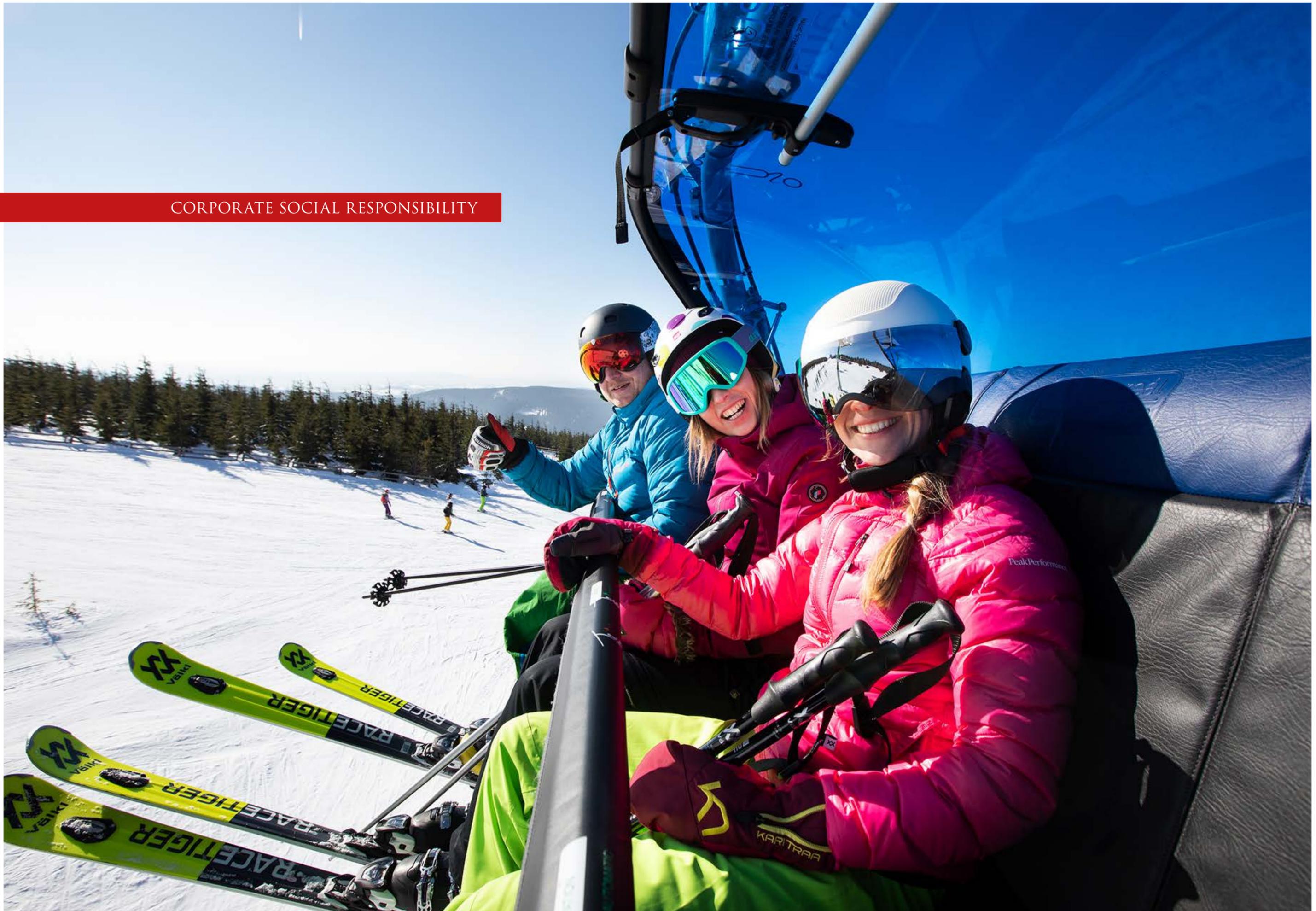
mil. - millions

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

CORPORATE SOCIAL RESPONSIBILITY



# Corporate Social Responsibility

## ENVIRONMENT AND COMMUNITY

TMR owns and operates major tourist resorts mainly in Slovakia, Poland and the Czech Republic. Majority is located in the area of national parks. The Group 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 Group 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 Group 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 Group 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 Group aims to utilize efficient management of operations at an optimal level of energy consumption, and moreover, the Group 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 2017/18

TMR's projects of 2017/18 complement the activities of prior periods, when TMR made an active contribution to restoration of the areas, in which TMR's business activities are performed. The Group was also proactive in preparation of educational activities focused on various age groups of the population.

TMR Group has been very active in 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 Horehronie Region

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.

### Tatry Magazine

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

### Nature and Children

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 the 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.

### Green Chopok

In May 2018 the annual **Green Chopok** event took place at Mt. Chopok as a public proposal of people of Liptov for cleaner mountains. Besides cleaning the trails, volunteers also planted trees. More than 200 people participated in the event.

### Sports Events

The Group proactively supports sport events in its resorts, either as a partner or as a sponsor. In the last period, TMR participated in the organization of a number of races, including Jasná Adrenalin, a popular 4-star ski and snowboard freeride race, a part of the Freeride World Qualifier series and the Arena of the Slovak Olympic team race organised by the Slovak Olympic Committee.

### Supporting Athletes

TMR supports talented pro skiers that are members of the Slovak Skiing Association and that have achieved extraordinary performance results in the past year, have represented Slovakia in international races, and have finished in top ranks in alpine disciplines.

### Supporting Ski Courses for Students

TMR supports ski courses with special rates in top Slovak resorts, best equipped with cableways, snowmaking, and the size and length of ski trails. TMR regularly offers ski courses for all types of primary schools, high schools and universities at special rates.

### Tatra Knights

TMR supports good ideas and activities focused on the outdoors where it is centered. The goal of the Tatra Knights project is to motivate pupils to contribute to environmental care and to intensify their interest. It also motivates pupils to keep studying the importance of sustaining biodiversity and eco topics not taught in schools. The national ecological project Tatra Knights focuses on pupils of primary schools and high schools. In the previous financial year, TMR helped to create an educational "Activity" trail in Podbrezová, the so called Owl's Corner in Prešov and an educational trail with information boards in Tisovec. The three winning concepts of primary and secondary pupils were received financial support in the total amount of 5,000 euros.



## HUMAN RESOURCES

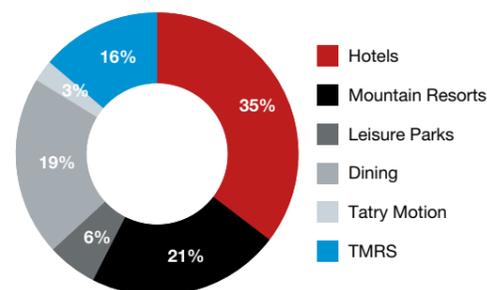
Human resources are an important factor in the Group's success, thus the HR department continues to follow the preset course of enhancing the processes in the HR management, jobs stabilization, continuing employee education, and utilization of all modern HR tools in order to achieve quality, stability,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

The annual average number of the Group employees for the financial year 2016/17 totaled 1,402 (1,289). 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. On average, the Group employs 52% men and 48% women.

In 2017/18 the Group published 480 job offers and recorded 4,812 responses. The number of 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 by Segments



## PROJECTS

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

### Communication

Last year several projects were launched 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 Group's news, its strategy, new projects, and strengthening and adoption of corporate values.

TeMeR newspaper - subtitled "Newspaper not only for Tatry mountain resorts employees" - was published in 2,500 copies in Slovak and Polish in three editions. TeMeR newspaper is one of the communication channels distributing up-to-date information on the Group.

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. The updated online version is available to all employees.

Evaluation dialogues - are a 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, TMR successfully joined the dual education system in the school year 2016/17, and in the school year 2017/18 the number of participating students even increased. In the school year 2018/19 there were 50 students of Hotel Academy in Liptovský Mikuláš involved in its operations, 23 students were from Otto Brückner Hotel Academy in Kežmarok, and 14 students joined the program from the Specialized Hotel School in Starý Smokovec. By the end of 2018, there were 87 students in total participating in the dual education program. Students perform professional practice in TMR's hotels and restaurants - Hotel Grand Jasná, Hotel Tri Studničky, Hotel Pošta, Restaurant at Holliday Village Tatralandia, Restaurant Paradiso, Grandhotel Praha Tatranská Lomnica, hotel Grand Starý Smokovec, Hotel FIS and HUMNO Restaurant & Music Pub in Tatranská Lomnica. TMR has also a cooperation memorandum signed with the Catholic University of Ružomberok in the form of participating in the ERAZMUS plus programs. There were 30 foreign full-time students of the university working part-time for TMR during 2017/18.

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 Group 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. In 2016 the Group 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.

## 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.

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 2018, 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. He is also a member of the supervisory board of the Polish company Korona Ziemi Sp. z o.o., Poland, a member of the supervisory boards of Szczyrkowski Ośrodek Narciarski S.A., Poland, and Śląskie Wesole Miasteczko Sp. z o.o. Poland. Since 05/05/2017 he has been a member of the management board of TMR Ještěd a.s., the Czech Republic (till 31/01/2018 Tatry mountain resorts CR, a.s.) and since 30/09/2017 he has been a chairman of the supervisory board of Tatry mountain resorts PL, a.s. Since 16/02/2018 he has been a member of the supervisory board of Tatry mountain resorts CR, a.s., the Czech Republic and since 14/09/2018 he has been a member of the supervisory board of TMR Finance CR, a.s., Czech Republic.

Number of shares held as of 31 October 2018: 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.

He is also a supervisory board member at the Polish company Szczyrkowski Ośrodek Narciarski S.A., at Korona Ziemi Sp. z o.o., and at Śląskie Wesole Miasteczko Sp. z o.o. Since 05/05/2017 he has been a member of the management board of TMR Ještěd a.s. (till 31/01/2018 Tatry mountain resorts CR, a.s.) and since 30/09/2017 he has been a member of the supervisory board of Tatry mountain resorts PL, a.s. Since 16/02/2018 he has been a member of the supervisory board of Tatry mountain resorts CR, a.s., the Czech Republic and since 14/09/2018 he has been a statutory director and the director of the Board of TMR Finance CR, a.s., Czech Republic.

Number of shares held as of 31 October 2018: 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., Ing. Gábriš is a legal representative at Traťová strojní stanice Olomouc, spol. 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., STAVCOM-HP a.s. in the Czech Republic and a member of the Board of Directors of TSS Grade, a.s. in the Czech Republic and a sore shareholder and the director of the Board of the company ŠIROKÉ INVEST a.s.

Number of shares held as of 31 October 2018: 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. Since 30/09/2017 he has been a supervisory board member of Tatry mountain resorts PL, a.s.

Number of shares held as of 31 October 2018: 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** 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.

From 19.04.2018 the Supervisory Board performs the activities of the Audit Committee under Act No. 423/2015 Coll. on Statutory Audit and under the Amendments to Act No. 431/2002 Coll. on accounting.

### As of 31 October 2018, 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 on 18/04/2018;
- **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** - member of the Supervisory Board, elected by TMR employees from 04/11/2017;
- **Peter Kubeňa** - independent member of the Supervisory Board, elected by TMR employees from 04/11/2017;
- **Miroslav Roth** - independent member of the Supervisory Board, elected by TMR employees from 04/11/2017;

### Changes during the year:

From 23 October 2017 to 03 November 2017, the election of a member of the Supervisory Board - a representative

of employees elected by the Company's employees - took place. The members of the Supervisory Board were Ján Štetek, Peter Kubeňa and Miroslav Roth, who were re-elected on 04.11.2017.

On April 18, 2018, the General Meeting re-elected Pavel Mikušiak as a member of the Supervisory Board as of April 28, 2018.

### 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 vice-chairman of the board of directors of CAREPAR, a.s., Czechia, a member of the board of directors of Park Orbis Pictus a.s., Czechia, a member of the Board of Directors at MELIDA, a.s., the Czech Republic, a member of the board of directors of NARCIUS, a.s., and a director and a management board member of HOBACOR, a.s., Czechia. 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. RCBT, s. r. o., ORBIS NATURA, s.r.o., Czechia, MORAVA SPORT, s.r.o., the Czech Republic, 360 real facilities s.r.o., the Czech Republic and Aerodrome Promotion s.r.o., Czechia. He is also a member of the Supervisory Board of RIVERSAND a. s., Snowparadise a.s., Profimedia.CZ a.s., and SOLIVARY akciová spoločnosť Prešov in liquidation, HAMBAND a.s.,Czechia. He is a chairman of the management board of TMR Ještéd a.s. (till 31.01.2018 Tatry mountain resorts CR, a.s.). He is also a management board member of Nadace J&T. Since 29.05.2018 he has been a member of the supervisory board of isifa a.s. Czech Republic, since 04.09.2018 he has been the managing director of HURRICANE FACTORY PRAHA s.r.o, Czech Republic. Since 16.02.2018 he has been a member of the Board of Directors of Tatry Mountain Resorts CR, a.s. since 08.10.2018 has been a managing director of CARMEN INVEST s.r.o. and since 20.12.2017 has been a member

of the Supervisory Board of CryptoData a.s. Since 21.06.2017 he has been the Chairman of the Board of Directors of GARFIN HOLDING, a. s and since 01.08.2018 he has been a Chairman of the Board of Directors of Hurricane Factory a.s

Number of shares held as of 31 October 2018: 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 served as a legal representative in Investiční podnik, s.r.o. (until 23.03.2018 BELGOMET, s.r.o.) and as of 31.10.2018 he serves as a legal representative in the following companies: 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 2018: 0 (František Hodorovský), 1,030,919 (FOREST HILL COMPANY, 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.

Beside his role of TMR's Supervisory Board member, Adam Tomis serves as a member of the board of directors of Equity Holding, a.s., Czechia and a supervisory board member of Westminster JV a.s., Czechia. Since 5.10.2018 he has been a supervisory board member of EP Global Commerce a.s., the Czech Republic.

Number of shares held as of 31 October 2018: 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 Chairman of the Supervisory Board at LEVEL, a.s. (from 06/08/2018), a.s. and OSKO, a.s., At the same time, he holds a position of chairman of the Board of Directors at CBA SK, a.s., Svätovánske Kúpele, a.s., and NARCIUS, a.s. He is a 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 VEREX ŽILINA, a.s. He is a legal representative of ELTO REALITY, s.r.o., VEREX REALITY s.r.o., PeLiM, práčovne a čistiarne, s.r.o. and MPL Invest, s.r.o.

Number of shares held as of 31 October 2018: 0 (Pavol Mikušiak), 23 000 (Verex Holding, a.s., 25%)

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

In April 2012, Mr Kudláček was elected by the General Meeting as a member of the Supervisory Board, and then reelected in April 2017. 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 2018: 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.

Number of shares held as of 31 October 2018: 0

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

In November 2017, Mr. Štetka was reelected 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 2018: 15

- **Peter Kubeňa** - independent member of the Supervisory Board since 30/6/2012

Mr. Kubeňa was reelected as a member of the Supervisory Board by employees of the Company in November 2017. 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 2018: 0

- **Miroslav Roth** - independent member of the Supervisory Board since 30/6/2012

Mr. Roth was reelected as a member of the Supervisory Board by employees of the Company in November 2017.

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 2018: 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 2018 totaled EUR 43 thousand (40).

