

# ANNUAL REPORT

2011/2012



Annual Consolidated and Individual  
Financial Report of Tatry mountain resorts, a.s.  
and its subsidiaries as of 31/10/2012

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# Commentary from CEO



**Ing. Bohuš Hlavatý**

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

Dear Shareholders and Mountain Lovers,  
I am delighted that this is already the third year in a row that I am presenting you on behalf of the TMR Board of Directors a report showing how our Company has been growing in terms of revenues, profitability, but mainly in terms of the number of happy visitors to our resorts. We have been succeeding for a few years in a row now to fulfill our vision of the New Era of the Tatras, and I think that today we can proudly say that we are the largest and sole provider of mountain tourist services in the region of Central and Eastern Europe, comparable with alpine mountain resorts.

Our business segment of tourist services has been experiencing favorable economic conditions, which was also the case this past year. Despite continuing economic uncertainty and regional political instability, the number of international tourist arrivals keeps increasing, up by 9% also in the region of Central and Eastern Europe for the first half of 2012. We also observed these favorable factors and with a strong domestic tourist ratio, we reported an increase in the total number of visitors to our resorts by 8.9%.

Besides the positive macroeconomic indicators, our visitors were attracted by our continuing investments into the mountain resorts, aquapark, and hotels. Over the past six years we have invested EUR 144 million, and while we have already seen some returns, also last year, more is still to come.

The past year's results are mainly impacted by the 2010/11 investments of EUR 29.6 million, which included a new revolutionary 8-seat cableway in Vysoke Tatry – Tatranska Lomnica, expansion of ski trails, parking lots and snowmaking, hotel room renovation, and new après ski activities. Due to these capital-intensive investments we raised ski pass prices. Despite the raise our visit rate did not worsen, just the opposite. Other KPIs improved, as well, including average revenue per visitor in Mountain Resorts, Aquapark, Dining, and Sports Services and Stores, as well as average rates in Hotels at the portfolio level. The KPI improvements hint that our client base is shifting to a more affluent one, which, inter alia, gives our planned real estate projects greater potential for success in the future.

The weather played in our favor during the winter season, as well, especially in the first half of the winter snowfall was abundant, which helped to start the skiing season on time, early enough and save on snowmaking costs. The skiing season lasted fairly long, ending with a solid Easter ski holiday. We continued to focus on synergies within the Group mainly in marketing and sales, thanks to which we were able to provide innovative products and services to our clients and optimize costs. An example includes a free entry pass to Aquapark Tatralandia with purchase of a more-day ski pass to TMR resorts. We also supported importance of local cooperation in sales and marketing with lodging providers and

operators of other ski resorts.

This past year was the first one with all-year operation of Aquapark Tatralandia under our management. Even with the first time operation also during the winter we managed to operate the aquapark with the highest EBITDA margin of all subsegments, at 45.1%. We strengthened the aquapark's concept of an all-year vacation destination with project Tropical Paradise, an indoor arena with possible sunbathing and tropical climate. We shall see first notable returns in the next financial period.

We managed to end the year with a 13% growth in consolidated revenues and a 14.5% growth in EBITDA. Thanks to the abovementioned factors, all our segments and subsegments recorded improvement in operating revenues and EBITDA. This year again we are sticking to our dividend policy and at the Annual General Meeting the Board of Directors will propose a cash dividend pay-out at 70% of our consolidated net income, which comes to EUR 1.06 per share.

The positive results of 2011/12 are yet another indicator that proves we are on the right track with our corporate strategy aimed at continuous enhancement of services provided and products offered in our resorts and hotels. By following our set strategy we continued with capital-intensive investments also in the past year. The total investment budget came to EUR 44 million, the highest annual budget so far. The 2011/12 projects included a massive project of linking Chopok Mountain North and South in the Jasna resort with three new cableways, out of which we are expecting increased visit rate and spending per customer with secondary positive effects in supplementary services and hotels. Another large project Tropical Paradise in Aquapark Tatralandia should have similar impact, which we should see in the following reports.

Going forward we will stick to our working corporate strategy and also will focus also on the second pillar of the strategy, i.e. strategic acquisitions and cross-border expansion in the wider region. Looking at our fortress balance sheet, we are in a strong financial position for a greater leverage, whilst still having some own resources saved up for the right opportunities. In our existing operations we will continue to offer innovative products and services that our clients prefer, and we will further strive to improve our operating profitability.



**Bohuš Hlavatý**

Chairman of the Board of Directors and CEO



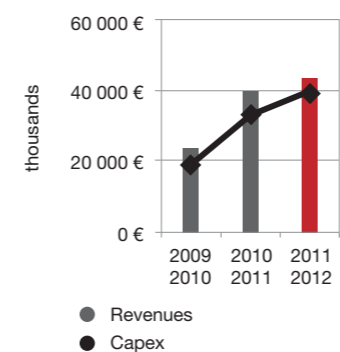
A skier wearing a red jacket, blue pants, and a purple helmet is skiing down a steep, snow-covered mountain slope. The skier is in a dynamic pose, leaning forward with their poles planted in the snow. The background features a vast, snow-covered mountain range under a bright blue sky with scattered white clouds. The sun is visible, creating a lens flare effect. A red horizontal bar is positioned in the upper right quadrant of the image, containing the text "OPERATIONS REVIEW".

OPERATIONS REVIEW

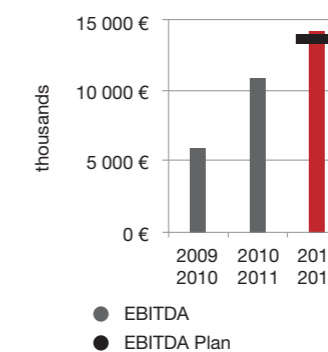
# Consolidated Financial Highlights

in €'000 unless specified otherwise	2011/12	2010/11	2009/10
Revenues	43 807	38 758	24 338
EBITDA	13 987	12 219	6 633
EBIT	6 050	1 599	-703
Net Income	10 186	9 027	5 759
CAPEX	40 448	29 377	18 164
No. of employees	1 232	1 055	614
Earnings per share (EUR)	1,52	1,35	0,86
Dividend per share (EUR)	1,06*	0,96	0,82
Hotel Occupancy (%)	48,4	49,2	45,8
Avg. Revenue per Visitor (EUR)	45,2	41,3	37,5
Visit Rate	2 007	1 844	1 027
EBITDA (%)	31,9	31,5	27,3
EBIT (%)	13,8	4,1	-2,9
Net Income Margin (%)	23,3	23,3	23,7
ROE (%)	3,7	3,4	2,2
ROA (%)	3,2	3,1	2,0
Debt/Capital (%)	5,5	6,5	5,0
Debt/EBITDA	1,2	1,6	2,1
Interest Coverage	11,2	3,1	-1,3

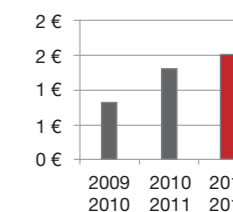
Revenues vs. CAPEX\*\*



EBITDA vs. Plan\*\*



EPS



\*\* Proposed dividend pay-out operating results



# Our History

## 1992

- SKI Jasná, a.s., the legal predecessor of TMR, was established by the National Property Fund of the Slovak Republic

## 2003

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

## 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.
- 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.
- On December 28, 2009 TMR acquired 100% of Grandhotel Praha (Grandhotel Praha, a.s.) and 50% of Interhouse Tatry, s.r.o., which is the owner of Grandhotel Starý Smokovec.

## 2010

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

## 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

- TMR shares were successfully dual-listed on exchanges in Warsaw and Prague in October 2012.

Companies of the TMR Group



# Company Profile

## TMR GROUP DESCRIPTION

Tatry mountain resorts, a.s. Group with its registered seat in Liptovský Mikuláš is the biggest provider of tourism in Slovakia with emerging activities in neighboring countries. TMR's revenues come from operation of mountain resorts and aquapark, provision of hotel and dining services, and from sports shops and additional services in the resorts. In terms of revenue breakdown, the largest share comes from sale of ski passes and cableway tickets in mountain resorts (41%) and from ticket sale in the aquapark (15.4%). Additional revenues come from accommodation services in hotels that TMR owns and runs within the Group (29.4%) and from other services provided by the dining facilities on the slopes (9.4%) and sports stores (4.2%). In addition to the mentioned business activities TMR conducts its business activities in the field of real estate, revenues of which are expected from sale, lease and operation of premises and hotels. So far TMR has performed all the business activities in regions of the High and Low Tatras. Within the mountain resorts it offers complex services, such as operation of lifts and cableways, dining, ski school, sport shops, ski rental and equipment service for winter and summer activities. These ancillary services (except dining) are provided under Tatry Motion brand, which provides marketing support and brings a synergic effect within the Company.

The portfolio of the Company and its subsidiaries in the Low Tatras includes resort Jasná Nízke Tatry, hotels Tri Studničky\*\*\*\*, Wellness hotel Grand Jasná\*\*\*\*, Chalets Jasná de Luxe\*\*\*\* and Hotel Srdiečko\*\*. Aquapark Tatalandia is located in the vicinity of Jasná with Holiday Village Tatalandia bungalows. TMR at the same time owns and leases out Hotel Liptov\*\*, Ski&Fun Záhradky\*\* and Kosodrevina Lodge.

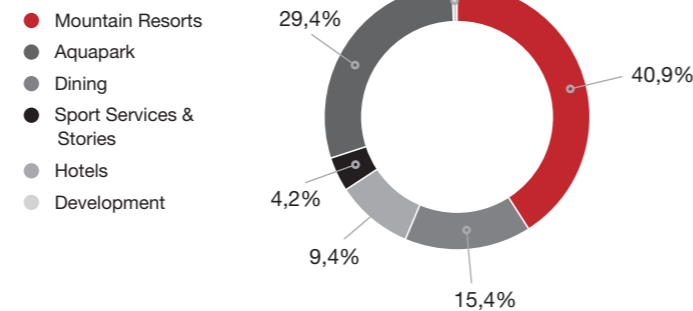
In the High Tatras TMR owns and runs resorts Vysoké Tatry – Tatranská Lomnica and Starý Smokovec and hotels

Grandhotel Praha\*\*\*\* Tatranská Lomnica, Grandhotel\*\*\*\* Starý Smokovec, Hotel FIS\*\*\* at Štrbské pleso and Hotel Slovakia\*\*\*. The Company is also co-managing mountain resort Vysoké Tatry – Štrbské Pleso. In present day TMR has a simple and efficient structure. This structure, comprising of two key groups – TMR Operations and TMR Services, is based on business segment-specific responsibilities for the different aspects of business. The first group (Operations) is responsible for development and operations of all business activities, whilst the second one (Services) is responsible for support services. Tatry mountain resorts services, a.s. (TMRS) provides services as sales, marketing, accounting, finance, HR, and real estate projects.

## BUSINESS SEGMENTS OF TMR

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

### Revenue Breakdown



### Mountain Resort VYSOKÉ TATRY

- All-season resort offering complex services for all the types of clients in the summer and winter season
- Three ski areas – Tatranská Lomnica, Štrbské Pleso and Starý Smokovec
- Situated in the oldest national park in Slovak republic TANAP
- 22 km of ski trails (17 km with technical snowmaking)
- 22 cableways and lifts
- Max. transportation capacity of more than 21,300 persons/hour
- Hotels - Grandhotel Praha\*\*\*\* Tatranská Lomnica, Grandhotel\*\*\*\* Starý Smokovec, Hotel FIS\*\*\* Štrbské pleso and Hotel Slovakia\*\*\*
- Real Estate – Grand Residences Tatranská Lomnica

### Mountain Resort NÍZKE TATRY

- The biggest winter sports resort in Central Europe
- Ski areas – Chopok North and Chopok South
- Organizer of Junior Alpine FIS World Cup 2014
- 45 km of ski trails (almost 27 km with technical snowmaking)
- 29 cableways and lifts
- Max. transportation capacity of more than 30.000 persons/hour
- Hotels – Hotel Tri Studničky\*\*\*\*, Wellness hotel Grand Jasná\*\*\*\*, Chalets Jasná de Luxe\*\*\*\* and Hotel Srdiečko\*\*
- Real Estate – lease out of hotels Liptov\*\*, Hotel SKI & FUN\*\* and Kosodrevina Lodge

### Aquapark TATALANDIA

- The biggest aqua park in Central Europe
- Unique indoor complex Tropical Paradise also with seawater and authentic corals
- 9 year-around swimming pools with thermal, sea and pure water, 5 summer swimming pools, complex of 17 saunas and procedures, wellness and massages
- 7 year-around waterslides, 23 summer waterslides and 300 different attractions
- Housing – Holiday Village Tatalandia
- 700 beds in 155 bungalows and apartments
- Congress center, 5D cinema, golf trainer, etc.

<b>Mountains &amp; Leisure</b> <ul style="list-style-type: none"> <li>■ Mountain Resorts</li> <li>■ Aquapark</li> <li>■ Sport Services &amp; Stories</li> <li>■ Dining</li> </ul>			
<b>Hotels</b> <ul style="list-style-type: none"> <li>■ Ownership</li> <li>■ Operation</li> </ul>			
<b>Real Estate</b> <ul style="list-style-type: none"> <li>■ Development</li> <li>■ Sales</li> <li>■ Lease</li> </ul>	<ul style="list-style-type: none"> <li>■ Grand Residences T. Lomnica</li> </ul>	<ul style="list-style-type: none"> <li>■ Lease of hotels: Kosodrevina, Liptov, SKI &amp; FUN</li> </ul>	

## I. MOUNTAINS AND LEISURE

The main segment Mountains and Leisure includes the ownership and operation of two mountain resorts Jasná Nízke Tatry – Chopok North and South and Vysoké Tatry – Tatranská Lomnica, Starý Smokovec and Štrbské Pleso, whilst TMR doesn't own but co-manages ski area Štrbské Pleso. The resorts currently offer 67 km of trails with transport capacity exceeding 52 thousand persons per hour. The main segment also includes a year-around aquapark Tatralandia with 14 swimming pools, 30 water slides and number of other indoor and outdoor activities. 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, sport shops and dining.

### The HIGH TATRAS

The High Tatras as the greatest mountain range in Slovakia and the smallest in the world are also the oldest national park in our country (Tatranský Národný 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.

#### ■ MOUNTAIN RESORTS

##### Tatranská Lomnica

###### Winter season

Tatranská Lomnica resort holds the lead in Slovakia with its longest 6.5 km trail and one thousand meters elevation. Lomnické sedlo is at the same time the highest ski trail in Central Europe. 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. In addition to the regular skiers is this resort also visited by free riders, adrenaline lovers as well as individual visitors. Resort is equipped with modern snowmaking system, which reaches the highest point of the Generál slope at Skalnaté pleso.

###### 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 scooter rides, trampolines, archery and an authentic project for children – Tatras wilderness. 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.

###### Ski trails

Ski resort Tatranská Lomnica offers up to 41.6 ha of ski trails (out of which almost 32 ha have technical snowmaking) with a total length of nearly 10 km. The ski trails in the resort are mostly easy (six trails – 4,850 m) to moderate (four trails – 3,890 m) with technical snowmaking. Ski trail for experts in Lomnické sedlo (1,240 m) is best suited for most advanced skiers, with an average angle of almost 47 %. In addition to skiing and snowboarding are for visitors available also attractions as snowbike, skifox and snowcoot.

###### Transport facilities

In the resort there is one gondola, two cabin cableways and four chairlifts with total length of 9.285 m. The maximum transport capacity is 10,145 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). The cableway at Lomnické sedlo was according to the plan reconstructed before the 2012/2013 winter season. The all-year most attractive is still the elevated cableway to Lomnický štít which can get visitors to the top of the second highest peak of the High Tatras just in 8 minutes. On the top there is a stylish café, elevated terrace and botanical garden. Visitors can also spend a night in the highest elevated apartment in the Central Europe. Additionally, 15-seat cableway from Štart to Skalnaté pleso is scheduled to start in the 2013/2014 season.

##### Starý Smokovec

###### Winter season

Starý Smokovec resort – Hrebienok and Jakubova lúka is in times of winter season oriented on leisure skiers and families with children, as well as on alternative leisure activities, such as snowtubing, sledging on 2.7 km long sledging track and funtools – skifox, snowbike and snowcoot. A central part is a funicular and several ski lifts. The finish station of a comfortable panorama funicular from Starý Smokovec to Hrebienok is the favorite start point for winter hikes to mountain lodges and waterfalls.

###### Summer season

In the summer the resort offers attractions like summer tubing, scooters, cars or trampolines. There is also a bike park with two trails in the resort – red one for more experienced

and blue, touristic trail rather for families. Starý Smokovec and Hrebienok are also the perfect places for hiking trips. 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 4,325 m are more suitable rather for beginners. Four out of five trails are easy and Hrebienok Horná Lúka is a moderate trails rather for advanced skiers.

###### Transport facilities

The resort disposes a modern funicular from Starý Smokovec to Hrebienok and five ski lifts in the area of Hrebienok and Jakubkova Lúka. The total transportation capacity of the resort is 4,340 persons per hour, out of which 1,600 is by funicular. Visitors can with this funicular reach the altitude of 1,272 m a.s.l., while in 7 minutes overcome the 255 m elevation from the bottom station (1,025 m a.s.l.).

##### Štrbské Pleso

###### Winter season

The resort in the highest Tatra settlement on Štrbské Pleso is suited also for clients requiring the highest standard of services which this specific resort can provide its visitors. More than seven kilometers of easy and moderate ski trails and more than 17 km cross-country trails are used by families with children as well as advanced skiers. Vysoké Tatry – Štrbské Pleso provides its visitors with services such as ski and snowboard rental, ski services and ski school for beginners. The resort is well suited also for leisure skiers.

###### Summer season

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

###### Trails

Ski resort in Štrbské Pleso offers its clients several trails of easy (four trails – 1,360 m) and moderate (five trails – 6,000 m) difficulty. The resort has 7.360 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 three cableways and four lifts with a total length of 5,469 meters in the resort. Their maximum transport ca-

capacity is 6,900 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.

#### ■ DINING

##### Café Dedo – Lomnický štít 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.

##### Panorama 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 – Štart 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 meals. In the evening, this place offers an evening full of lovely experiences with a lot of interesting program for visitors.

##### Après Ski Bar – Tatranská Lomnica 850 m a.s.l.

The greatest après ski bar in the Tatras and in Slovakia at the bottom station of the lift in Tatranská Lomnica offers skiers refreshment during skiing.

##### Snack Bar – Hrebienok 1,285 m a.s.l.

A popular place for a simple snack at the lift entry and exit is located in the building of railway station to Hrebienok. Snack Bar Hrebienok offers fast food as well as various souvenirs.

#### ■ SPORTS SERVICES AND STORES

Additional services and shops are run in TMR under Tatra Motion brand, which provides synergic effects and allows them to be easily identified. A chain of six stylish stores offers trendy fashion and other stuff. Chain of stores in the High Tatras consists of three operations in Tatranská Lomnica – Shop Grand, New Shop Lomnica and Exit Shop, one in Starý Smokovec in the building of railway station and two in Štrbské Pleso – Tatra Motion Shop and Caffè Industry Shop.



## 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.

### ■ MOUNTAIN RESORTS

#### Jasná Nízke Tatry

##### Winter season

Jasná Nízke Tatry resort is the biggest 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 freeride zones and snow park. Every evening there is an interesting après ski program. In the past fiscal year 2011/2012 new cableways to Chopok from the north and south side have been completed together with a skewed 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.

##### Summer season

The resort in the summer offers a wide range of sports – paragliding courses, mountain scooters, 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 there is an

educational fun trail with and entertainment program for families with children.

##### 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 is 39 trails totaling more than 45 km. On 26.5 km of trails is built a fully automated high-pressure technical snowmaking system with 388 snow guns. The snowmaking systems was in the 2012/2013 season built from the north side up to Chopok and on the south side were in addition built also pumping stations for this system. There are eight easy trails in total length of 10,735 meters, 15 moderate trails in total length of 18,210 meters and six trails for experts in total length of 7,125 meters. In addition to these trails the resorts offer 10 ski roads in total length of 8,960 meters. In the resort there are also five free ride zones, two cross-country skiing trails and a snow park. Two trails in total of 2,580 meters are lit up and used for night skiing.

##### Transport Facilities

The resort operates 29 cableways and lifts with a total transport capacity of 30.744 persons per hour. There are two 6-seat cableways, four 4-seat cableways and one 2-seat cableway. There are also four cabin cableways – 24-seat Funitel, 15-seat and 8-seat gondolas and 50-seat funicular Twinliner. All of these cableways except 8-seat gondola were completed in 2011/12.

With construction of Funitel Doppelmayr 24-FUN from Priehyba 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



The 14th cableway of its kind in the world



The first gondola of its kind in the world with a capacity of 15 persons

persons, which provides a total transport capacity of 2.480 persons per hour. With the bottom station at Priehyba in 1,349 m a.s.l. and top station in 2,004 m a.s.l. the cableway overcomes elevation of 655 meters at a distance of 2,130 meters. Funitel's transport speed is 7 m/s and the route itself takes about 6.5 minutes.

To the cableway from the north side is connected another cabin cableway – gondola Doppelmayr 15-MGD from the south side. This facility has its bottom station in 1.488 m a.s.l. at Kosodrevina and top station just like Funitel at Chopok in 2,004 m a.s.l. Gondola enables operation at wind speed up to 90 km/h and has the maximum slope of 74.91°. Total length of its track is 1.433 m with an elevation of 516 m. With the speed of 6 m/s the route takes 5.44 minutes. Total transport capacity with its 18 booths, 15 seats in each, is 2,800 persons/ hour.

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

All three new cableways were in mountain conditions in Slovakia used for the first time and 15-seat gondola is also unique worldwide. This type of cableways was used in the other parts of the world only with lower capacity.

### ■ DINING FACILITIES

TMR operates 10 dining facilities in the Jasná Nízke Tatry resort.

#### **Music Club Happy End – Biela Púť 1,117 m a.s.l.**

Happy End, the center of nightlife and winter club season in Liptov is in operation from winter season 2010/2011. During the day it offers a quality restaurant with a capacity of 500



The first system of its kind in Slovakia

persons, après ski entertainment after skiing and at night the greatest disco in the region with live concerts and the capacity of 1.000 guests.

#### **Bernardino Burger Restaurant – Brhliská 1,423 m a.s.l.**

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

#### **Von Roll Restaurant – Luková 1,670 m a.s.l.**

Observation a la carte 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.

#### **Restaurant – Luková 1,670 m a.s.l.**

In the same building as the Von Roll Restaurant skiers can choose also a self-service restaurant with a wide selection of ready-made food and beverages.

#### **Après ski bary**

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

#### **CHAMPAGNE BAR Happy End – Biela Púť 1,117m a.s.l.**

The only bar on the slopes that offers genuine champagne and the widest selection of wines and sparkling champagnes.

#### **FUNIBAR – Priehyba 1,349 m a.s.l.**

New après ski bar at Priehyba, at the entrance station of FUNITEL with opening glass roof and cupola. It is one of the first of its kind in Central Europe.

#### **Snow Bar – Zadné Dereše 1,440 m a.s.l.**

Snow bar is a place for snack at Chopok South. Après ski bars at base stations Záhradky - FIS BAR 1.028 m a.s.l., Biela Púť, Happy End – 1,117 m a.s.l. and Srdiečko – 1,213 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.

#### **Snack Bar Rotunda - Chopok 2,004 m a.s.l.**

Snack Bar Rotunda below Chopok is in the season 2012/2013 new. It is Located at the exit station of Funitel and 15-seat cableway.

#### **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.

### ■ SPORT SERVICES AND SHOPS

Additional services in resorts are based at start stations. Like the High Tatras, these attractions are run by Tatra Motion brand. In the resort of Jasná Nízke Tatry it is possible to see this brand quite often – in addition to numerous sport stores and rentals also in ski school and ski kindergarten Maxiland with daily animations. Within Záhradky location it is Drive in shop and Intersport Záhradky and at Biela Púť it is Shop Biela Púť and Maxiland Shop with focus on children's clothing, accessories and souvenirs. A part of the shop is also a reservation point for services of ski school. Location near GrandJet cableway includes store with luxury clothing Café Fashion, Board Shop – a store with clothing not only for snowboarders and Souvenir Shop. In the area of Hotel Grand is Shop Grand and in Chopok South area is Shop Srdiečko. Some of the stores also include ski rentals and service stations. Independent service operation next to Café Fashion is Ski service which offers a possibility to repair skis with modern equipment on demand.

### AQUAPARK

Aquapark Tatralandia with lodging facility Holiday Village is the largest year-around aquapark in Central Europe. It offers its customers 14 pools and 30 waterslides out of which nine are year-around and five are summer ones, as well as sauna world and Wellness Paradise. Fun Park Tatralandia, the greatest entertainment area in Slovakia that offers its audiences a unique show with dramatic performances and incredible stunts, is also located within the aquapark. New for 2012 is a year-around indoor shell shaped facility Tropical Paradise with salt water pool, unique roof deck that allows sunbathing, but also snorkeling pool with an authentic coral reefs and marine life. The construction of Tropical Paradise project with a budget of EUR 5.2 mil. was launched

in spring 2012 and the first part was opened in July 2012. The second part was completed in autumn of 2012 and opened to visitors in December 2012.

## II. HOTELS

Within the Company, TMR in its hotel segment currently owns and operates portfolio of nine renowned hotels and lodging facilities in the High and Low Tatras, in categories ranging from two to four stars, and leases three hotels to third parties. All hotels operated by TMR offer together more than 2,000 beds. The hotels can please a wide spectrum of



Tropical Paradise

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 100 years, since the grand opening

Current information on TMR mountain resorts at the end of fiscal year 2011/2012

	Lenght of trails (m)	Capacity (person/hour)	Trails technical snowmaking (m)	Number of cableways
<b>The Low Tatras</b>				
Jasná Nízke Tatry	45 030	30 744	26 495	29
<b>The High Tatras</b>				
Tatranská Lomnica	9 980	10 145	8 740	7
Starý Smokovec	4 325	4 340	1025	6
Štrbské Pleso	7 360	6 900	7 280	7

in 1905. Since the last year, a new wellness center Grand Mountain Spa that combines local spa tradition with healing effects of the Tatra's nature, was added to the hotel.

### Grandhotel Starý Smokovec \*\*\*\* (50%)

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.

### 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.

### Hotel Slovakia \*\*\*

33 rooms, 70 beds

In December 2011 TMR expanded its portfolio by Hotel Slovakia. The hotel is located in the center of Tatranská Lomnica, in the close vicinity of all the activities of the ski center.

## The LOW TATRAS

### Hotel Tri Studničky \*\*\*\*

36 rooms, 100 beds

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

### Wellness hotel Grand Jasná \*\*\*\*

157 rooms, 311 beds

This mountain hotel is situated in the center of Jasná, at 1,100 m a.s.l., right near the start station of the 8-seat cabin cableway Grand Jet. Its ski in-ski out location is exceptional, as well as the renovated wellness center.

### Chalets Jasná de Luxe \*\*\*\*

4 rooms, 16 beds

Luxury apartments in the style of French alpine lodges were put into operation only at the beginning of the winter season 2010/2011. Their strategic advantage is their ski-in ski-out location directly on the slope on Záhradky and their provision of premium services.

### Hotel Srdiečko \*\*

45 rooms, 125 beds

A hotel with an unbeatable ski in-ski out location, directly below the slopes in the resort of Jasná Nízke Tatry – Chopok South.

Holiday Village Tatralandia

155 rooms and apartments, 700 beds

It is a unique lodging complex 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.

## III. REAL ESTATE

The most recent activity of TMR is its real estate business. The goal is to develop infrastructure and construction activity in the mountain regions. In its realization the Company plans to capitalize on the unique location in the High and Low Tatras region. TMR's strategy in this segment is mostly development, construction, and sale of apartments and non-housing areas. The Grand Residences Tatranská Lomnica project has already been completed. Other three projects are in the planning phase (Tatranská Lomnica Center, Tatranská Lomnica Project, Jasná Center). Realization of other projects and the following sale or lease of the apartments and non-housing areas depends on the development in the real estate market. Alongside these projects necessary infrastructure is being built for the natural development of tourism in the following areas – cableways, infrastructure, trails, information signs, etc. TMR is not planning any green-field projects (on undeveloped land). It focuses solely on traditional, urban areas, where sport and tourism have been part of history for decades.

The Company within the Real Estate segment owns and leases out hotels Liptov\*\*, SKI hotel\*\* and Kosodrevina Lodge in Jasná. So far revenues from the Real Estate segment have come mainly from the hotel leases.

### Grand Residences Tatranská Lomnica

This project covers reconstruction of an unused extension to Grandhotel Praha. The extension project includes 17 four-star apartments with the total area of 1,739 m<sup>2</sup>. The project was completed in December 2011, and the apartments are available for sale or lease within the hotel.

# Strategy

## Vision

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

## Mission

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 the mountain resorts, aquapark, and additional services throughout the year. The Company plans to fulfil its mission through synergies leading to a complex satisfaction of both, its clients and shareholders.

## Competitive Advantage

As opposed to other operators of mountain resorts and tourist services in the region of Central Eastern Europe, TMR holds a position of natural monopoly due to the unique geographical location of TMR mountain resorts in the highest mountain range in the region – the Tatras. This advantage predetermines them to be premier tourist destinations in Central and Eastern Europe. Besides the attractive mountain environment, the following facts are the most important plus points against competition:

- There are more than 7.5 million people living within 200 km of the Tatras – a client base with a long term tradition of visiting the Tatras.
- Poprad Airport ensures easy access by air from key European cities outside the mountainous area, e.g. London, Copenhagen, Amsterdam, Moscow, and Saint Petersburg, mostly by charter or private flights.
- 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.

## BUSINESS STRATEGY

The long term strategic goal of the Company for the next ten years is to gain a leading role in winter and summer to-

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

### Pillar 1: Increasing Quality with Investments

By the end of 2012, for the last six years TMR has invested in its resorts and hotels over 144 million euros. As a result of these investments, the services provided by TMR in the High and Low Tatras improved significantly. TMR resorts thus reached the level of Alpine resorts, and increased their leading position in the region within the industry. Investments completed in the last 6 years include 8 new cableways, which means increase of the transportation capacity by 50%; extension of technical snowmaking by 76% to total of 44 km of ski trails with snowmaking and 386 snow guns; larger ski trail areas by 40% to 67 km in both, the High and the Low Tatras; or 17 après ski bars and restaurants on the slopes of the ski resorts. Other investments are aimed at improvement and renovation of accommodation capacities, and enhancement of infrastructure in all the resorts, especially in regards to real estate development projects, to provide a greater variety of possibilities to experience a wide spectrum of cultural, social, and sports events in the resorts. Further investments are aimed at enhancement of the services and operations, such as the new Tropical Paradise in Aquapark Tatralandia.

### Pillar 2: Strategic Acquisitions and Cross-border Expansion

After fulfillment of the primary vision of – New Era of the Tatras – TMR currently concentrates on strategic acquisitions of ski resorts and amusement parks on the local market, as well as on the international level, namely in the region of the Central and Eastern Europe. The most recent addition to the Company's portfolio was Holiday Resort Tatralandia, acquired in April 2011, which includes Aquapark Tatralandia and Holiday Village Tatralandia. Strategic expansion of the operations on the neighboring Czech market includes management of the Špindlerův Mlýn resort, by means of a consortium initiated after the end of the fiscal year, in November 2012.

### Pillar 3: Constant Operations & Services Enhancement

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

ski equipment rentals, and dining facilities on slopes. Moreover, it continuously improves the offer of après ski possibilities. The Company also tries to optimize transport possibilities to both 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 bring their customers to nearby resorts with easy access 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. Within this pillar TMR fully utilizes synergic effects among its segments and subsegments, thus it is able to optimize constantly 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.

## The New Era of the Tatras Project

The primary vision of TMR was revival of the High and the Low Tatras. The reason behind this vision was overall underdevelopment and very limited infrastructure regarding tourism in the region. Thanks to incremental consolidation of unique assets and as a result of intensive investments aimed at development and enhancement of these assets, and tourism in the region, TMR reached its goal and this vision became a reality. Due to greater attractiveness of the mountain resorts, the number of visitors in the High Tatras's resorts – Tatranská Lomnica and Starý Smokovec, Štrbské Pleso, and in Jasná Nízke Tatry increased significantly. As a direct consequence of TMR's initiatives, tourism in the region as such recorded more positive results. The initial phase of investment strategy in the Tatras will be complete in 2013/2014, with benefits in form of increasing number of visitors and revenues expected also in the upcoming years.





**The Action Plan for 2011/12 included the following strategic steps:**

- To continue in the set intensive investment strategy with investing into development of the Tatra region, TMR resorts, and hotel; the strategy, which started six years ago with the budget for the year of EUR 44 million.
- To increase efficiency, capacity usage, and visit rate of the resort JASNÁ Nízke Tatry by completing the project of complex linking of the north and south part of Chopok mountain with three new cableways and by launching these cableways into operation in the winter season 2012/13. The link of both sides of Chopok will enable resort visitors to use both sides of the resort even under unfavorable weather and temperature conditions, since the main new cabin cableway Funitel will be resistant to the wind power of up to 120 km/hr, and visitors will be able to travel in comfort from Chopok North to Chopok South and vice versa.
- To increase trail quality by expanding technical snowmaking up to the summit of Chopok mountain from both sides.
- To increase visit rate, eliminate effects of unfavorable weather, promote the all-year operation of Aquapark Tatralandia, and to strengthen sales also in off-peak season with the Tropical Paradise project- construction of a tropical arena with a special shield that enables sunbathing in tropical temperatures not only in the summer season.
- To react to demand mainly for higher quality lodging and a wider offer of hotel services, and to continue in enhancing hotel services through development investments into TMR hotels, specifically by renovating hotel rooms and by adding new conference space in Wellness hotel Grand Jasná and by renovating the lobby and building a new restaurant and wellness area in Hotel FIS.
- To continue in utilizing synergies among segments and subsegments in sales, operations, purchase, and support services.
- To continue in cooperation with lodging providers and other business partners in the Tatra region, in form of marketing of the region, stay packages, and universal ski passes.
- Cross-border expansion of the Group's business activity, specifically on the Czech and Polish market, in form of acquisition of mountain resorts and their lease.

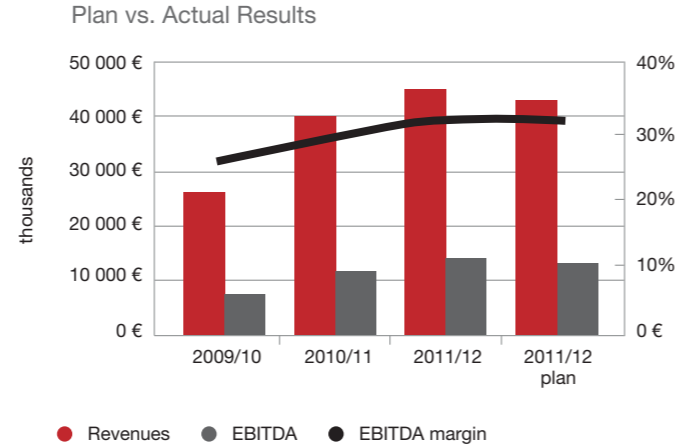
Management expects that the impact of these strategic steps will be gradually reflected in the Company's results, especially in years to come, once the operation of the mentioned investments is reflected in profit and loss statements.

**Financial Goals**

For the past fiscal year the Company again set goals of stable growth in operating revenues, operating income,

and operating profitability, which management considers the basic criteria for investment appreciation of the Company's shareholders.

The short term goal for 2011/12 included a growth in operating revenues of 7% and a growth in EBITDA of 14%. That way planned EBITDA margin would improve to 30.7%. This financial plan was published on the General Shareholders' Meeting on April 21, 2012. The Company planned to achieve the described financial goals by utilizing investments and other strategic steps mainly from the previous period and years prior to that, when the intensive investment strategy initiated. The Company met the set financial goals, even exceeded them slightly. Adjusted operating revenues exceeded the plan by 6.5%, whereas management-adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) exceeded the plan by 8.3%. The planned operating profitability (EBITDA margin) of 30.7% was met, even higher by 0.5%. The reason for the exceeding the plan slightly was the fact that the mountain resorts achieved above-expected results.



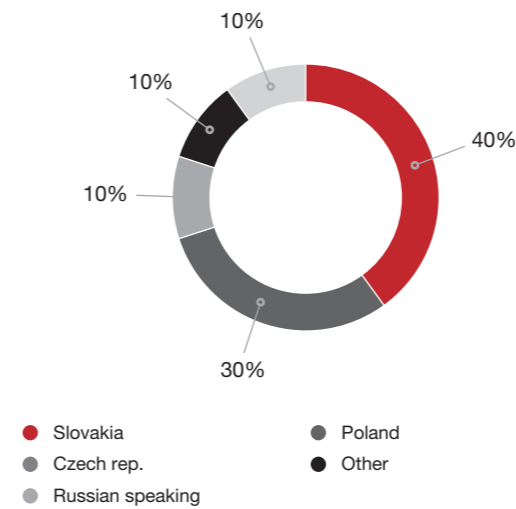
**MARKETING STRATEGY**

**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 Company is in the regions within 200 km radius inhabited by 7.5 million people. This radius includes cities, such as Krakow and Katowice in Poland, as well as Czech cities Ostrava and Olomouc. From the geographical point of view there are other, further markets with limited access to mountains, such as Great Britain, Ireland, Russia (Moscow and Sankt Petersburg), Ukraine, and Bal-

**Visitors – Jasná Nízke Tatry Winter 2011/2012**



tic countries. Clients from the first group come by cars or buses, while the second group uses air transport. The Company also divided potential target groups into the following categories:

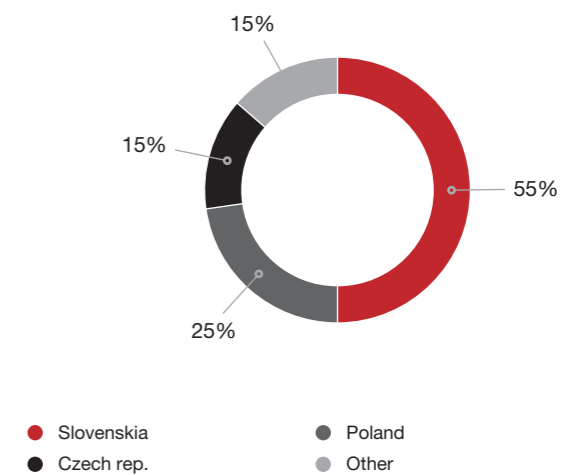
- affluent clients
- mainstream
- low-cost clients

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

**Communication of Strong TMR Brand**

Preferred goals of TMR's marketing include building of TMR brand awareness by constant communication of image, integrated product communication with the TMR brand, setting communication of the TMR Group and all brands that

**Visitors – Vysoké Tatry Winter 2011/2012**



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 TMR is a publicly traded company listed on the stock exchange in Bratislava, Prague, and Warsaw; it is the strongest player in the tourism sector 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 and Liptov.

**Marketing Activities**

The Company employs big marketing campaigns in all basic media – internet, television, radio and print, as well as outdoor advertisements in various forms – bigboards, billboards on buildings in big cities and main roads, citylights and stickers on buses.

In November 2011 a TV campaign started in Slovakia (TV JOJ and TA3) composed of six different spots for resorts Jasná (2) Vysoké Tatry (2), TMR hotels (1), and for advance sale of ski passes(1). In June a campaign was initiated to promote Tatralandia with several kinds of sponsor messages screened in prime time altogether several thousand

times. In radio there were advanced sale and resort spots (Radio Expres). With print media the Company advertised in daily newspaper Pravda, heavily in weekly tabloids of the 7plus publishing, especially in Plus 7 dní. Others published PR articles and Plus 7 dní included altogether 400 thousand vouchers for ski passes to resort Tatranská Lomnica and Jasná, which offered a possibility to try the resorts in the off-peak season at a discount price. A similar campaign was used with Tatralandia. Before the summer season 400 thousand vouchers were inserted into magazine and weeklies Plus7dní, Šarm, Báječná žena and EMMA, which at a deal price provided an opportunity to visit and try Aquapark Tatralandia. The Company intensively markets its products and services also via a new not-for-sale luxurious magazine – TATRY MAGAZÍN, which is available in lodging facilities or tourist centers as the only life style magazine about the Tatras.

Apart from the mentioned commercial campaigns TMR's marketing develops other important activities, such as active participation in exhibitions and fair trades, cooperation within the destination marketing with entities in the region like clusters – Klaster Liptov and several regional tourist organizations (OOCR) in the regions or with Slovak agency of tourism (SACR). The Company further cooperates with other mountain resort operators, for instance to create attractive stay packages also with lodging providers in the region; it actively uses Google adwords campaigns, e-mailing, or web portal campaigns. Cooperation with OOCR is important for the Company. Their establishment was supported by the act on tourism and active supplementary support of the state with creation and realization of regional marketing campaigns, and with creation of regional products supporting tourism.

#### Use of Information Technologies and Innovations

TMR also keeps in mind the use of innovations and continually improves communication by utilizing information technologies. In the past financial year new hotel websites were launched and by the end of this financial year new websites of the mountain resorts www.jasna.sk a www.vt.sk were launched.

On a daily basis the Company uses social networks in communication with clients. On the Company's key markets (Slovakia, Poland, and the Czech Republic) Facebook is number one in social networks, and thus TMR puts emphasis on building a wide fan base. Three resort profiles are currently administered (fan groups) – Jasná Nízke Tatry, Vysoké Tatry, Tatralandia and three smaller profiles of separate projects – Tatra Wilderness (Tatranská divočina), Happy End, and Slovakia Super Skipass.

The Company's marketing improves its quality of live video streams and online information from individual resorts on the internet, thanks to which clients can have a better idea

about current conditions in the resorts. Snow conditions and resort operations are updated online on both internal and external web portals from one communication point several times a day.

#### Event Management

The Tatras are becoming a busy place with many activities to do also due to new après ski centers of entertainment and night life – Humno Music Pub in Tatranská Lomnica (located on a land sold by the Company under the Centrum Tatranská Lomnica project) and Music Club Happy End in Jasná, every day possibilities of après ski program and animation and various events the whole year round. The most notable in Jasná are LOVE or RACE (a musical entertainment event for the young), Big test days (test of race skis for public), BMW Ski League (public ski race), Corporate Games of communication (sport competition of renowned Slovak companies from various areas of business), Red Bull Downhill (a mass ski race), and the most visited event Bear Days (a big summer event for families with children at Hrebienok).

#### Marketing Strategies on the Polish Market

The Polish market is for TMR the most important foreign market and that is the reason why the Company pays great attention to it also from the point of marketing strategy and communication. Also in the past year 2011/12 the key visual "Tak blisko, tak alpejsko!" was actively used in the campaigns, as well as the Polish website www.nartyslowacja.pl and resort websites. In case of Tatralandia the emphasis was on the wide offer during the summer. The Company also used online marketing tools like Youtube and Facebook. Google adwords campaigns noted 181 million displays just for the winter. Information newsletters targeted thousands of email addresses. A number of campaigns were started on web portals. A great response came from weather "sponsoring" – TVN Meteo (reached 9 million viewers). An original way among marketing activities was a campaign with cinema spots in multiplexes. Advertising was aimed at print media and a PR campaign. The PR campaign closely communicated not only resort brands, but also the Company's strong interest to enter the Polish market actively via acquisition of Polish Cableways (PKL). Communication with further markets is ensured mostly via foreign tourist agencies, although smaller campaigns have already been realized in Russian-speaking countries. In 2011/12 the total marketing budget of the Group came to EUR 4.273 million.

#### Our Marketing Activities during Fiscal Year 2011/12

##### December 2011

TMR kicked off the winter season with style in Jasná and

Vysoké Tatry – on December 1 with the Jasná Opening event in Jasná and on December 10 with Music Winter Opening in Tatranská Lomnica. The season opening in both resorts was accompanied by a star music show right on the slopes, freeride exhibitions, races, celebrity guests, or a film premiere.

##### January 2012

On January 6 live concerts connected the High and Low Tatras with the capital via a tele-bridge. Besides a good deal of snow and groomed slopes, the mountain resorts bet on an attractive show. Star cast open air Epiphany concerts were going on at the same time in Tatranská Lomnica, Jasná, and Bratislava. Skiers and non-skiers from the Tatras down to Danube enjoyed bands like Fragile, Desmond, Gladiátor, as well as Katka Knechtová, Čarovné ostrohy or Nebeská muzika.

##### February 2012

In the resort Jasná Nízke Tatry skiing conditions significantly improved thanks to natural snow. It was not only the conditions that pulled famous faces to the resort. Visitors of the resort had the opportunity to watch the unique and the only fashion show of Bogner in Slovakia.

For the third time Tatranská Lomnica was the venue of the fun event for families with children called Sled Dogs. The event, which took place the last February weekend, provided visitors a lot of attractions, such as dog sledding - a fast ride show of mushers, a show of mountain rescue teams in action, and ice sculptures, as well as competitions for small and big ones.

##### March 2012

March 9 became the venue of an attractive sports competition on alpine skis. A night mass race with head lights was a proof of not only physical resistance of the competitors. In Jasná on Saturday March 10 mountain resorts in the High and Low Tatras opened the spring skiing season with a mass downhill race in bikinis. Almost 30 challengers besides the ski equipment armed themselves with a sun's cream and a bikini. This day the spring skiing season was started in the High and Low Tatras accompanied by bathing in the aquapark.

##### June 2012

The 56th cycling race Around Slovakia started in Tuesday June 5 in Liptovský Mikuláš and finished on Saturday June 9 at the water project Gabčíkovo. Organizers planned five stages, riders had to handle 863.6 km. Tatralandia was selected for the second time the event's center.

On June 16 in Tatralandia celebrities from the Czech Republic, Poland, and Slovakia met in so-called Water Battle. A great deal of adventure was prepared for visitors of the

biggest fun aquapark on 30 toboggans, they could warm up or cool off in 14 pools, have fun at many other attractions, and relax in a Celtic sauna world.

##### August 2012

The fun untraditional fifth Tatra festival Bear Days attracted to Hrebienok more than 24 thousand people. In the Tatras not only a higher concentration of bears was recorded, but also of children that brought their stuffed friends to this event on August 3-5, 2012.



# KPIs

## (Key Performance Indicators)

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

### Operating Performance Indicators:

#### Number of Visitors

As for the performance of the Mountains & Leisure segment, the management monitors performance of financial indicators according to 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 4 customers in the resorts Vysoké Tatry, Štrbské Pleso and Jasná Nízke Tatry. The number of visitors of cableways in the summer season and visitors in Aquapark Tatralandia is measured in terms of sold entries.

#### Average Revenue per Visitor

In the main segment Mountains & Leisure and its subsegments Mountain Resorts, Aquapark, 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.

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.

#### Length of Stay

Length of stay is measured in days in each hotel and lodging facility of the portfolio.

