



# Annual Report 2019/20

Tatry mountain resorts, a. s.  
and its Subsidiaries  
as of October 31, 2020



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# Commentary from Chairman of the Board of Directors



Igor Rattaj  
Chairman of the Board of Directors

Dear shareholders,

We have had an unprecedented year. A global pandemic related to the spread of coronavirus has forced us to close mountain resorts, amusement parks and hotels in all countries where our Group operates from mid-March 2020 to the end of last winter. Despite the fact that during the summer season the operations in the resorts were partially restored, the pandemic continues to affect the activities of our resorts in all markets, which significantly impacts our sales.

In the past financial year, consolidated revenues fell by almost 13% year-over-year to almost EUR 111.2 million. The management responded to the loss of sales with measures to reduce costs and, thanks to this, we managed to keep EBITDA at EUR 35.1 million. The result was also positively affected by the year-round ownership of the Austrian resort of Mölltaler Gletscher and Ankogel. At the same time, the methodology for reporting EBITDA according to IFRS in connection with leasing changed in 2020, which also positively affected our result. However, mainly due to higher impairment costs, increased interest expenses and exchange rate losses we reported a consolidated loss of EUR 20.5 million.

In terms of key performance indicators, visit rate in the Mountain Resorts segment decreased by 14.6% year-over-year to 2.425 million visitors, a result which for the first time includes the impact of Austrian resorts in our ownership throughout the whole financial year. Thanks to the influence of Austrian resorts, the average revenue per visitor increased by 2.4% to EUR 14.06. Due to the pandemic situation, the weighted average occupancy of our hotel portfolio decreased by 17.5 percentage points year-over-year to 49.3%. However, the average daily room rate of the portfolio increased by 9.2% despite lower occupancy.

In the past financial year, we completed several investment projects with a total value of almost EUR 15.9 million. Significant investments include the completion of new snow reservoirs in Jasná, the addition of infrastructure, including new snowmobiles, the upgrade of restaurant operations, as well as renovations in several hotels in the portfolio. In the Szczyrk resort, we added new snowmaking

facilities and completed the Skryczinska gastronomy project. A new attraction called Rapid River was built in the Polish Legendia. In the Real Estate Projects segment, we completed several new Chalets in Jasná Collection.

As for the acquisitions, during the past year we became the 25% direct owner of the company Melida, a.s., which leases and operates the Czech resort Špindlerův Mlýn. At the end of May, we signed an agreement to purchase a 100% stake in 1. Tatranská a.s., and we thus became the sole owner and operator of the Štrbské Pleso resort in Vysoké Tatry.

In the near future, due to the continuing uncertainty regarding the spreading of coronavirus, it can be expected, that the pandemic situation and related anti-pandemic measures will have a significant negative impact on the financial performance and financial position of our Group. Nevertheless, in this difficult situation, we are able to continue to meet all our obligations and, thanks to investor confidence, we have been able to obtain sufficient financing through the latest bond issue in February this year, which we can use if necessary to ensure continued operations. We firmly believe that the most pessimistic scenarios will not occur, and we will soon be able to welcome visitors to our resorts again and provide them with a first-class service that we care so much about.

Igor Rattaj



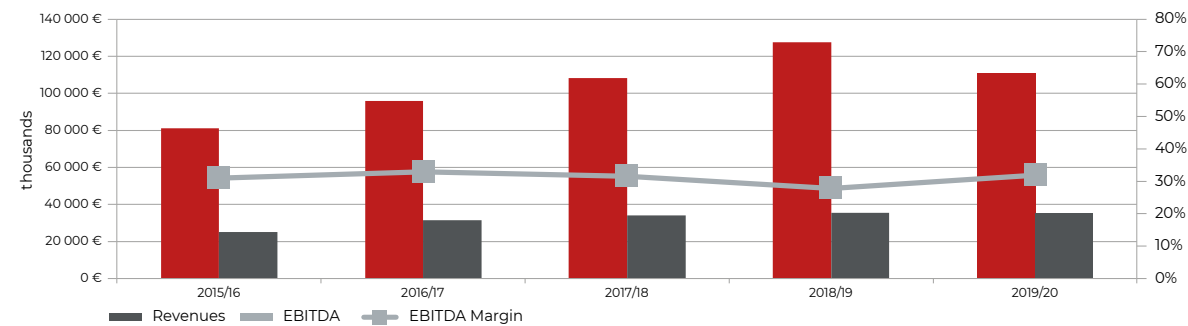




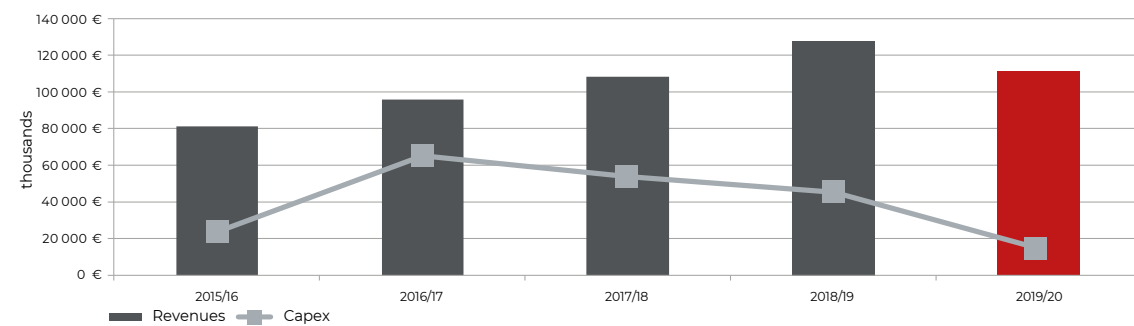
# Consolidated Financial Highlights

in €'000 unless specified otherwise	2019/20	2018/19	2017/18	2016/17	2015/16
Revenues	111 197	127 592	108 249	95 910	81 202
EBITDA	35 137	35 496	34 166	31 516	25 111
EBIT	7 387	12 723	19 245	17 688	12 075
Net Profit/Loss	-20 513	-2 288	3 095	6 990	2 746
CAPEX	15 858	45 254	53 887	65 058	23 625
No. of employees	1 332	1 456	1 402	1 289	1 095
Earnings per share (EUR)	-3,013	-0,341	0,473	1,099	0,456
Hotel Occupancy (%)	49,4	66,3	62,7	56,6	56,5
Avg. Daily Rate per Room (EUR)	99,7	88,0	80,1	71,3	65,4
Visit Rate Mountain Resorts ('000)	2 425	2 840	2 706	2 287	2 121
Visit Rate Leisure Parks ('000)	655	808	907	855	784
EBITDA (%)	31,6	27,8	31,6	32,9	30,9
EBIT (%)	6,6	10,0	17,8	18,4	14,9
Equity	91 886	110 173	113 789	113 149	106 003
Debt/Equity (%)	366,8	315,3	311,3	246,9	216,8
Debt/Capital (%)	78,6	75,9	75,7	71,2	68,4
Debt/EBITDA	9,6	9,8	10,4	8,9	9,2
Total Assets	561 927	533 858	521 684	438 341	375 701

Key Operating Results



Revenues vs. CAPEX



## TMR IN NUMBERS

**10** resorts\*

**3.1** mil. guests -15%

**6** mountain resorts

**2** leisure parks

**2** golf resorts

**2.4** mil. skier days -14.6%

**655** ths. guests -18.9%

**15** own / managed hotels

**49.4 %** occupancy -17.5 p.p.

**99.70 €** ADR +9.2%

Group Revenues **111.2** mil. € -12.9%

Group EBITDA **35.1** mil. € -0.1%

Group Net Loss **-20.5** mil. €

FTE **1 332**

CAPEX **15.9** mil. €

\* as of 31/10/2020



# Our History

## 1992

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

## 2003

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

## 2009

- In June 2009 Shareholders of Jasná Nízke Tatry, a.s. agreed on raising of the capital to EUR 250 million and on renaming the Company Tatry mountain resorts, a.s. Consequently, a new equity issue was listed on the Bratislava Stock Exchange.

- In October 2009 TMR purchased Tatras Cableways (TLD), which dissolved without liquidation and merged with TMR on May 5, 2010. At the same time TMR, as its successor, continues to conduct TLD's business activity, especially operation of mountain resorts in the High Tatras - Tatranská Lomnica and Starý Smokovec.

- In December 2009 TMR acquired 100% of Grandhotel Praha, a.s. (Grandhotel Praha) and 50% of Interhouse Tatry, s.r.o., which was the owner of Grandhotel Starý Smokovec at that time.

## 2010

- In October 2010 TMR purchased all shares of Tatry mountain resorts services and thus became its 100% owner.

- TMR initiated cooperation with the resort of Štrbské Pleso in December 2010.

## 2011

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

## 2012

- Dual listing of TMR shares on exchanges in Warsaw and Prague took place in October 2012

- In November 2012 TMR through an associated company Melida, a.s. signed a lease contract with the Czech union of physical education for operating SKIAREÁL Špindlerův Mlýn.

- In November 2012 TMR founded Korona Ziemi with a Polish town of Gmin Zawoja, with the purpose of creating an entertainment-educational park.

## 2013

- On February 16, 2013 TMR acquired the other 50% in Interhouse, s.r.o. (Grandhotel Starý Smokovec).

- As of May 1, 2013 subsidiaries of TMR - Tatry mountain resorts services, a.s., Grandhotel Praha, a.s. and Interhouse s.r.o. - merged and seized without liquidation.

- Share capital of TMR was decreased from EUR 221.3 million to EUR 47.0 million on October 22, 2013 based on the approval by the Extraordinary General Meeting held on August 22, 2013.

## 2014

- In March 2014 TMR acquired a 97% share in a Polish ski resort Szczyrkowski Ośrodek

## 2015

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

## 2017

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

## 2018

- In November 2018 TMR enters the golf segment and in the Czech Republic enters a contract to lease and operate Golf & Ski Resort Ostravice with a 20-year term.

## 2019

- In January 2019 The Group enters a lease contract of Golf Resort Kaskáda near the Czech town of Brno for a 20-year term. TMR controls the management of the hotel with a conference center and a restaurant.

- In June 2019 TMR acquired a 100% share in an Austrian company that owns and operates the glacier ski resort Mölltaler Gletscher and its sister resort Ankogel - Mallnitz in Austria.



# Company Profile

## BASIC OVERVIEW OF TMR

Tatry mountain resorts, a.s. with its registered seat in Liptovský Mikuláš, SK together with its subsidiaries (TMR, the Group) is the biggest provider of tourism in Slovakia with emerging activities in neighboring countries. TMR's revenues come from operation of mountain resorts, an aquapark, and an amusement park, golf resorts, from provision of hotel and dining services, from sports stores and ancillary services in the resorts, and from real estate projects. In terms of revenue breakdown, the largest share comes from sale of ski passes and cableway tickets in the mountain resorts (41,7%) and from accommodation services in the hotels that TMR owns and/or runs (24,0%). Additional revenues come from ticket sale in the leisure parks (7,1%), and from ancillary services provided by the dining facilities on the slopes, in the golf resorts, and in the leisure parks (15,1%) and sports and souvenir stores, rentals, and ski schools (5,8%). In addition to the mentioned business activities TMR conducts its business activities in real estate, revenues of which are generated mainly from lease of accommodation facilities and sale of apartments (5,8%). A part of revenues also comes from the operation of leased golf resorts (0,5%). TMR runs all its operations in regions of the High and Low Tatras in Slovakia, in the Polish Beskids and Silesia, and in the Czech Krkonoše Mountains, Beskids, and Moravia, and in the Austrian Alps.

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

In the High Tatras TMR owns and runs the resort of Vysoké Tatry with the ski areas Tatranská Lomnica and Starý Smokovec, and the ski area Štrbské Pleso. In the

High Tatras TMR also owns hotels Grandhotel Praha\*\*\*\*, Tatranská Lomnica, Grandhotel\*\*\*\* Starý Smokovec, Hotel FIS\*\*\* at Štrbské pleso, and A Night at Lomnický Peak.

Since December 2017 TMR rents and operates a Czech ski center Ještěd. As of the end of FY 2019/20 TMR also owns a 25% share in Melida a.s., which since the winter 2012/13 leases and operates the resort Špindlerův Mlýn in the Czech Republic. TMR also rents and operates Czech golf resorts - Golf & Ski Resort Ostravice and Golf Resort Kaskáda.

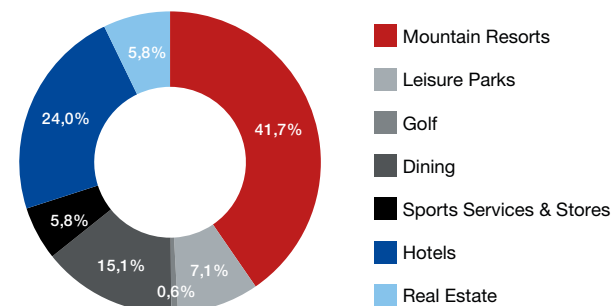
In Poland TMR owns 97.6% in the mountain resort Szczyrk Mountain Resort (Szczyrk); and a 100% share in Legendia - Silesian Amusement Park (Śląskie Wesołe Miasteczko).

Since June 2019 the Group also owns the Austrian Alpine resorts of Mölltaler Gletscher and Ankogel - Mallnitz.

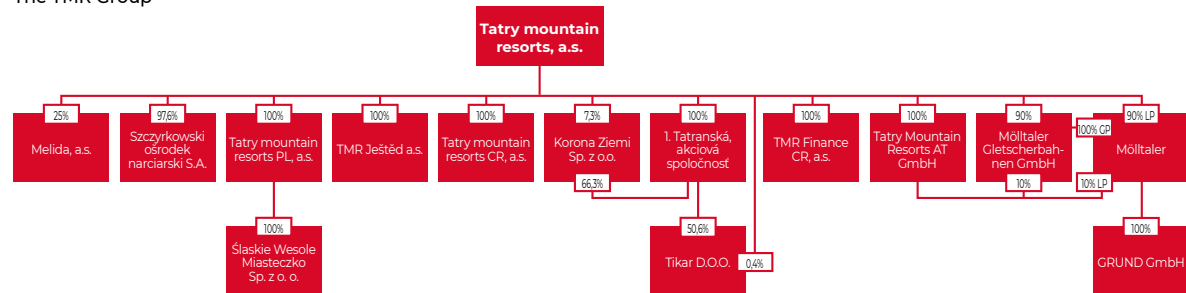
## BUSINESS SEGMENTS OF TMR

TMR's business activities are concentrated into in seven key segments - Mountains Resorts; Leisure Parks; Golf; Dining; Sports Services and Stores; Hotels; and Real Estate.

Revenue Breakdown



### The TMR Group<sup>1</sup>



1 As of 31/10/2020, GP - General Partner, LP - Limited Partner



- Mountain Resort VYSOKÉ TATRY (The High Tatras)**
  - All-season resort offering complex services for all the types of clients in the summer and winter season
  - Three ski areas- Tatranská Lomnica, Štrbské Pleso and Starý Smokovec
  - Situated in the oldest national park in Slovak republic TANAP
  - 5 months of snow guaranteed
  - 24 km of ski trails, 17 km of snowmaking
  - 20 cableways and lifts
  - Max. transportation capacity 21,385 persons/hour
  - Hotels - Grandhotel Praha\*\*\*\*, Tatranská Lomnica, Grandhotel\*\*\*\* Starý Smokovec, Hotel FIS\*\*\* Štrbské Pleso, A Night at Lomnický Peak
- Mountain Resort SZCZYRK MOUNTAIN RESORT (Szczyrk)**
  - 40 km of ski trails, 22 km with snowmaking, 5km of lit-up trails
  - 12 cableways and lifts
  - Max. transportation capacity: 22,000 persons/hour
  - Hotels - Hotel Gronie Ski&Bike
  - Location - Silesia Voivodship, the Beskids, PL
- Mountain Resort MÖLLTALER GLETSCHER**
  - An Alpine resort located on a glacier with 17.4 km of ski trails and almost 7 km of freeride terrain
  - 9 cableways and ski lifts
  - Max. transportation capacity of 15,610 persons/hour
  - 90% of ski trails covered with snow made by 45 snow guns
  - Glacier Snow Park on the Schareck trail - with terrain waves, banked curves and jumps
  - Location - Carinthia, Austria
- Mountain Resort ANKOGEL MALLNITZ (Ankogel)**
  - A mountain resort with 12.8 km of ski trails and 5 km of freeride terrain
  - 5 cableways and ski lifts
  - Max. transportation capacity of 4,880 persons/hour
- Real Estate - lease out of hotels Liptov\*\*, Hotel SKI & FUN\*\*, Kosodrevina Lodge, lodging facility Otopné, sale of Chalets Jasná Collection**
- Mountain Resort SKIAREAL JEŠTĚD**
  - 50% of ski trails covered with snow made by 40 snow guns
  - A big complex for skiing beginners at the lower cableway station
  - Location - Hohe Tauern, Austria
- Aquapark TATRALANDIA**
  - The biggest aquapark with accommodation in Central Europe
  - Unique indoor complex Tropical Paradise also with seawater and authentic corals
  - A Hawaii complex with four artificial surf wave lanes
  - 14 swimming pools (10 year-around) with thermal, sea and pure water
  - 21 steam, water, jet spas, saunas and procedures, a wellness center
  - 28 toboggans and waterslides (6 year-round) and 150 different attractions
  - Liptov Arena - a multipurpose cultural-entertainment sports arena in Tatralandia
  - Housing - Holiday Village Tatralandia
  - 700 beds in 155 stylish bungalows and apartments in 11 theme villages
- LEGENDIA - SILESIA AMUSEMENT PARK (Legendia, ŚLĄSKIE WESOŁE MIASTECZKO)**
  - The largest and oldest leisure park in Poland
  - The 40-meter high roller coaster - Lech Coaster - with 4 inversion curves
  - Area: 26 ha
  - 50 attractions
  - Location - Park Śląski (Silesian Park) near Chorzów, PL
- GOLF & SKI RESORT OSTRAVICE**
  - An 18-hole par 72 master golf course designed by Chris Johnson
  - A lit cross-country skiing resort
  - Green Inn Hotel - 36 rooms
  - A restaurant, wellness center, congress center
  - Location - the Beskids, Czechia
- GOLF RESORT KASKÁDA**
  - A 27-hole master golf course designed by a British architect, Jonathan Gaunt
  - A 6-hole academy, a 300 m lit driving range
  - A 4\* hotel - 50 rooms, 100 beds
  - A restaurant with a deck and a view of the golf course, a congress center, a wellness center
  - Location - Moravia, Czechia



## MOUNTAIN RESORTS

The Mountain Resorts segment includes the operation of six mountain resorts: Jasná Nízke Tatry - Chopok North and South, Vysoké Tatry - Tatranská Lomnica, Starý Smokovec and Štrbské Pleso, the Polish Szczyrk Mountain Resort, the Austrian Alpine resorts of Mölltaler Gletscher and Ankogel Mallnitz, and the leased Ještěd Ski Resort in Czechia. The resorts currently offer approximately 137 km of trails with transport capacity over 103 thousand persons per hour. Since the winter season 2012/13 TMR also co-manages the ski resort Špindlerův Mlýn in the Czech Republic, which has been leased by Melida, a.s., in which currently TMR owns 25%.

### VYSOKÉ TATRY (THE HIGH TATRAS)

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

#### Tatranská Lomnica

The longest trail in Slovakia also with the highest altitude difference is located in Tatranská Lomnica. This ski trail has the highest altitude difference with possibility to ski down from 2,196 m a.s.l. on a 5,5 km long trail from Lomnické sedlo to Tatranská Lomnica. Ski trails in Tatranská Lomnica are attractive

for both experts and intermediate skiers, and beginners can use blue tracks in the bottom part of the resort. Altogether there is one difficult, five intermediate, and six beginner trails available for skiers. In September 2015 the ski portal Skiresort.info ranked the ski resort Tatranská Lomnica among the world's top 14 resorts with up to 20 km of trails; and in the category "Beginners" it was ranked among the world's top resorts with infrastructure and services suitable for ski beginners. The resort in Tatranská Lomnica offers up to 45.9 hectare of ski trails with total length of 12 km, while almost 32 ha of ski trails have technical snowmaking coverage thanks to 250 snow guns. Tatranská Lomnica together with Starý Smokovec also offers fun and entertainment after skiing. Every day there is an interesting après ski program available for skiers. Parking has been also improved to the satisfaction of skiers with a new terraced ski in - ski out parking lot for 350 cars and 10 buses. In the summer Tatranská Lomnica turns into a sought-after tourist destination for relaxation and fun for the whole family. Besides cableway trips up to the top of Lomnický peak, attractions such as cart rides from Štart, there is the original children's project - Tatra's Wilderness. It presents educational-entertainment trails in Tatranská Lomnica, Lomnické sedlo and around Skalnaté pleso, accompanied by games and a mini ecopark Marmot Land at Skalnaté pleso for children under 12. The children's indoor park Kamzíkov is open all year round at Skalnaté pleso.

#### Starý Smokovec

Starý Smokovec resort is unlike Tatranská Lomnica more about alternative leisure activities, such as



snowtubing, sledging on a 2.5 km long sledging track, and funtools - skifox, snowbike, snowcoot. In the winter season, every year Hrebienok is home to the Tatra Ice Dome - an ice sculpture hidden in a dome, which is carved out in a different form every year. In the summer season there are attractions like summer tubing. Hrebienok, the finish station of a comfortable panorama funicular from Starý Smokovec is the favorite start point for hikes throughout the year. In winter months there are ski trails available for skiers with name Jakubkova lúka I and II.

#### Štrbské Pleso

The Štrbské Pleso resort is sought after by fans of quality wide red trails with best views. The best experience at this picturesque location comes on a cableway ride to Solisko at 1,840 m when one can view beautiful peaks of the High Tatras and the whole mountain ridge of the Low Tatras from Kráľova hoľa to Mt. Chopok. In the resort of Štrbské Pleso we offer our visitors up to 26 kilometers of cross-country tracks and more than 9 kilometers of trails with beginner or medium difficulty. There is also a wide range of ski and snowboard rentals, ski service, and ski school for kids and beginners. In the summer for instance you can take a cableway ride to Solisko, where you get panoramic views of the valley, of the romantic Štrbské pleso, Kriváň, or the Low Tatras. Passionate bikers can rent a mountain bike at Tetry Motion - a sports store underneath ski jump boards - with an option of its return in Starý Smokovec or Tatranská Lomnica. Via mountain trails you can easily get to Popradské pleso or you can take a ride to Sliežsky dom, Smokovec, Hrebienok or to Poprad via the 'Freedom Route'. Boating on the lake has a more than 130-year old tradition.

### JASNÁ NÍZKE TATRY (JASNÁ LOW TATRAS)

The Jasná Nízke Tatry (Jasná Low Tatras) resort is located in the mountain range of the Low Tatras, which stretches across the heart of Slovakia. The second highest peak and also one of the most visited places in the Low Tatras is Mt. Chopok, the north and south side of which is interconnected with cableways. Jasná Nízke Tatry is currently the biggest ski resort in Slovakia. Skiers have an option to try all types of trails from blue to black, suitable for beginners, families with children, as well as for advanced skiers. The modern snowmaking system with 617 snow points covers almost 37 km of trails and provides snow guarantee for at least five months a year. Fans of wild rides can enjoy 12 free ride zones, a great snow park, and Fun Zone. You get to the top of Mt. Chopok

by ultra-modern cableways - the 24-person Funitel or 15-person gondolas. At night you can enjoy night skiing on a 990- meters long lit up trail in Jasná. There are 2830 cableways and lifts at Mt. Chopok with the transportation capacity of more than 32,000 persons per hour. The winter season typically lasts from the beginning of December to the end of April.

In the resort of Jasná Nízke Tatry TMR also operates several dining facilities. Happy End Disco & Restaurant is well known by its great disco parties and live concerts at night. Furthermore, one can try Bernardino burger restaurant beneath Mt. Chopok, the stylish Restaurant Von Roll Luková, Snack Bar Rovná Hoľa, a panoramic A la Carte restaurant Rotunda at 2,004 m above sea level with a large sundeck and multiple après-ski bars at the start cableway stations. The highest located ski in-ski out Hotel Rotunda on the top of Mt. Chopok also serves as a boarding and disembarking station of cable cars that connect the southern and northern slope of the second highest peak of the Low Tatras.

In addition to the dining facilities we also offer our visitors multiple sport services - individual or group lessons with licensed instructors at the ski school and kindergarten Maxiland. The stores offering sports wear and accessories and sports equipment rentals are run under the Tetry Motion brand. The modern ski service offers ski and snowboard service with a technologically perfect machine on the spot.

Thanks to the all-year cableway operation the Jasná resort offers also in the summer a wide spectrum of sports activities - rides on mountain carts, scooters, or in the bike park on both sides of Mt. Chopok, Nordic walking, a bungee trampoline, or lake boat rides. On the north and south side of Mt. Chopok there is a family outdoor game prepared with new tasks and attractions of the Dragon Demian at Drakopark Chopok.

### SZCZYRK MOUNTAIN RESORT (SZCZYRK)

Szczyrk Mountain Resort is located in the Polish Beskid Mountains near the town of Szczyrk. The resort offers skiing on 65 hectares of perfectly laid-out and long trails. The longest trail is 5.3 km long. Thanks to cooperation with neighboring ski areas clients can use a joint ski pass on 40 km of ski trails. The resort is undergoing modernization and in the first stage a 10-person gondola and three 6-person chair lifts have been added, as well as a new snowmaking system with a water tank. The slopes and trails have been widened and profiled, and a new multifunctional



building - SZCZYRK-GONDOLA - has been added, providing full service for visitors. At the beginning of 2020, the center was at an altitude of 1000 m above sea level. put into operation a new restaurant Kufionka with a capacity of 450 people. Since its acquisition in 2014, TMR has invested EUR 71 million into modernization of the resort.

#### MÖLLTALER GLETSCHER

The Mölltaler Gletscher ski resort located in the only glacial area in Carinthia offers ski trails of all difficulty levels, including the most popular almost 7 km long FIS downhill course where professional skiers love to train. The season begins in mid June and ends in mid May of the following year. The snow cover reaches as high as 450 cm in high season. There are trails for beginners but also terrain for experienced freeriders. Resort attractions include the Mölltaler Gletscher Express funicular, which transports 220 passengers to the altitude of 2,234 m within 8 minutes and surmounts a vertical drop of 1,012 m on a more than 4.7 km long route. Non-skiers can enjoy the panoramic Ice Palace restaurant at the altitude of 2,800 m and feast their eyes on beautiful scenery of 28 peaks. The resort features restaurants, car parks, ski rentals, a snow park and much more. The interchange station (upper funicular station) will offer a ski service, a ski depot, a big complex for skiing beginners in the winter. Ski lessons for kids from the age of 4 years including lunch care will be at disposal in the kid's club.