### AUDIT COMMITTEE

The Audit Committee was active until 18.04.2018. At the General Meeting held on April 18, 2018, the Company's shareholders approved a change in the Articles of Association, which included, inter alia, the annulment of the Audit Committee and the responsibilities of the Audit Committee had been passed onto the Supervisory Board of the Company

#### As of 31 October 2017, the Audit Committee comprised two members:

- **Jozef Hodek** - TTMR's CFO and member of the Board of Directors (until April 18, 2018)
- **Viera Prokopová** - independent member of the Audit Committee (until April 18, 2018)

### 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 2018, no remuneration was awarded to the members of the Audit Committee.

## TOP MANAGEMENT

The top management's responsibility is the day-to-day management of operations and service departments.

#### As of 31 October 2018, the top management comprised nine 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
- **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 Aquaparks
- **Čeněk Jílek** - Director of the Špindlerův Mlýn resort

- **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 Odštepny 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.

Number of shares held as of 31 October 2018: 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 organized the internationally recognized freeride ski races, one of ten world Freeride World Qualification contests, known as JASNA ADRENALIN.

Number of shares held as of 31 October 2018: 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 2018: 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 2018: 0

- **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.

Since 13.07.2017, František Šoltis has also been a member of the Supervisory Board of Region Tatry Travel, s.r.o.

Number of shares held as of 31 October 2018: 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.

In addition to working in the Company, Igor Mráz is also the managing director and a sole shareholder of MITEZ s.r.o.

Number of shares held as of 31 October 2018: 0

■ **Čeněk Jílek** - Director of the Špindlerův Mlýn resort

Mr. Jílek holds the position of Director of the Špindlerův Mlýn resort, operated by Melida a.s., since November 2012. Earlier he served three years as a sales manager of the Tatry Motion retail stores, which belong to TMR. He has also gained his experiences in tourism during seven years as a sales manager in the luxury hotel segment in Canary Islands. He received his MBA degree from Bircham International University.

Mr. Jílek serves as chairman of the board of directors of the Czech company MELIDA, a.s., he is vice-chairman of the board of directors of SKOL MAX Ski School, a. s., Czechia, a member of the board of directors of HAMBRAAND a.s., a supervisory board member of CAREPAR, a.s., Czechia, a statutory director and a management board member of TMR Ještěd a.s. (till 31.01.2018 Tatry mountain resorts CR, a.s.), and a partner and legal representative of Refugio, s.r.o. Since 16.02.2018 he has been the statutory director of Tatry mountain resorts CR, a.s., Czech Republic and since 14.09.2018 he has been a member of the Board of Directors

of TMR Finance CR, a.s., Czech Republic.

Number of shares held as of 31 October 2018: 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, 2018 key management was paid basic remuneration totaling EUR 695 ths. (678). Extraordinary bonuses to key management amounted to EUR 1.441 mil. (1.068).

Remuneration of TMR Leadership 2017/18 in €'000	Basic Remuneration	Extraordinary Bonuses	Total
Key Management	695	1 441	2 136
Supervisory Board	43	0	43
Audit Committee	0	0	0
<b>Total</b>	<b>738</b>	<b>1 441</b>	<b>2 179</b>

Remuneration of TMR Leadership 2016/17 in €'000	Basic Remuneration	Extraordinary Bonuses	Total
Key Management	678	1 068	1 746
Supervisory Board	40	0	40
Audit Committee	0,4	0,0	0,4
<b>Total</b>	<b>718</b>	<b>1 068</b>	<b>1 786</b>

## 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 authorized 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 authorized representatives who shall prove their authorization by a written power of attorney defining the scope of the authorization. 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 notarized 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](http://www.tmr.sk).

The Annual General Meeting for the period from 1 November 2017 - 31 October 2018 was held on 18 April 2017.

## Annual General Meeting Held on 18 April 2018

At the Annual General Meeting held on 18 April 2018, 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 2017
3. Approval of the distribution of individual net profit achieved in the financial year beginning on 01/11/2016 and ending on 31/10/2017 in the amount of EUR 9,222,486,88. A part of the profit in the amount of EUR 922,248.69 was to be added to the reserve fund, and EUR 8,300,238.19 was to be transferred to the Retained earnings account.
4. Approval of changes in the Articles of Association - annulment of the Audit Committee, the responsibilities of the Audit Committee had been passed onto the Supervisory Board
5. Approval of the auditor - KPMG Slovensko spol. s.r.o. to audit the financial statements for the year ending 31 October 2018
6. Reelection of the member of the Supervisory Board - Pavol Mikušiak and approval of his role contract.
7. Revocation of the Audit Committee members Viera Pokorná and Jozef Hodek.

## 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](http://www.tmr.sk/investor-relations/corporate-governance).

## SUPERVISORY BOARD REPORT

For the financial period from 1 November 2017 to 31 October 2018, the Company's Supervisory Board carried out the Company monitoring activities consisting of nine members. In April 2018, the Annual General Meeting reelected the Supervisory Board Member, Pavel Mikušiak effective as of 28/04/2018. In the period from 1 November 2017 to 31 October 2018, the Supervisory Board held eight sessions:

- On 13/12/2017 six members of the Supervisory Board were present.
- On 01/03/2018 nine members of the Supervisory Board were present.
- On 15/03/2018 nine members of the Supervisory Board were present.
- On 18/04/2018 seven members of the Supervisory Board were present.
- On 29/05/2018 nine members of the Supervisory Board were present.
- On 29/06/2018 eight members of the Supervisory Board were present.
- On 13/08/2018 nine members of the Supervisory Board were present.
- On 04/09/2018 eight members of the Supervisory Board were present.

During the financial year ending 31/10/2018 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 Company and its statutory bodies adopted 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](http://www.tmr.sk/investor-relations/corporate-governance).

As for the **Corporate Governance Code for companies in Slovakia 2016**, 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.2.III.** An electronic voting system in absentia, including the electronic distribution of proxy materials and reliable vote confirmation

Not met. So far the Company has not enabled attending General Meetings and voting at General Meetings by

electronic means. In order to implement the attendance at General Meetings and voting at General Meeting by electronic means, the Articles of Association need to be changed and approved by the 3/5 majority of all the shareholder votes.

- **I.C.4.I.** Effective shareholder participation in decisions on the nomination, election and remuneration of board members should be facilitated. Shareholders should be able to participate in the nomination of board members.

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. The General meeting elects and dismisses member of the Supervisory Board and the Audit Committee.

- **I.C.4.III.** Effective shareholder participation in decisions on the nomination, election and remuneration of board members should be facilitated. Shareholders should be able to make their views known on the remuneration of board members.

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.4.IV.** Effective shareholder participation in decisions on the nomination, election and remuneration of board members should be facilitated. The equity component of compensation schemes for board members and employees should be subject to shareholder approval.

Partly met. Currently, the Company does not offer any stock-option compensation schemes. 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.4.V.** Effective shareholder participation in decisions on the nomination, election and remuneration of board members should be facilitated. The remuneration of board members and key executives should be disclosed, the total value of compensation arrangements made and how remuneration and company performance are linked.

Partly met. Information on the remuneration of the board members and the management is disclosed in the Annual

Report. The Company discloses the general remuneration policy for the members of the Supervisory Board and the Board of Directors, and only the sum of the remuneration of the Supervisory Board, the Board of Directors, and the Top Management.

- **I.C.4.VI.** Effective shareholder participation in decisions on the nomination, election and remuneration of board members should be facilitated. Any significant change in the remuneration schemes should be approved by shareholders.

Partly met. The General Meeting approves the Remuneration Rules for the Supervisory Board and the role contracts of the Supervisory Board members. The Company acts in accordance with the Commercial Code and the Articles. When approving internal regulations the Company acts in accordance with the competencies of the relevant statutory bodies, with the Articles of Association and relevant law.

- **I.C.5.III.** Non-discriminatory voting of shareholders in absentia should be enabled: Where proxies are held by the board or management for company pension funds, the directions for voting should be disclosed.

Not met. The Company does not disclose directions for voting.

- **I.C.6.** Ability to vote electronically by non-discriminatory means (if the company enables such voting).

Not met. So far the Company does not enable electronic voting at General Meetings. In order to implement the attendance at General Meetings and voting at General Meeting by electronic means, the Articles of Association need to be changed and approved by the 3/5 majority of all the shareholder votes.

- **I.E.1.III.** Non-discriminatory relations with shareholders and transparency of capital structures. Changes in economic and voting rights should be subject to approval by a qualified majority of the relevant group of shareholders.

Partly met. These changes are subject to changes in the Articles of Association, which require the 2/3 majority of the present shareholder votes; the notary meeting minutes need to be prepared. A change in the Articles of Association related to the implementation of possible proxy voting and/or electronic voting is subject to approval by the 3/5 majority of all the shareholder votes.

- **I.E.2.** The capital structure and takeover arrangements should be disclosed.

Partly met. The Company discloses such information provided that relevant legal regulations require and/or enable such disclosure.

- **IV.A.4.II.** Information on the company's remuneration: information on the remuneration policy in the upcoming financial year or, where appropriate, consecutive years and information on the implementation of the policy in the previous financial year.

Partly met. The Company discloses the general remuneration policy for the members of the Supervisory Board and the Board of Directors, and only the sum of the remuneration of the Supervisory Board, the Board of Directors, and the Top Management.

- **IV.A.5.II.** Information about board members, executive managers, especially: Information on the qualification requirements and the selection process.

Partly met. The Company discloses the process of electing members of the Supervisory Board and the Audit Committee.

- **V.D.4.** Remuneration with the longer-term interests of the company and its shareholders.

Partly met. The level of basic remuneration is set for each member of the Board of Directors separately based on the decision of the Supervisory Board upon each member's nomination. Extraordinary bonuses of the Board of Directors are subject to the fulfillment of the EBITDA plan in the previous financial year. Remuneration of the Top management is set by and subject to approval by the Board of Directors depending on the performance of the operating segments and resorts of the Company.

- **V.E.1.** Boards should consider assigning a sufficient number of non-executive board members where there is a potential for conflicts of interest. The board should consider establishing specific committees to consider questions where there is a potential for conflicts of interest. These committees should require a minimum number of non-executive members, or be composed entirely of members of the supervisory board.

Partly met. The Supervisory Board is composed of only non-executive members and is responsible for controlling. In case of a conflict of interest, the Company acts in accordance with its Code of Conduct and relevant persons are excluded from the decision-making process. The Company does not have such specific committees established.

- **V.E.2.I.** Existence, composition and the role of committees. The nomination committee.

Not met. Currently, the Company does not have a nomination committee. Members of the Board of Directors are nominated by the Supervisory Board.

- **V.E.2.II.** Existence, composition and the role of committees. The remuneration committee.

Not met. Currently, the Company does not have a remuneration committee. The variable part of the Board of Directors' remuneration is determined by the Remuneration Rules and is subject to performance achieved by the Company. The Board of Directors' Remuneration Rules are subject to approval by the Supervisory Board.

- **V.E.4.** Regular self-assessment of the company boards, including assessment of correct backgrounds and competences.

Not met. Assessment of the activity of the Board of Directors is done by the Supervisory Board. The Supervisory Board's report has not included self-assessment so far.

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 52% men and 48% 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;

Not met. Currently, the Company does not publish audio or video recordings from its General Meetings as the benefit of these recordings is not justified in comparing to high costs associated with them and they do not 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 two 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 Company automatically considers members, elected by the Company employees and who are not shareholders, as independent.

- **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 2017 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 were senior, secured by a pledge over certain immovable assets owned by the Company. TMR I 4.50% bonds were fully repaid on December 17, 2018.

During the financial year 2017/18 the Company issued another tranche of 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.

### **Bonds TMR III 4.40%/ 2024**

ISIN: SK4120014598  
 Volume: 90 000 000 EUR  
 Market: The Bratislava Stock Exchange  
 Nominal Value: 1 000 EUR  
 Coupon Rate: fixed rate 4.40% p.a.  
 Coupon Payment: semi-annual always on 10-04 and 10-04  
 Maturity Date: 10 October 2018  
 Issue Date: 10-10-2018

Bonds TMR III 4.40%/ 2024 are senior bonds, secured by a pledge over certain assets owned by the Company.

As of 31/10/2018 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 31/10/2018 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 2017/18.

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 2017/18 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. TMR provided Melida with an interest-bearing loan in 2013 and an interest non-bearing loan in 2014.

### 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 2018 and Consolidated Financial Statements as of 31 October 2018 based on the decision of the General Meeting held on 18 April 2018.

### 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 2018, the Company achieved net profit of EUR 7.573 mil. according to Individual Financial Statements. The Board of Directors proposes the following distribution of profit:

1. EUR 757 ths. will be allocated to the reserve fund;
2. EUR 38 ths. will be allocated to the social fund, based on the Collective Agreement
3. EUR 225 ths. will be allocated to the losses of the previous periods
4. Balance in the amount of EUR 6.553 mil. will be transferred to the retained earnings account.



SHARES

# Shares

## Shareholder Club

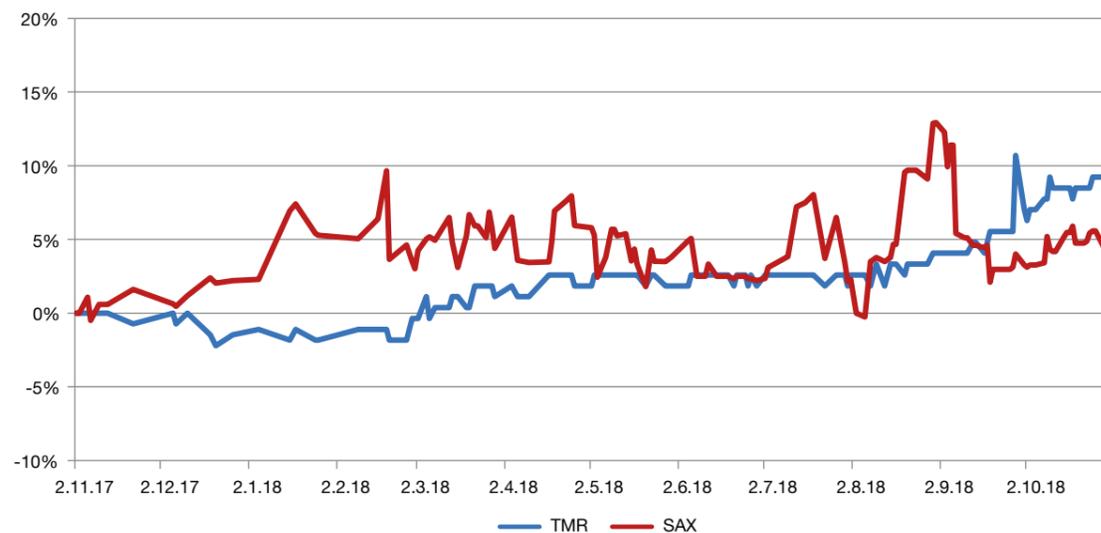
TMR and individual shareholders have come together in partnership based on trust in order to move successfully forward, create loyalty with special offers in the region's most popular resorts, and to increase the number of registered shareholders. For this reason Shareholder Club was established at the beginning of 2010. Shareholders

who own at least 25 shares have the right to benefits that help them to get to know the Group 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 <a href="http://www.tmr.sk/shareholder-club/">www.tmr.sk/shareholder-club/</a>
750 VIP GOLD	More info at <a href="http://www.tmr.sk/shareholder-club/">www.tmr.sk/shareholder-club/</a>