### Financial Performance Indicators

#### REVENUES

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

#### EBITDA

To describe financial performance of TMR the 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 Company'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 the Company the 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

## Global Tourism Industry

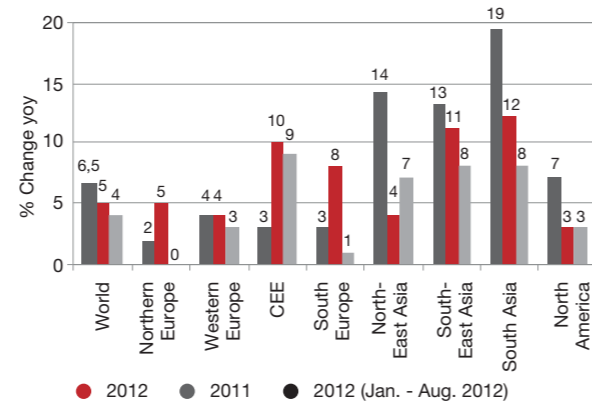
According to World Tourism Organization UNWTO global tourism now accounts for 30% of world's services exports, 9% of global GDP and for creation of over 8% jobs. The sector followed a growing trend in 2012. The number of international tourists hit a record level of one billion, confirming the optimistic outlook since the recovery started after turbulent 2008 and 2009 and proving that this sector has a great potential in individual economies<sup>1</sup>. The latest reports show that for the first eight months of 2012 international tourist arrivals increased by 4% year-over-year, with the strongest growth in Asia Pacific (+7%), while Europe posted a 3% growth. Emerging countries are in the lead like in 2011 with Central and Eastern Europe posting the second highest growth with 9%. The growth was reflected in increased tourism earnings of 89% of the surveyed countries with 42% with double-digit improvements. The growth in international arrivals for the full year 2012 is projected for 3-4%.

International tourist arrivals also grew in 2011 despite economic uncertainty and regional political instability; they reached 983 million, a growth of 4.6% with fastest growing Europe and Asia and the Pacific (both +6%). International tourism receipts reached EUR 740 billion, up by 4% with Europe holding the highest market share (45%), specifically South and Mediterranean Europe (17.1%). As for the purpose of travel, 51% of tourists travelled for leisure and holidays, 15% for business, and 27% for another purpose, such as visiting friends.<sup>2</sup> The Travel & Tourism Competitiveness Index

(developed by the World Economic Forum) measures factors and policies that impact competitiveness of the Travel & Tourism sector in individual countries in context of regulatory, business, cultural, and natural environment. According to the index in 2011, Switzerland was ranked the highest in 2011, followed by Germany, France, Austria, Sweden, the United States, the United Kingdom, and Spain. Slovak Rep. is ranked 54<sup>th</sup> out of 139, a drop from the 46<sup>th</sup> rank in 2009<sup>3</sup>.

TMR also observes the global upward trend in international tourist arrivals in 2011 and 2012, since the number of visitors in TMR resorts grew by 8.9% in FY 2011/12 and by 20.5% in FY 2010/11 like-for-like.

### International Tourist Arrivals



## Travel & Tourism Competitiveness Index 2011 and 2009 Comparison (Selected Countries)

Country/Economy	2011	Score	2009
	Rank/139		Rank/133
Switzerland	1	5.68	1
Germany	2	5.5	3
France	3	5.41	4
Austria	4	5.41	2
Sweden	5	5.34	7
United States	6	5.3	8
United Kingdom	7	5.3	11
Spain	8	5.29	6
Canada	9	5.29	5
Singapore	10	5.23	10
The Czech Republic	31	4.77	26
Hungary	38	4.54	38
Poland	49	4.38	58
Slovak Republic	54	4.35	46
Russian Federation	59	4.23	59
Ukraine	85	3.83	77

<sup>1</sup> World Tourism Organization (UNWTO). Press release. Dec 12, 2012  
<sup>2</sup> UNWTO Tourism Highlights. 2012 Edition  
<sup>3</sup> World Economic Forum. Travel & Tourism Competitiveness Report 2011

## Regional Tourism Industry

The target group for TMR is represented by tourists from the Central and Eastern Europe, especially Slovakia, the Czech Republic, Poland, Ukraine, and Russia. Eastern Europe has exhibited strong growth potential as international arrivals have tripled in the past five years to almost 3 million in 2011. Future positive results in the region largely depend on the priority that local governments give the tourism sector, particularly in terms of tourist visa process, tourism promotion, and branding. In the first eight months of 2012 international arrivals in CEE grew by 9% year-over-year, the most in Europe. In the same period international tourism receipts climbed by double digits in the region: the Czech Republic (+13%), Poland (+19%), Russia (+16%). On the other hand, expenditures on tourism abroad followed and upward trend, as well: Russia (+15%), Poland (+22%), the Czech Republic (+7%).<sup>4</sup>

In 2011 CEE grew by 8% in tourist arrivals, which was one of the strongest regional growths. Russia marked the highest amount of tourism receipts (EUR 8.6 billion), followed by Poland (EUR 8.0 billion).<sup>5</sup> According to the Travel & Tourism Competitiveness Index, countries that are ranked higher than Slovakia are the Czech Republic, Poland, and Hungary, whereas Slovakia is perceived more attractive than Russia or Ukraine in 2011.

## Slovak Tourism Industry

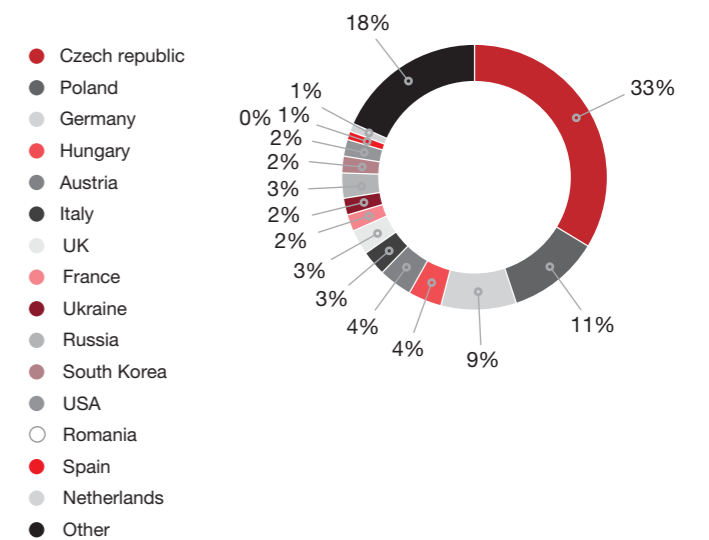
Slovakia is mostly visited by neighboring countries, with the most tourists coming from the Czech Republic and Poland and then by German tourists. The top category of tourists in Slovakia is domestic travelers, while the ratio of domestic to foreign travelers was 59/41 in the first nine months of 2012 and 60/40 in 2011. In the first nine months of 2012 the total number of international arrivals in Slovakia increased by 4.1% to 1.2 million with the highest growth in British tourists (+19.3%).<sup>6</sup>

In 2011 Slovak tourism observed a 10% increase in international tourist arrivals to 1.5 million. The biggest increase was among Ukrainian tourists (+64.4%) and Russians (+30.2%) who tend to visit Slovakia in the winter time. The positive trend can be attributable to the development of mountain resorts, lodging package deals, universal ski passes, discount cards, and a speedier visa process. The majority of these factors can be observed in TMR's resorts. Arrivals from the Czech Republic were up by 10.1%, the portion of Polish travelers increased by 6.3%, and there were 15% more travelers from Hunga-

ry and 16% more from South Korea. Further increases were recorded from Austria (+14.1%), the United States (+20.1%), Spain (+16%), and Romania (+11.8%). A lesser interest was observed on the Italian (-4.6%) and British market (-3.6%).<sup>7</sup>

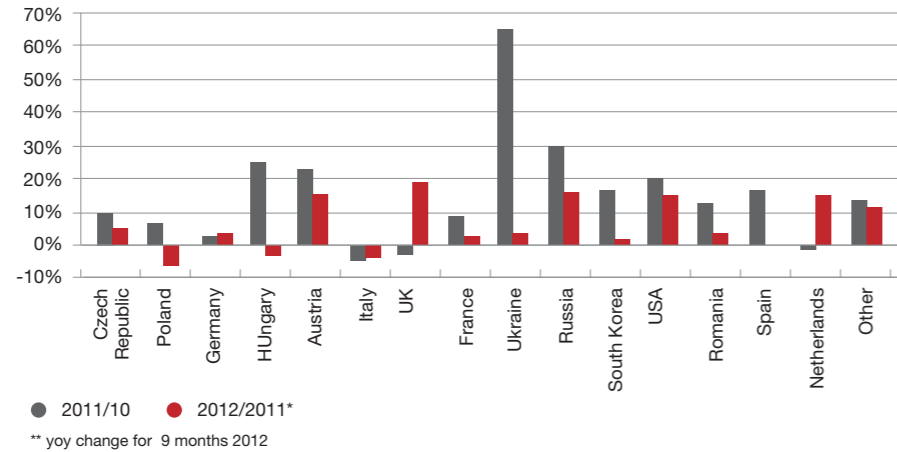
In Slovakia direct contribution of the tourism industry to GDP was 2.3% (EUR 1.6 billion) in 2011. For 2012 it is forecasted to fall by 0.7% to. The direct contribution to GDP is expected to grow by 3% p.a. by 2022. Travel and tourism generated 2.4% of total jobs in 2011, and this share should represent the same in 2012- a slight drop of 2% in absolute value, though. In 2011 Slovakia generated EUR 1.7 billion in tourism receipts. In 2012 this income should fall by 3.8%. By 2022 tourist arrivals are forecast to reach 8.1 million, generating tourism spending of EUR 2.2 billion, an increase of 3.1% p.a.<sup>8</sup>

## Origin of Foreign Tourists in Slovakia in 2012 (1Q-3Q)



<sup>4</sup> World Tourism Organization (UNWTO). Press release. Dec 12, 2012  
<sup>5</sup> UNWTO Tourism Highlights. 2012 Edition  
<sup>6</sup> Statistical Bureau of the Slovak Republic

Yearly Change in No. of Foreign Visitors to Slovakia



When comparing attractiveness and development of the tourism industry in Slovakia with the rest of the advanced economies, Slovakia is viewed as the least attractive, since it was ranked 54th out of 139, or the lowest out of all advanced countries in the Travel & Tourism Competitiveness Index in 2011. Growth of the Slovak tourism industry in the following years is estimated to be faster than e.g. Ukraine or the Czech Republic, but slower than Poland, and at the same rate as Russia.<sup>9</sup>

Slovak tourism industry is expected to benefit from the recently passed amendment of an act on tourism support (effective 1/12/2011) aimed at destination management and to boost Slovak tourism through organized cooperation of towns, business entities, and the state. The 2012 budget designated for organized tourism projects from towns and business entities came to EUR 3.2 million with matching EUR 3.2 million from the state.

Regulatory Environment

Since Slovakia is an EU member, business regulations comply to a certain degree with EU regulations. Regulatory environment that TMR operates in is somewhat stricter than in neighboring countries, especially regarding environmental sustainability, because TMR conducts its business activities in natural environment, although TMR's assets are located in urbanized locations with a long history of tourism. Regarding government prioritization of tourism, Slovakia is ranked among the last countries in the ranking<sup>10</sup>. However, the above-mentioned newly amended act on tourism support passed in December 2011 is expected to boost tourism development and destination management<sup>11</sup>.

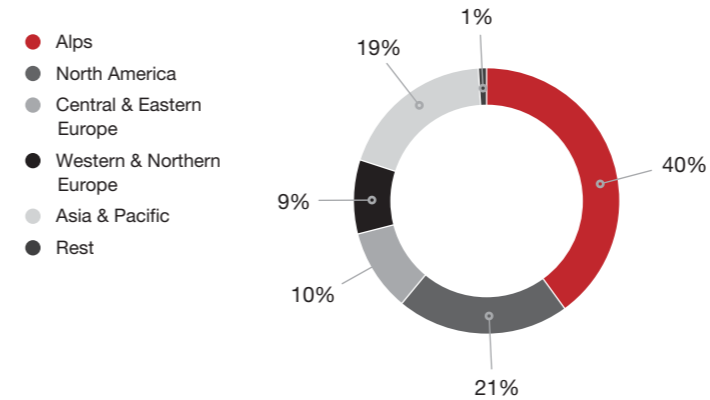
Global Mountain Industry

Europe is the relevant market for TMR's ski business, especially the CEE region, whereas TMR does not directly compete with North America in the mountain industry due to great distance barriers. In Europe the biggest skiing destinations are Alpine countries- Austria, France, Switzerland, Germany, and Italy (see chart below). Worldwide, the Alps capture the greatest market share, accounting for 50% of skier visits (skier days)\*. The second most significant is North America with 22%. Central and Eastern Europe attracts only 6% of skiers, although this region produces 14% of skiers globally. This introduces an opportunity to grow in provision of ski resorts at least to match the regional demand. Among Alpine countries, France has the most major resorts (with over 1 million skier visits)- 14, and the highest number of skier visits per year- 54.2 million but Austria records the most skier visits per inhabitants- 2.14, whereas Switzerland has the highest participation rate of nationals on the mountain tourism- 37%, with France having the highest total number of domestic skiers- 12 million. 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.

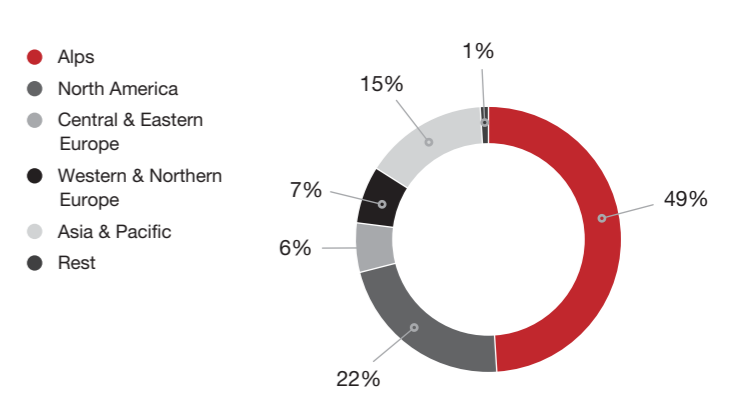
As for characteristics of ski resorts, they vary in size, ownership, and infrastructure. In some alpine countries, they are usually run by a large number of small private operators who join forces also with local municipalities and market the resort or the ski region as a whole, like in Italy, Switzerland or Austria. In France, on the contrary, operation of large ski re-

<sup>9</sup> World Economic Forum. Travel & Tourism Competitiveness Report 2011  
<sup>10</sup> World Economic Forum. Travel & Tourism Competitiveness Report 2011  
<sup>11</sup> www.telecom.gov.sk

Location of ski resorts\* worldwide (2071 total resorts)



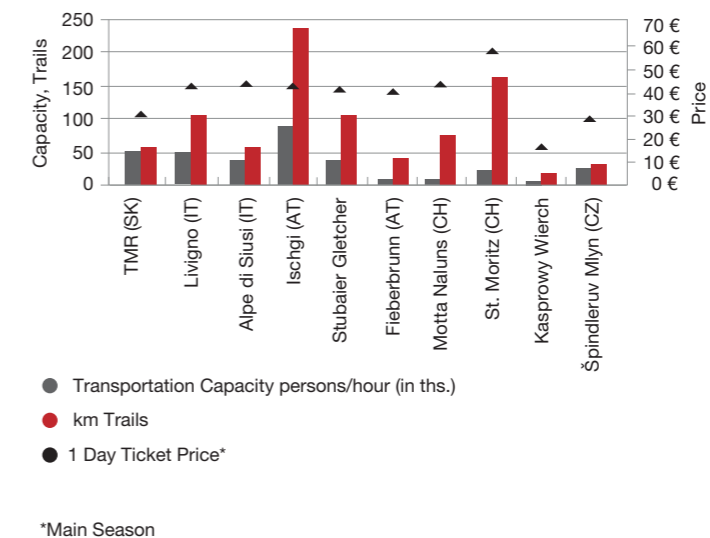
Concentration of Skier Visits Worldwide



sorts especially is concentrated with a major operator. German resorts are also fragmented but considerably smaller than in other alpine countries.<sup>12</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/hr, and more than 30 ski lifts. They also keep reinvesting large amounts into resorts enhancement. TMR resorts can be compared to medium-sized alpine ski resorts.

Selected Western and Central European Ski Resorts



<sup>12</sup> Vanat, Laurent. 2012 International report on mountain tourism. May 2012  
 \* 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 the purpose of skiing, snowboarding or other downhill slide. For example, a 4-day ticket means 4 skier visits  
 \*\* A ski resort is considered a ski area with more than 4 lifts.

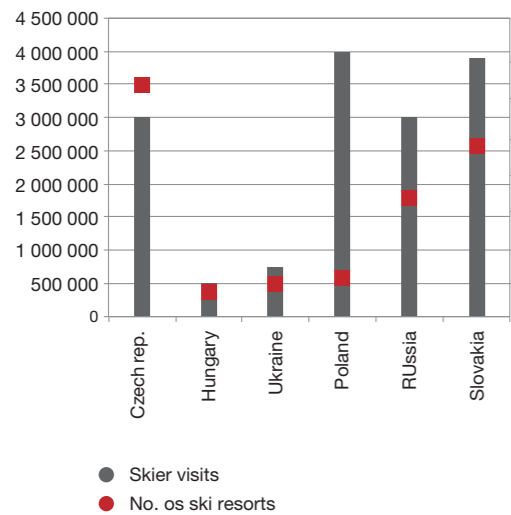
### Regional Mountain Industry

In the CEE region the Czech Republic has the most ski resorts (over 4 lifts)- 70, even though the majority of the areas are up to 1300m above sea level, followed by Slovakia with around 47. Poland had on average for the past five years the highest number of skier visits in the winter season- 4 million, followed by Slovakia with 3.9 million. As for domestic skiers, Russia produces the highest absolute number of skiers in the region – 3 million, even though they make up only 3% of population. Polish skiers represent only 6% of population, which presents a great potential on this market. Slovakia and the Czech Republic produce a much higher percentage of skiers – 18% and 20%, although there are much more Czech skiers in the absolute number – 2 million. Slovakia has a competitive advantage on the supply side in the region since 80% of the geographical area is situated above 750m above sea level; and the area includes the highest mountain range in the region- the Tatras, with the highest peak of 2,655m- Gerlachovský štít.

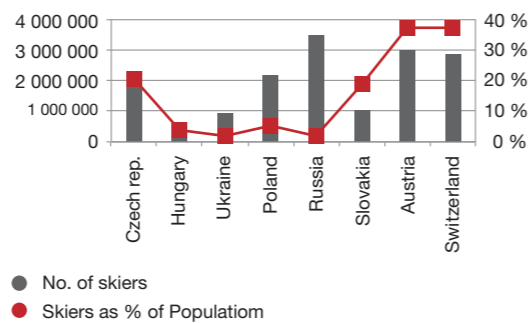
In the regional mountain industry, observable trends include extending the variety of services in mountain resorts, such

as ski schools, ski service, and shops, as well as non-skiing activities, such as après ski bars, nightlife, restaurants, family activities and events. As for summer activities, the focus is on adrenalin sports, summer family events, and cycling, evidenced by an increase in development of resorts, cycling tours, and by increased marketing. Based on the unfavorable weather in the region during 2010/2011 winter season, mountain resorts incline to expand 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. One can observe these trends in all the locations operated by TMR. Slovak tourism agency (SACR) is cooperating with resort- and lodging operators to come up with attractive deals for foreign visitors. TMR is also cooperating with other mountain resort operators in marketing and in offering universal ski passes. A big potential for regional, especially Slovak, tourism is Ukrainian market because of its proximity and size. Romanian tourists also started coming to Slovakia in larger numbers also thanks to their new membership in the EU<sup>13</sup>.

Regional Mountain Tourism



Skiers by countries



<sup>13</sup>Trend magazine supplement. 44/2011; Vanat, Laurent. 2012 International report on mountain tourism. May 2012. www.vanat.ch

Mountain Tourism – Country Comparison<sup>14</sup>

Country	No. of Ski areas	No. of Ski areas > 4 lifts	No. of major resorts (>1 mil Skier Visits)	Number of lifts	Skier visits	Skier visits/lifts	Proportion of domestic skiers (in % population)	Number of skiers (nationals)	% foreign skiers	Skier Visits per inhabitants	Skier Visits per foreign visitors
<b>Alpine countries</b>											
Austria	254	199	12	3 028	51 702 000	17 075	36%	2 953 992	66%	2.14	1.59
France	325	233	14	3 685	54 200 000	14 708	19%	12 170 980	28%	0.61	0.2
Italy	349	216	4	2 127	28 400 000	13 352	8%	4 651 626	15%	0.42	0.1
Switzerland	240	102	7	1 774	27 089 362	15 270	37%	2 805 162	50%	1.79	1.63
Germany	510	82	0	1 827	13 380 000	7 323	14%	11 531 737	10%	0.15	0.06
United States	481	354	7	2 970	58 558 000	19 716	4%	13 064 460	6%	0.18	0.06
<b>Eastern Europe</b>											
Czech Republic	176	70	0	816	3 000 000	3 676	20%	2 044 182	35%	0.19	0.17
Hungary	34	5	0	70	500 000	7 143	5%	496 546	10%	0.05	0.01
Ukraine	41	8	0	98	800 000	8 163	2%	919 886	5%	0.02	0
Poland	72	11	0	832	4 000 000	4 808	6%	2 310 042	10%	0.09	0.03
Russia	170	31	0	414	3 000 000	7 246	3%	3 517 552	2%	0.02	0
Slovakia	91	47	0	547	3 900 000	7 130	18%	981 973	25%	0.54	0.75

<sup>14</sup>Vanat, Laurent. 2012 International report on mountain tourism. May 2012. www.vanat.ch

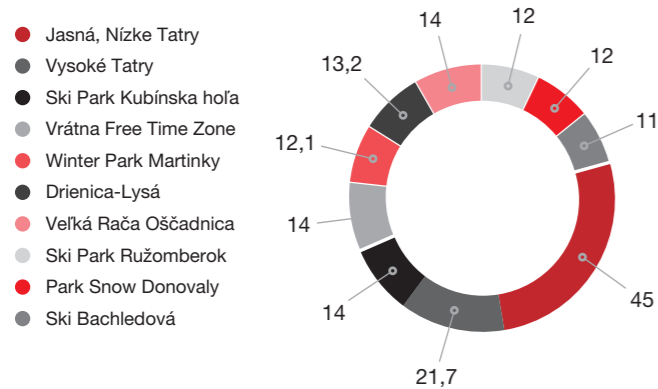


### Slovak Mountain Tourism

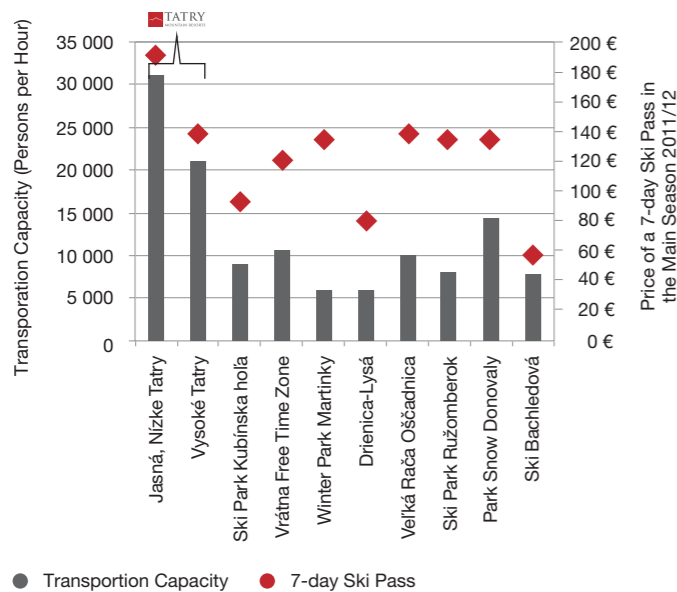
On the Slovak mountain tourism market TMR is the clear leader in terms of the number of resorts, ski lifts, transportation capacity, km of ski trails, lifts elevation, and revenues with the market share of 69%. The second largest company on the market is Omnitrade a.s. (private) with a 15% market share and Pro Ski a.s. (private) with 5%. Altogether there are around

19 companies active in the mountain tourism, mostly private, and around 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 (45km) and Vysoké Tatry – Tatranská Lomnica, Starý Smokovec a Štrbské pleso (22km) are the biggest ones in Slovakia, followed by Vrátna free time zone (14km), Skipark Kubínska Hoľa (14km), Veľká Rača Oščadnica (14.7km), and Winter Park Martinky (12.1km)<sup>15</sup>.

Km of Trails of Leading Ski Resorts in Slovakia



Transportation Capacity and Prices of Leading Ski Resorts in Slovakia



<sup>15</sup>SACR. www.sacr.sk, Trend magazine supplement. 44/2011, TMR

### Regional Hotel Industry

The hotel industry in Slovakia as a whole has been following an upward trend; for 2011 sector revenues increased by 1% year-over-year, and for the first three quarters of 2012 they improved by 3.2%.<sup>16</sup> TMR's hotels are located in TMR's mountain resorts and aquapark 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. 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. The region of Jasna Nizke Tatry and Tatralandia posted a decrease in hotel revenues of 9% for first three quarters of 2012, whereas the region of Vysoke Tatry recorded an increase of 2.7% for the same period.<sup>17</sup> TMR hotels categories 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 the 2011/12 winter season. The hotel market in TMR resorts is not saturated, since TMR invested a large amount of capital in recent years, and the resorts attract new investors.

cooperate closely with local hotels and lodging operators, and they form or join local tourism organizations (OOCR).<sup>18</sup> Competition in the neighboring countries is present especially closer to the Slovak border- there are three aquaparks close to Slovakia in Poland, eight in the Czech Republic, and seven in Hungary.

### Regional Trends on the Real Estate Market

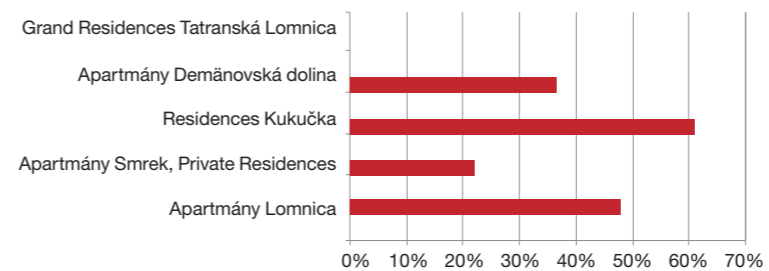
Due to consequences of the global financial crisis, which also impacted the real estate market and due to the uncertain economic development in Europe, the situation on the real estate market remains unfavorable and hardly predictable. Development activity on the residential real estate market in CEE slumped in the first half of 2012 by 47% year-over-year, whilst a 90% market share is held by Poland and the Czech Republic, and the activity is concentrated in capital cities of Warsaw and Prague. Total investments fell in the second quarter of 2012 by 61% year-over-year. An observable trend is a lower value of investment transactions since in the second quarter of 2012 no transaction over EUR 100 million was realized. Current real estate development trends in the CEE region include low-emission constructions and their management, environmentally certified projects, and green projects.<sup>19</sup>

Construction of residential real estate for the first three quarters of 2012 slightly improved year-over-year by 1.5% in terms of initiated constructions of apartments.<sup>20</sup> Investor activity in terms of commercial real estate purchases is passive, although an increase is forecasted for the last quarter of 2012 with the estimated value of EUR 112 billion, an 11% decrease since last year. Residential real estate activity in the Tatra region where TMR's activity is concentrated is passive, as well. Developers do not report much of activity in sales of vacation homes located close to mountain resorts.<sup>21</sup>

### Regional Trends in Aquaparks

In Slovakia there is around a dozen aquaparks and thermal spas. Tatralandia holds circa a 19% market share. The number of visitors primarily depends on the variety and quality of services offered and the number of events organized, independent from weather. Operators of aquaparks tend to

### Vacation Apartment Sale in the Tatra Region



<sup>16</sup> Statistical Bureau of the Slovak Republic

<sup>17</sup> Statistical Bureau of the Slovak Republic

<sup>18</sup> Trend magazine supplement. 18/2012.

<sup>19</sup> www.ft.com

<sup>20</sup> Statistical Bureau of the Slovak Republic

<sup>21</sup> www.reality.etrend.sk

<sup>22</sup> Proprietary websites of developer companies



RISK FACTORS AND RISK MANAGEMENT





# Risk Factors and Risk Management

Main risks that the Group faces can be divided into market, financial, and operational 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.

## Market risks

### Business Cycle

Current operations of the Group are focused in the Slovak market, although majority of the Group's clients come from the whole CEE region (including Poland), and thus the Group's operations are dependent on the level of economy of the Slovak 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 and the level of their discretionary income. Development of such macroeconomic factors is an external risk for TMR. Years 2008 and 2009 negatively impacted tourism worldwide due to the global crisis, especially in Slovakia gross domestic product (GDP) fell in 2009 by 4.7%, whereas 2010 and 2011 showed signs of improvement in macroeconomic indicators- GDP of Slovakia rose 4% and 3.2%, respectively, and 2012's GDP is estimated to grow another 2.6%. TMR's visitor numbers were consequently 8% weaker in 2009/10, but the visit rate picked up in 2010/11; up by 20.5% like-for-like and by 8.9% in 2011/12. The risk of a downward business cycle is partially

managed by reasonable pricing strategies and effective marketing campaigns on the relevant target markets (see Corporate Strategy).

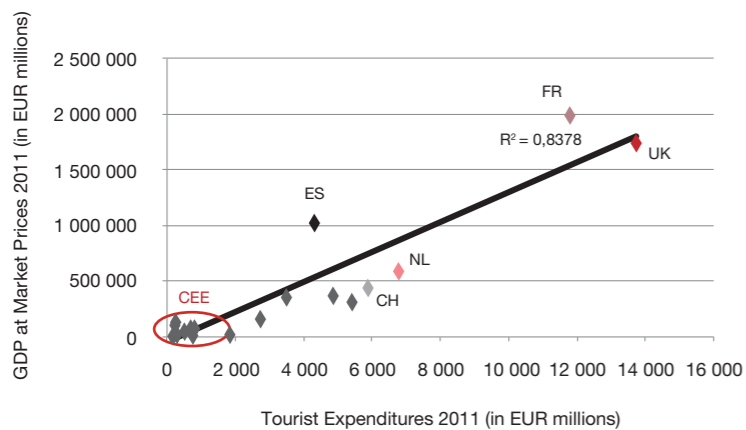
### Seasonality

TMR's business model is primarily seasonal, although TMR's strategy involves building and promoting all-year vacation destinations. The busiest months are from January through March, especially in the number of skiers, and July and August in the aquapark and the Vysoké Tatry resort. Management is continuously working on attracting visitors in the off-season, e.g. by providing snowmaking facilities, running vibrant marketing campaigns, offering bundling stay packages, and by organizing events in the resorts and hotels. Besides the aquapark providing warm thermal water, the new project Tropical Paradise in Aquapark Tatralandia was a major step towards minimizing the effects of seasonality in the aquapark since visitors of Tropical Paradise can experience summer temperatures in any season.

### Weather

Even though historical data show that the number of skier days is not correlated with the level of snowfall, favorable weather conditions in terms of abundance of natural snow and temperatures below zero degrees Celsius have a positive impact on TMR's operations. TMR manages the risk of low snowfall with the already-mentioned snowmaking facilities. In the winter season 2011/12 the snow coverage by snowmaking facilities was 38km, and snowmaking was expanded by 5km during 2011/12, ready for the winter season 2012/13. The extensive scope

## GDP vs. Tourist Spending in EU Countries

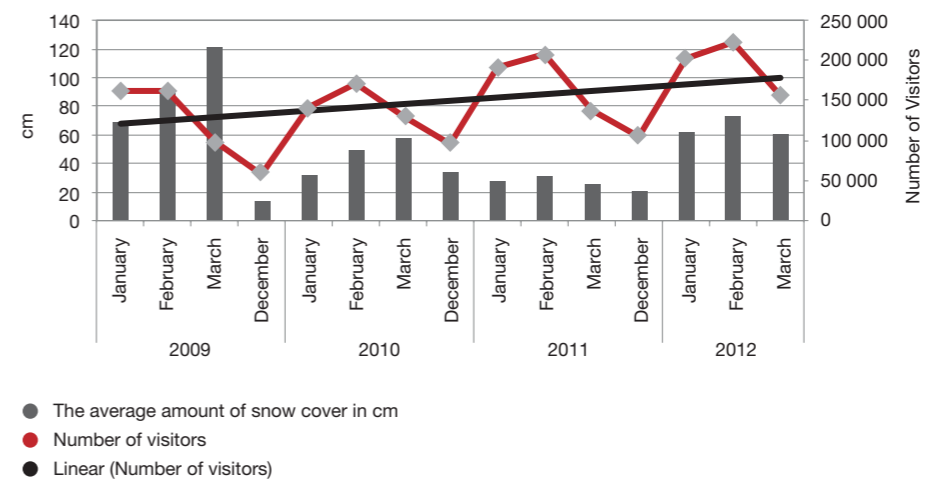


<sup>1</sup> Eurostat

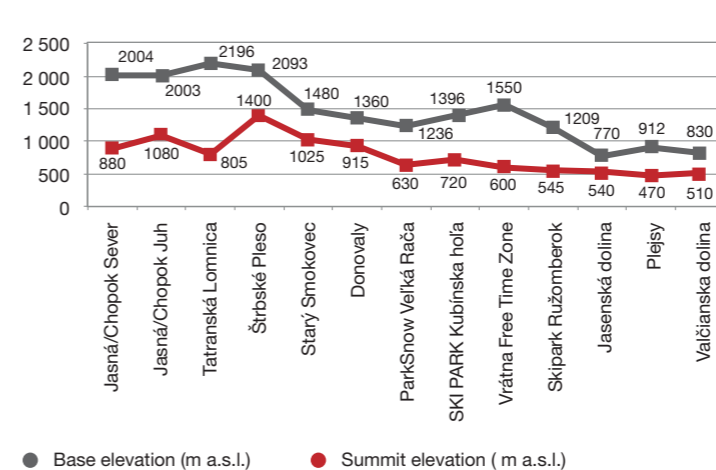
of coverage by technical snowmaking gives TMR an absolute advantage among competitors in Slovakia in case of shortage of natural snow. Historically, the Low Tatras area has had an average of 80 cm of snow during the winter season and the High Tatras 85 cm. Drier winters may increase the cost of snowmaking. 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. Warm thermal water in Tatralandia partially offsets the cold weather effects, but the new Tropical Paradise eliminates dependence on warm weather completely. As for the summer season in the mountain resorts, favorable weather in the summer months is essential for hiking tourists.

## Snowfall vs. Visit Rate in the Tatras



## Base & Summit Elevation of Slovak Ski Resorts





## Competition

The Group's results also depend on how successfully the Group deals with competition. In the primary segment of Mountains & Leisure TMR competes for visitors on a domestic oligopolistic market, with the position of the leader in terms of the market share and the range of services. On the European market the Company faces monopolistic competition with a large number of competitors that provide a wide supply for visitors. TMR utilizes its high quality services, 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 in the highest mountain range in the region to the East and North. In the Aquapark subsegment TMR is also among the top two players in the local market, although visitation of aquaparks also depends on the travel distance for the given visitor. 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 Corporate 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 hotel 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-peak season by marketing conference space to corporate clientele, offering special seasonal- or weekend lodging packages in conjunction with events in the hotels

or resorts, e.g. live cooking show, romantic spa weekends, serving "brain food" for corporate clientele, etc.

## Real Estate Market

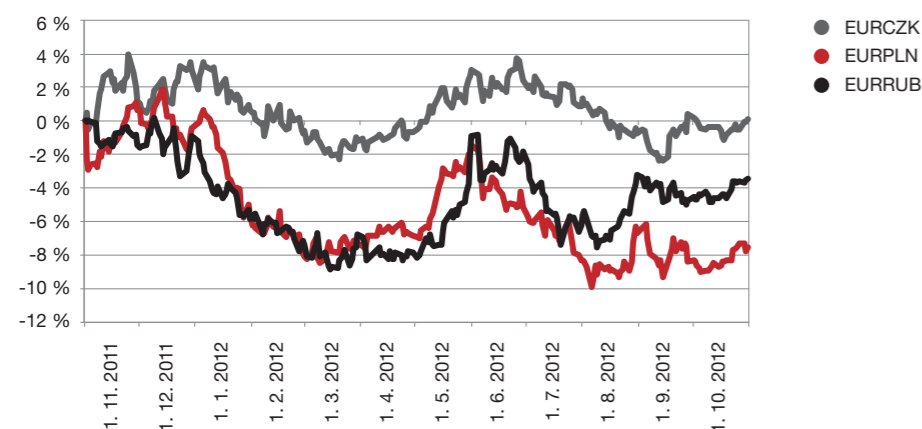
One of the three operating segments of TMR is focused on real estate, as described in the Company Profile section. The revenues of this segment depend on sale and/or lease of land, residences and commercial space in the real estate projects. Even though the current performance of the Group does not depend on the success of this segment, its realization depends on the state of the real estate market, which is an external risk factor. The current situation in this industry is not favorable and hardly predictable, hoping for a recovery. 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 Company's revenues because majority of TMR's foreign clients come from countries outside of Eurozone- the Czech Republic, Poland, Ukraine, Russia, etc, therefore their travel choices are impacted by currency movements. Appreciation of euro in respect to Polish Zloty, for instance, negatively impacts the number of visitors from Poland. The winter season 2011/2012 benefited from a depreciation of euro in respect to Polish Zloty, Czech Crown and Russian Rubble from January 2012. Investments into the resorts in terms of technology, renovation, and procurement of inventory were settled in euros, thus the currency impact was eliminated.

One-year Performance of Selected Currencies vs. Euro\*



\* ECB

## 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 Company's loan portfolio is based on short- and long-term bank debt based on 1-month or 3-month EURIBOR rates. The Group considers the variable interest rate to manage the interest rate risk automatically. In case of an economic expansion, EURIBOR grows, but at the same time economic performance of the population grows, and the company is more profitable. In case of an economic recession, it is the exact opposite. Besides the borrowings, TMR holds its cash equivalents in J&T Private Equity promissory notes with a fixed interest rate of 7.5%, thus the Group mitigates the risk of interest rate fluctuations downward. Exposure to this risk is detailed in Consolidated Financial Statements, item 34.

## Financial Investments and Credit Risk

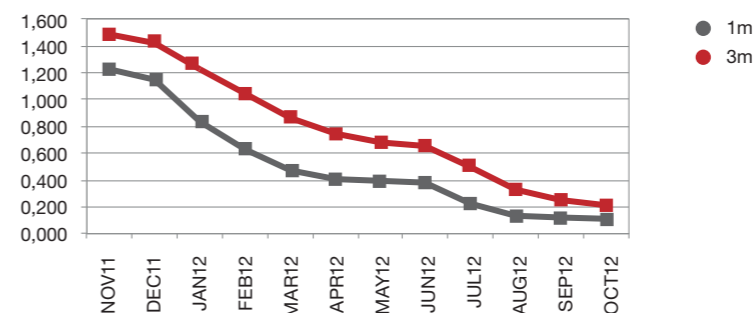
The group is primarily exposed to risk with trade receivables, receivables from leasing, other receivables, advances and loans granted. The extent of this risk is expressed in the book value of assets on the balance sheet. Book value of receivables, credits, and loans represent the highest possible accounting 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 investment return from money market instruments, J&T Private Equity promissory notes, comes to a fixed rate of 7.5% APR. Further, TMR holds equity stock available for sale of Compagnie des Alpes (CDA) and Best hotel properties, a.s. (BHP), which are traded on the Paris Stock Exchange and Bratislava Stock Exchange. The investment in BHP shares is guaranteed a compensation by J&T Finance Group in case of drop in the principle investment value, thus the risk is mitigated. However, the investment into CDA is not substantial, thus the equity price risk for the Group is not significant. The extent of the risk exposure is detailed in Consolidated Financial Statements, item 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 realize assets at a reasonable price in a reasonable time frame. Individual companies in the Group use different methods of managing liquidity risk. Group's Management focuses on managing and monitoring the liquidity of each company. 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 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. With the ownership of the promissory notes redeemable at sight the Group has sufficiently secured liquidity, although these funds are designed to finance capital investments of the Group. The extent of the risk exposure is detailed in Consolidated Financial Statements, item 34.

EURIBOR rates (%)



\* www.euribor-ebf.eu

## Operational Risks

Operational 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 companies within the Group. Operational risk also includes legal risk. The Group's goal is to manage the operational risk to avoid financial losses and harm 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 operational risk. This responsibility is supported by the development of standards for the management of operational risk common for the whole Group. The operational risk is managed by the system of directives, meeting minutes and control mechanisms. The Group has the controlling department where we try to eliminate all operational risks by regular checks.

## Safety

Safety is of great concern to TMR since the Company 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, 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 IT systems- ticket sales platforms (interconnected in ski resorts because of universal ski passes); on lift turnstiles; cableway equipment; and in shops, restaurants, and hotels. Therefore, the Group takes extraordinary measures to mitigate the risk of break-down with high quality software and hardware components and a strong IT support in order to be able to operate under contingency mode.

## Environmental Issues

The Company's capital investments in protected outdoor areas may be subject to approvals of various governmental and environmental bodies. Since the Company 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, one of main instruments of the international environmental policy of sustainable development, governed by Ministry of Environment of the Slovak Republic, the Regional Environmental Office, and the District Environmental Office. TMR's current resorts are located in already urbanized areas and comply with all environmental regulations.

## Sensitivity Analysis

The sensitivity analysis below describes how the Group results are impacted by changes in various factors. The impact of an increase or decrease the shown variables is shown in absolute values. Operating results are most sensitive to changes in Key Performance Indicators (KPIs), specifically in the number of skier days or the average revenue per visitor. Changes in average ski pass prices have the second largest impact on the results. Changes in market prices of electricity have more of an insignificant impact on the results.

Sensitivity Analysis in €'000	Impact on Results				
	Change	2011/12	2011/12 (%)	2010/11	2010/11 (%)
Ski pass price	+/- EUR 1.00	1 477	3.2%	1 391	3.5%
Number of skier days/ Average revenue per visitor	+/-10%	2 051	4.5%	1 724	4.3%
Hotel occupancy/ ADR	+/-10%	291	0.6%	271	0.7%
Market price of electricity	+/-10%	296	0.6%	230	0.6%
Salary expenses	+/-10%	1 041	2.3%	876	2.2%

FINANCIAL PERFORMANCE REVIEW FOR THE YEAR





# Financial Performance Review for the Year

## KEY RESULTS

- Total consolidated revenues increased to reach EUR 43.807 mil. (38.758)
- Consolidated operating profit before interest, tax, depreciation and amortization (EBITDA) increased to reach EUR 13.986 mil. (12.219).
- Operating profitability (EBITDA margin) remained at the prior year's level of 31.9% (31.5).
- Net consolidated profit increased to reach EUR 10.186 mil. (9.027).
- Net consolidated earnings per share (EPS) reached EUR 1.52 (1.35).
- The payout of dividends was proposed in the amount of EUR 7.110 mil. (6.439) or EUR 1.06 per share (0.96)
- Total number of visitors increased to reach 2.007 mil. (1.844); in mountain resorts the number of visitors reached 1.478 mil. (1.407).

Selected Consolidated Results (IFRS) in €'000	For the Year Ended October 31					
	2011/12	2010/11	Change yoy (%)	2011/12 adjusted*	2010/11 adjusted*	Change yoy (%)
Sales	41 880	36 084	16.1%	43 603	39 948	9.1%
Other Operating Revenues	1 927	2 674	-27.9%	1 927	0	NA
Total Revenues	43 807	38 758	13.0%	45 530	39 948	14.0%
Cost of Sales	-6 272	-5 397	16.2%	-6 721	-5 848	14.9%
Gross Profit	37 535	33 361	12.5%	38 809	34 100	13.8%
Personnel and Operating Costs	-23 498	-21 894	7.3%	-24 559	-22 922	7.1%
Other Gain/ Loss	-51	752	-106.8%	-51	362	-114.1%
EBITDA	13 986	12 219	14.5%	14 198	11 539	23.0%
EBITDA Margin	31,9%	31,5%	0.4%	31,2%	28,9%	2.3%
Depreciation & Amortization	-7 763	-8 120	-4.4%	-8 150	-8 502	-4.1%
One-off Items	-173	-2 500	-93.1%	-173	-2 142	-91.9%
EBIT	6 050	1 599	278.4%	5 876	895	556.3%
Interest Income	3 433	7 556	-54.6%			
Interest Expense	-538	-518	3.9%			
Income from Financial Instruments, net	1 527	-1 706	-189.5%			
Profits/(loss) of Associates	-1 418	-1 703	-16.7%			
Negative Goodwill	3 241	8 106	-60.0%			
Pre-tax Income	12 295	13 334	-7.8%			
Income Tax	-2 109	-4 307	-51.0%			
Net Profit	10 186	9 027	12.8%			
Net Profit Margin	23,3%	23,3%	0.0%			
Revaluation of Assets to Fair Value	-17	150	-111.3%			
Total Comprehensive Income	10 169	9 177	10.8%			
Attributable to:						
Owners of the Company	10 169	9 177	10.8%			
EPS (€)	1.52	1.35	12.8%			

\*For better evaluation of the operating performance, the adjusted operating results include results for the 100% share in Interhouse Tatry, a.s., which owns Grandhotel Starý Smokovec. As at 31.10.2012, TMR owned a 50% share in the aforementioned company, however, in accordance with IFRS, the share has been consolidated using the equity method.

FY 2011/12 was another successful year for TMR Group; with a stable growth in revenues, operating income before depreciation (EBITDA) and key performance indicators. TMR capitalised on its intense investment strategy applied in previous years, thanks to which it keeps continuously improving the standard of its products and services offered. FY 2011/12 was another year when the large capital investments made in 2010/11 justified higher prices of ski passes and entry tickets also in 2011/12, which resulted in higher revenues. Visit rates in resorts increased despite slightly higher prices. Owing to high quality services in all TMR subsegments and average rates in the hotel portfolio increased as well. Additionally, the results were positively influenced by strong marketing support on both Slovak and Polish markets. The Group kept EBITDA margin at the prior year's level, owing to synergies within the Group in sales, purchase, marketing and supporting activities.

## TOTAL REVENUES AND PROFIT

### Total Revenues

In the prior year, the Group's total consolidated revenues reached EUR 43.807 mil. (38.758), which is an increase of 13.0%. Thereof, operating revenues amounted to EUR 41.880 mil. (36.084) and the rest, i.e. EUR 1.927 mil. (2,674) was other operating income, including mostly contractual fines from EBITDA contracts with former owners of two hotels. As hotel EBITDA improved, these sales decreased (see Consolidated Financial Statements, Item 7). Revenues were positively influenced by higher visit rates in mountain resorts and in the aquapark, higher prices of entry tickets and ski passes, higher average revenue per visitor in individual subsegments, and the rising average prices in hotels.

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

Another TMR's key financial performance indicator – EBITDA – reached EUR 13.986 mil. (12.219); which means a 15.5% improvement. The increase in the cost of sales was in line with the increase in sales, however, the personnel and operating costs increased only by 7.3%, as the Group operates with a relatively strong operating leverage and a bulk of operating costs is fixed, i.e., it does not grow in proportion with sales. The TMR's operating profitability ratio (EBITDA margin) remained almost unchanged – at 31.9% (31.5).