#### ANKOGEL MALLNITZ

The Ankogel Mallnitz ski resort (20 km from the Mölltaler Gletscher resort) is located in the Hohe Tauern National Park between Carinthia and Salzburg and is ideal for enjoying some extra skiing adventures in the region on perfect terrain above the tree line. Ankogel Mallnitz offers medium-difficult ski trails. A kid's club for small skiers from the age of 3 can be found at the lower cableway station. The club has its own ski area with a magic carpet (conveyor belt) and provides kids with lunch, and there is a final race after lessons. Clients can use a combined ski pass in both resorts - Ankogel and Mölltaler Gletscher.

#### SKIAREAL JEŠTĚD (JEŠTĚD)

The Ještěd mountain resort has a long history of sports and has been traditionally an urban resort with a unique client target area. Its all-year operation is even more popular for its easy access from the northern Czech region. The sole resort has 10 km of ski trails interconnected with the new trail of Nová Skalka, which is the key project for the future of the resort. The project, the construction of which started in October 2020, will continue in the coming years with the completion of technical snowmaking and artificial lighting for night skiing. In the summer season, a popular attraction was the bike park as well as the summer operation of the Skalka cable car for hiking as well as cyclists. TMR has been renting the resort and operating it since December 22, 2017. TMR signed a lease agreement of Ještěd for 10 years with an option of another 10 years. During the first 10-year period the Company plans to invest over CZK 600 mil. in the resort.



#### LEISURE PARKS

##### AQUAPARK TATRALANDIA

Aquapark Tatralandia with lodging facility Holiday Village Tatralandia is one of the largest all-year aquapark in Central Europe. It offers its customers 14 pools and 28 waterslides, out of which ten are all-year and four are summer ones, as well as sauna world and Wellness Paradise. Fun Park Tatralandia is also located within the aquapark. The year-round indoor shell-shaped facility Tropical Paradise with a sea water pool, a unique roof deck allows sunbathing and provides a snorkeling pool with authentic coral reefs and marine life. The indoor simulator, Surf Waves Tatralandia, utilizes the technology of an artificial river creating waves similar to ocean. The unique Hawaii complex includes four lanes of 68 square meters. This attraction guided by experienced instructors is suitable for age groups 6 and over. In 2017 Tatrapolis - a park with metal miniatures of world-famous structures, was added in Tatralandia.

##### LEGENDIA - SILESIAN AMUSEMENT PARK (LEGENDIA, ŚLĄSKIE WESOŁE MIASTECZKO)

Legendia near the Polish town of Chorzów is the largest and oldest theme park in Poland. It was launched in 1959. It spreads on the area of 26 ha. It is located in the upper Silesian industrial district with its unique 'green oasis' of Silesian Park (Park Śląski). The guests will find over 40 popular attractions, such

as the Ferris wheel (Legendia Flower), large aircrafts (Dream Flight Airlines) and Tea Cups, as well as new rides, including Diamond River - a water slide from the height of 8 and 12 meters, or Lech Coaster - awarded the Best Coaster 2017 in the prestigious industry competition for the best European rollercoaster 2017. The hit of the 2018 season is Bazyliśzek - the only Interactive Dark Ride family attraction in Poland and at the same time one of the most modern in the world. TMR owns a 100% share of the park and has been operating it since May 2015. As of the end of the financial year 2020 TMR had invested EUR 44 million into modernization of the park.

#### GOLF

The golf segment is TMR's newest segment, in line with our strategy to expand our Group's business operations.

##### GOLF & SKI RESORT OSTRAVICE

Golf & Ski Resort Ostravice launched its operations in 2008. In Golf Digest's survey in 2009, 2010, and 2011 the resort was awarded The Best Czech Golf Course. Along with the golf course, a lit cross-country skiing resort was created for professional and recreational cross-country skiers. The 18-hole golf course is located between two highest peaks of the Beskid Mountains - Lysá Mountain and Smrk at the foot of Mt. Žár in the village of Ostravice at the altitude of 400 meters a. s. l. GREEN INN Hotel located at the heart of the



resort features 36 spacious rooms with high standard amenities, a restaurant with high-quality regional cuisine, wellness services and variable conference rooms. TMR has been leasing and operating the resort since November 2018 and the lease and management contract has been signed for 20 years.

### GOLF RESORT KASKÁDA

The luxury resort, situated 9 km outside the city of Brno, provides a 27-hole master golf course, a 6-hole academy, and a 300-meter lit driving range with a covered tee. The full service resort is complemented by a 4\* hotel with 50 rooms and apartments and 120 beds, a restaurant with a deck and a view of the golf course, a congress center, and a wellness center. TMR has been managing the resort since January 2019, whilst it rents the hotel and the restaurant. The lease contract has been signed for 20 years.

### DINING

The dining facilities include tens of restaurants, bars, après ski bars, and fast food joints on and off the slopes of the mountain resorts, in the leisure parks, and in the golf resorts of TMR's portfolio.

### SPORTS SERVICES AND STORES

Sport Services and Stores under the Tatra Motion, Szczyrk Motion, and Ještěd Motion brands include specialized stores with top brand ski and snowboard goods, ski schools, and sports equipment rentals. Tatra Motion, Szczyrk Motion and Ještěd Motion



stores are located at TMR the resorts' base levels. In the leisure parks stores sell souvenirs and specialized summer and sports merchandise.

### HOTELS

TMR in its hotel segment currently owns or rents and operates a portfolio of renowned hotels and lodging facilities in the High and Low Tatras and in the leased golf resorts, in categories ranging up to four stars. All hotels operated by TMR offer together more than 2,300 beds. The hotels can please a wide spectrum of clients from individuals and families to corporate clientele. Hotel facilities offer a suitable place for conferences and business meeting effectively covering the off-peak season.

#### THE HIGH TATRAS

##### **Grandhotel Praha\*\*\*\*, Tatranská Lomnica**

123 rooms, 239 beds

It is situated in the center of Tatranská Lomnica, at the foot of Lomnický štít, in the heart of the High Tatras. Its history dates back more than 110 years, since the grand opening in 1905. The wellness center Grand Mountain Spa combines local spa tradition with healing effects of the Tatra's nature. During FY 2016/17 the hotel's rooms underwent a renovation in the 'Classic' style.

##### **Grandhotel\*\*\*\*, Starý Smokovec**

84 rooms, 161 beds

From the point of view of history, location, or architecture this Grandhotel is justly considered one of the most prestigious hotels not only in the High Tatras, but also in Slovakia. Its unique vintage



ambiance is attractive for its traditional Austrian-Hungarian cuisine and views from its spacious Art nouveau rooms.

##### **Hotel FIS\*\*\*, Štrbské Pleso**

78 rooms, 157 beds

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

##### **A night on Mt. Lomnický štít**

2 rooms, 4 beds

Just to hear is not enough. A night on top of Mt Lomnický štít is something that you need to experience. Discover the most beautiful place in Slovakia where the summits of the Tatras are touching the sky. Enjoy countless breathtaking views of every piece of the Slovak high mountains, captivating silence and a magical atmosphere in the highest located hotel room in Central Europe.

#### THE LOW TATRAS

##### **Hotel Tri Studničky \*\*\*\*, Demänovská Dolina**

42 rooms, 100 beds

The first adult friendly hotel in Jasná at the foot of the Low Tatras, has been known for years as an oasis of peace and relaxation. Wellness with a mountain beach, experiential gastronomy, harmony and relaxation in the hotel can stop the hurried time. At a time when we do not have time to stop for a while, to perceive our surroundings, or even to perceive ourselves and



the people around us, we in Tri Studničky decided to focus exclusively on the adult client.

##### **Hotel Grand\*\*\*\*, Jasná**

155 rooms, 307 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 interior and exterior wellness center or a multipurpose conference hall with a 350-person capacity. This kids-friendly hotel is well-suited for families with children.

##### **Hotel Pošta\*\*\*\***

32 rooms, 69 beds

The first boutique hotel in Jasná with its imaginative architecture underlined by the panorama of the mountains brings a perfect harmony with the surrounding nature. The unusual interior with a breath of avant-garde and the variety of materials used is a feast for those who are close to „otherness“. A novelty of the FR 2020 is the new OWL'S BAR in the hotel, which was created with the aim of creating a place in the center of Jasná where people with the same hobbies will meet - mountain lovers, active people with attention to detail who seek and know how to appreciate quality.

##### **Chalets Jasná Collection\*\*\*\***

Two locations, one collection of unique chalets. The chalets have been added to the portfolio of TMR hotels in order to bring the client a diverse range of accommodation with customized services in the private environment of the chalet. Chalets Jasná Collection are an ideal choice for groups of 4 or more people. The privacy of the mountain chalet and the great location right next to the best slopes in Slovakia in two locations - Jasná Záhradky and Jasná Centrum





will take care of an experiential holiday for the whole family. A novelty of 2020 is the introduction of a new online delivery system, where the guests can have their food brought from the restaurant of Hotel Pošta directly to the chalet.

#### **Hotel Srdiečko\*\***

43 rooms, 84 beds

The hotel with a unique mountain atmosphere with an open heart has been welcoming its guests since 1958. The hotel is located directly at the cable car station in the heart of the Low Tatras, thanks to which you can get straight from the hotel to the top of the Mount Chopok. The great ski-in / ski-out location of the hotel allows you to walk from the room directly to the ski slope or hiking trail. The hotel with the atmosphere of a chalet, excellent gastronomy and a cozy wellness world is perfect for a family holiday or stay for two. New for the financial year 2019/20 are renovated rooms, bathrooms and a renewed breakfast concept.

#### **Hotel Rotunda**

3 rooms, 12 beds

Unique location right on the top of the Mount Chopok. If you are a mountain lover and you are looking for

adventure or longing for romance as a couple, you will find your little paradise in this hotel. Hotel Rotunda is synonymous with a mountain atmosphere and beautiful experiences. Maximum comfort in an exclusive location and a view of the panorama of the High Tatras or the basin of Slovakia directly from the rooms of the Rotunda hotel will enchant every guest. Each of the hotel's rooms will surprise you with its cozy and tasteful furnishings. The hotel has only a few rooms, thanks to which the Rotunda offers guests an intimate environment and a feeling of uniqueness. New for the financial year 2019/20 is the designer A'la Carte restaurant.

#### **Holiday Village Tatralandia**

64 objects and 256 beds owned by TMR

Just a few steps from the Aquapark Tatralandia is the unique lodging resort Holiday Village Tatralandia with a wide range of private accommodation in cottages with entrances to the aquapark included in the price. Accommodation in themed, private cottages is ideal for exploring Liptov and offers many activities and accompanying services.



## THE CZECH REPUBLIC

#### **Green Inn Hotel, Golf & Ski Resort Ostravice**

36 rooms, 78 beds

TMR rents and operates Green Inn Hotel situated at the heart of Golf & Ski Resort Ostravice in the Czech Beskid Mountains. It offers fascinating views of Challenge Golf Course Ostravice and of Beskid peaks and valleys. A luxury resort that meets requirements of low-energy buildings consists of the main building - the club house with a reception desk, a restaurant, congress space and a luxury wellness center, and seven separate hotel houses.

#### **Hotel Kaskáda\*\*\*\*, Golf Resort Kaskáda**

50 rooms, 100 beds

TMR rents and manages the golf hotel Kaskáda, situated in Golf Resort Kaskáda near the city of Brno. The hotel with a restaurant, wellness center, bowling, and congress space offers ideal comfort and privacy in cozy barrier free apartments with a view of the golf course.

## POLAND

#### **Hotel Gronie Ski & Bike, Szczyrk Mountain Resort**

36 rooms, 110 beds

A recently renovated ski-in and ski-out hotel in the vicinity of Szczyrk Mountain Resort. The hotel provides accommodation in 2 - 4-bed rooms and family apartments. There is a wellness spa, a fitness center, and a conference room.

## REAL ESTATE

The goal of this segment is to build infrastructure and buildings in the mountain regions and the summer resorts. In its realization the Company plans to capitalize on the unique location in the High and Low Tatras region (including Tatralandia). TMR's strategy in this segment is mostly development, construction, and sale of apartments which serve as short and long-term lodgings. In the past year another phase of the Chalets Jasná Collection\*\*\*\* Center project was underway, with the construction of investment apartments, whilst the chalets at Záhradky are also still for sale. The project of the Apartment house Horec in Tatranská Lomnica is in the final stage, with the remodeling of the lodging building Horec into luxurious apartments for sale. Alongside these projects the Real Estate team works on projects ensuring the necessary infrastructure is being built for the natural development of tourism in the following areas - cableways, infrastructure, trails, information signs, etc. TMR plans its real estate projects mostly on traditional, urban areas, where sport and tourism have been part of history for decades.

The Company within the Real Estate segment owns and leases out hotels Liptov\*\*, SKI hotel\*\*, Kosodrevina Lodge, and lodging facility Otupné in Jasná. Revenues from the Real Estate segment come mainly from the hotel leases, from sale of bungalows Holiday Village Tatralandia and sale of apartments Chalets Jasná Collection and Hotel Horec in Tatranská Lomnica.



# Strategy

## VISION

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

## MISSION STATEMENT

TMR's mission is to provide services in tourism at a constantly increasing level, in particular through business activities divided into seven key segments - Mountains Resorts; Leisure Parks; Golf; Dining; Sports Services and Stores; Hotels; and Real Estate. The Group plans to fulfil its mission through synergies leading to a complex satisfaction of both, its clients and shareholders

## COMPETITIVE ADVANTAGE

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

- Through its loyalty program GOPASS the Group is able to build and sustain a wide client base in Slovakia, Poland, Czechia, and Austria during both the winter and summer season.
- There are 64 million people living in TMR's key target countries within the CEE region, and their economic power and leisure spending has been increasing from year to year.
- The Poprad Airport ensures easy access by air from key European cities outside the mountainous area, e.g. London, Warsaw, Riga, Tel Aviv, and by charter or private flights from summer destinations, such as Turkey, Bulgaria, Greece, and Albania.
- To the east of the Tatras there are ski resorts with only limited comparable services.
- The high altitude provides a competitive advantage for TMR, comparing to other resorts in the region, since it significantly mitigates the risk of

- unfavorable weather as a result of global warming.
- The Group is able to capitalize on intra-segmental and inter-company synergies in sales, purchase, operations, and support areas of the Group.
- TMR has years of experiences and know-how in operation of mountain resorts, leisure parks, and ancillary tourist services, as well as in building capital-intensive infrastructure.
- TMR's business model is well diversified with revenue generation from mountain resorts, leisure parks, hotels and complementary services.
- The size of the Group and its years of experiences and success enables an easier access to capital
- TMR mitigates the risk of seasonality with its summer season comparably strong to its winter season thanks to its summer cableway operations and summer activities, popularity of hotels in the mountain resorts, the summer operation of Silesian Amusement Park, and the all-year operation of Aquapark Tatralandia and now also thanks to the almost all-year ski season at the Mölltaler glacier.

## BUSINESS STRATEGY

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

### PILLAR 1: INCREASING QUALITY WITH INVESTMENTS

By the end of 2020, for the last 14 years TMR had invested in its resorts and hotels more than 410 million euros. As a result of these investments, the services provided by TMR in the High and Low Tatras, in Polish Szczyrk and Legendia improved significantly. TMR's resorts thus reached the level of alpine resorts and increased their leading position in the region.

Significant investments in 2019/20 include, for example, the renovation of the apartment hotel Horec in Tatranská Lomnica, the start of construction of new snowmaking reservoirs in Jasná, investments

into new infrastructure, including new snowcats, upgrade of the existing F&B outlets, and renovation works in a number of hotels across the portfolio. In Szczyrk, new snowmaking facilities were added as well as a restaurant (gastro hall Skryczinska). A new attraction called Rapid River was built in the Polish Legendia. In the TMR Real Estate Projects segment, TMR new chalets from Chalets Jasná Collection were completed.

Considering the current pandemic situation, future CAPEX in the resorts will mainly cover maintenance investments and investments into infrastructure.

### PILLAR 2: STRATEGIC ACQUISITIONS AND EXPANSION

After two Austrian sister resorts - Mölltaler Gletscher and Ankogel Mallnitz became part of the Group's portfolio in June 2019, in the medium term, TMR will focus primarily on completing and strengthening existing resorts, where it will have ample opportunities to grow, improve services and improve TMR's results after the COVID-19 pandemic is over. Strategic expansion of the operations on the neighboring Czech market includes an indirect minority interest in Melida a.s., the operator of the Špindlerův Mlýn resort, which is included in the GOPASS loyalty program. In November of 2017 TMR made an agreement with the Czech town of Liberec for TMR to rent and operate the ski resort Ještěd. TMR plans to develop the potential of this unique city ski resort via future investments. TMR also expanded its business activities in Czech by entering a new segment - golf. Since November 2018 TMR has been renting Golf & Ski Resort Ostravice and in January 2018 it started managing Kaskáda Golf Resort Brno. The Ostravice contract has been signed for 20 years and the Kaskáda contract, based on which TMR is managing the resort's hotel, restaurant and a congress center, has been signed for 20 years. TMR also plans to further expand its business activities in utilization of accommodation capacities for third parties, namely a new hotel and a guesthouse in Bešeňová and the new Chalets Jasná Collection.

### PILLAR 3: CONSTANT OPERATIONS & SERVICES ENHANCEMENT

The intensive growth in the number of visitors in the years before the outbreak of the COVID-19 pandemic, had been the result of an intensive customer orientation. Even in the years to come, management wants to

achieve intensive growth of the number of visitors primarily by intensive pro-customer approach. Strategic steps to achieve this goal in the recent years included increasing the variety and quality of the services provided. TMR expanded the scale of attractions offered and improved the quality of ski schools, ski equipment rentals, and dining facilities on slopes. Moreover, it continuously improves the offer of après ski possibilities. The Group also tries to optimize transport possibilities to its resorts and cooperates with local business entities on the level of regional clusters. TMR prefers to cooperate rather than compete with them; it wants to build on their success and provide their customers easy access to its nearby mountain resorts and leisure parks and a variety of attractions for children, adrenalin sports for the young (e.g. bike parks), and relaxation zones. Regarding accommodation possibilities, TMR focuses primarily on four-star hotels and improvement of their wellness and dining services. Other strategic steps include focus on affluent clientele, essential quality of management and staff, and a sophisticated marketing strategy. In the following period, TMR continuously improves its analysis of big data and focuses on implementation of its findings in its operations. Another key to TMR's growth is innovation. In this regard, TMR acts as the trendsetter in tourism. The loyalty program GOPASS enables its customers to shop online or via a mobile app and to collect points in its facilities by using its services and pay bargain prices, and at the same time, GOPASS serves as TMR's Customer Relationship Management and Direct Marketing tool. This loyalty program was awarded in 2015 at The Loyalty Awards in London, where it won in categories: the Best loyalty program of the year in the travel sector (airlines, hotels, destinations); the Best loyalty program of the year in Central and Eastern Europe; and the Best Customer Relationship Management (CRM) in a loyalty program for Direct Marketing. Within this pillar TMR fully utilizes synergic effects among its segments, thus it is able to constantly optimize services it provides, as well as to keep expanding its variety of products and services, e.g. an option to use services of several mountain resorts and the aquapark with purchase of just one ticket. The quality management in the resorts is also supported by the revolutionary price policy of flexi ski pass prices, which allows the resorts to regulate attendance and plan capacity. In times of lesser demand TMR offers skiing at much more attractive prices than in the past and at times of congestion, with higher prices it can generate better sales and keep visitors at a level that can offer quality skiing. In the next year TMR plans to implement the flexi pricing system also in the resort of Szczyrk and the Špindlerův Mlýn Ski Resort. TMR will also test the new hotel system and plans to implement it in all the hotels in the portfolio.



CAPEX	ACQUISITIONS	QUALITY
<ul style="list-style-type: none"> <li>Over 410 million euros over 14 years</li> <li>New modern cableways and infrastructure</li> <li>Renovated hotels</li> <li>Larger, modernized resorts</li> <li>Investment apartments</li> </ul>	<ul style="list-style-type: none"> <li>Aquapark Tatralandia</li> <li>Špindlerův Mlýn, CR (25%)</li> <li>Szczyrk Mountain resort, PL</li> <li>Legendia - Silesian Amusement Park Legendia ,PL</li> <li>Mölltaler Gletscher, AT</li> <li>Ankogel Mallnitz, AT</li> <li>Lease of the Ještěd Ski Resort, CR</li> <li>Commercial and marketing cooperations</li> <li>Management of resorts for third parties</li> </ul>	<ul style="list-style-type: none"> <li>Better experiences for visitors as a result of synergies</li> <li>Trendsetter in tourism in the region</li> <li>GOPASS loyalty program</li> <li>Innovations</li> <li>Flexi prices</li> </ul>

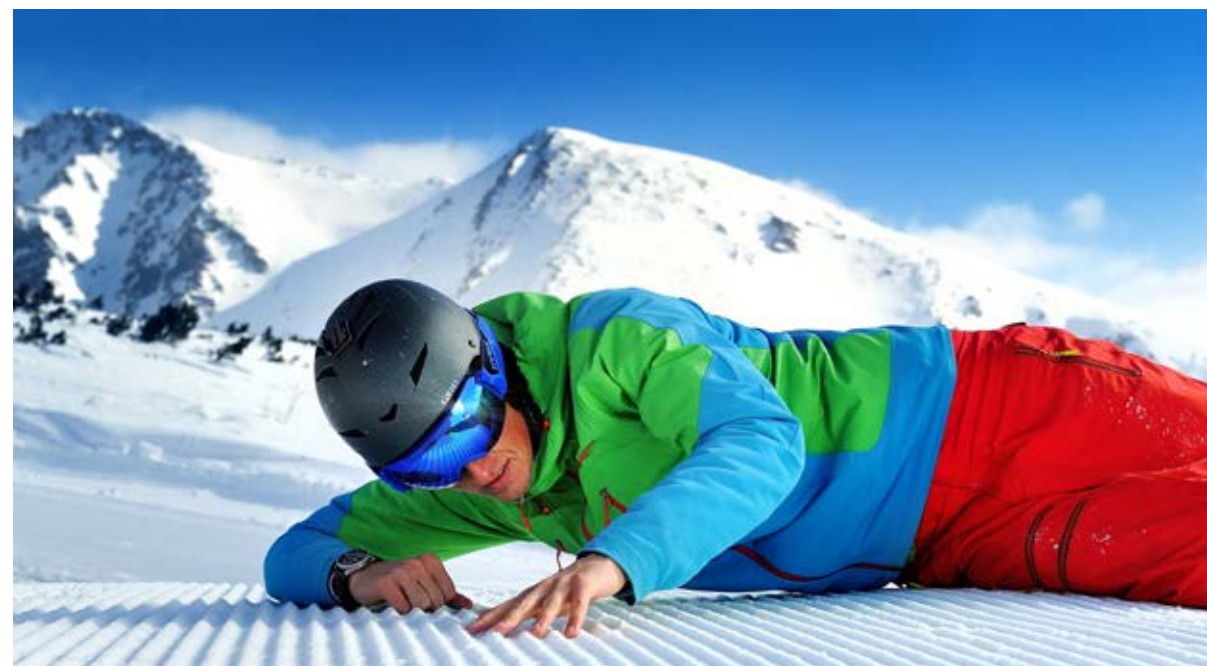
## MARKETING STRATEGY

### MARKET SEGMENTATION

The TMR Group's client base is based on domestic visitors in Slovakia, Poland, Czechia, and Austria, as well as on visitors from neighboring and close by countries, such as Hungary, Germany, Ukraine, Russia, or Slovenia.

The natural market of the Group is in the regions within 200 km radius inhabited by 7.5 million people. This radius

includes cities, such as Krakow and Katowice in Poland, as well as Czech cities Ostrava, Olomouc, and Brno. From the geographical point of view there are other, further markets with limited access to mountains, such as Great Britain, Ireland, Russia (Moscow and Sankt Petersburg), Ukraine, and Baltic countries, which were important for TMR before the outbreak of the COVID-19 pandemic, and will be again, as soon as the situation stabilizes and it will be easier to travel again. While domestic clients and the clients from the neighboring countries use road transportation (car, bus), clients from more distant locations travel by air and use regular charter connections.



The Group's market has expanded also thanks to the acquisition of the Alpine resorts of Mölltaler Gletscher and Ankogel in Austrian Carinthia, which thanks to their attractive locations are interesting not only for the GOPASS program clients but also for visitors from Austria, Italy, and Slovenia.

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

- affluent clients
- mainstream
- low-cost clients

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

### COMMUNICATION OF STRONG TMR BRAND

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

### MARKETING ACTIVITIES IN SLOVAKIA

The Group is using a massive marketing communication in all basic types of media - Internet, television, radio and press, and also outdoor advertising in several forms - bigboards, citylights, and the like.

As for the Slovak market, also last year TMR cooperated on commercials and sponsored content on the national TV

JOJ before the winter and summer season. Advance sale and branding/ product placement spots were broadcasted in radios (Rádio Expres, Funradio, Rádio Jemné, and Rádio Anténa Rock, Rádio Vlna). Cooperation in the form of spot campaigns continued with Rádio Anténa Rock and Rádio Jemné during the winter and summer season. Real-time marketing broadcasted the actual conditions in the mountain resorts and Aquapark Tatralandia. The Polish resorts of Szczyrk and Legendia also use the latest online marketing methods for their public campaigns, although they continue to communicate via traditional media as well, such as outdoor advertising, mostly local radio stations targeted on defined skier groups, or families with children in case of the Legendia park.

The Company focuses on modern marketing content in various forms. The Company's offer also has a very intensive presentation through a not-for-sale image magazine called TATRY MAGAZÍN, which is available in accommodation facilities and tourist facilities as the only lifestyle magazine about the life in the Tatras. TMR also uses online portal, TravelCase, which posts news from TMR's hotels and resorts.