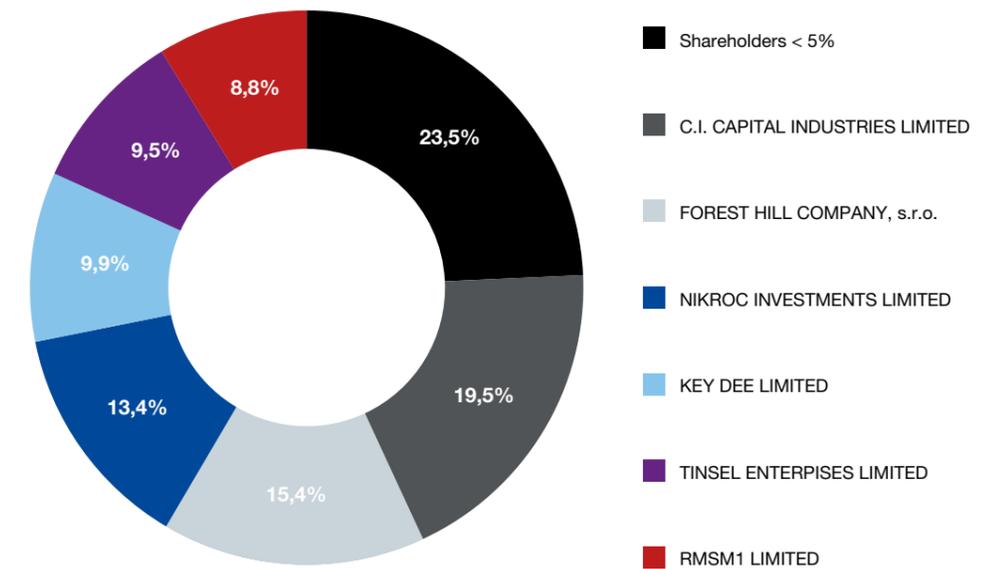
### TMR Stock Performance on the BSSE



Closing Price	BSSE (EUR)	WSE (PLN)	PSE (CZK)
31.10.2018	29,20	132,00	780,00
31.10.2017	27,30	117,00	720,00

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

### Shareholder Structure as of 31.10.2018



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 31/10/2018:

Company / Name	No. of Shares	Interest in Share Capital		Voting Rights %
		in EUR thousands	%	
Shareholders < 5%	1 578 760	11 051	23,5%	23,5%
C.I. CAPITAL INDUSTRIES LIMITED	1 309 139	9 164	19,5%	19,5%
FOREST HILL COMPANY, 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	638 385	4 469	9,5%	9,5%
RMSM1 LIMITED	588 166	4 117	8,8%	8,8%
Total	6 707 198	46 950	100,0%	100,0%

# Separate Financial Statements

## Tatry mountain resorts a.s.

Individual Financial Statement  
for the Period from 1 November 2017 to 31 October 2018

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	1.11.2017 - 31.10.2018	1.11.2016 - 31.10.2017
Sales	6	96,189	90,393
Other operating revenue	7	190	171
<b>Total revenue</b>		<b>96,379</b>	<b>90,564</b>
Material and goods consumption	8	-18,023	-15,639
Purchased Services	9	-21,631	-19,919
Personal cost	10	-26,095	-22,901
Other operating cost	11	-944	-827
Gain on sale of assets		469	1,011
Increase in fair value of investment property	17	725	-
Gain on revaluation of financial investments	25	2,458	-
Creation of value adjustments to receivables	22	-83	-19
<b>Profit before interest, taxes, depreciation and amortization (EBITDA)*</b>		<b>33,255</b>	<b>32,270</b>
Depreciation and amortization	15,16	-13,417	-12,600
Goodwill impairment loss	16	-	-
<b>Profit before interest, taxes (EBIT)</b>		<b>19,838</b>	<b>19,670</b>
Interest income	12	3,669	2,775
Interest expense	12	-12,089	-11,694
Net profit / (loss) on financial instruments	13	-2,091	29
<b>Profit before taxes</b>		<b>9,327</b>	<b>10,780</b>
Income tax	14	-1,754	-1,557
<b>Profit</b>		<b>7,573</b>	<b>9,223</b>
<b>Other components of comprehensive income</b>			
<i>Items with possible subsequent reclassification into profit/(loss)</i>			
Revaluation of available-for-sale securities to fair value	14	-	35
<b>Total comprehensive income</b>		<b>7,573</b>	<b>9,258</b>
<b>Profit per share (in EUR)</b>	27	<b>1.129</b>	<b>1.375</b>
<b>Number of shares</b>		<b>6,707,198</b>	<b>6,707,198</b>

\*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 6 to 54 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	31.10.2018	31.10.2017
<b>Assets</b>			
Goodwill and Intangible Assets	16	7,020	6,952
Property, Plant and Equipment	15	278,535	274,877
Investments Property	17	7,279	6,554
Loans Provided	21	3,043	35,397
Other receivables	23	3,708	2,656
Investments in Subsidiaries	18	7,482	14,743
<b>Fixed assets total</b>		<b>307,067</b>	<b>341,179</b>
Inventory	20	7,895	5,763
Trade receivables	22	3,387	5,387
Loans Provided	21	86,322	21,307
Other receivables	23	24,224	24,179
Financial investments	25	4,652	2,194
Cash and Cash Equivalents	26	52,787	6,062
Other Assets	24	8,770	476
<b>Total current assets</b>		<b>188,037</b>	<b>65,368</b>
<b>Assets total</b>		<b>495,104</b>	<b>406,547</b>
<b>Equity</b>			
Capital	27	46,950	46,950
Share premium		30,430	30,430
Profit for the period		7,573	9,223
Retained earnings and other funds		37,969	28,746
<b>Total equity</b>		<b>122,922</b>	<b>115,349</b>
<b>Liabilities</b>			
Loans and Borrowings	28	39,874	56,567
Provisions	31	24	24
Other non-current liabilities	30	-	-
Bonds Issued	32	167,415	178,820
Deferred tax liability	19	23,079	21,450
<b>Total non-current liabilities</b>		<b>230,392</b>	<b>256,861</b>
Loans and Borrowings	28	46,548	9,122
Trade payables	29	7,689	7,989
Provisions	31	389	307
Bonds Issued	32	71,002	6,022
Other current liabilities	30	16,162	10,897
<b>Total current liabilities</b>		<b>141,790</b>	<b>34,337</b>
<b>Total liabilities</b>		<b>372,182</b>	<b>291,198</b>
<b>Total equity and liabilities</b>		<b>495,104</b>	<b>406,547</b>

The Notes provided on pages 6 to 54 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	Total
<b>Balance as at 1 November 2017</b>	46,950	30,430	4,930	180	32,859	115,349
Transfer of retained earnings into the legal reserve fund	-	-	922	-	-922	-
Profit for the period	-	-	-	-	7,573	7,573
<b>Other components of comprehensive income, after tax</b>						
- items with possible subsequent reclassification into profit/(loss):						
Revaluation of available-for-sale securities at fair value	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>			922		6,651	7,573
<b>Transactions with owners posted directly into equity</b>						
Contributions to the fund	-	-	-	-	-	-
<b>Total transactions during the year</b>						
<b>Balance as at 31 October 2018</b>	46,950	30,430	5,852	180	39,510	122,922

	Capital	Share premium	Legal reserve fund	Funds from revaluation	Retained earnings	Total
<b>Balance as at 1 November 2016</b>	46,950	30,430	4,449	145	24,117	106,091
Transfer of retained earnings into the legal reserve fund	-	-	481	-	-481	-
Profit for the period	-	-	-	-	9,223	9,223
<b>Other components of comprehensive income, after tax</b>						
- items with possible subsequent reclassification into profit/(loss):						
Revaluation of available-for-sale securities at fair value	-	-	-	35	-	35
<b>Total comprehensive income for the period</b>	-	-	481	35	8,742	9,258
<b>Transactions with owners posted directly into equity</b>						
Contributions to the fund	-	-	-	-	-	-
<b>Total transactions during the year</b>	-	-	-	-	-	-
<b>Balance as at 31 October 2017</b>	46,950	30,430	4,930	180	32,859	115,349

The Notes provided on pages 6 to 54 constitute an integral part of the Separate Financial Statements.

### Separate Cash Flow Statement

<i>in TEUR</i>	Note	1.11.2017 - 31.10.2018	1.11.2016 - 31.10.2017
<b>OPERATING ACTIVITIES</b>			
Profit		7,573	9,223
Adjustments related to:			
Profit from the sale of land, buildings and equipment and intangible assets		-469	-1,011
Depreciation and amortization	15,16	13,417	12,600
Creation of value adjustments to receivables		83	19
Profit from revaluation of financial instruments	25	-2,458	-
Profit from revaluation of investments in property	17	-725	-29
Net interest expense / (income)	12	8,420	8,919
Gross change in provisions		82	-43
Income tax	14	1,754	1,557
Change in trade receivables, other receivables and other assets		624	-1,848
Variation in inventory		-2,132	-212
Change in trade liabilities and other liabilities		4,965	2,776
Cash flow from operating activity before income tax		<b>31,134</b>	<b>31,951</b>
Income tax paid		-475	-21
Cash flow from operating activity		<b>30,659</b>	<b>31,930</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of land, buildings and equipment and intangible assets	15,16	-17,677	-29,095
Proceeds from sale of property, plant and equipment and intangible assets		1,003	2,455
Cost of acquisition of subsidiaries	5	-189	-102
Loans Provided		-38,430	-47,740
Repayment of loans provided		9,049	31,742
Expenses for acquisition of financial investments	25	-	-
Income from the sale of financial investments	25	-	103
Interest receivable		112	653
Cash flow used by investing activity		<b>-46,132</b>	<b>-41,984</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of liabilities from financial leasing		-987	-1,018
Financial leasing received		871	1,498
Repayment of received loans and borrowings		-53,045	-9,330
Loans and borrowings received		73,556	30,310
Repayment of liability from reduction of share capital		-	-
Bonds Issued, netto	32	58,347	-
Purchase of own bonds		-5,081	-
Interest paid		-11,463	-11,290
Dividends paid		-	-
Cash flow from financing activity		<b>62,198</b>	<b>10,170</b>
Net increase of cash and cash equivalents		46,725	116
Cash and cash equivalents at the beginning of the year	26	6,062	5,946
<b>Cash and cash equivalents at the end of the year</b>	<b>26</b>	<b>52,787</b>	<b>6,062</b>

The Notes provided on pages 6 to 54 constitute an integral part of the Separate Financial Statements.

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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. On 10 October 2018, the company issued the third bond issue in the nominal value of 90,000 ths. EUR, with maturity in 2024. From the total issue, 60,000 ths. EUR was subscribed by the day of financial statement preparation. 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 2018 and 31 October 2017, the Shareholders structure of the Company was as follows:

31 October 2018	Share in share capital		Voting rights
	in TEUR	%	%
C.I. CAPITAL INDUSTRIES LIMITED	9,164	19.5%	19.5%
FOREST HILL COMPANY, 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	4,469	9.5%	9.5%
RMSM1 LIMITED	4,117	8.8%	8.8%
Minority shareholders	11,052	23.5%	23.5%
<b>Total</b>	<b>46,950</b>	<b>100%</b>	<b>100%</b>

31 October 2017	Share in share capital		Voting rights
	in TEUR	%	%
C.I. CAPITAL INDUSTRIES LIMITED	9,164	19.5%	19.5%
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	4,469	9.5%	9.5%
RMSM1 LIMITED	4,117	8.8%	8.8%
Minority shareholders	11,052	23.5%	23.5%
<b>Total</b>	<b>46,950</b>	<b>100%</b>	<b>100%</b>

## 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. During the years 2017 and 2018 the Company expanded its portfolio by subsidiary companies in Czech Republic and Austria. The company in Czech Republic provides ski center Ještěd pri Liberci since December 2017. The company in Austria will serve for potential future acquisitions.

In the period between 1 November 2017 and 31 October 2018, the average number of Company employees was 1,150, of which the management was 25 (between 1 November 2016 and 31 October 2017, it was 1 131, 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 2017 and 31 October 2018 it was 272 employees in average (between 1 November 2016 and 31 October 2017: 254 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)

### **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 2017 to 31 October 2018 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 2019 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 25 February 2019.

### (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.

## 2. Significant accounting policies (continued)

**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 2017:**

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

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.

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.

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

As of 31 October 2018, 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).

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. The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

Management is still evaluating the possible impact of IFRS 15 on the financial statements of the Company, however the Company does not expect that first time adoption of the standard will have significant impact on the financial statements. Management of the Company does not expect, that the moment when revenue is recognised and in what amount will be changed based on the IFRS 15, due to the nature and types of revenue that the Company has.

## 2. Significant accounting policies (continued)

**IFRS 16 Leases** was issued in January 2016 and replaces IAS 17 Leases, 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 Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases. Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

Lessor accounting, however, shall remain largely unchanged and the distinction between operating and finance leases will be retained.

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. It is expected, that first time adoption of the standard will have significant impact on the financial statements, as it is required to recognise assets and liabilities from operating leases in statement of financial position, where the Company act as a lessee. This applies mainly on operating lease of lands. The character and expenses related to these lease will change, as the Company will report depreciation expense from the right to use the asset and interest expense from liabilities. The Company is now recording expenses from operating lease on a linear basis and the asset and liabilities only in time inconsistency between actual lease payment and recorded expense. Instead, the Company will recognize lease payments within lease liability. The Company did not prepared the analysis of the expected quantitative effects of the standard. The Company plans to apply IFRS 16 for the first time on 1 November 2019. It will use the retrospective approach. Therefore, the cumulative effect of the adoption of IFRS 16 will be recognized as an adjustment to the opening level of equity on 1 November 2019, without any adjustment to comparable information.

In July 2014, IASB issued the final version of **IFRS 9 Financial Instruments**, which replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting until the standard resulting from the IASB's project in macro hedge accounting is effective.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortized cost if the following two conditions are met:

- the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition.

## 2. Significant accounting policies (continued)

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking an 'expected credit loss' (ECL) model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment will be required.

The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items. Extensive additional disclosures regarding an entity's risk management and hedging activities are required.

The Company plans to apply the new standard from its effective date. The company has begun to analyze the impact of the new standard on the balance sheet and assets and it is expected that the allowance to provided loan will increase. The initial estimate contains allowance to loans provided and other financial assets, thus reducing the economic result by 1,800 ths. EUR.

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 and increased amount of allowances to loans provided is expected, however the quantitative impact is not known yet. The management of the Company is not expecting any significant impact. The amendments to **IAS 40 Transfers of Investment Property** is effective for annual periods beginning on or after 1 January 2018 and should be applied prospectively. Early application is permitted. The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The Company does not expect that first time adoption of the amendments will have significant impact on the financial statements, as the Company transfer property into, or out of investment property only in case of the change in use of the property.

Amendments to **IFRS 3 Business Combinations** effective for annual periods beginning on or after 1 January 2020. Appendices narrow down and clarify the business definition. They also make it possible to use a simplified assessment if the acquired set of activities and assets is a set of assets or an enterprise.

Amendments to **IAS 1 Presentation of Financial Statements** and **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**, effective for annual periods beginning on or after 1 January 2020. Appendices explain and unify the definition of materiality to improve consistency in applying this principle in individual IFRS standards.