## Items with Impact on Comparability and Operating Performance

Comparability with prior period is influenced by the operation of Aquapark Tatralandia, which was consolidated into TMR's portfolio in April 2011, i.e., 2010/11 figures for the aquapark cover only the period from April 2011 to October 2011. The results of the prior financial year (2011/12) show the aquapark's results for the whole financial year.

Consolidated revenues do not include revenues of Grandhotel Starý Smokovec, which is 100% owned by Interhouse Tatry, a.s. As of the end of FY 2011/12 TMR owned a 50% share in the aforementioned company, which is recognised in accordance with IFRS, using the equity method, although the Group analyses the operating performance of the 100% share in the equity of Interhouse Tatry, a.s. Revenues that were adjusted accordingly reached the amount of EUR 45.530 mil. (39.948). Adjusted operating EBITDA, as shown in the table above, improved by 23% to reach EUR 14.198 mil. (11.539) and, as a result, EBITDA margin increased by 2.3 percentage points to reach 31.2%.

## Depreciation and Amortization

The depreciation and amortization decreased by 4.4% to reach EUR 7.763 mil. (8.120). The decrease in depreciation was caused by reassessment of the remaining useful lives of assets, which resulted in prolongation of useful lives of certain assets.

## Financial Activity

Interest income, mainly from bill receivables, dropped to EUR 3.433 mil. (7.556) due to partial repayment of the receivables used in the prior year for capital investments financing. Interest expense remained almost unchanged: EUR 538 thousand (518). Net income from financial instruments reached the amount of EUR 1.527 mil. (-1,706) owing to revaluation of long-term advances and financial instruments. Profit/Loss after Financial Activity  
The Group recorded a loss in the associated company in the amount of EUR -1.418 mil. (1.703), owing to impairment of Grandhotel Starý Smokovec.  
The profit before tax had been significantly impacted by negative goodwill amounting to EUR 3.241 mil. (8.106), as a result of revaluation of the acquisition of the cableway in Lomnické sedlo, which was purchased by the Company on 22 October 2012 at EUR 243 thous.

## Taxes

Current income tax amounted to EUR -1.101 mil. (-1.126). Deferred tax amounted to EUR 1.108 mil. (3.108). Total income tax was recognised in the amount of EUR 2.109 mil. (4.307).

Investments of 2010/11 having impact on FY2011/12 results

High Tatras	Low Tatras
1. 8-seat chair lift at Buková hora – extension of the transport capacity by 2400 persons/hour.	1. Aquapark – a new toboggan TRIO
2. Extension of the downhill tracks and snowmaking by further 3 km.	2. Extension of downhill tracks and snowmaking uphill to 1843 m a.s.l.; altogether 20 kilometres of downhill tracks equipped with snowmaking technology.
3. Increase of the hotel lodging capacity by 27 rooms and 6 suites and reconstruction of Wellness in Grandhotel PRAHA Tatranská Lomnica.	3. Commencement of the Funitel construction with completion scheduled for 2012
4. Completion of the annex building to Grandhotel Praha with 15 new rooms with a fireplace – Grand Residences Tatranská Lomnica	4. New après ski bar Happy End Music Club.
5. New Tatra Motion store at Štrbske Pleso	5. New Tatra Motion store at Wellness Hotel Grand Jasná and a new Intersport store at Záhradky – a modern shopping mall with brand sportswear and accessories; total area: 1565 m <sup>2</sup>
6. Extension of Štart restaurant in Tatranska Lomnica	6. Renovation of 27 rooms in Wellness Hotel Grand Jasná
7. 400 new parking places	7. Extension of the parking lot at Wellness Hotel Grand Jasná
	8. 300 new parking places
	9. Extension of the area of Maxiland Kindergarten in Jasna to 6.000 m <sup>2</sup>

## Net Income

The Group recognised a net consolidated profit in the amount of EUR 10.186 mil. (9.027), an increase of 12.8%. Thus, EPS was EUR 1.52 (1.35). After revaluation of the available-for-sale securities to fair value, the comprehensive income reached EUR 10.169 mil. (9.177).

## KEY EVENTS OF THE YEAR

The positive financial results can be attributed to the corporate strategy, under which the Group took the following action:

### Capital Investments

During the year, the Group followed the intense investment strategy with the highest annual budget yet – EUR 44 mil. The key investment of the year was the completion of the 2-year construction of the complex Funitel cableway in Jasná Nízke Tatry resort, which is a key milestone for TMR, because this cableway by top producer – Doppelmayr – will interconnect the Northern and the Southern slopes of Chopok mountain in Jasna. This interconnection will allow the visitors to get comfortably from one side to the other, even under strong wind, as the cableway resists wind speeds of 120 km/hour. This capital investment will improve the efficiency of the operation of the resort, as each of Chopok sides will be easily available for use according to current weather conditions. The Chopok mountain interconnection project also includes another two lifts – Twinliner from the North and the Kosodrevina – Chopok cableway. The whole interconnection project, which was completed before the 2012/13 winter season, increases the transport capacity by 6 159 persons/hour. At the beginning of the 2011/12 winter season, we completed and launched a new 8-seat cableway at Buková Hora in Tatranska Lomnica. Further capital investments in mountain resorts were focused on extension of snowmaking technologies and ski trails and new après ski opportunities at both destinations.

Last year, Tropical Paradise in Aquapark Tatralandia was the second largest project. It is a tropical arena under a special foil that enables sunbathing, with tropical fauna and flora and four pools with fresh water and sea water. The first phase of the project was completed in July 2012 and the second phase was completed by the end of the year. This project will further contribute to mitigation of negative impacts of weather on operation of the aquapark, and, consequently the seasonality risk, as it is a year-long tourist destination. The anticipated benefits include: increased visit rates in the aquapark due to the expanded capacity of 750 persons, improved offer of services and attractions and other synergies within the Group.

In response to affluent clients' demand for high-quality accommodation, the Group made a capital investment in the hotel segment to renovate FIS Hotel at Štrbske pleso. The renovation included the lobby, the halls and the cafes. Renovation of rooms continued in Wellness Hotel Grand.

As a part of our capital investment projects, the construction of Grand Residences Tatranská Lomnica was completed in December 2011, including 17 luxury suites in the annex building to Grandhotel Praha.

### Acquisitions and Expansion

At the beginning of the financial year, the Group expanded its portfolio with acquisition of Hotel Slovakia\*\*\* in Tatranska Lomnica for EUR 1.7 mil. and Hotel FIS\*\*\* at Štrbske pleso for EUR 4.9 mil., which was previously leased from a third party. Through the aforementioned transactions, the Group increased its lodging capacity in the High Tatras by 253 beds. Hotel FIS is a ski in – ski out hotel, as it is placed directly at the ski slope at Štrbske pleso and Hotel Slovakia is in the immediate vicinity of TMR's Tatranská Lomnica ski location.

In accordance with the second pillar of TMR's corporate strategy regarding growth through acquisitions and expansion of business activities in the region, in the third quarter, the Group started negotiations regarding possible cooperation with ČSTV (Czech Union of Physical Education) in form of operation of the best-known five-star ski resort in the Czech Republic – Špindlerův Mlýn. After the end of FY 2011/12, on 13 November 2012 TMR acting through Melida, a.s. (an associate company) entered into a business lease contract for SKIAREÁL Špindlerův Mlýn, a.s. SKIAREÁL operates the Špindlerův Mlýn ski resort. TMR holds a 50% share in Melida, a.s., which started the operation of the ski resort in 2012/13 winter season based on the aforementioned lease contract. The business lease contract has been made for 20 years. The annual rent for the ski resort is CZK 43.8 mil. Additionally, the future tenants committed that during the 20-year term of lease capital investments in the amount of CZK 800 mil. will be made in the ski resort.

### Dual Listing

In October 2012 TMR shares were admitted to the Main market of the Warsaw Stock Exchange and to the Main market of the Prague Stock Exchange. Trading commenced on 15 October in Warsaw and on 22 October in Prague. With these admissions TMR became the only public company to have its stock listed on these three Central European exchanges. The main reason of the listings was the goal to build presence on the Czech and Polish capital markets. At the same time TMR wants to offer retail investors on these markets the benefits of Shareholders' Club.

## Investments of 2011/12

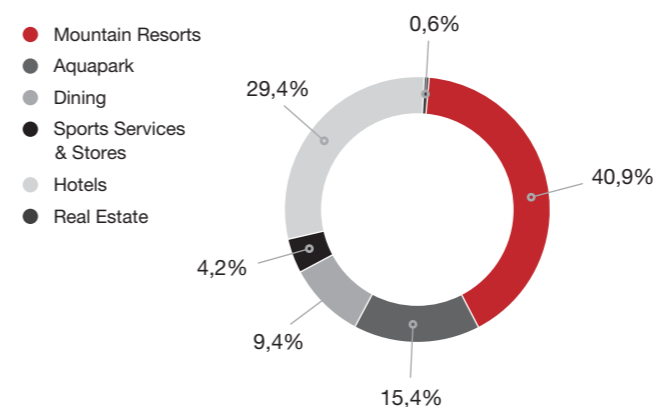
Vysoké Tatry	Nízke Tatry
1. A new building for cash desks and Tatry Motion store in Tatranská Lomnica.	1. Link between Chopok North and Chopok South – 3 new lifts and extension of snowmaking up to the Chopok peak from both north and south side.  • Completion of the Funitel cableway at the North side of Chopok Mountain. The 14th lift of this type in the world: Priehyba – Chopok location. A 24-person cableway lift.  • Cableway construction – a steep lift Twinliner at Biela púť – Priehyba location. This ski lift is a part of the North-South interconnection. This lift links Biela púť - Koliesko location with Funitel's start station. A 50-seat train.  • A cableway at Chopok South, Kosodrevina – Chopok location. A 15-person cableway.  • Completion of the snowmaking facility from North and South side, covering more than 5 kilometres up to 2 004 m a.s.l.; altogether almost 27 km in the resort.
2. Enhancement of ski trails in the Tatranská Lomnica resort.	2. Two new après ski bars - in Priehyba at Funitel's start station – Funibar and at Chopok South – Zadné Dereše.
3. Replacement of seats of a chair lift at Lomnicke Sedlo	3. Enhancement of ski trails at the north side of the resort – expansion, levelling of uneven trails.
4. Burger Restaurant patio seats added to Pizza&Pasta Štart at 1 145 m a.s.l.).	4. A new ski lift at the south side of Chopok Mountain - KRUPOVÁ II; the lift was moved from the north side to strengthen the transport capacity from the lowest point of the south side (Krupova)
5. The largest après-ski bar in the Tatra Mountains and in Slovakia with 156 persons at the base cableway station in Tatranska Lomnica at 850 m a.s.l.	5. Tropical Paradise – construction of an indoor hall in Aquapark Tatralandia with tropical climate, live palm trees, pools with fresh and salt water and a special roof foil allowing sunlight to pass through and sunbathing.
6. Hotel FIS*** Štrbské Pleso – renovation of the hall, café and the lobby bar	6. Wellness Hotel Grand Jasná – renovation of rooms.

## RESULTS BY SEGMENTS AND SUBSEGMENTS

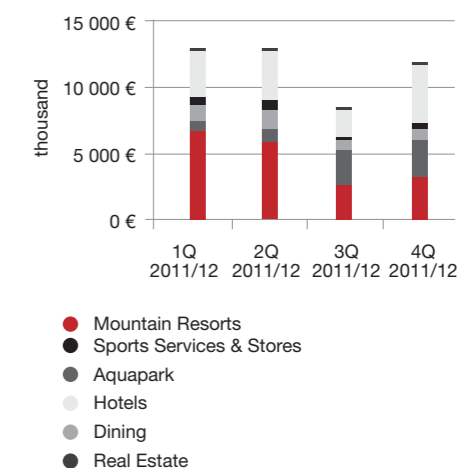
Key Operating Results*	Revenues			EBITDA			EBITDA Margin		
	v €'000	2011/12	2010/11	Change yoy (%)	2011/12	2010/11	Change yoy (%)	2011/12	2010/11
Mountains & Leisure	31836	28 097	13.3%	10 879	8764	24.1%	34.2%	31.2%	3.0%
Mountain Resorts	18 600	17 849	4.2%	6 382	4 805	32.8%	34.3%	26.9%	7.4%
Aquapark	7 028	5 599	25.5%	3 169	2 926	8.3%	45.1%	52.3%	-7.2%
Dining	4 299	3 352	28.2%	995	814	22.2%	23.1%	24.3%	-1.1%
Sports Services & Stores	1 910	1 297	47.3%	333	219	52.0%	17.5%	16.9%	0.5%
Hotels	13 404	11 732	14.3%	3 224	2 768	16.5%	24.1%	23.6%	0.5%
Real Estate	289	119	142.6%	96	7	1332.1%	33.1%	5.6%	27.5%
Total	45 530	39 948	14.0%	14 198	11 539	23.0%	31.2%	28.9%	2.3%

\* For better evaluation of the operating performance, the adjusted operating results include results for the 100% share in Interhouse Tatry, a.s., which owns Grandhotel Starý Smokovec. As at 31.10.2012, TMR owned a 50% share in the aforementioned company, however, in accordance with IFRS, the share was consolidated using the equity method. The 2010/11 Aquapark results cover only the period from April to October 2011.

## Revenue Breakdown



## Quarterly Operating Revenues





## Key Performance Indicators (KPIs)

### Mountains and Leisure

The positive trend of the core segment's results is a direct result of operating key performance indicators (KPIs). During the reported period, all observed indicators improved, both at the level of the whole segment and at the level of individual subsegments.

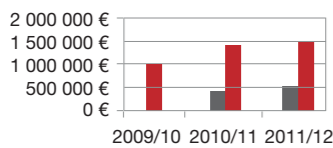
In Mountain Resorts and Aquapark, the visit rate improved by 8.9%; the total number of visitors reached 2.007 million. Mountain Resorts, including Štrbské pleso, reported 1.478 mil. skier days, which means a 5% growth. In terms of visit rate, the winter season was relatively successful. Among other factors, the visit rate improved thanks to relatively stable weather, mainly in the first half of the 2011/12 winter season, a long ski season and deals on stay packages allowing visitors in ski resorts to purchase ski passes with up to 30% discounts. During the Top season, management observed a higher visit rate of Russian-speaking visitors, mainly during the "Golden Week" (27 December – 10 January). Despite the slightly unfavorable EUR/PLN exchange rate in the first quarter, the Company recorded a mild increase in Polish visitors thanks to an intense marketing campaign on the Polish market before the winter season. However, in the second quarter, the proportion of Polish visitors stabilized and it is comparable to the prior year. The visitors were also attracted by the capital investments completed in previous periods, such as the new 8-seat chair lift in Tatranská

Lomnica (2011), expanded snowmaking on ski trails, a number of après ski activities, such as Happy End Disco&Restaurant in Jasná and a wide offer of other supplementary services, such as Maxiland - ski schools for children. Management evaluated the summer season in mountain resorts positively; in regards mainly to Jasná, where the number of visitors increased by 20%. The increase was rather due to weather favorable for hiking, especially in August.

Aquapark Tatralandia recorded 529 thousand visitors –21% more compared to the prior year's 437 thousand, although, in 2010/11 the performance was recorded only for the period from April to October. In the summer season, the visit rate mildly dropped by 8.9%, owing to temperatures too high for the thermal water.

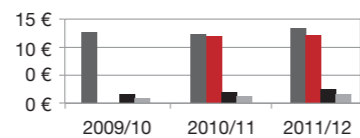
The growth in revenues was also caused by higher average revenues per visitor for individual sub-segments. In Mountain Resorts, average revenue reached EUR 13.88 (12.73) and for Aquapark it was EUR 12.11 (11.90). In line with the present worldwide trend in mountain resorts –a growing interest in supplementary services and après ski activities, TMR supplementary services also recorded growth, as the average revenue in Dining increased to EUR 1.96 (1.55) and in Tetry Motion sports services and stores, the average revenue increased to EUR 1.46 (1.05). Tetry Motion stores also benefited from the extended offer of goods and from opening two new branches at Štrbské pleso and in Jasná.

### Visit Rate in Mountains and Leisure



● Mountain Resorts  
● Tatralandia

### Average Revenues per Visitor



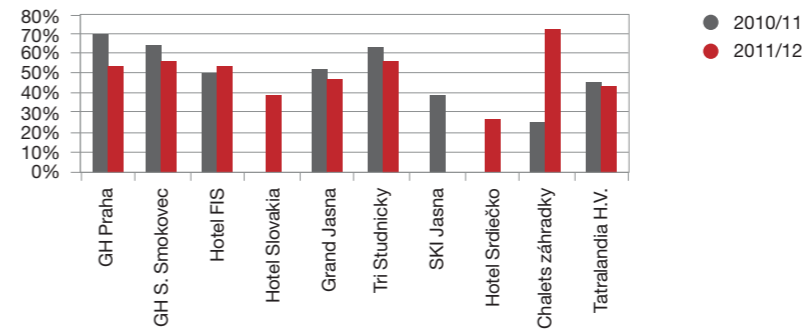
● Mountain Resorts ● Dining  
● Tatralandia ● Sports Services & Stores

### Hotels

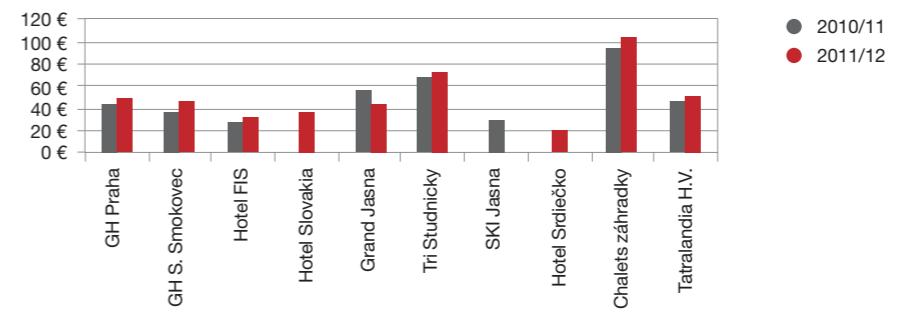
The revenue increase of over 14% in Hotels was caused mainly by a higher average daily rate (ADR) per room, which, in the weighted average at the portfolio level reached EUR 45.20 (41.34) for the year, i.e. a 9.3% growth. The increase in ADR was reported by almost all TMR hotels, with the highest increase in Grandhotel Starý Smokovec – by 23.3%. The increased ADR can be explained by capital investments in the hotels. In 2010/11, Grandhotel Praha was expanded by 27 new rooms, new wellness premises were opened and 60 rooms were renovated in Wellness Hotel Grand Jasná.

The weighted average occupancy rate of the hotel portfolio remained almost unchanged, at 48.4% (49.2), which is a positive indicator, as, compared to prior year, the number of rooms increased to 706 (679) due to capital investments and hotel acquisitions. The highest occupancy rates were reported by Chalets Jasná de Luxe in Jasná – 73% and Grandhotel Praha expanded by 27 suites and rooms – 53.2%. At the portfolio level, the average length of stay in TMR hotels in weighted average saw a mild reduction to 2.8 days (3.0), however it did not have a negative impact on Hotels' results. The longest average stays were reported by Chalets Jasná de Luxe: 4.7 days.

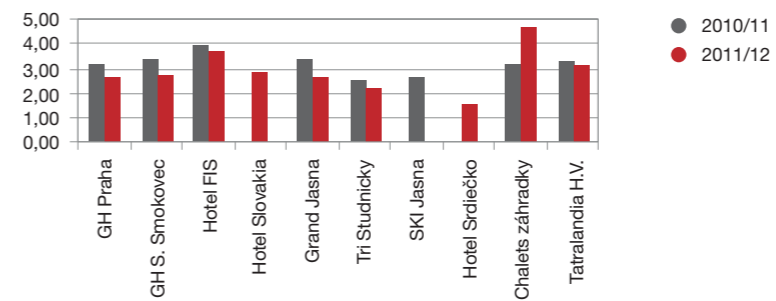
### Hotel Occupancy Trend



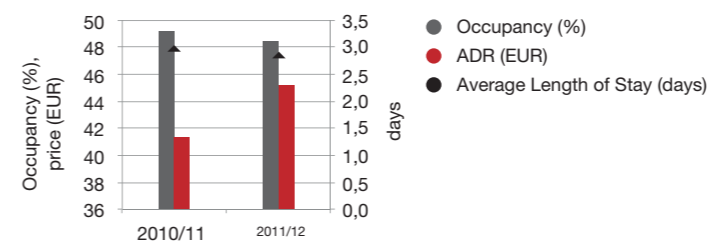
### ADR Trend



### Trend in Average Length of Hotel Stay



### KPIs of Hotel Portfolio



<sup>1</sup> The number of persons 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.

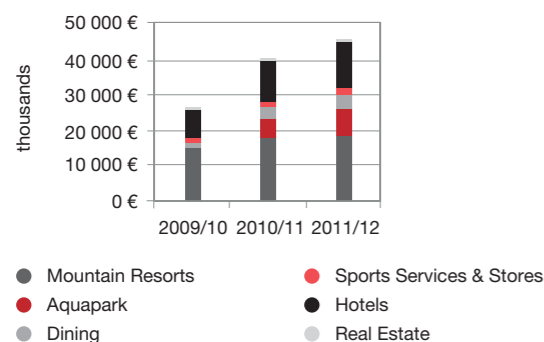
## Financial Operating Results

### Mountains and Leisure

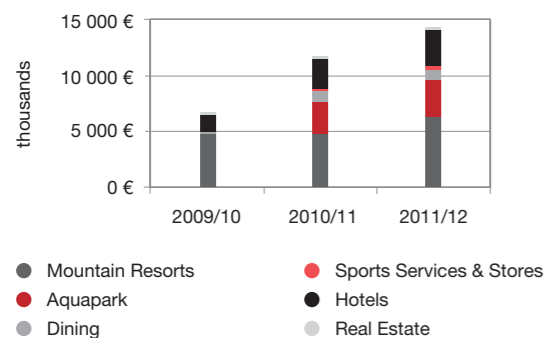
The main segment Mountains and Leisure again recorded stable growths in operating revenues and in operating profit. Total revenues reached EUR 31.836 mil. (28.097), which means growth of 13.3% compared to prior financial year. The revenues of the main segment make 70% of total operating revenues. The stable growth in revenues was reported by all subsegments. The main segment's strongest quarter in terms of revenues, was the first quarter (November – January), closely followed by the second

quarter (February – April). The operating profit before interest, tax and depreciation (EBITDA) increased by 24.1% to EUR 10.879 mil. (8.764), which means that the operating profitability measured by EBITDA margin improved by 3 percentage points to 34.2%. EBITDA also increased in all subsegments of the Mountains and Leisure segment. The segment not only met the plan for revenues and EBITDA but exceeded the aforementioned objectives by 4.1% and 2.4%, respectively. The positive results of the main segment can be attributed to improvement of the observed key performance indicators. Total visit rate improved by 8.9% to reach 2.007 mil. and average revenue per visitor improved in all subsegments.

### Operating Revenues\*



### EBITDA\*



<sup>2</sup> For better evaluation of the operating performance, the adjusted operating results include results for the 100% share in Interhouse Tatry, a.s., which owns Grandhotel Starý Smokovec. As at 31.10.2012, TMR owned a 50% share in the aforementioned company, however, in accordance with IFRS, the share has been consolidated using the equity method.

<sup>3</sup> The total visit rate is measured by the number of entry passes sold in the aquapark and on cableways in the summer 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, cooperated by TMR and the owner of the resort

## Mountain Resorts

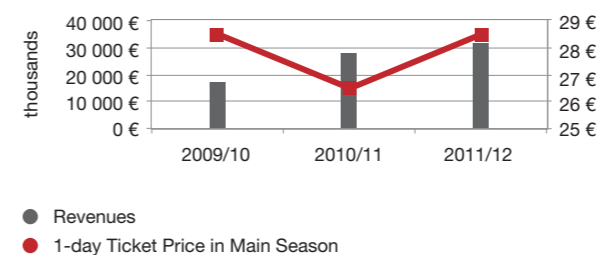
Within the main segment Mountains and Leisure, the Mountain Resorts subsegment is the strongest subsegment, in terms of revenues, with a 41% share in total revenues. The revenues come mainly from sale of ski passes in Jasná Nízke Tatry and Vysoké Tatry resorts. Other revenues come from leases of billboards and other advertising space and from marketing events in the resorts. Total revenues reached EUR 18.600 mil. (17.849), an increase of 4.2%. The best quarterly revenues in Mountain Resorts were reported in the first quarter (November – January), i.e. in the period covering the Top Season with the highest ski pass prices plus one month of the Main Season. In the winter season, the highest sales were generated from sale of 1-day ski passes, while number of sold 1-day ski passes increased by 65% compared to prior year. The second highest sales in Mountain Resorts were generated by sale of 6-day ski passes; the number of sold 6-day ski passes increased by 30%. The highest percentage leap was observed in sale of 4-day ski passes; the number of sold 4-day ski passes increased by 132% compared to prior year.

Mountain Resorts' EBITDA improved by 32.8% to EUR 6.382 mil. (4.805), and, consequently Mountain Resorts reached operating

profitability of 34.3%, i.e., improvement by as much as 7.4 percentage points. The significant improvement of EBITDA can be explained by the fact that the bulk of Mountain Resorts' operating costs (costs of operation of cableways and ski trails, snowmaking) is fixed and therefore the costs do not grow in proportion to sales.

The stable growth in this subsegment can be attributed to a higher visit rate in the resorts, mainly in Jasná, and by higher ski pass prices (e.g. 1-day ticket in Main Season increased by EUR 2.00), and, consequently, higher average revenue per visitor. Number of skier days in the resorts increased by 5% to reach 1.478 mil. The higher number of visitors proves that higher prices of ski passes did not have a negative impact on sales in the mountain resorts, it was quite the opposite. The higher prices of ski passes were justified by capital investments made in prior periods, such as those launched in the 2011/12 winter season: the new cableway in Tatranska Lomnica, extended ski trails and snowmaking in both resorts, and expansion of parking capacities by 700 places. The subsegment's revenues were influenced also by stay packages offered by the Company in cooperation with accommodation providers and allowing visitors to purchase ski passes with discounts of up to 30%, using the Tatry Card and Liptov Region Card discount cards.

### Pricing vs. Revenues Mountains and Leisure



● Revenues  
● 1-day Ticket Price in Main Season

## Aquapark

2011/12 was the first year of Aquapark Tatralandia's year-long operation under TMR's management. Revenues from sale of the aquapark's entry tickets make 15.4% of total revenues. The revenues reached EUR 7.027 mil. (5.599), which is an increase of 25.5%, although the results of the prior period were recorded only from April 2011, when the aquapark was included in TMR's portfolio. The strongest revenues were reported for the fourth quarter (August – October), a fact supported by the all-year concept of the aquapark, which prolonged the summer season until October, and the fact that August is the strongest month for the aquapark in terms of visit rate. Aquapark's results are attributable to synergic activities within the Group in sales, purchase, human resources and marketing. Aquapark's EBITDA improved by 8.3% to EUR 3.169 mil. (2.926). Aquapark is the Group's most efficient operation, as it reports the highest operating profitability of 45.1%, although in the prior year it saw a mild decrease by 7.2 percentage points. The decrease was due to higher operating costs, as unlike prior period, Tatralandia was operated also in the winter.

## Dining

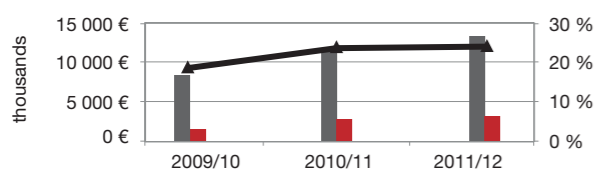
Revenues of this subsegment come from the Group's restaurants and après ski bars in Jasná Nízke Tatry, Vysoké Tatry and Tatralandia. The last year's revenues of this segment make 9.4% of total revenues, with the second quarter (February – April) being the strongest in terms of revenues. Total revenues of this subsegment reached EUR 4.299 mil. (3.352),

which means a two-digit percentage increase of 28.3%. Operating profitability of this subsegment reached 23.1%, with EBITDA increasing by 22.2% to EUR 0.995 mil. (0.814). This subsegment's success is directly dependent on success of the resorts, as Dining provides supplementary services in the mountain resorts. However, present trends indicating tourists' increased demand for these services in mountain resorts support the growth of this subsegment, which is proven by the increase in their proportion in total revenues from 8.4% in 2010/11 to 9.4%. The growth was, to a large extent, supported by increased visit rates in the resorts, higher average revenue per visitor and frequent marketing events during the year.

## Sports Services and Stores

Revenues from sports stores, ski schools, ski rent and service in the mountain resorts under Tatty Motion brand also follow the rising trend, as their share in total revenues increased to 4.2% (3.2). Revenues from this subsegment increased by 47.3% to EUR 1.910 mil. (1.297), which is the highest percentage increase in the Group. As these supplementary services are used mainly in the winter season, the strongest quarter was the second one (February – April), followed by the first quarter (November – January). Although operating profitability is the lowest of the subsegments – 17.5%, the performance indicator EBITDA reported an increase of 52% to EUR 333 thous. (219). The results are, inter alia, attributable to opening of new Tatty Motion stores at Štrbské Pleso and in Jasná, and the extension of Maxiland children's ski school in Jasná at 6000 m<sup>2</sup>.

## Operating Results Hotels



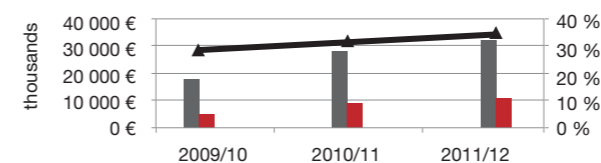
● Revenues  
● EBITDA  
● EBITDA margin

## Hotels

The Group's second largest segment is the Hotels segment, revenues of which make a 29.4% share in total revenues. Hotels ended the financial year with revenues amounting to EUR 13.404 mil. (11.732) and a 14.3% growth. The revenues plan of this segment was not only met, but also exceeded by 12%. The strongest quarter of this segment was the fourth one (August – October) thanks to settlement of EBITDA contracts (see Consolidated Financial Statements, Item 7) and thanks to the successful summer season of the Tatra hotel sector, mainly in the High Tatra mountain. The rising hotel revenues are also attributable to higher average daily rates per room (ADR) in portfolio hotels, synergy effects with Mountain Resorts

and Aquapark, supported by active marketing and the effect of the completed capital investments in the hotels made in 2010/11. The investments included renovation of hotels and extension of accommodation capacities with strategic focus on affluent clientele. The hotel portfolio was expanded by acquisition of Hotel Slovakia, Srdiečko and Hotel FIS; while these were previously leased out to third parties. These factors contributed to improvement of operating profit before interest, tax and depreciation by 16.5% to EUR 3.224 mil. (2.768), which means EBITDA margin of 24.1%. Consequently, the planned EBITDA was exceeded by 37.1%. Despite the fact that the occupancy rate and the average length of stay at the portfolio level slightly decreased, each hotel in the portfolio reported better results both in terms of revenues and EBITDA.

## Operating Results Mountains and Leisure



● Revenues  
● EBITDA  
● EBITDA margin

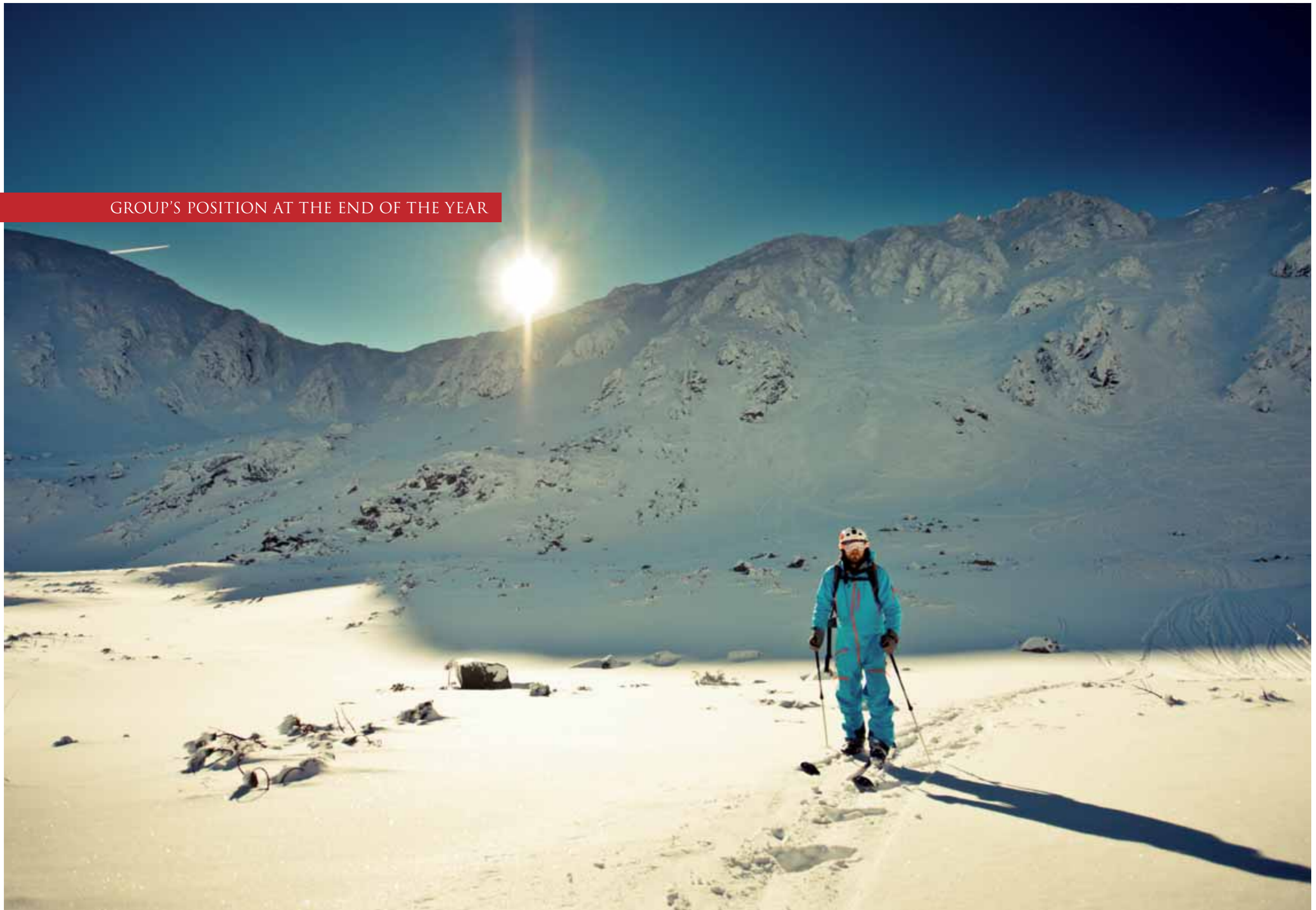
The last year's revenues of the Real Estate segment come exclusively from lease of Hotel Ski & Fun, Hotel Liptov and Kosodrevina Lodge to third parties; therefore the share of this segment in total revenues is negligible. Lease income was reported in the amount of EUR 289 thousand (119); EBITDA amounted to EUR 96 thous. (6.7) with EBITDA margin of 33.1%. Management did not expect the change in the situation on the real estate market in the Tatras

region, therefore the plan for real estate projects did not include any notable revenues. Due to the passive situation on the market, no apartments of the completed real estate project Grand Residences Tatranská Lomnica were sold (see Regional Trends on the Real Estate Market in the Market Analysis and Trends chapter). So far, this project is being used as hotel suites of Grandhotel Praha Tatranská Lomnica.

<sup>4</sup> For better evaluation of the operating performance, the adjusted operating results include results for the 100% share in Interhouse Tatty, a.s., which owns Grandhotel Starý Smokovec. As at 31.10.2012, TMR owned a 50% share in the aforementioned company, however, in accordance with IFRS, the share has been consolidated using the equity method.



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 2011/12 the Group operated with liquid funds in the amount of EUR 32.278 mil. (73.197). Out of this amount cash and cash equivalents amounted to EUR 3.113 mil. (6.391) and current bill of exchange receivables, redeemable at sight, were valued at EUR 29.165 mil. (66.806) (See Consolidated Financial Statements, Item 23). The value of liquid funds decreased due to repayment of a part of bills of exchange used for financing of capital expenditures in the given period.

### Borrowings

The total value of the Group's borrowings decreased year-over-year to EUR 16.153 mil. (19.071) since a part of the loans was repaid during the year and the Group did not increase its credit line. The Group draws all of its borrowings from Tatra banka. The value of borrowings with maturity within 12 months was EUR 3.263 mil. During 2011/12 none of the loans matured. The average interest rate on the borrowings for the year came to 2.18% (3.1). Interest coverage ratio notably improved to 11.2x (3.1). The level of the Group's debt as of the period end was 5.5% (6.5) (total

debt-to-capital ratio) and total debt-to-EBITDA ratio improved to 1.16 (1.56).

### Total Assets

The accounting value of total assets increased to EUR 319.912 mil. (315.125). The value of current assets fell to EUR 55.505 mil. (101.304), mainly due to a decrease in the value of bill of exchange receivables (other receivables), which were redeemed at sight for financing of capital investments during the year. On the other hand, non-current assets rose to EUR 264.407 mil. (213.821) due to a higher value of fixed assets in the amount of EUR 222.117 mil. (175.833) caused by completion of extensive capital investments that include three cableways in the Jasná resort, project Tropical Paradise in Aquapark Tatralandia, and others. Return on assets jumped to 3.2% (3.1).

### Equity

The accounting value of shareholders' equity increased by the value of retained earnings from the previous year and by the value of other funds to EUR 276.416 mil. (272.686). Return on equity increased to 3.7% (3.4).

Financial Position in €'000	October 31	
	2011/12	2010/11
Total Assets	319 912	315 125
Non-current Assets	264 407	213 821
Fixed Assets	222 117	175 833
Other Non-current	42 290	37 988
Current Assets	55 505	101 304
Liquid Assets	32 278	73 197
Other Current	23 227	28 107
Equity	276 416	272 686
Liabilities	43 496	42 439
Non-current Liabilities	26 063	29 413
Current Liabilities	17 433	13 026
Total Debt	16 153	19 071

<sup>1</sup> Some items of Consolidated Statement of Financial Position according to IFRS for fiscal year 2010/11 have been amended.

## CASH FLOW

Cash flow generated from operating activities reached EUR 10.674 mil. (14.235<sup>2</sup>). The decrease was caused by combination of several factors, mostly by a change in trade receivables, inventory, and trade payables. Cash flows assigned for investment activity reached EUR -42.821 mil. (-67.761), out of which EUR -47.869 mil.

(-27.174) covered CAPEX. The inflows from the investing activities came from sale of financial investments – equity stock of Best Hotel Properties, a.s. – in the amount of EUR 6.856 mil. (0). The Group recorded cash flows generated from financing activities in the amount of EUR 28.869 mil. (57.148). The decrease was caused by Tatralandia's acquisition in 2011 due to which liquid funds were increased in 2010/11.

Cash Flows in €'000	November 1 - October 31	
	2011/12	2010/11
Net Cash from Operating Activities	10 674	14 235
Net Cash from Investing Activities	-42 821	-67 761
Net Cash from Financing Activities	28 869	57 148
Net Increase in Cash and Cash Equivalents	-3 278	3 622

## OUTLOOK

Based on the successful results so far, the working differentiation corporate strategy, and bearing in mind the current positive trends in regional tourism (described in Market Analysis and Trends), in the following financial period management expects further growth in revenues and operating profit, as a result of expected rise in the number of visitors and other key performance indicators in each segment.

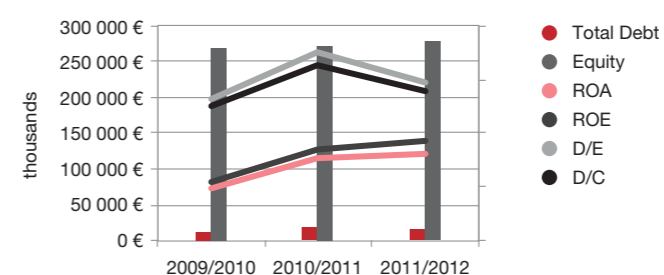
The optimistic outlook is supported by the upcoming end of the first phase of the investment strategy in the Tatra region. Management plans to have the first investment phase completed by 2013/14. In the current financial year, as well as in the periods to come the 2011/12 capital investments, which were the highest so far, should show a return. They include three new cableways in Jasná, which managed to link the

north and south side of Chopok, or the new arena, Tropical Paradise, in Tatralandia. The continuous enhancement of services provided and products offered in the resorts and hotels of TMR should be reflected in the future results, as well. An example includes the launch of a new loyalty program, TATRYPASS in the winter season 2012/13. Also thanks to the program management expects growth of the loyal client base.

Co-management of the leased mountain resort Špindlerův Mlýn in the Czech Republic, which commenced in the 2012/13 winter season, should impact the results positively, too.

As for other activities in the region of Central and Eastern Europe, management will keep analyzing possibilities of entry onto the Polish market, with the goal of expanding the Group's operating activity also on this market.

### Return on Investment and Level of Debt



<sup>2</sup> Some items of Consolidated Statement of Cash Flows according to IFRS for fiscal year 2010/11 have been reclassified.



CORPORATE SOCIAL RESPONSIBILITY





# Corporate Social Responsibility

## ENVIRONMENT AND COMMUNITY

TMR owns and operates significant centers of tourism in Slovakia. A big portion takes place in the area of national parks – TANAP and NAPANT. The Company concentrates solely on traditional, already urbanized areas, where sport 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 for all of its investment and operational activities cares for environment protection and minimal impact on the natural environment. The Company takes environment into consideration during the course of its business activities and tries to minimize their impact in every segment. TMR's effort is to select services and products in such a way that the impact on the environment is minimal. Moreover, the Company does its best to restrict relatively the use of natural resources and optimize waste production. TMR spreads this attitude towards environment internally among its employees and externally within communities by means of initiatives and events.

The goal of TMR is to conduct business activities with a minimum energy and fuel consumption. With this goal in mind the Company also adapts its capital investments into new cableways. These new cableways are built with the latest energy efficient technologies from top world producers, like Doppelmayr and Leitner. In every segment the Company aims to utilize efficient management of operations at an optimal level of energy consumption, and moreover, the Company consistently works on improving operational efficiency. In addition to the selection of energy efficient cableways TMR also cares for the correct choice of trail-grooming vehicles that have lower emissions and thus decrease the impact on the environment.

### Projects of 2011/2012

Projects in 2011/2012 follow the activities of the previous periods, when TMR actively contributed to the land rehabilitation where it conducts its business. The Company was also active in educational areas for different age groups.

TMR entered the process of designing and actively cooperating within regional tourism organizations (RTO) in a very ac-

tive manner. It is a member of five RTOs, covering the entire region where the Company is active. The RTOs are as follows:

- High Tatras Region RTO
- Liptov RTO
- Jasná RTO
- Low Tatras RTO
- Tourism Liptovský Ján RTO

All the mentioned RTOs designed projects of common communication or support of the region's infrastructure towards a better establishment on the tourism market. They managed to pool the funds of entrepreneurs in tourism and self-governments, even the state entered the projects under the Act on Tourism through subsidies, thereby creating the funds for a common support of the regions.

The High Tatras' RTO, the High Tatras Region, contributed to common projects with EUR 450 thousand. The major projects included the Bear Days and Marmots at the Tarn projects. Common promotional materials were created, such as maps or guidebooks. RTO also covered the entire project of the TATRY Discount Card. Information tours for media and tour operators from Poland, Czech Republic and Belarus were made. RTO participated in tourism expos and fairs in the cities of Warsaw, Gdańsk, Poznan, Prague, Brno, Budapest and London. A media campaign on the crucial target markets - Slovakia, Poland and Czech Republic - was carried out using common funds. The High Tatras Region with a strong tradition of cross-country skiing adjusted the cross-country ski routes at Štrbské Pleso using common funds. As for eco-projects, landscaping of public spaces and parks with a high concentration of visitors by adding greenery was carried out in Starý Smokovec, Tatranská Lomnica and at Štrbské Pleso.

The smallest Tourism Liptovský Ján RTO implemented common projects for more than EUR 50 thousand. It entailed a support and design of an event, preparation of promotional materials and advertising, or a media training and participation in the Liptov Region Discount Card.

Jasná RTO implemented projects for more than EUR 270 thousand. The major project was the media campaign in Poland and other activities included the participation in expos and fairs in Moscow, Warsaw and Kiev, and in presentation events in Jelenia Góra, Krakow and in a workshop in Prague, or several information routes for media and tour operators from important markets. Even infrastructure projects were implemented, such as renewal of ski jumps, revitalisation of the Vrbické Tarn, the Biela Púť recreational and relaxation area. Even the Liptov Region Discount Card project or preparation of common promotional materials did not remain

unaddressed. Shooting and preparation of video materials were also carried out using common funds. The media campaign consisted in the implementation of press conferences and purchase of advertising.

Liptov RTO worked with a budget of more than EUR 641 thousand. The most significant common activities included: the Liptov Region Discount Card, the Central Reservation System or the support of the Liptov registered brand. The cycle paths in Liptov project was implemented - mapping the condition, markings, a new cycle map was prepared and the cycle paths were promoted. The organization supported the preparation of the European event NATURE EURO MEET'S, which will take place in 2013. Of course, the region support included a marketing campaign consisting of a TV campaign, billboard and radio campaign, print and Internet outputs or making a survey. Even the preparation of promotional materials, participation in various expos, fairs or workshops and implementation of attractive events did not remain unaddressed.

Owing to the connection of the Chopok North and Chopok South resorts, new territories in Horehronie, i.e. from the southern side of Chopok, open. A common Low Tatras RTO was created here, participating in designing and promoting an even more attractive destination connecting the two tourism regions through the Chopok peak using common funds. All RTOs also supported the common image magazine for the visitors of Tatras, entitled the TATRY MAGAZÍN, which, using its lifestyle form, communicates the attractiveness, events, celebrities and news in the wide Tatras region.

In the course of 2012, individual RTOs played an active part also in preparation of the integrated free transport system for the visitors of Tatras - the ski and aqua buses. The very implementation and launch of the lines was planned after the end of the financial year of 2011/2012.

After the success of the ski bus service in the past the Company proceeded to intensive support of transportation together with the Regional tourism organizations. The reason is not only the reduction in emissions and exhaust gases, but also facilitation of client transportation and at least partial reduction in the number of vehicles in mountainous areas. In the past the Company implemented ski bus service in High Tatras in partnership with Tatranský okrášľovací spolok (Tatras beautifying club). The aim was to provide ski bus, innovation in the field of transport and increase of comfort for customers of the mountain resorts. Also the first electric bus in Slovakia was operated right in High Tatras. For the next

winter season 2012/2013 the Company in partnership with cluster Liptov developed several lines of aqua-ski busses that will rout between key tourist locations in Liptov – Low Tatras region.

The education of positive attitude towards nature resonates in many activities of the Company. The essence of educational tasks is in projects like Karkulka, Tatras wilderness, Clean Tatras, Sled dogs and Bears days.