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

### USE OF INFORMATION TECHNOLOGY AND INNOVATIONS

TMR also keeps in mind the use of innovations and continually improves its communication also via information technology. TMR communicates and informs via individual resort and hotel websites that direct the purchase process to [www.gopass.sk](http://www.gopass.sk). In Poland TMR communicates via website [www.szczyrkowski.pl](http://www.szczyrkowski.pl) and via [www.legendia.pl](http://www.legendia.pl). All TMR hotels communicate with their clients also via a unified website [www.tmrhotels.sk](http://www.tmrhotels.sk). From the point of view of a securities issuer and a tourism operator, TMR communicates via its corporate website [www.tmr.sk](http://www.tmr.sk).

The Group uses social networks for communicating with clients on a daily basis. In the Group's key markets

(Slovakia, Poland and the Czech Republic), Facebook is number one in social networks and, therefore, TMR puts emphasis on the development of a wide fan base. At present, the following resort profiles are administered (fan groups) - JASNÁ Nízke Tatry, Vysoké Tatry - The Adventure Mountains, Aquapark Tatralandia, Szczyrkowski Ośrodek Narciarski, Mölltaler Gletscher, Legendia, Golf Resort Kaskáda, Golf & Ski Resort Ostravice and Tatry Mountain Resorts, a.s. and smaller profiles of individual projects - Tatranská divočina, Happy End Jasná, Liptov Arena, Hotel Srdiečko, Nízke Tatry; Après-ski bary Jasná, Tatry Motion, Grandhotel\*\*\*\* Starý Smokovec, Vysoké Tatry; Hotel Fis\*\*\*, Štrbské Pleso; Hotel Tri Studničky\*\*\*\*, Nízke Tatry; Rotunda, Grandhotel Praha\*\*\*\*, Vysoké Tatry; Hotel Grand\*\*\*\*, Jasná-Nízke Tatry, Holiday Village Tatralandia, Hotel Pošta, Chalets Jasná de Luxe, and others. For marketing purposes the Group also utilizes social networks Instagram, LinkedIn, or a YouTube channel.

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

#### DIRECT MARKETING AND E-COMMERCE

TMR has been actively using Direct Marketing tools as part of its GOPASS program. It is the key tool of the GOPASS platform, interconnecting an e-shop, loyalty program, and a communication platform through email or text messages. As of the end of the fiscal year 2020, 2.350 million members in total were registered in the program, whilst during the year 500 thousand new members joined it. In the online sale during November 2019 through the end of October 2020 approximately 55% of all ski passes (skier days) have been sold via GOPASS.

#### EVENT MANAGEMENT ACTIVITIES DURING 2019/20

The ski season in the Slovak resorts began in Jasná on December 7. At Štrbské Pleso the season was launched on December 6 and in Tatranská Lomnica on December 14. At the beginning of the season the most popular Tatra attraction, the Tatra Ice Dome,

was opened again at Hrebienok. The 7th annual most successful winter attraction in the High Tatras was built in the style of Notre Dame in Paris. Other popular winter events included Tatry Ice Master at Hrebienok, Snow camp and Dinner under the stars at Skalnaté Pleso, the Tatra dinner with experiences, or 75 secrets of a cableway.

During the first week of February, the guests in Jasná had an opportunity to participate in the traditional Culinary Week - a gastro festival of unusual tastes. In Tatranská Lomnica guests enjoyed a unique atmosphere of Nordic wilderness at the festival Snow Dogs. A special historical sledge race (with the so called "krňáčky" sledges) again took place on the southern slopes of Mt. Chopok at the end of February. The European Men's Cup in downhill skiing in Jasná, which helped test the resort's readiness for the upcoming Women's World Cup in 2021.

During the summer season in Tatralandia inter alia TMR organized a race on the newest toboggans, 4 Family and Delphin. The Legendia amusement park hosted dozens of events and animations throughout the summer season, culminating in celebrations of the 61st anniversary of the park.

#### NOVELTIES

##### Jasná Nízke Tatry

In the 2019/2020 winter season, several infrastructural innovations were introduced in the Jasná resort. Stage D in the construction of Chalets Jasná Collection \*\*\*\* was completed, thanks to which 132 new beds were added to resort for the winter season. In the Srdiečko hotel, rooms and a restaurant had been renovated during the summer of 2019. The FIRST CLASS SKIING product was designed especially for guests, which enabled skiing in Jasná without waiting. SKY PICNIC had its winter premiere - the experience of picnicking in a specially adapted cabin on the Kosodrevina-Chopok Juh cable car. A useful novelty was also presented - a mobile application for ski buses prepared in cooperation with OOCR Liptov. Jasná also received the TOP SKI RESORT award from the world's largest ski portal skiresort.info in 2020 as the only resort from Slovak and Czech resorts and 4 out of 5 stars in the category up to 60 km of slopes. TMR again expanded the snowmaking system in Jasná. It also widened dining options here. A new modern restaurant with Slovak cuisine, Habarka, has been opened at Mt. Chopok and a new dining point Jasná Mountain Food, a mountain version of street food. On the south side of Mt. Chopok the Jasná resort

added a new comfortable managed entry point. An automatic defibrillator has been placed here in order to help with serious defects of heart rhythm.

The Jasná resort is turning "eco-friendly" also thanks to gradual replacement of plastic dishes in the dining facilities on the slope with ecological material (paper, bamboo) or porcelain. Other major upgrades include separation of trash at cableway entry points and in the resort's operations, or a waste press at Hotel Grand Jasná. The natural fridge that stores the last year's snow at Biela Pút was a successful project; 65% of the snow has been recycled.

Jasná won the TOP CLASS award from the world's largest ski portal skiresort.info for 2019 as the only resort from the Slovak and Czech resorts and 4 out of 5 stars in the category of up to 60 km of slopes.

##### Vysoké Tatry

The main novelty of the season was the introduction of dynamic price lists for the Štrbské Pleso and Tatranská Lomnica resorts, which brought the setting of prices adequate to the possibilities and infrastructure of the resorts. A new client center was set up in Tatranská Lomnica, which began offering Gopass Tickets to self-service cash registers, an information center, cash registers, rental, a ski school, and the Tatry Motion store under one roof. The Panorama restaurant and café in Skalnaté Pleso was also renovated. Within the TMR hotels hotel network, free ski passes were prepared for clients using the accommodation. The second year of the grant program For a Better Life in the City of the

High Tatras has continued. Eight projects aimed at improving life in the city of the High Tatras received support from TMR.

##### Szczyrk Mountain Resort

Among the most important news of the past winter season was the introduction of flexi prices and the opening of a new restaurant Kufionka with a capacity of 450 people at an altitude of 1000 m above sea level. The skiing quality was improved further by the expansion of snowmaking, and the establishment of the K2 ski touring center, which also provided new experiences.

##### Ještěd

In the winter season 2019/20, the ski resort offered its visitors a complex service of the most accessible area in the Czech Republic, including the largest children's educational zone Kubík Maxiland. It also paid great attention to the unique Ještěděle project, the aim of which is the long-term, sustainable development of the ski resort with maximum respect for environmental protection.

##### Špindlerův Mlýn

The most significant novelty of the winter season 2019/20 was the introduction of dynamic prices. The most famous and popular Czech ski resort provided its customers not only with great skiing conditions, but also an amazing atmosphere. SNOW SHOW-style events took place during the season, as well as extremely popular FRESH TRACK.





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# Key Performance Indicators (KPIs)

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

## OPERATING PERFORMANCE INDICATORS:

### NUMBER OF VISITORS

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

### AVERAGE REVENUE PER VISITOR

In the segments Mountain Resorts, Leisure Parks, Dining, and Sport Services & Stores, the key indicator is the average revenue per visitor/ sold skier day 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 of TMR's portfolio and of the weighted average of the hotel portfolio.

### AVERAGE DAILY RATE

Average Daily Rate (ADR) is one the key indicators to measure hotel performance. It represents average

revenue from per occupied room per given period. The calculation is based on the equation where room revenues are divided by the number of rooms sold. The management monitors ADR of each hotel and of the weighted average of the hotel portfolio.

## FINANCIAL PERFORMANCE INDICATORS:

### REVENUES

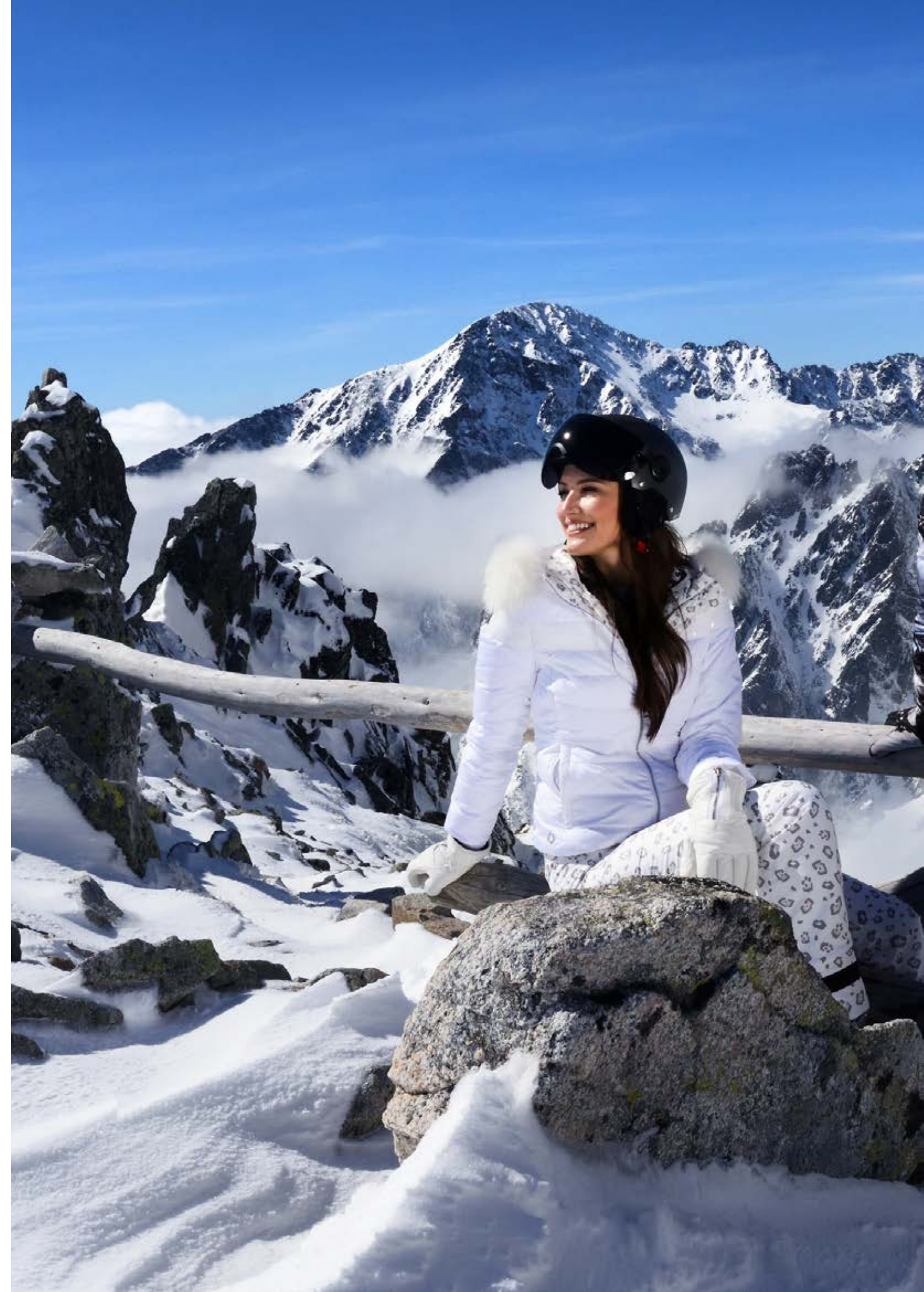
Operating revenues of the Group come from operating activity of the segments Mountain Resorts, Leisure Parks, Golf, Dining, and Sports Services & Stores, Hotels, and Real Estate.

### EBITDA

EBITDA - represents the profit from regularly recurring activities of the Company before taxes, interest, amortization and depreciation adjusted for other income and expenses, which are listed under EBITDA, in particular profit / (loss) from financial operations representing foreign exchange gains / (losses). The EBITDA indicator adjusted in this way is used by the Company's management to manage the performance of the Company as well as its individual segments.

### EBITDA MARGIN

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





# Market Analysis and Trends

The target segment of the Group are tourists from the countries of Central and Eastern Europe, especially from Slovakia, Czech Republic, Poland and Russia. The visit rate of the Group's resorts is, to a certain degree, determined by developments in the economic situation on the markets of the countries from which the tourists arrive and in which the Group operates.

The world economy has grown systematically in recent years. According to the International Monetary Fund (the IMF), gross domestic product grew by 2.9% worldwide in 2019.<sup>1</sup> However, according to the European Bank for Reconstruction and Development (the EBRD), the economic situation in the CEE region, despite growing at 2.6%, did not reach the same level of acceleration in economic activity as in 2018 and 2017 (3.4% in 2018 and 3.8% in 2017).<sup>2</sup> In the context of the unprecedented situation in connection with the COVID-19 pandemic, it can be assumed that the slowdown in the region will continue more significantly in the coming period. According to the EBRD, given restrictions in the form of curfews and restrictions on movement, they will result in the greatest disruption to the standard functioning of economic relations since World War II. In the context of the IMF's further development in 2020, it also envisages a decline in the world economy of more than 4%, stressing that the impact of the pandemic on economic development will be much greater than it was during the 2008 and 2009 financial crises. However, after the situation stabilises, according to the IMF, the world economy should grow by 5.2% in 2021.<sup>3</sup>

## THE SLOVAK REPUBLIC

Over the recent years, Slovakia recorded one of the highest economic growths in the EU, primarily thanks to external demand and positive trade balance. This trend, from which the Slovak open economy has benefited robustly in recent years, slowed down in 2019, when the country's gross domestic product (the GDP) grew by only 2.3%. It was favourably affected by high household consumption, exacerbated by record low unemployment and rising average wages. Given the unprecedented situation in connection with the COVID-19 pandemic, the IMF expects the GDP in Slovakia to fall by 6.2% and inflation by 1% in 2020.<sup>4</sup>

## THE CZECH REPUBLIC

According to the Czech National Bank, the Czech Republic's GDP growth slowed down to 2.4% in 2019, compared with 2.9% in 2018. Due to the continuing emergency situation in the Czech Republic, the

decline in the GDP in 2020 is estimated at -8% also due to the already observed drop in foreign demand and lower capital formation in the first quarter (1Q) 2020. In 2021, the economy is expected to recover at a rate of 5.8%.<sup>5</sup>

## POLAND

Poland's GDP growth slowed down to 4.1% in 2019. Poland is also dependent on international trade, especially within the EU, and the coronavirus crisis is expected to hit it more drastically than the 2008-2009 financial crisis, despite a large domestic market. With the help of the Polish government, the impact of the corona crisis in 2020 could be only a 3.5% decline in the GDP, followed by an increase of 4% in 2021.<sup>6</sup>

## AUSTRIA

According to the Organisation for Economic Co-operation and Development (the OECD), Austria's GDP growth at 2.3% in 2018 slowed down to 1.4% in 2019.<sup>7</sup> The rapid spread of COVID-19 has also affected the Austrian economy. Government and European regulations against the spread of coronavirus have hit both the demand and supply sides. Therefore, Austria's GDP is projected to decline by 5.5% in 2020, more than during the 2008-2009 financial crisis. GDP growth in 2021 is expected to return to 5%.<sup>8</sup>

## RUSSIAN FEDERATION

After several years of modest economic growth of around 1.5%, in the coming period, in addition to the direct consequences of the COVID-19 pandemic, the Russian economy will be struggling mainly with low oil prices, as, according to the EBRD, it is still significantly dependent on them. As much as 30% of Russia's GDP comes from the sale of oil. The likely response to the situation with low oil prices on the market will be the weakening of the Russian ruble and rising inflation.<sup>9</sup> Despite the high level of uncertainty, the IMF expects the GDP to fall to 5.5% and inflation to 3.8% for the Russian Federation.

## REGIONAL TOURISM INDUSTRY

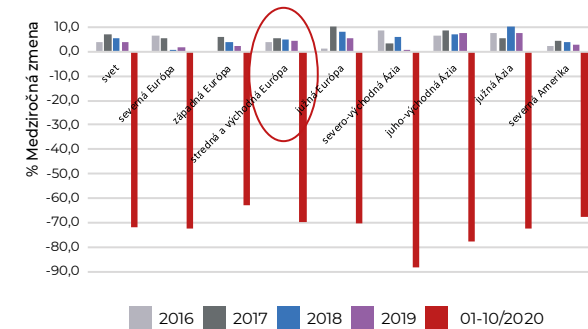
The number of international tourist arrivals measured by the methodology of the World Tourism Organization (the UNWTO) increased year-on-year in 2019 after a record growth in 2018, by 4% (in 2018 it was 6%), reaching an absolute all-time high of 1.5 billion passengers.

The most significant percentage increase of all regions was recorded in the Middle East (8%), followed by the Asia-Pacific region (5%). The Africa and Europe regions both achieved growth of 4%. The weakest results were recorded in America, where growth reached only 2%, with the Caribbean growing the most significantly (+5%).<sup>10</sup>

In 2019, Europe confirmed its position as the region with the highest absolute number of international arrivals (742 million), despite several uncertainties (Brexit or the collapse of the Thomas Cook travel agency). Year-on-year, 26 million more passengers visited it last year. The largest increases were again recorded in the region of Southern Europe and the Mediterranean (+6%). Central Europe grew by 4%. Western Europe showed growth of 2% and the lowest growth was recorded in Northern Europe (1%).<sup>11</sup> The European countries with the largest increase in international arrivals in 2019 were Montenegro (+21%), Turkey (+14%), Latvia (+10%) and Slovakia (+9%).<sup>12</sup>

With the arrival of the global COVID pandemic in 2020 international tourist arrivals rapidly declined all over the world; the fall for the first ten months of 2020 in the region of Central and Eastern Europe (CEE) was -69.6%, close to the world average of -71.9%. The decline was accelerated by strict travel restrictions, rapid spread of the coronavirus and its slow containment, and overall travelers' fear of the virus contraction. UNWTO predicts a 70%-75% global decline in tourist arrivals for whole of 2020, which would return international tourism to the level of 30 years ago. However, the roll-out of the coronavirus vaccine could slowly revive international travel with UNWTO's predictions of the return to the 2019 levels in 2,5 to 4 years.<sup>13</sup>

International Tourist Arrivals <sup>14</sup>



In addition to the number of international arrivals, there also are other factors, which may have an impact on the Group's performance. For instance, 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 2019 CEE countries that are ranked higher than Slovakia are the Czech Republic (38), Poland (42), Hungary (48), and Russia (39), and all of them improved year-over-year, whereas Slovakia, which dropped from 59th place in 2017 to 60th, is perceived the least attractive, except for Ukraine, ranked 78.<sup>15</sup>

Travel & Tourism Competitiveness Index 2019 and 2017 comparison (Selected countries)<sup>16</sup>

Country/Economy	2019	2017
	Rank/140	Rank/136
Spain	1	1
France	2	2
Germany	3	3
Japan	4	4
United States	5	5
United Kingdom	6	6
Australia	7	7
Italy	8	8
Canada	9	9
Switzerland	10	10
Czech Republic	38	39
Russian Federation	39	43
Poland	42	46
Hungary	48	49
Slovak Republic	60	59
Ukraine	78	88

## SLOVAK TOURISM INDUSTRY

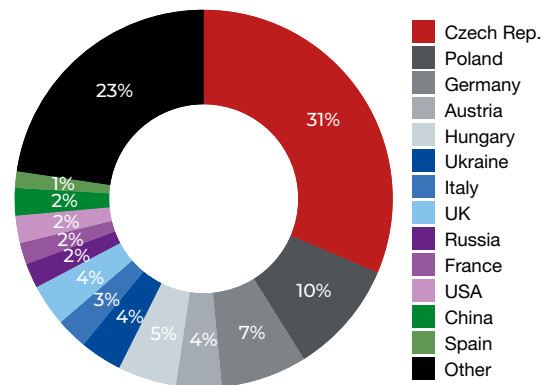
Besides the majority of domestic tourists, Slovakia has historically been mostly visited by the population of the neighboring countries; with the most tourists in 2019 coming yet again from the Czech Republic (777 thousand) and Poland, followed by German tourists. In 2019 international tourist arrivals here increased by 9.7% to 2.475 million, which is well below the region's average. The number of domestic tourists also increased in 2019 by 18.5%. The ratio of domestic to foreign travelers dropped slightly in 2019 to 38/62 in favor of foreign travelers. The number of over-night stays in Slovakia in 2019 increased 14.1%, out of which 65% can be attributed

1 International Monetary Fund (IMF): World Economic Outlook, October 2020: A Long and Difficult Ascent, published in October 2020, available at the hyperlink: <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020>  
2 European Bank for Reconstruction and Development (EBRD): Regional Economic Prospects in EBRD Countries of Operations: April 2020 Update, published in April 2020, available at the hyperlink: <https://www.ebrd.com/cs/Satellite?c=Content&cid=139528945931&d=Appname=EBRD%2FContent%2FDownloadDocument>  
3 International Monetary Fund (IMF): World Economic Outlook, October 2020: A Long and Difficult Ascent, published in October 2020, available at the hyperlink: <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020>  
4 Ibidem.  
5 Czech National Bank: Financial Market Inflation Expectations, published in May 2020, available at the hyperlink: [https://www.cnb.cz/export/sites/cnb/cz/financi-hfhy/galerie/inflaci\\_cokavani\\_inflaci\\_cokavani\\_2020\\_c\\_infloak\\_05\\_2020.pdf](https://www.cnb.cz/export/sites/cnb/cz/financi-hfhy/galerie/inflaci_cokavani_inflaci_cokavani_2020_c_infloak_05_2020.pdf)  
6 European Bank for Reconstruction and Development (EBRD): Regional Economic Prospects in EBRD Countries of Operations: May 2020 Update, published in May 2020, available at the hyperlink: <https://www.ebrd.com/what-we-do/economic-research-and-data/rep.html>  
7 Economic Survey of the Organisation for Economic Co-operation and Development (OECD): Austria 2019, published in October 2019, available at the hyperlink: [https://www.oecd-ilibrary.org/economics/oecd-economic-surveys-austria\\_19990189](https://www.oecd-ilibrary.org/economics/oecd-economic-surveys-austria_19990189)  
8 European Commission: European Economic Forecast: Spring 2020. Institutional paper 125. Published in May 2020, available at the hyperlink: [https://ec.europa.eu/info/sites/info/files/economy-finance/p125\\_en.pdf](https://ec.europa.eu/info/sites/info/files/economy-finance/p125_en.pdf)  
9 European Bank for Reconstruction and Development (EBRD): Regional Economic Prospects in EBRD Countries of Operations: April 2020 Update, published in April 2020, available at the hyperlink: <https://www.ebrd.com/cs/Satellite?c=Content&cid=139528945931&d=Appname=EBRD%2FContent%2FDownloadDocument>

10 UNWTO World Tourism Barometer, Volume 18, Issue 7, December 2020, <https://www.e-unwto.org/doi/pdf/10.18111/wtobarometereng.2020.18.17>  
11 UNWTO World Tourism Barometer, Volume 18, Issue 7, December 2020, <https://www.e-unwto.org/doi/pdf/10.18111/wtobarometereng.2020.18.17>  
12 UNWTO World Tourism Barometer, Volume 18, Issue 7, December 2020, <https://www.e-unwto.org/doi/pdf/10.18111/wtobarometereng.2020.18.17>  
13 UNWTO World Tourism Barometer, Volume 18, Issue 7, December 2020, <https://www.e-unwto.org/doi/pdf/10.18111/wtobarometereng.2020.18.17>  
14 UNWTO World Tourism Barometer, Volume 18, Issue 7, December 2020, <https://www.e-unwto.org/doi/pdf/10.18111/wtobarometereng.2020.18.17>  
15 World Economic Forum: Travel & Tourism Competitiveness Report 2019, <https://www.weforum.org/reports/the-travel-tourism-competitiveness-report-2019>  
16 World Economic Forum: The Travel & Tourism Competitiveness Index 2019, <https://www.weforum.org/reports/the-travel-tourism-competitiveness-report-2019>

to the domestic travelers. The average length of stay remained at 2.8 days, as in the previous period.<sup>17</sup> Due to the spread of the coronavirus pandemic, in the first half of 2020 the number of domestic and international tourist arrivals decreased by 54%. Domestic arrivals fell by 49%, whilst international arrivals declined by 61.5%.<sup>18</sup>

Origin of Foreign Tourists in Slovakia in 2019<sup>19</sup>



highest rate of domestic skiers- 35%, with Germany having the highest total number of domestic skiers-14.6 million.<sup>22</sup> Mountain industry in general is very capital intensive because of essential investments into cableways and other resort facilities, which represent great barriers of entry. Another essential entry criterion is e.g. location since skiing requires a mountainous area with a milder/ colder climate.