### IFRS Annual Improvements

The IASB has issued a set of amendments to standards. Annual improvements to IFRS 2014 – 2016 Cycle (issued on 8 December 2016), effective for accounting period beginning on or after 1 January 2018, except changes in IFRS 12 that are effective for accounting period beginning on or after 1 January 2017. Further, Annual improvements to IFRS 2015 – 2017 Cycle (issued on 12 December 2017), effective for accounting period beginning on or after 1 January 2019. These annual improvements have not been adopted by the EU yet.

Also adoption of the following interpretations and amendments, will not have any impact on the accounting policies, financial position or performance of the Company. Interpretations have not been adopted by the EU yet

## 2. Significant accounting policies (continued)

The Interpretation **IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration** clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

- (i) The beginning of the reporting period in which the entity first applies the interpretation Or
- (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Company's current practice is in line with the Interpretation, the Company does not expect any effect on its financial statements.

The Interpretation **IFRIC Interpretation 23 Uncertainty over Income Tax Treatment** addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Company will apply interpretation from its effective date. Since the Company does not operate in a complex multinational tax environment, applying the Interpretation may not significantly affect its financial statements and the required disclosures.

### 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.

**2. Significant accounting policies (continued)****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.

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.

**2. Significant accounting policies (continued)**

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.

**(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.

## 2. Significant accounting policies (continued)

If assets available for sale caused a decrease in fair value recognized directly in equity and if objective reasons exist that that there was a decrease in the fair value of the assets, the cumulated loss recognized in equity shall be reported in the and loss statement even if the relevant financial asset had not been reversed from the financial position. The amount recognized in the profit and loss statement is the difference between the acquisition cost and the fair value, adjusted for impairment of the financial asset already recognized in profit and loss. A decrease in fair value of more than 20% acquisition cost or a decrease in fair value below the acquisition cost that lasts continuously more than nine months in 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 in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects a market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate 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 is 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 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.

### (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, 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 and equipment will flow to the Company and the relevant cost can be measured reliably. All other expenditures including costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss in the period to which they

## 2. Significant accounting policies (continued)

### *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 intangible 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.

#### *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 recognised 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 estimate 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.

## 2. Significant accounting policies (continued)

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.

### (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.

## 2. Significant accounting policies (continued)

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).

### (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 including hotels disclosed as investments property, parking, wellness, massage, sale of souvenirs, etc. Revenues from rental are recognised over the duration of the rental, with accruals. Revenues from real estate projects are recognised following the transfer of rights and obligations and related risks on to buyer, to which occurs at the day of transferring the ownership rights. 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.

## 2. Significant accounting policies (continued)

### (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.

### (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.

## 2. Significant accounting policies (continued)

### 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.

### iii. 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 a management evaluation or independent expert (see the Significant Accounting Principles, par. 1); 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 2018, the investments in real property cover three hotels (SKI, Liptov, Kosodrevina) and the accommodation facility Otučné with the aggregate book value of 2,707 ths. EUR (as at 31 October 2017: 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 2017: 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 2018, the Company management, based on current market conditions, revalued the value of investments in property and increased the value by 725 ths. EUR. The contract's annual rentals and a discount rate of 6.4% were used for the valuation.

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 728 ths. EUR in comparison with the amount reported as at 31 October 2018 (as at 31 October 2017: 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 (EBITDA) 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 1% p.a. (2017: 2.2%). Discount rates applied in the projecting of cash flows were calculated as weighted average cost of capital, representing 6.5% for 2018 and 6.81% for 2017 (considering the income tax).

In 2018 and 2017, goodwill was tested within CGU Vysoké Tatry, and the test did not show any reason for asset impairment.

If as at 31 October 2018, 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 10,160 ths. EUR. 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% 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 12,821 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 2017, 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 10,238 ths. EUR. 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% in comparison with the management estimate, i.e. its value was 7.31 %, the value in use for an individual cash-generating unit for the location of High Tatras would drop by 17,762 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

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 and in Czech Republic with planned asset expansion also to Austria. 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 2018, 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 2017, 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.

in TEUR	31.10.2018				31.10.2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>								
Financial investments	-	4,652	-	<b>4,652</b>	-	2,194	-	<b>2,194</b>
Loans Provided	-	89,365	-	<b>89,365</b>	-	56,915	-	<b>56,915</b>
Other receivables	-	23,437	-	<b>23,437</b>	-	21,698	-	<b>21,698</b>
Investments in Subsidiaries	-	7,482	-	<b>7,482</b>	-	14,743	-	<b>14,743</b>
Trade receivables	-	3,387	-	<b>3,387</b>	-	5,387	-	<b>5,387</b>
Cash and Cash Equivalents	-	52,787	-	<b>52,787</b>	-	6,062	-	<b>6,062</b>
Other Assets	-	7,574	-	<b>7,574</b>	-	476	-	<b>476</b>
<b>Total</b>	-	<b>188,684</b>	-	<b>188,684</b>	-	<b>107,475</b>	-	<b>107,475</b>

in TEUR	31.10.2018				31.10.2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial obligations</b>								
Loans and Borrowings	-	86,422	-	<b>86,422</b>	-	66,055	-	<b>66,055</b>
Bonds Issued	-	238,417	-	<b>238,417</b>	-	189,122	-	<b>189,122</b>
Trade payables	-	7,689	-	<b>7,689</b>	-	7,989	-	<b>7,989</b>
Other Liabilities	-	6,080	-	<b>6,080</b>	-	10,897	-	<b>10,897</b>
<b>Total</b>	-	<b>338,608</b>	-	<b>338,608</b>	-	<b>274,063</b>	-	<b>274,063</b>

As at 31 October 2018, within Level 2, the Company mostly registers the financial investment (19% share) in the company CAREPAR, a.s. in amount of 4,498 ths. EUR (as at 31 October 2017: 2,041 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 2018, 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 2018 and 2017, 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. The rent of the ski resort was based on the signed appendix no. 2, which came into effect on 22 March 2018, extended until 2057. Therefore cash flows projection was from 2018 to 2057. 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.

### 3. Significant Accounting Estimates and Assumptions (continued)

EBIDTA projected for 2018 represented the value of 5,890 ths EUR (2017: 5,196 ths EUR). For 2019, it is expected to grow by 5%, for 2020 and 2021 by 3%, from 2022 to 2023 it is expected to grow by 2% per year and from 2024 to 2057 by 1% per year. The discount rate applied in the valuation of such financial assets used as at 31 October 2018 was in amount of 7.8% (2017: 8.70%).

If in the calculation as at 31 October 2018 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 341 ths. EUR. If the discount rate increased by 0.5% in comparison with the management estimate, i.e. its value would be 8.30%, the value of CAREPAR, a.s. would drop by 242 ths. EUR.

If in the calculation as at 31 October 2017 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 208 ths. EUR. If the discount rate increased by 0.5% in comparison with the management estimate, i.e. its value would be 9.20%, the value of CAREPAR, a.s. would drop by 63 ths. EUR.

## 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	
	31.10.2018	31.10.2017	31.10.2018	31.10.2017	31.10.2018	31.10.2017	31.10.2018	31.10.2017	31.10.2018	31.10.2017	31.10.2018	31.10.2017	31.10.2018	31.10.2017	31.10.2018	31.10.2017
	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	39,258	34,624	8,610	9,837	25,004	22,213	14,528	12,290	6,188	5,574	2,601	5,855	-	-	96,189	90,393
Other operating revenue	34	23	-	77	77	52	79	91	-	5	-	-	-	-	190	171
Material and goods consumption	-3,750	-2,425	-322	-287	-4,900	-4,376	-4,849	-3,861	-2,702	-2,350	-1,500	-2,340	-	-	-18,023	-15,639
Purchased Services	-10,296	-9,025	-1,553	-1,398	-6,151	-5,235	-2,489	-1,574	-522	-494	-620	-2,193	-	-	-21,631	-19,919
Personal cost	-8,146	-7,257	-2,623	-2,574	-8,797	-7,517	-4,491	-3,931	-1,912	-1,622	-126	-	-	-	-26,095	-22,901
Other operating cost	-375	-387	-83	-142	-306	-264	-93	-91	-83	-40	-4	-	-	97	-944	-827
Gain on sale of assets	-	-	-	-	-	-	-	-	-	-	469	1,011	-	-	469	1,011
Increase in fair value of investment property	-	-	-	-	-	-	-	-	-	-	725	-	-	-	725	-
Gain on revaluation of financial investments	2,038	-	-	-	-	278	-	-	142	-	-	-	-	-	2,458	-
Release of value adjustments to receivables	-	-	-82	-	-1	-15	-	-	-	-4	-	-	-	-	-83	-19
Depreciation and amortization	-7,344	-7,055	-1,289	-1,180	-3,172	-2,795	-918	-731	-403	-330	-85	-85	-206	-424	-13,417	-12,600
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	3,669	2,775	2,775
Interest income	-4,630	-4,479	-1,316	-1,273	-2,971	-2,874	-1,644	-1,590	-745	-721	-783	-757	-	-	-12,089	-11,694
Net Profit from Financial Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-2,091	29	29
Profit / (loss) of the segment before taxes	6,789	4,019	1,342	2,983	-1,217	-811	401	603	-37	18	677	1,491	1,372	2,477	9,327	10,780
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-1,754	-1,557
<b>Profit / (Loss)</b>															7,573	9,223

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 Statement of Financial Position

in TEUR	Mountain Resorts		Leisure Parks		Hotels		Dining		Sports Services and Stores		Real Estate		Other		TOTAL	
	31.10.2018	31.10.2017	31.10.2018	31.10.2017	31.10.2018	31.10.2017	31.10.2018	31.10.2017	31.10.2018	31.10.2017	31.10.2018	31.10.2017	31.10.2018	31.10.2017	31.10.2018	31.10.2017
	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	375	335	2,515	2,517	4,114	4,076	10	11	3	10	3	3	-	-	7,020	6,952
Property, Plant and Equipment	143,629	147,179	38,697	33,765	72,953	75,111	14,638	9,870	2,671	2,320	3,263	4,238	2,684	2,394	278,535	274,877
Investments Property	-	-	-	-	-	-	-	-	-	-	7,279	6,554	-	-	7,279	6,554
Inventory	373	400	88	87	703	644	-12	378	2,762	2,808	3,981	1,446	-	-	7,895	5,763
Trade receivables	1,335	2,123	326	518	834	1,327	464	738	209	332	219	349	-	-	3,387	5,387
Investments in associates	7,482	7,293	-	7,450	-	-	-	-	-	-	-	-	-	-	7,482	14,743
Other receivables	27,753	26,685	179	150	-	-	-	-	-	-	-	-	-	-	27,932	26,835
Financial investments	4,498	2,041	-	-	2	1	-	-	119	119	-	-	33	33	4,652	2,194
Other Assets	858	312	7,405	46	507	118	-	-	-	-	-	-	-	-	8,770	476
Loans Provided	41,589	34,820	41,044	17,274	4,660	4,200	-	-	-	-	43	43	2,029	367	89,365	56,704
Cash and Cash Equivalents	3,154	2,782	700	583	1,451	1,493	862	830	398	374	-	-	46,222	-	52,787	6,062
Assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Assets total</b>	<b>231,046</b>	<b>223,970</b>	<b>90,954</b>	<b>62,390</b>	<b>85,224</b>	<b>86,970</b>	<b>15,962</b>	<b>11,827</b>	<b>6,162</b>	<b>5,963</b>	<b>14,788</b>	<b>12,633</b>	<b>50,968</b>	<b>2,794</b>	<b>495,104</b>	<b>406,547</b>
Loans and Borrowings long term	31,732	48,777	4,021	7,769	4,120	-	-	-	-	21	-	-	-	-	39,874	56,567
Trade payables long term	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other non-current liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and Borrowings short term	46,333	8,837	-	264	215	-	-	21	-	-	-	-	-	-	46,548	9,122
Trade payables short term	3,210	3,148	731	768	1,767	1,968	1,020	1,095	471	493	490	517	-	-	7,689	7,989
Other current liabilities	7,417	5,001	1,554	1,048	3,981	2,684	2,213	1,492	997	672	-	-	-	-	16,162	10,897
Reserves	164	131	41	32	102	82	56	45	24	20	26	21	-	-	413	331
Bonds Issued	-	-	-	-	-	-	-	-	-	-	-	238,417	184,842	-	238,417	184,842
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-	23,079	21,450	-	23,079	21,450
<b>Total liabilities</b>	<b>88,856</b>	<b>65,894</b>	<b>6,348</b>	<b>9,881</b>	<b>10,185</b>	<b>4,734</b>	<b>3,289</b>	<b>2,653</b>	<b>1,491</b>	<b>1,206</b>	<b>516</b>	<b>538</b>	<b>261,495</b>	<b>206,292</b>	<b>372,182</b>	<b>291,198</b>

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 5 May 2017 Tatry mountain resorts CR, a.s. was established, with a registered capital of 2,000 ths. CZK (75 ths. EUR), the sole shareholder of which became the Company. On 31 January 2018 the company Tatra mountain resorts CR, a.s. changed its name and was renamed to TMR Ještěd a.s..

On 16 February 2018 the company Tatra mountain resorts CR, a.s. was founded with a registered capital of 2,000 ths. CZK (79 ths. EUR). The Company has become the sole shareholder. The company Tatra mountain resorts CR, a.s. will serve for future acquisitions in the Czech Republic.

On 28 May 2018 the Company signed a purchase agreement of PHIG Holding GmbH, which was later renamed to Tatra mountain resorts AT GmbH. The cost of acquisition was agreed on 32 ths. EUR, with the company becoming the sole owner of the business. The net asset value of the company at the time of acquisition amounted to 32 ths. EUR. Management of the Company valued the possible revaluation effect on the fair value within purchase price allocation process and evaluated, that fair value of the acquired net asset is not significantly different from the accounting value.

On 14 September 2018 the company TMR Finance CR, a.s. was founded with a registered capital of 2,000 ths. CZK (78 ths. EUR). The Company has become its sole shareholder. TMR Finance CR, a.s. issued bonds on the Prague Stock Exchange on 7 November 2018 (see point 32- Issued bonds).

On 9 August 2017, the Company sold its 3,850 shares in company Compagnie des Alpes (CDA) in total amount of 103 ths. EUR. The Company does not hold any shares in CDA.

On 30 September 2017, company Tatra mountain resorts PL, a.s., with share capital in total amount of 25 ths. EUR was incorporated. The Company became sole shareholder in the new company. Tatra mountain resorts PL, a.s. then on 6 December 2017, purchased the entire 75% share in Slaskie Wesole Miasteczko Sp. z o.o. for the actual value of 30,000 ths. PLN.