After the success of the Low Tatras Karkulka, fairy-educational trail for children, a similar project is realized over a greater area in High Tatras. It was created thanks to the cooperation of TMR with State forest of the Tatras National Park (TANAP) and Administration of TANAP and called Tatras wilderness and is free of charge. This project is gradually extended from Tatranská Lomnica through Hrebienok to Štrbské pleso. The most attractive part of the project is mini eco-park Marmot Land at Skalnaté pleso – a fun and educational eco-park for children. Tatras wilderness project, thanks to the collaboration with Tatras beautifying club found its place also in the Bratislava's River Park, where Tatras wilderness mini-park was built.

Tatras beautifying club is a civil association that aims to protect and restore High Tatras and with whom TMR participated in the project Clean Tatras. The aim of the project was to teach visitors of the Tatras not to throw away rubbish in mountain trails. There was a key idea that when an individual collects rubbish once, he will never throw it away anymore. Additional competition was implemented to fulfill this aim, which also worked as a motivating factor of an event.

The Company with its active participation contributes to the realization of sport events in its resorts as a partner or sponsor. In past years TMR took an active part for example in the following races:

- European Women's Cup the Demänovská caves Great Award
- Slovak Junior Championship in Slalom, Giant slalom and Super-G
- Ski Alpine Central Europe Cup
- Tatra Snow bike Downhill
- Ski & Golf Slovakia
- CGC Jasná Adrenalin
- Ski Alpine Grand Tour – a night alpine ski rally in the Tatras
- Red Bull Downhill
- International cycling race around Slovakia

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## HUMAN RESOURCES

TMR ranks among the largest employers providing tourist services in the High Tatra and Low Tatra regions. Considering the trends existing in the labour market in FY 2011/12, activities of the Human Resources department were focused on stabilization of jobs, reduction of employee turnover and improvement of human resources management processes.

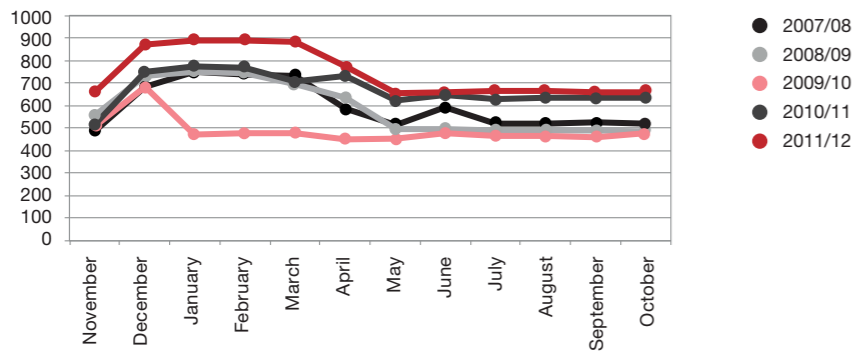
### Developments in Human Resources in 2011/12

As of the end of 2011/12, the average number of employees increased to 1,232 (1,055) year-over-year. This proves that the Company is regarded as a major and reliable employer in this region. The Company's business segment is influenced by seasonality in jobs. It is mainly the period before the winter season that the Group hires

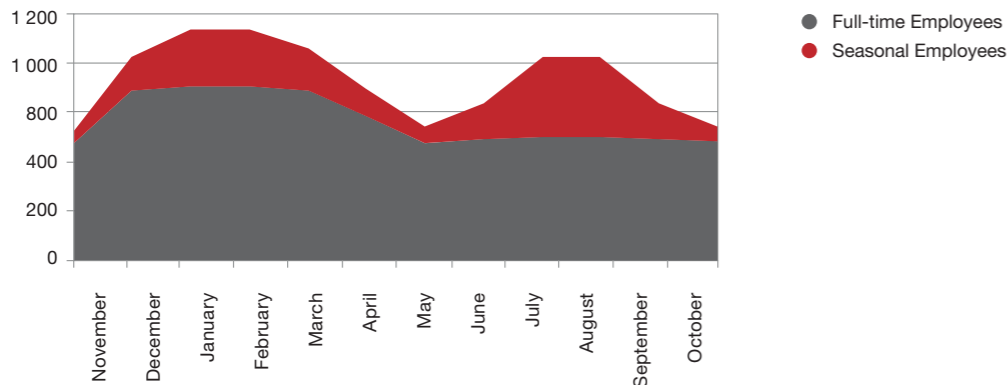
hundreds of full-time employees and employees working under agreements on work performed outside employment. The increase in headcount during December 2011 – March 2012 by 117 persons was due to the acquisition of Tatralandia in April 2011 (i.e., after the winter season). Since April the employment flattened out.

In 2011/12 the Group disclosed 65 vacancies (75 in 2010/11) and 4,123 job applicants (5,198 in 2010/11). The drop in number of vacancies proves that management took the first step to reduce the employee turnover; moreover, 47% of seasonal employees come back for the busy season. Thus TMR can focus itself on improving the quality of staff and staff trainings to retain the quality of provided services. Human resources management aims to further develop itself as a modern society which cares of personal growth of its employees and therefore, when it comes to choice, internal employees are preferred.

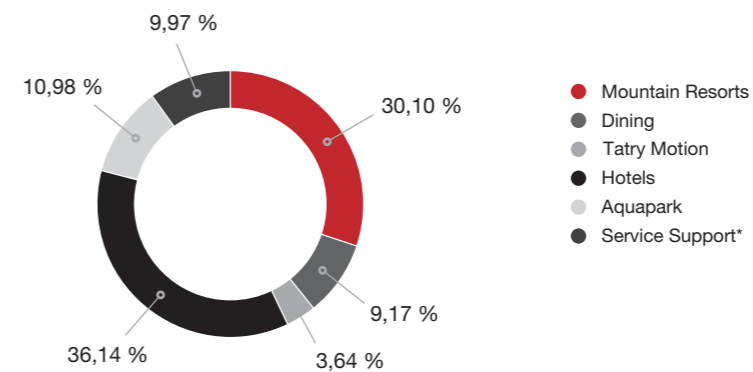
### Employment Trend during 2007-2012



### Employment at TMR in 2011/12

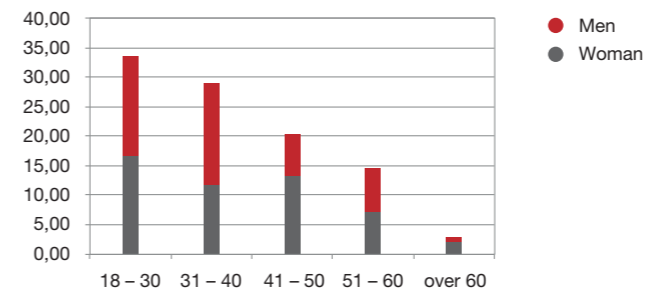


### Permanent Employees by Category



\* The Service Support refers to staff responsible for real estate projects, marketing, HR and business records.

### Employees' Age Structure



TMR managed to maintain equality of chances which is shown in the chart above. 49.3% of the Group's employees are men and 50.8% are women. In the current year, the percentage structure for the first time changed in favour of women. The average age is 37.5, thereof the average age of women is 38.6 and the average age of men is 36.

We give a chance to young people who, so far, had no opportunity to gain professional experience. This statement is proven by the fact that 33% of our employees fall under the age category 18-30 years and 29% are employees falling under age category 31-40 years. Altogether, 62% of our employees are younger than 40. Another 20% and 18% are employees aged 41-50 years and 51- 62 years, respectively.

## Projects

Our long-term goal is to employ all age categories equally. We believe it is important to create conditions for ongoing and systematic sharing of higher-age employees' knowledge and experience with other employees. For that purpose we launched the Internal Academy project, where skilled employees become trainers and explain practical situations and new trends to their colleagues.

The key measure of our employees' performance is the satisfaction of our clients and customers and their revisiting Tatra regions. Our goal is high-quality services and to meet that goal, we launched the Internal Academy project with skilled internal trainers sharing their extensive experience and professional knowledge with their colleagues. Provision of high-quality services is one of TMR's key objectives and therefore, we lay great emphasis on ongoing staff trainings.

Last year, we launched an adaptation project for new hires, including also internal employees, which are transferred to a new job based on results of a competitive hiring procedure. The adaptation process aims to ensure, in real time, as good performance as possible and self-activity of employees. Therefore, we launched another supporting project – kick-off meetings, aimed at maximum elimination of lack of information on products, corporate principles, corporate strategy, new investments and novelties prepared for the period in each category. The kick-off meetings were organized twice a year in early summer and early winter. The meetings were mandatory in all centres not only for the permanent staff, but also for seasonal employees.

One of the key goals of the Human Resources Division is development of the workforce. Therefore, the division prepared the Talent Management and the Internal Academy projects and employee evaluation projects, which form the basis for preparing an effective wages and bonus scheme.

## Cooperation with Schools and Universities

TMR lays great emphasis on developing relations with high schools and universities so that the Company proactively seeks an access to the source of skilled and highly professional employees. Based on the aforementioned strategy, we developed a project of cooperation with schools, outlining detailed steps of the cooperation.

We maintain an intense cooperation with the Vocational High School in Horný Smokovec, High Tatras. Grandhotel Praha in Tatranska Lomnica and Grandhotel Starý Smokovec cooperate with the aforementioned school. Under the existing contract, during the whole school year the school undertakes to provide the two hotels with 50 students, who will carry out their practical activities evenly over the whole school year in monthly intervals. Hotels Wellness Grand Jasná in Jasná and Hotel Tri Studničky in Demänovska Dolina cooperate with Hotel Academy Liptovský Mikuláš in Low Tatras.

## Staff Education

The program of employee ongoing education is one of the Company's key objectives. Trainings are provided at each level; directly taking into account specific needs of each position. The broad scale of internal trainings results from internal cooperation between segments and the Human Resources Division.

In December 2011, the Human Resources Division successfully completed the educational project using the non-repayable financial contribution from the European Social Fund which was granted under the Employment Rate and Social Inclusion operational program. The project was aimed at supporting TMR's adaptability through employee trainings. All 16 educational activities, attended by 293 employees, were completed within 19 months. These activities and the knowledge gained through them form the basis for further trainings, which were provided in the current year, such as e.g. first-contact training, first-aid training provided through the occupational health service, training in banknotes authenticity verification and other. TMR aims to continue the ongoing education of employees using own funds and thus ensure dynamics and permanent inflow of information and new professional trends with focus on soft skills and hard skills improvement.

## Social Program and Benefits

TMR's sophisticated social program includes a number of activities aimed at maximum consolidation of TMR staff, to make them respect each other's work, understand each other and identify themselves with TMR's objectives in order to develop the corporate culture and to create the atmosphere of corporate fellowship.

As to relaxation program for our employees, we adopted strong measures to meet our objectives. Employees can

use a wide offer of employee benefits, such as year-long tickets to cableways in all TMR centres, aqua passes to wellness centres in TMR hotels and to Tatralandia, employee stays, physiotherapeutic stays, and discounts on supplementary services or purchases in Tatra Motion store. Through the aforementioned benefits we aim to provide our employees with access to all services in TMR's portfolio and, thus improve the awareness of our products and, last but not least, disseminate positive references among our employees' friends.



CORPORATE GOVERNANCE





# Corporate Governance

## CORPORATE GOVERNANCE PRINCIPLES

TMR Group's corporate governance is regulated by the principles and methods outlined in the Company Articles, TMR Group's Ethics Code, in the Corporate Governance Code of companies in Slovakia, in the Rules of Organisation 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 at 31 October 2012, the Board of Directors comprised six 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
- **Dušan Slavkovský** – member of the Board of Directors
- **Michal Krolák** – member of the Board of Directors

### Changes during the year:

22 December 2011 - Andrej Devečka was re-elected as a member of the Board of Directors.

### Members of the Board of Directors

- **Bohuš Hlavatý** – Chairman of the Board of Directors and CEO of TMR



In June 2009, Mr Hlavatý was elected as a member of the Board of Directors and then as the Chairman of TMR's Board of Directors. Since 2009, Mr Hlavatý also holds the office of TMR'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** – 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)
- **BOBI Slovakia** (since 1997 Kimberley Clark) – Director (1994 – 1995)

Number of shares held as at 31 October 2012: 0

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



Mr. Hodek was elected as a member of the Board of Directors in June 2009. He joined TMR as the Chief Financial Officer in 2007; later he was engaged in the financial consolidation of the companies which now are members of TMR Group. From 2008 to 2009, he held the position of Chief Financial Officer of Tatry mountain resort services, a.s., which merged with TMR. He was engaged in TMR effi-

ciency 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.

Number of shares held as at 31 October 2012: 0

- **Branislav Gábriš** – Vice-Chairman of the Board of Directors



Mr. Gábriš was elected as a member of the Board of Directors and as Vice-Chairman of the Board of Directors in February 2011. 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.

Number of shares held as at 31 October 2012: 0

- **Andrej Devečka** – member of the Board of Directors



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 specialisation in microelectronics and laser technology.

Number of shares held as at 31 October 2012: 500

- **Dušan Slavkovský** – member of the Board of Directors and Director of TMR's mountain resorts



Mr. Slavkovský was elected as a member of the Board of Directors in May 2010. Additionally, he holds the position of Director of Mountain Resorts at TMR. Previously he held the position of Director of Tatranské lanové dráhy, a.s. Under his leadership the resorts, which were primarily focused on the year-long operation of cableways, were turned into tourist resorts providing comprehensive and high-quality year-long services. Previous jobs:

- **Odštepny závod ŽSR Tatranské lanové dráhy** – Director
- **Tatranské lanové dráhy, a. s.** – Director

Number of shares held as at 31 October 2012: 0

- **Michal Krolák** – member of the Board of Directors and Director of Hotels and Dining



Mr. Krolák was elected as a member of the Board of Directors in February 2011. He joined the Company in March 2006, and since then has participated in the development and operation of the network of restaurants and dining facilities in the High Tatras and Low Tatras. Since 2010

he has also been responsible for the coordination and development of hotels in TMR Group. He actively cooperates with a number of Alpine resorts and hotels; this allows him to apply innovative methods for the development of the segment in the Tatras, and the resulting effect is the growth of sales. Previously, he held the positions of Hotel Manager at Grandhotel Starý Smokovec and the position of F&B Manager at Hotel Slovan in Košice. During his university studies, he participated in the start up and development of a travel agency and ski school at Štrbské Pleso. In 2005 he established and started a travel agency which organised social and gastronomic events in the Tatras and other locations.

Number of shares held as at 31 October 2012: 50

## 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 2 May 2011 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;

- Bonuses are paid to members of the Board of Directors after meeting the criteria defined in the Remuneration Rules. The amount of bonuses for members of the Board of Directors and deadlines for their payment are defined in the Remuneration Rules, which are tied to meeting the plan based on EBITDA. The total amount of extraordinary bonuses of the Board of Directors shall not exceed 1% of the Group's EBITDA.

For the year ending 31 October 2012, the total amount of bonuses was EUR 236 thousand. Thereof, extraordinary bonuses amounted to EUR 77 thousand.

## 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 of the Board of Directors and reports to the General Meeting regarding results of its monitoring activities.

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

### As at 31 October 2012, 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;
- **Jiří Uvíra** – member of the Supervisory Board, elected by the General Meeting;
- **Jan Marian Komornicki** – independent member of the Supervisory Board, elected by the General Meeting;
- **Boris Kollár** – member of the Supervisory Board, elected by the General Meeting;
- **Roman Kudláček** – member of the Supervisory Board, elected by the General Meeting;

- **Ján Štetka** – member of the Supervisory Board, elected by TMR employees;
- **Peter Kubeňa** – member of the Supervisory Board, elected by TMR employees;
- **Miroslav Roth** – member of the Supervisory Board, elected by TMR employees.

### Changes during the year:

**21 April 2012** – Roman Kudláček was elected as a member of the Supervisory Board by the annual General Meeting at the proposal of the Board of Directors

**30 June 2012** – Ján Štetka, Peter Kubeňa and Miroslav Roth were elected by TMR employees as new members of the Supervisory Board.

## Members of the Supervisory Board

- **Igor Rattaj** – Chairman of the Supervisory Board

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. He has extensive experience in financing. He is a member of the Board of Directors in 1. Garantovana, a.s. 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 "Podnikatelska banka" in Prague. He graduated from the Slovak University of Technology, Faculty of Electrical Engineering in Bratislava.

Number of shares held as at 31 October 2012: 3,300

- **František Hodorovský** – member of the Supervisory Board

In January 2011, Mr Hodorovský was 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. 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.

Number of shares held as at 31 October 2012: 0

- **Jiří Uvíra** – member of the Supervisory Board

In January 2011, Mr Uvíra was elected by the General Meeting as a member of the Supervisory Board. Since 2002 until today, he has held various positions in J&T Finance Group. He held the position of Finance Director at J&T Banka in Prague and until 2011 he was a member of J&T FG and J&T Bank Moscow top management, where he was elected a member of the Board of Directors. He graduated from Masaryk University in Brno, Faculty of Law, with a specialisation in law and international trade.

Number of shares held as at 31 October 2012: 0

- **Jan Marian Komornicki** – independent member of the Supervisory Board

Mr Komornicki was elected by the General Meeting as a member of the Supervisory Board in January 2011. From 2003 until 2006 he held the position of Director of Bieszczadzki National Park in Poland. He also worked in the diplomatic services as the ambassador of the Polish Republic to Slovakia from 1997 until 2003. Previously, he was active in politics as a member of the Polish Parliament, Chairman of the Environmental Protection Committee between 1993 and 1997, and as Deputy Vice-Minister at the Ministry of the Environment in Warsaw from 1992 to 1993. His previous work includes the following positions:

- **Regional Municipal Office in Nowy Sacz** – Director of Division (1988-1992)
- **Head Chief of Polish Mountain Rescue Service** (1973-1988)
- **Tatra National Park** – researcher (1968-1973)

Number of shares held as at 31 October 2012: 0

- **Boris Kollár** – member of the Supervisory Board

In April 2011, Mr Kollár was elected by the General Meeting as a member of the Supervisory Board. He has extensive business experience. He is the owner and Executive of Funrádio, a radio station with nation-wide coverage. Additionally, he has extensive experience in the leisure and tourism sectors. He is the owner of Donovaly mountain resort and a former owner of another two mountain resorts in Slovakia.

Number of shares held as at 31 October 2012: 0

- **Roman Kudláček** – member of the Supervisory Board

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

Number of shares held as at 31 October 2012: 2,500

- **Ján Štetka** – member of the Supervisory Board

In June 2012, Mr Štetka was elected as a member of the Supervisory Board by employees of TMR. Since 1998 he has been working for TMR as Cableways Operation Manager. 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 specialisation in mechanical engineering.

Number of shares held as at 31 October 2012: 15

- **Peter Kubeňa** – member of the Supervisory Board

Mr Kubeňa was elected as a member of the Supervisory Board by employees of TMR in June 2012. He presently works at TMR as Facility Management Director in Aquapark Tatralandia; he has held this position since 1998. Previously, he studied gardening and landscaping at the Slovak Agricultural University.

Number of shares held as at 31 October 2012: 0

- **Miroslav Roth** – member of the Supervisory Board

Mr Roth was elected as a member of the Supervisory Board by employees of TMR in June 2012. He works for the Company as an electrical networks specialist. He had previously held this position from 1985 in Tatranské lanové dráhy.

Number of shares held as at 31 October 2012: 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 Tatra 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.

The remuneration paid for the year ending 31 October 2012 totalled EUR 36 thousand.

### Audit Committee

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

**As at 31 October 2012, the Audit Committee comprised two members:**

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

### Remuneration of the Audit Committee

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

The remuneration paid for the year ending 31 October 2012 totalled EUR 0.8 thousand.

### Top Management

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

**As at 31 October 2012, the top management comprised five members:**

#### K 31.10.2012 mal Top manažment piatich členov:

- **Bohuš Hlavatý** – CEO of TMR and Chairman of the Board of Directors  
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 TMR  
For personal data see the description of his position in the Board of Directors.
- **Dušan Slavkovský** – Director of Mountain Resorts and member of the Board of Directors of TMR  
For personal data see the description of his position in the Board of Directors.
- **Michal Krolák** – Director of Hotels and Dining Facilities and member of the Board of Directors of TMR  
For personal data see the description of his position in the Board of Directors.
- **Matej Hulej** – Director for Sports Services and Shops of TMR

Mr Hulej joined the company in 2007, since May 2010 he has held the position of Director for Sports Services and Stores of TMR. In this position he is in charge of the sector of mountain sports services and Tatra Motion brand stores. Under his leadership, the services reached significant year-on-year growth in sales. The results were driven mainly by improved efficiency of workflow, work team incentive schemes and by focus on satisfying clients' needs through ongoing improvement of the quality of services provided. Previously he worked as Sales Director at Flash Web spol. s r.o. and as Product and Stock Manager at Outdoor Bratislava. He graduated from the University of Economics in Bratislava, branch Information Technologies. Additionally, Mr. Hulej is Director of the SAFL civic association; for the last nine years, the association has organised the internationally recognised freeride ski races, one of ten world Freeride World Qualification contests, known as JASNA ADRENALIN.

Number of shares held as at 31 October 2012: 0

### Remuneration of the Top Management

The remuneration of members is approved by the Board of Directors. The remuneration is comprised of two components: a basic salary and an extra bonus derived from the Company's achievements (based on EBITDA).

The remuneration paid for the year ending 31 October 2012 totalled EUR 181 thousand. Thereof extraordinary bonuses amounted to EUR 41 thousand.

Remuneration of TMR management for 2011/12 in €'000	Basic remuneration	Extra bonuses	Total
Board of Directors	159	77	236
Supervisory Board	36	0	36
Top Management	140	41	181
Audit Committee	1	0	1
Total	336	118	454

### 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 registered capital and decisions to issue 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 by employees in accordance with applicable law;
- Approval of annual financial statements, decisions regarding the distribution of profit or settlement of loss;
- Decisions regarding the termination of trading the Company's shares on the stock exchange;
- 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, under existing law and/or under special regulations.

The competence of the General Meeting is defined by Act 513/1991 Coll. of the Commercial Code, as amended, and the Company's Articles. The General Meeting is comprised of all shareholders, members of the Board of Directors, and members of the Supervisory Board present at the session and/or third parties invited by the Company's body (bodies) or shareholders who convened the meeting. Each shareholder is authorised to attend the General Meeting,

vote, ask for information and explanations regarding corporate matters and/or entities controlled by the Company, if relevant to the agenda of the General Meeting, and file proposals. Shareholders can exercise their rights at the General Meeting through authorised representatives who shall prove their authorisation by a written power of attorney defining the scope of the authorisation. Exercise of the shareholders' voting rights is not limited in the Articles. The number of votes held by each shareholder is defined by the proportion between the face value of the shares held by the shareholder and the amount of registered capital.

### Decision-Making Procedure of the General Meeting

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

The Annual General Meeting for the period from 1 November 2011 – 31 October 2012 was held on 21 April 2012. No extraordinary General Meetings were held.

### Annual General Meeting Held on 21 April 2012

At the annual General Meeting held on 21 April 2012, 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 and the Annual Report as at 31 October 2011

3. Approval of the payout of dividends in the amount of EUR 6.438 mil., i.e. EUR 0.96 per share;
4. Determining the date specified for dividend payout as 27 April 2012, with a 60-day maturity
5. Approval of the dual listing of existing TMR shares on the Warsaw Stock Exchange and the Prague Stock Exchange
6. Approval of the engagement of the auditor - KPMG Slovensko spol. s.r.o. to audit the financial statements for the year ending 31 October 2012
7. Election of the new member of the Supervisory Board - Ing. Roman Kudláček.

## SUPERVISORY BOARD REPORT

For the financial period from 1 November 2011 to 31 October 2012, the Company's Supervisory Board carried out the Company monitoring activities; the Supervisory Board comprised of five members until April 2012. In April 2012, the annual General Meeting elected a new member and in June 2012 TMR employees elected another three members. Since July 2012, the Supervisory Board has been comprised of nine members as seen above. In the period from 1 November 2011 to 31 October 2012, the Supervisory Board held four sessions as seen below:

On 22 December 2011, present were five members of the Supervisory Board.

On 16 March 2012, present were five members of the Supervisory Board.

On 17 April 2012, present were five members of the Supervisory Board.

On 7 November 2012, present were seven members of the Supervisory Board.

In the monitored period, the Supervisory Board checked the activities of the Board of Directors and the Company's business activities. 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, approved remuneration rules for members of the Board of Directors and submitted the results of its monitoring activities to the General Meeting.

## CORPORATE GOVERNANCE CODE

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

Governance Code in Slovakia. The Declaration contains complete information on management methods in the Company and information on deviations from the Corporate Governance Code. 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/corporate-governance.html](http://www.tmr.sk/corporate-governance.html).

As for the **Corporate Governance Code for companies in Slovakia**, the Company's corporate governance deviates from this Code in the following items:

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

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

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

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

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

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

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

Partly met. In the scope defined by the valid legal regulations, as part of the discussion regarding the discussed item of the General Meeting's agenda, shareholders have the right to express their opinion either in writing or verbally. This right is unlimited. Nomination and election of members of the Board of Directors is the responsibility of the Supervisory Board.

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

Partly met. The existing deadlines allow responses of both local and foreign shareholders. The Company so far does not allow the use of state-of-the-art technology (e.g. electronic voting) for voting at General Meeting.

- **IV.A.4.** Companies should disclose at least the following basic information:
  - d) key requirements and reasoning for obtaining annual bonuses and benefits in kind:

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

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

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

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

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

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

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

- **IV.A.9.** Internal structure of bodies and strategy in the Company's corporate governance, mainly the contents of

the Corporate Governance Code, and procedure for implementation:

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

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

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

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

Partly met. There is one independent member in the Supervisory Board. The Chairman of the Supervisory Board has a shareholder stake.

- **VE.3.** Information on which members of the Supervisory Board (or its committees) are regarded by the Supervisory Board as independent, including the reasons why, shall be properly and regularly disclosed. This information shall be available also in case of nominations for election of new members:

Partly met. So far, information on the independence of members of the Supervisory Board has not been systematically disclosed, however, they were made available when introducing candidates for approval by the General Meeting.

- **VE.4.A.** Nomination Committee can be comprised of members of the Supervisory Board, and members of the Board of Directors, and/or management, however, most of its members should be independent members of the Supervisory Board. The key role of the Nomination Committee is to give recommendations regarding the election and

removal of members of the Company's bodies and to evaluate the overall structures of the bodies and individual members of the bodies:

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

- **V.E.4.B.** The Remuneration Committee should be comprised exclusively of members of the Supervisory Board, most of which should be independent members of the Supervisory Board. The key role of the Remuneration Committee should include submitting proposals and recommendations regarding rules for all forms of remuneration of members of the Board of Directors and/or other key management of the Company, and supervising that remuneration of individuals is in line with the Company's Remuneration Rules:

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

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

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

As to the **Corporate Governance Code of companies listed on the Warsaw Stock Exchange**, the Company's corporate governance does not accord with the Code in the following issues:

- **Rule I.9:** requires ensuring equal representation of women and men in the Company's senior management and supervisory positions.

Presently, there are no women either in top manage-

ment or in the Supervisory Board. The Audit Committee has only one woman member. However, the Company supports equality of chances for men and women in the Group and for 2011/12 the percentage share of all employees of the Group is in favour of women. The Group does not exclude the possibility that recommendations to appoint women to the Company's bodies and the Company's management would be implemented in the future.

- **Rule II.1.9a):** A company should operate a corporate website and publish on it a record of the General Meeting in audio or video format.

The Company has not so far published a video or audio format of its General Meeting. Instead it published General Meeting minutes. Going forward it will strive to adopt this practice.

- **Rule III.6:** at least two members of the Supervisory Board should be independent.

Presently, there is only one independent member of the Supervisory Board. However, the Company does not exclude the possibility that in the future the number of independent members of the Supervisory Board would increase, depending on the General Meeting's decision.

- **Rule IV.10:** A company should enable its shareholders to participate in a General Meeting using electronic communication means.

The Company so far has not made General Meetings available via real-life broadcast, nor has it enabled shareholders to participate in bilateral communication of the General Meeting from other location than the venue of the General Meeting. However, the Company does not exclude that it will implement this practice going forward.

## OTHER SUPPLEMENTARY DATA

TMR and companies included in consolidation incurred no research and development costs in FY 2010/2011. TMR Group 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 Group 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. 35.

Transferability of securities issued by the Company is not limited.

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.

Contracts with External Advisors and Related Parties  
EBITDA Contracts

An EBITDA contract results from contracts on the purchase of shares in GRANDHOTEL PRAHA a.s. and Interhouse Tatro s.r.o. By acquisition of the companies on 28 December 2009, the Group obtained a guarantee from the sellers that assets in the companies would generate the agreed EBITDA during the following four years. If the agreed EBITDA is not reached, the former owners are bound to cover the difference to reach the agreed EBITDA during the following five years. The pay-ups are intended mainly for the renovation of the assets to which they refer.

## Financial audit

As at 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 individual and consolidated financial statements. KPMG Slovensko spol. s.r.o. has been engaged to perform the audit of the financial statements for FY 2011/12 based on the decision of the General Meeting held on 21 April 2012.

## Advisors

As at 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 and financial advisory services in the dual-listing of TMR shares on the Prague Stock Exchange.

During FY 2011/12, the Company had a contract signed with CC Group Sp. z o.o., seated at Zielna 41/43, 00-108 Warsaw, on the provision of financial advisory services in the dual-listing of TMR shares on the Warsaw Stock Exchange. The contract signed with this company also covered the provision of advisory services with respect to relations with investors; and was agreed to come into effect in case of successful listing on the Warsaw Stock Exchange.

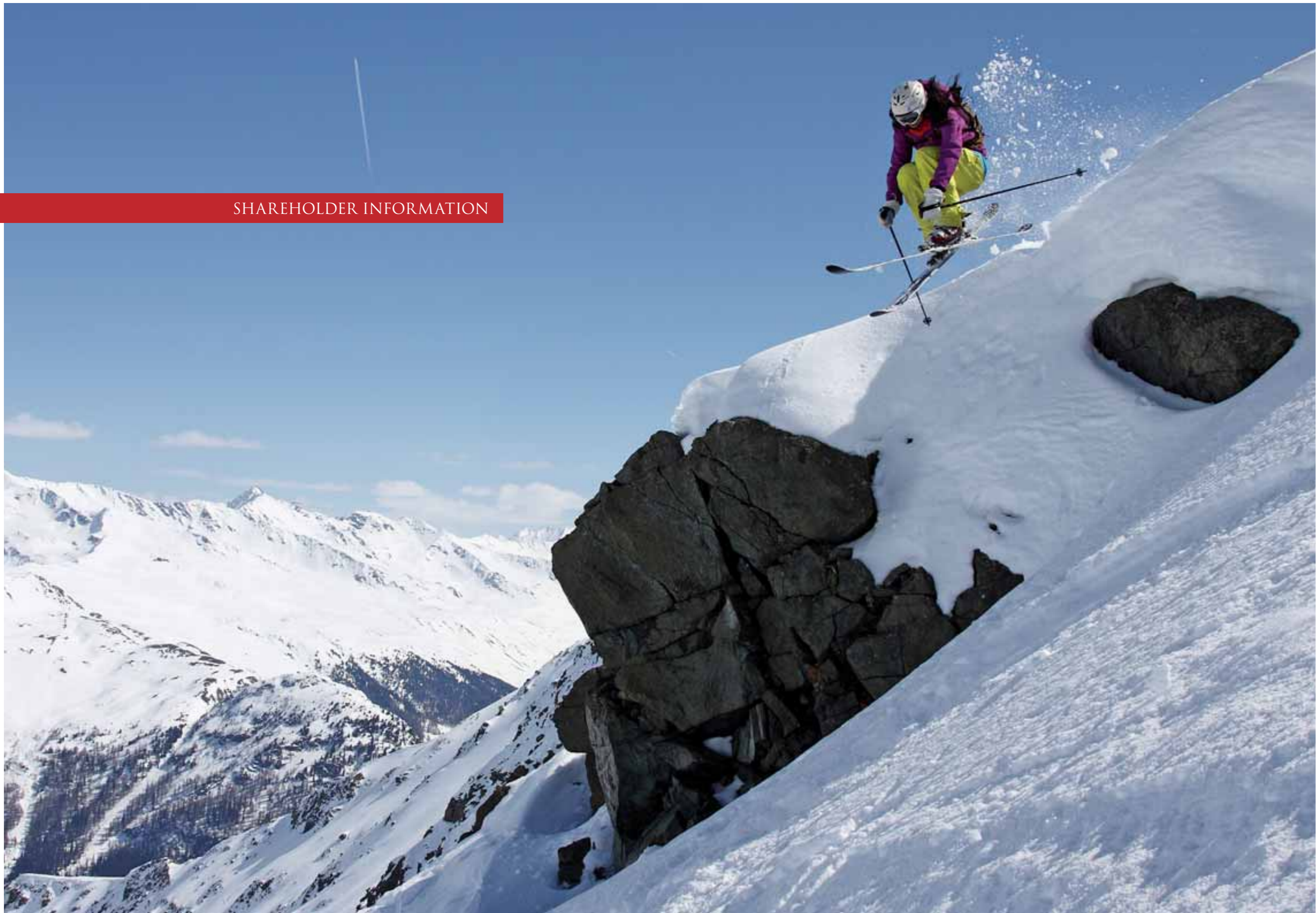
## Proposal on Distribution of Profit

For the year ending 31 October 2012, TMR's net consolidated profit amounted to EUR 10.186 mil. The profit of the parent company amounted to EUR 6.371 mil. Under the existing TMR dividend policy, the Board of Directors proposes the payout of dividends in the amount of 70% of net consolidated profit. Under existing Slovak legal regulations, dividends can be paid only if the company has settled all losses incurred in the prior periods and after all mandatory allocations to funds have been made. Under existing Slovak legal regulations, profit of the parent company is used for the purpose of dividends payout. Based on the above, the Board of Directors proposes the following distribution of profit:

1. The allocation to the Reserve Fund will be 10% of the profit (of the parent company) in the amount of EUR 637 thousand.
2. The dividend will be paid in the amount of EUR 7.110 mil. (EUR 1.06 per share). EUR 5.734 mil. will be paid from the parent company's profit and the remaining portion amounting to EUR 1.375 mil. will be paid from the retained earnings.



SHAREHOLDER INFORMATION



# Shareholder Information

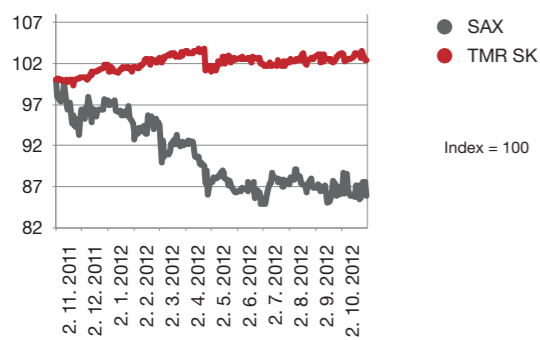
## Shareholders' Club

TMR and individual shareholders joined together in partnership based on trust in order to move successfully forward, create loyalty with special offers in the most successful resorts in Slovakia, and increase the number of registered shareholders. For this reason the Shareholders club was

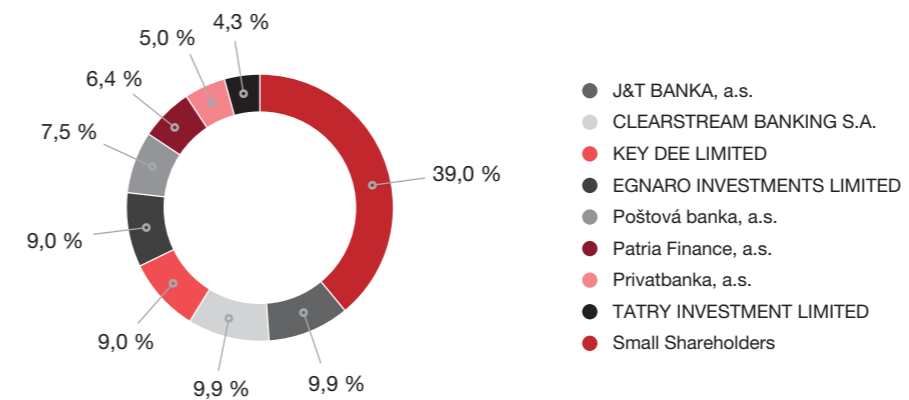
established at the beginning of 2010. Shareholders who own 25 and more shares have the right to benefits that help them to get to know the Group and its activities better through special deals. You can find more information on: [www.tmr.sk/shareholders-club.html](http://www.tmr.sk/shareholders-club.html).

Number of shares	Benefit
25	6 - entries
40	12 - entries
80	25 - entries
130	Season pass
250	2 x season pass
500	VIP Club: 2x year-round pass + VIP Club benefits
750	GOLD VIP Club: 2x year-round pass + GOLD VIP Club benefits

## TMR Stock Performance



Shareholder Structure as of 31/10/2012



31 October 2012	Interest in share capital		Voting rights
	in thousands of EUR	%	%
J & T BANKA, a.s.	21,912	9.9%	9.9%
CLEARSTREAM BANKING S.A.	21,890	9.9%	9.9%
KEY DEE LIMITED	20,031	9.0%	9.0%
EGNARO INVESTMENTS LIMITED	19,876	9.0%	9.0%
Poštová banka, a.s.	16,691	7.5%	7.5%
Patria Finance, a.s.	14,055	6.4%	6.4%
Privatbanka, a.s.	10,956	5.0%	5.0%
TATRY INVESTMENT LIMITED	9,562	4.3%	4.3%
minor shareholders	86,365	39.0%	39.0%
<b>Total</b>	<b>221,338</b>	<b>100%</b>	<b>100%</b>



CONSOLIDATED FINANCIAL STATEMENTS





# Consolidated Financial Statements

Tatry mountain resorts, a.s. and Subsidiary Companies

Consolidated Financial Statements  
for the period 1 November 2011 to 31 October 2012

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

## Consolidated statement of comprehensive income

In thousands of EUR	Note	1.11.2011 – 31.10.2012	1.11.2010 – 31.10.2011
Revenues	6	41 880	36 084
Other operating income	7	1 927	2 674
<b>Total income</b>		<b>43 807</b>	<b>38 758</b>
Consumption of material and goods	8	-6 272	-5 397
Purchased services	9	-12 561	-12 110
Personnel expenses	10	-10 412	-8 764
Other operating expenses	11	-525	-1 020
Gain on disposal of property, plant and equipment and inventories		102	362
Gain on revaluation of investment property	17	-	394
Gain from disposal of subsidiary	5	1	-
Reversal of impairment losses on receivables		-154	-4
<b>Profit before interest, tax, depreciation and amortisation (EBITDA)*</b>		<b>13 986</b>	<b>12 219</b>
Depreciation and amortisation	15,16	-7 763	-8 120
Reversal of impairment/(impairment) of property, plant and equipment	15	-	800
Goodwill impairment	16	-173	-3 300
<b>Profit before interests, tax (EBIT)</b>		<b>6 050</b>	<b>1 599</b>
Interest income	12	3 433	7 556
Interest expense	12	-538	-518
Loss on financial instruments, net	13	1 527	-1 706
Share on loss from associate	18	- 1 418	-1 703
Negative goodwill	3	3 241	8 106
<b>Profit before tax</b>		<b>12 295</b>	<b>13 334</b>
Income tax expense	14	-2 109	-4 307
<b>Profit</b>		<b>10 186</b>	<b>9 027</b>
Attributable to:			
- Equity holders of the parent		10 186	9 027
- Non-controlling interests		-	-

In thousands of EUR	Note	1.11.2011 – 31.10.2012	1.11.2010 – 31.10.2011
<b>Other comprehensive income</b>			
Net change in fair value of financial assets available for sale	14	-17	-15
Revaluation of property, plant and equipment transferred to investment property		-	165
<b>Total comprehensive income</b>		<b>10 169</b>	<b>9 177</b>
Attributable to:			
- Equity holders of the parent		10 169	9 177
- Non-controlling interests		-	-
<b>Earnings per share (in eur)</b>	<b>28</b>	<b>1,519</b>	<b>1,346</b>

\*EBITDA represents Profit before tax, interests, depreciation and amortisation adjusted for other income and expenses, which are listed below EBITDA.

The notes presented on page 96 to page 143 form an integral part of the consolidated financial statements. An analysis of the income statement by segment is provided in Note 4 – Information about segments.

## Consolidated statement of financial position

In thousands of EUR	Note	31.10.2012	31.10.2011
<b>Assets</b>			
Goodwill and other intangible assets	16	3 848	3 805
Property, plant and equipment	15	217 923	171 639
Investment property	17	4 194	4 194
Trade receivables	22	-	1 153
Loans granted	21	10 050	7 674
Other receivables	23	24 529	18 095
Investments in associate	18	3 802	5 179
Deferred tax assets	19	61	2 082
<b>Total non-current assets</b>		<b>264 407</b>	<b>213 821</b>
Inventories	20	1 567	985
Trade receivables	22	3 194	4 046
Loans granted	21	171	236
Other receivables	23	32 037	70 225
Financial investments	25	13 207	17 337
Cash and cash equivalents	26	3 113	6 391
Other assets	24	2 216	1 626
Assets held for sale	27	-	458
<b>Total current assets</b>		<b>55 505</b>	<b>101 304</b>
<b>Total assets</b>		<b>319 912</b>	<b>315 125</b>
<b>Equity</b>			
Equity	28		
Share capital		221 338	221 338
Share premium		30 430	30 430
Retained earning and other funds		24 648	20 918
<b>Total equity attributable to equity holders of the parent</b>		<b>276 416</b>	<b>272 686</b>
Non-controlling interests		-	-
<b>Total equity</b>		<b>276 416</b>	<b>272 686</b>
<b>Liabilities</b>			
Loans and borrowings	29	12 890	15 410
Trade payables	30	-	13
Provisions	31	20	20
Other non-current liabilities	32	104	8
Deferred tax liabilities	19	13 049	13 962
<b>Total non-current liabilities</b>		<b>26 063</b>	<b>29 413</b>

The preparation of financial statements in accordance with International Financial Reporting Standards as adopted

Loans and borrowings	29	3 263	3 661
Trade payables	30	10 985	4 915
Provisions	31	101	101
Current income tax		-	1 121
Other current liabilities	32	3 084	3 228
<b>Total current liabilities</b>		<b>17 433</b>	<b>13 026</b>
<b>Total liabilities</b>		<b>43 496</b>	<b>42 439</b>
<b>Total equity and liabilities</b>		<b>319 912</b>	<b>315 125</b>

The notes presented on page 96 to page 146 form an integral part of the consolidated financial statements.

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Consolidated statement of changes in equity

In thousands of EUR	Share capital	Share premium	Legal reserve fund	Revaluation reserve	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total
Balance at 1 November 2010	221 338	30 430	1 436	-14	15 819	269 009	-	269 009
Total comprehensive income for the period								
Profit for the period	-	-	-	-	9 027	9 027	-	9 027
Other comprehensive income								
Net change in fair value of financial assets available for sale	-	-	-	-15	-	-15	-	-15
Revaluation of property, plant and equipment transferred to investment property	-	-	-	165	-	165	-	165
Total other comprehensive income	-	-	-	150	-	150	-	150
Total comprehensive income for the period	-	-	-	150	9 027	9 177	-	9 177
Transactions with owners, recorded directly in equity								
Transfer to legal reserve fund	-	-	965	-	-965	-	-	-
Dividends	-	-	-	-	-5 500	-5 500	-	-5 500
Total transactions with owners	-	-	965	-	-6 465	-5 500	-	-5 500
Balance at 31 October 2011	221 338	30 430	2 401	136	18 381	272 686	-	272 686

Consolidated statement of changes in equity (continued)

In thousands of EUR	Share capital	Share premium	Legal reserve fund	Revaluation reserve	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total
Balance at 1 November 2011	221 338	30 430	2 401	136	18 381	272 686	-	272 686
Total comprehensive income for the period								
Profit for the period	-	-	-	-	10 186	10 186	-	10 186
Other comprehensive income								
Net change in fair value of financial assets available for sale	-	-	-	-17	-	-17	-	-17
Total other comprehensive income	-	-	-	-17	-	-17	-	-17
Total comprehensive income for the period	-	-	-	-17	10 186	10 169	-	10 169
Transactions with owners, recorded directly in equity								
Transfer to legal reserve fund	-	-	886	-	-886	-	-	-
Dividends	-	-	-	-	-6 439	-6 439	-	-6 439
Total transactions with owners	-	-	886	-	-7 325	-6 439	-	-6 439
Balance at 31 October 2012	221 338	30 430	3 287	119	21 242	276 416	-	276 416

The notes presented on page 8 to page xx form an integral part of the consolidated financial statements.



## Consolidated cash flow statement

In thousands of EUR	Note	1.11.2011 – 31.10.2012	1.11.2010 – 31.10.2011
<b>OPERATING ACTIVITIES</b>			
Profit		10 186	9 027
Adjustments for:			
Gain on disposal of property, plant and equipment and intangible assets		-108	-326
Depreciation and amortisation	15,16	7 763	8 120
Impairment losses (reversal of impairment losses) on receivables		154	4
Goodwill impairment	16	173	3 300
Reversal of impairment losses of property, plant and equipment	15	-	-800
Gain on revaluation of investment property	17	-	-394
Share on loss from associate	18	1 418	1 703
(Gain)/loss on financial instrument, net	13	-1 527	1 706
Gain from disposal of subsidiary	5	-1	-
Interest income, net	12	-2 895	-7 038
Negative goodwill	5	-3 241	-8 106
Change in provisions		-	-209
Tax	14	2 109	4 307
Change in trade receivables, other receivables and other assets		673	1 121
Change in inventories		-582	-309
Change in trade liabilities and other liabilities		-1 090	2 187
Cash flows from operating activities before income taxes		13 032	14 293
Income taxes paid		-2 358	-58
<b>Cash flows from operating activities</b>		<b>10 674</b>	<b>14 235</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment and intangible assets	15, 16	-47 869	-27 174
Acquisition of property, plant and equipment through finance lease		-338	-
Proceeds from the sale of property, plant and equipment and intangible assets		432	1 078
Acquisition of business combination, net of cash acquired		-243	-10 200
Proceeds from disposal of subsidiary	5	1	-
Advances provided		-	-19 251
<b>Purchase of financial investments</b>		<b>-1 961</b>	<b>-16 860</b>

Proceeds from the sale of financial investments	6 856	-
Interest received	1	4 329
Dividends received	300	317
<b>Cash flows from/(used in) investing activities</b>	<b>-42 821</b>	<b>-67 761</b>

<b>FINANCING ACTIVITIES</b>		
Cash inflows from repayments of bills of exchange	40 642	94 690
New bills of exchange	-	-78 038
Loans granted	-1 965	-31 895
Cash inflows from repayments of loans granted	84	75 488
Payments of finance lease	-212	-830
Repayments of loans and borrowings	-2 707	-2 254
Cash inflows from loans and borrowings	-	6 000
Interest paid	-534	-518
Dividends paid	-6 439	-5 495
<b>Cash flows from financing activities</b>	<b>28 869</b>	<b>57 148</b>
Net increase/decrease in cash and cash equivalents	-3 278	3 622
Cash and cash equivalents at beginning of the period	6 391	2 769
Effect of exchange rate fluctuations on cash and cash equivalents	-	-
Cash and cash equivalents at end of the period	3 113	6 391

The notes presented on page 96 to page 146 form an integral part of the consolidated financial statements.