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

REGIONAL MOUNTAIN INDUSTRY

In the CEE region Russia has the most ski areas - 354, although only around 67 have more than five lifts and majority have limited infrastructure. Russia is followed by Poland with 182, the Czech Republic with 191 and Slovakia with around 107. Poland's ski areas are mostly small, suitable for beginners, and Czech ski areas are located up to 1300 m above sea level. Russia had on average for the past five years the highest number of skier visits in the winter season- 7.4 million, followed by the Czech Republic with 5.8 million, Slovakia and Poland, both with estimated 5 million. As for domestic skiers, winter sports in Poland are growing in popularity, as Poland produces the highest absolute number of skiers in the region - 5 million, who make up 13% of population. This proportion grew by more than double since 2013, which presents a great growth potential on this market. Slovakia and the Czech Republic produce a much higher percentage of skiers - 18% and 22%, although there are much more Czech skiers in the absolute number - 2.2 million. Slovakia has a competitive advantage on the supply side in the region since 80% of the geographical area is situated above 750m above sea level; and the area includes the highest mountain range in the region- the Tatras, with the highest peak of 2,655 m- Gerlachovský štít.<sup>24</sup>

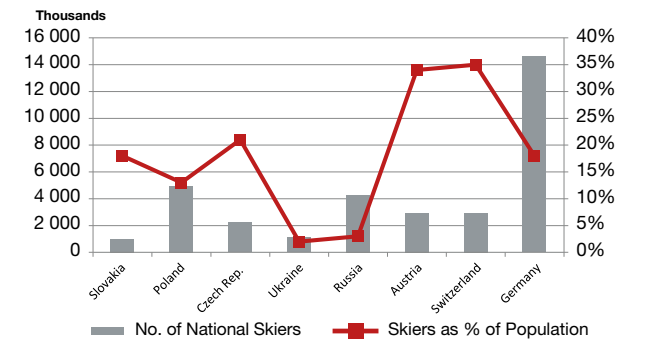
EUROPEAN MOUNTAIN INDUSTRY

Europe is the relevant market for TMR's ski business, especially the CEE region. In Europe the biggest skiing destinations are alpine countries - Austria, France, Switzerland, Germany, and Italy. Worldwide, the Alps capture the greatest market share, accounting for 44% of skier visits (skier days).<sup>20</sup> The second most significant is North America with 21%. Central and Eastern Europe attracts only 9% of skiers, although this region produces 13% of skiers globally. Since the start of the new millennium global skier destinations have been experiencing a downward trend in the number of skier visits, especially the Western European traditional skier destinations, despite the overall growing global population and a growing number of skier days globally. One of the reasons is aging population and struggle to promote skiing among the young. This introduces an opportunity for the CEE region to grow in provision of ski resorts at least to match the regional demand and even to attract a higher number of foreign skier visits. Among alpine countries, France and Austria have the most major resorts (with over 1 million skier visits) - 13 and 16, respectively each, and France with the highest number of skier visits per year<sup>21</sup> - 53.2 million whereas Switzerland produces the

17 Ministry of transport and construction of the Slovak Rep. The accommodation statistics of tourism in Slovakia 2019. <https://www.mindop.sk/ministerstvo-1/cestovny-ruch-7/statistika/ubytovacia-statistika/rok-2019>  
 18 Ministry of transport and construction of the Slovak Rep. The accommodation statistics of tourism in Slovakia. 1st half of 2020. <https://www.mindop.sk/ministerstvo-1/cestovny-ruch-7/statistika/ubytovacia-statistika/rok-2020>  
 19 Ministry of transport and construction of the Slovak Rep. The accommodation statistics of tourism in Slovakia 2019. <https://www.mindop.sk/ministerstvo-1/cestovny-ruch-7/statistika/ubytovacia-statistika/2019>  
 20 The number of skier visits is measured in terms of skier days; which means one person visiting a ski area for any part of day or night for purpose of skiing, snowboarding, or other downhill slide; e.g. a four-day ticket means four skier visits.  
 21 5-year average  
 22, 23, 24 Vanat, Laurent. 2019 International report on mountain tourism. April 2019. [www.vanat.ch](http://www.vanat.ch)

Apart from the impact of the pandemic, the regional mountain industry exhibits room to grow, in comparing to mature alpine resorts. Observable trends besides investing in resort infrastructure and equipment include extending the variety of services in mountain resorts, such as ski schools, ski service, and shops, as well as non-skiing activities, such as après ski bars, nightlife, restaurants, wellness, family activities and events. As for summer activities, the focus is on adrenaline sports, summer family events, and cycling, evidenced by an increase in development of resorts, cycling tours, and by increased marketing. Mountain resorts tend to keep expanding technical snowmaking. Also, mountain resort tourists tend to be attracted to package deals on lodging and lift tickets, thus this trend is expected to continue. Another trend in mountain resorts is observed in consolidating marketing activities of a mountain destination or a region and mutual cooperation of mountain resort operators. District tourism organizations in Slovakia for example join together in destination management. One can observe these trends in all the locations operated by TMR. TMR is also cooperating with other mountain resort operators in marketing efforts.

Skiers by Country



HMMountain Tourism - Country Comparison<sup>25</sup>

Country	No. of Ski areas	Number of major resorts (>1 mil Skier Visits)	Skier visits	Proportion of domestic skiers (in % population)	Number of domestic skiers	% foreign skiers
<b>Alpine countries</b>			<b>165 020 000</b>			
Austria	253	16	52 540 000	34,0%	2 960 000	66%
France	317	13	52 809 000	13,0%	8 574 000	27%
Italy	349	7	27 749 000	12,0%	7 266 000	35%
Switzerland	186	5	22 769 000	35,0%	2 959 000	46%
Germany	498	0	9 153 000	18,0%	14 607 000	10%
United States	481	6	54 749 000	8,0%	25 017 000	6%
<b>Eastern Europe</b>			<b>26 965 000</b>			
Czech Republic	191	0	6 185 000	21,0%	2 236 000	30%
Slovenia	44	0	1 212 000	14,0%	299 000	17%
Ukraine	54	0	1 400 000	2,0%	1 114 000	5%
Poland	182	0	5 000 000	13,0%	4 937 000	15%
Russia	354	0	8 168 000	3,0%	4 275 000	5%
Slovakia	107	0	5 000 000	18,0%	979 000	25%

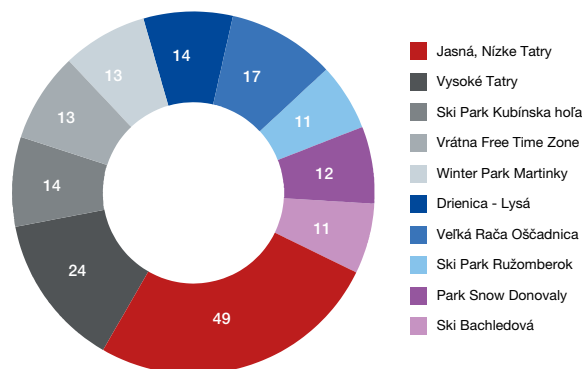
25 Vanat, Laurent. 2020 International report on mountain tourism. April 2020. [www.vanat.ch](http://www.vanat.ch)



## SLOVAK MOUNTAIN TOURISM

On the Slovak mountain tourism market TMR is the clear leader in terms of the number of resorts, ski lifts, transportation capacity, km of ski trails, and lifts elevation. Mountain resorts in Slovakia are mostly operated by small private operators in cooperation with local municipalities and national parks. There are around 100 ski areas in Slovakia, and 47 major ski resorts (3\*, 4\*, and 5\* quality) in Slovakia. When comparing individual resorts and their km of ski trails, TMR's resorts Jasná Nízke Tatry (49km) and Vysoké Tatry - Tatranská Lomnica, Starý Smokovec a Štrbské pleso (24km) are the biggest ones in Slovakia, followed by Veľká Rača Oščadnica (17km), Vrátna free time zone (13km), Skipark Kubínska Hoľa (14km), and Winter Park Martinky (13km).<sup>26</sup>

Km of Trails of Leading Ski Resorts in Slovakia



## AUSTRIAN MOUNTAIN TOURISM

Austria is one of the European Alpine countries with the highest number of ski resorts with ski visits over 1 million per year also thanks to its lift interconnections between ski areas. It also operates the most ski lifts in the world, over 3,000, together with France and the U.S. It also has one of the highest portion of skiers in the population with 34%, and one of the highest number of skier days - 51.8 million (5-year average), 66% of which are foreign, the most foreign skiers in the world. The visit rate has been steadily growing despite struggles in other western markets. The Austrian ski operators have been heavily investing into development of ski infrastructure for the past 15 years. Some resorts have joint marketing efforts, which allow them a higher pricing, and the number of interconnected resorts has been increasing in the last couple of years.<sup>27</sup>

## TMR'S HOTEL MARKET

TMR's hotels are located in TMR's mountain resorts, golf resorts, and in Aquapark Tatralandia, and most of the clients utilize TMR hotels' services when visiting the resorts. That's why TMR hotels compete for clients with other lodging facilities in the given resort and its surrounding. In the winter season especially, performance of the hotels is closely linked to performance of the mountain resorts. In Aquapark Tatralandia there is only one lodging facility, thus TMR holds a monopoly here. In the mountain resorts there are other mostly private operators of resort hotels, inns, bed & breakfasts, apartments, and cottages. The two leased golf hotels in the Czech golf resorts are the only ones in the respective golf resorts, thus their location is a great competitive advantage within the area, and their visitors tend to stay here. Categories of TMR hotels range from 2-star to 4-star. In the resorts there is a greater competition in the lower category lodging than in the upscale segment. The trend in the resorts lodging sector is to cooperate closely with the mountain resort operators in order to attract clients with affordable bundled stay packages. The hotel market in TMR's resorts is not saturated since TMR had invested a large amount of capital in recent years, and the resorts attract new investors.

## REGIONAL TRENDS IN AQUAPARKS

In Slovakia there is around a dozen aquaparks and thermal spas. Tatralandia ranks among the top three parks in terms of size, visit rate and services offered. The number of visitors primarily depends on the variety and quality of services offered. As for the target market, aquaparks observe an increasing visit rate and an increasing share of solvent clients who are willing to pay more for their aquapark visits and require higher quality and constantly changing customized services. In this aspect, TMR's loyalty program, Gopass, helps. Another observable trend is the comeback of Slovak clients who now represent the majority as opposed to the past till 2009, when clients from Poland comprised the majority. Also, aquaparks observe a growing number of families with children that seek out a wide scale of activities, also as addition to water attractions. Demand for quality requires quality personnel, which puts pressure on personal costs for the aquapark operators as aquaparks are mainly a seasonal and weekend business. Solutions can be found in automation, and TMR utilizes its winter employees from the mountain resorts in the summer season of the leisure parks. The trend also includes continuing investments into parks' development,

especially all-year attractions. All-year aquaparks carry a competitive advantage as they do not depend on weather.<sup>28</sup> Competition in the neighboring countries is present especially closer to the Slovak border- there are three aquaparks close to Slovakia in Poland, nine in the Czech Republic, and seven in Hungary.

## REGIONAL TRENDS IN LEISURE PARKS

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

## REGIONAL TRENDS IN GOLF RESORTS

In the Czech Republic where TMR operates two golf resorts, there are around 100 golf resorts. Golf & Ski Resort Ostravice and Golf Resort Kaskáda both belong to the top 10 Czech golf resorts.<sup>29</sup> In neighboring Slovakia there are over 20 golf resorts and 55 in Austria. The trends in the regional golf industry include focus on technology since online presence, functional reservation systems, or rating websites are essential for golf resort operators. Promotion of the resorts is vital, thus the resort operators organize professional tournaments and provide ancillary services. Visitors put importance on the quality of accommodation and dining services in the resorts. Another decision factor for golf players is the access to tee times. Also, golf players' demand for golf travel keeps increasing. Half of European golf players travel for golf individually and half use travel agency services, mostly elderly players.<sup>30</sup>

## REGIONAL TRENDS ON THE REAL ESTATE MARKET

The performance of the regional real estate market depends on the stability of demand, which is impacted by macro-economic development, the job market development, income growth, and access to bank financing. Due to the developments in relation to the COVID-19 pandemic, the local real estate market has shown some signs of a slowdown in 2020. Following robust investment activity in the previous years, the Slovak commercial real estate market has experienced a drop of 27% in 2020, resulting in a transactional volume of ca. 502 million euros.<sup>31</sup>

In the past years, the recreational real estate market in the Jasná resort had been booming, with several new projects, such as the project under construction of a 5-star hotel resort or additional phases of Chalets Jasná.<sup>32</sup> In the High Tatras, mainly in Tatranská and Veľká Lomnica several real estate projects are being prepared or already constructed, also by TMR.<sup>33</sup>

<sup>26</sup> skiresort.info, resort websites

<sup>27</sup> Vanat, Laurent. 2019 International report on mountain tourism. April 2019. www.vanat.ch

<sup>28</sup> Guests are more picky. The big 3 is doing well, though. Trend. August 3, 2019. <https://www.etrend.sk/trend-archiv/rok-2019/cislo-29/velkej-trojke-sa-dari-a-nielen-jej.html>

<sup>29</sup> nagolf.eu, forbes.cz

<sup>30</sup> 10 trends in golf travelling, what are the trends in 2018? March, 8, 2018. [www.golfextra.cz/detail/3477/10-trendu-cestovani-za-golfem-co-trci-v-roce-2018](http://www.golfextra.cz/detail/3477/10-trendu-cestovani-za-golfem-co-trci-v-roce-2018)

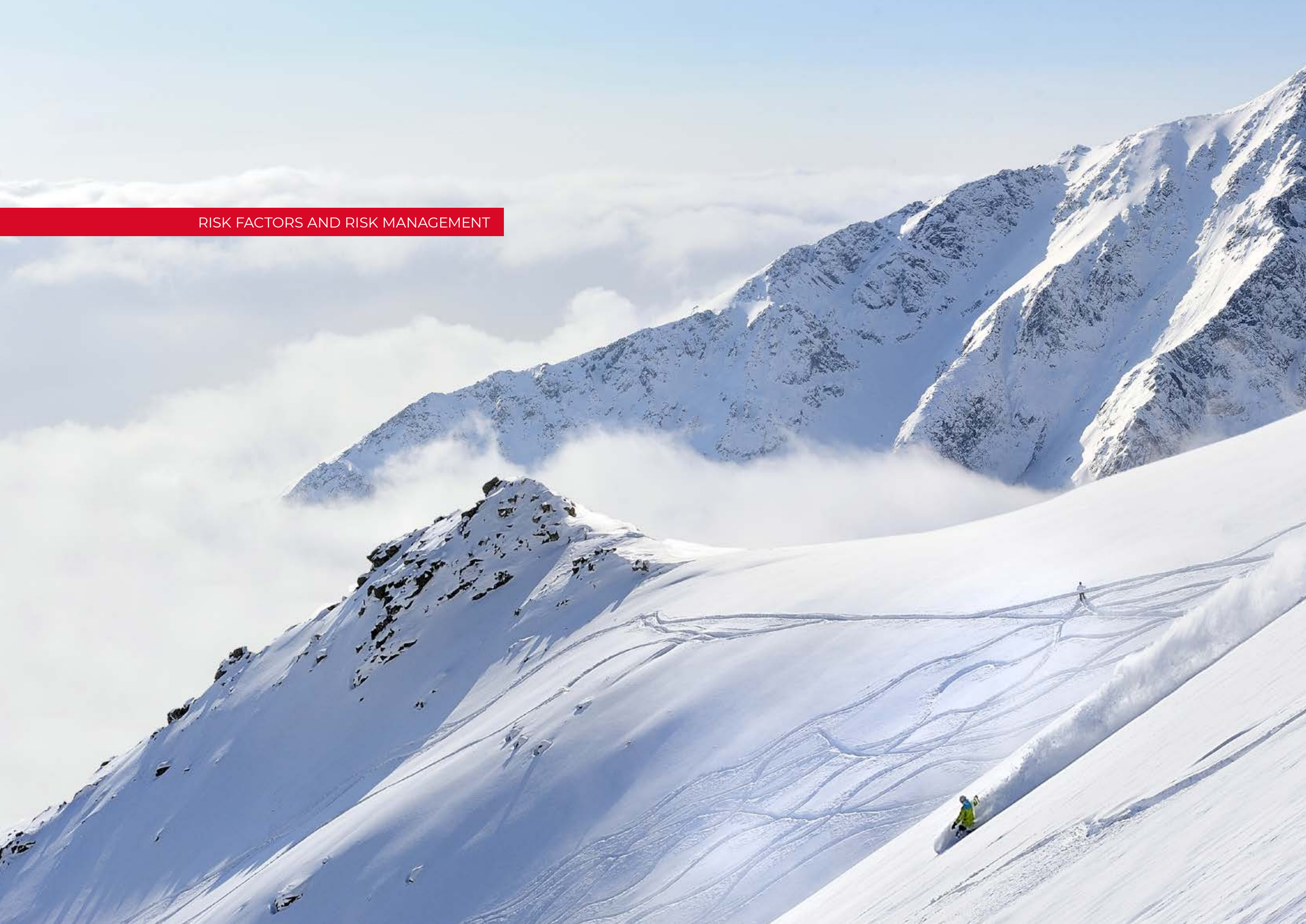
<sup>31</sup> Cushman & Wakefield: Slovakia Marketbeat <https://www.cushmanwakefield.com/sk-sk/slovakia/insights/slovakia-marketbeat>

<sup>32</sup> Jasná: the Slovak attempt for an alpine resort. 16.3.2017. Trend 11/2017. Real estate extra.

<sup>33</sup> Another area of recreational houses at the golf resort beneath the Tatras.10.2.2015. [reality.etrend.sk/komerne-nehnutelnosti/pri-golfovom-ihrisku-pod-tatrami-dalsia-zona-rekreacnych-domov.html](http://reality.etrend.sk/komerne-nehnutelnosti/pri-golfovom-ihrisku-pod-tatrami-dalsia-zona-rekreacnych-domov.html)



RISK FACTORS AND RISK MANAGEMENT





# Risk Factors and Risk Management

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

## MARKET RISKS

### COVID-19 PANDEMIC

The global pandemic relating to the spread of coronavirus has had an impact on the Group's operations since the end of the 2019/2020 season. Due to preventive measures against the spread of the virus causing the disease COVID-19, all mountain resorts, amusement parks and hotels of the Group in all countries had been closed in mid-March 2020 until the end of the winter season. Despite the fact that the operations were partially restored during the summer season, the pandemic continues to affect the operation of TMR resorts in all markets, resulting in a significant shortfall in sales. The management responded to the revenues decrease with cost cutting measures. However, given the continuing uncertainty surrounding further spread of the virus, the pandemic situation and related safeguards might be expected to have a material adverse effect on the Group's operations, financial performance and financial prospects in the near future.

### BUSINESS CYCLE

Current operations of the Group are focused in the Slovak, Czech, Polish, and Austrian market, although majority of the Group's clients come from the whole CEE region, and thus the Group's operations are mainly dependent on the level of economy of the Slovak and Czech Republic and countries of the CEE region. Majority of TMR's revenues depend on the number of visitors to TMR's resorts and hotels. The vacation choices of TMR's clients also depend on the business cycle of the economy, each country's economic growth, and the level of their discretionary income. Development of such macroeconomic factors is an external risk for TMR. Since the majority of visitors to TMR's resorts and hotels come from various countries, each of which has its own unique

macroeconomic profile, operations of TMR can be heavily affected by worsening of the economic situation on these markets. The risk of a downward business cycle is partially managed by reasonable pricing strategies and effective marketing campaigns on the relevant target markets (see Strategy).

### SEASONALITY

TMR's business model is primarily seasonal, although TMR's strategy involves building and promoting all-year vacation destinations. The busiest months are from January through March, especially in the number of skiers, and July and August in the leisure parks and the Vysoké Tatry resort. The management is continuously working on attracting visitors in the off-season, e.g. by adding snowmaking guns, running vibrant marketing campaigns, offering bundled stay packages, and by organizing events in the resorts and hotels. Besides the aquapark providing warm thermal water, the Tropical Paradise project in Aquapark Tatralandia was a major step towards minimizing the effects of seasonality in the aquapark since visitors of Tropical Paradise can experience summer temperatures in any season. By acquiring the Alpine resort located on a glacier, Mölltaler Gletscher, the skiing winter season got longer. The golf resorts operate the golf courses from the spring till the fall, although in the Ostravice resorts provides lit up cross country skiing tracks in the winter.

### WEATHER

The number of TMR's visitors also depends on a successful winter season, i.e. on favorable weather conditions in terms of abundance of natural snow and temperatures below zero degrees Celsius. TMR manages the risk of low snowfall with the already-mentioned snowmaking facilities. The extensive scope of coverage by technical snowmaking gives TMR an absolute advantage among competitors in Slovakia in case of shortage of natural snow. Historically, the Jasná Nízke Tatry resort has had an average of 65 cm of snow coverage during the winter season and the Vysoké Tatry resort 82 cm. Drier winters may increase the cost of snowmaking. On the other hand, warmer weather may hinder the snowmaking, since freezing temperatures are needed, and it may reduce the scope of skiing area. At the same time, the resorts are located in a mountainous area with a generally colder climate. Also, in comparing with other Slovak mountain

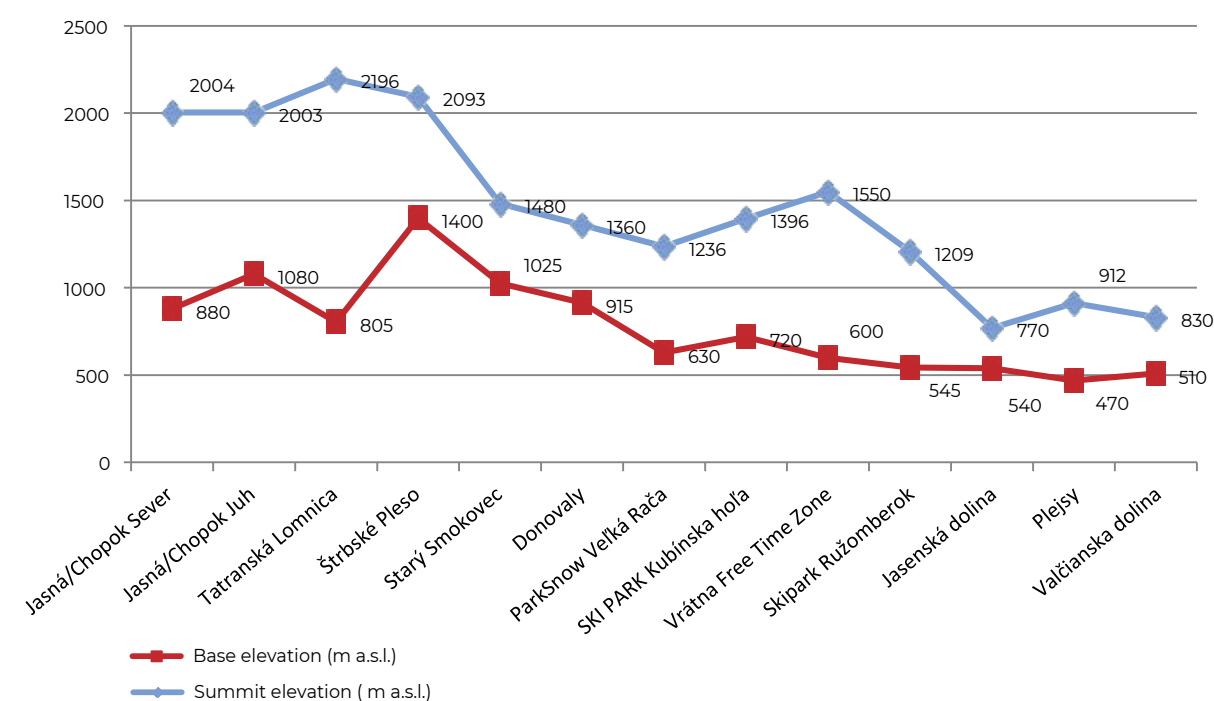
resorts, TMR's resorts have start and terminal cableway stations at the highest altitudes. The Polish SON resort, on the other hand, has an advantage in facing north and towards northwest winds. The Austrian Mölltaler Gletscher resort is located on an Alpine glacier, which guarantees a much longer period with snow coverage. The season on the Mölltaler glacier lasts from mid June till following May with the snow coverage reaching 450 cm. Warm thermal water in Tatralandia partially offsets the cold weather effects, but Tropical Paradise in Tatralandia eliminates dependence on warm weather completely. As for the summer season in the mountain resorts and the amusement park, favorable weather in the summer months is essential for hiking tourists and visits of amusement parks.

### COMPETITION

The Group's results also depend on how successfully the Group deals with competition. In the segment of Mountain Resorts TMR competes for visitors on domestic oligopolistic markets in Slovakia, Poland

and the Czech Republic, with the position of a leader in terms of size and the range of services. In Austria Mölltaler Gletscher is one of eight ski resorts on a glacier, and among all the Austrian resorts, as well as within Europe the TMR Group faces monopolistic competition with a large number of competitors that provide a wide supply for visitors. TMR utilizes its high quality services, massive capital investments in resort development, reasonable prices in comparing to alpine resorts, patriotism, and locality with the goal of attracting visitors. Moreover, TMR capitalizes on its competitive advantage of natural monopoly in terms of the strategic location of its key resorts in the Tatras in the highest mountain range in the region to the East and North. In the Golf segment the resorts operated by the Group rank among the top golf resorts in Czechia. In the Leisure Parks segment TMR is also among the top players in the local market of aquaparks, although visitation of aquaparks also depends on the travel distance for the given visitor. Among theme parks Legendia Silesian Amusement Park is one of two top players in the region. The hotels from TMR's portfolio, restaurants, sports stores and services, and real estate projects of TMR capitalize on

Base & Summit Elevation of Slovak Ski Resorts.



1 A 7-year average on the peak of the Jasná and Vysoké Tatry - Tatranská Lomnica a Štrbské Pleso resorts. Source: [www.onthesnow.sk](http://www.onthesnow.sk)

their attractive locations directly in the TMR resorts and on synergies within the Group and provide mostly upscale quality. Partially, TMR manages this type of risk with marketing tools, by utilizing its tangible and intangible assets, such as its strategic position in the Tatras mountain range, and by a well-defined corporate strategy described in the Strategy section.