## 6. Revenue

<i>in TEUR</i>	1.11.2017 - 31.10.2018	1.11.2016 - 31.10.2017
Mountain Resorts	39,258	34,624
Hotels	25,004	22,213
Restaurant facilities	14,528	12,290
Leisure Parks	8,610	9,837
Sports Services and Stores	6,188	5,574
Real Estate Projects	2,601	5,855
<b>Total</b>	<b>96,189</b>	<b>90,393</b>

## 7. Other operating revenue

<i>in TEUR</i>	1.11.2017 - 31.10.2018	1.11.2016 - 31.10.2017
Contractual penalties	-	-
Claims paid by insurance company	2	10
Other operating revenue	188	161
<b>Total</b>	<b>190</b>	<b>171</b>

## 8. Consumption of Material and Goods

<i>in TEUR</i>	1.11.2017 - 31.10.2018	1.11.2016 - 31.10.2017
Material in hotels and restaurant facilities	-6,686	-5,590
Goods	-4,748	-3,900
Chalets sold	-1,498	-1,660
Fuels	-725	-643
Material for repair and maintenance	-745	-657
Material and goods – other	-3,621	-3,189
<b>Total</b>	<b>-18,023</b>	<b>-15,639</b>

## 9. Purchased Services

<i>in TEUR</i>	1.11.2017 - 31.10.2018	1.11.2016 - 31.10.2017
Energy consumption	-4,569	-4,495
Advertisement expenses	-3,247	-3,080
Rental costs (cost of premises) and others	-4,403	-4,127
Other administrative expenses	-1,551	-1,694
Repairs and maintenance expenses	-1,720	-1,469
Communication expenses	-1,348	-962
Legal advice expenses	-821	-567
Services related to owned premises	-371	-318
Transport, accommodation, travel expenses	-254	-235
Training expenses	-162	-108
Other purchased services	-3,185	-2,864
<b>Total</b>	<b>-21,631</b>	<b>-19,919</b>

Other purchased services represent the accounting, audit 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 2017 and 31 October 2018, the expense of these items represented 149 ths. EUR (for the period ended on 31 October 2017: 149 ths. EUR).

## 10. Personnel Expenses

<i>in TEUR</i>	1.11.2017 - 31.10.2018	1.11.2016 - 31.10.2017
Wages and salaries	-14,581	-12,978
Personnel leasing	-3,013	-2,519
Social security (compulsory)	-6,332	-5,604
Remuneration of members of key management and Supervisory Board	-2,154	-1,786
Other social expenses	-15	-14
<b>Total</b>	<b>-26,095</b>	<b>-22,901</b>

In the period between 1 November 2017 and 31 October 2018, the average number of Company employees was 1,150, of which the management was 25 (between 1 November 2016 and 31 October 2017, it was 1,131, 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 2017 and 31 October 2018 it was 272 employees in average (between 1 November 2016 and 31 October 2017: 254 employees).

**10. Personnel Expenses (continued)**

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 2018 basic remuneration was paid out in the amount of EUR 695 ths. (for the year ended 31 October 2017: EUR 678 ths.). Extraordinary bonuses to the top management were paid out in the amount of EUR 1,416 ths. (for the year ended 31 October 2017: EUR 1,068 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 2018, basic remuneration totalled 43 ths. EUR (in the period between 1 November 2016 and 31 October 2017: 40 ths. EUR).

**11. Other operating cost**

<i>in TEUR</i>	1.11.2017 - 31.10.2018	1.11.2016 - 31.10.2017
Insurance (property, automobiles, travel cost)	-334	-340
Fees and commissions	-438	-369
Shortages and losses	-161	-115
Other operating cost	-11	-3
<b>Total</b>	<b>-944</b>	<b>-827</b>

**12. Interest Income and Expense**

<i>in TEUR</i>	1.11.2017 - 31.10.2018	1.11.2016 - 31.10.2017
Interest income	3,669	2,775
Interest expense	-12,089	-11,694
<b>Total</b>	<b>-8,420</b>	<b>-8,919</b>

For the period between 1 November 2017 and 31 October 2018, the interest income was 3,669 ths. EUR (between 1 November 2016 and 31 October 2017, it was 2,775 ths. EUR) is payable mainly from loans provided at a fixed interest rate. See par. 21 – Loans provided.

For the period between 1 November 2017 and 31 October 2018, the interest expense in the amount of 12,089 ths. EUR represents the cost of loans and borrowings of 2,051 ths. EUR (between 1 November 2016 and 31 October 2017, it was 1,804 ths. EUR), and interest expense from bonds issued of 10,038 ths. EUR (between 1 November 2016 and 31 October 2017, it was 9,890 ths. EUR) The Company issued interest-bearing bonds in the total nominal value of 270 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. During the accounting period, the Company purchased its own bonds in the total amount of 5,000 ths. EUR. 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 5 February 2021. The third tranche of bonds TMR III in amount of 90 mil. EUR (as at 31 October 2018 drawn 60 mil. EUR) with nominal interest rate of 4.4% p.a. is repayable on 10 October 2024. For more information on bonds issued, see par. 32 – Bonds issued.

In the period between 1 November 2017 and 31 October 2018, the Company did not capitalise interest expense into assets (between 1 November 2016 and 31 October 2017, the company did not capitalise interest expense).

**13. Net Profit / (Loss) from Financial Instruments**

<i>in TEUR</i>	1.11.2017 - 31.10.2018	1.11.2016 - 31.10.2017
Cost of administration of financial instruments	-925	-237
Income from the sale of financial instruments	4	4
Other, net	-1,170	262
<b>Total</b>	<b>-2,091</b>	<b>29</b>

Other is represented mainly by the loss from the foreign exchange rate differences.

**14. Income Tax and Deferred Tax**

<i>in TEUR</i>	1.11.2017 - 31.10.2018	1.11.2016 - 31.10.2017
Current tax:		
Tax of current accounting period	-111	-611
Withholding tax on interest	-14	-19
	<b>-125</b>	<b>-630</b>
Deferred tax:		
Posting and release of temporary differences	-1,629	-1,948
Change of tax rate	-	1,021
<b>Total reported tax</b>	<b>-1,754</b>	<b>-1,557</b>

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 for the year 2018 a 21% rate (2017: 21%) resulting from the legal corporate income tax rate valid as at the date when the financial statements are being compiled.

**Income tax reported through other components of comprehensive income**

<i>in TEUR</i>	1.11.2017 - 31.10.2018			1.11.2016 - 31.10.2017		
	Before taxes	Tax	After taxes	Before taxes	Tax	After taxes
Revaluation of available-for-sale securities to fair value	-	-	-	44	9	35
<b>Other components of comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44</b>	<b>9</b>	<b>35</b>

**14. Income Tax and Deferred Tax (continued)****Reconciliation of effective tax rate**

<i>in TEUR</i>	1.11.2017 - 31.10.2018		1.11.2016 - 31.10.2017	
	%		%	
Profit before taxes		9,327		10,780
Tax rate 21%	21%	1,959	22%	2,372
Tax non-deductible expenses	3%	288	2%	216
Income not subject to tax	-5%	-507	0%	-29
Current tax: withholding tax on interest	0%	14	0%	19
Tax losses claimed during the period, to which the deferred tax was not accounted for	0%	-	0%	-
Change of tax rate	0%	-	-9%	-1,021
<b>Total</b>	<b>19%</b>	<b>1,754</b>	<b>14%</b>	<b>1,557</b>

**Movements of deferred tax liability (net) during 2018 and 2017**

2018

<i>in TEUR</i>	Balance as at 1 November 2017	Reported in profit and loss statement	Reported in other comprehensive income	Acquired through business combination	Balance as at 31 October 2018
Non-current tangible and intangible assets	-21,251	-1,434	-	-	-22,685
Investments in real property	-848	-177	-	-	-1,025
Losses from impairment of trade receivables and other assets	25	-15	-	-	10
Provisions and liabilities	500	121	-	-	621
Tax losses	124	-124	-	-	-
<b>Total, net</b>	<b>-21,450</b>	<b>-1,629</b>	<b>-</b>	<b>-</b>	<b>-23,079</b>

2017

<i>in TEUR</i>	Balance as at 1 November 2016	Reported in profit and loss statement	Reported in other comprehensive income	Acquired through business combination	Balance as at 31 October 2017
Non-current tangible and intangible assets	-20,424	-827	-	-	-21,251
Investments in real property	-872	24	-	-	-848
Losses from impairment of trade receivables and other assets	34	-9	-	-	25
Provisions and liabilities	479	21	-	-	500
Tax losses	260	-136	-	-	124
<b>Total, net</b>	<b>-20,523</b>	<b>-927</b>	<b>-</b>	<b>-</b>	<b>-21,450</b>

See also par. 19 - Deferred tax liability.

**15. Property, Plant and Equipment**

<i>in TEUR</i>	Land and buildings	Individual movable assets and sets of movable assets	Assets under construction	Total
<b>Cost</b>				
Opening balance as of 1.11.2016	213,397	114,757	9,050	337,204
Additions	8,633	13,224	6,878	28,735
Increases from company merger	-	-	-	-
Disposals	-1,998	-498	-	-2,496
Reclassification to investment property	-	-	-	-
Transfers within assets	-	-	-	-
Movements within assets	4,870	-	-4,870	-
Balance as of 31.10.2017	<b>224,902</b>	<b>127,483</b>	<b>11,058</b>	<b>363,443</b>
Opening balance as of 1.11.2017	224,902	127,483	11,058	363,443
Increases	5,511	4,038	7,673	17,222
Increases from company merger	-	-	-	-
Disposals	-487	-275	-	-762
Reclassification to investment property	-	-	-	-
Transfers within assets	-	-	-	-
Movements within assets	5,072	-	-5,072	-
Balance as of 31.10.2018	<b>234,998</b>	<b>131,246</b>	<b>13,659</b>	<b>379,903</b>
<b>Accumulated depreciation and losses from impairment of assets</b>				
Opening balance as of 1.11.2016	-37,933	-39,644	-	-77,577
Depreciation of current accounting period	-5,377	-6,664	-	-12,041
Decreases	566	486	-	1,052
Movement to investments in real property	-	-	-	-
Transfer from assets available for sale	-	-	-	-
Balance as of 31.10.2017	<b>-42,744</b>	<b>-45,822</b>	<b>-</b>	<b>-88,566</b>
Opening balance as at 1.11.2017	-42,744	-45,822	-	-88,566
Depreciation of current accounting period	-5,941	-7,090	-	-13,031
Decreases	28	201	-	229
Movement to investments in real property	-	-	-	-
Movement from investments in real property	-	-	-	-
Balance as of 31.10.2018	<b>-48,657</b>	<b>-52,711</b>	<b>-</b>	<b>-101,368</b>
<b>Carrying value</b>				
as at 1.11.2016	<b>175,464</b>	<b>75,113</b>	<b>9,050</b>	<b>259,627</b>
as at 31.10.2017	<b>182,158</b>	<b>81,661</b>	<b>11,058</b>	<b>274,877</b>
as at 1.11.2017	<b>182,158</b>	<b>81,661</b>	<b>11,058</b>	<b>274,877</b>
as at 31.10.2018	<b>186,341</b>	<b>78,535</b>	<b>13,659</b>	<b>278,535</b>

During the period from 1 November 2017 to 31 October 2018, the Company carried out investments amounting to 17,222 ths. EUR. The Company invested 1,981 ths. EUR to build new toboggans in Tatralandia, has put into use the construction of a new "Crystal" gastronomy facility in Biela Púť worth 1,534 ths. EUR. The Company then built new restaurant "Koliba Habarka" in The Jasna resort right next to the top station of the 6-chair lift Lúčky- Exposure worth 1,529 ths. EUR, improved snow and ski tracks for more than 1,461 ths. EUR. In the High Tatras, the rooms in the Grandhotel Starý Smokovec were also reconstructed, amounting 1,352 ths. EUR. The company also put into use "AOM" (assisted business place) kiosks in mountain resorts and in

**15. Property, Plant and Equipment (continued)**

Tatralandia worth 876 ths. EUR. And it invested 670 ths. EUR to the Tatran hotel in Veľká Lomnica and carried out additional investments of an operational nature.

In the period between 1 November 2016 and 31 October 2017, the Company carried out investments of 28,735 ths. EUR. The Company completed construction of new cableway from Krupová to Kosodrevina in total amount of 9,095 ths. EUR, the Company also put in use new Hotel Pošta 4\* in total amount of 5,080 ths. EUR, completed Centrum východ in total amount of 2,002 ths. EUR. Moreover, the Company improved snowmaking machinery and some slopes in amount of 1,667 ths. EUR. In addition, the Company realized small investments into hotels, restaurants at slopes, paved parking lot Krupová and realized other small operating investments.

**Unused assets and fully depreciated used assets**

As at 31 October 2018 and 2017, the Company did not hold any unused assets. As at 31 October 2018 the Company used fully depreciated assets in acquisition cost 11,470 ths. EUR (2017: 8,549 ths. EUR).

**Impairment loss**

For the period ended on 31 October 2017 and 31 October 2018, the Company did not show any loss from impairment of land, buildings and equipment.

**Property Insurance**

<i>in TEUR</i>	<b>31.10.2018</b>	<b>31.10.2017</b>
Natural disaster and vandalism	354,537	335,682
General machinery risks	25,715	20,084
Liability for damage	15,000	15,000

**Security**

As at 31 October 2018, Land, buildings and equipment in the amount of 225,265 ths. EUR were used as the security of the bank loans (as at 31 October 2017: in the amount of 220,084 ths. EUR).

**Capitalised financial cost**

As at 31 October 2018, the Company did not capitalise any interest on loans into assets (as at 31 October 2017: the Company did not capitalise any interest on loans into assets).

**16. Goodwill and Intangible Assets**

	<b>Goodwill</b>	<b>Valuable rights</b>	<b>Software</b>	<b>Acquired intangible assets</b>	<b>Total</b>
<i>in TEUR</i>					
<b>Acquisition price</b>					
Opening balance as at 1.11.2016	3,740	3,964	2,291	25	10,020
Increases	-	-	155	205	360
Increases from company merger	-	-	-	-	-
Decreases	-	-	-	-	-
Balance as of 31.10.2017	<b>3,740</b>	<b>3,964</b>	<b>2,446</b>	<b>230</b>	<b>10,380</b>
Opening balance as at 1.11.2017	3,740	3,964	2,446	230	10,380
Increases	-	-	37	418	455
Increases from company merger	-	-	-	-	-
Decreases	-	-	-5	-	-5
Transfers within assets	-	-	2	-2	-
Balance as of 31.10.2018	<b>3,740</b>	<b>3,964</b>	<b>2,480</b>	<b>646</b>	<b>10,830</b>
<b>Accumulated depreciation and losses from impairment of assets</b>					
Opening balance as at 1.11.2016	-350	-983	-1,536	-	-2,869
Depreciation of current accounting period	-	-69	-490	-	-559
Decreases	-	-	-	-	-
Losses from impairment of assets	-	-	-	-	-
Balance as of 31.10.2017	<b>-350</b>	<b>-1,052</b>	<b>-2,026</b>	<b>-</b>	<b>-3,428</b>
Opening balance as at 1.11.2017	-350	-1,052	-2,026	-	-3,428
Depreciation of current accounting period	-	-69	-317	-	-386
Decreases	-	-	4	-	4
Losses from impairment of assets	-	-	-	-	-
Balance as of 31.10.2018	<b>-350</b>	<b>-1,121</b>	<b>-2,339</b>	<b>-</b>	<b>-3,810</b>
<b>Carrying value</b>					
As of 1.11.2016	<b>3,390</b>	<b>2,981</b>	<b>755</b>	<b>25</b>	<b>7,151</b>
As of 31.10.2017	<b>3,390</b>	<b>2,912</b>	<b>420</b>	<b>230</b>	<b>6,952</b>
As of 1.11.2017	<b>3,390</b>	<b>2,912</b>	<b>420</b>	<b>230</b>	<b>6,952</b>
As of 31.10.2018	<b>3,390</b>	<b>2,843</b>	<b>141</b>	<b>646</b>	<b>7,020</b>

Valuable rights are represented mainly by trademarks related to Aquapark Tatralandia.