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## 1. Corporate information

Tatry mountain resorts, a.s. (the "Parent Company" or "the Company") is a joint-stock company having its legal seat and domicile at Demänovská Dolina 72, Liptovský Mikuláš 031 01. The Company was founded on 20 March 1992 and incorporated into the commercial register on 1 April 1992. Identification number of the Company is 31 560 636 and tax identification number of the Company is 2020428036.

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

The Company's shares are registered on the Bratislava Stock Exchange from 19 November 1993, from 15 October 2012 on the Warsaw Stock Exchange (WSE) and from 22 October 2012 on the Stock Exchange in Prague (BCCP).

In 2009 the company decided to change its accounting period from the calendar year to a fiscal year from 1 November to 31 October. This change was done to make the accounting period more realistic, as the Company's operations are subject to seasonal variations.

The shareholders of the Company as at 31 October 2012 and 31 December 2011 were as follows:

31 October 2012	Interest in share capital		Voting rights
	in thousands of EUR	%	%
J & T BANKA, a.s.	21,912	9.9%	9.9%
CLEARSTREAM BANKING S.A.	21,890	9.9%	9.9%
KEY DEE LIMITED	20,031	9.0%	9.0%
EGNARO INVESTMENTS LIMITED	19,876	9.0%	9.0%
Poštová banka, a.s.	16,691	7.5%	7.5%
Patria Finance, a.s.	14,055	6.4%	6.4%
Privatbanka, a.s.	10,956	5.0%	5.0%
TATRY INVESTMENT LIMITED	9,562	4.3%	4.3%
minor shareholders	86,365	39.0%	39.0%
<b>Total</b>	<b>221,338</b>	<b>100%</b>	<b>100%</b>

31 October 2011	Interest in share capital		Voting rights
	in thousands of EUR	%	%
Poštová banka, a.s.	38,603	17.4%	17.4%
J & T BANKA, a.s.	29,785	13.5%	13.5%
CLEARSTREAM BANKING S.A.	21,711	9.8%	9.8%
TLD, s. r. o.	16,279	7.4%	7.4%
Patria Finance, a.s.	14,923	6.7%	6.7%
TATRY INVESTMENT LIMITED	14,774	6.7%	6.7%
minor shareholders	85,263	38.5%	38.5%
<b>Total</b>	<b>221,338</b>	<b>100%</b>	<b>100%</b>

The consolidated financial statements of the Company as at and for the period ended 31 October 2012 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates entities.

The main activities of the Group are cableways and ski lift operations, restaurant and dining services, the operation of ski and snowboard schools and hotel management. Since 29 March

2011, the Group has operated Aquapark Tatralandia and has thereby expanded its portfolio of services rendered.

The average number of Group employees during the period from 1 November 2011 to 31 October 2012 was 1,232, out of which management represents 24 (from 1 November 2010 to 31 October 2011: 1,055, out of which management: 24).

## The Company's bodies are:

### Board of Directors:

**Ing. Bohuš Hlavatý**, Chairman (since 29.6.2009)  
**Ing. Branislav Gábriš**, Vice-Chairman (since 18.2.2011)  
**Ing. Andrej Devečka**, Member (from 14.12.2006 until 14.12.2011, since 22.12.2011)  
**Ing. Jozef Hodek**, Member (since 29.6.2009)  
**Ing. Dušan Slavkovský**, Member (since 1.5.2010)  
**Ing. Michal Krolák**, Member (since 18.2.2011)

### Supervisory Board:

**Ing. Igor Rattaj** (since 29.6.2009)  
**Ing. František Hodorovský** (since 18.1.2011)  
**Jiří Uvíra** (since 18.1.2011)  
**Jan Marian Komornicki** (since 18.1.2011)  
**Boris Kollár** (since 30.4.2011)  
**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)

## 2. Significant accounting policies

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and in accordance with so zákonem NR SR č. 431/2002 Z. z. o účtovníctve. The consolidated financial statements are prepared for the period of 1 November 2011 to 31 October 2012.

The financial statements were approved by the Board of Directors on 25 February 2013.

### (b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, with the exception of investment property, available-for-sale financial assets and financial assets at fair value through profit or loss, which are measured at fair value.

The consolidated financial statements of the Group have been prepared on a going-concern basis.

The consolidated financial statements are presented in thousands of Euro ("EUR"). The accounting policies have been consistently applied by the Group enterprises and are consistent with those used in the previous year.

Financial statements prepared in compliance with International Financial Reporting Standards as adopted by the EU require various judgements, assumptions and estimates to be exercised that affect the reported amounts of assets, liabilities, income and expenses. Actual results will likely differ from these estimates. Critical accounting estimates and

judgements made by management with a significant risk of material adjustment in the next year 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 recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

**The following International Financial Reporting standards, amendments to standards and interpretations adopted by the EU are effective for the accounting period starting 1 November 2011, and have been applied in preparing the Group's consolidated financial statements:**

The application of standards set out below did not have a significant impact on the financial statements of the Group.

Amendments to **IAS 24 Related Party Disclosures** effective for annual reports beginning on or after 1 January 2011, modifies the definition of a related party and simplifies related party disclosures for government-related entities.

Amendments to **IFRIC 14 IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction**, effective for annual reports beginning on or after 1 January 2011, earlier adoption possible remove unintentional consequences of the original IFRIC 14. Without the amendment, in some circumstances entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not

intended when IFRIC 14 was issued, and the amendments correct the problem. Amendments must be applied retrospectively to the earliest comparative period presented.

Amendments to **IFRS 7 Financial Instruments: Disclosure**, effective for annual reports beginning on or after 1 January 2011. The amendments encourage qualitative disclosures in the context of the quantitative disclosure that is required to help users to form an overall picture of the nature and extent of risks arising from financial instruments.

Amendments to **IFRS 7 Financial Instruments: Disclosure**, effective for annual reports beginning on or after 1 July 2011. The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for: financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

Amendments to **IAS 1 Presentation of Financial Statements**, effective for annual reports beginning on or after 1 January 2011, clarifies that an entity may present the analysis of other comprehensive income by item either in the statement of changes in equity or in the notes to the financial statements. The Group presents it in the statement of changes in equity.

Amendments to **IFRIC 13 Customer Loyalty Programmes** effective for annual reports beginning on or after 1 January 2011. The amendments clarify that the fair value of award credits should take into account the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale and any expected forfeitures.

### Issued but not yet effective International Financial Reporting Standards

A number of new standards, amendments to standards and interpretations adopted by EU are not yet effective for the period ended 31 October 2012, and have not been applied in preparing these financial statements.

Amendments to **IAS 1 Presentation of Financial Statements**, effective for annual reports beginning on or after 1 July 2012 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allo-

cated on the same basis. This amendment is not expected to have a significant impact of the Group's financial statements.

Amendments to **IAS 19 Employee Benefits**, effective for annual reports beginning on or after 1 January 2013 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. These amendments are not expected to have any effect on the financial situation and performance of the Group.

### Other International Financial Reporting Standards

The Group has not early adopted any other IFRS standards adopted by EU where adoption is not mandatory at the balance sheet date. Where transition provisions in adopted IFRS give an entity the choice of whether to apply new standards prospectively or retrospectively, the Group elects to apply the Standards prospectively from the date of transition

### (c) Basis of consolidation

#### I. Subsidiaries

Subsidiaries are those enterprises controlled by the Company. 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 Group controls another entity. The consolidated financial statements include the Group's interests in other entities based on the Group's ability to control such entities regardless of whether control is actually exercised or not. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### II. Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an



equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. Investment in associate is recognised initially at cost. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has incurred obligations in respect of the associate.

### III. Consolidation scope

There are 5 companies included in the consolidation as at 31 October 2012 (as at 31 October 2011 were included 4 companies). All consolidated companies prepared their annual financial statements at 31 October 2012. The companies are listed in Note 40 – Group entities.

### IV. Transactions eliminated on consolidation

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

### V. Acquisition method of accounting

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

Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets and liabilities that meet the recognition criteria under IFRS3 are recognised at their fair value at the acquisition date.

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

### VI. Unification of accounting principles

The accounting principles and procedures applied by the consolidated companies in their financial statements were unified in the consolidation, and agree with the principles applied by the Parent Company.

## (d) Foreign currency

### Foreign currency transactions

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in thousands of Euro, which is the Group's functional and presentation currency. Transactions in foreign currencies are translated into Euro at the foreign exchange rate ruling at the date for the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Euro at the balance sheet date at the exchange rate of the European Central Bank ruling at that day.

Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Euro using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Euro at the foreign exchange rates ruling at the dates the fair values are determined.

## (e) Financial instruments

### I. Classification

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

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

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

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

### II. Recognition

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

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

Financial liabilities are recognised by the Group on the trade date.

### 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 financial assets which are measured at fair value. After initial recognition, financial liabilities are measured at amortised cost. In measuring amortised cost, any difference between cost and redemption value is recognised in the income statement over the period of the asset or liability on an effective interest rate basis.

### IV. Fair value measurement principles

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

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

### V. Gain and losses on subsequent measurement

Gains and losses arising from a change in fair value are recognised in the income statement for financial instruments at fair value through profit or loss and directly in shareholder's equity for available-for-sale financial assets. Changes in the fair value of available-for-sale financial assets are derecognised from other comprehensive income through profit or loss at the moment of sale.

### VI. Derecognition

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when the Group's obligations specified in the contract expire or are discharged or cancelled.

Available-for-sale financial assets that are sold are derecognised and the corresponding receivables from the buyer for the payment are recognised as of the date the Group commits to sell the assets.

Loans and advances to customers are derecognised on the day they are paid by the Group.

## (f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances 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 to known amounts of cash.

## (g) Inventories

Inventories are measured at the lower of cost 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 inventory are stated 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.

## (h) Offsetting

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

## (i) Impairment

The carrying amounts of the Group's assets, other than inventories (refer to accounting policy g), investment properties (refer to accounting policy l), financial assets at fair value through profit or loss (refer to accounting policy e), available-for-sale financial assets (refer to accounting policy e) and deferred tax assets (refer to accounting policy p) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. 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 the income statement.

Loans granted are presented net of impairment losses. Impairment losses for impairment are determined based on the credit standing and performance of the borrower and take into account the value of any collateral or third-party guarantee.

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). Receivables with a short duration are not discounted.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the income statement. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in the income statement, then the impairment loss is reversed or decreased, with the amount of the reversal recognised in the profit or loss.

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

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

An impairment loss in respect of goodwill is not reversed.

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

An impairment loss is reversed or decreased only 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

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer to accounting policy 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 on which they are located.

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items (major components) of property, plant and equipment.

### II. Leased assets

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Leased assets are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy i).

### III. Subsequent expenditure

Subsequent expenditure is capitalised if it is probable that the future economic benefits embodied in the part of property, plant and equipment will flow to the Group and its cost can be measured reliably. All other expenditures including the costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as an expense as incurred.

### IV. Depreciation

Except as specified below, depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of 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	20 - 30 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 at the reporting date. For some items of property, plant and equipment (cableways,

snow machines) is used progressive depreciation as more wear and tear occurs in the last years of the useful lives.

Each part of an item of property, plant and equipment (component) with a cost that is significant in relation to the total cost of the 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 as part of the cost of the asset by the Group.

## (k) Intangible assets

### I. Goodwill and intangible assets acquired in a business combination

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill on acquisition of subsidiaries is included under intangible assets. Goodwill on acquisition of associates and joint ventures is included in the carrying amount of investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Negative goodwill arising on an acquisition is reassessed an any excess remaining after the reassessment is recognised in the income statement.

Intangible assets acquired in a business combination are recorded at fair value on the acquisition date if the intangible asset is separable or arises from contractual or other legal rights. Intangible assets with an indefinite useful life are not subject to amortisation and are recorded at cost less accumulated amortisation and impairment. Intangible assets with a definite useful life are amortized over the useful life and are stated at costs less accumulated amortisation (see below) and impairment losses (refer to accounting policy i).

### II. Software and other intangible assets

Software and other intangible assets acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (refer to accounting policy i). Useful life of these assets is reassessed regularly.

### III. Amortisation

Amortisation is charged to the income statement 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 individual plan of depreciation, valuable rights also include trademarks, which represent non-depreciated assets. The Group uses for valuable rights useful lives 6, 7, 8, 12 and 50 years

## (l) Investment property

Investment properties represent assets that are held to generate rental income or to realise a long-term increase in value, or for both of those purposes.

Investment property is stated at fair value, as determined by an independent registered valuer or by management. Fair value is assessed based on current prices in an active market for similar properties in the same location and condition, or where not available, by applying generally applicable valuation methodologies such as expert opinions and yield methods. Any gain or loss arising from a change in fair value is recognised in the income statement.

Assets that are constructed or developed to its future use as investment property are measured at fair value if the fair value is considered to be reliably determinable.

Details on the valuation of investment property is specified in 3(b) - Critical accounting estimates and assumptions, Valuation of investment property.

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

## (m) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive 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.

### I. Long-term employee benefits

Liability of the Group resulting from long-term employee benefits other than pension plans represents the estimated amount of future benefits that employees have earned in return for their service in the current and prior

periods. The liability is calculated using the projected unit credit, discounted to its present value. A discount rate used to calculate the present value of liability is derived from the yield curve of high-quality bonds with maturities close to the conditions of the Group's liabilities as of 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 expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive 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 the income statement as it accrues. Expenses on loans and borrowings are recognised in the income statement, with the exception of capitalised borrowing costs, refer to accounting policy (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 year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities, that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. No temporary differences are recognised on the initial recognition of goodwill. The amount of deferred tax

provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

Income tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity, respectively.

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (q) Operating and finance lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Minimum lease payments for finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### (r) Trade and other payables

Trade and other payables are stated at amortised cost.

#### (s) Revenues from services rendered

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

- Revenues from cableways and ski lifts (thereinafter called also Mountain resorts)
- Revenues from aqua park
- Revenues from sport services and shops
- Revenues from hotel services (thereinafter called also Hotels)
- Revenues from restaurant facilities
- Revenues from real estate projects

Revenues are accrued depending upon in which period the services were rendered, excluding revenues from aqua park, hotels services and restaurant facilities, which are re-

cognised in the income statement after the service has been rendered. Revenues from services rendered do not include value added tax. They are also net of discounts and rebates (bonuses, credits, etc.).

#### (t) Dividends

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

#### (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) are remeasured in accordance with the International Financial Reporting Standards as adopted by the EU. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group first is allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and investment property, which continue to be measured in accordance with the Group's accounting policies.

Impairment losses on initial classification as held for sale are recognised in the income statement 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) Operating segments

Operating segments are parts of the Company that are able to generate income and expenses with available financial information, which are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The management monitors 7 main segments, i.e. the cableways, aqua park, hotel services, restaurant facilities, sports services and shops, real estate projects and others.

#### (w) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in Note 33 – Fair value information:

##### I. Loans granted

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

##### II. Loans and borrowings

For loans and borrowings with no defined maturities, fair value is taken to be the amount payable on demand at the date of preparation of the consolidated financial statements. 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 notional amount is deemed to reflect the fair value. Other receivables/payables are discounted to determine the fair value.



### 3. Critical accounting estimates and assumptions

by the EU requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### (a) Business combinations and purchase price allocations

The acquiree's identifiable assets, liabilities and contingent liabilities are recognised and measured at their fair values at the acquisition date. Allocation of the total purchase price among the net assets acquired for financial statement reporting purposes is performed with the support of professional advisors.

The valuation analysis is based on historical and prospective information available as of the date of the business combination. Any prospective information that may impact the fair value of the acquired assets is based on management's expectations of the competitive and economic environments that will prevail in the future.

The results of the valuation analyses are used as well for determining the amortisation and depreciation periods of the values allocated to specific intangible and tangible fixed assets.

A fair value adjustments resulting from business combination carried out at 23 October 2012 (purchase of cableway on Lomnické sedlo) were presented in the consolidated financial statements as of 31 October 2012. Structures (cableway) were revaluated. The purchase price of all assets was EUR 243 thousand and the fair value after revaluation was EUR 3,484 thousand. The result of this business combination was negative goodwill of EUR 3,241 thousand. Acquisition of cableway was executed as a purchase of property not the whole company or its part. Since it meets the criteria of the business combination it was thus assessed by the management.

A fair value adjustments resulting from business combination carried out at 29 March 2011 (purchase of Aquapark Tatralandia) were presented in the consolidated financial statements as of 31 October 2011. Buildings and structures, the geothermal borehole, water slides, movables and the business name were revaluated. The purchase price of all assets was EUR 30,500 thousand and the fair value after revaluation was EUR 38,606 thousand. The result of this business combination was negative goodwill of EUR 8,106 thousand. Negative goodwill was created by the upward revaluation of all tangible assets (buildings and structures, geothermal borehole, water slides, movables), which were valued at replacement cost and by the upward revaluation of the business name using the method known as Relief-from-Royalty, taking into consideration the projected future income of Aquapark Tatralandia.

Fair value adjustments resulting from business combinations in the accounting period from 1 November 2011 to 31 October 2012 are listed below:

In thousands of EUR	Property, plant and equipment	Deferred tax asset / (liability)	Total net balance sheet effect
<b>Purchased property</b>			
cableway on Lomnické sedlo	3,241	616	2,625

Fair value adjustments resulting from business combinations in the accounting period from 1 November 2010 to 31 October 2011 are listed below:

In thousands of EUR	Property, plant and equipment	Intangible assets	Deferred tax asset / (liability)	Total net balance sheet effect
<b>Purchased property</b>				
Aquapark Tatralandia	5,791	2,315	(1,540)	6,566

#### (b) Valuation of investment property

Investment property is carried at fair value. Fair values of investment property are determined either by independent valuers or by management (refer to Significant accounting policies, point I), in both cases based on current market values and conditions. Market value is the estimated amount for which a property could be exchanged on valuation date between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing, wherein the parties each act knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared considering the estimated net cash flows expected to be received from renting out the property and a capitalisation yield that reflects the specific risks inherent in the market and in those cash flows. Valuations reflect, where appropriate, the type of tenants in occupation or responsible for meeting lease commitments, or likely to be in occupation after letting vacant property, the general market's perception of tenants' creditworthiness, the allocation of maintenance and insurance responsibilities between the Group and lessees, and the remaining economic life of the properties.

Investment property represent three hotels (Ski, Liptov and Kosodrevina) in the carrying amount of EUR 1,874 thousand, which are leased to third parties and they operate them as well as forest areas and lands acquired by acquisition in 2009 in the carrying amount of EUR 2,320 thousand. The value of hotels was determined by estimate of the management in the manner stated above. The value of lands was determined by the management using market prices, with the final value being based on the estimated market price per square metre depending on the type of land and market transactions for lands of similar character.

If the fair value, of that part of investment property which was based on the management's estimates, differs from the management's estimates by 10 %, the carrying amount of investment property would be higher or lower by EUR 419 thousand compared to the amount reported as of 31 October 2012 (as of 31 October 2011: EUR 419 thousand).

As at 31 October 2012 the management of the Group reviewed the value of investment property, based on the current market conditions, and concluded that no significant change has occurred compared to previous accounting period.

#### (c) Goodwill and impairment testing

As at the balance sheet date, the Group considers the potential impairment of goodwill. If no indicator for potential impairment is detected, the Group, in accordance with IAS 36, tests the goodwill recognised in the business combination during the current accounting period and the goodwill reported in prior accounting periods for potential impairment on an annual basis as at 31 October, i.e., as at the date of the annual consolidated financial statements.

On the date of acquisition, the acquired goodwill is assigned to the relevant cash-generating units (CGU), which are expected to benefit from the synergic effects resulting from the business combinations.

In the accounting period from 1 November 2009 to 31 October 2010, the goodwill resulted from the acquisition of GRANDHOTEL PRAHA a.s. (the company operating Grandhotel in Tatranska Lomnica) in the amount of EUR 3,473 thousand and from the acquisition of a 50% share in Interhouse Tatro s.r.o. (the company operating Grandhotel Starý Smokovec) in the amount of EUR 1,108 thousand.

As at 31 October 2012 the goodwill was tested for impairment. The results of the test indicated impairment of the goodwill and, consequently, the goodwill in GRANDHOTEL PRAHA a.s., in the amount of EUR 173 thousand was written off and the resulting goodwill is zero.

As at 31 October 2011, the goodwill was tested for impairment. The results of the test indicated impairment of the goodwill and, consequently, the goodwill in GRANDHOTEL PRAHA a.s. and the goodwill in Interhouse Tatro s.r.o. were written off in the amount of EUR 3,300 thousand and EUR 1,108 thousand, respectively.

The impairment is determined based on assessment of the recoverable amount for the CGU relevant to the goodwill, using the value-in-use principle. This value is derived from future cash flows estimated by the management. The discount rate used for estimating the fair value was 9.2% (net of the income tax).

The fair value was derived from the business plan prepared by the management. The key assumptions, which were also the most sensitive indicators for determining the recoverable amount, were the estimated sales assessed by the management, profitability and cost of capital, which were used as a discount factor for future net cash flows. The estimated sales and profitability are based on changes in target customer groups, stronger marketing and improved quality of provided services.

Cash flow projections used for determining the fair value cover a mid-term period of 5 years with further extrapolation for the following period. Such normalised cash flow then serves as the basis for the calculation of the terminal value with the assumption of 2.2% annual growth in cash flows. The discount rates used in the cash flow projection were calculated as the weighted average cost of capital.

#### (d) Asset impairment testing

As at the reporting date, the Group considers potential impairment of the Group's assets. IAS 36 requires testing assets for impairment if there are any internal or external indicators of potential impairment of assets.

The assessment as at 31 October 2012 revealed certain indications of impairment of the Group's assets and therefore the assets were tested for impairment. Subject to the test were three separate basic cash-generating units: Vysoké Tatry resort, JASNÁ Nízke Tatry resort and Aquapark Tatralandia. The testing of each unit includes all assets in the resort, i.e. Hotels, Restaurant Facilities and Sport Services and Shops. The test resulted in the recognition of a loss from a decrease of the carrying amount of Grandhotel Starý Smokovec by EUR 1,659 thousand. The key reason for the loss was the lower performance of the hotel compared to plans used for its valuation. The Group's share in the loss is recognised under Investments in Associates.

The testing as at 31 October 2011 resulted in the recognition of a loss in the amount of EUR 642 thousand owing to a decrease in the carrying amount of Grandhotel Starý Smokovec, and, on the contrary, the results for Hotel GRAND JASNÁ and Hotel Tri Studničky revealed that a part of the impairment losses created for the assets in the previous accounting periods were unjustified and were released in revenues. The reversal of the impairment loss for Hotel GRAND JASNÁ and Hotel Tri Studničky amounted to EUR 100 thousand and EUR 700 thousand, respectively.

The Group performs 6 core activities: operation of ski resorts, Aquapark, restaurant services, sport services and shops, accommodation services and real-estate projects in three locations: Jasná (Low Tatras), High Tatras and in Liptovský Mikuláš. Each location was assessed by the management as a separate cash-generating unit (CGU). The Group monitors their performance and prepared separate budgets for all cash-generating units. The Group's assets were assigned to relevant cash-generating units under the substance principle.

Potential impairment is determined by comparing the recoverable amount and the carrying amount of the cash-generating unit. The recoverable amount was determined based on the value-in-use. The fair value was derived from the value of future cash flows discounted to present value. The discount rate used for the asset impairment testing was 9.2% (net of income tax). The discount rate was calculated using the weighted average cost of capital.

Fair value of each cash-generating unit has been determined based on projected cash flows resulting from a long-term financial plan prepared by the management. The financial plans were prepared for the period of the following five years. Projected cash flows for the period following after the five years were derived from the aforementioned financial plans. In that following period, the Company is expected to reach such operating and financial performance which is regarded by the management as sustainable. Such normalised cash flow served as the basis for calculation of the terminal value with the assumption of 2.2% annual growth of cash flows.

Besides the discount rate, further key assumptions having a large impact on fair value are mostly planned prices and the visit rates. Most assumptions are based on past experience, except for facts anticipated in relation to new investments (such as the carrying capacity of new cableways). When estimating future prices, the management also considered prices of comparable resorts, hotels and water parks in other countries, taking into account the differences in the client target group.

If, as at 31 October 2012, the projected EBITDA, which is a part of the projected cash flows, was lower by 5% compared to the management's estimate, the value-in-use for Grandhotel Starý Smokovec would have been lower by EUR 302 thousand. If, as at 31 October 2012, the projected EBITDA, which is a part of the projected cash flows, was lower by 5% compared to the management's estimate, the value-in-use of the independent cash-generating unit in Jasná (Low Tatras) would have been lower by EUR 6,335 thousand; for High Tatras location the value-in-use would drop by EUR 3,646 thousand and for Liptovský Mikuláš (Tatralandia) the value-in-use would drop by EUR 3,217 thousand. In that case the consolidated impairment loss would increase by EUR 13,198 thousand.

If, as at 31 October 2011, the projected EBITDA, which is a part of the projected cash flows, was lower by 5% compared to the management's estimate, the value-in-use for Grandhotel Praha Tatranská Lomnica, Hotel GRAND JASNÁ, Hotel Tri Studničky, Grandhotel Starý Smokovec, Ski Resort

Jasná and Ski Resort High Tatras would have been lower by EUR 1,304 thousand, EUR 1,472 thousand, EUR 346 thousand, EUR 828 thousand, EUR 4,152 thousand and EUR 3,149 thousand, respectively. In that case the consolidated impairment loss would increase by EUR 6,946 thousand.

#### (e) Financial instruments

The fair value of financial investments is determined based on:

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities

**Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices of similar instruments) or indirectly (i.e. derived from such prices)

**Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the market for a financial instrument is not active, fair value is estimated by using valuation techniques. In applying valuation techniques, management uses estimates and assumptions that are consistent with available information about estimates and assumptions that market participants would use in setting a price for the financial instrument.

In thousands of EUR	31.10.2012				31.10.2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial investments								
Available for sale	53	-	-	53	70	-	-	70
At fair value through profit or loss	13,121	-	-	13,121	17,242	-	-	17,242

On 17 March 2010 the Group acquired 3,850 shares of Compagnie des Alpes (SA). Their value as of 31 October 2012 represents of EUR 53 thousand (31 October 2011: EUR 70 thousand).

As at 31 October 2012 the Group owned 1,111,004 shares of Best Hotel Properties a.s., their value as of 31 October 2012 is EUR 13,121 thousand (31 October 2011: 1,525,839 shares with value EUR 17,242 thousand).

#### 4. Information about operating segments

Information about operating segments – Consolidation statement of comprehensive income

In thousands of EUR	Mountain Resorts		Aquapark		Hotels		Dining						Total			
	31.10.2012	31.10.2011	31.10.2012	31.10.2011	31.10.2012	31.10.2011	31.10.2012	31.10.2011	31.10.2012	31.10.2011	31.10.2012	31.10.2011	31.10.2012	31.10.2011		
	12 m	12 m	12 m	7 m	12 m	12 m	12 m						12 m	12 m		
Revenues	18,279	17,408	7,015	5,536	10,189	8,573	4,211	3,165	1,897	1,283	289	119	-	-	41,880	36,084
Other operating income	321	920	12	63	1,493	1,491	88	187	13	13	-	-	-	-	1,927	2,674
Consumption of material and goods	(1,149)	(1,309)	(474)	(401)	(2,485)	(2,205)	(1,504)	(1,090)	(659)	(386)	(1)	(6)	-	-	(6,272)	(5,397)
Purchased services	(7,051)	(8,022)	(1,670)	(1,144)	(3,063)	(2,241)	(481)	(407)	(287)	(225)	(9)	(71)	-	-	(12,561)	(12,110)
Personnel expenses	(3,885)	(3,492)	(1,680)	(1,007)	(2,943)	(2,829)	(1,291)	(995)	(613)	(441)	-	-	-	-	(10,412)	(8,764)
Other operating expenses	(236)	(490)	(35)	(122)	(24)	(299)	(28)	(46)	(18)	(27)	(184)	(36)	-	-	(525)	(1,020)
Gain on disposal of property, plant and equipment and inventories	102	269	-	2	-	90	-	-	-	1	-	-	-	-	102	362
Gain on revaluation of investment property	-	-	-	-	-	-	-	-	-	-	-	394	-	-	-	394
Gain from disposal of subsidiary	1	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-
Reversal of impairment losses on receivables	-	-	-	-	(154)	(4)	-	-	-	-	-	-	-	-	(154)	(4)
Depreciation and amortisation	(4,632)	(5,360)	(717)	(340)	(1,777)	(1,679)	(314)	(404)	(181)	(244)	(142)	(93)	-	-	(7,763)	(8,120)
Reversal of impairment/ (impairment) of property, plant and equipment	-	-	-	-	-	800	-	-	-	-	-	-	-	-	-	800
Goodwill impairment	-	-	-	-	(173)	(3,300)	-	-	-	-	-	-	-	-	(173)	(3,300)
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	3,433	7,556	3,433	7,556
Interest expense	-	(455)	-	(5)	-	(34)	-	(15)	-	(9)	-	-	(538)	-	(538)	(518)
Profit/(loss) on financial instruments, net	941	(2,500)	-	-	-	70	-	-	-	-	-	-	586	724	1,527	(1,706)
Share on loss from associate	-	-	-	-	(1,418)	(1,703)	-	-	-	-	-	-	-	-	(1,418)	(1,703)
Negative goodwill	3,241	-	-	8,106	-	-	-	-	-	-	-	-	-	-	3,241	8,106
Profit/(loss) of the segment before tax	5,932	(3,031)	2,451	10,688	(355)	(3,270)	681	395	152	(35)	(47)	307	3,481	8,280	12,295	13,334
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,109)	(4,307)
<b>Consolidated profit</b>															<b>10,186</b>	<b>9,027</b>

The Group generates all of its revenues in the territory of the Slovak Republic. Inter-segment eliminations are included in the amounts reported for individual periods.

No company has exceeded the 10% of total revenues.



## Information about operating segments – Consolidation statement about financial position

In thousands of EUR	Mountain Resorts		Aquapark		Hotels		Dining	Sports Services and Stores			Real estate		Others		Total	
	31.10.2012	31.10.2011	31.10.2012	31.10.2011	31.10.2012	31.10.2011	31.10.2012	31.10.2011	31.10.2012	31.10.2011	31.10.2012	31.10.2011	31.10.2012	31.10.2011	31.10.2012	31.10.2011
Goodwill and other intangible assets	278	55	2,673	3,349	830	289	17	87	50	25	-	-	-	-	3,848	3,805
Property, plant and equipment	112,580	79,742	29,101	26,140	60,629	50,693	4,578	4,151	2,046	1,858	8,989	9,055	-	-	217,923	171,639
Investment property	-	-	-	-	-	-	-	-	-	-	4,194	4,194	-	-	4,194	4,194
Inventories	424	475	80	154	99	234	97	86	867	36	-	-	-	-	1,567	985
Trade receivables	1,349	2,020	52	32	1,739	3,123	35	21	19	3	-	-	-	-	3,194	5,199
Investments in associate	-	-	-	-	3,802	5,179	-	-	-	-	-	-	-	-	3,802	5,179
Other receivables	26,495	19,042	-	-	906	-	-	-	-	-	-	-	29,165	69,278	56,566	88,320
Financial investments	-	-	-	-	-	-	-	-	-	-	-	-	13,207	17,337	13,207	17,337
Other assets	1,844	934	89	123	137	413	109	113	37	43	-	-	-	-	2,216	1,626
Loans granted	8,374	7,910	-	-	1,847	-	-	-	-	-	-	-	-	-	10,221	7,910
Cash and cash equivalents	1,239	2,083	890	1,980	543	1,518	321	561	93	228	27	21	-	-	3,113	6,391
Deferred tax assets	-	475	-	-	61	1,607	-	-	-	-	-	-	-	-	61	2,082
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	458	-	-	-	458
<b>Total assets</b>	<b>152,583</b>	<b>112,736</b>	<b>32,885</b>	<b>31,778</b>	<b>70,593</b>	<b>63,056</b>	<b>5,157</b>	<b>5,019</b>	<b>3,112</b>	<b>2,193</b>	<b>13,210</b>	<b>13,728</b>	<b>42,372</b>	<b>86,615</b>	<b>319,912</b>	<b>315,125</b>
Non-current loans and borrowings	11,673	14,096	-	-	698	745	289	350	230	219	-	-	-	-	12,890	15,410
Non-current trade payables	-	-	-	-	-	13	-	-	-	-	-	-	-	-	-	13
Other non-current liabilities	104	8	-	-	-	-	-	-	-	-	-	-	-	-	104	8
Current loans and borrowings	3,263	3,661	-	-	-	-	-	-	-	-	-	-	-	-	3,263	3,661
Current trade payables	9,061	4,453	829	69	659	354	238	29	198	10	-	-	-	-	10,985	4,915
Other current liabilities	1,949	2,556	137	83	867	449	97	100	34	40	-	-	-	-	3,084	3,228
Provisions	45	58	15	36	34	20	18	4	9	3	-	-	-	-	121	121
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	13,049	13,962	13,049	13,962
Current income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	1,121	-	1,121
<b>Total liabilities</b>	<b>26,095</b>	<b>24,832</b>	<b>981</b>	<b>188</b>	<b>2,258</b>	<b>1,581</b>	<b>642</b>	<b>483</b>	<b>471</b>	<b>272</b>	<b>-</b>	<b>-</b>	<b>13,049</b>	<b>15,083</b>	<b>43,496</b>	<b>42,439</b>

Inter-segment eliminations are included in the amounts reported for individual periods. Inter-segment prices are determined on the basis of market rates for similar services and financing.

## 5. Acquisition and disposal of subsidiaries

On 8 November 2011, the Group established its subsidiary Tatry mountain resorts operations, a.s., which was subsequently disposed on 25 April 2012.

On 28 August 2012 the Group acquired 100% of shares of the company Melida, a.s. and subsequently on 17 September 2012 was 50% of shares disposed.

In thousands of EUR	Date of establishment	Cost	Cash outflow	Group's interest %
<b>Establishment of subsidiary</b>				
Tatry mountain resorts operations, a.s.	8.11.2011	28	(28)	100%

	Date of acquisition	Cost	Cash outflow	Group's interest after acquisition %
<b>Acquisition of subsidiary</b>				
Melida, a.s.	28.8.2012	82	(82)	100%

In thousands of EUR	Date of sale	Sale price	Cash inflow	Gain on disposal
<b>Disposal of subsidiary</b>				
Tatry mountain resorts operations, a.s.	25.4.2012	29	29	1
Melida, a.s.	17.9.2012	41	41	-

### Effect from disposal

By disposal of the company Tatry mountain resorts operations, a.s., which net assets and liabilities at the date of sale 25 April 2012 represented cash and cash equivalents in the amount of EUR 28 thousand, the Group achieved a net cash inflow of EUR 1 thousand. The acquired remuneration was settled in cash, amounting to EUR 29 thousand.

In case of disposal of 50% shares of the company Melida, a.s. the result was zero.

## 6. Revenues

In thousands of EUR	1.11.2011 – 31.10.2012	1.11.2010 – 31.10.2011
Mountain resorts	18,279	17,408
Hotels	10,189	8,573
Sports services and shops	1,897	1,283
Restaurant facilities	4,211	3,165
Aqua park	7,015	5,536
Real estate projects	289	119
<b>Total</b>	<b>41,880</b>	<b>36,084</b>

## 7. Other operating income

In thousands of EUR	1.11.2011 – 31.10.2012	1.11.2010 – 31.10.2011
Contractual penalties	1,451	1,539
Compensations from insurance companies	72	11
Government grants received	-	278
Other operating income	404	846
<b>Total</b>	<b>1,927</b>	<b>2,674</b>

The contractual penalties refer mainly to revenues from the EBITDA contract; as at 31 October 2012 in the amount of EUR 1,427 thousand and as at 31 October 2011 in the amount of EUR 1,384 thousand. The EBITDA contract results from contracts on the purchase of shares in GRANDHOTEL PRAHA a.s. and Interhouse Tatry s.r.o. By acquisition of the companies on 28 December 2009, the Group obtained a guarantee from the sellers that assets in the companies would generate the agreed EBITDA during the following four years. If the agreed EBITDA is not reached, the former owners are bound to cover the difference to reach the agreed EBITDA during the following four years. The pay-ups are intended mainly for the renovation of the assets to which they refer.

For the period from 1 November 2010 to 31 October 2011, a part of other operating income in the amount of EUR 479 thousand referred to the income from termination of the revitalisation liability owing to an amendment to the valid legislation.

## 8. Consumption of material and goods

In thousands of EUR	1.11.2011 – 31.10.2012	1.11.2010 – 31.10.2011
Material in hotels and restaurant facilities	(2,370)	(1,724)
Products	(1,512)	(1,391)
Material for repair and maintenance	(645)	(292)
Fuel	(605)	(604)
Other material and goods	(1,140)	(1,386)
<b>Total</b>	<b>(6,272)</b>	<b>(5,397)</b>

## 9. Purchased services

In thousands of EUR	1.11.2011 – 31.10.2012	1.11.2010 – 31.10.2011
Energy	(3,315)	(2,715)
Advertising expenses	(3,871)	(3,558)
Rent expenses (premises) a others	(1,267)	(1,680)
Repairs and maintenance expenses	(587)	(403)
Other administrative costs	(496)	(350)
Costs for legal consultancy	(484)	(96)
Transport and accommodation, travel expenses	(477)	(1,086)
Communication expenses	(207)	(200)
Cost on services related to owned premises	(201)	(220)
Trainings	(83)	(466)
Other purchased services	(1,573)	(1,336)
<b>Total</b>	<b>(12,561)</b>	<b>(12,110)</b>

Other purchased services refer to expenses for bookkeeping, audit, marketing and other expenses related to the administrative operation of the Group.

The Group's consolidated financial statements are audited by KPMG Slovensko spol. s r.o. Based on the decision of the General Meeting, effective from the beginning of FY 2011, the Company has also engaged KPMG Slovensko spol. s r.o. for auditing the individual financial statements of all companies in the Group. Expenses for those items during the period from 1 November 2011 to 31 October 2012 were EUR 151 thousand (for the period ending 31 October 2011: EUR 137 thousand). Besides the aforementioned services, in the period from 1 November 2011 to 31 October 2012, the audit company provided the Group with advisory services for the preparation of tax returns in the amount of EUR 4 thousands.

## 10. Personnel expenses

In thousands of EUR	1.11.2011 – 31.10.2012	1.11.2010 – 31.10.2011
Wages and salaries	(7,707)	(6,290)
Compulsory social security contributions	(2,088)	(1,878)
Remuneration for directors and key management	(297)	(316)
Other social expenses	(320)	(280)
<b>Total</b>	<b>(10,412)</b>	<b>(8,764)</b>

The average number of Group employees during the period from 1 November 2011 to 31 October 2012 was 1,232, out of which management represents 24 (from 1 November 2010 to 31 October 2011: 1,055, out of which management: 24), number of employees with an agreement for the performance of a work assignment was 526 (for the period from 1 November 2010 to 31 October 2011: 427).

## 11. Other operating expenses

In thousands of EUR	1.11.2011 – 31.10.2012	1.11.2010 – 31.10.2011
Insurance (property, cars, travel insurance)	(206)	(161)
Fees and commissions	(182)	(660)
Shortages and damages	(81)	(25)
Other operating expenses	(56)	(174)
<b>Total</b>	<b>(525)</b>	<b>(1,020)</b>

## 12. Interest income and expense

In thousands of EUR	1.11.2011 – 31.10.2012	1.11.2010 – 31.10.2011
Interest income	3,433	7,556
Interest expense	(538)	(518)
<b>Total</b>	<b>2,895</b>	<b>7,038</b>

The Group's assets include a receivable resulting from a bill of exchange payable on demand and bearing a fixed rate of 7.5%.

The Group has drawn loans from Tatra banka, a.s., and from Tatra-Leasing, s.r.o.; the loans bear a fixed interest rate. The loans were provided for financing investments and for repayment of a loan granted by another bank. Additionally, the Group has signed lease agreements for the financing of cars, snowcats, snowmobiles, etc.

At present, the Group has no capitalised borrowing costs.



### 13. Loss on financial instruments, net

In thousands of EUR	1.11.2011 – 31.10.2012	1.11.2010 – 31.10.2011
Revaluation of advance payment for future acquisition	941	(2,500)
Revaluation of financial instruments at fair value through profit and loss	766	407
Revaluation of receivable from EBIDTA contract	(437)	70
Cost for financial instruments administration	(398)	-
Profit from the sale of financial instruments at fair value through profit and loss	16	-
Other, net	639	317
<b>Total</b>	<b>1,527</b>	<b>(1,706)</b>

Advances made for non-current financial assets refer to capital investments in progress and future acquisitions. As for future acquisitions, the Company intends to acquire the company operating the cableways. A contract has been signed with WEBIS, s.r.o. for a 5-year period.

The value of the granted advance was discounted to fair value as at 31 October 2012. The applied discount rate was 2.11%. Revaluation of the advance payment resulted in a gain in the amount of EUR 941 thousand. If the discount rate changed by 5%, the gain would decrease by EUR 74 thousand (the discount rate applied as at 31 October 2011 was 2.821% and the revaluation of the advance payment would result in a loss of EUR 2,500 thousand. If the discount rate changed by 5%, the amount of the loss would have changed by EUR 114 thousand).

### 14. Income tax and deferred tax

In thousands of EUR	1.11.2011 – 31.10.2012	1.11.2010 – 31.10.2011
Current tax expense:		
Current period	(871)	(1,126)
Adjustments for prior periods	(129)	-
Withheld on interest	(1)	-
	(1,001)	(1,126)
Deferred tax:		
Origination and reversal of temporary differences	(1,108)	(3,181)
<b>Total income tax</b>	<b>(2,109)</b>	<b>(4,307)</b>

### Reconciliation of the effective tax rate

In thousands of EUR	1.11.2011 – 31.10.2012		1.11.2010 – 31.10.2011	
		%		%
Profit/(loss) before tax		<b>12,295</b>		<b>13,334</b>
Income tax at 19% (2011: 19%)	19.00%	2,336	19.00%	2,534
Non-deductible expenses	16.22%	1,995	20.69%	2,758
Non-taxable income	(19.10%)	(2,349)	(5.16%)	(688)
Income tax: adjustments for prior periods	1.04%	129		
Income tax: withheld on interest	0.01%	1		
Recognition of previously unrecognised tax losses	(0.02%)	(3)	(2.23%)	(297)
<b>Total</b>	<b>17.15%</b>	<b>2,109</b>	<b>32.30%</b>	<b>4,307</b>

### Income tax recognized in other comprehensive income

In thousands of EUR	1.11.2011 – 31.10.2012			1.11.2010 – 31.10.2011		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Net change in fair value of financial assets available for sale	(17)	-	(17)	(15)	-	(15)
Revaluation of property, plant and equipment transferred to investment property	-	-	-	204	(39)	(165)
Other comprehensive income	(17)	-	(17)	189	(39)	(150)

See also Note – 19 Deferred tax assets and liabilities.

## 15. Property, plant and equipment

In thousands of EUR	Land and buildings	Individual movables and sets of movables	Under construction	Total
<b>Costs</b>				
Balance at 1.11.2010	81,981	36,312	17,197	135,490
Additions	4,675	6,782	17,842	29,299
Additions trough business combinations	34,974	317	-	35,291
Disposals	(51)	(525)	(261)	(837)
Transfers	13,437	7,793	(21,230)	-
Revaluation of property, plant and equipment transferred to investment property	204	-	-	204
Transfers to disposal groups held for sale	-	-	(356)	(356)
Transfers to investment property	(86)	-	-	(86)
Balance at 31.10.2011	135,134	50,679	13,192	199,005
Balance at 1.11.2011	135,134	50,679	13,192	199,005
Additions	14,015	9,843	26,494	50,352
Additions trough business combinations	3,484	-	-	3,484
Disposals	(35)	(487)	-	(522)
Transfers	3,616	724	(4,340)	-
Transfers from disposal groups held for sale	356	-	-	356
Balance at 31.10.2012	156,570	60,759	35,346	252,675
<b>Depreciations and impairment losses</b>				
Balance at 1.11.2010	(13,466)	(6,253)	(597)	(20,316)
Depreciation charge for the period	(3,705)	(4,230)	-	(7,935)
Disposals	11	74	-	85
Reversal of impairment	800	-	-	800
Balance at 31.10.2011	(16,360)	(10,409)	(597)	(27,366)
Balance at 1.11.2011	(16,360)	(10,409)	(597)	(27,366)
Depreciation charge for the period	(3,377)	(4,212)	-	(7,589)
Disposals	35	168	-	203
Balance at 31.10.2012	(19,702)	(14,453)	(597)	(34,752)
<b>Carrying amount</b>				
At 1.11.2010	68,515	30,059	16,600	115,174
At 31.10.2011	118,774	40,270	12,595	171,639
At 1.11.2011	118,774	40,270	12,595	171,639
At 31.10.2012	136,868	46,306	34,749	217,923

In the period from 1 November 2011 to 31 October 2012 the Group acquired cableway on Lomnické sedlo in the amount of EUR 3,484 thousand, which is presented within item lands and buildings. Additionally, the Group acquired an 8-seat chair lift in Tatranska Lomnica and snow-making technology in the amount of EUR 6,946 thousand and extended the snow-making technology in Jasná resort to the sum of EUR 1,990 thousand. The Group invested in development of the infrastructure of restaurants and bars in the amount of EUR 628 thousand. This amount includes capital investments in the apreski bar Happy End and extension of catering facilities in Aquapark Tatralandia. During the aforementioned period, the Company started the construction of and placed in service the first part of the Tropic World capital investment in the Tatralandia water park-. It is a year-round interior facility with the cost of the first part amounting to EUR 3,096 thousand. All these capital investments are recognised among Land, Structures and Separate movable assets and sets of movables.

In the period from 1 November 2011 to 31 October 2012 the parent company acquired assets of the Hotel FIS in the amount of EUR 4,854 thousand and of the Hotel Slovakia in the amount of EUR 1,688 thousand, which are presented within items lands and buildings, individual movables and sets of movables. The Group completed the first part of the renovation of the accommodation facilities and the extension of the parking lots at Wellness Hotel Grand Jasná in the amount of EUR 1,048 thousand. All these capital investments are recognised among Land, Structures and Separate movable assets and sets of movables.

In the period from 1 November 2010 to 31 October 2011 the parent company acquired assets of Aquapark Tatralandia in the amount of EUR 35,291 thousand, which is presented within items lands and buildings, individual movables and sets of movables.

Increase of assets under construction in the period from 1 November 2011 to 31 October 2012 in the amount of EUR 26,494 thousand consist of construction of cableways, construction of indoor Aquapark world, cableway technology, snowmaking systems, landscaping preparation, Gastro facility Apreski bar and other assets.

Increase of assets under construction in the period from 1 November 2010 to 31 October 2011 in the amount of EUR 17,842 thousand consist of construction of two 6- seat chairlifts , Gastro facility Happy End, snowmaking systems in the ski resorts Jasná and Tatranská Lomnica and other assets.

### Idle assets

The Group owns building under construction, for which is created 100% impairment loss in the amount of EUR 597 thousand, the Group does not use this property.