#### OCCUPANCY AND AVERAGE DAILY RATE

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

#### REAL ESTATE MARKET

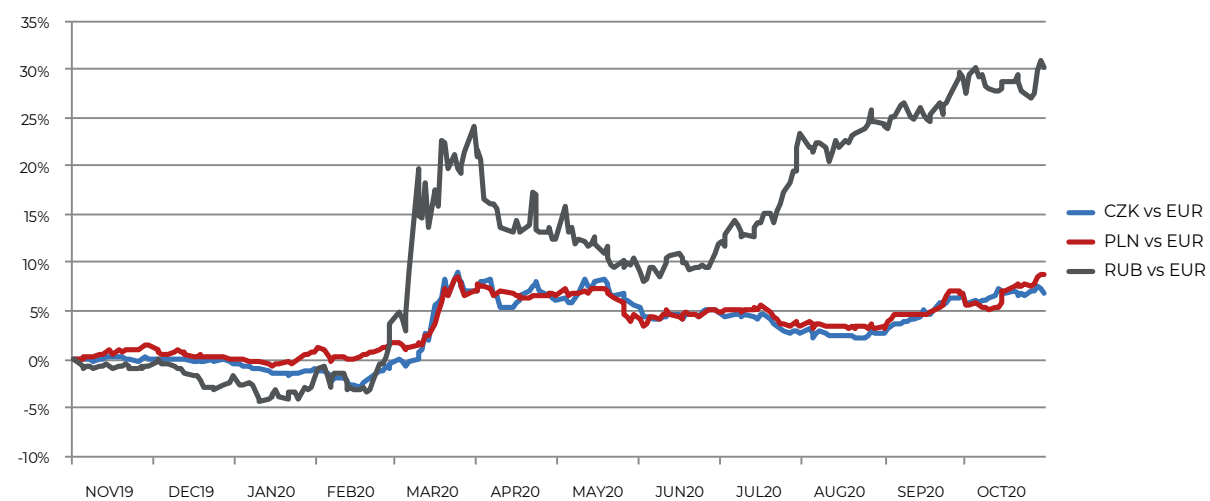
One of the operating segments of TMR is focused on real estate, as described in the Company Profile section. The revenues of this segment depend on sale and/or lease of residences, lodging facilities, and commercial space in the real estate projects. Even though the current performance of the Group does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

#### FINANCIAL RISKS

##### EXCHANGE RATES

Volatility of exchange rates in relation to euro is an external risk that affects the Group's revenues because majority of TMR's foreign clients come from countries outside of Eurozone - the Czech

One-year Performance of Selected Currencies vs. Euro<sup>2</sup>



<sup>2</sup> ECB. <http://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html>

Republic, Poland, Ukraine, or Russia. That is why their travel choices are impacted by currency movements. Appreciation of euro in respect to Polish zloty, for instance, negatively impacts the number of visitors from Poland. During the financial year 2019/20, the Czech crown, Polish zloty and Russian rouble all declined against the euro as a result of the corona crisis, with the ruble declining the most. Russian rouble has historically been more volatile, as its value in the recent years has been closely correlated with the oil prices. Moreover, investments into the resorts in terms of technology, equipment, renovation, and procurement of inventory were settled in euros, Czech crowns and Polish zloty. Investments settled in Polish zloty and crowns are thus exposed to volatility of exchange rates. The value of the investment in Melida a.s., which operates the Špindlerův Mlýn resort, is converted from Czech crowns into euros. The Group has a significant open position against Czech crown in bonds issued, denominated in Czech crowns. The Group decided to hedge its currency position against fluctuations in the Czech crown for this particular debt instrument using a currency swap. For more information, see Consolidated Financial Statements.

##### INTEREST RATES

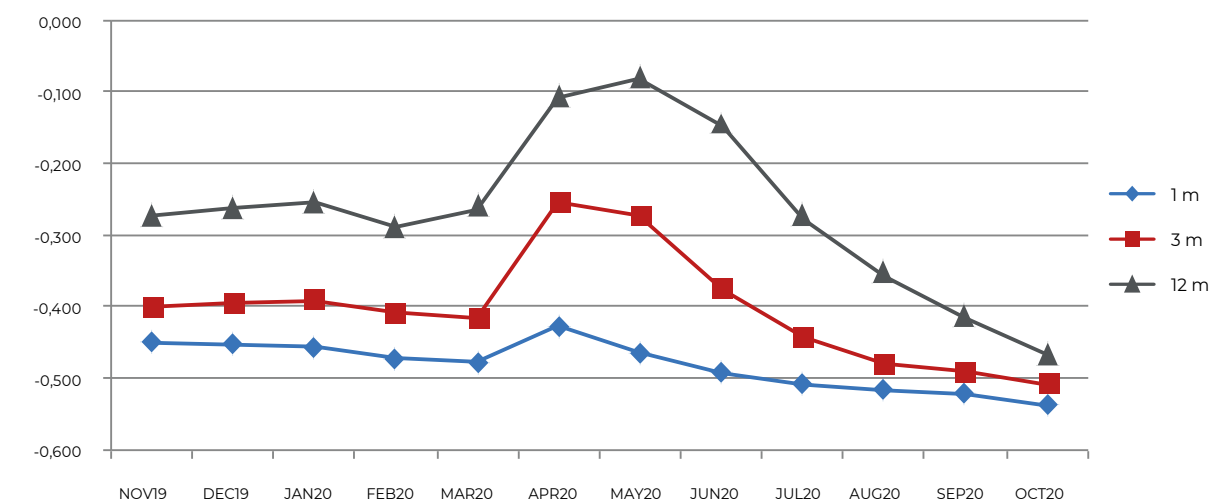
Volatility of interest rates may have a direct impact on the value of the Group's interest-earning assets and interest-bearing liabilities. The extent of this risk

is equal to the amount of interest-earning assets and interest-bearing liabilities, where the interest rate at maturity or at the time of a rate change is different from the current interest rate. The period of a fixed rate for a financial instrument therefore reflects the risk for fluctuations in interest rates. The Group's loan portfolio during 2019/20 consisted mostly of short- and long-term bank debt with fixed and variable rates based on 12-month EURIBOR rates. The Group considers the variable interest rate to manage the interest rate risk automatically. In case of economic expansion, EURIBOR grows, but at the same time economic performance of the population should grow, and the Group should be more profitable. In case of economic recession, it is the exact opposite. Besides bank debt, the Group has also issued bonds with payment of regular fixed coupon which is in no way correlated to any variable rates. Loans granted by the Group earn interest at fixed interest rates, thus the Group mitigates the risk of interest rate fluctuations downward. Exposure to this risk is detailed in Consolidated Financial Statements.

##### CREDIT RISK

The Group's primary exposure to credit risk arises through its trade receivables, lease receivables, other receivables and advances and loans provided. The amount of credit risk exposure is represented by the carrying amounts of these assets in the balance

EURIBOR rates (%)<sup>3</sup>



<sup>3</sup> <http://www.emmi-benchmarks.eu/euribor-org/euribor-rates.html>



sheet if no form of guarantee is issued. The carrying amount of receivables, advances and loans provided represents the maximum accounting loss that would have to be recognized if the counterparty completely failed to perform its contractual obligations and all collaterals and guarantees would be of no value. Therefore, this value highly exceeds the expected losses included in the provision for unrecoverable receivables. Before the conclusion of major contracts, the Group's management evaluates the credit risk related to the counterparty at its regular meetings. Provided material risks are identified, the Group withdraws from concluding the contract. The extent of the risk exposure is detailed in Consolidated Financial Statements.

#### LIQUIDITY

Liquidity risk arises in the general financing of the Group's activities and financial positions. It includes the risk of being unable to finance assets at an agreed maturity and interest rate and inability to liquidate assets at a reasonable price in a reasonable time frame. Individual segments in the Group use different methods of managing liquidity risk. The Group's management focuses on managing and monitoring liquidity of each of its controlled companies. In order to manage liquidity, in 2009 the management changed the accounting year for the financial year ending on October 31. In the first half of its financial year the Group has the winter season representing around 60% of the Group's income. According to the development in the first half-year, the Group is able to affect income and expenses well in advance to keep sufficient liquidity. The seasonality in the resort of Vysoké Tatry is balanced also by a strong summer season in this resort, and it provides more stable liquidity throughout the year. Payment of bond coupons adds to the liquidity risk. The Group's risk of insufficient liquidity is currently potentially increased as a result of the COVID-19 pandemic and related public health protection measures, which reduce the Group's ability to generate revenues and cash flows. The extent of the risk exposure is detailed in Consolidated Financial Statements.

#### BONDS

As of the end of the reported period TMR has bonds issued in several tranches. Currently, the capital structure in terms of the debt to equity ratio may cause TMR difficulties in obtaining other external financing to finance future investments into its resorts or acquisitions. In case these difficulties in obtaining further financing should occur, TMR's growth rate

may slow down. It is not certain whether the Group will be able to obtain external financing, or whether external debt will be obtained under favorable conditions. Inability to receive or a delay in receiving further external debt as well as financing terms, which differ from assumptions, may have a major negative impact on the operations, market position, sales, financial performance and financial outlook of the Group. For more information see Consolidated Financial Statements.

#### OPERATING RISKS

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

#### SAFETY

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

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

#### IT SECURITY

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

#### CAPITAL INVESTMENTS

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

#### ACQUISITIONS

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

#### ENVIRONMENTAL ISSUES

The Group's capital investments in protected outdoor areas may be subject to approvals of various governmental and environmental bodies. Since the Group conducts its operations mostly in mountainous areas, part of which belong to protected national parks, some capital investment projects may be subject to approval of various governmental bodies. Each new investment project in such area related to expansion of snowmaking, construction of a cableway, etc. must first undergo the Environmental Impact Assessment (EIA), one of main instruments of the international environmental policy of sustainable development, and it must be approved by relevant bodies of environmental protection. TMR's resorts in Slovakia are located in already urbanized areas and comply with all environmental regulations, although development of the SON resort in Poland as well as planned projects in Slovakia and Czechia still need to undergo the EIA process.





FINANCIAL PERFORMANCE REVIEW FOR THE YEAR



# Financial Performance Review for the Year

## KEY RESULTS

- Total consolidated revenues decreased by 13% to EUR 111.197 mil. (127.592)
- Consolidated operating profit before interest, tax, depreciation and amortization (EBITDA) amounted to EUR 35.137 mil. (35.496)
- TMR operated with EBITDA margin of 31.6% (27.8%)
- Net consolidated loss amounted to EUR -20.513 mil. (-2.288)
- Net consolidated earnings per share amounted to EUR -3.013 (-0.341)
- The number of visitors to Mountain Resorts decreased to 2.425 mil. (2.840); Leisure Parks recorded 655 ths. (808) visitors

The global COVID-19 pandemic has had an impact on the Group's operations since the end of the 2019/2020 winter season. Due to preventive measures against the spread of coronavirus causing the disease COVID-19, all mountain resorts, leisure parks and hotels of the Group in all countries had been closed mid-March 2020 until the end of the winter season. Despite the fact that the operations in the resorts had partially restored during the summer season, the pandemic continues to affect the operations in TMR resorts across all markets, resulting in a significant loss of sales. The management reacted to the loss of sales with cost cutting measures. However, the factors caused by the unprecedented pandemic situation have negatively affected the Group's financial performance.

Selected Consolidated Results (IFRS)	For the Year Ended October 31	
	FY 2019/20	FY 2018/19
in €'000		
Sales	110 641	126 392
Other Operating Revenues	556	1 200
<b>Total Revenues</b>	<b>111 197</b>	<b>127 592</b>
Consumption of Material and Goods	-20 128	-26 300
Personnel and Operating Costs	-56 758	-67 289
Other Gain/ Loss	826	1 493
<b>EBITDA</b>	<b>35 137</b>	<b>35 496</b>
EBITDA Margin	31,6%	27,8%
Depreciation & Amortization	-21 455	-20 131
Gain/ Loss on Adjustment to Fixed Asset Value	-7 016	-3 865
Impairment of PPE	-5 559	0
Gain on bargain purchase	6 280	1 223
<b>EBIT</b>	<b>7 387</b>	<b>12 723</b>
Interest Income	1 023	1 173
Interest Expense	-20 443	-16 791
Gain/ Loss on Financial Operations net	-10 310	1 189
<b>Pre-tax Income</b>	<b>-22 986</b>	<b>-1 714</b>
Income Tax	2 473	-574
<b>Net Loss</b>	<b>-20 513</b>	<b>-2 288</b>
<b>Total Comprehensive Income</b>	<b>-18 213</b>	<b>-3 445</b>
<b>EPS (€)</b>	<b>-3,013</b>	<b>-0,341</b>

## FINANCIAL PERFORMANCE

### REVENUES

The Group's total consolidated revenues for the past financial year decreased by almost 13% to EUR 111.197 mil. (127.592). Thereof, sales amounted to EUR 110.641 mil. (126.392) and the rest are other operating revenues of EUR 0.556 mil. (1.200). The result was negatively impacted mainly by the lower visit rate at the resorts in connection with the COVID-19 pandemic at the end of the winter season and during the summer.

### EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

Another TMR's key financial performance indicator - EBITDA - amounted to EUR 35.137 mil. (35.496); which represents an almost unchanged result compared to the previous financial year. Despite lower sales, the management managed to maintain EBITDA mainly due to intensive austerity measures. Consumption of materials decreased by almost 24%; personnel and operating costs were lower by 16% yoy. Operating expenses also decreased in part due to a change in the accounting methodology in connection with the amended IFRS 16 standard, according to which the method of accounting for leasing costs has changed. The impact of this change on the EBITDA was EUR 5.158 mil. TMR's operating profitability ratio (EBITDA margin) reached the level of 31.6% (27.8).

## RESULTS BY SEGMENTS

Key Operating Results	Revenues			EBITDA			EBITDA Margin		
	FY 2019/20	FY 2018/19	Change yoy (%)	FY 2019/20	FY 2018/19	Change yoy (%)	FY 2019/20	FY 2018/19	Change yoy (p.p.)
Mountain Resorts	46 402	51 485	-9,9%	22 142	19 588	13,0%	47,7%	38,0%	9,7%
Leisure Parks	7 925	11 238	-29,5%	2 713	3 662	-25,9%	34,2%	32,6%	1,6%
Golf	646	913	-29,2%	315	95	232,7%	48,8%	10,4%	38,4%
Dining	16 735	18 431	-9,2%	2 424	3 124	-22,4%	14,5%	16,9%	-2,4%
Sports Services & Stores	6 427	7 336	-12,4%	986	1 230	-19,8%	15,3%	16,8%	-1,5%
Hotels	26 657	28 966	-8,0%	4 290	5 446	-21,2%	16,1%	18,8%	-2,7%
Real Estate	6 405	9 223	-30,6%	2 266	2 351	-3,6%	35,4%	25,5%	9,9%
<b>Total</b>	<b>111 197</b>	<b>127 592</b>	<b>-12,8%</b>	<b>35 137</b>	<b>35 496</b>	<b>-1,0%</b>	<b>31,6%</b>	<b>27,8%</b>	<b>3,8%</b>

### DEPRECIATION AND AMORTIZATION, IMPAIRMENT LOSS

The depreciation and amortization costs increased to EUR 21.455 mil. (20.131) mainly due to completed investments and the acquisitions of the Austrian resorts. Depreciation of the carrying amounts of property, plant and equipment acquired through leasing amounted to 5.559 mil. EUR. For more information on provisions for fixed assets and profit from the bargain purchase, see Consolidated Financial Statements, Notes 5, 15, 16.

### FINANCIAL ACTIVITY

Interest income of EUR 1.173 mil. (1.173) mainly stemmed from loans granted, earning fixed interest rates. Interest expense rose to EUR 20.443 mil. (16.791); it includes mainly loan expenses and expenses of the issued bonds (see Consolidated Financial Statements, Note 12).

### NET INCOME

The Group recognized a net consolidated loss in the amount of EUR -20.513 mil. (-2.288). Loss attributable to owners of the parent company amounted to EUR -20.208 mil. (-2.286). EPS reached EUR -3.013 (-0.341). Total comprehensive income after accounting for foreign currency translation reserve and loss on cash flow hedging amounted to EUR -18.213 mil. (-3.445). The parent company reported a net loss of EUR -17.934 mil. (4.087).

## KEY PERFORMANCE INDICATORS (KPIs)

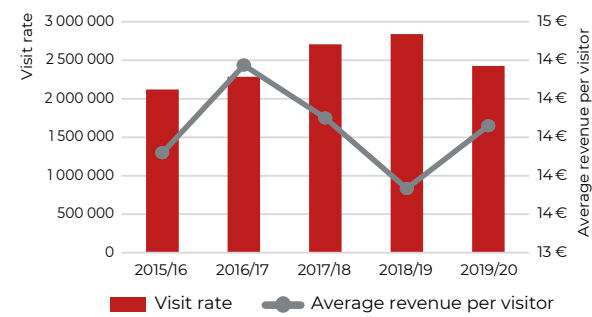
The visit rate in the Mountain Resorts segment in 2019/20 decreased year-over-year by 14.6% to 2.425 mil. (2.840) visitors/ skier days<sup>1</sup>, whilst it includes skier days from the Austrian resorts of Mölltaler Gletscher and Ankogel. On the like-for-like basis the visit rate dropped 20.5%. This result reflects the impact of the pandemic situation on tourism. After the Group had to close its resorts mid-March until the end of the winter season due to anti-pandemic measures, it was also unable to reach the standard visit-rate even during the summer season as a result of the continuing uncertainty regarding COVID-19. Mainly due to the influence of the newly acquired Austrian resorts, average revenue per visitor per day increased by 2.4% to EUR 14.06 (13.73). Without the impact of the Austrian

resorts the average revenue dropped by almost 1%.

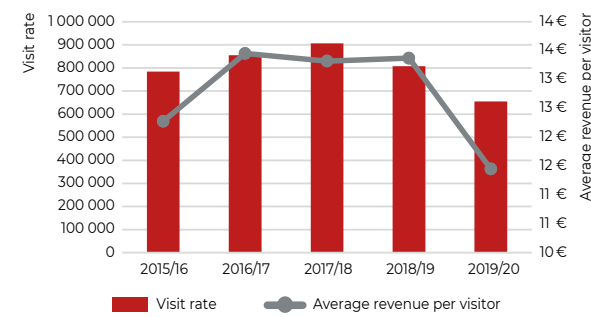
As a result of the anti-pandemic measures, Leisure Parks reported an 18.9% fall in the visit rate to 655 ths. (808). The average revenue per visitor also fell, by 14.4% to EUR 11.45 (13.37).

The resort clients spent more in dining facilities on and off the slopes and in the leisure parks. Average dining revenues thus improved 7.3% to EUR 5.13 (4.78), whilst dining facilities were added in the Austrian resorts and in Ještěd. Sports Services & Stores, which largely depend on performance of the resorts, reported average revenues per visitor up 8.6% to EUR 2.21 (2.03).<sup>2</sup>

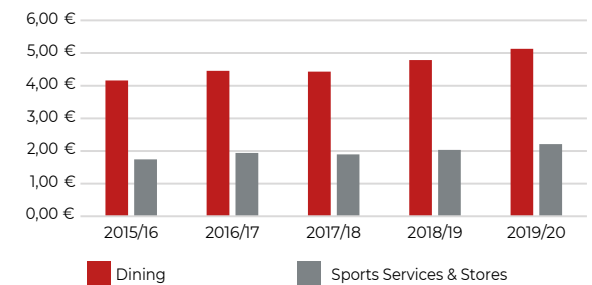
Mountain Resorts' KPIs



Leisure Parks' KPIs



Average revenue per visitor in selected segments



<sup>1</sup> The visit rate in Mountain Resorts in the summer season is measured in terms of used entry tickets to cableways and in the winter season in terms of used skier days, i.e. the number of persons that visited a mountain resort during any part of the day or night for the purpose of skiing, snowboarding, or other downhill slide. E.g., a 4-day ticket means four skier days in Mountain Resorts.

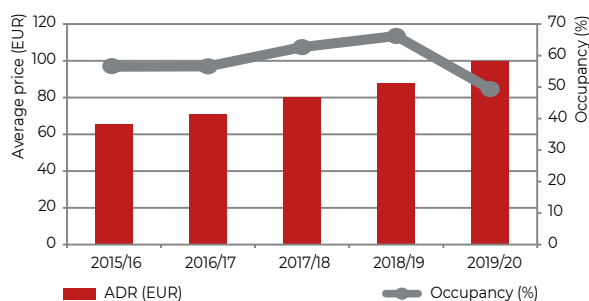
<sup>2</sup> The Group is currently not observing the visit rate and the average revenue per visitor from entries, dining, and sports services and stores in the golf resorts.





The weighted average occupancy of the TMR hotel portfolio decreased by 17.5 percentage points to 49.3% (66.3), mainly as a result of the ongoing COVID-19 pandemic, which influenced the operations of the Group from the end of the winter season. The hotels were fully occupied again during peak periods, i.e. around New Year's Eve and "the golden week" (period from Christmas till Epiphany). The weighted average daily room rate (ADR) increased by 9.2% to EUR 99.70 (91.30).

#### KPIs of Hotel Portfolio



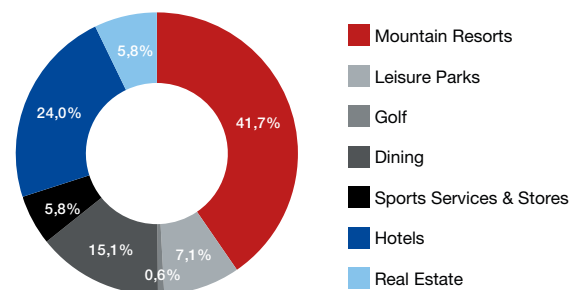
## FINANCIAL OPERATING RESULTS<sup>3</sup>

### MOUNTAIN RESORTS

Revenues of the largest segment, Mountain Resorts, make up 41.7% (40.4) of the Group's total operating revenues. Revenues are mostly generated from ski pass sales in the resorts of Jasná Nízke Tatry, Vysoké Tatry, Szczyrk Mountain Resort, Ski Resort Ještěd and the for the first time also in the Austrian resorts Mölltaler Gletscher and Ankogel. Other revenues are generated from the lease of advertising and other space, marketing events in the resorts, and management advisory fees for the Špindlerův Mlýn resort. As a result of the unprecedented pandemic situation related to the spread of the COVID-19 since the end of the winter season, the Group recorded an almost 10% decrease in revenue of Mountain Resorts to EUR 46.402 mil. (51,485).

The Mountain Resorts' EBITDA increased year-over-year by 13.4% to EUR 22.142 mil. (19,588), reaching operating profitability of 47.7% (38.0), mainly due to the influence of Austrian resorts and the new accounting methodology in connection with IFRS 16 regarding accounting for leasing costs.

#### Revenue Breakdown



### LEISURE PARKS

The Leisure Parks' revenues are mostly generated from entry tickets to Aquapark Tatrlandia and Legendia - Silesian Amusement Park and make up 7.1% (8.8) of total revenues. In the financial year 2019/2020 revenues decreased by almost 30% to EUR 7.925 mil. (11.238). The decrease was caused by a fall in the visit rate due to the ongoing pandemic. EBITDA fell by 25.9% to EUR 2.713 mil. (3.662). Operating profitability of Leisure Parks slightly increased to 34.2% (32.6).

### GOLF

Revenues of the newest Golf segment come from the operation of two leased Czech golf resorts of Golf & Ski Resort Ostravice and Golf Resort Kaskáda, specifically from green fees, membership and coach fees, green card fees, and from golf cart rental. The segment revenues reached the amount of EUR 646 ths. (913). The operating performance indicator, EBITDA, amounted to EUR 315 ths. (95).

### DINING

The Dining segment revenues of the reported period are generated in the Group's dining facilities and après ski bars in the resorts Jasná Nízke Tatry, Vysoké Tatry, Szczyrk, Ještěd, Mölltaler Gletscher, in both golf resorts, and both leisure parks. Last year's revenues of the segment make up 15.1% (14.4) of total revenues. Total revenues reached EUR 16.735 mil. (18.431), or a 9.2% decrease. The segment's operating profitability reached 14.5% (16.9), whereas EBITDA decreased to EUR 2.424 mil. (3.124). The success of this segment to a certain extent depends directly on the success of the resorts and parks, as these are ancillary services

in the resorts and leisure parks. Lower visit rate of the resorts in connection with anti-pandemic measures also caused a decline in sales in this segment.

### SPORTS STORES & SERVICES

Last year's revenues generated from the sports stores, ski schools, sports equipment rentals and service in Mountain Resorts under the Tatra Motion, Szczyrk Motion and Ještěd Motion brands, revenues from the sports stores and services in the golf resorts, and revenues from the stores in the leisure parks made up a 5.8% (5.7) share in total revenues. The segment's revenues dropped by 12% growth to EUR 6.427 mil. (7.336). The operating performance, EBITDA, decreased by almost 20% to EUR 0.986 mil. (1.230) and the segment's operating profitability reached 15.3% (16.8).

### HOTELS

The Group's second largest segment is Hotels, revenues of which for the reported period made up a 24% (22.7) share in total revenues. Due to the pandemic situation and lower occupancy, the segment reported an 8% decrease in revenues to EUR 26.657 mil. (28.966). EBITDA dropped by 21.2% to EUR 4.290 mil. (5.446) with the corresponding EBITDA margin of 16.1% (18.8).

### REAL ESTATE

The last year's revenues of the Real Estate segment come from the lease of Hotel Ski & Fun, Hotel Liptov, Kosodrevina Lodge, and the lodging facility Otupné to third parties, as well as from sale of recreational real estate. The segment's revenues in the past financial year made up 5.8% (7.2) of total revenues and they amounted to EUR 6.405 mil. (9.223). EBITDA decreased to EUR 2.266 mil. (2.351), and EBITDA margin reached 35.4% (25.5).

#### Explanations

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

**ADR** - Average daily room rate

**EBITDA** - represents the profit from regularly recurring activities of the company before taxes, interest, amortization and depreciation adjusted for other income and expenses, which are listed under EBITDA, in particular profit / (loss) from financial operations representing foreign exchange gains / (losses). The EBITDA indicator adjusted in this way is used by the company's management to manage the performance of the company as well as its individual segments.

**FY** - financial year, period from 1 November to 31 October

**KPIs** - Key Performance Indicators

**p.p.** - percentage points

**mil.** - millions

**ths.** - thousands

**Change yoy** - change year-over-year

<sup>3</sup> In the FY 2018/19 the Group changed its segmentation from three key segments: Mountains & Leisure (with its subsegments Mountain Resorts, Leisure Parks, Dining, and Sports Services and Stores), Hotels, and Real



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 2019/20 the Group operated with liquid funds in the amount of EUR 7.161 mil. (12.073) in the form of cash and cash equivalents. The decrease is due to lower amount of revenues in the second half of the year.

### BORROWINGS

The total value of the Group's borrowings as of 31. October 2020 amounted to EUR 337.040 mil. (347.350). Out of that issued bonds were valued at EUR 258.973 mil. (261.287). During the fiscal year, the Group drew its bank borrowings from the Slovak banks Poštová banka, J&T Banka, and from the EUROCOM Investment s.r.o. company. The Group also drew overdrafts from the Austrian banks Hypo Tirol Bank AG and Kärntner Sparkasse AG. The level of the Group's debt as of the period end was at 78.6% (75.9%) (total debt-to-capital ratio). Total debt-to-EBITDA ratio reached the level of 9.5 (9.8) as of 31/10/2020 (See Consolidated Financial Statements, Note 28).