**17. Investments Property**

<i>in TEUR</i>	<b>31.10.2018</b>	<b>31.10.2017</b>
<b>Acquisition price</b>		
Opening balance as at 1.11.2017 / 1.11.2016	6,554	6,554
Transfer from tangible assets (net)	-	-
Transfer from IP to available-for-sale assets	-	-
Revaluation at fair value	725	-
<b>Balance as of 31.10.2018 / 31.10.2017</b>	<b>7,279</b>	<b>6,554</b>

As at 31 October 2018, the investments in real property cover three hotels (SKI, Liptov, Kosodrevina) and the accommodation facility Otupné with the aggregate book value of 2,707 ths. EUR (as at 31 October 2017: 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 2017: 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 2018, the Company management, based on current market conditions, revalued the value of investments in property and came to the conclusion, that the value of contractual lease change and therefore there was a need to adjust the value of investments in property. The investments property revaluation was 725 ths. EUR as at 31 October 2018 (as at 31 October: 0 ths. EUR).

In the period between 1 November 2017 and 31 October 2018, revenue from investments in property accounted for 197 ths. EUR and direct operating cost related to investment in property was 61 ths. EUR (between 1 November 2016 and 31 October 2017: revenue from investments in property accounted for 179 ths. EUR, and direct operating cost related to investment in property was 54 ths. EUR).

**Security**

As at 31 October 2018, a part of investments in property in the amount of 2,462 ths. EUR were used as the security of the bank loans (as at 31 October 2017: in the amount of 1,782 ths. EUR).

**18. Investments in Subsidiaries**

<i>in TEUR</i>	<b>31.10.2018</b>	<b>31.10.2017</b>
Szczyrkowski Osrode Narciarski S.A. (97% stake)	7,191	7,191
Tatry mountain resorts CR, a.s. (100% stake)	79	-
TMR Finance CR, a.s. (100% stake)	78	-
TMR Ještěd a.s. (100% stake)	75	75
Tatry Mountain Resorts AT GmbH (100% stake)	32	-
Tatry mountain resorts PL, a.s. (100% stake)	27	27
Ślaskie Wesole Miasteczko Sp. z o. o. (75% stake)	-	7,450
<b>Total</b>	<b>7,482</b>	<b>14,743</b>

On 16 February 2018 Tatry mountain resorts CR, a.s. was founded with a registered capital of 2,000 ths. CZK (79 ths. EUR). It's sole shareholder has become the Company. The company Tatry mountain resorts CR, a.s. will serve for future acquisition in the Czech Republic.

On 28 May 2018, the Company signed a purchase agreement of PHIG Holding GmbH, which was later renamed to Tatry mountain resorts AT GmbH. The purchase amount was agreed on 32 ths. EUR, with the Company becoming the sole owner of the business. The net asset value of the company at the time of acquisition amounted to 32 ths. EUR.

On 14 September 2018, TMR Finance CR, a.s. was founded, with a registered capital of 2,000 ths. CZK (78 ths. EUR). Its sole shareholder has become the Company. TMR Finance CR, a.s. issued bonds on the Prague Stock Exchange on 7 November 2018.

On 5 May 2017, company Tatry mountain resorts CR, a.s. was incorporated, with share capital in total amount of 2,000 ths. CZK (75 ths. EUR). The Company became sole shareholder in the new company. On 31 January 2018, the company Tatry mountain resorts CR, a.s. was renamed to TMR Ještěd a.s..

On 30 September 2017, company Tatry mountain resorts PL, a.s., with share capital in total amount of 27 ths. EUR was incorporated. The Company became sole shareholder in the new company. The new company will realize acquisitions in Poland. Tatry mountain resorts PL, a.s. then on 6 December 2017 purchased the entire 75% stake in Ślaskie Wesole Miasteczko Sp. Z o.o. in the total value of 30,000 ths PLN.

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. The total value of the assets, as the date of acquisition after revaluation at the fair value was 9,489 ths. EUR, and the total value of equity was 9,077 ths. EUR. No impairment provision was reported for the said company as at 31 October 2018 and 2017. On 6 December 2017 the Company sold its 75% stake in Ślaskie Wesole Miasteczko Sp. Z o.o., to the subsidiary Tatry mountain resorts PL, a.s. for 30 millions PLN.

On 5 March 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 2018 and 2017.

**19. Deferred Tax Asset, Deferred Tax Liability**

Deferred tax asset (liability) was posted for the following items:

<i>in TEUR</i>	Receivables		Payables		Total	
	31.10.2018	31.10.2017	31.10.2018	31.10.2017	31.10.2018	31.10.2017
Temporary differences related to:						
Non-current fixed and intangible assets	-	-	-22,685	-21,251	-22,685	-21,251
Investments Property	-	-	-1,025	-848	-1,025	-848
Losses from impairment of trade receivables and other assets	10	25	-	-	10	25
Provisions and liabilities	621	500	-	-	621	500
Tax losses	-	124	-	-	-	124
Set-off	-631	-649	631	649	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-23,079</b>	<b>-21,450</b>	<b>-23,079</b>	<b>-21,450</b>

Deferred tax asset was not posted for the following items (tax base):

<i>in TEUR</i>	31.10.2018	31.10.2017
Tax losses	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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.

Expected last periods for redemption of tax losses are as follows:

<i>in TEUR</i>	2018	2019	post 2019
Tax losses	-	-	-

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>	31.10.2018	31.10.2017
Goods	2,762	3,087
Material	1,152	1,230
Assets available for sale	3,981	1,446
<b>Total</b>	<b>7,895</b>	<b>5,763</b>

Assets held for sale consist of Chalety Otupné phase II. (886 ths. EUR), phase III. (3,068 ths. EUR) and phase IV. (27 ths. EUR), which was completed by the Company, or is still being completed and will be consequently sold to 3rd parties. Proceeds from the sale of chalettes will be recognized in 2019 or later. In total it is 16 chalettes.

As at 31 October 2018, inventory of 7,895 ths. EUR (as at 31 October 2017: 5,763 ths. EUR) was used to secure bank loans.

**21. Loans Provided**

<i>in TEUR</i>	31.10.2018	31.10.2017
Short-term	86,322	21,307
Long-term	3,043	35,397
<b>Total</b>	<b>89,365</b>	<b>56,704</b>

Table below summarizes short-term loans as at 31 October 2018 and 31 October 2017. As at 31 October 2018, the weighted average interest rate applied on the short-term loans was 6.86% (as at 31 October 2017: 6.94%).

<i>in TEUR</i>	31.10.2018	31.10.2017	
Debtor	Interest rate type	Loan value	Loan value
Tatry mountain resorts PL, a.s.	7% p.a.	22,430	-
Śląskie Wesole Miasteczko Sp. z o.o.	7% p.a.	17,591	-
Szczyrkowski Osrodek Narciarski S.A.	7% p.a.	15,169	-
1. Tatranská, akciová spoločnosť	7% p.a.	13,300	12,626
Szczyrkowski Osrodek Narciarski S.A.	7% p.a.	6,519	-
Owner of Penzió Energetik (Mgr. Lubica Skusilová)	5% p.a.	2,401	2,309
AIRAVATA Holding s.r.o.	5% p.a.	2,006	200
Tatry mountain resorts PL, a.s.	7% p.a.	1,062	-
Korona Ziemi	7% p.a.	1,024	917
SON Partner	7% p.a.	939	903
Thalia s.r.o.	5% p.a.	861	-
TMR Ještěd a.s.	7% p.a.	673	-
P.M.I.R. a.s.	5% p.a.	503	-
TMR Ještěd a.s.	7% p.a.	451	-
AIRAVATA Holding s.r.o.	-	380	180
AIRAVATA Holding s.r.o.	5% p.a.	212	202
GALAXO a.s.	5% p.a.	184	177
Tatry mountain resorts CR, a.s.	7% p.a.	179	-
P.M.I.R. a.s.	5% p.a.	121	-
AIRAVATA Holding s.r.o.	5% p.a.	119	-
AIRAVATA Holding s.r.o.	5% p.a.	78	-
Others	5-7% p.a.	120	43
TIKAR d.o.o.	10% p.a.	-	1,891
AIRAVATA Holding s.r.o.	5% p.a.	-	1,768
EUROCOM Investment, s.r.o.	7% p.a.	-	91
<b>Total</b>		<b>86,322</b>	<b>21,307</b>

Table below summarizes long-term loans as at 31 October 2018 and 31 October 2017. As at 31 October 2018, the weighted average interest rate applied on the long-term loans was 6.55% (as at 31 October 2017: 6.30%).

<i>in TEUR</i>	31.10.2018	31.10.2017	
Debtor	Interest rate type	Loan value	Loan value
TIKAR d.o.o.	10% p.a.	2,061	-
Melida, a.s.	-	846	853
Śląskie Wesole Miasteczko Sp. z o.o.	7% p.a.	-	14,666
Szczyrkowski Osrodek Narciarski S.A.	7% p.a.	-	18,088
EUROCOM Investment, s.r.o.	7% p.a.	-	1,601
Others	4-5% p.a.	136	189
<b>Total</b>		<b>3,043</b>	<b>35,397</b>

**22. Trade receivables**

<i>in TEUR</i>	31.10.2018	31.10.2017
Trade receivables	3,434	5,505
Value adjustments to receivables	-47	-118
<b>Total</b>	<b>3,387</b>	<b>5,387</b>
<i>Short-term</i>	3,387	5,387
<i>Long-term</i>	-	-
<b>Total</b>	<b>3,387</b>	<b>5,387</b>

As at 31 October 2018, trade receivables amount to 3,387 ths. EUR and comprise current operating receivables. As at 31 October 2017, trade receivables involved current operating receivables amounting to 5,387 ths. EUR.

The ageing structure of receivables is as follows:

<i>in TEUR</i>	31.10.2018			31.10.2017		
	Gross	Value adjustment	Net	Gross	Value adjustment	Net
Within due period	2,098	-	2,098	4,639	-	4,639
Overdue within 30 days	241	-	241	396	-	396
Overdue from 30 days to 180 days	33	-5	28	194	-30	164
Overdue from 180 days to 365 days	487	-4	483	35	-5	30
Overdue over 365 days	575	-38	537	241	-83	158
<b>Total</b>	<b>3,434</b>	<b>-47</b>	<b>3,387</b>	<b>5,505</b>	<b>-118</b>	<b>5,387</b>

As at 31 October 2018 and 31 October 2017, the value of value adjustments consisted of value adjustments to current operating receivables.

Development of value adjustment during accounting period is shown in the following overview:

<i>in TEUR</i>	31.10.2018	31.10.2017
Balance as at 1.11.2017 / 1.11.2016	118	157
Creation of value adjustment	90	41
Use	-154	-58
Reversal of value adjustment	-7	-22
<b>Balance as at 31.10.2018 / 31.10.2017</b>	<b>47</b>	<b>118</b>

As at 31 October 2018, receivables in amount of 3,387 ths. EUR (as at 31 October 2017: 5,387 ths. EUR) were used to secure bank loans.

**23. Other receivables**

<i>in TEUR</i>	31.10.2018	31.10.2017
Advance payments made	27,932	26,835
<b>Total</b>	<b>27,932</b>	<b>26,835</b>
<i>Short-term</i>	24,224	24,179
<i>Long-term</i>	3,708	2,656
<b>Total</b>	<b>27,932</b>	<b>26,835</b>

**23. Other receivables (continued)**

Advance payments made for assets are mainly related to future acquisitions amounting to 22,839 ths. EUR (as at 31 October 2017: 20,839 ths. EUR) and to unfinished investment activity in the amount of 5,093 ths. EUR (as at 31 October 2017: 5,137 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 AIRAVATA Holding s.r.o.. In 2018, the Company provided a deposit of 2,000 ths. EUR for the future acquisition of the company operating cableway in Austria.

**24. Other Assets**

<i>in TEUR</i>	31.10.2018	31.10.2017
Prepaid expenses and accrued income	1,196	219
Other tax assets	475	-
Other Assets	7,099	257
<b>Total</b>	<b>8,770</b>	<b>476</b>
<i>Short-term</i>	8,770	476
<i>Long-term</i>	-	-
<b>Total</b>	<b>8,770</b>	<b>476</b>

Other assets amounting 6,914 ths. EUR represents the Company's receivable from the sale of 75% of the shares in Slaskie Wesole Miasteczko Sp. z o.o. against its subsidiary Tatry mountain resorts PL, a.s..

**25. Financial investments**

<i>in TEUR</i>	31.10.2018	31.10.2017
Financial instruments measured at fair value through profit or loss	4,652	2,194
Available-for-sale securities	-	-
<b>Total</b>	<b>4,652</b>	<b>2,194</b>

As at 31 October 2018, 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 4,498 ths. EUR (as at 31 October 2017: 2,041 ths. EUR), which owns 50% share of the company MELIDA a.s., which leases and operates the ski centre Špindlerov Mlyn. As at 31 October 2018 the investment in company CAREPAR, a.s. was increased by 2,458 ths. EUR due to reasons described in par. 3(d).

Other financial instruments represent an investment in company Korona Ziemi Sp. z o.o. in the value of 119 ths. EUR (as at 31 October 2017: 119 ths. EUR), a monetary investment in Tatranské dopravné družstvo, which is engaged in intermediary activities in the field of services in amount of 33 ths. EUR (as at 31 October 2017: 33 ths. EUR) and the investment in company TIKAR D.O.O. in amount of 1 ths. EUR (as at 31 October 2017: 1 ths. EUR) and investment in company SON Partner Sp. z o.o. in amount of 0.5 ths. EUR (as at 31 October 2017: 0.5 ths. EUR).

**26. Cash and Cash Equivalents**

<i>in TEUR</i>	31.10.2018	31.10.2017
Cash	12	13
Stamps and vouchers	-	-
Current accounts with banks	52,775	6,049
<b>Total</b>	<b>52,787</b>	<b>6,062</b>

The Company can freely dispose of bank accounts.