### Impairment

For the period ended 31 October 2012 the Group identified no impairment loss of property, plant and equipment. For the period ended 31 October 2011 the Group recognised reversal of impairment loss of property, plant and equipment in the amount of EUR 800 thousand.

### Insurance of assets

The Group insured its assets against natural disasters, theft, vandalism and against general machinery risks. The Group also has civil liability insurance. The total insurance value of assets in the case of a natural disaster is EUR 170,294 thousand. The amount of insurance against general machinery risks is EUR 12,214 thousand, EUR 11,900 thousand in the case of civil liability insurance and EUR 61,927 thousand in the case of vandalism (at 31 October 2011: in the case of natural disaster EUR 158,105 thousand, against general machinery risks EUR 12,081 thousand, EUR 449 thousand in the case of civil liability and EUR 58,663 thousand in the case of vandalism).

## Security

As at 31 October 2012, property, plant and equipment with a carrying value of EUR 159,961 thousand is subject to pledges to secure bank loans (at 31 October 2011: in the amount of EUR 125,840 thousand)

## Capitalized borrowing costs

At present, the Group has no capitalised borrowing costs.

## 16. Goodwill and intangible assets

In thousands of EUR	Goodwill	Valuables rights	Software	Total
<b>Cost</b>				
Balance at 1.11.2010	4,124	655	102	4,881
Additions	-	-	78	78
Additions through business combinations	-	3,315	-	3,315
Disposals	-	-	(9)	(9)
Balance at k 31.10.2011	4,124	3,970	171	8,265
Balance at 1.11.2011	4,124	3,970	171	8,265
Additions	-	-	395	395
Disposals	-	(4)	(9)	(13)
Balance at 31.10.2012	4 124	3 966	557	8 647
<b>Amortisations and impairment losses</b>				
Balance at 1.11.2010	(651)	(294)	(39)	(984)
Amortisation charge for the period	-	(155)	(30)	(185)
Disposals	-	1	8	9
Impairment	(3,300)	-	-	(3,300)
Balance at 31.10.2011	(3,951)	(448)	(61)	(4,460)
Balance at 1.11.2011	(3,951)	(448)	(61)	(4,460)
Amortisation charge for the period	-	(116)	(58)	(174)
Disposals	-	-	8	8
Impairment	(173)	-	-	(173)
Balance at 31.10.2012	(4,124)	(564)	(111)	(4,799)
<b>Carrying amount</b>				
At 1.11.2010	3,473	361	63	3,897
At 31.10.2011	173	3,522	110	3,805
At 1.11.2011	173	3,522	110	3,805
At 31.10.2012	-	3,402	446	3,848

## 17. Investment property

In thousands of EUR	31.10.2012	31.10.2011
<b>Cost</b>		
Balance at 1.11.2011/1.11.2010	4,194	3,714
Transfers from property, plant and equipment	-	86
Fair value adjustments	-	394
Balance at 31.10.2012/31.10.2011	4,194	4,194

Investment property represent three hotels (Ski, Liptov and Kosodrevona) in the amount of EUR 1,874 thousand, which are leased to third parties who operate them, and forest areas and lands acquired by acquisition in 2009 in the amount of EUR 2,320 thousand.

In the period from 1 November 2011 to 31 October 2012 revenues from investment property represent EUR 289 thousand and direct operating costs related to investment property was in the amount of EUR 38 thousand (1 November 2010 to 31 October 2011: revenues from investment property represent EUR 132 thousand and direct operating costs related to investment property was in the amount of EUR 99 thousand).

Investment property is measured at fair value (see Note 3b – Critical accounting estimates and assumptions, Valuation of investment property)

## Security

As at 31 October 2012, all investment property with a carrying value of EUR 4,194 is subject to pledges to secure bank loans (at 31 October 2011: in the amount of EUR 4,194 thousand)



## 18. Investments in associates

The Group has share in the following associates:

Associate	Country	Group's Interest	
		31.10.2012	31.10.2011
		%	%
Interhouse Tatry s.r.o.	Slovakia	50	50
Melida, a.s.	Czech republic	50	-

In thousands of EUR	Carrying Amount	
	31.10.2012	31.10.2011
Interhouse Tatry s.r.o.		
Purchase price of associate	7,526	7,526
EBITDA contract adjustment	(598)	(598)
Goodwill impairment (prior period)	(1,108)	(1,108)
Group's interest in associate - loss (prior period)	(641)	(46)
Group's interest in associate - loss (current period)	(1,418)	(595)
Melida, a.s.		
Purchase price of associate	41	-
<b>Total</b>	<b>3,802</b>	<b>5,179</b>

Summary financial information for the significant associate Interhouse Tatry s.r.o., presented at 100% as at 31 October 2012:

In thousands of EUR	Revenue	Loss	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity
Interhouse Tatry s.r.o.	1,723	(2,837)	353	9,872	438	2,267	7,520

Revenue and loss of the company represents the revenue and loss for the period from 1 November 2011 to 31 October 2012.

Summary financial information for company Interhouse Tatry s.r.o., presented at 100% as at 31 October 2011:

In thousands of EUR	Revenue	Loss	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity
Interhouse Tatry s.r.o.	1 668	-1 190	427	13 810	496	3 384	10 357

Revenue and loss of the company represents the revenue and loss for the period from 1 November 2010 to 31 October 2011.

## 19. Deferred tax assets and liabilities

The following deferred tax assets (liabilities) have been recognised:

In thousands of EUR	Assets		Liabilities		Net	
	31.10.2012	31.10.2011	31.10.2012	31.10.2011	31.10.2012	31.10.2011
Temporary differences related to:						
Property, plant and equipment	-	1,474	(12,557)	(13,337)	(12,557)	(11,863)
Intangible assets	-	-	(457)	(473)	(457)	(473)
Investment property	-	90	(185)	-	(185)	90
Other	383	608	(172)	(242)	211	366
Netting	(322)	(2,139)	322	2,139	-	-
<b>Total</b>	<b>61</b>	<b>33</b>	<b>(13,049)</b>	<b>(11,913)</b>	<b>(12,988)</b>	<b>(11,880)</b>

Deferred tax assets have not been recognised in respect of the following item:

In thousands of EUR	31.10.2012	31.10.2011
Tax losses	6,836	6,853
<b>Total</b>	<b>6,836</b>	<b>6,853</b>

A deferred tax asset is recognised for the carry forward of unused tax losses only to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

An estimation of the expiry of unrecognized tax losses is as follows:

In thousands of EUR	2013	2014	2015	2016	After 2016
Tax losses	-	125	1,159	5,552	-

Tax losses incurred before 1 January 2010 expire over a period of five years, seven years for tax losses arisen after 1 January 2010.

## 20. Inventories

In thousands of EUR	31.10.2012	31.10.2011
Raw material	508	537
Merchandise	1,059	448
<b>Total</b>	<b>1,567</b>	<b>985</b>

As at 31 October 2012, inventories with a carrying value of EUR 1,472 thousand are subject to pledges to secure bank loans (at 31 October 2011: EUR 52 thousand).

## 21. Loans granted

In thousands of EUR	31.10.2012	31.10.2011
Current	171	236
Non-current	10,050	7,674
<b>Total</b>	<b>10,221</b>	<b>7,910</b>

As at 31 October 2012, other non-current loans included mainly the borrowing in the amount of EUR 6,050 thousand (31 October 2011: EUR 5,693 thousand) granted to WEBIS, s.r.o., with a 5% fixed interest rate; as at 31 October 2012 the amount of the outstanding accrued interest on the aforementioned borrowing amounted to EUR 643 thousand (31 October 2011: EUR 373 thousand); and a borrowing granted to 1. Tatranská, akciová spoločnosť; as at 31 October 2012 it amounted to EUR 2,055 thousand (31 October 2011: EUR 1,905 thousand) with a 7% p.a. fixed interest rate; as at 31 October 2012 the amount of the outstanding accrued interest on the aforementioned borrowing amounted to: EUR 198 thousand (31 October 2011: EUR 48 thousand), and a borrowing in the amount of EUR 1,847 thousand granted on 22 October 2012 to the owner of Energetik lodging house, with a fixed interest rate of 5% p.a.

## 22. Trade receivables

In thousands of EUR	31.10.2012	31.10.2011
Trade receivables	3,442	5,632
Impairment losses on receivables	(248)	(433)
<b>Total</b>	<b>3,194</b>	<b>5,199</b>
Current	3,194	4,046
Non-current	-	1,153
<b>Total</b>	<b>3,194</b>	<b>5,199</b>

As at 31 October 2012, trade receivables include mainly the receivables from the claimed EBITDA contract for the period from 1 November 2011 to 31 October 2012 in the amount of EUR 1,427 thousand; the remaining part are current operating, barter receivables and receivables from sale and leaseback under finance leasing agreement (31 October 2011: receivable from sale of Energetik lodging house (EUR 1,739 thousand), receivable from claimed EBITDA contract for the period from 1 November 2010 to 31 October 2011 in the amount of EUR 1,438 thousand; the remainder were current operating receivables).

Classification of receivables by maturity is as follows:

In thousands of EUR	31.10.2012			31.10.2011		
	Gross	Impairment losses on receivables	Net	Gross	Impairment losses on receivables	Net
Within maturity	2,271	-	2,271	3,729	(338)	3,391
After maturity up to 30 days	119	-	119	317	-	317
After maturity from 30 up to 180 days	239	(43)	196	513	-	513
After maturity from 180 up to 365 days	269	-	269	608	-	608
After maturity more than 365 days	544	(205)	339	465	(95)	370
<b>Total</b>	<b>3,442</b>	<b>(248)</b>	<b>3,194</b>	<b>5,632</b>	<b>(433)</b>	<b>5,199</b>

As at 31 October 2011, the impairment losses included discounting of the long-term receivable for sale of Energetik lodging house in the amount of EUR 338 thousand, which was cleared during the period from 1 November 2011 to 31 October 2012. The remaining portion refers to impairment losses on current operating receivables.

Change of impairment loss during accounting period is presented in the table below:

In thousands of EUR	31.10.2012	31.10.2011
Balance at 1. 11.2011/1.11.2010	433	429
Creation	165	-
Use	-338	-
Release	-12	4
<b>Balance at 31.10.2012/31.10.2011</b>	<b>248</b>	<b>433</b>

## 23. Other receivables

In thousands of EUR	31.10.2012	31.10.2011
Bills of exchange	29,165	66,806
Advances	26,495	20,171
EBITDA contract	906	1,343
<b>Total</b>	<b>56,566</b>	<b>88,320</b>
Current	32,037	70,225
Non-current	24,529	18,095
<b>Total</b>	<b>56,566</b>	<b>88,320</b>

As at 31 October 2012, the amount of the unsettled bill of exchange is EUR 29,165 thousand (31 October 2011: EUR 66,806 thousand). The bill of exchange is payable on demand and bears a fixed rate of 7.5% p.a.

As at 31 October 2012, a bill of exchange in the amount of EUR 29,165 thousand from J&T Private Equity B.V. (31 October 2011: EUR 66,806 thousand) administered based on the portfolio management agreement with J&T Bank Switzerland Ltd., in liquidation, was placed in custody.

The EBITDA contract results from contracts on the purchase of shares in GRANDHOTEL PRAHA a.s. and Interhouse Tatry s.r.o. By acquisition of the companies on 28 December 2009, the Group obtained a guarantee from the sellers that assets in the companies would generate the agreed EBITDA during the following four years. If the agreed EBITDA is not reached, the former owners are bound to cover the difference to reach the agreed EBITDA during the following four years. The pay-ups are intended mainly for the renovation of the assets to which they refer.

Advances made for non-current financial assets refer to capital investments in progress and future acquisitions. As for future acquisitions, the Company intends to acquire the company operating the cableways. A contract has been signed with WE-BIS, s.r.o. for a 5-year period. As at 31 October 2012, the value of the granted advance was discounted to fair value. The applied discount rate was 2.11% (31 October 2011: 2.821%).

In the period from 1 November 2010 to 31 October 2011, the revaluation of the advance payment resulted in a loss of EUR 2,500 thousand, for the period from 1 November 2011 to 31 October 2012 it resulted in a gain in the amount of EUR 941 thousand. The present value of the revaluation in the balance sheet equals to EUR 1,559 thousand (2011: EUR 2,500 thousand).

## 24. Other assets

In thousands of EUR	31.10.2012	31.10.2011
Prepayments and accrued income	1,040	568
Other tax receivables	641	547
Other assets	535	511
<b>Total</b>	<b>2,216</b>	<b>1,626</b>
Current	2,216	1,626
Non-current	-	-
<b>Total</b>	<b>2,216</b>	<b>1,626</b>

As at 31 October 2012, other tax receivables include mainly receivables from current taxes in the amount of EUR 237 thousand and VAT receivables in the amount of EUR 403 thousand (31 October 2011: mainly VAT receivables in the amount of EUR 545 thousand).

## 25. Financial investments

In thousands of EUR	31.10.2012	31.10.2011
Financial instruments at fair value through profit or loss	13,121	17,242
Available-for-sale financial assets	53	70
Other financial investments	33	25
<b>Total</b>	<b>13,207</b>	<b>17,337</b>

As at 31 October 2012, the Group held 1,111,004 shares of Best Hotel Properties a.s. (hereinafter only "BHP"), a company operating a chain of hotels. Their value as at 31 October 2012 is EUR 13,121 thousand (31 October 2011: 1,525,839 shares in the amount of EUR 17,242 thousand). The Company obtained a commitment regarding the purchase under the contract on advisory services signed with J&T FINANCE GROUP, a.s., that the earnings from the purchase of the BHP shares will be at least 7% p.a. over the following 3 years.

On 17 March 2010, the Company purchased 3,850 shares of Compagnie des Alpes (SA), which is a French company traded on the Paris Stock Exchange, and operating ski resorts and summer leisure parks. The Company purchased the shares as a financial investment. The shares are revalued to fair value through equity based on present stock-exchange prices. As at 31 October 2012, the value of the shares was EUR 53 thousand (31 October 2011: EUR 70 thousand)

Additionally, the Company made a financial contribution to Tatranské dopravné družstvo (Tatra Transport Cooperation), a company providing brokerage services. As at 31 October 2012, the contribution amounted to EUR 33 thousand. (31 October 2011: EUR 25 thousand).

## 26. Cash and cash equivalents

In thousands of EUR	31.10.2012	31.10.2011
Cash on hand	198	151
Valuables	48	49
Current accounts with banks	2,867	6,191
<b>Total</b>	<b>3,113</b>	<b>6,391</b>

The bank accounts are at the Company's full disposal.

## 27. Assets held for sale

There are no assets held for sale owned by the Group as at 31 October 2012.

The detailed structure of assets held for sale:

In thousands of EUR	31.10.2012	31.10.2011
Under construction	-	356
Advanced payment for assets	-	102
<b>Total assets</b>	<b>-</b>	<b>458</b>

As at 31 October 2011 assets held for sale contained apartments in Grandhotel Praha in Tatranská Lomnica, which were reclassified to property plant and equipment during the period ended 31 October 2012, based on the decision of management of the Group.



## 28. Shareholder's equity

### Share capital and share premium

As at 31 October 2012 and 31 October 2011, the approved, subscribed and fully paid share capital comprised 6,707,198 ordinary shares with a nominal value of EUR 33 per share.

On 12 April 2010, issues of shares with the codes 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 merged into a single issue with ISIN code SK1120010287.

The annual General Meeting of Tatry mountain resorts, a.s. was held on 21 April 2012. The General Meeting decided on the distribution of profit generated by Tatry mountain resorts, a.s. in the period from 1 November 2010 to 31 October 2011 in the amount of EUR 8,590 thousand: a part of the profit in the amount of EUR 859 thousand was used for allotment to the Company's reserve funds, another part in the amount of EUR 6,439 thousand was used for payment of dividends to the Company's shareholders (with a dividend in the amount of EUR 0.96 per share) and the remaining part of the profit in the amount of EUR 1,292 thousand was transferred to retained earnings.

The shareholders are entitled to dividends. The value of votes attributed to a share for voting at a General Meeting is defined by the proportion between the value of the share and the total amount of share capital. The table below provides the list of the Company's shareholders including information on the number of shares held by each, their ownership interest and voting rights.

31. October 2012	Number of shares	Interest in share capital %	Voting rights %
J & T BANKA, a.s.	664,014	9.9%	9.9%
CLEARSTREAM BANKING S.A.	663,342	9.9%	9.9%
KEY DEE LIMITED	607,000	9.0%	9.0%
EGNARO INVESTMENTS LIMITED	602,306	9.0%	9.0%
Poštová banka, a.s.	505,782	7.5%	7.5%
Patria Finance, a.s.	425,918	6.4%	6.4%
Privatbanka, a.s.	332,000	5.0%	5.0%
TATRY INVESTMENT LIMITED	289,751	4.3%	4.3%
minor shareholders	2,617,085	39.0%	39.0%
<b>Total</b>	<b>6,707,198</b>	<b>100%</b>	<b>100%</b>

31. October 2011	Number of shares	Interest in share capital %	Voting rights %
Poštová banka, a.s.	1,169,782	17.4%	17.4%
J & T BANKA, a.s.	902,566	13.5%	13.5%
CLEARSTREAM BANKING S.A.	657,894	9.8%	9.8%
TLD, s. r. o.	493,318	7.4%	7.4%
Patria Finance, a.s.	452,198	6.7%	6.7%
TATRY INVESTMENT LIMITED	447,700	6.7%	6.7%
minor shareholders	2,583,740	38.5%	38.5%
<b>Total</b>	<b>6,707,198</b>	<b>100%</b>	<b>100%</b>

### Earnings per share

	31.10.2012	31.10.2011
Profit for period in thousands of EUR	10,186	9,027
Weighted average number of ordinary shares	6,707,198	6,707,198
<b>Profit per share in EUR</b>	<b>1.519</b>	<b>1.346</b>

### Non-distributable reserves

Non-distributable reserves, which are included in the retained earnings, consist of legal reserve fund in the amount of EUR 3,287 thousand (at 31 October 2011: EUR 2,401 thousand). According to Slovak legislation creation of a legal reserve fund is required at a minimum of 10% of net profit annually and up to a minimum of 20% of the registered share capital (cumulative balance). The legal reserve fund can only be used to cover losses of the Company and it may not be distributed as dividends. The calculation of the legal reserve is based on Slovak legal regulations.

### Decrease in share capital

The extraordinary General Meeting held on 15 March 2010 approved the decrease in the Company's share capital from EUR 221,534,128.694362 to EUR 221,337,534. The reason for the decrease in the Company's share capital was to unify the face value of all the Company's shares, i.e. EUR 33 per share.

### Distribution of profit

The management of the Group propose the following distribution of profit for FY 2012:

- Contribution to the reserve fund in the amount of EUR 637 thousand,
- Remainder – dividends to be paid in the amount of EUR 5,734 thousand,
- Dividends paid from retained earnings from previous years in the amount of EUR 1,375 thousand,
- Total amount of dividends is EUR 7,110 thousand, which is EUR 1.06 per share

## 29. Loans and borrowings

In thousands of EUR	31.10.2012	31.10.2011
Loans and borrowings from financial institutions	15,218	17,925
Finance lease	935	1,146
<b>Total</b>	<b>16,153</b>	<b>19,071</b>
Current	3,263	3,661
Non-current	12,890	15,410
<b>Total</b>	<b>16,153</b>	<b>19,071</b>

Loans and borrowings from financial institutions as at 31 October 2012 and 31 October 2011 are presented in the table:

Creditor	Interest rate type	Maturity	Balance at 31.10.2012
			In thousands of EUR
Tatra-Leasing, s.r.o.	1M EURIBOR+ margin	30.9.2013	8
Tatra banka, akciová spoločnosť	fixed	30.9.2013	412
Tatra banka, akciová spoločnosť	fixed	30.9.2016	2,400
Tatra banka, akciová spoločnosť	fixed	31.12.2016	1,270
Tatra banka, akciová spoločnosť	fixed	31.12.2016	3,150
Tatra banka, akciová spoločnosť	fixed	30.9.2017	3,746
Tatra banka, akciová spoločnosť	fixed	30.9.2017	3,651
Tatra banka, akciová spoločnosť	fixed	31.12.2018	581

Creditor	Interest rate type	Maturity	Balance at 31.10.2011
			In thousands of EUR
Tatra-Leasing, s.r.o.	3M EURIBOR+ margin	30.9.2013	17
Tatra banka, akciová spoločnosť	1M EURIBOR+ margin	30.9.2013	823
Tatra banka, akciová spoločnosť	1M EURIBOR+ margin	30.9.2016	2,850
Tatra banka, akciová spoločnosť	1M EURIBOR+ margin	31.12.2016	1,568
Tatra banka, akciová spoločnosť	1M EURIBOR+ margin	31.12.2016	3,150
Tatra banka, akciová spoločnosť	1M EURIBOR+ margin	30.9.2017	4,461
Tatra banka, akciová spoločnosť	3M EURIBOR+ margin	30.9.2017	4,382
Tatra banka, akciová spoločnosť	1M EURIBOR+ margin	31.12.2018	674

The weighted average interest rate on loans and borrowing from financial institutions as at 31 October 2012 was 2.18% (at 31 October 2011: 3.16%). The interest is payable on a monthly basis. For more information, see Note 12 – Interest income and expense.

### Security

The Company secured its bank loans with the following assets: land, water areas, technology, service buildings of mountain lift equipment: ski lifts, chair lifts, funicular train, elevated cableway, cabin cableway, transformer stations, service buildings and structures: Hotel Srdiečko, Hotel Kosodrevina, Hotel Liptov, Hotel Grand, Hotel SKI, former telecommunication building, bungalows. All movable assets of Jasná and High Tatras resorts and trade receivables are pledged as well.

As at 31 October 2012 property, plant and equipment, investment property, inventories and receivables in the carrying value of EUR 168,501 thousand are subject to pledges to secure bank loans at (at 31 October 2011: in the amount of EUR 135,224 thousand).

Finance lease liabilities are payable as follows as at 31 October 2012:

In thousands of EUR	Principal	Interest	Payments
Less than one year	407	20	427
Between one and five years	525	12	537
More than five years	3	-	3
<b>Total</b>	<b>935</b>	<b>32</b>	<b>967</b>

### Security

As at 31 October 2012, the finance lease liabilities were not secured by any lien on the Company's assets.

Finance lease liabilities are payable as follows as at 31 October 2011:

In thousands of EUR	Principal	Interest	Payments
Less than one year	543	39	582
Between one and five years	603	34	637
More than five years	-	-	-
<b>Total</b>	<b>1,146</b>	<b>73</b>	<b>1,219</b>

### Security

As at 31 October 2011, the finance lease liabilities were secured by the following assets: chair lift (leased asset) and buildings: Hotel SKI and the former telecommunication building. The leasing of the chair lift terminated as the last payment in accordance with the payment schedule was made on 31 October 2011.

## 30. Trade payables

In thousands of EUR	31.10.2012	31.10.2011
Trade payables	10,422	4,318
Uninvoiced supplies	541	584
Retentions due to contractors	22	26
<b>Total</b>	<b>10,985</b>	<b>4,928</b>
Current	10,985	4,915
Non-current	-	13
<b>Total</b>	<b>10,985</b>	<b>4,928</b>

The increase in trade payables results from the Company's capital investments, the remaining part of the payables results from current operating purchases. As at 31 October 2012, overdue payables amounted to EUR 1,172 thousand (31 October 2011: EUR 1,137 thousand).

### 31. Provisions

In thousands of EUR	Provision for untaken holiday	Other	Total
Balance at 1.11.2011	101	20	121
<b>Balance at 31.10.2012</b>	<b>101</b>	<b>20</b>	<b>121</b>

Current	101
Non-current	20

In thousands of EUR	Provision for untaken holiday	Other	Total
Balance at 1.11.2010	310	20	330
Provisions recorded during the period	100	-	100
Provisions used during the period	(4)	-	(4)
Provisions reversed during the period	(305)	-	(305)
<b>Balance at 31.10.2011</b>	<b>101</b>	<b>20</b>	<b>121</b>

Current	101
Non-current	20

### 32. Other liabilities

In thousands of EUR	31.10.2012	31.10.2011
Advance payments received	720	662
Liabilities to shareholders, employees and partners	472	784
Deferred income	407	531
Employee benefits	8	8
Other liabilities	1,581	1,251
<b>Total</b>	<b>3,188</b>	<b>3,236</b>

Current	3,084	3,228
Non-current	104	8
<b>Total</b>	<b>3,188</b>	<b>3,236</b>

As at 31 October 2012, liabilities to shareholders, employees and partners include social fund liabilities in the amount of EUR 12 thousand (31 October 2011: EUR 18 thousand).

As at 31 October 2012 the deferred income refers mainly to the EUR 167 thousand subsidy from the European funds project for employee education support (ZASI) and the EUR 97 thousand grant for Hotel Tri studničky (31 October 2011: EUR 167 thousand subsidy for employee education support (ZASI), EUR 100 thousand subsidy for Hotel Tri studničky, EUR 142 thousand income from repaid leasing of the 6-seat chair lift in Jasná).

As at 31 October 2012, the amount of other liabilities includes accrued expenses in the amount of EUR 321 thousand, social security liabilities in the amount of EUR 236 thousand and VAT liabilities in the amount of EUR 70 thousand from completed advance payments (31 October 2011: EUR 210 thousand for social security liabilities, EUR 190 thousand for accrued expenses and EUR 287 for VAT liabilities from completed advance payments).

Creation and use of social fund during accounting period is shown in the table below:

In thousands of EUR	31.10.2012	31.10.2011
Balance at 1.11.2011/1.11.2010	18	13
Creation	35	25
Use	(41)	(20)
Balance at 31.10.2012/31.10.2011	12	18

### 33. Fair value information

The following table is a comparison of the carrying amounts and fair values of the Group's financial assets and liabilities that are not carried at fair value:

In thousands of EUR	Carrying amount		Fair value	
	31.10.2012	31.10.2011	31.10.2012	31.10.2011
<b>Financial assets</b>				
Cash and cash equivalents	3 113	6 391	3 113	6 391
Loans granted	10 221	7 910	10 117	6 947
Trade receivables	3 194	5 199	3 194	5 199
Other receivables	56 566	88 422	56 566	88 422
Financial investments	33	25	33	25
Other assets	2 216	1 626	2 216	1 626
<b>Financial liabilities</b>				
Loans and borrowings	16 153	19 071	16 623	21 568
Trade liabilities	10 985	4 928	10 985	4 928
Other liabilities	3 188	3 236	3 188	3 236

As at 31 October 2011 the balances above include also disposal group held for sale in the amount of EUR 102 thousand.

Other receivables as at 31 October 2012 include bill receivables in the amount of EUR 29,165 thousand (31 October 2011: EUR 66,806 thousand), which are payable on demand and therefore their carrying amount does not differ significantly from their fair value.

The financial investments do not include shares of Best Hotel Properties a.s. in the amount of EUR 13,121 thousand (31 October 2011: EUR 17,242 thousand) and shares of Compagnie des Alpes (SA) in the amount of EUR 53 thousand (31 October 2011: EUR 70 thousand) because they have already been recognised in fair value.



## 34. Operating leases

### Leases as lessee

The Group leases lands, on which ski slopes and cableways are situated, and number of cars under operating leases. Major contract for land leases run for a period of 30 years with an option for another 10 years. Major contract have the noticed period 1 year.

For the period from 1 November 2011 to 31 October 2012 EUR 1,267 thousand was recognised as an expense in the income statement in respect of operating leases (for the period from 1 November 2010 to 31 October 2011: EUR 1,680 thousand).

Non-cancellable operating lease rentals are payable as follows:

In thousands of EUR	31.10.2012	31.10.2011
Less than one year	468	480
Between one and five years	8	31
<b>Total</b>	<b>476</b>	<b>511</b>

## 35. Risk management policies and disclosures

This section provides detail of the Group's exposure to risks and of the way it manages such risks. The Group is exposed to risk in the following areas:

- credit risk
- liquidity risk
- market risk
- operational risk

The management is fully responsible for the establishment and supervision of the Group's risk management.

### Credit risk

The Group's primary exposure to credit risk arises through its trade receivables, receivables from rent, other receivables, advances and loans granted. The amount of credit exposure is represented by the carrying amounts of the assets on the balance sheet. The carrying amount of receivables, advances and loans granted represents the maximum accounting loss that would be recognised if counterparties failed to perform completely as contracted and any collateral or security proved to be of no value. The amount therefore greatly exceeds expected losses, which are reflected in the provision for bad debts.

As at 31 October 2012, the exposure from credit risk is as follows:

In thousands of EUR	Corporate	Banks	Other financial institutions	Other	Total
<b>Assets</b>					
Cash and cash equivalents	-	2,867	-	246	3,113
Trade receivables	3,194	-	-	-	3,194
Loans granted	10,221	-	-	-	10,221
Other receivables	27,401	-	29,165	-	56,566
Financial investments	13,207	-	-	-	13,207
Other assets	1,169	2	-	1,045	2,216
	<b>55,192</b>	<b>2,869</b>	<b>29,165</b>	<b>1,291</b>	<b>88,517</b>

As at 31 October 2011, the exposure from credit risk is as follows:

In thousands of EUR	Corporate	Banks	Other financial institutions	Other	Total
<b>Assets</b>					
Cash and cash equivalents	-	6,191	-	200	6,391
Trade receivables	5,199	-	-	-	5,199
Loans granted	7,910	-	-	-	7,910
Other receivables	21,616	-	66,806	-	88,422
Financial investments	17,337	-	-	-	17,337
Other assets	1,063	2	12	549	1,626
	<b>53,125</b>	<b>6,193</b>	<b>66,818</b>	<b>749</b>	<b>126,885</b>

As at 31 October 2011 the balances above include also disposal group held for sale in the amount of EUR 102 thousand.

Other receivables include a receivable from a bill of exchange. As at 31 October 2012, the value of the unsettled bill of exchange to J&T Private Equity B.V. amounted to EUR 29,165 thousand (31 October 2011: EUR 66,806 thousand). The bill is payable on sight, with a 7.5% p.a. interest rate. The bill of exchange is administered based on the portfolio management agreement with J&T Bank Switzerland Ltd., in liquidation, and it is placed in custody.

### Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. Individual companies in the Group use various methods of managing liquidity risks. The Group's management focuses on monitoring and managing liquidity for each individual company.

For liquidity management purposes, the management decided to change from the accounting year to a financial year ending 31 October. In the first half of the accounting period, the Group has a winter busy season which covers 60% of the Group's income. Based on the results of the first half of the year, the Group can sufficiently manage in advance the income and

expenditures to maintain the desired liquidity. In the High Tatras resort, the seasonality is compensated by summer busy seasons and therefore the resort's liquidity is more stable over the year. The group has sufficient liquidity guaranteed by holding the bill of exchange payable on sight (for details see Note 23 – Other receivables).

The table below provides an analysis of financial assets and liabilities into relevant remaining maturity groupings. The analysis is presented under the most prudent consideration of maturity dates including interests. Therefore, in the case of liabilities, the earliest possible repayment date is shown while for assets the latest possible repayment date is disclosed. Those assets and liabilities that do not have a contractual maturity date are grouped together in the „undefined maturity“ category.

As at 31 October 2012, the exposure from liquidity risk is as follows:

In thousands of EUR	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined maturity
<b>Assets</b>							
Cash and cash equivalents	3,113	3,113	3,113	-	-	-	-
Trade receivables	3,194	3,194	3,194	-	-	-	-
Loans granted	10,221	12,025	171	-	11,854	-	-
Other receivables	56,566	30,254	29,166	1,088	-	-	-
Financial investments	13,207	13,207	-	-	-	-	13,207
Other assets	2,216	1,500	1,177	319	-	-	4
	<b>88,517</b>	<b>63,293</b>	<b>36,821</b>	<b>1,407</b>	<b>11,854</b>	<b>-</b>	<b>13,211</b>
<b>Liabilities</b>							
Trade liabilities	10,985	(10,985)	(10,985)	-	-	-	-
Loans and borrowings	16,153	(17,242)	(722)	(2,891)	(13,507)	(122)	-
Other liabilities	3,188	(2,054)	(2,035)	(19)	-	-	-
	<b>30,326</b>	<b>(30,281)</b>	<b>(13,742)</b>	<b>(2,910)</b>	<b>(13,507)</b>	<b>(122)</b>	<b>-</b>

Other receivables up to 3 months include the receivable from the bill of exchange payable on sight. The bill of exchange will not be settled within 3 months. The Group draws financial funds from bills of exchange to finance its capital investments and acquisitions. Settlement of the bill of exchange is estimated in a mid-term period.

As at 31 October 2011, the exposure from liquidity risk is as follows:

In thousands of EUR	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined maturity
<b>Assets</b>							
Cash and cash equivalents	6,391	6,391	6,391	-	-	-	-
Trade receivables	5,199	5,536	3,826	220	1,490	-	-
Loans granted	7,910	10,224	236	-	82	9,906	-
Other receivables	88,422	68,450	66,806	102	1,542	-	-
Financial investments	17,337	17,337	-	-	-	-	17,337
Other assets	1,626	1,414	936	478	-	-	-
	<b>126,885</b>	<b>109,352</b>	<b>78,195</b>	<b>800</b>	<b>3,114</b>	<b>9,906</b>	<b>17,337</b>
<b>Liabilities</b>							
Trade liabilities	(4,928)	(4,928)	(4,896)	(19)	(13)	-	-
Loans and borrowings	(19,071)	(21,403)	(700)	(3,546)	(11,822)	(5,335)	-
Other liabilities	(3,236)	(2,035)	(2,035)	-	-	-	-
	<b>(27,235)</b>	<b>(28,366)</b>	<b>(7,631)</b>	<b>(3,565)</b>	<b>(11,835)</b>	<b>(5,335)</b>	<b>-</b>

As at 31 October 2011 the balances above include also disposal group held for sale in the amount of EUR 102 thousand.

### Foreign exchange risk

The Group is not primarily exposed to foreign exchange risk, as almost all transactions are issued in EUR. Secondary exist risk that the weakening of the Polish zloty, possibly Russian ruble against Euro would lead to a reduction in the number of visitors from these countries.

### Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations. The volume of this risk equals the sum of interest-earning assets and interest-bearing liabilities for which the interest rate differs at maturity or time of interest rate changes to current interest rates. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Group's interest rate exposure based on the contractual maturity date of its financial instruments.

As at 31 October 2012 and 31 October 2011 the Group has the following interest-earning assets and interest-bearing liabilities:

In thousands of EUR	31.10.2012	31.10.2011
<b>Fixed rate instruments</b>		
Assets	39,386	74,716
Liabilities	15,229	16
<b>Variable rate instruments</b>		
Assets	-	-
Liabilities	924	19,055

*Sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates would have increased (decreased) profit or loss by the amounts shown below :

In thousands of EUR	Profit (loss)	
	100 bb increase	100 bb decrease
<b>31 October 2012</b>		
Variable rate instruments	-9	9
Cash flow sensitivity	-9	9

In thousands of EUR	Profit (loss)	
	100 bb increase	100 bb decrease
<b>31 October 2011</b>		
Variable rate instruments	-191	191
Cash flow sensitivity	-191	191

The Group's interest-bearing liabilities bear a variable interest rate derived from EURIBOR. The Group considers the variable interest rate as self-management of the interest rate risk. Under economic expansion EURIBOR grows, which is accompanied by the economic performance of the population and, consequently, it improves the company's sales and earnings. Under economic downturn it is quite the opposite.

### Operational risk

Operational risk is the risk of loss arising from fraud, unauthorised activities, error, omission, inefficiency or system failure. It arises from all the Group's activities and is a risk faced by all business organisations. Operational risk includes also legal risk.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and avoid control procedures that would restrict initiative and creativity.

The primary responsibility for the implementation of controls to address operational risk is assigned to management of the Group. This responsibility is supported by the development of overall standards within the Group for the management of operational risk. Operational risk is managed by the system of standards, minutes from meetings and control mechanisms. The Group has a controlling department where it tries to eliminate all operational risks by way of regular checks.

The Group is also exposed to weather risks. Visit rates of the resorts depend on the quantity of snow and on periods of snow-fall. Unfavourable terms have a negative impact on the number of skiers, sales and the Company's profits. Warm weather can extremely increase expenses for the production of artificial snow and reduce the areas fit for skiing. The historical averages for the Low Tatras and High Tatras regions are 80 cm and 85 cm of snow during winter season. The beginning of the winter season and the snow conditions affect skiers' opinions of the whole season. The Group is unable to predict the snow conditions at the beginning of the winter season in a reliable way. Every year, snow conditions during the winter season are stable.

## 36. Related parties

### Identity of related parties

The group has a related party relationship with its shareholders, who have significant influence over the Group and other parties, as identified in the following table, as at 31 October 2012 and as at 31 October 2011 or during the period from 1 November 2011 to 31 October 2012 and from 1 November 2010 to 31 October 2011:

- (1) Entities with joint control or significant influence over the Company and its subsidiaries or associates
- (2) Joint ventures in which the Group is a venturer
- (3) Associates
- (4) Key management personnel of the entity or shareholder's of the Group (see also Note 10 – Personnel expenses)

Information about remuneration for directors and key management are presented in Note 10 – Personnel expenses.

Since none of the shareholders has an ownership interest exceeding 20 % or otherwise has significant influence over the Group, shareholders are not recognised as related parties, and the transactions mentioned above or any balances are not understood as transactions with related parties.

The Group has the following transactions with related parties:

In thousands of EUR	Ref.	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
		31.10.2012	31.10.2012	31.10.2011	31.10.2011
Interhouse Tatry s.r.o. <sup>1</sup>	3	327	-	368	-

In thousands of EUR	Ref.	Revenues	Expenses	Revenues	Expenses
		1.11.2011 – 31.10.2012	1.11.2011 – 31.10.2012	1.11.2010 – 31.10.2011	1.11.2010 – 31.10.2011
Interhouse Tatry s.r.o. <sup>1</sup>	3	142	(1)	32	(15)

<sup>1</sup> By acquisition of a 50 % interest in the associate Interhouse Tatry s.r.o. as of 28 December 2009, this company has been identified as a related party.



### 37. Subsequent events

Effective from 1 January 2013, the Slovak Government and the National Council of the Slovak Republic approved an amendment of the Income Tax Act increasing the corporate income tax rate from 19% to 23%. This fact will affect the Group's future profit/loss and the amount of income tax. The increase in the income tax rate means an increase in the deferred tax and the deferred tax liability in the amount of EUR 2,659 thousand. The Group calculated the deferred tax using the 19% income tax rate, which was valid as at the date of the financial statements

On 13 November 2012, TMR, acting through Melida, a.s. (an associate company), entered into a business lease contract for SKIAREÁL Špindlerův Mlýn, a.s. in the Czech Republic. SKIAREÁL operates Špindlerův Mlýn ski resort in the northern part of the Czech Republic. It is the best-known ski resort in the Czech Republic. TMR holds a 50% share in Melida, a.s., which started the operation of the ski resort under the aforementioned lease contract. The business lease contract was made for 20 years. The management of the Group presently assess whether the aforementioned transaction results in a business combination.

On 26 November 2012, Tatra mountain resorts, a.s., in cooperation with the Polish municipality Gmina Zawoja, established a limited liability company, Korona ziemi. The Group holds a 50% ownership interest in the aforementioned company. The company was established for the purpose of constructing a leisure and educational park.

On 16 February 2013, the Group became the exclusive owner and operator of Grandhotel Starý Smokovec in the High Tatras by acquisition of a 50% ownership interest in Interhouse Tatry, s.r.o., Starý Smokovec 38, 062 01 High Tatras from DIAMOND HOTELS CYPRUS LIMITED, Akropoleos, 59-61 SAVVIDES BUILDING, 1st floor, Flat/Office 102 Nicosia 2012, Cyprus. The price for the aforementioned ownership interest was EUR 7,500 thousand. Effective from 1 November 2012, the Group took full control over Interhouse Tatry, s.r.o. and in the following accounting period the company will be included in the group's consolidated financial statements using the full consolidation method.

### 38. Capital commitments and capital management

As at 31 October 2012, the Group does not have any material capital commitments.

The Group management's approach to capital management aims to ensure a sufficient amount of funds for intended capital investments and to make the available in the relevant period.

Neither the Company nor any of its subsidiaries are subject to any external capital management requirements.

In the period from 1 November 2011 to 31 October 2012, no changes occurred in the Group management's approach to capital management.

### 39. Contingent assets and contingent liabilities

As many parts of the Slovak tax legislation remain untested, there is an uncertainty about the interpretation that the tax authorities may apply in a number of areas. The effect of this uncertainty cannot be quantified and will only be resolved as legislative precedents are set or when official interpretations of the authorities are available.

On 31 October 2007, the Group entered into a Contract of lien on business, receivables and movable assets in favour of the creditor - Tatra banka, akciová spoločnosť. The subject matter of the contract is the lien on liabilities in the full amount of the liabilities as recognised on the Balance Sheet as at 31 October 2011 and 31 October 2012.

The Company is party to several legal disputes. The Company has lost two legal cases and presently the amount of compensation is being quantified. In all legal disputes, the maximum amount of compensation can be up to EUR 1,123 thousand plus related charges and fees.


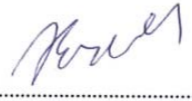
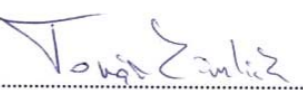

### 40. Group entities

The list of the Group entities as at 31 October 2012 and as at 31 October 2011 is set out below:

	31.10.2012			31.10.2011		
	Country of incorporation	Consolidation method	Consolidated %	Ownership interest	Consolidated %	Ownership interest
Tatry mountain resorts, a.s.	Slovakia	Full	100	direct	100	direct
GRANDHOTEL PRAHA a.s.	Slovakia	Full	100	direct	100	direct
Tatry mountain resorts services, a.s.	Slovakia	Full	100	direct	100	direct
Interhouse Tatry s.r.o.	Slovakia	Equity	50	direct	50	direct
Melida, a.s.	Česká republika	Equity	50	direct	-	-

On 8 November 2011, the Group established its subsidiary Tatry mountain resorts operations, a.s., which was subsequently disposed on 25 April 2012.

On 28 August 2012 the Group acquired 100% of shares of the company Melida, a.s. and subsequently on 17 September 2012 was 50% of shares disposed.

			
<b>Bohuš Hlavatý</b> chairman of the board of directors	<b>Jozef Hodek</b> member of the board of directors	<b>Tomáš Kimlička</b> person responsible for financial statements preparation	<b>Marian Klas</b> person responsible for accounting

## Independent Auditor's Report



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Translation of the Auditor's Report originally prepared in Slovak language

### Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Tatry mountain resorts, a.s. ("the Company"), and its subsidiaries (jointly referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 October 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management as represented by the statutory body is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 October 2012, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

28 February 2013  
Bratislava, Slovak Republic

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



Responsible auditor:  
Ľuboš Vančo  
License SKAU No. 745

## Report on Audit of Consistency



**KPMG Slovensko spol. s r. o.**  
Dvořákovo nábrežie 10  
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Slovakia

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Internet www.kpmg.sk

**Report on Audit of Consistency  
of the annual report with the consolidated financial statements pursuant to Article 23 (5)  
of Act No. 540/2007 Coll. on Auditors, Audit and Oversight of Audit**

(Translation)

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

We have audited the consolidated financial statements of the company Tatry mountain resorts, a.s. ("the Company") and its subsidiaries (jointly referred to as "the Group") as of 31 October 2012, presented in appendix to the consolidated annual report. We have issued an independent auditor's report on the consolidated financial statements on 28 February 2013 with the following wording:

**Independent Auditor's Report**

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

We have audited the accompanying consolidated financial statements of Tatry mountain resorts, a.s. ("the Company"), and its subsidiaries (jointly referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 October 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management as represented by the statutory body is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the



audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 October 2012, and of its consolidated financial performance and its consolidated cash flows for the year then ended on 31 October 2012 in accordance with International Financial Reporting Standards as adopted by the European Union.

28 February 2013  
Bratislava, Slovak Republic

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

Responsible auditor:  
Euboš Vančo  
License SKAU No. 745

**Report on the Audit of Consistency of the annual report with the consolidated financial statements**

We have audited the consistency of the annual report with the consolidated financial statements in accordance with the Act on Accounting.



## Compliance Report



The accuracy of the annual report is the responsibility of the company's management. Our responsibility is to audit the consistency of the annual report with the consolidated financial statements, based on which we are required to issue an appendix to the auditor's report on the consistency of the annual report with the consolidated financial statements.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the information presented in the annual report, subject to presentation in the consolidated financial statements, is consistent, in all material respects, with the relevant consolidated financial statements.

We have reviewed the consistency of the information presented in the annual report with the information presented in the consolidated financial statements as of 31 October 2012. We have not audited any data or information other than the accounting information obtained from the consolidated financial statements and accounting books. We believe that the audit work performed provides a sufficient and appropriate basis for our opinion.

In our opinion, the accounting information presented in the annual report is consistent, in all material respects, with the consolidated financial statements as of 31 October 2012, presented in appendix to the consolidated annual report.