### TOTAL ASSETS

The book value of total assets increased to EUR 561.927 mil. (533.858). Value of current assets decreased to EUR 32.239 mil. (88.303) mostly due to a decrease in cash and cash equivalents; repayment of a number of short-terms loans provided and lower amount of prepayments relating to future acquisitions. Non-current assets rose to EUR 529.688 mil. (445.555) mainly due to the reclassification of assets acquired through leasing (assets with the right to use) and higher goodwill in connection with the acquisition of companies (I. Tatranská). The value of fixed assets amounted to EUR 470.122 mil. (421.324). In addition to newly completed investments, it also increased due to change in leasing accounting policies. (See Consolidated Financial Statements, Notes 15-18).

### EQUITY

The book value of shareholders' equity amounted to EUR 91.886 mil. (111.746), whilst retained earnings and other funds totaled EUR 34.912 mil. (35.640). Minority interest amounted to EUR -278 ths. (106).

Financial Position in €'000 (unaudited)	October 31	
	2019/20	2018/19
Total Assets	561 927	533 858
Non-current Assets	529 688	445 555
Fixed Assets	470 122	421 324
Other Non-current Assets	59 566	24 231
Current Assets	32 239	88 303
Liquid Assets	7 161	12 073
Equity	91 886	110 173
Liabilities	470 041	423 685
Non-current Liabilities	277 337	372 658
Current Liabilities	192 704	51 027
Total Debt	337 040	347 350

## OUTLOOK

### CAPEX

In the past financial year, the Group completed several investment projects with a total value of almost EUR 14.5 million. Significant investments include the renovation of the apartment hotel Horec in Tatranská Lomnica, the completion of construction of new snowmaking reservoirs in Jasná, investments into new infrastructure, including new snowcats, upgrade of the existing F&B outlets, and renovation works in a number of hotels across the portfolio. In Szczyrk, new snowmaking facilities were added as well as a restaurant (gastro hall Skryczinska). A new attraction called Rapid River was built in the Polish Legendia. In the TMR Real Estate Projects segment, TMR new chalets from Chalets Jasná Collection were completed.

Considering the current pandemic situation, future CAPEX in the resorts will mainly cover maintenance investments and investments into infrastructure.

### CASH FLOW

Cash flow generated from operating activities reached EUR 23.141 mil. (27.660). Cash flows assigned for investment activity reached EUR -9.566 mil. (-35.194), whilst cash flow for acquisition of property amounted to EUR -15.858 mil. (-31.229). The Company recorded cash flows generated from financing activities in the amount of EUR -18.487 mil. (-34.918).

Given the continuing uncertainty surrounding the COVID-19 coronavirus pandemic, the pandemic situation and related anti-pandemic measures can be expected to have a material adverse effect on the Group's operations, financial performance, financial prospects and financial position in the near future. Management assessed the impact of the COVID-19 pandemic on the Group's operations and concluded that there was no significant uncertainty about the Group's going concern.

For the purpose of assessing the effects of the pandemic on the Group's financial performance, management has modeled several liquidity scenarios for a period of 12 months from the balance sheet date. The assumptions used in the models are based on estimates of the potential impact of COVID-19 restrictions and include steps taken by management to mitigate the effects of the pandemic during this period. The baseline scenario includes the impact of deferral of loan repayments, reduction of capital expenditures and anticipates the reopening of operations in April 2021. Based on this scenario, management assumes sufficient recourses related to the financial liquidity will be available. The scenarios also analyzed an even more pessimistic option of restrictions, which would allow the reopening of operations only from May 2021. In this case, too, the Group should have sufficient financial resources to ensure its operation. If necessary, the Group may use funds from the issue of the TMR V bond.

Cash Flows in €'000	November 1 - October 31	
	2019/20	2018/19
Net Cash from Operating Activities	23 141	27 660
Net Cash from Investing Activities	-9 566	-35 194
Net Cash from Financing Activities	-18 487	-34 918
Net Increase in Cash and Cash Equivalents	-4 912	-42 452

## OTHER FINANCIAL INFORMATION

### AFTER BALANCE SHEET PERIOD ITEMS

On 2 February 2021, the company issued TMR V 6,00%/2026 bonds with the nominal value of up to EUR 150 mil. with an interest rate of 6%. TMR V bonds are due in February 2026.

On 5 February 2021, TMR II 6,00%/2021 bonds in the total amount of EUR 110 mil. were repaid in full.

In February 2021, the Company drew a new loan from J&T Bank in the amount of EUR 20 mil. to finance the Group's operating needs.

On 15 December 2020, the Company entered into a Share Transfer Agreement with the Austrian company Muttereralp Bergbahnen Errichtungs GmbH (hereinafter "MABE"), which operates the Muttereralp ski resort in Tyrol, Austria. The subject of the deal is the acquisition of a 100% stake in this company. The agreement transferring the shares of MABE is subject to nine conditions precedent. Of these, eight were already fulfilled during December 2020. The last condition precedent is the consent of the Land of Tyrol as the control body of the sellers. After all the conditions precedent have been met, the contract shall enter into force on 1 May 2021. If all the conditions precedent are not met by 31 March 2021, each of the contracting parties has the right to withdraw from the contract.

### RELATED PARTY TRANSACTIONS

On January 29, 2020 a member of TMR's Board of Directors and COO, Čenek Jílek signed a purchase contract with the TMR Company for one apartment within the Chalets Jasná Collection project.

Jozef Hodek, a member of TMR's Board of Directors and CFO, signed a contract with the TMR Company on purchase of one apartment within the Chalets Jasná Collection project.

### Explanations

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

**mil.** - millions

**thous.** - thousands

**Total Debt-EBITDA ratio** - is calculated as a sum of current and non-current loans and borrowings and other current liabilities to the amount of liabilities towards shareholders from the decrease of share capital, divided by EBITDA for the reported period

**EBITDA** - represents the profit from regularly recurring activities of the company before taxes, interest, amortization and depreciation adjusted for other income and expenses, which are listed under EBITDA, in particular profit / (loss) from financial operations representing foreign exchange gains / (losses). The EBITDA indicator adjusted in this way is used by the company's management to manage the performance of the company as well as its individual segments.



CORPORATE SOCIAL RESPONSIBILITY





# Corporate Social Responsibility

## ENVIRONMENT AND COMMUNITY

TMR owns and operates major tourist resorts mainly in Slovakia and Poland. Majority is located in the area of national parks. The Company concentrates solely on traditional, already urbanized areas, where sports and tourism have been a tradition for decades. From TMR's point of view protecting fauna and flora is a very important part of ongoing investments, and of continuing development of summer and winter tourism in the Tatras. Every investment is analyzed in terms of impact on the environment.

### IMPACT OF BUSINESS ACTIVITIES ON ENVIRONMENT

TMR in all of its investment and operational activities cares for environment protection and minimal impact on the natural environment. The Company takes environment into consideration during the course of its business activities and tries to minimize their impact in every segment. TMR's effort is to select services and products in such a way that the impact on the environment is minimal. Moreover, the Company does its best to restrict relatively the use of natural resources and optimize waste production. TMR spreads this attitude towards environment internally among its employees and externally within communities by means of initiatives and events. The goal of TMR is to conduct business activities with a minimum energy and fuel consumption. With this goal in mind the Company also adapts its capital investments into new cableways. These new cableways are built with the latest energy efficient technologies from top world producers, like Doppelmayr and Leitner.

### Green Energy

For its operations the Company also utilizes „green energy“ - electric energy from renewable resources, i.e. solar, water, and wind energy, for which it was granted a certificate from the supplier. In every segment the Company aims to utilize efficient management of operations at an optimal level of energy consumption, and moreover, the Company consistently works on improving operational efficiency. In addition to the selection of energy efficient cableways TMR also cares for the correct choice of trail-grooming vehicles that have lower emissions and thus decrease the impact on the environment.

### PROJECTS OF 2019/20

TMR's projects last year referred to activities of prior

periods, when TMR made an active contribution to restoration of the areas, in which TMR's business activities are performed. The Group was also proactive in preparation of educational activities focused on various age groups of the population. TMR has been very active in cooperation with district tourism organizations (DTOs). TMR is a member of three DTOs covering the whole region of the Company's operation. It includes the following DTOs:

- DTO High Tatras Region
- DTO Liptov Region
- DTO Horehronie Region

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

### Tatry Magazine

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

### Nature and Children

Education promoting positive approach to nature is apparent in many of the Company's activities. The key projects which usually focus on tutorial and educational tasks are 'Drakopark Chopok', 'Tatra Wilderness', 'Snow Dogs' and 'Bear Days'. During summer families with children discovered secrets of the mountains and Demänovská Valley, looking for traces of the Demian, the Dragon. An educational trail for children covering even larger area is presently under construction in the High Tatras. The nature trail named Tatry Wild resulted from TMR's cooperation with the State Forests Enterprise of TANAP National Park and the Management of TANAP National Park. This project gradually expands from Tatranská Lomnica, through Hrebienok to Štrbské Pleso. The most attractive part of the project is the eco-mini park Marmot Cave at Skalnaté Pleso - an environment-friendly educational and fun park for children.

Due to the pandemic situation, family events, such as the Bear Days, could not take place last year.

### Green Chopok

Volunteers traditionally meet at Mt. Chopok for the Green Chopok event in order to clean up ski trails and surroundings from garbage and rocks after the ski season is over. Besides cleaning the trails, the fans of mountains also usually plant trees at Mt. Chopok. Around 200 volunteers and fans of mountains from whole Slovakia participates. Due to the pandemic situation, the Green Chopok event last year took place in September. The traditional spring date of the popular event during the spring wave of the COVID-19 pandemic was replaced by the own activity of TMR employees, who, in cooperation with state forests and landowners, planted thousands of seedlings of new trees. Planting also took place in the High Tatras region.

### Sports Events

The Group proactively supports sport events in its resorts, either as a partner or as a sponsor. In March 2021 TMR will be an organizer of the prestigious World Cup in Jasná.

### Supporting Athletes

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

### TMR Supported the Ecological Project Tatra Knights

TMR supports good ideas and activities focused on the outdoors where it is centered. The goal of the Tatra Knights project is to motivate pupils to contribute to environmental care and to intensify their interest. It also motivates pupils to keep studying the importance of sustaining biodiversity and eco topics not taught in schools. The national ecological project Tatra Knights focuses on pupils of primary schools and high schools. The Methodological and Pedagogical Center (MPC) is the expert guarantor of the project, supported by TMR, which is a Central European leader in tourism and its success is closely linked with how it cares about the environment in which it operates. This responsibility also includes supporting the project and educating the youngest to an equally responsible approach. More info about the project at [www.tatrytieri.sk](http://www.tatrytieri.sk).

### For a Better Life in the Town of Vysoké Tatry

In 2019 TMR launched a grant program entitled For a Better Life in the town of Vysoké Tatry. The aim of the program is to support the public benefit activities of the inhabitants of Vysoké Tatry, which will contribute to improving the quality of life in the city for its inhabitants. The program aims to motivate people and organizations in the High Tatras to identify what needs to be improved, repaired or created for the benefit of the local community. The added value of the submitted projects is that applicants will actively participate as volunteers in the implemented ones. In 2020 TMR supported eight projects. Thanks to the grant schoolchildren from the surrounding villages acquired new sports equipment, and landscaping of the sports complex and adjacent cross-country ski trails near the settlement of Tatranská Polianka has been completed. The total amount of contributions to supported projects under the 2020 grant program amounted to 20 thousand euros.

### Help in the times of the COVID-19 pandemic

During the pandemic, TMR provided fresh fruit for the elderly and sick, respirators, protective masks and other protective equipment for rescue services in ski resorts Jasná, Vysoké Tatry, Štrbské Pleso and Špindlerův Mlýn operated by the company. The Center for Children and Family (CPDR) in Poprad received special assistance in the form of nine computers to support distance learning during interrupted schooling.



## HUMAN RESOURCES

Human resources are an important factor in the Group's success. The COVID-19 pandemic and subsequent epidemiological measures throughout the EU lessened the activities in the set plan to improve processes in human resource management, job stabilization, continuous employee training, and utilization of all modern HR tools in order to achieve quality, stability, and the Group's growth.

The annual average number of the Group employees for the financial year 2019/20 totaled 1,332 (1,456 in 2018/19). In the reported period the Group was using services of human resource agencies in hiring short term employees. In 2019/20 307 employees were hired this way (376 in 2018/19). The significant decrease in the number of employees reflects the unfavorable situation regarding the ongoing pandemic and epidemiological measures.

TMR strives to provide equal employment opportunity. On average, the Group employs 54% men and 46% women.

In 2019/20 the Group published 433 job offers and recorded 5,622 responses. The number of the job offers published is the reflection of the labor market which is facing a lack of skilled labor force in the whole EU prior to the pandemic. Since the beginning of the outbreak of COVID-19 the number of job offers decreased to zero. From the long term perspective, TMR emphasizes internal training, retraining of the workforce, personal growth of employees, and therefore primarily gives the opportunity to internal employees when choosing the right candidates in case of vacancies.

## PROJECTS

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

## COMMUNICATION

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

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

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

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

## COOPERATION WITH SCHOOLS AND UNIVERSITIES

TMR puts emphasis on building relationships with high schools and universities in a way so that the Group can create an efficient source of qualified and highly professional employees. Despite the challenges connected to COVID-19 pandemic, TMR continued in its dual education programme. In the school year 2010/21 there were 104 students from Hotel Academy in Liptovský Mikuláš, Otto Brückner Hotel Academy in Kežmarok, and from the Specialized Hotel School in Starý Smokovec, involved in the programme. TMR has also a cooperation memorandum signed with the Catholic University of Ružomberok in the form of participating in the ERAZMUS plus programs. There were approximately 32 foreign full-time students of the university working part-time for TMR during the school year 2020/21.

## SOCIAL PROGRAM AND BENEFITS

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





CORPORATE GOVERNANCE





# Corporate Governance

## CORPORATE GOVERNANCE PRINCIPLES

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

## CORPORATE BODIES AND MANAGEMENT

### BOARD OF DIRECTORS

The Board of Directors is a statutory body of Tatra 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. Furthermore, it also submits proposals for the approval of financial and business transactions with a value exceeding EUR 150 000 by the Supervisory Board. 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 all the members of the Board of Directors voted in the affirmative.

**As of 31 October 2020, the Board of Directors comprised of three members:**

- **Igor Rattaj** - chairman of the Board of Directors
- **Jozef Hodek** - member of the Board of Directors
- **Čeněk Jílek** - member of the Board of Directors

### MEMBERS OF THE BOARD OF DIRECTORS

- **Igor Rattaj** - Chairman of the Board of Directors since 30/04/2020



Mr. Rattaj became the Chairman of the Board of Directors in May 2020. Previously, he has held the office of the Chairman of the Supervisory Board of TMR since June 2009, when he was elected by the General Meeting as a member of the Supervisory Board and reelected

by the General Meeting on 12/04/2014 and re-elected on 17/04/2019. He has extensive experience in finance. Additionally, he is a member of Supervisory Boards and an Executive in a number of companies. He worked as Director for Trading with Securities in J&T Securities. Previously, he held the position of Vice-Chairman of the Board of Directors and Director for Private Banking at "Podnikatelská banka" in Prague. He graduated from the Slovak University of Technology, Faculty of Electrical Engineering in Bratislava.

Besides his role as TMR's Chairman of the Supervisory Board, Ing. Rattaj holds positions as a member of the Board of Directors of Garfin Holding, a.s., a member of the board of directors of Algo Financial technologies, a.s., Czechia, a member of the board of directors of Park Orbis Pictus a.s., Czechia, a member of the Board of Directors at MELIDA, a.s., the Czech Republic, and a member of the board of directors of NARCIUS, a.s. Ing Rattaj is also a director and a management board member of HOBACOR, a.s., Czechia, a member of the Supervisory Board of RIVERSAND a. s., Profimedia. CZ a.s., and SOLIVARY akciová spoločnosť Prešov in liquidation. He is a chairman of the management board of TMR Ještěd a.s. (till 31.01.2018 Tatra mountain resorts CR, a.s.). He is also a management board member of Nadace J&T. Since 29.05.2018 he has been a member of the supervisory board of isifa a.s. Czech Republic, since 04.09.2018 he has been the managing director of HURRICANE FACTORY PRAHA s.r.o, Czech Republic. Since 16.02.2018 he has been a member of the Board of Directors of Tatra Mountain Resorts CR, a.s. since 08.10.2018 has been a managing director of CARMEN INVEST s.r.o. and since 20.12.2017 has been a member of the Supervisory Board of CryptoData a.s. Since

21.06.2017 he has been the Chairman of the Board of Directors of GARFIN HOLDING, a. s and since 01.08.2018 he has been the Chairman of the Board of Directors of Hurricane Factory a.s. He is also a partner in EU GEN s.r.o., since 10/12/2019 he has been a supervisory board member of RENTAL LIVE a.s., since 30/11/2018 he has been a legal representative of Muchalogy s.r.o., and since 21/06/2019 he has been a statutory director and a board member of DEVEREAL a.s. As of the date of issue of the annual report, he also holds the position of a managing director in the companies, Thalia s.r.o., C4U, s.r.o., and RCBT, p. r. o., ORBIS NATURA, s.r.o., Czech Republic and is also a member of the Board of Directors of Algo Financial Technologies, a.s. and acts as a statutory in DCBA s.r.o and Hurricane Factory Tatrlandia s.r.o.

Number of shares held as of 31 October 2020 3,300 (Igor Rattaj), 1,973,197 (C.I. CAPITAL INDUSTRIES LIMITED, 100%)

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



Mr. Hodek was first elected as a member of the Board of Directors in June 2009. On 27/05/2014 he was reelected, effective as of 30/06/2014. On the Supervisory Board meeting held on 11/06/2019 he was reelected a member of the Board, effective 01/07/2019. He joined the Company as the Chief Financial Officer in 2007; later he was engaged in the financial consolidation of the companies which now are members of TMR. From 2008 to 2009, he held the position of Chief Financial Officer of Tatra mountain resort services, a.s., which merged with TMR. Currently, he serves as the Company's CFO. He was engaged in TMR efficiency improvement processes, the issue of new shares and listing on the Bratislava Stock Exchange. Previously, in 2006 to 2007, he worked in the audit department of Pricewaterhouse Cooper Slovakia. He graduated from the University of Economics, Faculty of Business Informatics in Bratislava.

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

since 14/09/2018 he has been a statutory director and the director of the Board of TMR Finance CR, a.s., Czech Republic. Since 09/07/2018 he has been a supervisory board member of GARFIN HOLDING, a.s.

Number of shares held as of 31 October 2020: 431

- **Čeněk Jílek** - member of the Board of Directors since 04/06/2020



Čeněk Jílek has been a member of the Company's Board of Directors since June 2020. Mr. Jílek previously held the position of Director of the Špindlerův Mlýn resort, operated by Melida a.s., . Earlier he served three years as a sales manager of the Tatra Motion retail stores, which belong to TMR. He has also gained his experiences in tourism during seven years as a sales manager in the luxury hotel segment in Canary Islands. He received his MBA degree from Bircham International University.

Mr. Jílek serves as chairman of the board of directors of the Czech company MELIDA, a.s., he is vice-chairman of the board of directors of SKOL MAX Ski School, a. s. a statutory director and a management board member of TMR Ještěd a.s. (till 31.01.2018 Tatra mountain resorts CR, a.s.), and a partner and legal representative of Refugio, s.r.o. Since 16.02.2018 he has been the statutory director of Tatra mountain resorts CR, a.s., Czech Republic and since 14.09.2018 he has been a member of the Board of Directors of TMR Finance CR, a.s., Czech Republic. He is also a member of the board in Tatra mountain resorts PL, a.s., Ostravice hotel, a.s. and SWM, SON, Korona (PL).

Number of shares held as of 31 October 2020: 0

## 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, reports to the General Meeting regarding results of its monitoring activities.

The Supervisory Board is comprised of nine members. The term of office is five years, and re-election is not allowed. Members of the Supervisory Board are elected and



removed by the General Meeting. If, at the moment of an election, the Company employs more than 50 employees on full-time employment, two thirds of the members of the Supervisory Board are elected and removed by the General Meeting and one third is elected and removed by the Company's employees. The Supervisory Board elects the Chairman and Vice-Chairman of the Supervisory Board from among its members.

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

**As of 31 October 2020, the Supervisory Board was comprised of seven members:**

- **Bohuš Hlavatý** - Chairman of the Supervisory Board, elected by the General Meeting on 29/04/2020, effective 30/04/2020;
- **František Hodorovský** - Vice-Chairman of the Supervisory Board, elected by the General Meeting;
- **Adam Tomis** - member of the Supervisory Board
- **Pavol Mikušiak** - member of the Supervisory Board, elected by the General Meeting;
- **Roman Kudláček** - member of the Supervisory Board, elected by the General Meeting;
- **Andrej Devečka** - member of the Supervisory Board, elected by the General Meeting on 29/04/2020, effective 30/04/2020;
- **Miroslav Roth** - independent member of the Supervisory Board, elected by TMR employees;

**Changes during the year:**

On April 29, 2020, the General Meeting removed Igor Rattaj from the position of a member of the Supervisory Board, and also elected Bohuš Hlavatý as a member of the Supervisory Board effective of April 30, 2020 and Andrej Devečka as of April 29, 2020. As a result of the termination of employment with the Company as an employer, the positions of the members of the Supervisory Board - elected by the employees - Ján Štetek on April 30, 2020 and Peter Kubeň on April 30, 2020 ceased to be the members. On April 20, 2020, the 5-year term of office of Martin Kopecký, a member of the Supervisory Board, ended. At its meeting held on April 30, 2020, the Supervisory Board elected Bohuš Hlavatý as the Chairman of the Supervisory Board on the day of taking office, effective as of April 30, 2020.

**MEMBERS OF THE SUPERVISORY BOARD**

■ **Bohuš Hlavatý** - Chairman of the Supervisory Board since 30/04/2020

In June 2009 Ing. Hlavatý previously worked as the Company's Chairman of the Board of Directors and CEO. Under his leadership, TMR underwent a successful revitalization and started making use of synergies with its subsidiaries. He managed the successful issue of TMR shares on the Bratislava Stock Exchange. Since 2006 he has held a number of senior managerial positions in hotel and tourism sectors in the High and Low Tatras. In 2006 - 2008 he held the position of CEO of JASNÁ Nízke Tatry (predecessor of TMR) and CEO of Tatranské lanové dráhy (Tatra Cableways). Previously, he held top managerial positions at Slovak, Polish and Czech FMCG companies: Vodní sklo Brno (Vice-Chairman of the Executive Board 2003 - 2006), Wyborova SA (Pernod Ricard Poland) (Sales Director 2001 - 2003), Seagram Poland (Sales Director 1999 - 2001), Seagram Slovakia (Sales Director 1995 - 1999), and BOBI Slovakia (since 1997 Kimberley Clark) (Director 1994 - 1995).

Since November 2006 Ing. Hlavatý has been a partner and a legal representative in BAKK s.r.o. He is also a member of the supervisory board of the Polish company Korona Ziemi Sp. z o.o., Poland, a member of the supervisory boards of Szczyrkowski Ośrodek Narciarski S.A., Poland, and Śląskie Wesołe Miasteczko Sp. z o.o. Poland. Since 05/05/2017 he has been a member of the management board of TMR Ještěd a.s., the Czech Republic (till 31/01/2018 Tatra mountain resorts CR, a.s.) and since 30/09/2017 he has been a chairman of the board of directors of Tatra mountain resorts PL, a.s. Since 03/10/2019 he has been a member of the supervisory board of Tatra mountain resorts CR, a.s., the Czech Republic and since 14/09/2018 he has been a member of the supervisory board of TMR Finance CR, a.s., Czech Republic.

Number of shares held as of 31 October 2020: 710

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

In January 2011, Mr Hodorovský was first elected by the General Meeting as a member of the Supervisory Board and, at the same time, he was elected by the Supervisory Board as Vice-Chairman of the Supervisory Board, as the owner of Tatralandia, which was acquired by the Company. The Annual General Meeting reelected František Hodorovský a member of the Supervisory Board, effective as of 28/04/2016. The Supervisory Board at its meeting on 28/04/2016 appointed František

Hodorovský its vice-chairman as of 28/04/2016. Since 1996, he has held various positions as a legal representative, partner and shareholder in various companies operating in the tourism industry. He graduated from the University of Economics in Bratislava, Faculty of Business Management.

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

Number of shares held as of 31 October 2020: 0 (František Hodorovský), 1,030,919 (FOREST HILL COMPANY, s.r.o., 100%)

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

Mr. Tomis was elected a Supervisory Board member by the General Meeting on 12/04/2014 and reelected at the General Meeting on 17/04/2019. Currently, he serves as a project manager responsible for non-banking investments of the J&T Group. During 2012-2013 he worked in a consulting firm McKinsey&Company on projects in banking and telecommunications. Before, he had served for eight years at the investment firm Benson Oak Capital and for one year at the independent air travel agency Travel Service. Mr. Tomis earned his college degree at the Charles University in Prague, the Institute of Economic Studies, majoring in Finance, financial markets, and banking.

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

Number of shares held as of 31 October 2020: 0

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

Ing. Mikušiak was elected a member of the Supervisory Board in April 2013 by the General Meeting and reelected in April 2018. He is a member of corporate bodies of several Slovak companies. Since 1996 he serves as business director of CBA Verex, a.s. Previously he worked as foreign trade director at Verex, s.r.o. (1992 - 1996)

and as a scientific researcher at Research Institute in Liptovský Mikuláš (1987 - 1992). He graduated from the Technical University in Košice, the Faculty of information technologies and programming. Currently, besides his role as TMR's member of the Supervisory Board, Ing. Mikušiak serves as a Chairman of the Supervisory Board at LEVEL, a.s. (from 06/08/2018), a.s. and OSKO, a.s., . At the same time, he holds a position of chairman of the Board of Directors at CBA SK, a.s. and CBA VEREX, a.s., . He is a vice-chairman of the Board of Directors at VEREX HOLDING, a.s. and VEREX-ELTO, a.s.; and a member of the board at VEREX ŽILINA, a.s. and NARCIUS, a.s. He is a legal representative of ELTO REALITY, s.r.o., VEREX REALITY s.r.o., PeLiM, práčovne a čistiarne, s.r.o. and MPL Invest, s.r.o.