**27. Equity****Share capital and share premium**

As at 31 October 2018 and 31 October 2017, 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 18 April 2018, 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 2016 and 31 October 2017 according to the financial statements compiled for that accounting period, in the amount of 9,223 ths. EUR as follows:

- Allocation to the reserve fund in amount of 922 ths. EUR
- Balance in amount of 8,301 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 2018	Number of shares	Ownership interest %	Voting rights %
C.I. CAPITAL INDUSTRIES LIMITED	1,309,139	19.5%	19.5%
FOREST HILL COMPANY, 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	638,385	9.5%	9.5%
RMSMI LIMITED	588,166	8.8%	8.8%
Minority shareholders	1,578,760	23.5%	23.5%
<b>Total</b>	<b>6,707,198</b>	<b>100%</b>	<b>100%</b>

31 October 2017	Number of shares	Ownership interest %	Voting rights %
C.I. CAPITAL INDUSTRIES LIMITED	1,309,139	19.5%	19.5%
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	638,385	9.5%	9.5%
RMSMI LIMITED	588,166	8.8%	8.8%
Minority shareholders	1,578,760	23.5%	23.5%
<b>Total</b>	<b>6,707,198</b>	<b>100%</b>	<b>100%</b>

**Profit per share**

	31.10.2018	31.10.2017
Profit for the period in TEUR	7,573	9,223
Weighted average number of ordinary shares	6,707,198	6,707,198
<b>Profit per share in EUR</b>	<b>1.129</b>	<b>1.375</b>

**27. Equity (continued)****Legal reserve fund**

As at 31 October 2018, the legal reserve fund amounts to 5,852 ths. EUR (as at 31 October 2017: 4,930 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 2018, the Company management proposes the distribution of total profit in the amount of 7,573 ths. EUR as follows:

- Allocation to the reserve fund in amount of 757 ths. EUR
- Allocation to the social fund based on the collective agreement in amount of 38 ths. EUR
- Compensation of the loss from previous years in amount of 225 ths. EUR
- Balance in amount of 6,553 ths. EUR, transfer to undistributed profit from previous periods

**28. Loans and Borrowings**

in TEUR	31.10.2018	31.10.2017
Loans and borrowings received	84,622	63,795
Leasing	1,800	1,894
<b>Total</b>	<b>86,422</b>	<b>65,689</b>
<i>Short-term</i>	46,548	9,122
<i>Long-term</i>	39,874	56,567
<b>Total</b>	<b>86,422</b>	<b>65,689</b>

Loans and borrowings received as at 31 October 2018 and as at 31 October 2017 are stated in the following table:

Creditor	Interest rate type	Maturity date	Unpaid amount as at 31.10.2018 in TEUR
J&T Banka a.s.	4% p.a.	15.11.2018	42,036
Poštová banka, a.s.	12M EURIBOR + 4.657% p.a.	31.12.2028	20,500
Poštová banka, a.s.	12M EURIBOR + 4.571% p.a.	30.6.2022	8,700
Poštová banka, a.s.	12M EURIBOR + 4.684% p.a.	31.12.2028	5,000
Poštová banka, a.s.	12M EURIBOR + 4.686% p.a.	30.6.2032	4,335
Ślaskie Wesole Miasteczko Sp. z o. o.	7% p.a.	31.12.2020	4,021
Heineken Slovensko a.s.	-	30.11.2018	30
<b>Total</b>			<b>84,622</b>

**28. Loans and Borrowings (continued)**

Creditor	Interest rate type	Maturity date	Unpaid amount as at 31.10.2017 in TEUR
Tatra banka, a.s.	3M EURIBOR + average 2.5% p.a.	30.9.2020 - 31.12.2022	46,500
Poštová banka, a.s.	3M EURIBOR + 2.5% p.a.	30.6.2022	9,800
Šlaskie Wesole Miasteczko Sp. z o. o.	3M EURIBOR + 2.5% p.a.	31.12.2020	7,434
Tatra-Leasing, s.r.o.	3M EURIBOR + 2.5% p.a.	2.2.2018	21
Heineken Slovensko a.s.	-	30.11.2018	40
<b>Total</b>			<b>63,795</b>

The weighted average of interest rates for loans and borrowings as at 31 October 2018 accounted for 4.44% (as at 31 October 2017: 3.61%). The interest is due on a monthly basis. For more information, see par. 12 – Interest Income and Expense.

In the period between 1 November 2016 and 31 October 2017, 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 2017 is 46,500 ths. EUR.

In period between 1 November 2016 and 31 October 2017, the Company drawn new loan from Poštová banka, a.s. in total amount of 10,000 ths. EUR. The balance of loan as at 31 October 2017 is 9,800 ths. EUR. On 14 August 2018 the Company signed a short-term loan agreement with the company J&T Banka, a.s. in the amount of 42,036 ths. EUR. This short-term loan was subsequently used on 15 August 2018 to repay the received loan provided by Tatra banka, a.s.. As a result, assurance of the company was erase from the respective liens registers by Tatra banka,a.s..

**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 2018, lots of land, buildings and equipment, investments in real property, inventory and receivables of 239,008 ths. EUR were used as a security of bank loans (as at 31 October 2017: in the amount of 233,016 ths. EUR).

Maturity of liabilities from financial leasing as at 31 October 2018 was as follows:

in TEUR	Principal	Interest	Payments
Less than 1 year	855	34	889
1 - 5 years	945	21	966
<b>Total</b>	<b>1,800</b>	<b>55</b>	<b>1,855</b>

Maturity of liabilities from financial leasing as at 31 October 2017 was as follows:

in TEUR	Principal	Interest	Payments
Less than 1 year	807	39	846
1 - 5 years	1,087	26	1,113
<b>Total</b>	<b>1,894</b>	<b>65</b>	<b>1,959</b>

**29. Trade Liabilities**

in TEUR	31.10.2018	31.10.2017
Trade Liabilities	6,923	7,147
Unbilled deliveries	766	842
<b>Total</b>	<b>7,689</b>	<b>7,989</b>
<i>Short-term</i>	7,689	7,989
<i>Long-term</i>	-	-
<b>Total</b>	<b>7,689</b>	<b>7,989</b>

As at 31 October 2018, overdue liabilities amounted to 1,155 ths. EUR (as at 31 October 2017: 832 ths. EUR).

**30. Other Liabilities**

in TEUR	31.10.2018	31.10.2017
Liabilities towards employees	3,688	3,051
Advances received	6,741	2,355
Deferred revenues	3,300	3,429
Liabilities to shareholders from reduction in share capital	215	215
Other	2,218	1,847
<b>Total</b>	<b>16,162</b>	<b>10,897</b>
<i>Short-term</i>	16,162	10,897
<i>Long-term</i>	-	-
<b>Total</b>	<b>16,162</b>	<b>10,897</b>

As at 31 October 2018, advance payments received comprise in particular of advance payments for purchase of Chalets in the amount of 4,935 ths. EUR (as at 31 October 2017: 892 ths. EUR) and advance payments received for hotel stays in the amount of 1,724 ths. EUR (as at 31 October 2017: 1,263 ths. EUR).

As at 31 October 2018, liabilities to employees represent mainly a provision for bonuses for the fiscal year between 1 November 2017 and 31 October 2018 in the amount of 2,669 ths. EUR (as at 31 October 2017: 2,099 ths. EUR) and wage liabilities to employees in the amount of 935 ths. EUR (as at 31 October 2017: 871 ths. EUR).

As at 31 October 2018, liabilities to shareholders from reduction in share capital are in the amount of 215 ths. EUR (as at 31 October 2017: 215 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 2018, the deferred income includes mainly the amount of 2,554 ths. EUR for accrual of ski passes sold - "Šikovní sezónka" (as at 31 October 2017: 2,687 ths. EUR), the amount of 74 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 2017: 118 ths. EUR), the amount of 82 ths. EUR is a subsidy for the Hotel Tri studničky (as at 31 October 2016: 84 ths. EUR). The reserve for discounts on purchases was as at 31 October 2018 in total amount of 384 ths. EUR (384 ths. EUR as at 31 October 2017).

As at 31 October 2018, the amount of other liabilities contains also 602 ths. EUR liabilities related to social security (as at 31 October 2017: 559 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>	31.10.2018	31.10.2017
Balance as at 1.11.2017 / 1.11.2016	47	21
Creation of social fund against expenses	137	80
Drawing	-92	-54
<b>Balance as at 31.10.2018 / 31.10.2017</b>	<b>92</b>	<b>47</b>

**31. Provisions**

<i>in TEUR</i>	Unused vacations	Other	Total
Opening balance as at 1.11.2017	307	24	331
Creation of provisions during the year	389	-	389
Reversal of provisions during the year	-	-	-
Use of provisions during the year	-307	-	-307
<b>Balance as at 31.10.2018</b>	<b>389</b>	<b>24</b>	<b>413</b>

	31.10.2018	31.10.2017
<i>Short-term</i>	389	307
<i>Long-term</i>	24	24
<b>Total</b>	<b>413</b>	<b>331</b>

**32. Bonds Issued**

During the accounting period 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. On 10 October 2018, the Company issued the third bond issue in a total value of 90,000 ths. EUR. As of the date of the financial statement, bonds from the third issue were sold in amount of 60,000 ths. EUR. Details on particular bonds are presented in the table below.

<i>in TEUR</i>	ISIN	Date of issue	Maturity date	Currency of the issue	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 31.10.2018	Carrying value as of 31.10.2017
Name									
TMR I 4,50%/2018	SK41200 09606	17.12.2013	17.12.2018	EUR	70,000	4.5	5.82	65,990	70,916
TMR II 6,00%/2021	SK41200 09614	5.2.2014	5.2.2021	EUR	110,000	6.0	6.17	113,924	113,926
TMR III 4,40%/2024	SK41200 14598	10.10.2018	10.10.2024	EUR	90,000	4.4	4.93	58,503	-
<b>Total</b>								<b>238,417</b>	<b>184,842</b>

<i>Short-term</i>	71,002	6,022
<i>Long-term</i>	167,415	178,820
<b>Total</b>	<b>238,417</b>	<b>184,842</b>

**32. Bonds Issued (continued)**

All three 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. Cash from TMR III bond was credited to the Company's account during the month October 2018 in a total value of 60,000 ths. EUR. During the accounting period 2018, the Company purchased its own TMR I bonds in a total volume of 5,000 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.

All of the three issues are associated with regular payment of the coupon which is provided by the Company from its own resources.

Out of the total value of liability of 238,417 ths. EUR (as at 31 October 2017: 184,842 ths. EUR), a short-term portion amounts to 71,002 ths. EUR (as at 31 October 2017: 6,022 ths. EUR) a liability from the issue of TMR I repayable on 17 December 2018 and a liability from coupon due over the course of 2018 and 2019.

**Security**

A right of lien for the issued TMR I was created on non-current assets of the Company, in the total amount of 77,232 ths. EUR, as the security for bonds issued. It is property which is not used as a security for other Company liabilities.

To secure issued TMR III bonds, a lien ('Advances') will be created for real estate, movable assets and part of receivables.

**33. Data on Fair Value**

The following table contains data on the book value and fair value of Company financial assets and liabilities, that are not accounted for in fair value:

<i>in TEUR</i>	Carrying value		Fair value	
	31.10.2018	31.10.2017	31.10.2018	31.10.2017
<b>Financial assets</b>				
Loans provided (note 21)	89,365	56,704	88,881	57,262
Other receivables (note 23)	23,437	21,698	23,437	21,698
Investments in subsidiaries (note 18)	7,482	14,743	7,482	14,743
Trade receivables (note 22)	3,387	5,387	3,387	5,387
Cash and Cash Equivalents (note 26)	52,787	6,062	52,787	6,062
Other assets (note 24)	7,574	476	7,574	476
<b>Total</b>	<b>184,032</b>	<b>105,070</b>	<b>183,548</b>	<b>105,628</b>

<i>in TEUR</i>	Carrying value		Fair value	
	31.10.2018	31.10.2017	31.10.2018	31.10.2017
<b>Financial obligations</b>				
Loans and Borrowings (note 28)	86,422	65,689	86,564	66,055
Bonds issued (note 32)	238,417	184,842	251,143	189,122
Trade payables (note 29)	7,689	7,989	7,689	7,989
Other payables (note 30)	6,080	10,897	6,080	10,897
<b>Total</b>	<b>338,608</b>	<b>269,417</b>	<b>351,476</b>	<b>274,063</b>

**33. Data on Fair Value (continued)**

As at 31 October 2018, 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 2017: 19,451 ths. EUR). The Company plans to buy this company in the future. A contract is made with AIRAVATA Holding 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.

**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 2018 shown in the profit/loss from operations amounted to 2,933 ths. EUR (for the period ended on 31 October 2017: 3,544 ths. EUR).

The amount of rent for the period in which contracts cannot be terminated, is as follows:

<i>in TEUR</i>	31.10.2018	31.10.2017
Within 1 year	2,205	2,923
From 1 year to 5 years	6,356	8,386
5 and more years	16,086	2,609
<b>Total</b>	<b>24,647</b>	<b>13,918</b>

**35. Changes in liabilities arising from financial activities**

<i>in TEUR</i>	1 November 2017	Cash flows	Reclassified as part of disposal group	Acquisition of subsidiary	Changes in fair value	Other	31 October 2018
Loans and borrowings	65,689	20,395	-	-	-	338	86,422
Bonds issued	184,842	53,266	-	-	-	309	238,417
<b>Total liabilities from financing activities</b>	<b>250,531</b>	<b>73,661</b>	-	-	-	<b>647</b>	<b>324,839</b>

<i>in TEUR</i>	1 November 2016	Cash flows	Reclassified as part of disposal group	Acquisition of subsidiary	Changes in fair value	Other	31 October 2017
Loans and borrowings	43,965	21,460	-	-	-	264	65,689
Bonds issued	184,702	-	-	-	-	140	184,842
<b>Total liabilities from financing activities</b>	<b>228,667</b>	<b>21,460</b>	-	-	-	<b>404</b>	<b>250,531</b>

**36. 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.

As at 31 October 2018, the Company was exposed to the following credit risk:

<i>in TEUR</i>	Legal entities	Banks	Other financial institutions	Other	Total
<b>Financial assets</b>					
Loans Provided	89,228	-	-	137	89,365
Other receivables	23,093	344	-	-	23,437
Investments in Subsidiaries	7,482	-	-	-	7,482
Trade receivables	3,387	-	-	-	3,387
Financial investments	4,652	-	-	-	4,652
Cash and Cash Equivalents	-	52,775	-	12	52,787
Other Assets	6,897	-	11	666	7,574
<b>Total</b>	<b>134,739</b>	<b>53,119</b>	<b>11</b>	<b>815</b>	<b>188,684</b>

As at 31 October 2017, the Company was exposed to the following credit risk:

<i>in TEUR</i>	Legal entities	Banks	Other financial institutions	Other	Total
<b>Financial assets</b>					
Loans Provided	56,567	-	-	137	56,704
Other receivables	21,379	319	-	-	21,698
Investments in Subsidiaries	14,743	-	-	-	14,743
Trade receivables	5,387	-	-	-	5,387
Financial investments	2,194	-	-	-	2,194
Cash and Cash Equivalents	-	6,049	-	13	6,062
Other Assets	444	-	12	20	476
<b>Total</b>	<b>100,714</b>	<b>6,368</b>	<b>12</b>	<b>170</b>	<b>107,264</b>

**36. Information on Risk Management (continued)****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 for Company's operation. 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".

As at 31 October 2018, 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
<b>Financial assets</b>							
Loans Provided	89,366	89,536	62,572	23,750	2,369	845	-
Other receivables	23,437	344	-	344	-	-	-
Investments in Subsidiaries	7,482	7,482	-	-	-	-	7,482
Trade receivables	3,387	3,387	3,387	-	-	-	-
Financial investments	4,652	4,652	-	-	-	-	4,652
Cash and Cash Equivalents	52,787	52,787	52,787	-	-	-	-
Other Assets	7,574	7,574	7,574	-	-	-	-
<b>Total</b>	<b>188,685</b>	<b>165,762</b>	<b>126,320</b>	<b>24,094</b>	<b>2,369</b>	<b>845</b>	<b>12,134</b>
<b>Financial obligations</b>							
Loans and Borrowings	-86,422	-86,401	-42,653	-3,895	-23,396	-16,457	-
Bonds Issued	-238,417	-284,743	-66,463	-9,680	-135,520	-73,080	-
Trade Liabilities	-7,689	-7,689	-7,689	-	-	-	-
Other Liabilities	-6,080	-6,080	-6,080	-	-	-	-
<b>Total</b>	<b>-338,608</b>	<b>-384,913</b>	<b>-122,885</b>	<b>-13,575</b>	<b>-158,916</b>	<b>-89,537</b>	<b>-</b>

As at 31 October 2018 the loans provided up to 1 year amount to 86,322 ths. EUR (as at 31 October 2017: 21,307 ths. EUR), a majority of which is payable on demand or by the end of October 2019. 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.