28 February 2013  
Bratislava, Slovak Republic

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



Responsible auditor:  
Luboš Vančo  
License SKAU No. 745



INDIVIDUAL FINANCIAL STATEMENTS





# Individual Financial Statements

Financial Statements prepared in accordance  
with Slovak statutory requirements as at 31 October 2012

Income Statement Úč POD 2-01

## INCOME STATEMENT

at 31. 10. 2012 (in whole euros)

Tax identification number (DIČ)  Financial statements  - ordinary  - extraordinary

Identification number (IČO)  Financial statements  - prepared  - approved

SK NACE  (check )

For period: Month Year from 11 2011 to 10 2012

Preceding period: Month Year from 11 2010 to 10 2011


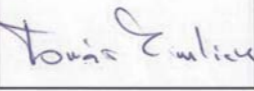
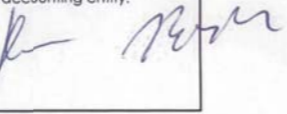
Legal name (designation) of the accounting entity

Registered office of the accounting entity, street and number

Zip code  Municipality

Telephone number  Fax number

e-mail

Prepared on: 20.2.2013	Signature of the person responsible for bookkeeping: 	Signature of the person responsible for the preparation of the financial statements: 	Signature of the accounting entity's statutory body or a sole trader who is the accounting entity: 
Approved on: 20.2.2013			

## 2020428036 Income Statement Úč POD 2-01

Designation	Text	„Line No.“	Actual data	
			Current accounting period	Preceding accounting period
a	b	c	1	2
I.	Revenue from the sale of merchandise (604, 607)	01	1 831 206	1 109 516
A.	Cost of merchandise sold (504, 505A, 507)	02	1 337 201	935 215
+	Trade margin line 01- line 02	03	494 005	174 301
II.	Production line 05 + line 06 + line 07	04	39 021 273	33 632 487
II.1.	Revenue from the sale of own products and services (601, 602, 606)	05	38 805 905	33 603 147
2.	"Changes in internal inventory (+/- account group 61)"	06	29	6
3.	Own work capitalized (account group 62)	07	215 339	29 334
B.	Production line 09 + line 10	08	17 960 233	17 568 634
B.1.	Consumed raw materials, energy consumption, and consumption of other non-inventory supplies (501, 502, 503, 505A)	09	7 156 559	6 324 493
2.	Services (account group 51)	10	10 803 674	11 244 141
+	Added value line 03 + line 04 -line 08	11	21 555 045	16 238 154
C.	Personnel expenses total (lines 13 to 16)	12	8 437 244	7 115 868
C.1.	Wages and salaries (521, 522)	13	6 261 597	5 156 550
2.	Remuneration of board members of company or cooperative (523)	14	195 705	200 626
3.	Social security expenses (524, 525, 526)	15	1 726 614	1 516 452
4.	Social expenses (527, 528)	16	253 328	242 240
D.	Taxes and fees (account group 53)	17	190 299	140 779
E.	Amortization and value adjustments to non-current intangible assets and depreciation and value adjustments to property, plant and equipment (551,553)	18	5 939 968	4 892 818
III.	Revenue from the sale of non-current assets and raw materials (641, 642)	19	322 007	1 035 438
F.	Carrying value of non-current assets sold and raw materials sold (541, 542)	20	217 756	748 517
G.	Creation and reversal of value adjustments to receivables (+/- 547)	21	139 821	-21 590
IV.	Other operating income (644, 645, 646, 648, 655, 657)	22	1 661 420	2 624 441
H.	Other operating expenses (543, 544, 545, 546, 548, 549, 555, 557)	23	637 394	90 898
V.	Transfer of operating income (-) (697)	24	0	0
I.	Transfer of operating expenses (-) (597)	25	0	0
*	Profit/loss from operations line 11 - line 12 - line 17 - line 18 + line 19 - line 20 - line 21 + line 22 - line 23 + (-line 24) - (-line 25)	26	7 975 990	6 930 743
VI.	Revenue from the sale of securities and shares (661)	27	6 925 761	0
J.	Securities and shares sold (561)	28	6 430 567	0
VII.	„Income from non-current financial assets line 30 + line 31 + line 32 „	29	300 447	484 406
VII.1	Income from securities and ownership interests in a subsidiary and in a company where significant influence is held (665A)	30	0	0
2.	Income from other long-term securities and shares (665A)	31	300 447	484 406
3.	Income from other non-current financial assets (665A)	32	0	0
VIII.	Income from current financial assets (666)	33	0	0
K.	Expenses related to current financial assets (566)	34	0	0



2020428036 Income Statement Úč POD 2-01

Desig-nation	Text	„Line No.“	Actual data	
			Current accounting period	Preceding accounting period
a	b	c	1	2
IX.	Gains on revaluation of securities and income from derivative transactions (664, 667)	35	0	0
L.	Loss on revaluation of securities and expenses related to derivative transactions (564, 567)	36	0	0
M.	Creation and reversal of value adjustments to financial assets +/- 565	37	4 058 710	2 499 902
X.	Interest income (662)	38	3 548 829	7 542 194
N.	Interest expense (562)	39	532 686	514 738
XI.	Exchange rate gains (663)	40	11 429	1 456
O.	Exchange rate losses (563)	41	6 539	2 504
XII.	Other income from financial activities (668)	42	8 448	9 055
P.	Other expenses related to financial activities (568, 569)	43	420 650	678 939
XIII.	Transfer of financial income (-) (698)	44	0	0
R.	Transfer of financial expenses (-) (598)	45	0	0
*	Profit/loss from financial activities line 27 - line 29 + line 33 - line 34 + line 35 - line 36 - line 37 + line 38 - line 39 + line 40 - line 41 + line 42 - line 43 +(-line 44) - (-line 45)	46	-654 238	4 341 028
**	„Profit/loss from ordinary activities before tax line 26 + line 46“	47	7 321 752	11 271 771
S.	Income tax on ordinary activities line 49+ line 50	48	950 335	2 681 525
S.1	- current (591,595)	49	942 897	1 140 899
2.	- deferred (+/-592)	50	7 438	1 540 626
**	"Profit/loss from ordinary activities after tax line 47 - line 48"	51	6 371 417	8 590 246
XIV.	line 47 - line 48"	52	0	0
T.	Extraordinary income (account group 68)	53	0	0
*	Extraordinary expenses (account group 58)	54	0	0
U.	„Income tax on extraordinary activities line 56 + line 57“	55	0	0
U.1.	- current (593)	56	0	0
2.	- deferred (+/- 594)	57	0	0
*	„Profit/loss from extraordinary activities after tax line 54 - line 55“	58	0	0
***	Profit/loss for the accounting period before tax (+/-) (line 47 + line 54)	59	7 321 752	11 271 771
V.	„Transfer of net profit/net loss shares to partners (+/-596)“	60		
***	Profit/loss for the accounting period after tax (+/-) [line 51 + line 58 - line 60]	61	6 371 417	8 590 246

Financial statements prepared in accordance with Slovak legislation, 31 October 2012

Balance Sheet Úč POD 1-01			
BALANCE SHEET			
at 31. 10. 2012 (in whole euros)			
<b>Tax identification number (DIČ)</b>	Financial statements	Financial statements	<b>For period</b>
2020428036	<input checked="" type="checkbox"/> - ordinary	<input checked="" type="checkbox"/> - prepared	Month Year
	<input type="checkbox"/> - extraordinary	<input type="checkbox"/> - approved	11 2011
<b>Identification number (IČO)</b>			to 10 2012
31560636			
<b>SK NACE</b>	(check <input checked="" type="checkbox"/> )		<b>Preceding period</b>
55.1			Month Year
			from 11 2010
			to 10 2011
<b>Legal name (designation) of the accounting entity</b>			
Tatry mountain resorts, a.s.			
<b>Registered office of the accounting entity, street and number</b>			
Demänovská Dolina 72			
<b>Zip code</b>	<b>Municipality</b>		
03101	Liptovský Mikuláš		
<b>Telephone number</b>	<b>Fax number</b>		
044 / 5591505	044 / 5591511		
<b>E-mail</b>			
<b>Prepared on:</b>	<b>Signature of the person responsible for bookkeeping:</b>	<b>Signature of the person responsible for the preparation of the financial statements:</b>	<b>Signature of the accounting entity's statutory body or a sole trader who is the accounting entity:</b>
20.2.2013			
<b>Approved on:</b>			
20.2.2013			

Designation a	Assets	Line No. c	Current accounting period			Preceding accounting period
			1		2 Netto	3 Netto
			Gross-part 1	Correction- part 2		
	Total assets line 002 + line 030 + line 061	001	347 989 456	47 481 900	300 507 556	298 368 679
A.	„Non-current intangible assets - total (lines 004 to 010)“	002	306 776 982	47 276 194	259 500 788	216 547 267
A.I.	„Non-current intangible assets - total (lines 004 to 010)“	003	2 203 393	756 612	1 446 781	1 294 517
A.I.1.	Capitalized development costs (012) - /072, 091A/	004	0	0	0	0
2.	Software (013)-/073, 091A/	005	571 556	147 504	424 052	95 361
3.	Valuable rights (014) - /074, 091A/	006	1 757 736	735 458	1 022 278	1 199 156
4.	Goodwill (015) - /075, 091A/	007	-143 376	-143 376	0	0
5.	„Other non-current intangible assets (019, 01X) - /079, 07X, 091A/“	008	17 026	17 026	0	0
6.	„Acquisition of non-current intangible assets (041) - 093“	009	451	0	451	0
7.	Advance payments made for non-current intangible assets (051) - 095A	010	0	0	0	0
A.II.	Property, plant and equipment - total (lines 012 to 020)	011	232 585 571	39 960 970	192 624 601	147 168 193
A.II.1.	Land (031) - 092A	012	21 090 032	380 587	20 709 445	20 016 673
2.	Structures (021) - /081, 092A/	013	99 173 972	17 009 595	82 164 377	70 055 127
3.	Individual movable assets and sets of movable assets (022) - /082, 092A/	014	64 872 728	21 973 780	42 898 948	37 250 704
4.	„Perennial crops (025) - /085, 092A/“	015	0	0	0	0
5.	Livestock (026) - /086,092A/	016	0	0	0	0
6.	„Other property, plant and equipment (029, 02X, 032) - /089, 08X, 092A/“	017	20 242	0	20 242	29 450
7.	„Acquisition of property, plant and equipment (042) - 094“	018	41 304 569	597 008	40 707 561	17 486 794
8.	„Advance payments made for property, plant and equipment (052) - 095A“	019	6 124 028	0	6 124 028	2 329 445
9.	„Value adjustment to acquired assets (+/- 097) +/- 098“	020	0	0	0	0
A.III.	Non-current financial assets - total (lines 022 to 029)	021	71 988 018	6 558 612	65 429 406	68 084 557
A.III.1.	„Shares and ownership interests in a subsidiary (061) - 096A“	022	18 795 792	3 000 000	15 795 792	18 795 792
2.	Shares and ownership interests with significant influence over enterprises (062) - 096A	023	7 566 969	2 000 000	5 566 969	7 525 778
3.	„Other long-term shares and ownership interests (063, 065) - 096A“	024	13 207 363	0	13 207 363	17 337 442
4.	Intercompany loans (066A) - 096A	025	0	0	0	0
5.	Other non-current financial assets (067A, 069, 06XA) - 096A	026	10 050 371	0	10 050 371	7 674 182
6.	Loans with maturity up to one year (066A, 067A, 06XA)-096A	027	2 916 258	0	2 916 258	0
7.	„Acquisition of non-current financial assets (043) - 096A“	028	0	0	0	0
8.	Advance payments made for non-current financial assets (053) - 095A	029	19 451 265	1 558 612	17 892 653	16 751 363
B.	Current assets line 031 + line 038 + line 046 + line 055	030	40 187 743	205 706	39 982 037	81 346 451
B.I.	Inventory - total (lines 032 to 037)	031	1 471 944	0	1 471 944	903 946

Designation a	Assets	Line No. c	Current accounting period			Preceding accounting period
			1		2 Netto	3 Netto
			Gross-part 1	Correction- part 2		
B.I.1.	Raw material (112, 119, 11X) - /191, 19X/	032	425 887	0	425 887	464 865
2.	„Work in progress and semi-finished products (121, 122, 12X) - /192, 193, 19X/“	033	0	0	0	0
3.	Finished goods (123) - 194	034	0	0	0	0
4.	Animals (124) - 195	035	0	0	0	0
5.	Merchandise (132, 133, 13X, 139) - /196, 19X/	036	1 046 057	0	1 046 057	439 081
6.	Advance payments made for inventory (314A) - 391A	037	0	0	0	0
B.II.	Non-current receivables - total (lines 039 to 045)	038	0	0	0	1 691 007
B.II.1.	Trade receivables (311A, 312A, 313A, 314A, 315A, 31XA) - 391A	039	0	0	0	1 691 007
2.	Net value of contract (316A)	040	0	0	0	0
3.	Receivables from a subsidiary and a parent (351A) - 391A	041	0	0	0	0
4.	„Other intercompany receivables (351A) - 391A“	042	0	0	0	0
5.	Receivables from participants, members, and association (354A, 355A, 358A, 35XA) - 391A	043	0	0	0	0
6.	Other receivables (335A, 33XA, 371A, 373A, 374A, 375A, 376A, 378A) - 391A	044	0	0	0	0
7.	Deferred tax asset (481 A)	045	0	0	0	0
B.III.	Current receivables - total (lines 047 to 054)	046	36 009 174	205 706	35 803 468	72 544 660
B.III.1.	Trade receivables (311A, 312A, 313A, 314A, 315A, 31XA) - 391A	047	5 099 166	205 706	4 893 460	4 535 931
2.	Net value of contract (316A)	048	0	0	0	0
3.	Receivables from a subsidiary and a parent (351A) - 391A	049	0	0	0	0
4.	„Other intercompany receivables (351A) - 391A“	050	0	0	0	0
5.	Receivables from participants, members, and association (354A, 355A, 358A, 35XA, 398A) - 391A	051	0	0	0	0
6.	Social security (336) - 391A	052	0	0	0	0
7.	Tax assets and subsidies (341, 342, 343, 345, 346, 347) - 391A	053	1 536 425	0	1 536 425	953 697
8.	Other receivables (335A, 33XA, 371A, 373A, 374A, 375A, 376A, 378A) - 391A	054	29 373 583	0	29 373 583	67 055 032
B.IV.	Financial accounts - total (lines 056 to 060)	055	2 706 625	0	2 706 625	6 206 838
B.IV.1.	Cash on hand (211, 213, 21X)	056	232 557	0	232 557	184 924
2.	Bank accounts (221A, 22X +/-261)	057	2 474 068	0	2 474 068	6 021 914
3.	Bank accounts with notice period exceeding one year 22XA	058	0	0	0	0
4.	„Current financial assets (251, 253, 256, 257, 25X) - /291, 29X/“	059	0	0	0	0
5.	„Acquisition of current financial assets (259,314A) - 291“	060	0	0	0	0
C.	Accruals/deferrals - total (lines 062 to 065)	061	1 024 731	0	1 024 731	474 961
C.1.	Prepaid expenses - long-term (381A, 382A)	062	0	0	0	0
2.	Prepaid expenses - short-term (381A, 382A)	063	705 415	0	705 415	202 392
3.	Accrued income - long-term (385A)	064	0	0	0	0
4.	Accrued income - short-term (385A)	065	319 316	0	319 316	272 569

Designation a	LIABILITIES AND EQUITY b	Line No. c	Current accounting period 4	Preceding accounting period 5
	Total equity and liabilities line 067 + line 088 + line 121	066	300 507 556	298 368 679
A.	Equity line 068 + line 073 + line 080 + line 084 + line 087	067	265 932 323	265 728 517
A.I.	Share capital - total (lines 069 to 072)	068	221 337 534	221 337 534
A.I.1.	Share capital (411 or +/- 491)	069	221 337 534	221 337 534
2.	Own shares and own ownership interests (/-/252)	070	0	0
3.	Change in share capital +/- 419	071	0	0
4.	Receivables related to unpaid share capital (/-/ 353)	072	0	0
A.II.	Capital funds - total (lines 074 to 079)	073	31 361 695	31 090 397
A.II.1.	Share premium (412)	074	30 430 378	30 430 378
2.	Other capital funds (413)	075	282 587	282 587
3.	Legal reserve fund (Non-distributable fund) from capital contributions (417, 418)	076	0	0
4.	Differences from revaluation of assets and liabilities (+/- 414)	077	648 730	377 432
5.	Investment revaluation reserves (+/- 415)	078	0	0
6.	Differences from revaluation in the event of a merger, amalgamation into a separate accounting entity or demerger (+/- 416)	079	0	0
A.III.	Funds created from profit - total (lines 081 to 083)	080	3 240 121	2 381 096
A.III.1.	Legal reserve fund (421)	081	3 240 121	2 381 096
2.	Non-distributable fund (422)	082	0	0
3.	Statutory funds and other funds (423, 427, 42X)	083	0	0
A.IV.	"Net profit/loss of previous years	084	3 621 556	2 329 244
A.IV.1.	line 085 and line 086"	085	3 621 556	2 329 244
2.	Retained earnings from previous years (428)	086	0	0
A.V.	Net profit/loss for the accounting period after tax +/- line 001 - (line 068 + line 073 + line 080 + line 084 + line 088 + line 121)	087	6 371 417	8 590 246
B.	Liabilities line 89 + line 94 + line 106 + line 117 + line 118	088	34 173 058	32 122 390
B.I.	Provisions - total (lines 090 to 093)	089	556 939	526 637
B.I.1.	Legal provisions - long-term (451A)	090	0	0
2.	Legal provisions - short-term (323A, 451A)	091	530 248	499 946
3.	Other long-term provisions (459A, 45XA)	092	26 691	26 691
4.	Other short-term provisions (323A, 32X, 459A, 45XA)	093	0	0
B.II.	Non-current liabilities - total (lines 095 to 105)t (r. 095 až r. 105)	094	5 618 632	5 705 037
B.II.1.	Non-current trade liabilities (321A, 479A)	095	0	0
2.	Net value of contract (316A)	096	0	0
3.	Unbilled long-term supplies (476A)	097	0	0
4.	Non-current liabilities to a subsidiary and a parent (471A)	098	0	0
5.	Other non-current intercompany liabilities (471A)	099	0	0
6.	Long-term advance payments received (475A)	100	0	0
7.	Long-term bills of exchange to be paid (478A)	101	0	0
8.	Bonds issued (473A/-/255A)	102	0	0
9.	Liabilities related to social fund (472)	103	9 340	14 687
10.	Other non-current liabilities (474A, 479A, 47XA, 372A, 373A, 377A)	104	466 968	555 464
11.	Deferred tax liability (481A)	105	5 142 324	5 134 886
B.III.	Current liabilities - total (lines 107 to 116)	106	12 787 227	7 983 227

Designation a	LIABILITIES AND EQUITY b	Line No. c	Current accounting period 4	Preceding accounting period 5
B.III.1.	Trade liabilities (321, 322, 324, 325, 32X, 475A, 478A, 479A, 47XA)	107	11 354 408	4 875 311
2.	Net value of contract (316A)	108	0	0
3.	Unbilled supplies (326, 476A)	109	460 302	652 467
4.	Liabilities to a subsidiary and a parent (361A, 471A)	110	0	0
5.	"Other intercompany liabilities	111	0	0
6.	(361A, 36XA, 471A, 47XA)"	112	9 222	4 770
7.	Liabilities to partners and association (364, 365, 366, 367, 368, 398A, 478A, 479A)	113	331 871	293 079
8.	Liabilities to employees (331,333,33X,479A)	114	172 739	158 446
9.	Liabilities related to social security (336, 479A)	115	41 636	1 177 230
10.	Tax liabilities and subsidies (341, 342, 343, 345, 346, 347, 34X)	116	417 049	821 924
B.IV.	Short-term financial assistance (241, 249, 24X, 473A,-/255A)	117	0	0
B.V.	Bank loans line 119 and line 120	118	15 210 260	17 907 489
B.V.1.	Long-term bank loans (461A, 46XA)	119	12 363 033	15 060 261
2.	Current bank loans (221A, 231, 232, 23X, 461A, 46XA)	120	2 847 227	2 847 228
C.	Accruals/deferrals - total (lines 122 to 125)	121	402 175	517 772
C.1.	Accrued expenses - long-term (383A)	122	0	0
2.	Accrued expenses - short-term (383A)	123	0	0
3.	Deferred income - long-term (384A)	124	268 067	334 006
4.	Deferred income - short-term (384A)	125	134 108	183 766



Notes Úč POD 3 - 04

**Notes  
to the individual Financial Statements  
as at 31 October 2012**

in  - eurocent  - euro

For the period from month year to month year  
11 2011 to 10 2012

For the period from month year to month year  
11 2010 to 10 2011

Date of establishment of the accounting entity: 20 03 1992

Financial statements:  - ordinary,  - extraordinary,  - interim  
Financial statements:  - prepared,  - approved

IČO: 31560636 DIČ: 2020428036 SK NACE: 55.10.0

Legal name (designation) of the accounting entity: TATRY MOUNTAIN RESORTS, a.s.

Registered office of the accounting entity  
Street: DEMĀNOVSKÁ DOLINA Number: 72  
Zip code: 03101 Municipality: LIPTOVSKÝ MIKULÁŠ

Telephone number: 044 / 5591505 Fax number: 044 / 5591511

E-mail:

Prepared on: 20.2.2013	Signature of the person responsible for bookkeeping:	Signature of the person responsible for the preparation of the financial statements:	Signature of the accounting entity's body or a sole trader who is the accounting entity:
Approved on: 20.2.2013			

## A. INFORMATION ABOUT THE ACCOUNTING ENTITY

### 1. Trade name and registered office of the company

Tatry mountain resorts, a.s.  
Demänovská Dolina 72  
031 01 Liptovský Mikuláš

Tatry mountainresorts, a.s. (hereinafter only the "company" or the "Company") is a joint-stock company with registered office and point of business in: Demänovska Dolina 72, Liptovský Mikuláš 031 01. The company was established on 20 March 1992 and it was incorporated on 1 April 1992 (Commercial Register of Žilina District Court, Section: Sa, Insert No: 62/L). The Company's ID is: 31 560 636 and the Company's tax identification number is: 2020428036.

### 2. The Company's core activities are:

- Operation of cableways and ski lifts;
- Operation of hotels;
- Restaurant services and catering activities;
- Operation of the water park;
- Operation of ski and snowboarding schools.

### 3. Average number of employees

Data on number of employees for the current accounting period and the preceding accounting period are given in the following summary:

	31.10.2012	31.10.2011
Average number of employees	987	836
Staff at the date on which the financial statements, including:	810	924
number of managers	15	15

### 4. Information on unlimited liability

The Company is not a partner with unlimited liability in other companies according to Article 56 (5) of the Commercial Code.

### 5. Legal reason for the preparation of the Financial Statements

The Financial Statements of the Company as at 31 October have been prepared as ordinary financial statements in accordance with Article 17 (6) of Slovak Act No. 431/2002 Coll. on Accounting for the accounting period from 1 November 2011 to 31 October 2012.

### 6. Date of approval of the Financial Statements for the preceding accounting period

The Financial Statements of the Company as at 31 October 2011, i.e. for the preceding accounting period, were approved by the shareholders at the Company's General Meeting held on 21 April 2012.

### 7. Publication of the Financial Statements for the preceding accounting period

The Financial Statements of the Company as at 31 October 2011, including the Annual Report and the auditor's report on the audit of the financial statements as at 31 October 2011, were filed in the collection of deeds of the Commercial Register on 3 May 2012. The Balance Sheet and the Income Statement for the preceding accounting period were published in the Commercial Bulletin No. 118/2012 on 20 June 2012.

### 8. Appointment of the auditor

On 21 April 2011 the General Meeting appointed KPMG spol. s r.o. as the auditor of the Financial Statements for the period from 1 November 2011 to 31 October 2012.

## B. INFORMATION ABOUT THE ACCOUNTING ENTITY'S BODIES

The Company's bodies are

### Board of Directors:

- Ing. Bohuš Hlavatý, Chairman (appointed 29.6.2009)
- Ing. Branislav Gábriš, Vice-Chairman (appointed 18.2.2011)
- Ing. Jozef Hodek, member (appointed 29.6.2009)
- Ing. Dušan Slavkovský, member (appointed 1.5.2010)
- Ing. Michal Krolák, member (appointed 18.2.2011)
- Ing. Andrej Devečka, member (appointed 14.12.2006 till 14.12.2011, appointed 22.12.2011)

### Supervisory Board:

- Ing. Igor Rattaj (appointed 29.6.2009)
- Ing. František Hodorovský (appointed 18.1.2011)
- Jiří Uvíra (appointed 18.1.2011)
- Jan Marian Komornický (appointed 18.1.2011)
- Boris Kollár (appointed 30.4.2011)
- Roman Kudláček (appointed 21.4.2012)
- Miroslav Roth (appointed 30.6.2012)
- Ing. Ján Štetka (appointed 30.6.2012)
- Ing. Peter Kubeňa (appointed 30.6.2012)

## C. INFORMATION ABOUT THE GROUP AND INFORMATION ABOUT THE SHAREHOLDERS OF THE ACCOUNTING ENTITY

The structure of the Company's shareholders as at 31 October 2012 and as at 31 October 2011 was as follows:

31 October 2012

Shareholder	Interest in share capital		Voting rights	Other share in equity items other than share capital
	In absolute terms	in %	in %	in %
a	b	c	d	e
J & T BANKA, a.s.	21 912	9,90	9,90	-
CLEARSTREAM BANKING S.A.	21 890	9,90	9,90	-
KEY DEE LIMITED	20 031	9,00	9,00	-
EGNARO INVESTMENTS LIMITED	19 876	9,00	9,00	-
Poštová banka, a.s.	16 691	7,50	7,50	-
Patria Finance, a.s.	14 055	6,40	6,40	-
Privatbanka, a.s.	10 956	5,00	5,00	-
TATRY INVESTMENT LIMITED	9 562	4,30	4,30	-
Minority shareholders	86 365	39,00	39,00	-
<b>Spolu</b>	<b>221 338</b>	<b>100</b>	<b>100</b>	<b>-</b>

31 October 2011

Shareholder	Interest in share capital		Voting rights	Other share in equity items other than share capital
	In absolute terms	in %	in %	in %
a	b	c	d	e
Poštová banka, a.s.	38 603	17,44	17,44	-
J&T BANKA, a.s.	29 785	13,46	13,46	-
CLEARSTREAM BANKING S.A.	21 711	9,81	9,81	-
TLD, s.r.o.	16 279	7,36	7,36	-
Patria Finance, a.s.	14 923	6,74	6,74	-
TATRY INVESTMENT LIMITED	14 774	6,67	6,67	-
Minority shareholders	85 263	38,52	38,52	-
<b>Spolu</b>	<b>221 338</b>	<b>100</b>	<b>100</b>	<b>-</b>

The Company is included in the consolidated financial statements of Tatra mountain resorts Group. The Group's consolidated financial statements are available directly at the Company's registered office. The address of the registration court maintaining the Commercial Register in which these consolidated financial statements are deposited, is: District Court Žilina, Pavla Orságha Hviezdoslava 28, 01001 Žilina.

## D. INFORMATION ABOUT ACCOUNTING PRINCIPLES AND ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements were prepared based on the going concern assumption.

The accounting policies and general accounting principles have been consistently applied by the entity except for:

- Accounting for the difference between the recognised value of the contribution and the carrying value of the contributed assets as recognised by the contributor. Effective from 1 January 2010, the difference for non-monetary contributions is recognised through profit or loss, rather than through equity;
- Borrowing costs incurred until the moment of placing non-current intangible assets in service, which, as of 1 July 2010, is not included in the acquisition cost of non-current intangible assets.

### (b) Non-current intangible assets and property, plant and equipment

Purchased non-current assets are valued at their acquisition cost, which consists of the price at which an asset has been acquired plus costs related to the acquisition (customs duty, transport, assembling costs, insurance etc.).

Effective from 1 January 2003, acquisition cost of property, plant and equipment does not include borrowing costs or realized exchange rate differences, which arose before the item of property, plant and equipment was put into use.

Effective from 1 July 2010, acquisition cost of non-current intangible assets does not include borrowing costs, which arose before the non-current intangible assets were put into use.

Self-constructed non-current assets are valued at their conversion cost. Conversion cost includes all direct costs incurred during production or other activities and indirect costs related to production or other activities.

## Depreciation

Depreciation of property, plant and equipment is based on the estimated useful lives of the assets and its expected wear and tear. Depreciation commences on the first day of placing the asset in service. Low-value non-current tangible assets with an acquisition cost (or conversion cost) of EUR 996 or less are written off when the asset is put into use. Land is not depreciated. Low-value non-current tangible assets with an acquisition cost (or conversion cost) of EUR 1 666 EUR or less are written off when the asset is put into use.

Except for the below listed items, depreciation is recognised through profit or loss on a straight-line basis during estimated useful lives of each asset. Estimated useful lives are as follows:

• Buildings	30 - 45 years
• Separate movable assets and sets of movables	
• Geothermal well	40 years
• Tobogans	25 years
• Cableways and ski lifts	20 - 30 years
• Equipment	5 - 12 years
• Fixtures and other	5 - 10 years

Depreciation methods, estimated useful lives and the carrying value are reassessed each year as at the date of the financial statements. Certain assets (cableways, snow-making equipment) are subject to progressive depreciation, as the wear and tear is higher during last years of the estimated useful life.

Each material part of property, plant and equipment, i.e. an asset with acquisition cost being material in proportion to total acquisition cost of the asset, is depreciated separately.

Software and other intangible assets acquired by the Company are recognised at cost net of accumulated depreciation. Estimated useful lives of the assets are regularly reassessed.

Amortization is recognised through profit or loss on a straight-line basis over the estimated useful lives of the intangible asset from the date of availability for use. The estimated useful lives are as follows:

• Software	4 - 5 years
• Valuable rights	
each asset has defined an individual depreciation plan for 6 to 50 years	

The valuable rights include trade marks, which are not depreciated.

Tax depreciation is applied using straight-line depreciation rates in accordance with the Income Tax Act.

## (c) Securities and ownership interests

Securities and ownership interests are valued at their acquisition cost, including costs related to the acquisition, less any impairment of the securities and ownership interests.

## (d) Inventory

Inventory is valued at the lower of its acquisition cost (purchased inventory), conversion cost (own work capitalized) or its net realizable value.

Acquisition cost includes the price at which inventory has been acquired plus costs related to the acquisition (customs duty, transport, insurance, commissions, discount etc.). Borrowing costs are not capitalized. The cost of purchased inventory is based on the weighted average principle.

Conversion cost includes direct costs (direct material, direct labor, and other direct costs) and part of indirect costs directly related to own work capitalized (production overheads). Production overheads are included in the conversion cost based on the stage of production. Administrative overheads and selling costs are not included in the conversion cost. Borrowing costs are not capitalized.

Net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Provision for inventories is recognised for any impairment of value.

## (e) Construction contracts

Construction contracts are presented using the percentage-of-completion method.

## (f) Receivables

Receivables are valued at their nominal value when incurred; assigned receivables and receivables acquired through contribution to share capital are valued at their acquisition cost, including costs related to the acquisition. The valuation is net of any doubtful and bad debts.

Long-term and short-term receivables, liabilities, loans and borrowings are recognised in the balance sheet when incurred, either as short-term or long-term depending on their agreed maturity. Receivables and liabilities with maturity shorter than 12 months are recognised as short-term and receivables and liabilities with maturity over 12 months are recognised as long-term receivables/liabilities.

## (g) Cash, stamps and vouchers

Cash, stamps and vouchers are valued at their nominal value. A value adjustment is created for any impairment.

## (h) Prepaid expenses and accrued income

Prepaid expenses and accrued income are presented in accordance with the matching principle in terms of substance and time.

## (i) Provisions

Provisions are created for future losses and liabilities, which are most likely to occur based on past events which can be estimated. Provisions are liabilities of uncertain timing or amount. Provisions are created to cover known risks or losses from business activities. They are valued at the expected amount of the liability.

## (j) Liabilities

Liabilities are valued at their nominal value as they arise. Assumed liabilities are valued at their acquisition cost. If reconciliation procedures reveal that the actual amount of liabilities differs from the amount recorded in the accounting books, the actual amount shall be used to value these liabilities in the accounting books and financial statements.

## (k) Taxes

Income tax is calculated in the amount of 19% of the tax base, which is calculated as profit before tax adjusted by non-deductible and deductible items.

## (l) Deferred taxes

The Company recognises deferred taxes in accordance with the accounting procedures, i.e. since 1 January 2003 the balance principle is used for calculation of temporary differences arising between the net book value and the net tax value of assets and liabilities, the possibility to carry forward tax losses to future periods and to carry forward unused tax deductions and other tax claims to future periods. The applied tax rate is the one to be used in the following period, i.e., 23%. In the current financial statements, deferred taxes were calculated using the 19% rate. For deferred tax assets, recoverability against future tax base is assessed. If it is assumed that the receivable can not be recovered, a value adjustment is recognised.

Deferred taxes (deferred tax assets and deferred tax liabilities) relate to the following:

- temporary differences between the carrying value of assets and the carrying value of liabilities presented in the Balance Sheet and their tax base;

- tax losses which are possible to carry forward to future periods, being understood as the possibility of deducting these tax losses from the tax base in the future; and
- unused tax deductions and other tax claims, which are possible to carry forward to future periods.

## (m) Accrued expenses and deferred income

Accrued expenses and deferred income are presented in accordance with the matching principle in terms of substance and time.

## (n) Subsidies from the state budget

An entitlement to a subsidy from the state budget shall be accounted for if it is virtually certain that the entity will comply with the conditions attached to the subsidy and that the subsidy will be received.

Subsidies for the Company's operations are initially recorded as deferred income and are released into operating revenue in relation to the recognition of expenses incurred for the purpose for which subsidies for operations have been granted.

Subsidies for acquisition of property, plant and equipment and non-current intangible assets are initially recorded as deferred income and are released into Income Statement in accordance with time and substance matching principle in relation to depreciation of the non-current assets for which subsidies have been granted.

## (o) Leasing

Operating lease. Assets leased under operating lease agreements are presented by the owner, not by the lessee. Financial leasing (with purchase option; leases without purchase option are regarded as operating leases). Assets leased under agreements made before 31 December 2003 are presented by the owner, not by the lessee. Assets leased under agreements made on 1 January 2004 or thereafter are presented by the lessee, not by the owner.

## (p) Derivatives

Derivatives are valued at their fair value.

Changes in the fair values of hedging derivatives are recorded directly to equity, with no impact on net profit/loss.

Changes in the fair values of derivatives held for trading on a domestic stock exchange, foreign stock exchange, or other public market are recorded with an impact on net profit/loss. Changes in the fair values of derivatives held for trading on



a non-public market are recorded directly to equity, with no impact on net profit/loss.

#### (q) Assets and liabilities hedged by derivatives

Assets and liabilities hedged by derivatives are valued at their fair value. Changes in the fair values of assets and liabilities hedged by derivatives are recorded directly to equity, with no impact on net profit/loss.

#### (r) Foreign currency

Assets and liabilities denominated in foreign currency are translated to Euro as at the date of the accounting transaction by the reference exchange rate determined and declared by the European Central Bank or National Bank of Slovakia as at the date preceding the date of the accounting transaction.

An increase in a foreign currency purchased with euro currency is valued according to the exchange rate at which this foreign currency was purchased.

In case of a decrease in the same foreign currency in cash or in a foreign exchange account, reference exchange rate determined and declared by the European Central Bank or National Bank of Slovakia as at the date preceding the date of the accounting transaction is used for the valuation of a decrease in the foreign currency in euros.

Assets and liabilities denominated in a foreign currency (except for advance payments made and advance payments received) are translated to Euro at the Balance Sheet date according to the reference exchange rate determined and

declared by the European Central Bank or the National Bank of Slovakia as at the Balance Sheet date, and are recorded with an impact on profit or loss.

Advance payments made and advance payments received in foreign currencies to or from bank account maintained in this currency are translated to Euro as at the date of the accounting transaction by the reference exchange rate determined and declared by the European Central Bank or the National Bank of Slovakia as at the date preceding the date of accounting transaction. They are not retranslated as of the Balance Sheet date.

#### (s) Revenues

The Company recognises six types of basic sales from provided services:

- Revenues from cableways and ski lifts (thereinafter called also Mountain resorts)
- Revenues from aqua park
- Revenues from sport services and shops
- Revenues from hotel services (thereinafter called also Hotels)
- Revenues from restaurant facilities
- Revenues from real estate projects

Revenues are accrued depending on the period for which the service was provided, except for sales from the water park, hotel services and restaurant services, which are recognised through profit/loss account after the service is provided. Revenues from provided services do not include any value added tax and are net of discounts and reductions in price (rebates, bonuses, discounts, credit notes, etc.)

## E. INFORMATION ABOUT DATA ON THE ASSET SIDE OF THE BALANCE SHEET

### 1. Non-current intangible assets and property, plant and equipment

Information on the movements of non-current intangible assets and property, plant and equipment from 1 November 2011 to 31 October 2012 and for the comparative period from 1 November 2010 to 31 October 2011 is shown in the tables on pages 11 to 14.

During the period from 1 November 2011 to 31 October 2012, the Company acquired the following assets: Hotel FIS in the amount of EUR 4 854 thousand and Hotel Slovakia in the amount of EUR 1 688 thousand, which are recognised as land, structures and separate movable assets and sets of movables.

During the period from 1 November 2010 to 31 October 2011, the Company acquired the assets of Aquapark Tatralandia. The assets were acquired at EUR 30 500 thousand. The purchase price was settled as follows: EUR 16 300 thousand (with EUR 10 200 thousand being the purchase price and EUR 6 100 thousand being the VAT on the purchase price) were paid by bank transfer to the seller's account and the remaining part of the purchase price in the amount of EUR 20 300 thousand was settled by assignment of a bill receivable.

Aquapark Tatralandia is the largest year-round water park in Slovakia, Czech Republic and Poland with accommodation facilities. It is comprised of Aquapark Tatralandia and the accommodation facilities Holiday Village Tatralandia. It is located in Liptov region.

Additions to assets under construction in the period from 1 November 2011 to 31 October 2012 in the amount of EUR 64 282 thousand include: construction of cableways, structure in the water park interior, cableway technologies, snow-making systems, ground shaping, catering facilities, Apreski bar and other assets.

Additions to assets under construction in the period from 1 November 2010 to 31 October 2011 in the amount of

EUR 6 921 thousand include: two 6-seat chair lifts, Happy End catering facilities, snow-making systems in Jasná and Tatranská Lomnica and other assets.

The Company has leased (the finance leasing agreements signed after 1 January 2004) the cableway technology, snowmobiles, equipment of the catering facilities and cars; the assets are presented as the Company's assets.

The carrying value of these assets is presented below:

Description	2012	2011
	EUR	EUR
Car	298 818	125 702
LED screen	285 454	327 226
Snowmobile	273 984	732 698
Belt conveyor	182 245	198 526
Catering facility	117 654	189 861
Ski service	103 102	120 538
Excavator/Traktor	28 899	60 436
Snowbike	14 504	0
<b>Total</b>	<b>1 304 660</b>	<b>1 754 987</b>

The Company secured its bank loans by the following assets: land, water areas, technology, service buildings of mountain lift equipment: ski lifts, chair lifts, funicular train, elevated cableway, cabin cableway, transformer station, service buildings and structures: Hotel Srdiečko, Hotel Kosodrevina, Hotel Liptov, Hotel Grand, Hotel SKI, former telecommunication building, bungalows. All movable assets and trade receivables are pledged, as well.

As at 31 October 2012, the land, structures and equipment, inventories and receivables used as a pledge for the Company's bank loans amounted to EUR 159 092 thousand (31 October 2011: EUR 121 479 thousand).

Property, plant and equipment	Value in the current accounting period
Property, plant and equipment with established lien	154 540 380
Property, plant and equipment that is not at the Company's full disposal	0

The Company has its assets insured against natural disasters, theft, vandalism and general machinery risks. Additionally, the Company is insured against liability for damages. Property, plant and equipment is insured against natural disasters with the insured value amounting to EUR 128 700 thousand. The insured amount for general machinery risks insurance, liability insurance and vandalism is EUR 12,091 thousand, EUR 11 660 thousand and EUR 61 928 thousand, respectively.

Property, plant and equipment	Current accounting period ending 31 October 2012									
	Land	Structures	Individual movable assets and sets of movable assets	Perennial crops	Livestock	Other property plant and equipment	Acquisition of property, plant and equipment	Advance payments made for property plant and equipment	Total	
a	b	c	d	e	f	g	h	i	j	
Initial measurement										
<b>Opening balance</b>	20 397 260	84 702 206	56 710 859	0	0	29 450	18 083 802	2 329 445	182 253 022	
Increases	694 154	11 429 652	8 496 080	0	0	0	26 977 470	16 684 382	64 281 738	
Decreases	0	12 065	1 038 117	0	0	9 208	0	12 889 799	13 949 189	
Transfers	-1 382	3 054 179	703 906	0	0	0	-3 756 703	0	0	
<b>Closing balance</b>	21 090 032	99 173 972	64 872 728	0	0	20 242	41 304 569	6 124 028	232 585 571	
Accumulated depreciation										
<b>Opening balance</b>	0	14 647 078	19 460 155	0	0	0	0	0	34 107 233	
Increases	0	2 374 582	3 551 742	0	0	0	0	0	5 926 324	
Decreases	0	12 065	1 038 117	0	0	0	0	0	1 050 182	
<b>Closing balance</b>	0	17 009 595	21 973 780	0	0	0	0	0	38 983 375	
Value adjustments										
<b>Opening balance</b>	380 587	0	0	0	0	0	597 008	0	977 595	
Increases	0	0	0	0	0	0	0	0	0	
Decreases	0	0	0	0	0	0	0	0	0	
<b>Closing balance</b>	380 587	0	0	0	0	0	597 008	0	977 595	
Carrying value										
<b>Opening balance</b>	20 016 673	70 055 128	37 250 704	0	0	29 450	17 486 794	2 329 445	147 168 194	
<b>Closing balance</b>	20 709 445	82 164 377	42 898 948	0	0	20 242	40 707 561	6 124 028	192 624 601	

in EUR

Property, plant and equipment	Preceding accounting period ending 31 October 2011									
	Land	Structures	Individual movable assets and sets of movable assets	Perennial crops	Livestock	Other property plant and equipment	Acquisition of property, plant and equipment	Advance payments made for property plant and equipment	Total	
a	b	c	d	e	f	g	h	i	j	
Initial measurement										
<b>Opening balance</b>	7 213 064	55 970 005	42 418 904	0	0	29 974	17 757 107	4 733 323	128 122 377	
Increases	13 165 978	26 020 487	11 524 627	0	0	0	6 920 594	4 110 530	61 742 216	
Decreases	887	61 360	1 034 392	0	0	524	0	6 514 408	7 611 571	
Transfers	19 105	2 773 074	3 801 720	0	0	0	-6 593 899	0	0	
<b>Closing balance</b>	20 397 260	84 702 206	56 710 859	0	0	29 450	18 083 802	2 329 445	182 253 022	
Accumulated depreciation										
<b>Opening balance</b>	0	12 737 031	17 248 631	0	0	0	0	0	29 985 662	
Increases	0	1 971 407	3 245 916	0	0	0	0	0	5 217 323	
Decreases	0	61 360	1 034 392	0	0	0	0	0	1 095 752	
<b>Closing balance</b>	0	14 647 078	19 460 155	0	0	0	0	0	34 107 233	
Value adjustments										
<b>Opening balance</b>	380 587	0	0	0	0	0	596 806	0	977 393	
Increases	0	0	0	0	0	0	202	0	202	
Decreases	0	0	0	0	0	0	0	0	0	
<b>Closing balance</b>	380 587	0	0	0	0	0	597 008	0	977 595	
Carrying value										
<b>Opening balance</b>	6 832 477	43 232 974	25 170 273	0	0	29 974	17 160 301	4 733 323	97 159 322	
<b>Closing balance</b>	20 016 673	70 055 127	37 250 704	0	0	29 450	17 486 794	2 329 445	147 168 193	

Non-current intangible assets	Current accounting period ending 31 October 2012								
	a	b	c	d	e	f	g	h	i
Initial measurement									
<b>Opening balance</b>	0	204 885	1 757 736	-143 376	17 026	0	0	0	1 836 271
Increases	0	380 939	0	0	0	451	0	0	381 390
Decreases	0	14 267	0	0	0	0	0	0	14 268
Transfers	0	0	0	0	0	0	0	0	0
<b>Closing balance</b>	0	571 557	1 757 736	-143 376	17 026	451	0	0	2 203 393
Accumulated depreciation									
<b>Opening balance</b>	0	109 524	558 580	-143 376	17 026	0	0	0	541 754
Increases	0	52 247	176 878	0	0	0	0	0	229 125
Decreases	0	14 267	0	0	0	0	0	0	14 267
<b>Closing balance</b>	0	147 504	735 458	-143 376	17 026	0	0	0	756 612
Value adjustments									
<b>Opening balance</b>	0	0	0	0	0	0	0	0	0
Increases	0	0	0	0	0	0	0	0	0
Decreases	0	0	0	0	0	0	0	0	0
<b>Closing balance</b>	0	0	0	0	0	0	0	0	0
Carrying value									
<b>Opening balance</b>	0	95 361	1 199 156	0	0	0	0	0	1 294 517
<b>Closing balance</b>	0	424 053	1 022 278	0	0	451	0	0	1 446 781

ini EUR

Non-current intangible assets	Preceding accounting period ending 31 October 2011								
	a	b	c	d	e	f	g	h	i
Initial measurement									
<b>Opening balance</b>	0	156 971	757 736	-143 376	17 026	0	0	0	788 357
Increases	0	72 992	1 000 000	0	0	0	0	0	1 072 992
Decreases	0	25 078	0	0	0	0	0	0	25 078
Transfers	0	0	0	0	0	0	0	0	0
<b>Closing balance</b>	0	204 885	1 757 736	-143 376	17 026	0	0	0	1 836 271
Accumulated depreciation									
<b>Opening balance</b>	0	113 202	386 940	-143 376	15 766	0	0	0	372 532
Increases	0	21 399	171 640	0	1 260	0	0	0	194 300
Decreases	0	25 077	0	0	0	0	0	0	25 077
<b>Closing balance</b>	0	109 524	558 580	-143 376	17 026	0	0	0	541 754
Value adjustments									
<b>Opening balance</b>	0	0	0	0	0	0	0	0	0
Increases	0	0	0	0	0	0	0	0	0
Decreases	0	0	0	0	0	0	0	0	0
<b>Closing balance</b>	0	0	0	0	0	0	0	0	0
Carrying value									
<b>Opening balance</b>	0	43 769	370 796	0	1 260	0	0	0	415 825
<b>Closing balance</b>	0	95 361	1 199 156	0	0	0	0	0	1 294 517



Non-current financial assets	Current accounting period ending 31 October 2012									
	a	b	c	d	e	f	g	h	i	j
	Shares and ownership interests in subsidiaries	Shares and ownership interests in associates	Other long-term shares and ownership interests	Intercompany loans	Other non-current financial assets	Loans with maturity up to one year	Acquisition of non-current financial assets	Advances made for non-current financial assets	Total	
Initial measurement										
<b>Opening balance</b>	18 795 792	7 525 778	17 337 442	0	7 674 182	0	0	19 251 265	70 584 459	
Increases	0	109882	2 748 290	0	2 376 189	2 916 258	0	200 000	8 350 618	
Decreases	0	68 691	6 878 368	0	0	0	0	0	6 947 059	
Transfers	0	0	0	0	0	0	0	0	0	
<b>Closing balance</b>	18 795 792	7 566 969	13 207 364	0	10 050 371	2 916 258	0	19 451 265	71 988 018	
Value adjustments										
<b>Opening balance</b>	0	0	0	0	0	0	0	2 499 902	2 499 902	
Increases	3 000 000	2 000 000	0	0	0	0	0	0	5 000 000	
Decreases	0	0	0	0	0	0	0	941 290	941 290	
<b>Closing balance</b>	3 000 000	2 000 000	0	0	0	0	0	1 558 612	6 558 612	
Carrying value										
<b>Opening balance</b>	18 795 792	7 525 778	17 337 442	0	7 674 182	0	0	16 751 363	68 084 557	
<b>Closing balance</b>	15 795 792	5 566 969	13 207 364	0	10 050 371	2 916 258	0	17 892 653	65 429 406	

in EUR

Non-current financial assets	Preceding accounting period ending 31 October 2011									
	a	b	c	d	e	f	g	h	i	j
	Shares and ownership interests in subsidiaries	Shares and ownership interests in associates	Other long-term shares and ownership interests	Intercompany loans	Other non-current financial assets	Loans with maturity up to one year	Acquisition of non-current financial assets	Advances made for non-current financial assets	Total	
Initial measurement										
<b>Opening balance</b>	18 795 792	7 525 778	84 777	0	5 115 725	0	0	0	31 522 072	
Increases	0	0	17 545 135	0	2 558 457	0	0	19 251 265	39 354 857	
Decreases	0	0	292 470	0	0	0	0	0	292 470	
Transfers	0	0	0	0	0	0	0	0	0	
<b>Closing balance</b>	18 795 792	7 525 778	17 337 442	0	7 674 182	0	0	19 251 265	70 584 459	
Value adjustments										
<b>Opening balance</b>	0	0	0	0	0	0	0	0	0	
Increases	0	0	0	0	0	0	0	2 499 902	2 499 902	
Decreases	0	0	0	0	0	0	0	0	0	
<b>Closing balance</b>	0	0	0	0	0	0	0	2 499 902	2 499 902	
Carrying value										
<b>Opening balance</b>	18 795 792	7 525 778	84 777	0	5 115 725	0	0	0	31 522 072	
<b>Closing balance</b>	18 795 792	7 525 778	17 337 442	0	7 674 182	0	0	16 751 363	68 084 557	

in EUR

## 2. Non-current financial assets

Information on the movements of non-current financial assets from 1 November 2011 to 31 October 2012, and for the comparative period from 1 November 2010 to 31 October 2011 is shown in the tables on pages 15 and 16.