Number of shares held as of 31 October 2020: 0 (Pavol Mikušiak), 3 000 (Verex Holding, a.s., 25%)

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

In April 2012, Mr Kudláček was elected by the General Meeting as a member of the Supervisory Board, and then reelected in April 2017. He has extensive experience in machinery and engineering. Since 2000 he has held the position of Chairman of the Board of Directors in K&M, a.s. From 2001 to 2008, he worked as an executive of Liptosol, s.r.o. in Liptovský Mikuláš. Previously he held the position of Chairman of the Board of Directors at the machinery manufacturer LIPTOVSKÉ STROJÁRNE plus, a.s. (1997 - 1999). From 1993 to 1999 he was an Executive of RBL, s.r.o. During the prior two years he was engaged in retail business activities.

Besides his membership on the Supervisory Board of TMR, Mr Kudláček is a legal representative at NORDBELL s.r.o., C4U, s.r.o. and a member of the Supervisory Board at EUROCOM Investment, s.r.o. a WORLD EXCO s.r.o.

Number of shares held as of 31 October 2020: 1,000

■ **Andrej Devečka** - member of the Board of Directors since 29/04/2020

Mr. Devečka was a member of the Board of Directors until the end of April 2020. Since 1991 he has been an owner, businessman, co-owner, executive and member of the Supervisory Board in a number of companies. Previously, he held the position of Senior Manager in Tesla Liptovský Hrádok, a technology machinery company. He graduated from the University of



Technology in Liptovský Mikuláš, with a specialization in microelectronics and laser technology.

Besides serving on the Supervisory Board of TMR Ing. Devečka serves as a legal representative at HOLLYWOOD C.E.S., s.r.o. and C4U, s.r.o. Since 30/09/2017 he has been a supervisory board member of Tatry mountain resorts PL, a.s.

Number of shares held as of 31 October 2020: 500

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

Mr. Roth was reelected as a member of the Supervisory Board by employees of the Company in November 2017. He works for the Company as an electrical networks specialist in the resort Vysoké Tatry. He had previously held this position from 1985 in Tatranské lanové dráhy, a.s.

Number of shares held as of 31 October 2020: 0

#### GENERAL MANAGER OF THE COMPANY

The General Manager manages the activities of the Company in accordance with the decisions of the Board of Directors, the General Meeting, and performs the tasks arising from the internal regulations. In accordance with the approved organizational structure of the Company, the General Manager reports directly to the Board of Directors. CFO (Chief Financial Officer) and COO (Chief Operations Officer).

The position of CEO was held by Bohuš Hlavatý until 29.04.2020.

For personal data see the description of his position as Chairman of the Supervisory Board

As of October 31, 2020, the company did not hold the position of CEO.

#### REMUNERATION OF THE BOARD MEMBERS OF THE PUBLICLY TRADED COMPANIES

The company, as a publicly traded entity, is obliged pursuant to Art. § 201a of the Commercial Code to draw up remuneration rules and at the same time is obliged to pay remuneration to members of the bodies in accordance with the approved remuneration rules.

On April 29, 2020, the Ordinary General Meeting

approved the „Rules of Remuneration of the Bodies of a Public Joint Stock Company“ (hereinafter referred to as the „Remuneration Rules“).

The Remuneration Rules regulate the basic remuneration framework and the methods of providing compensation to members of the Company's bodies.

For the purposes of the Remuneration Rules in accordance with Art. § 201a par. 2 of the Commercial Code means the Company's bodies refer to the following:

- member of the Board of Directors of the Company
- member of the Supervisory Board of the Company
- person acting at the highest level of management of the Company, if this position exists in the Company, provided they are not members of the Board of Directors or the Supervisory Board.

In accordance with the approved Remuneration Rules, the members of the Board of Directors are provided with the Total Remuneration of a member of the Board of Directors, which consists of:

- a fixed component in accordance with point 2.2 of the Remuneration Rules
- a variable component in accordance with point 2.3 of the Remuneration Rules
- surcharges and other benefits of a member of the Board of Directors

In accordance with the Remuneration Rules, the members of the Supervisory Board are provided with the Total Remuneration of a member of the Supervisory Board, which consists of:

- a fixed component in accordance with point 3.2 of the Remuneration Rules
- a variable component in accordance with point 3.3 of the Remuneration Rules
- surcharges and other benefits of a member of the Board of Directors

In accordance with §201e of the Commercial Code, the Board of Directors will prepare a "Remuneration Report" and at the same time submit it once a year to the General Meeting for discussion as part of the Annual Report. The Remuneration Report for the Financial Year 2019/2020 is published in an appendix to this Annual Report.

The total amount of remuneration paid to the representatives of the Board of Directors, Supervisory Board members and the top management in 2019/2020 was EUR 1.146 mil.

## GENERAL MEETING

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

- Amendments to the Articles;
- Decisions on an increase/decrease in the Company's registered capital; instructing the Board of Directors to increase the share capital in accordance with Article 210 of the Commercial Code and decisions to issue preferred or convertible bonds;
- Decisions on termination of the Company and/or change in the legal form;
- Election and removal of members of the Supervisory Board, except for members of the Supervisory Board elected and removed in accordance with Article 200 of the Commercial Code by employees in accordance with applicable law;
- Approval of annual individual financial statements and extraordinary individual financial statements, decisions regarding the distribution of profit or settlement of loss, and decisions on remuneration;
- Decisions regarding the termination of trading the Company's shares on the stock exchange and decision on the fact that the Company ceases to be a publicly traded company;
- Decisions on transformation of registered shares into share certificates and vice versa
- Decisions regarding the approval of a contract on transfer of business or a part thereof;
- Approval of the Remuneration Rules of the members of the company's bodies and their changes;
- Approval of contracts for the performance of the function of members of the Supervisory Board;
- Deciding other issues falling under the competence of the General Meeting in accordance with the Articles and under existing law.

The competence of the General Meeting is defined by Act 513/1991 Coll. of the Commercial Code, as amended, and the Company's Articles. The General Meeting is comprised of all shareholders, members of the Board of Directors, and members of the Supervisory Board present at the session and/or third parties invited by the Company's body (bodies) or shareholders who convened the meeting. Each shareholder is authorized to attend the General Meeting, vote, ask for information and explanations regarding corporate matters and/or entities controlled by the Company, if relevant to the agenda of the General Meeting, and file proposals. Shareholders can exercise their rights at the General Meeting through authorized representatives who shall prove their authorization by a written power of attorney defining the scope of the authorization. Exercise of the shareholders' voting rights is not limited in the Articles.

The number of votes held by each shareholder is defined by the proportion between the nominal value of the shares held by the shareholder and the amount of registered capital, whilst every EUR 7 of the shares' nominal value means one voting right.

#### DECISION-MAKING PROCEDURE OF THE GENERAL MEETING

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

In the period from 1 November 2019 to 31 October 2020, two sessions of the General Meeting were convened. The first meeting of the General Assembly was supposed to take place on March 26, 2020, but on the basis of a decision ordering measures to prevent the emergence and spread of coronavirus COVID-19, the meeting had been canceled. The Annual General Meeting finally took place on April 29, 2020, when it was duly held.

#### ANNUAL GENERAL MEETING

At the Annual General Meeting held on 29 April 2020, the shareholders adopted the following key resolutions:

1. Approval of the annual individual financial statements as of 31 October 2019
2. Approval of the distribution of individual net profit achieved in the financial year beginning on



- 01/11/2018 and ending on 31/10/2019 in the amount of EUR 4,086,581.46. A part of the profit in the amount of EUR 408,658.15 was to be added to the reserve fund, a part of the profit in the amount of EUR 20,432.91 was to be added to the social fund, and EUR 3,657,490.41 was to be transferred to the Retained earnings account.
3. Dismissal of Igor Rattaj from the position of a member of the Supervisory Board
  4. Approval of the amendment to the Articles of Association - harmonization of the Company's Articles of Association with the valid legal regulation of the Commercial Code, such as approval of the Rules of Remuneration of members of the Company's Bodies and their changes by the general meeting of the company. The amendment to the Articles of Association also concerns the elaboration of the scope of competence of the Board of Directors and the Supervisory Board and the change in the method of voting by the Board of Directors.
  5. Approval of the Rules of Remuneration of members of the Company's Bodies
  6. Approval of the auditor - KPMG Slovensko spol. s.r.o. to audit the financial statements for the year ending 31 October 2020
  7. Election of the members of the Supervisory Board - Bohuš Hlavatý and Andrej Devečka and approval of their position contract.

## DESCRIPTION OF SHAREHOLDERS' RIGHTS

Legal regulations and Articles of Association hereof regulate the rights and the obligations of the shareholder. Both legal and natural persons may become a shareholder of the Company. The shareholder may not exercise the rights of the shareholder which would affect the rights and professional interests of other shareholders. The company must treat all shareholders on equal terms. The shareholder shall have the right to participate on the management of the Company, on its profits and on its liquidation balance upon the cancellation of the Company with liquidation. The right to participate on the management of the Company shall be exercised by the shareholder by participation at the General Meeting and by execution of the rights related to this participation, whereas the shareholders shall be bounded with the organizational measures applicable to the proceedings of General Meeting. At the General Meeting any shareholder may vote, ask for information and explanations concerning the matters of the Company or the matters of parties controlled thereby, which are related to the agenda of the General Meeting, make proposals, and request to have their suggested topics to be included in the agenda of the General Meeting in accordance with relevant regulations. The date relevant for the exercise of the rights according

to previous sentence shall be the day indicated in the notice of General Meeting in accordance with section 180, subsection 2 of the Commercial Code. The shareholder or shareholders holding shares, of which the nominal value equals not less than 5% of the share capital, are entitled to request for convocation of an extraordinary General Meeting by including specification of their reason.

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

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

## SUPERVISORY BOARD REPORT

For the financial period from 1 November 2019 to 31 October 2020, the Company's Supervisory Board carried out the Company monitoring activities consisting of nine members until 31 March 2020, eight members until 30 April 2020 and seven members from 1 May 2020. In April 2020, Igor Rattaj was removed from the position of the Supervisory Board member at the Company's General Meeting with effect from 29 April 2020 and at the same time Bohuš Hlavatý was elected to the position of the Supervisory Board member with effect from 30 April 2020 and Andrej Devečka with effect from 29 April 2020. In the period from 1 November 2019 to 31 October 2020, the Supervisory Board held five sessions:

- On 24/02/2020 seven members of the Supervisory Board were present.
- On 26/03/2020 nine members of the Supervisory Board were present.
- On 30/04/2020 seven members of the Supervisory Board were present.
- On 15/06/2020 seven members of the Supervisory Board were present.
- On 23/09/2020 seven members of the Supervisory Board were present.

During the financial year ending 31/10/2020 as part of its control function, the Supervisory Board focused on controlling the Board of Directors' fulfillment of its duties assigned by the General Meeting, at monitoring the Board of Directors activity in terms of effective management of the Company, achievement of strategic goals in given conditions and determining the Company's growth plans, the operating and financial activity, the Company's assets, liabilities and receivables, correct bookkeeping, fulfillment of the business plan, financial budget, investment plan and compliance with the Company's Articles of Association, Code of Conduct and general legally binding regulations. The Supervisory Board approved the financial plans submitted by the Board of Directors, major investments and other material financial and business transactions for the relevant financial year, and submitted the results of its monitoring activities to the General Meeting. As part of their role, the Supervisory Board members have electronic access to production systems, through which they can get a daily report on the Company's financial performance. The Supervisory Board meetings were always attended also by the chairman of the Board of Directors (and CEO) and by CFO who is also a member of the Board of Directors. They informed the Supervisory Board members in detail on the Company performance including finance (CAPEX, Cash Flow, debt service).

As part of the performance of the activities of the Audit Committee, the Supervisory Board engaged in cooperation with an external auditor - KPMG Slovensko spol. s.r.o. They discussed the overall approach to the audit of the company as well as the TMR group (as part of the preparation of the Company's consolidated financial statements as of October 31, 2020). At the same time, the Supervisory Board set a deadline for the external auditor to submit an affidavit of independence and adopted the Declaration of Independence from KPMG.

## THE COMPANY'S CORPORATE GOVERNANCE CODE

The Company is fully aware of the importance of compliance with the Corporate Governance principles. On 3 November 2010, the Company and its statutory bodies adopted the Corporate Governance Code in Slovakia. Moreover, on 8 October 2012 the Company declared adherence to the Corporate Governance Code principles for companies listed on the Warsaw Stock Exchange. Information on adherence to the codes is available on the Company's website [www.tmr.sk/investor-relations/corporate-governance](http://www.tmr.sk/investor-relations/corporate-governance).

As for the Corporate Governance Code for companies in Slovakia 2016, the Company's Corporate Governance fails to comply with this Code in the following items:

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

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

- **I.C.2.iii.** An electronic voting system in absentia, including the electronic distribution of proxy materials and reliable vote confirmation

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

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

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

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

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

- **I.C.4.iv.** Effective shareholder participation in



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

Partly met. Currently, the Company does not offer any stock-option compensation schemes. The Company acts in accordance with the Commercial Code and the Articles. The General Meeting approves the Remuneration Rules for members of the Supervisory Board. The Remuneration Rules for members of the Board of Directors are approved by the Supervisory Board.

- **I.C.4.v.** Effective shareholder participation in decisions on the nomination, election and remuneration of board members should be facilitated. The remuneration of board members and key executives should be disclosed, the total value of compensation arrangements made and how remuneration and company performance are linked.

Partly met. Information on the remuneration of the board members and the management is disclosed in the Annual Report. The Company discloses the general remuneration policy for the members of the Supervisory Board and the Board of Directors, and only the sum of the remuneration of the Supervisory Board, the Board of Directors, and the Top Management.

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

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

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

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

- **I.C.6.** Ability to vote electronically by non-

discriminatory means (if the company enables such voting).

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

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

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

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

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

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

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

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

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

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

Partly met. The level of basic remuneration is set for

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

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

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

- **V.E.2.i.** Existence, composition and the role of committees. The nomination committee. Not met. Currently, the Company does not have a nomination committee. Members of the Board of Directors are nominated by the Supervisory Board.

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

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

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

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

As to the Best Practices for GPW Listed Companies 2016 required by the Warsaw Stock Exchange, the

Company's corporate governance does not accord with the Best Practices in the following issues:

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

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

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

Not met. Even though the Company strives to enable equal employment opportunity and employs 54% men and 46% women, it has not yet prepared and implemented a diversity policy for its statutory bodies and top management, thus such policy is not published on the Company website either. Main criteria for selecting candidates for key positions and statutory bodies are competency and fulfillment of requirements for a given role; not factors such as sex or age.

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

Not met. Currently, the Company does not publish audio or video recordings from its General Meetings as the benefit of these recordings is not justified in comparing to high costs associated with them and they do not fit within the budget for the General Meeting.

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



division of responsibilities among members of the Board of Directors on its website in wording.

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

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

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

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

- **II.Z.10.2.** a report on the activity of the supervisory board containing at least the following information:

- full names of the members of the supervisory board and its committees;
- supervisory board members' fulfilment of the independence criteria;
- number of meetings of the supervisory board and its committees in the reporting period;
- self-assessment of the supervisory board;

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

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

Not met. The Company has not so far broadcasted its General Meetings publicly, since potential benefit of the General Meeting being broadcasted

does not outweigh costs associated with its organizing. The Company does not exclude the possibility of broadcasting its General Meetings in the future, although such decision is subject to the approval of shareholders at the General Meeting by amendment of the Articles of Association.

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

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

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

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

Partly met. The Company publishes its general remuneration rules for the Board of Directors and Supervisory Board and the total sum of remuneration of the Board of Directors, Top Management and

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

## OTHER SUPPLEMENTARY DATA

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

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

The Company, a.s. during the FY 2013/14 issued two tranches of bonds in the total of EUR 180 mil.:

**Bonds TMR I 4.50%/ 2018**  
ISIN: SK4120009606  
Volume: 70 000 000 EUR  
Market: The Bratislava Stock Exchange  
Nominal Value: 1 000 EUR  
Coupon Rate: fixed rate 4.50% p.a.  
Coupon Payment: semi-annual always on 17-06 and 17-12  
Maturity Date: 17 December 2018  
Issue Date: 17-12-2013

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

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

**Bonds TMR II 6.0%/ 2021**

ISIN: SK4120009614  
Volume: 110 000 000 EUR  
Market: The Bratislava Stock Exchange  
Nominal Value: 1 000 EUR  
Coupon Rate: fixed rate 6.00% p.a.  
Coupon Payment: annual always on 05-02  
Maturity Date: 5 February 2021  
Issue Date: 05-02-2014

Bonds TMR II 6.0%/ 2021 are junior, subordinated. TMR II 6.0% bonds were fully repaid on February 5, 2021.

**Bonds TMR III 4.40%/ 2024**  
ISIN: SK4120014598  
Volume: 90 000 000 EUR  
Market: The Bratislava Stock Exchange  
Nominal Value: 1 000 EUR  
Coupon Rate: fixed rate 4.40% p.a.  
Coupon Payment: semi-annual always on 10-04 and 10-04  
Maturity Date: 10 October 2024  
Issue Date: 10 October 2018

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

During the FY 2018/19 the Group issued another bonds issue through its subsidiary, TMR Finance CR, a.s.:

**Bonds TMR F CR 4.50% / 2022**  
ISIN: CZ0003520116  
Volume: 1 500 000 000 CZK  
Market: The Prague Stock Exchange  
Nominal Value: CZK 30 000  
Coupon Rate: fixed rate 4.50% p.a.  
Coupon Payment: semi-annual always on 07-05 and 07-11  
Maturity Date: 7 November 2022  
Issue Date: 7 November 2018

Bonds TMR F CR 4.50%/2022 constitute direct, general, unconditional, and non-subordinated obligations of the Issuer, secured by a guarantor statement of Tatry mountain resorts, a.s. (the Guarantor). Furthermore, the Bond obligations will be secured by a lien in favor of the Security Agent, Patria Corporate Finance, a.s., for: (i) certain immovable assets owned by the Guarantor in the Slovak Republic; (ii) certain movable assets owned by the Guarantor and its indirect 100% subsidiary Śląskie Wesołe Miasteczko Sp. Zoo. in the Slovak Republic and the Republic of Poland, (iii) a 75% share in the capital of Śląskie Wesołe Miasteczko Sp. Zoo. owned by Tatry Mountain Resorts PL, a.s., which is a 100% direct subsidiary of the Guarantor and (iv) the Guarantor's receivables from the LTV account. For more information see the Security prospectus available at <https://tmr-finance.cz/zakonne-zverejneni.php>.



In the period after the end of the financial year 2019/2020, the Company issued bonds:

**Bonds TMR V 6.00%/ 2026**  
ISIN: SK4000018255

Volume: up to 150 000 000 EUR  
Market: The Bratislava Stock Exchange  
Nominal Value: 1 000 EUR  
Coupon Rate: fixed rate 6.00% p.a.  
Coupon Payment: annual always on 02-02  
Maturity Date: 2 February 2026  
Issue Date: 2 February 2021

TMR V 6.00%/ 2026 are junior, subordinated bonds. For more information regarding the issued bonds see the Company website: <https://tmr.sk/investor-relations/bonds/>.

As of 31/10/2020 the Company has not issued any employee stock or preferred shares.

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

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

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

The Company did not acquire any of its own shares or temporary securities in the fiscal year 2019/2020.

The voting rights attached to Company shares have no limitations. The holders of securities issued by the Company do not have differing controlling rights.

As of 31/10/2020 the Company has no knowledge of any shareholder agreements that might lead to limitations on transferability of the securities and to limitations on voting rights.

The Company incurred no research and development costs in FY 2019/20.

TMR does not have any branch office abroad.

The Group uses financial derivative instruments to hedge cash flows against currency risk. Since the Group issued bonds in EUR equivalent of 58.7 million, the Group has opened its position in Czech crowns. The Group has decided to manage the currency risk of changes in the exchange rate of the Czech crown on this particular instrument using a hedging instrument - a currency swap. The Group does not have any other risks hedged through hedge accounting other than the currency risk arising from the instrument as these risks are managed in a different way. For more information, see Consolidated Financial Statements, Note 29. The cash flows and liquidity ratios are monitored in regular intervals. The Company ensures internal controls through regular monitoring of the financial plan and overall financial position. Management of market risks, business and financial activities is described in the Risk Factors and Risk Management section and in the Consolidated Financial Statements, Note 36.

The Company has not entered into any agreements which would become effective, changed or terminated as a result of change in control, or as a result of an acquisition offer.

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

During FY 2019/20 the Company prepared Separate Financial Statements in accordance with International Financial Reporting Standards (IFRS).

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

## CONTRACTS WITH EXTERNAL ADVISORS AND RELATED PARTIES LEASE OF THE ŠPINDLERŮV MLÝN RESORT

Melida, a.s., a company associated with TMR, signed a lease contract on 6 November 2012 as the lessee with the company SKIAREÁL Špindlerův mlýn, a.s., as the lessor. The subject of the contract was the lease of the Špindlerův Mlýn resort in the Czech Republic. As of the date of this report TMR held a 25% interest in Melida, a.s. Based on the lease contract, Melida, a.s. will be operating the ski resort Špindlerův Mlýn in the Krkonoše Mountains for 20 years for the lease fee in the amount of CZK 43.8 mil. per year. Besides the sole operation of Špindlerův Mlýn, Melida committed to provide further development of the resort by expanding trails, renewing technological equipment, and by improving skiers' experience in any other way with investments in the minimum amount of CZK 800 mil. during the whole lease term. TMR acts in the lease contract as a by-party that provides a guarantee for Melida, a.s. by guaranteeing Melida's liabilities resulting from the lease contract and by providing it a zero-interest loan.

### CONTRACTS WITH MELIDA, A.S.

TMR provides Melida, a.s. with consulting services in management and analysis of cableways, dining facilities, ski schools, rentals, shops, in marketing, bookkeeping, and project financing. Also TMR provides Melida, a.s. with consulting services on the project of building infrastructure in the Špindlerův Mlýn ski resort. TMR made an agreement with Melida to temporarily lend it employees of TMR in order to boost the winter season and to realize some investments. TMR provided Melida with an interest-bearing loan in 2013 and an interest non-bearing loan in 2014.

### FINANCIAL AUDIT

As of the date of this Annual Report, KPMG Slovensko spol. s.r.o., seated at Dvořákovo nábrežie 10, 811 02 Bratislava, is responsible for the audit of separate and consolidated financial statements. KPMG Slovensko spol. s.r.o. has been approved to perform the audit of the Company's Separate Financial Statements as of 31 October 2020 and Consolidated Financial Statements as of 31 October 2020 based on the decision of the General Meeting held on 17 April 2019.

### ADVISORS

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

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

## PROPOSAL ON DISTRIBUTION OF PROFIT

For the year ending 31 October 2020, the Company achieved net loss of - 17 933 740 EUR according to Individual Financial Statements. The Board of Directors proposes the following distribution of the loss:

1. The total balance of 17 933 740 EUR will be transferred to the retained earnings account.





SHARES



# Shares

## SHAREHOLDER CLUB

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

established at the beginning of 2010. Shareholders who own at least 25 shares have the right to benefits that help them to get to know the Group and its activities better through special deals as part of the GOPASS program. You can find more information on <http://tmr.sk/shareholder-club/>.

## SHAREHOLDER CLUB BENEFITS

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

## TMR Stock Performance on the BSSE



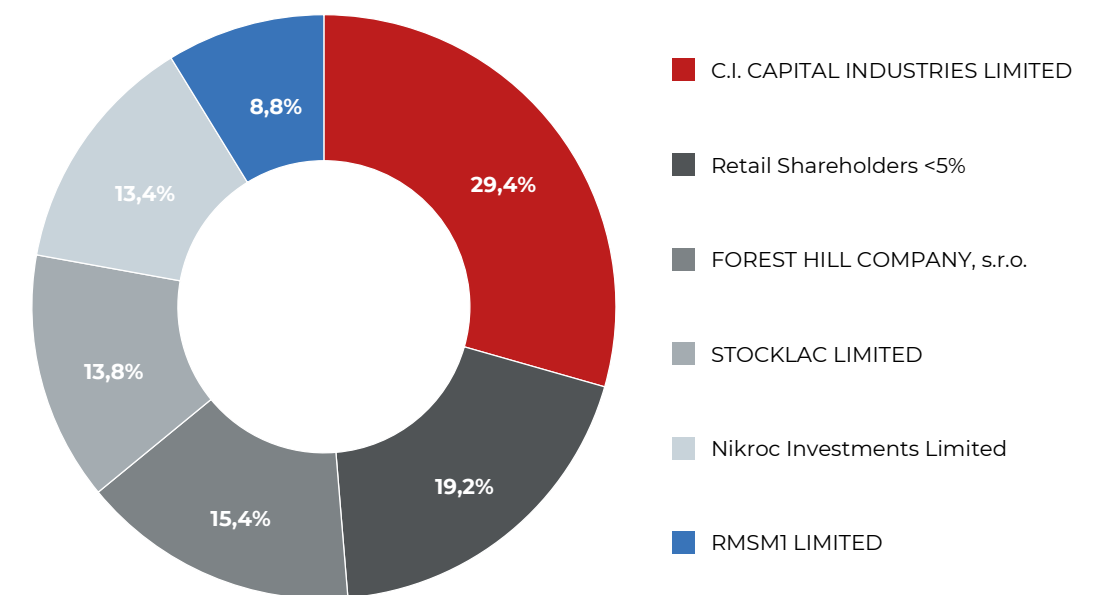
Closing Price	BCPB (EUR)	WSE (PLN)	BCPP (CZK)
31.10.2020	36,00	151,00	995,00
31.10.2019	35,80	155,00	1000,00

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

## SHAREHOLDER STRUCTURE

To the best of the Company's knowledge the following entities held the following direct or indirect interest in the share capital and the Company voting rights as of 31/10/2020:

## SHAREHOLDER STRUCTURE AS OF 31.10.2020



Company / Name	No. of Shares	Interest in Share Capital		Voting Rights %
		in EUR thousands	%	
C.I. CAPITAL INDUSTRIES LIMITED	1 973 197	13 812	29,4%	29,4%
Retail Shareholders <5%	1 292 414	9 047	19,2%	19,2%
FOREST HILL COMPANY, s.r.o.	1 030 919	7 216	15,4%	15,4%
STOCKLAC LIMITED	924 731	6 473	13,8%	13,8%
Nikroc Investments Limited	897 771	6 284	13,4%	13,4%
RMSM1 LIMITED	588 166	4 117	8,8%	8,8%
Total	6 707 198	46 950	100,0%	100,0%





CONSOLIDATED FINANCIAL STATEMENTS



# Consolidated Financial Statements

**Tatry mountain resorts, a.s.,  
Subsidiaries, Joint Ventures and Associates**

**Consolidated Financial Statements  
for the Period from 1 November 2019 to 31 October 2020**

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

## Consolidated statement of profit and loss and other comprehensive income

<i>in TEUR</i>	Note	1.11.2019 - 31.10.2020	1.11.2018 - 31.10.2019
Sales	6	110 641	126 392
Other operating revenue	7	556	1 200
<b>Total revenue</b>		<b>111 197</b>	<b>127 592</b>
Material and goods consumption	8	-20 128	-26 300
Purchased services	9	-24 357	-30 931
Personal cost	10	-31 076	-35 045
Other operating cost	11	-1 325	-1 313
Gain on sale of assets	15	775	638
Increase in fair value of investment property	18	-	1 050
Creation and reversal of value adjustments	20,22,24	51	-195
<b>Profit / (loss) before interest, taxes, depreciation and amortization (EBITDA)*</b>		<b>35 137</b>	<b>35 496</b>
Depreciation and amortization	15,17	-21 455	-20 131
Depreciation of right-of-use of leased assets	16	-5 559	-
Gain on bargain purchase	5	6 280	1 223
Impairment of fixed assets	15,17	-7 016	-3 865
<b>Profit / (loss) before interest, taxes (EBIT)</b>		<b>7 387</b>	<b>12 723</b>
Interest income calculated using effective interest rate	12	1 023	1 173
Interest expense	12	-20 443	-16 791
Net profit / (loss) on financial instruments	13	-10 310	1 189
Share of the profit or loss of investments in joint ventures and associates accounted for using the equity method	5	-643	-8
<b>Profit / (loss) before tax</b>		<b>-22 986</b>	<b>-1 714</b>
Income tax	14	2 473	-574
<b>Profit / (loss)</b>		<b>-20 513</b>	<b>-2 288</b>
Attributable to:			
- Holders of interest in the parent company's equity		-20 208	-2 286
- Non-controlling interest		-305	-2
<b>Other components of the comprehensive income</b>			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Net gain/(loss) on cash flow hedges	14	1 558	-1 108
Foreign currency translation reserve	33	742	-49
<b>Total comprehensive income / (expense)</b>		<b>-18 213</b>	<b>-3 445</b>



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

<b>Total comprehensive income / (expense)</b>		<b>-18 213</b>	<b>-3 445</b>
Attributable to:			
- <b>Holders of interest in the parent company's equity</b>		<b>-17 903</b>	<b>-3 443</b>
- <b>Non-controlling Interest</b>		<b>-310</b>	<b>-2</b>
<b>Earnings per share (in EUR)</b>	27	<b>-3,013</b>	<b>-0,341</b>
<b>Number of shares</b>		<b>6 707 198</b>	<b>6 707 198</b>

\*EBITDA represents a profit from recurring activities of the Group before taxes, interest, amortisation and depreciation, adjusted for other income and expenses, which are listed under EBITDA, in particular profit / (loss) from financial operations representing foreign exchange gains / (losses). The EBITDA indicator adjusted in this way is used by the Group's management to manage the Group's performance as well as individual CGUs (cash-generating units).