**36. Information on Risk Management (continued)**

As at 31 October 2017, 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
<b>Financial assets</b>							
Loans Provided	56,704	58,573	14,193	7,977	35,550	853	-
Other receivables	21,698	319	-	319	-	-	-
Investments in Subsidiaries	14,743	14,743	-	-	-	-	14,743
Trade receivables	5,387	5,387	5,387	-	-	-	-
Financial investments	2,194	2,194	-	-	-	-	2,194
Cash and Cash Equivalents	6,062	6,062	6,062	-	-	-	-
Other Assets	476	476	476	-	-	-	-
<b>Total</b>	<b>107,264</b>	<b>87,754</b>	<b>26,118</b>	<b>8,296</b>	<b>35,550</b>	<b>853</b>	<b>16,937</b>
<b>Financial obligations</b>							
Loans and Borrowings	-65,689	-75,689	-1,283	-7,545	-65,611	-1,250	-
Bonds Issued	-184,842	-211,119	-1,575	-8,175	-201,369	-	-
Trade Liabilities	-7,989	-7,989	-7,989	-	-	-	-
Other Liabilities	-10,897	-10,897	-10,897	-	-	-	-
<b>Total</b>	<b>-269,417</b>	<b>-305,694</b>	<b>-21,744</b>	<b>-15,720</b>	<b>-266,980</b>	<b>-1,250</b>	<b>-</b>

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 in the Czech Republic and due to providing loans to and receiving loans from these companies during 2017 and 2018, the Company is primarily exposed to the risk of changes in the exchange rate of Polish Zloty and Czech Crown against the EUR. The management monitors regularly whether there is a large difference between foreign currency liabilities and receivables. As at 31 October 2018, the Company reported an investment in the subsidiary in the amount of 7,482 ths. EUR, and loans provided in Polish Zloty were in amount of 27,179 ths. EUR and in Czech Crown were in amount of 2,331 ths. EUR. The other Company assets and liabilities are denominated in euro.

Secondarily, there is a risk that the weakening of the Czech Crown, 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 and Czech Crown would have the following effect on the financial assets and financial liabilities of the Company:

<i>in TEUR</i>	2017	2016
PLN	-377	-233
CZK	-23	-

1% weakening of the EUR against the Polish Zloty and Czech Crown would have an identical high but opposite effect on the financial assets and financial liabilities in comparison with strengthening.

**36. Information on Risk Management (continued)****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 interest rate is determined for the financial instrument, expresses the exposure to the risk of changes in interest rates to which the Company is exposed. 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 2018 and as at 31 October 2017, the Company has the following assets and liabilities linked to interest rates:

<i>in TEUR</i>	<b>31.10.2018</b>	<b>31.10.2017</b>
<b>Fixed interest rate</b>		
Assets	140,381	61,733
Payables	242,438	192,276
<b>Variable interest rate</b>		
Assets	-	-
Payables	82,349	58,215

*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 and cash flow sensitivity:

<i>in TEUR</i>	<b>Profit (Loss)</b>	
	<b>100 bb growth</b>	<b>100 bb decline</b>
<b>31 October 2018</b>		
Instruments with variable interest rate	-823	823
Effect	<b>-823</b>	<b>823</b>
<i>in TEUR</i>		
<b>31. October 2017</b>		
Instruments with variable interest rate	-582	582
Effect	<b>-582</b>	<b>582</b>

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.

**36. Information on Risk Management (continued)**

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.

**37. 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 2018 and 31 October 2017 or during the period between 1 November 2017 and 31 October 2018 and 1 November 2016 and 31 October 2017:

- (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
- (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. All transactions with related parties, including transactions with Key management, were realized based on conditions, which are ordinary (or expected) for non-related parties transactions realized on the market. None from the related parties was privileged in any kind in transactions. The Company has the transactions provided below with respect to related parties:

<i>in TEUR</i>	Note:	<b>Receivables</b>	<b>Payables</b>	<b>Receivables</b>	<b>Payables</b>
		<b>31.10.2018</b>	<b>31.10.2018</b>	<b>31.10.2017</b>	<b>31.10.2017</b>
Szczyrkowski Osrodek Narciarski S.A.	1	21,823	19	18,155	4
Ślaskie Wesole Miasteczko Sp. z o. o.	2	17,655	4,027	14,709	7,436
TMR Ještěd a.s.	3	1,208	-	-	-
Tatry mountain resorts CR, a.s.	4	182	-	-	-
Tatry mountain resorts PL, a.s.	5	23,492	-	-	-
Key management		68	-	68	-

<i>in TEUR</i>	Note:	<b>Revenues</b>	<b>Costs</b>	<b>Revenues</b>	<b>Costs</b>
		<b>1.11.2017 - 31.10.2018</b>	<b>1.11.2017 - 31.10.2018</b>	<b>1.11.2016 - 31.10.2017</b>	<b>1.11.2016 - 31.10.2017</b>
Szczyrkowski Osrodek Narciarski S.A.	1	1,582	13	374	1
Ślaskie Wesole Miasteczko Sp. z o. o.	2	1,158	352	567	265
TMR Ještěd a.s.	3	73	-	-	-
Tatry mountain resorts CR, a.s.	4	8	-	-	-
Tatry mountain resorts PL, a.s.	5	138	-	-	-
Key management		3	-	2.5	-

<sup>1</sup> Szczyrkowski Osrodek Narciarski S.A. became a related party on 30 April 2014.

<sup>2</sup> Ślaskie Wesole Miasteczko Sp. z o. o. became a related party on 1 May 2015.

<sup>3</sup> Spoločnosť TMR Ještěd a.s. sa stala spriaznenou osobou od 5 May 2017.

<sup>4</sup> Spoločnosť Tatry mountain resorts CR, a.s. sa stala spriaznenou osobou od 16 February 2018.

<sup>5</sup> Spoločnosť Tatry mountain resorts PL, a.s. sa stala spriaznenou osobou od 30 September 2017.

### 38. Subsequent Events

On 15 November 2018, the Company paid out a loan from J&T Bank in amount of 42,036 ths. EUR. From 1 November 2018 to 14 December 2018, the Company repaid the TMR I bond amounting 65,000 ths. EUR. On 2 December 2018 the Company signed a loan agreement with the subsidiary TMR Finance CR, a.s. for the sum of 1,499,999 ths. CZK (57,953 ths. EUR). The Company received the money from this loan on its bank account on 11 December 2018. From 1 November 2018 to 17 December 2018, the Company received the remaining payment of 30,000 ths. EUR from the issue of TMR III bonds.

### 39. 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.

On 10 October 2018, the Company issued the third issue of TMR III bonds at a total nominal value of 90,000 ths. EUR. At the date of the financial statement, the bonds from third issue were sold out at a total value of 60,000 ths. EUR. TMR III bond interest income will be paid for each yield period semi-annually and in arrears, always on 10 October and on 10 April every year. It will be paid for the first time on 10 April 2019. The TMR III bond is payable on a one-off basis on 10 October 2024.

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, if necessary in cooperation with bank loans.

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 2017 and 31 October 2018, no changes occurred in the Group management approach to capital management.

### 40. 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 2017. On 15 August 2018, the Company paid out the entire loan provided by Tatra banka, a.s. and as a result, the security of Tatra banka from the respective liens registers was canceled.

The Company has initiated several legal proceedings. The maximum amount of compensation in all legal proceedings can be up to 474 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 Auditors' Report originally prepared in Slovak language

### Independent Auditors' Report

To the Shareholders, Supervisory Board and Board of Directors of Tatry mountain resorts, a. s.:

#### Report on the Audit of the Separate Financial Statements

##### Opinion

We have audited the separate financial statements of Tatry mountain resorts, a. s. ("the Company"), which comprise the statement of financial position as at 31 October 2018, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as at 31 October 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU").

##### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section. We are independent of the Company in accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit") including the Code of Ethics for an Auditor that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

IČO/Registration number: 31 348 238  
Evidenčné číslo licencie audítora: 96  
Licence number of statutory auditor: 96

## Independent Auditor's Report



### Impairment of loans provided and other receivables

The carrying amount of loans provided and other receivables (long term and short term) as at 31 October 2018: EUR 117,297 thousand.  
Impairment allowance as at 31 October 2018 and impairment loss for the year then ended: Nil.

Refer to Notes 2e) and 2i) (Summary of significant accounting policies) and Notes 21 and 23 (Loans provided and Other receivables) of the financial statements.

#### Key audit matter:

As at 31 October 2018, loans provided and other receivables are represented primarily by uncollateralized loans to companies within the Group in total amount of EUR 64,124 thousand, an advance payment for shares in a company operating a ski resort of 19,451 thousand and a loan provided to that entity of EUR 13,300 thousand.

Loans provided and other receivables are assessed by the Company for impairment on an individual basis as at each reporting date. Impairment allowances represent management's best estimate of the credit losses incurred at the reporting date.

We focused on impairment of loans provided and other receivables as the determination of impairment losses requires a significant amount of management's judgement over both the timing of recognition (identification of "loss events") and the amount of any such impairment.

#### Our response:

Our audit procedures in the area included, among others:

- Assessment and test of the design and implementation of the controls over the loans provided and other receivables impairment provisioning process;
- Assessment of the appropriateness of the Company's impairment testing methodology in respect of loans provided and other receivables against the relevant financial reporting requirements;
- Critical evaluation, by reference to the debtors' financial statements and through discussion with the Company's CFO, of the existence of any impairment triggers as at 31 October 2018;
- For those exposures for which impairment triggers were identified, assessment of the debtors' ability to meet their repayment commitments towards the Company by means of:
  - Assessment of the financial flows between the Company and the debtors, in particular from the point of view of fulfilling the instalment agreements;
  - Developing an expectation of the loans provided and other receivables recoverable amounts for selected debtors, by using discounted cash flow models using expected revenue growth rates, EBITDA margin and discount rates applicable for the debtors, by means of challenging the revenue

## Independent Auditor's Report



growth rates by comparing them with historical development, comparing the EBITDA margin with market data, developing an expectation of the discount factor and comparing actual results for the year against the preceding year's forecast;

- Assessment of the historical accuracy of the Company's impairment estimates.

### Impairment of investments in subsidiaries

The carrying amount of investments in subsidiaries as at 31 October 2018: EUR 7,482 thousand.  
Impairment allowance as at 31 October 2018 and impairment loss for the year then ended: Nil.

Refer to Note 2d) (Summary of significant accounting policies) and Note 18 (Investments in subsidiaries) of the financial statements.

#### Key audit matter:

As at 31 October 2018, investments in subsidiaries include primarily a EUR 7,191 thousand investment in Szczyrkowski Ośrodek Narciarski S.A., an entity operating a ski resort in Poland.

Investments in subsidiaries are carried by the Company at cost less impairment losses, if any. As at each reporting date, management assesses whether indications exist that the carrying amounts of these investments may not be recoverable. The indications considered may include, among other things, significant operating losses, an investment's carrying amount exceeding that entity's shareholders' equity or financial performance otherwise below the planned levels. In case impairment indications are identified for an investment, management estimates its recoverable amount, generally by reference to its value-in-use and the underlying discounted cash flows models.

Estimating the value-in-use requires management to use significant judgements in respect of key inputs such as revenue

#### Our response:

Our audit procedures in the area included, among others:

- Assessment and test of the design and implementation of the controls over the investments in subsidiaries impairment provisioning process;
- Assessment of the appropriateness of the Company's impairment testing methodology against the relevant financial reporting requirements and market practice;
- Evaluation of the reasonableness of management's judgements as to the existence of impairment indicators, and consequently, the requirement to perform related impairment tests. This included, but was not limited to, discussing the subsidiaries' performance with the Company's CFO;
- For the investments for which impairment indicators were identified, assisted by our own valuation specialists, assessment of the key assumptions and judgements

## Independent Auditor's Report



growth rates, EBITDA margin and discount rates.

Based on the above-mentioned circumstances, impairment of investments in subsidiaries is considered by us to be a key audit matter.

applied by the Company in its discounted cash flow models, including those in respect of the revenue growth rates, EBITDA margin and discount rates, by means of examining the approved financial forecast models, challenging the revenue growth rates by comparing them with historical development, comparing the EBITDA margin with market data, developing an expectation of the discount factor and comparing actual results for the year against the preceding year's forecasts;

- Assisted by our own valuation specialists, an independent analysis of the sensitivity of the impairment test results to changes in key assumptions for individual investments in the portfolio of subsidiaries.
- Assessment of the historical accuracy of the assumptions used by the Company in the past.

### *Responsibilities of the Statutory Body and Those Charged with Governance for the Financial Statements*

The statutory body is responsible for the preparation of the 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 the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

## Independent Auditor's Report



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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Independent Auditor's Report



### Report on Other Legal and Regulatory Requirements

#### Reporting on Information in the Annual Report

The statutory body is responsible for the information in the Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting"). Our opinion on the separate financial statements does not cover other information in the Annual Report.

In connection with our audit of the financial statements, our responsibility is to read the Annual Report and, in doing so, consider whether the other information is materially inconsistent with the audited financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The Annual Report was not available to us as of the date of this auditors' report.

When we obtain the Annual Report of the Company, we will consider whether it includes the disclosures required by the Act on Accounting and, based on the work undertaken in the course of the audit of the financial statements, we will express an opinion as to whether:

- the information given in the Annual Report for the year ended 31 October 2018 is consistent with the financial statements prepared for the same financial year; and
- the Annual Report contains information according to the Act on Accounting.

In addition, we will report whether we have identified any material misstatement in the Annual Report in light of the knowledge and understanding of the Company and its environment that we have acquired during the course of the audit of the financial statements.

#### **Additional requirements on the content of the auditors' report according to Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities**

##### *Appointment and approval of the auditor*

We have been appointed as a statutory auditor by the statutory body of the Company on 14 September 2018 on the basis of an approval by the General Meeting of the Company from 18 April 2018. The period of our total uninterrupted engagement, including previous renewals (extensions of the period for which we were originally appointed) and reappointments as statutory auditors, is ten years.

##### *Consistency with the additional report to the audit committee*

Our audit opinion as expressed in this report is consistent with the additional report to the audit committee of the Company, which was issued on the same date as the date of this report.

##### *Non-audit services*

No prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities were provided and we remained independent of the Company in conducting the audit.



In addition to the statutory audit services and services disclosed in the Annual Report or the financial statements of the Company, we did not provide any other services to the Company or accounting entities controlled by the Company.

26 February 2019  
Bratislava, Slovak Republic

Auditing company:  
KPMG Slovensko spol. s r.o.  
License SKAU No. 96



  
Responsible auditor:  
Luboš Vančo  
License SKAU No. 745

STATEMENT BY THE BOARD OF DIRECTORS



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## Statement by the Board of Directors

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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 28, 2019



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Bohuš Hlavatý

Chairman of the Board of Directors, CEO



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Jozef Hodek

Member of the Board of Directors, CFO



TATRY MOUNTAIN RESORTS, a.s.  
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Photo: Marek Hajkovský