Legal name and registered office of the company, in which the accounting entity has allocated non-current financial assets	Current accounting period (2012)					
	a	b	c	d	e	f
	Holding of the accounting entity in share capital in %	Share of the accounting entity in voting rights in %	Value of the equity of the accounting entity in which allocated non-current financial assets	Profit or loss of the accounting entity in which allocated non-current financial assets	Carrying value of the non-current financial assets	
<b>a) Subsidiaries</b>						
GRAND HOTEL PRAHA, a.s.	100	100	1 828 025	277 259	15 759 279	
Tatry mountain resorts services, a.s.	100	100	-138 311	-122 717	36 513	
<b>b) Accounting entities in which the company holds significant influence</b>						
Joint ventures						
Interhouse Tatry, s.r.o.	50	50	1 041 850	119 421	5 525 778	
Melida	50	50			41 191	
<b>c) Other available-for-sale securities and ownership interests</b>						
Best Hotel Properties, a.s.	3,17	3,17	-	-	13 120 957	
Compagnie des Alpes S.A.	-	-	-	-	53 092	
Tatranské Dopravné družstvo	0,08	-	-	-	33 315	
Long-term loans	-	-	-	-	12 966 629	
<b>d) Non-current financial assets acquired with the intention to have influence over other accounting entity</b>						
Advance payment provided for future acquisition	-	-	-	-	17 892 653	
<b>Total non-current financial assets</b>						<b>65 429 406</b>

By the date of the preparation of the financial statements company did not have several information about the entities for 2012.

Legal name and registered office of the company, in which the accounting entity has allocated non-current financial assets	Preceding accounting period (2011)					
	a	b	c	d	e	f
	Holding of the accounting entity in share capital in %	Share of the accounting entity in voting rights in %	Value of the equity of the accounting entity in which allocated non-current financial assets	Profit or loss of the accounting entity in which allocated non-current financial assets	Carrying value of the non-current financial assets	
<b>a) Subsidiaries</b>						
GRAND HOTEL PRAHA, a.s.	100	100	1 451 124	89 624	18 759 279	
Tatry mountain resorts services, a.s.	100	100	-15 593	-49 207	36 513	
<b>b) Accounting entities in which the company holds significant influence</b>						
Joint ventures						
Interhouse Tatry, s.r.o.	50	50	896 916	110 313	7 525 778	
<b>c) Other available-for-sale securities and ownership interests</b>						
Best Hotel Properties, a.s.	4,36	4,36	-	-	17 241 980	
Compagnie des Alpes S.A.	-	-	-	-	70 147	
Tatranské Dopravné družstvo	0,08	0,08	-	-	25 315	
Long-term loans	-	-	-	-	7 674 182	
<b>d) Non-current financial assets acquired with the intention to have influence over other accounting entity</b>						
Advance payment provided for future acquisition	-	-	-	-	16 751 363	
<b>Total non-current financial assets</b>						<b>68 084 557</b>

In the period from 1 November 2011 to 31 October 2012, the Company acquired 171 906 shares and sold 586 741 shares of Best Hotel Properties a.s. (hereinafter only the „BHP), a company operating a chain of hotels. As at 31 October 2012, the value of the shares was EUR13 121 thousand (31 October 2011: EUR 17 242 thousand).

The Company obtained a commitment regarding the purchase under the contract on advisory services signed with J&T FINANCE GROUP, a.s., that the earnings from the purchase of the BHP shares will be at least 7% p.a. over the following 3 years.

On 17 March 2010, the Company purchased 3 850 shares of Compagnie des Alpes (SA), which is a French company traded at Paris Stock Exchange, and operating ski resorts and summer leisure parks. The Company purchased the shares as a financial investment. The shares are revalued to fair value through equity based on present stock-exchange prices. As at 31 October 2012, the value of the shares was EUR 53 thousand (31 October 2011: EUR 70 thousand).

Additionally, the Company made a financial contribution to Tatranské dopravné družstvo (Tatra Transport Cooperation), a company providing brokerage in services. As at 31 October 2012 the contribution amounted to EUR 33 thousand. (31 October 2011: EUR 25 thousand)

Advances made for non-current financial assets refer to capital investments in progress and future acquisitions. As for future acquisitions, the Company intends to acquire the company operating the cableways. The contract has been signed with WEBIS, s.r.o for a 5-year period. The amount of the granted advance payment was discounted to fair value. The applied discount rate amounted to 2.110%. The revaluation of the advance payment resulted in a loss of EUR 1 559 thousand.

As at 31 October 2012, other non-current financial assets included mainly the borrowing in the amount of EUR 6 050 thousand (31 October 2011: EUR 5 693 thousand) granted to WEBIS, s.r.o., with a 5% fixed interest rate; as at 31 October 2012 the amount of the outstanding accrued interest on the aforementioned borrowing amounted to EUR 643 thousand (31 October 2011: EUR 373 thousand); and a borrowing granted to 1. Tatranská, akciová spoločnosť: as at 31 October 2012 it amounted of EUR 2055 thousand (31 October 2011: EUR 1 905 thousand) with a 7% fixed interest rate; as at 31 October 2012 the amount of the outstanding accrued interest

on the aforementioned borrowing amounted to: EUR 198 thousand (31 October 2011: EUR 48 thousand).

On 8 November 2011, the Company established a subsidiary Tetry mountain resorts operations, a.s., which was later, on 25 April 2012, sold. As at 30 April 2012, i.e., the date of the sale, net assets and liabilities of Tetry mountain resorts operations, a.s., comprised of cash and cash equivalents in the amount of EUR 28 thousand. By the sale of the subsidiary, the Company gained a net monetary income in the amount of EUR 1 thousand. The received consideration was settled in cash in the amount of EUR 29 thousand.

On 28 August 2012, the Company acquired 100% of shares of Melida, a.s., and as at 17 September 2012, the Company sold 50% of the shares. The 50% of Melida, a.s. shares were sold at zero profit.

As at 28 December 2009, the Company acquired a 100% ownership interest in a subsidiary GRANDHOTEL PRAHA a.s. and a 50% ownership interest in an associate Interhouse Tetry s.r.o. The price for the ownership interests in GRANDHOTEL PRAHA a.s. and Interhouse Tetry s.r.o. was EUR 18 759 thousand and EUR 7 526 thousand, respectively. GRANDHOTEL PRAHA a.s. is a company providing accommodation and catering services and operating a 4-star hotel in Tatranska Lomnica. Interhouse Tetry s.r.o. is a company providing accommodation and catering services and operating a 4-star hotel in Stary Smokovec (Grandhotel Stary Smokovec). As at 31 October 2012, the Company recognised temporary value adjustments to the ownership interest in the subsidiary GRANDHOTEL PRAHA, a.s. in the amount of EUR 3 000 thousand and a value adjustment to the ownership interest in the associate Interhouse Tetry, s.r.o. in the amount of EUR 2 000 thousand. These value adjustments are the revaluation reserve on the Company's ownership interests.

As at 11 October 2010, the Group acquired a 100% ownership interest in its subsidiary Tetry mountain resorts services, a.s. The price for the Company's shares was EUR 37 thousand. Tetry mountain resorts services, a.s is a company providing accounting, financial advisory, HR and payroll services, marketing and investment advisory services. The company provides mostly services to companies in Group.

As at 30 April 2010, the Company merged with Tatranské lanové dráhy, a.s. (TLD). The merger resulted in dissolution of TLD, with TMR as the successor company.

Information on provided long-term loans are in the following table:

Long-term loans	Opening balance	Increase in value	Decrease in value	Removal of the loan from accounting books in the accounting period	Closing balance
a	b	c	d	e	f
More than five years to maturity	31	0	0	0	31
From three years to five years, inclusive, to maturity	7 598 461	2 353 334	0	0	9 951 795
From one year to three years, inclusive, to maturity	75 690	22 855	0	0	98 545
Up to one year, inclusive, to maturity	0	2 916 258	0	0	2 916 258
<b>Total long-term loans</b>	<b>7 674 182</b>	<b>5 292 447</b>	<b>0</b>	<b>0</b>	<b>12 966 629</b>

As at 31 October 2012, long-term loans included mainly the borrowing in the amount of EUR 6 050 thousand (31 October 2011: EUR 5 693 thousand) granted to WEBIS, s.r.o., with a 5% fixed interest rate; as at 31 October 2012 the amount of the outstanding accrued interest on the aforementioned borrowing amounted to EUR 643 thousand (31 October 2011: EUR 373 thousand); and a borrowing granted to 1. Tatranská, akciová spoločnosť: as at 31 October 2012 it amounted of EUR 2 055 thousand (31 October 2011: EUR 1 905 thousand) with a 7% fixed interest rate; as at 31 October 2012 the amount of the outstanding accrued interest on the aforementioned borrowing amounted to: EUR 198 thousand (31 October 2011: EUR 48 thousand), borrowing amounted EUR 1 847 thousand granted on 22 October 2012 to owner of Pension Energetik with a 5% fixed interest rate and borrowing in the amount of EUR 2 916 thousand granted on 2 November 2011 to related company GRANDHOTEL PRAHA, a.s. with a 5% fixed interest rate, the amount of accrued interest on the aforementioned borrowing amounted as at 31 October 2012 to EUR 116 thousand.

### 3. Inventory

Breakdown of inventories as at the end of the accounting period is presented in the table below:

	31 Oct 2012	31 Oct 2011
	EUR	EUR
Materials	425 887	464 865
Merchandise	1 046 057	439 081
Total	1 471 944	903 946

The Company did not create any value adjustments for inventories.

Inventories	Value in the current accounting period
Inventory with established lien	1 471 944
Inventory that is not at the Company's full disposal	0



#### 4. Receivables

The movements in the value adjustment to receivables during the accounting period are presented in the table below:

Receivables	Current accounting period (2012)				
	Value adjustment as at 31 Oct 2011	Creation of value adjustment	Release of value adjustment due to cease of justification	Release of value adjustment in relation to disposal of the asset from accounting books	Value adjustment as at 31 Oct 2012
a	b	c	d	e	f
Trade receivables	66 684	145 471	6 449	0	205 706
Receivables of a subsidiary and a parent company	0	0	0	0	0
Other intercompany receivables	0	0	0	0	0
Receivables from partners, members and association	0	0	0	0	0
Other receivables	0	0	0	0	0
<b>Total receivables</b>	<b>66 684</b>	<b>145 471</b>	<b>6 449</b>	<b>0</b>	<b>205 706</b>

The ageing structure of receivables for the current accounting period is as follows:

Receivables as at 31 Oct 2012	Due	Overdue	Total receivables
a	b	c	d
Long-term receivables			
Trade receivables	0	0	0
Receivables of a subsidiary and a parent company	0	0	0
Other intercompany receivables	0	0	0
Receivables from partners, members and association	0	0	0
Other receivables	0	0	0
<b>Total long-term receivables</b>	<b>0</b>	<b>0</b>	<b>0</b>
Short-term receivables			
Trade receivables	3 925 295	1 173 871	5 099 166
Receivables of a subsidiary and a parent company	0	0	0
Other intercompany receivables	0	0	0
Receivables from partners, members and association	0	0	0
Social insurance	0	0	0
Tax receivables and subsidies	1 536 425	0	1 536 425
Other receivables	29 373 583	0	29 373 583
<b>Total short-term receivables</b>	<b>34 835 303</b>	<b>1 173 871</b>	<b>36 009 174</b>

The ageing structure of receivables for the preceding accounting period is as follows:

Receivables as at 31 Oct 2011	Due	Overdue	Total receivables
a	b	c	d
Long-term receivables			
Trade receivables	1 691 007	0	1 691 007
Receivables of a subsidiary and a parent company	0	0	0
Other intercompany receivables	0	0	0
Receivables from partners, members and association	0	0	0
Other receivables	0	0	0
<b>Total long-term receivables</b>	<b>1 691 007</b>	<b>0</b>	<b>1 691 007</b>
Short-term receivables			
Trade receivables	2 890 220	1 712 395	4 602 615
Receivables of a subsidiary and a parent company	0	0	0
Other intercompany receivables	0	0	0
Receivables from partners, members and association	0	0	0
Social insurance	0	0	0
Tax receivables and subsidies	953 697	0	953 697
Other receivables	67 055 032	0	67 055 032
<b>Total short-term receivables</b>	<b>70 898 949</b>	<b>1 712 395</b>	<b>72 611 344</b>

Other receivables mainly includes receivable from a bill of exchange payable from J&T Private Equity B.V. on demand and bearing a fixed rate of 7.5% amounted EUR 29 166 thousand as at 31 October 2012 (31 October 2011: EUR 66 806 thousand). It is stored in safe deposit based on portfolio management contract with J&T Bank Switzerland Ltd in liquidation.

Receivables according to remaining maturity are as follows:

Receivables by remaining maturity	31.10.2012	31.10.2011
a	b	c
Receivables overdue	1 173 871	1 712 395
Receivables with remaining maturity less than one year	34 835 303	70 898 949
<b>Total short-term receivables</b>	<b>36 009 174</b>	<b>72 611 344</b>
Receivables with remaining maturity from one to five years	0	1 691 007
Receivables with remaining maturity more than five years	0	0
<b>Total long-term receivables</b>	<b>0</b>	<b>1 691 007</b>

Information on receivables secured by a lien or other form of security is shown in the following table:

Description of security	Current accounting period (2012)	
	Value of security	Value of receivable
a		
Receivables secured by a lien or other form of security	x	0
Value of pledged receivables	x	3 079 334
Value of receivables that are not at the Company's full disposal	x	0

## 5. Financial accounts

Cash on hand, bank accounts, and securities are presented in financial accounts. The bank accounts are at the Company's full disposal.

	31. 10. 2012	31. 10. 2011
	EUR	EUR
Cash on hand, stamps and vouchers	232 557	184 924
Current bank accounts	2 432 441	5 361 062
Term deposits	0	0
Cash in transit	41 627	660 852
<b>Total</b>	<b>2 706 625</b>	<b>6 206 838</b>

## 6. Accruals/deferrals

Description of accruals/deferrals	31. 10. 2012	31. 10. 2011
	EUR	EUR
Prepaid expenses - long-term, out of it:	0	0
<b>Prepaid expenses - short-term, out of it:</b>	<b>705 415</b>	<b>202 392</b>
Rent	106 327	125 313
Membership fee Regional Tourist Association (OOCR)	499 422	0
Other	99 666	77 079
<b>Accrued income - long-term, out of it:</b>	<b>0</b>	<b>0</b>
<b>Accrued income - short-term, out of it:</b>	<b>319 316</b>	<b>272 569</b>
Rent	274 369	265 419
Other	44 947	7 150
<b>Total</b>	<b>1 024 731</b>	<b>474 961</b>

## F. INFORMATION ABOUT DATA ON LIABILITIES AND EQUITY SIDE OF THE BALANCE SHEET

### 1. Equity

Information on equity is provided in Parts C and O.

### 2. Liabilities

The structure of liabilities (except for bank loans and the deferred tax liability) by maturities is shown in the table below:

Item designation	31 Oct 2012	31 Oct 2011
	EUR	EUR
Liabilities overdue	1 035 593	1 092 269
Liabilities due within 1 year	11 751 634	6 890 958
<b>Total short-term liabilities</b>	<b>12 787 227</b>	<b>7 983 227</b>
Liabilities due within 1-5 years	5 618 632	5 705 037
Liabilities due over 5 years	0	
<b>Total long-term liabilities</b>	<b>5 618 632</b>	<b>5 705 037</b>

The Company's short/term and long-term liabilities include liabilities from financial leasing. The financial leasing is used for financing acquisitions of cableway technology, snowmobiles, 22 cars and 2 large-scale LED screens. The split of the future payments in the principal and the related financial costs, based on the due date, is shown in the table below:

Item designation	31 Oct 2012			31 Oct 2011		
	Maturity			Maturity		
	less than 1 year	1 to 5 years	more than 5 years	less than 1 year	1 to 5 years	more than 5 years
a	b	c	d	e	f	g
Principal	329 783	458 940	0	497 070	538 049	0
Financial costs	17 364	10 569	0	33 904	29 874	0
<b>Total</b>	<b>347 147</b>	<b>469 509</b>	<b>0</b>	<b>530 974</b>	<b>567 923</b>	<b>0</b>

### 3. Deferred tax liability

The calculation of the deferred tax liability is presented in the table below:

Item designation	31. 10. 2012	31. 10. 2011
Temporary differences between the carrying value of assets and their tax base	27 448 694	27 025 717
– deductible	-7 670 554	-977 595
– taxable	35 119 248	28 003 312
Temporary differences between the carrying value of liabilities and their tax base	-383 829	0
– deductible	-383 829	0
– taxable	0	0
Tax loss carried forward for future periods	0	0
Possibility to claim unused tax deductions	0	0
Income tax rate (in %)	19	19
Deferred tax asset	0	0
Recognized deferred tax asset	0	0
Recorded as decrease of expenses	0	0
Recorded in equity	0	0
<b>Deferred tax liability</b>	<b>5 142 324</b>	<b>5 134 886</b>
<b>The change in deferred tax liability</b>	<b>-7 438</b>	<b>-1 540 626</b>
Recorded as an expense	-7 438	-1 540 626
Recorded in equity	0	0



#### 4. Social fund

The creation and drawing from the social fund during the accounting period are presented in the table below:

Item designation	31.10.2012	31.10.2011
	EUR	EUR
<b>Opening balance of the social fund</b>	<b>14 687</b>	<b>11 524</b>
Creation of social fund against expenses	26 618	21 897
Creation of social fund from profit	0	0
Other creation of social fund	0	0
<b>Total creation of social fund</b>	<b>26 618</b>	<b>21 897</b>
Drawing of social fund	31 965	18 734
<b>Closing balance of social fund</b>	<b>9 340</b>	<b>14 687</b>

According to the Act on the Social Fund, part of the social fund must be created against expenses and part can be created from retained earnings. According to the Act on the Social Fund, the social fund is used to satisfy social, health, recreation, and other needs of employees.

#### 5. Bank loans

Bank loans are detailed in the table below:

Název položky	Currency	Annual interest in %	Maturity	Principal in the currency as at 31 Oct 2012	Principal in the currency as at 31 Oct 2011
a	b	c	d	e	f
<b>Long-term bank loans</b>					
Bank loan 2457/07	EUR	1,85%	2013 - 2017	3 033 094	3 746 764
Bank loan 4316/2008	EUR	2,35%	2013 - 2018	1 458 874	2 262 166
Bank loan 1851/07	EUR	2,35%	2013 - 2017	2 921 065	3 651 331
Bank loan 659/2011	EUR	2,95%	2013 - 2016	4 950 000	5 400 000
				<b>12 363 033</b>	<b>15 060 261</b>
<b>Short-term bank loans</b>					
Bank loan 2457/07	EUR	1,85%	2012 - 2013	713 669	713 669
Bank loan 4316/2008	EUR	2,35%	2012 - 2013	803 292	803 293
Bank loan 1851/07	EUR	2,35%	2012 - 2013	730 266	730 266
Bank loan 659/2011	EUR	2,95%	2012 - 2013	600 000	600 000
				<b>2 847 227</b>	<b>2 847 228</b>
<b>Total</b>				<b>15 210 260</b>	<b>17 907 489</b>

The bank loans were secured by the following assets: land, water areas, technology and service buildings of mountain lift equipment: ski lifts, chair lifts, funicular train, elevated cableway, cabin cableway, transformer station, service buildings and structures: Hotel Srdiečko, Hotel Kosodrevina, Hotel Liptov, Hotel Grand, Hotel SKI, former telecommunication building, bungalows. In respect of Hotelom SKI and the former telecommunication building provided as a pledge, Tatra banka, a.s., holds a second-rank position. Additionally, all movable assets and trade receivables have been pledged.

As at 31 October 2012, the bank loans were secured by land, buildings and equipment, inventories and receivables in the amount of EUR 159 092 thousand (31 October 2011: EUR 121 479 thousand).

The Company does not keep records of any assets, the title to which would be acquired based on a contract on lien or which would be used based on a contract on borrowing.

#### 6. Provisions

Provisions for the current accounting period are shown in the table below:

	Balance as at	Creation	Decrease	Cancellation	Balance as at
	31 Oct 2011	(increase)	(use)	(release)	31 Oct 2012
	EUR	EUR	EUR	EUR	EUR
<b>Long-term provisions, out of it:</b>	<b>26 691</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26 691</b>
<b>Other long-term provisions</b>					
Warranty repairs	6 774	0	0	0	6 774
Provision for reclamation	19 917	0	0	0	19 917
Total other long-term provisions	26 691	0	0	0	26 691
<b>Short-term provisions, out of it:</b>	<b>499 946</b>	<b>443 389</b>	<b>413 087</b>	<b>0</b>	<b>530 248</b>
<b>Short-term legal provisions</b>					
Vacation pay, including social security	449 925	0	363 066	0	86 859
Audit of financial statements and preparation of tax return	50 000	59 560	50 000	0	59 560
Provision - other	21	383 829	21	0	383 829
<b>Total short-term legal provisions</b>	<b>499 946</b>	<b>443 389</b>	<b>413 087</b>	<b>0</b>	<b>530 248</b>

## 7. Accruals/deferrals

The structure of accruals/deferrals is presented in the table below:

Názov položky	31 Oct 2012	31 Oct 2011
	EUR	EUR
Accrued expenses - long term, out of it	0	0
Accrued expenses - short term, out of it	0	0
<b>Deferred income - long-term, out of it:</b>	<b>268 067</b>	<b>334 006</b>
Subsidies for acquisition of property, plant and equipment	47 329	156 159
EU subsidy for education project - ZASI	167 000	167 000
Other	53 738	10 847
<b>Deferred income - short-term, out of it:</b>	<b>134 108</b>	<b>183 766</b>
Subsidies for acquisition of property, plant and equipment	108 830	105 739
EU subsidy for education project - ZASI	0	0
Other	25 278	78 027
<b>Total</b>	<b>402 175</b>	<b>517 772</b>

## G. INFORMATION ABOUT INCOME

### 1. Revenues from own work and merchandise

Revenues from own work and merchandise by segments, i.e. types of products and services, is presented in the table below:

Segment	Merchandise		Services and own work		Total	
	2012	2011	2012	2011	2012	2011
a	b	c	d	e		
Revenues from mountain resorts	39 462	8 003	18 638 596	18 142 433	18 678 058	18 150 436
Revenues from water park	210	4 618	7 195 345	5 581 025	7 195 555	5 585 643
Revenues from restaurants	137 957	183 206	4 021 312	2 823 814	4 159 269	3 007 020
Revenues from sporting services and stores	914 322	487 262	1 102 191	801 921	2 016 513	1 289 183
Revenues from hotels	739 255	426 427	7 538 709	6 134 697	8 277 964	6 561 124
Revenues from real-estate projects	0	0	309 752	119 257	309 752	119 257
<b>Spolu</b>	<b>1 831 206</b>	<b>1 109 516</b>	<b>38 805 905</b>	<b>33 603 147</b>	<b>40 637 111</b>	<b>34 712 663</b>

Most of the Company's revenues are generated in the Slovak Republic.

## 2. Capitalized costs, other operating income, financial income and extraordinary income

Overview of capitalized costs, other operating income, financial income and extraordinary income is presented in the table below:

Item designation	2012	2011
<b>Significant items of capitalised costs, out of it:</b>	<b>215 339</b>	<b>29 334</b>
Self-constructed property, plant and equipment	215 339	25 684
Other	0	3 650
<b>Ostatné významné položky výnosov z hospodárskej činnosti, z toho:</b>	<b>1 661 420</b>	<b>2 624 441</b>
EU subsidies	0	263 986
Claims paid by insurance companies and employees	53 675	11 015
Contractual fines and penalties	1 450 615	1 535 289
Other	157 130	814 151
<b>Financial income, out of it:</b>	<b>10 794 914</b>	<b>8 037 111</b>
Exchange rate gains	11 429	1 456
<b>Other significant items of financial income, out of it:</b>	<b>10 783 485</b>	<b>8 035 655</b>
Proceeds from sale of securities and ownership interests	6 925 761	0
Interest income	3 548 829	7 542 194
Income from securities and ownership interests	300 447	484 406
Other financial income	8 448	9 055
<b>Extraordinary income:</b>	<b>0</b>	<b>0</b>

The EU subsidy represents a subsidy from the European funds project for employee education support – ZaSI.

The Company's assets include a receivable resulting from a bill of exchange payable on demand and bearing a fixed rate of 7.5%. The interest on bills of exchange, together with other interest is recognised on the Interest Income line.

During the year, the Company did not recognise any extraordinary income.

### 3. Net turnover

The net turnover of the Company for the purpose of determination of obligation to have financial statements audited by an auditor [Article 19 (1a) of the Act on Accounting] is shown in the table below:

Item designation	31 Oct 2012	31 Oct 2011
	EUR	EUR
Revenues from own products	0	0
Revenues from services provided	38 805 905	33 603 147
Revenues from merchandise	1 831 206	1 109 516
Revenues from construction contracts	0	0
Revenues from construction of real estates	0	0
Other income related to ordinary activities	2 198 794	3 689 219
Total net turnover	42 835 905	38 401 882

## H. INFORMATION ABOUT EXPENSES

Costs of services provided, other operating expenses, financial expenses

Overview of costs of services provided, other operating expenses, financial and extraordinary expenses is presented in the table below:

Item designation	31 Oct 2012	31 Oct 2011
	EUR	EUR
<b>Cost of services provided, out of it:</b>	<b>10 803 674</b>	<b>11 244 141</b>
Advertising and marketing	3 545 505	3 497 068
Transportation	1 591 988	2 182 549
Outsourced services	1 299 224	1 108 897
Rent	1 149 410	1 603 934
Repairs and maintenance	542 426	363 130
Legal and financial advisory services	455 328	199 572
Music and program costs	240 693	267 884
Waste, sewage water and washing costs	182 815	177 160
Internet and telecommunication	163 881	145 707
Security guard	158 832	45 495
Audit of financial statements	150 700	123 250
Brokerage commissions	104 527	193 281
Representation expenses (entertainment)	95 584	97 752
Trainings and education	79 375	463 875
Travel expenses	40 820	25 188
Administrative expenses	19 835	107 746
Other	982 731	641 653

<b>Other significant items of operating expenses, out of it:</b>	<b>637 394</b>	<b>90 898</b>
Membership fees	304 593	1 194
Insurance premiums	189 675	0
Shortages and damages	68 654	20 624
Other	74 472	69 080

<b>Financial expenses, out of it:</b>	<b>5 018 585</b>	<b>3 696 083</b>
Creation and reversal of value adjustments to financial assets	4 058 710	2 499 902
Interest expense	532 686	514 738
Financial expense related to financing of the Company	252 776	97 307
Bank charges	167 874	438 886
Exchange rate losses	6 539	2 504
Other	0	142 746

The Company's consolidated financial statements are audited by KPMG Slovensko spol. s r.o. Based on the decision of the General Meeting, effective from the beginning of FY 2011, the Company engages KPMG Slovensko spol. s r.o. also for auditing individual financial statements of all companies in the Group. Expenses for those items during the period from 1 November 2011 to 31 October 2012 were EUR 151 thousand (for the period ending 31 October 2011: EUR 123 thousand). The audit company did not provide any other services.

The Company's other operating expenses include membership fees. In 2012, the Company, as a member of a Regional Tourist Association (OOCR), paid the membership fee. The Company accrued the aforementioned expenses and the amount recognised as the membership fees is the proportional part of the expenses for 2012.

During the year, the Company did not recognise any extraordinary expenses.



## I. INFORMATION ABOUT INCOME TAXES

The reconciliation of the effective tax rate is shown in the table below:

	31.10.2012			31.10.2011		
	Tax base	Tax	Tax	Tax base	Tax	Tax
	EUR	EUR	%	EUR	EUR	%
a	b	c	d	e	f	g
Profit(loss) before tax	7 321 750		100,00 %	11 271 771		100,00 %
at theoretical tax rate 19 %		1 391 133	19,00 %		2 141 636	19,00 %
Tax non-deductible expenses	7 726 320	1 468 001	20,05 %	4 194 220	796 902	10,88 %
Income not subject to tax	-10 091 988	-1 917 478	-26,19 %	-8 378 125	-1 591 844	-21,74 %
Tax losses claimed during the period	0	0	0,00 %	-1 085 338	-206 214	-2,82 %
Tax on interest	4 956 082	941 656	12,86 %	6 002 528	1 140 480	5,33 %
		1 241			419	
<b>Current tax</b>		<b>942 897</b>	<b>12,86 %</b>		<b>1 140 899</b>	<b>5,33 %</b>
Deferred tax		7 438	0,10 %		1 540 626	21,04 %
<b>Total reported tax</b>		<b>950 335</b>	<b>12,96 %</b>		<b>2 681 525</b>	<b>26,37 %</b>

## J. OPERATING LEASE

### 1. Leasehold property

The Company leases land, on which the ski slopes and cableways have been built, and also leases certain cars under operating lease agreements. The most important agreements for lease of land were signed for a 30-year period with an option for further 10 years. Major agreements are subject to 1-year term of notice.

The operating lease costs for the period ending 31 October 2012 were recognised in the Income Statement in the amount of EUR 825 thousand (for the period ending 31 October 2011: EUR 862 thousand).

Following is the amount of rent for the period during which the agreements can not be terminated by notice:

In EUR	31 Oct 2012	31 Oct 2011
	EUR	EUR
Less than 1 year	421 912	468 090
From 1 to 5 years	7 738	24 385
More than 5 years	-	-
Unspecified maturity	-	-
<b>Total</b>	<b>429 650</b>	<b>492 475</b>

## 2. Leased out property

The Company leases out the following property to third parties for operating purposes:

- Hotel Ski Záhradky
- Hotel Liptov
- Hotel Kosodrevina
- Building in Otupné
- Dining facilities in the aquapark

The Company presents the leased-out property as property, plant and equipment. During the year, the Company terminated the lease agreement for lease of hotel Srdiečko and started to operate the hotel. Additionally, during the year, the Company signed an agreement on lease of Hotel Ski. In 2012, total income from lease of the property reached EUR 289 thousand (2011: EUR 382 thousand).

## K. INFORMATION ABOUT OTHER ASSETS AND OTHER LIABILITIES

### 1. Contingent liabilities

Many parts of Slovak tax legislation remain untested and there is uncertainty about the interpretation that the tax authorities may apply in a number of areas. The effect of this uncertainty cannot be quantified and will only be resolved as legislative precedents are set or when official interpretations of the authorities are available.

### 2. Other financial liabilities

As at 31 October 2012, the Company did not recognise any other financial liabilities.

### 3. Contingent assets

The Company is a party to a number of legal disputes. The Company has lost two legal cases and presently the amount of the compensation is quantified. In all legal disputes, maximum amount of the compensation can be up to EUR 1 123 thousand plus related charges and fees.

## L. INFORMATION ON INCOME AND EMOLUMENTS OF MEMBERS OF THE STATUTORY BODIES, SUPERVISORY BODIES, AND OTHER BODIES OF THE ACCOUNTING ENTITY

Gross payments to members of the Company's statutory bodies and members of the supervisory board for their activities for the Company during the accounting period amounted to EUR 196 thousand (2011: EUR 200 thousand).

Overview of income and emoluments of members of statutory, supervisory and other bodies:

Type of income, emoluments	Value of income, emolument of current members of bodies			Value of income, emolument of former members of bodies		
	b			c		
	statutory	supervisory	other	statutory	supervisory	other
	Part 1 - year 2012			Part 1 - year 2012		
a	Part 2 - year 2011			Part 2 - year 2011		
Monetary income	159 575	36 130	0	0	0	0
	172 636	27 246	0	0	0	0
Non-monetary income	0	0	0	0	0	0
	0	0	0	0	0	0
Monetary advance payments	0	0	0	0	0	0
	0	0	0	0	0	0
Non-monetary advances	0	0	0	0	0	0
	0	0	0	0	0	0
Loans provided	0	0	0	0	0	0
	0	0	0	0	0	0
Guarantees provided	0	0	0	0	0	0
	0	0	0	0	0	0
Other	0	0	0	0	0	0
	0	0	0	0	0	0

## M. INFORMATION ON THE ACCOUNTING ENTITY'S TRANSACTIONS WITH RELATED PARTIES

During the current and the preceding accounting periods, the Company carried out the following transactions with subsidiaries:

Related party	Transaction type (code)	Value of the transaction	
		2012	2011
a	b	c	d
Transactions with associated companies			
Purchase of services and merchandise	01	568	18 050
Sale of services and merchandise	02	63 406	110 928
Loan provided	08	0	126 279
Interest income from the loan	08	7 597	11 156

Parent company In EUR	Transaction type (code)	Value of the transaction	
		31.10.2012	31.10.2011
a	b	c	d
Subsidiary			
Purchase of services and merchandise	01	2 057 567	2 075 945
Sale of services and merchandise	02	191 794	396 561
Loan provided	08	2 800 000	0
Interest income from the loan	08	116 258	0
Loan received	08	0	470 000
Interest expense for the loan	08	0	7 082
Repayment of the loan	08	0	470 000
Settlement of interest on the loan	08	0	7 082

Further information on subsidiaries is available at:

### Code of the type of transaction:

- 01 – purchase
- 02 – sale
- 03 – provision of services
- 04 – commercial representation
- 05 – license
- 06 – transfer
- 07 – know-how
- 08 – loan, borrowing
- 09 – assistance
- 10 – guarantee
- 11 – other transaction

Selected assets and liabilities arising from related-party transactions are presented in the table below:

	31 Oct 2012	31 Oct 2011
	EUR	EUR
Trade receivables	143 643	144 909
Provided interest-bearing borrowing	2 926 279	126 279
Accrued interest on the borrowing	135 011	11 156
<b>Total assets</b>	<b>3 204 933</b>	<b>282 344</b>
Trade payables	158 645	40 846
<b>Total liabilities</b>	<b>158 645</b>	<b>40 846</b>

## N. INFORMATION ON EVENTS OCCURRING BETWEEN THE BALANCE SHEET DATE AND THE DATE OF PREPARATION OF FINANCIAL STATEMENTS

On 13 November 2012, TMR, acting through Melida, a.s. (an associate company), entered into a business lease contract for SKIAREÁL Špindlerův Mlýn, a.s. in the Czech Republic. SKIAREÁL operates Špindlerův Mlýn ski resort in the Northern part of the Czech Republic. It is the best-known ski resort in the Czech Republic. TMR holds a 50% share in Melida, a.s., which started the operation of the ski resort under the aforementioned lease contract. The business lease contract was made for 20 years.

Effective from 1 January 2013, the Slovak Government and the National Council of the Slovak Republic approved the amendment of the Income Tax Act increasing the corporate income tax rate from 19% to 23%. This fact will affect the Company's future profit/loss and the amount of the income tax. The increase in the income tax rate means an increase in the deferred tax and the deferred tax liability in the amount of EUR 1 083 thousand. The Company calculated the deferred tax using the 19% income tax rate, which was valid as at the date of the financial statements.

As of 16 February 2013, the Group became the exclusive owner and operator of Grandhotel Starý Smokovec, Vysoké Tatry, through acquisition of the 50% ownership interest in Interhouse Tatry, s.r.o., Starý Smokovec 38, 062 01 Vysoké Tatry from DIAMOND HOTELS CYPRUS LIMITED, Akropoleos, 59-61 SAVVIDES BUILDING, 1st floor, Flat/Office 102 Nicosia 2012, Cyprus.

## O. INFORMATION ON EQUITY

The movements of equity during the accounting period are presented in the table below:

Equity item	Current accounting period (2012)				Balance as at 31 Oct 2012
	Balance as at 31 Oct 2011	Additions	Disposals	Transfers	
a	b	c	d	e	f
Share capital	221 337 534	0	0	0	221 337 534
Own shares and own ownership interests	0	0	0	0	0
Change in share capital	0	0	0	0	0
Receivables related to unpaid share capital	0	0	0	0	0
Share premium	30 430 378	0	0	0	30 430 378
Other capital funds	282 587	0	0	0	282 587
Legal reserve fund (Non-distributable fund) from capital contributions	0	0	0	0	0
Differences from revaluation of assets and liabilities	377 432	271 298	0	0	648 730
Investment revaluation reserve	0	0	0	0	0
Differences from revaluation in the event of merger, amalgamation into a separate accounting entity or demerger	0	0	0	0	0
Legal reserve fund	2 381 096	0	0	859 025	3 240 121
Non-distributable fund	0	0	0	0	0
Statutory funds and other funds	0	0	0	0	0
Retained earnings from previous years	2 329 244	0	0	1 292 312	3 621 556
Accumulated losses from previous years	0	0	0	0	0
Net profit (loss) of the current accounting period	8 590 246	6 371 417	0	-8 590 246	6 371 417
Dividends paid	0	0	6 438 909	6 438 909	0
Other equity items	0	0	0	0	0
Account 491 - Equity of sole trader	0	0	0	0	0
<b>Total</b>	<b>265 728 517</b>	<b>6 642 715</b>	<b>6 438 909</b>	<b>0</b>	<b>265 932 323</b>



Equity item	Preceding accounting period (2011)				
	Balance as at 31 Oct 2010	Additions	Disposals	Transfers	Balance as at 31 Oct 2011
a	b	c	d	e	f
Share capital	221 337 534	0	0	0	221 337 534
Own shares and own ownership interests	0	0	0	0	0
Change in share capital	0	0	0	0	0
Receivables related to unpaid share capital	0	0	0	0	0
Share premium	30 430 378	0	0	0	30 430 378
Other capital funds	282 587	0	0	0	282 587
Legal reserve fund (Non-distributable fund) from capital contributions	0	0	0	0	0
Differences from revaluation of assets and liabilities	-14 468	391 900	0	0	377 432
Investment revaluation reserve	0	0	0	0	0
Differences from revaluation in the even of merger, amalgamation into a separate accounting entity or demerger	0	0	0	0	0
Legal reserve fund	1 435 685	0	0	945 411	2 381 096
Non-distributable fund	0	0	0	0	0
Statutory funds and other funds	0	0	0	0	0
Retained earnings from previous years	0	0	0	2 329 244	2 329 244
Accumulated losses from previous years	-679 553	0	0	679 553	0
Net profit (loss) of the current accounting period	9 454 110	8 590 246	0	-9 454 110	8 590 246
Dividends paid	0	0	5 499 902	5 499 902	0
Other equity items	0	0	0	0	0
Account 491 - Equity of sole trader	0	0	0	0	0
<b>Total</b>	<b>262 246 273</b>	<b>8 982 146</b>	<b>5 499 902</b>	<b>0</b>	<b>265 728 517</b>

The Company's share capital in the amount of EUR 221 337 534 (31 October 2011: EUR 221 337 534) is comprised of 6 707 198 ordinary registered shares in a book-entry form with nominal value EUR 33 per share (31 October 2011: 6 707 198 ordinary shares nominal value EUR 33 per share).

All shares were fully paid.

The shareholders are entitled to dividends in accordance with the decision of the General Meeting and they have the right to vote; each EUR 33 represents one vote.

As at 31 October 2012, the basic earnings per ordinary share amounted to EUR 0.95 (31 October 2011: EUR 1.28 per ordinary share).

The accounting profit for financial year 2011 amounting to EUR 8 590 246 was distributed as follows:

Distribution of accounting profit	2012
Contribution to legal reserve fund	859 025
Contribution to statutory and other funds	0
Contribution to the Social Fund	0
Contribution for the purpose of increasing the share capital	0
Settlement of losses of previous periods	0
Transfer to retained earnings	1 292 312
Payment of dividends to owners and members	6 438 909
Other	0
<b>Total</b>	<b>8 590 246</b>

The General Meeting will decide on the distribution of profit in the amount of EUR 6 371 thousand for the 2012 accounting period. The statutory body presented the following proposal to the General Meeting:

- Contribution to the reserve fund in the amount of EUR 637 thousand,
- Remainder - dividends to be paid in the amount of EUR 5 734 thousand,
- Dividends paid from retained earnings from previous years in the amount of EUR 1 375 thousand,
- Total amount of dividends is EUR 7 110 thousand, which is EUR 1.06 per share.

## P. CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2012

	2012	2011
<b>Cash flows from operating activities</b>		
Cash generated from operations	12 512 160	13 705 756
Interest paid	-532 686	-506 452
Interest received	757	4 236 330
Income tax paid	-2 280 961	0
Dividends paid	-6 438 910	-5 495 133
Cash flow before extraordinary items	3 260 360	11 940 501
Proceeds relating to extraordinary items	0	
<b>Net cash inflow from operating activities</b>	<b>3 260 360</b>	<b>11 940 501</b>
<b>Cash flows from investing activities</b>		
Purchase of non-current assets	-45 067 000	-36 229 383
Proceeds from sale of non-current assets	322 000	1 035 438
Proceeds from sale of investments	6 897 000	
Purchase of investments	-1 965 000	-36 112 061
Dividends received	300 447	317 451
<b>Net cash (outflow) from investing activities</b>	<b>-39 512 553</b>	<b>-70 988 555</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of share capital	0	0
Received loans	0	6 000 000
Received finance leasing	293 587	589 019
Granted loans	-4 946 000	-31 895 123
Repayment of granted loans	0	75 488 430
Repayment of finance leases	-539 984	-1 453 556
Repayment of received loans	-2 697 228	-2 252 439
Repayment of bills	40 641 605	94 690 499
Issuance of promissory notes	0	-78 038 374
<b>Net cash (outflow)/inflow from financing activities</b>	<b>32 751 980</b>	<b>63 128 456</b>
(Decrease)/increase in cash and cash equivalents	-3 500 213	4 080 402
Cash and cash equivalents at the beginning of the year	6 206 838	2 126 436
<b>Cash and cash equivalents at the end of the year</b>	<b>2 706 625</b>	<b>6 206 838</b>

	2012	2011
<b>Net profit (before interest, tax and extraordinary items)</b>	<b>7 321 750</b>	<b>11 271 772</b>
Adjustments for non-monetary transactions:		
Depreciation and value adjustments to non-current assets	5 939 968	4 892 818
Interest income	-3 548 829	-7 542 194
Interest expense	532 686	514 738
Provisions to receivables	148 337	-21 590
Unrealized exchange rate losses	-6 539	-2 504
Unrealized exchange rate gains	11 428	1 456
Value adjustment to receivables	-941 290	2 499 902
Value adjustment to non-current financial assets	5 000 000	0
Provisions	30 302	-15 982
Loss (gain) on sale of non-current assets	-104 251	-286 921
Income from non-current financial assets	-855 404	-317 451
Operating profit before working capital changes	13 528 158	10 994 044
Changes in working capital:		
Decrease/ (increase) in trade and other receivables (including accruals/deferrals of assets)	274 000	1 301 708
Decrease (increase) in inventory	-567 998	-308 981
(Decrease) increase in liabilities (including accruals/deferrals of liabilities)	-722 000	1 718 985
<b>Cash generated from operations</b>	<b>12 512 160</b>	<b>13 705 756</b>

**Cash**

Cash is defined as cash on hand, equivalents of cash on hand, cash in current bank accounts, overdraft facility, and part of the balance of the cash in transit account tied to the transfer between the current account and petty cash or between two bank accounts.

**Cash equivalents**

Cash equivalents are defined as current financial assets that are readily convertible to a known amount of cash, which, as of the balance sheet date, do not entail the risk that their value will change considerably during the next three months, e.g. term deposits in bank accounts with a maximum of a three-month notice, liquid securities held for trading, and priority shares acquired by the accounting entity, which are due within three months of the balance sheet date.

## Independent Auditor's Report



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Translation of the statutory Auditor's Report originally prepared in Slovak language

### Independent Auditor's Report

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

We have audited the accompanying financial statements of Tatry mountain resorts, a.s. ("the Company"), which comprise the balance sheet as at 31 October 2012, the income statement for the year then ended and notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

Management as represented by the statutory body is responsible for the preparation of financial statements that give a true and fair view in accordance with the Slovak Act on Accounting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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. 4964/B  
Commercial register of District court Bratislava I, section Sro, file No. 4964/B  
IČO/Registration number: 31 348 238  
Evidenčné číslo licencie audítora: 96  
Licence number of statutory auditor: 96



### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 October 2012, and of its financial performance for the year then ended in accordance with the Slovak Act on Accounting.

28 February 2013  
Bratislava, Slovak Republic

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



Responsible auditor:  
Ľuboš Vančo  
License SKAU No. 745



## Report on Audit of Consistency



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**Report on Audit of Consistency  
of the annual report with the financial statements pursuant to Article 23 (5) of Act No.  
540/2007 Coll. on Auditors, Audit and Oversight of Audit**

**(Translation)**

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

We have audited the financial statements of the company Tatry mountain resorts, a.s. ("the Company") as of 31 October 2012, presented in appendix to the annual report. We have issued an independent auditor's report on the financial statements on 28 February 2013 with the following wording:

### Independent Auditor's Report

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

We have audited the accompanying financial statements of Tatry mountain resorts, a.s. ("the Company"), which comprise the balance sheet as at 31 October 2012, the income statement for the year then ended and notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

Management as represented by the statutory body is responsible for the preparation of financial statements that give a true and fair view in accordance with the Slovak Act on Accounting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment,



including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 October 2012, and of its financial performance for the year then ended in accordance with the Slovak Act on Accounting.

28 February 2013  
Bratislava, Slovak Republic

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

Responsible auditor:  
Ľuboš Vančo  
License SKAU No. 745

### Report on audit of consistency of the annual report with the financial statements

We have audited the consistency of the annual report with the financial statements in accordance with the Act on Accounting.

The accuracy of the annual report is the responsibility of the company's management. Our responsibility is to audit the consistency of the annual report with the financial statements, based on which we are required to issue an appendix to the auditor's report on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the

## Report on Audit of Consistency



information presented in the annual report, subject to presentation in the financial statements, is consistent, in all material respects, with the relevant financial statements.

We have reviewed the consistency of the information presented in the annual report with the information presented in the financial statements as of 31 October 2012. We have not audited any data or information other than the accounting information obtained from the financial statements and accounting books. We believe that the audit work performed provides a sufficient and appropriate basis for our opinion.

In our opinion, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements as of 31 October 2012, presented in appendix to the annual report.

28 February 2013  
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






# Statement by the Board of Directors

## STATEMENT BY THE BOARD OF DIRECTORS

The Company's Board of Directors hereby states that according to its best knowledge Annual Report, Consolidated Financial Statements, and Individual 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 and the Parent Company. The Board further states that Annual Report contains a true and accurate review of performance and results of operations and position of the Company and the companies within the Group, as well as explanation of key risks and uncertainty factors that the Company and all the companies within the Group face.

Demänovská Dolina, 22 February, 2013



Bohuš Hlavatý

Chairman of the Board of Directors, CEO



Jozef Hodek

Member of the Board of Directors, CFO