The Notes on pages 7 to 82 constitute an integral part of the Consolidated Financial Statements.

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

**Consolidated statement of financial position**

<i>in TEUR</i>	Note	31.10.2020	31.10.2019
<b>Assets</b>			
Goodwill and intangible assets	17	35 627	14 435
Property, plant and equipment	15	391 384	412 995
Right-of-use of leased assets	16	69 310	-
Investment property	18	9 428	8 329
Investment in an associate and a joint venture	5	13 865	2 101
Loans provided	21	892	1 019
Other receivables	23	7 977	3 798
Deferred tax asset	19	1 205	2 878
<b>Total non-current assets</b>		<b>529 688</b>	<b>445 555</b>
Inventory	20	8 591	8 208
Trade receivables	22	4 798	5 459
Loans provided	21	2 064	27 794
Other receivables	23	1 323	24 523
Financial investments	25	40	4 660
Cash and cash equivalents	26	7 161	12 073
Other assets	24	8 262	5 586
<b>Total current assets</b>		<b>32 239</b>	<b>88 303</b>
<b>Assets total</b>		<b>561 927</b>	<b>533 858</b>
<b>Equity</b>	27		
Capital		46 950	46 950
Share premium		30 430	30 430
Profit / (loss) for the period		-20 208	-2 286
Retained earnings and other funds		34 912	35 640
Foreign currency translation reserve		80	-667
<b>Total equity attributable to holders of interest in the parent company's equity</b>		<b>92 164</b>	<b>110 067</b>
Non-controlling interest		-278	106
<b>Total equity</b>		<b>91 886</b>	<b>110 173</b>
<b>Liabilities</b>			
Loans and borrowings	28	32 817	70 867
Lease liabilities	29	53 686	-
Trade payables	30	2 685	1 127
Provisions	33	20	24
Other non-current liabilities	32	18 343	17 741
Bonds issued	34	142 724	254 919
Deferred tax liability	19	27 062	27 980
<b>Total non-current liabilities</b>		<b>277 337</b>	<b>372 658</b>
Loans and borrowings	28	45 250	15 196
Lease liabilities	29	9 002	-
Trade payables	30	6 985	8 052
Provisions	33	942	570
Bonds issued	34	116 249	6 368
Corporate income tax	14	-	860
Other current liabilities	32	14 276	19 981
<b>Total current liabilities</b>		<b>192 704</b>	<b>51 027</b>
<b>Total liabilities</b>		<b>470 041</b>	<b>423 685</b>
<b>Total equity and liabilities</b>		<b>561 927</b>	<b>533 858</b>

The Notes on pages 7 to 82 constitute an integral part of the Consolidated Financial Statements.



	Capital	Share premium	Legal reserve fund	Funds from revaluation	Revaluation reserve	Retained earnings	Equity attributable to holders of interest in the parent company's equity	Non-controlling interest	Total
<b>Balance as at 1 November 2019</b>	46 950	30 430	6 612	-924	-667	27 666	110 067	106	110 173
Transfer of retained earnings into the legal reserve fund	-	-	409	-	-	-409	-	-	-
Profit / (loss) for the period	-	-	-	-	-	-20 208	-20 208	-305	-20 513
<b>Other components of comprehensive income, after tax</b> - items with possible subsequent reclassification into profit/(loss):									
Cash Flow hedge	-	-	-	1 558	-	-	1 558	-	1 558
Revaluation reserve	-	-	-	-	747	-	747	-5	742
<b>Total comprehensive income for the period</b>	-	-	409	1 558	747	-20 617	-17 903	-310	-18 213
<b>Transactions with owners posted directly into equity</b>									
Effect of acquisition of a subsidiary	-	-	-	-	-	-	-	-74	-74
Purchase of non-controlling interest	-	-	-	-	-	-	-	-	-
<b>Total transactions during the year</b>	-	-	-	-	-	-	-	-74	-74
<b>Balance as at 31 October 2020</b>	46 950	30 430	7 021	634	80	7 049	92 164	-278	91 886

in TEUR

	Capital	Share premium	Legal reserve fund	Funds from revaluation	Revaluation reserve	Retained earnings	Equity attributable to holders of interest in the parent company's equity	Non-controlling interest	Total
<b>Balance as at 31 October 2018</b>	46 950	30 430	5 852	184	-618	30 883	113 681	108	113 789
IFRS 9 first-time adoption as at 1 November 2018	-	-	-	-	-	-171	-171	-	-171
<b>Balance as at 1 November 2018 after IFRS 9 first-time adoption adjustments</b>	46 950	30 430	5 852	184	-618	30 712	113 510	108	113 618
Transfer of retained earnings into the legal reserve fund	-	-	760	-	-	-760	-	-	-
Profit / (loss) for the period	-	-	-	-	-	-2 286	-2 286	-2	-2 288
<b>Other components of comprehensive income, after tax</b> - items with possible subsequent reclassification into profit/(loss):									
Cash Flow hedge	-	-	-	-1 108	-	-	-1 108	-	-1 108
Revaluation reserve	-	-	-	-	-49	-	-49	-	-49
<b>Total comprehensive income for the period</b>	-	-	760	-1 108	-49	-3 046	-3 443	-2	-3 445
<b>Transactions with owners posted directly into equity</b>									
Effect of acquisition of a subsidiary	-	-	-	-	-	-	-	-	-
Purchase of non-controlling interest	-	-	-	-	-	-	-	-	-
<b>Total transactions during the year</b>	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 October 2019</b>	46 950	30 430	6 612	-924	-667	27 666	110 067	106	110 173

in TEUR

#### Consolidated statement of changes in equity (continued)

The Notes on pages 7 to 82 constitute an integral part of the Consolidated Financial Statements.



**Consolidated cash flow statement**

<i>in TEUR</i>	Note	1.11.2019 - 31.10.2020	1.11.2018 - 31.10.2019
<b>OPERATING ACTIVITIES</b>			
Profit		-20 513	-2 288
Adjustments related to:			
Gain on disposal of PPE and intangible assets	15	-775	-638
Depreciation and amortisation	15	21 702	20 131
Depreciation of right-of-use of leased assets	16	5 312	-
Reversal of value adjustments to receivables	22	-51	195
Net (gain)/loss on financial instruments (non-cash)	25	10 310	-1 734
Impairment of fixed assets	15	7 016	3 865
Revaluation of investment property	18	-	-1 050
Net interest (income)/expenses	12	19 420	15 618
Gain on bargain purchase	5	-6 280	-1 223
Share of the profit or loss of investments in joint ventures and associates accounted for using the equity method	5	643	-8
Change in provisions	33	350	102
Income tax	14	-2 473	574
Change in trade receivables, other receivables and other assets	22,23	-1 437	1 475
Change in inventories	20	-328	90
Change in trade payables and other liabilities	30, 32	-7 858	-6 869
Cash flow from operating activities before income tax		<b>25 038</b>	<b>28 240</b>
Income tax paid		-1 898	-577
Cash flow from operating activities		<b>23 140</b>	<b>27 663</b>
<b>INVESTMENT ACTIVITIES</b>			
Acquisition of property, plant and equipment and intangible assets	15,16	-15 858	-31 229
Proceeds from disposal of PPE and intangible assets	15	3 018	638
Cost of business combinations, net of cash acquired		-2 621	-2 101
Net cash income from the purchase of subsidiaries	5	272	23
Loans provided	21	-550	-15 301
Repayment of loans provided	21	5 976	12 697
Interest received	12	197	79
Cash flow used by investing activities		<b>-9 566</b>	<b>-35 194</b>
<b>FINANCIAL ACTIVITIES</b>			
Repayment of liabilities from financial lease	29	-7 102	-2 732
Financial lease received	29	-	1 898
Repayment of received loans and borrowings	28	-9 056	-43 674
New loans and borrowings received	28	13 156	2 817
Bonds Issued, netto	34	-	88 119
Purchase of own bonds		-	-65 000
Interest paid	12	-15 484	-16 346
Dividends paid	27	-	-
Cash flow from financing activities		<b>-18 486</b>	<b>-34 918</b>

**Consolidated cash flow statement (continue)**

Net increase of cash and cash equivalents		-4 912	-42 449
Influence of impairment allowance to cash and cash equivalents		-	-3
Cash and cash equivalents at the beginning of the year	26	12 073	54 525
<b>Cash and cash equivalents at end of the year</b>	26	<b>7 161</b>	<b>12 073</b>

The Notes on pages 7 to 82 constitute an integral part of the Consolidated Financial Statements.



**Notes to the Consolidated Financial Statements**

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**1. Information about the Company**

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

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

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

On 17 December 2013, the Company issued the first issue of TMR I bonds with a total nominal value of EUR 70,000 thousand, due in 2018. On 5 February 2014, the Company issued the second issue of TMR II bonds with a total nominal value of EUR 110,000 thousand, due in 2021. On 10 October 2018, the company issued the third bond issue TMR III in the nominal value of EUR 90,000 thousand, with maturity in 2024. On 7 November 2018, the company TMR Finance CR, a.s. issued the fourth bond issue TMR F. CR in the nominal value of CZK 1,500,000 thousand, with maturity in 2022. See Note 34 – Bonds Issued.

The structure of the Company's shareholders is described in Note 27 - Equity.

The consolidated financial statements of the Group for the period ending 31 October 2020 comprise the statements of the parent company, its subsidiaries, joint ventures and associates (together referred to as the "Group").

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

In October 2019 the Company became a direct shareholder (9.5% share) in MELIDA a.s., then in December 2019 acquired additional 15.5 % share (in total the Company has 25% share). MELIDA a.s. operates the ski resort Špindlerův Mlýn in the Czech Republic. During the accounting period the Company acquired shares in the Slovak company 1. Tatranská, akciová spoločnosť, which operates the ski resort Štrbské pleso in High Tatras, provides hospitality services and operates a ski school.

The average number of Group employees and information about used the services of employment agencies for short-term personnel leasing are described in Note 10 – Personnel expenses.



The Group's bodies are:

**Board of Directors:**

Ing. Igor Rattaj, the Chairman (since 30.4.2020)  
 Ing. Bohuš Hlavatý, the Chairman (until 29.4.2020)  
 Ing. Branislav Gábriš, the Vice-Chairman (until 28.4.2020)  
 Ing. Andrej Devečka, the Member (until 28.4.2020)  
 Ing. Jozef Hodek, the Member (since 30.6.2009)  
 Čeněk Jílek, the Member (since 29.4.2020)

**Supervisory Board:**

Ing. Bohuš Hlavatý (since 30.4.2020)  
 Ing. Igor Rattaj (until 29.4.2020)  
 Ing. František Hodorovský (since 18.1.2011)  
 Roman Kudláček (since 21.4.2012)  
 Ing. Andrej Devečka (since 29.4.2020)  
 Ing. Ján Štetka (until 30.4.2020)  
 Ing. Peter Kubeňa (until 31.3.2020)  
 Miroslav Roth (since 30.6.2012)  
 Ing. Pavol Mikušiak (since 27.4.2013)  
 Adam Tomis (since 12.4.2014)  
 PhDr. Martin Kopecký, MSc, CFA (until 24.4.2020)

**2. Significant accounting policies**

**(a) Statement of compliance**

The Consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU and in accordance with Act No. 431/2002 Coll. of the National Council of the Slovak Republic on Accounting ("Act on Accounting"). The Consolidated financial statements have been prepared for the period from 1 November 2019 to 31 October 2020.

The financial statements were approved by the Board of Directors on 26 February 2021.

**(b) Basis of preparation**

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

The Group's Consolidated financial statements have been prepared on a going-concern basis (for more details see also Note 39 – Subsequent events).

The Company's management expects that the Company has sufficient resources to continue as a going concern for at least another 12 months and that the preparation of the financial statements, assuming the continuity of its operations, is appropriate.

The Company's main activities in connection with the spread of the coronavirus and the declaration of a global pandemic were significantly affected. Measures taken by governments in the countries in which the Group operates (ie the Slovak Republic, the Czech Republic, the Republic of Poland and the Republic of Austria) in the fight against the spread of infection, in particular restrictions on international and domestic transport, ban on social, leisure and sporting events, resulted in the closure of the Company's mountain resorts, water parks and other facilities of the Group in Slovakia from mid-March to the end of April 2020. Due to government measures, mountain resorts in Austria were closed from mid-March to the end of May. Operations in the Czech Republic were closed from mid-March to the end of April in mountain resorts and until mid-June in golf resorts (from mid-April, the operation of golf resorts, except for gastronomy and hotels, was possible in a limited mode). Operations in Poland were closed from mid-March to the end of April in mountain resorts and until the beginning of June in an amusement park.

During this period, the Company did not generate revenues. From May, the operation of cable cars and hotels was restarted, and from June, water parks in Slovakia and ski resorts in Austria were also opened. In mountain resorts in the Czech Republic, the summer season began in early May and golf resorts began operating again on a limited basis from mid-April, hotels and restaurants were open without restrictions from mid-June. In Poland, cable cars have resumed operation since May and the amusement park has been operating since June 2020.

The group operated its activities in compliance with stricter hygiene regulations. The Group operated centers in individual countries as far as the pandemic situation allowed, and the Group's centers operated on the basis of measures taken by individual governments. In Poland and the Czech Republic, the cable cars were open only to pedestrians on weekends. Due to the deterioration of the epidemiological situation in the Slovak Republic, it was decided in mid-October to close the water parks.

These facts negatively affected the economic result of the Group, which for the year ended 31 October 2020 reported a loss of EUR 20,513 thousand. The Company's net current assets as at 31 October 2020 amounted to EUR -160,465 thousand. In February 2021, bonds from the issue of TMR II in the amount of EUR 110 million were paid out. The repayment was partially funded from the issue of TMR V bonds, which the Company issued during February 2021 in the total amount of up to EUR 150 million, at an interest rate of 6% p.a. and maturity date in 2026. On 2 February 2021, bonds worth EUR 5 million were sold. On 4 February 2021, bonds worth EUR 90 million were sold. On 5 February 2021, bonds worth EUR 15 million were sold. In February 2021, the Company drew an operating loan from J&T Bank in the amount of EUR 20 million.



In the context of the pandemic, the European Commission has approved a scheme of a temporary framework for state aid to support employment, which allows the use of various types of compensation to companies most affected by the consequences of a coronavirus pandemic. As part of this assistance, the Group drew funds in the form of wage subsidies for employees in the total amount of EUR 2,476 thousand, rental subsidies in the total amount of EUR 105 thousand and subsidies for loss of sales of EUR 160 thousand for the year ended 31 October 2020. From 1 November 2020 until the date of approval of the financial statements, the Company drew funds in the form of wage subsidies for employees in the amount of EUR 2,076 thousand, subsidies for loss of sales of EUR 765 thousand and rental subsidies in the amount of EUR 2 thousand.

On 5 December 2020, the Company started the ski season in Slovakia, which lasted until 31 December 2020, when the Government of the Slovak Republic decided to close all ski resorts, including hotels and gastronomic establishments. This situation continues until the consolidated financial statements are issued. In Austria, mountain resorts were only open during the Christmas season due to pandemic measures and management decisions. In the Czech Republic, the mountain resort for skiers was open during the Christmas holidays (December 26). Subsequently, the center was closed and during January 2021 it was in operation in a limited mode for pedestrians. Since the end of January, the ski resort in the Czech Republic has been closed due to pandemic measures. Golf resorts operated in a limited mode until mid-December 2020. Subsequently, the operations (hotels and gastronomy) were closed, the golf segment continues to operate only in a limited mode. The mountain resort in Poland started the ski season on 18 December 2020, which lasted until 27 December 2020 due to pandemic measures. Subsequently, the resort was closed and reopened on 12 February 2021.

As a result of the continuing unfavorable pandemic situation, the Group's Board of Directors has undertaken a radical cost saving, which resulted in the announcement of mass redundancies, which the Parent Company announced to the authorities on 25 January 2021.

Given the current situation, there is uncertainty associated with the development of the pandemic situation in the countries in which the Group operates and the anti-epidemiological measures taken by governments, that have an impact on the operation of the Group's main activities. The Group's management has therefore prepared several liquidity scenarios for a period of 12 months from the balance sheet date. The assumptions used in the models are based on estimates of the potential impacts of COVID-19 restrictions and also include the steps taken by management to mitigate the effects of the pandemic during this period. The baseline scenario includes the impact of deferral of loan repayments, reduction of capital expenditures and expects operations to reopen in April 2021. Based on this scenario, sufficient funds will be available to the Group. The scenarios also envisage an even more pessimistic variant of easing restrictions, which would allow the reopening of operations only from May 2021. Also in this case the Group should have sufficient funds to ensure its operation and, if necessary, use funds from the TMR V bond issue.

The Group's management assessed the impacts of COVID-19 on the Group's operations and concluded that there was no significant uncertainty about the Group's continuing operations (going concern).

As stated in Note 28 - Loans and Borrowings, the Parent Company did not meet the financial and other conditions attached to certain loans. However, after the end of the year it received a confirmation from the bank that in the following 12 months the bank will not require early repayment of the loans ("covenant waiver"). The Parent Company's bank approved the non-application of the sanctions for violation of covenants until 31 October 2021. As the confirmation from the bank was received after 31 October 2020, these loans are classified as short-term at the balance sheet date. The consolidated financial statements have been prepared in EUR thousands. The accounting methods were consistently applied by the companies in the Group in accordance with the previous accounting period.

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

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

### (c) Adoption of new standards and interpretations

The accounting principles used are consistent with the accounting principles and methods used when preparing the individual financial statements for the financial year ended 31 October 2020.

In the course of the accounting period starting on 1 November 2019 the Group implemented the following new IFRS standards, amendments to standards and IFRIC interpretations. The application of them had no impact on the financial statements of the company, except for IFRS 16 with its impact described below.

- IFRS 16 Leases
- Amendments to IFRS 9 – Negative compensation
- Amendments to IAS 19 – Plan amendment, curtailment or settlement
- Amendments to IAS 28 – Long term interests in associates and joint ventures
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Annual improvements to IFRS standards 2015-2017 Cycle

### (d) International financial reporting standards that were issued but not yet effective

The Group did not apply any International Financial Reporting Standards as adopted by the European Union before the date they become effective. In case that the transition arrangements allow entities to choose between prospective or retrospective approach, the Group decided to apply these standards prospectively.

As at 31 October 2020, the following International Financial Reporting Standards, amendments to standards and interpretations as adopted by the European Union were issued but not yet effective, and have not been applied by the Group in preparing these financial statements:

- Amendments to IAS 1 „Presentation of Financial Statements“ a IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors“
- Amendments to the Conceptual Framework for Financial Reporting
- Amendments to IFRS 9 „Financial Instruments“, IAS 39 „Financial Instruments: Recognition and Measurement“ a IFRS 7 „Financial Instruments: Disclosures“
- IFRS 17 „Insurance Contracts“
- Amendments to IFRS 17: Insurance Contracts and IFRS 4: Insurance Contracts
- Amendments to IFRS 3 "Business Combinations"
- Amendments to IFRS 10 „Consolidated Financial Statements“ and IAS 28 „Investments in Associates and Joint Ventures“
- Amendments to IFRS 16 Leases – Covid 19 Related Rent Concessions
- Annual improvements to IFRS standards 2018-2020 Cycle
- Amendments to IAS 16 Property, Plant and Equipment
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

The Group anticipates that the issuance of new but not yet effective International Standards will not significantly affect the financial statements.

### (e) Implementation of new standards and interpretations – IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and Related Interpretations (IFRIC 4, SIC 27). The standard removes the current dual model of lessee accounting. IFRS 16 introduces one common model for reporting leases by lessees, in which all leased assets as well as liabilities from leases with a lease term of more than 12 month are reported in the statement of financial position, regardless of whether it is an operating lease or a finance lease. Lessees shall account for all leases in accordance with the new uniform model described in Note 2 (g) - Leases - IFRS 16 Leases for the period ended 31. October 2020.

Accounting on the lessor side will remain almost unchanged. The Group has elected to apply a modified retrospective approach with the cumulative effect of initially applying the standard recognised at the date of initial application, in line with the transition requirements of IFRS 16. Using the modified retrospective method of applying IFRS 16, operating



leases are recognized as a right-of-use and lease liability at the date of initial application at the present value of future lease payments, adjusted for advances and accruals that were on the balance sheet at the date of initial application. In the case of finance leases, these are not translated to the new value, but the existing assets are reclassified as right-of-use assets, the lease liability remains unchanged.

In applying IFRS 16 for the first time, the Group used following practical expedients:

- The Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The Group relied on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review. The Group did not recognise any provision for onerous leases in the statement of financial position immediately before the date of initial application;
- The Group excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- The Group used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Payments related to short-term leases and leases of low-value assets are recognized on a straight-line basis over the lease term as an expense in the statement of comprehensive income. The Group considers as short-term lease a lease with lease period of 12 months or less. Low-value assets are assets whose value does not exceed EUR 1,000 when new.

Additional disclosures regarding this standard are provided in Note 2 (f) - Leases - IFRS 16 Leases - Impact of adoption

#### (f) Leases – IFRS 16 Leases - Impact of adoption

The impact of IFRS 16 arises from the recognition of a lease liability and the right-of-use asset for a lease that had been classified as an operating lease under IAS 17.

The following table summarizes an impact of new standard IFRS 16 on statement of financial position as at 1 November 2019, when it was applied by the Group for the first time:

	Note	31.10.2019 originally published	IFRS 16 first-time adoption	Balance as at 1.11.2019 after IFRS 16 first- time adoption adjustments
<i>in TEUR</i>				
<b>Assets</b>				
Intangible assets	17	14 435	-6 083	8 352
Property, plant and equipment	15	412 995	-13 851	399 144
Right-of-use of leased assets	16	-	60 185	60 185
<b>Total non-current assets</b>		<b>427 430</b>	<b>40 251</b>	<b>467 681</b>
Other assets	24	5 586	47	5 633
<b>Total current assets</b>		<b>5 586</b>	<b>47</b>	<b>5 633</b>
<b>Assets total</b>		<b>433 016</b>	<b>40 298</b>	<b>473 314</b>
<b>Liabilities</b>				
Loans and borrowings	28	70 867	-8 185	62 682
Lease liabilities	29	-	45 514	45 514
<b>Total non-current liabilities</b>		<b>70 867</b>	<b>37 329</b>	<b>108 196</b>
Loans and borrowings	28	15 196	-4 417	10 779
Lease liabilities	29	-	7 386	7 386
<b>Total current liabilities</b>		<b>15 196</b>	<b>2 969</b>	<b>18 165</b>
<b>Total liabilities</b>		<b>86 063</b>	<b>40 298</b>	<b>126 361</b>

As at 1 November 2019, the Group reclassified assets related to financial leasing in the amount of EUR 13,851 thousand and intangible assets related to the right-of-use land acquired in acquisitions of EUR 6,083 thousand to right-of-use of leased assets. The Group recorded an increase in assets representing a right-of-use in connection with the first-time application of IFRS 16 in the amount of EUR 40,298 thousand (see Note 16). Subsequent derecognition of right of use assets due to reclassification of sublease as financial sublease resulted in a decrease of EUR 47 thousand in right of use assets and a simultaneous increase in other assets of the same amount (see Note 24).

As at 1 November 2019, the Group reclassified a portion of loans and borrowings related to finance leases to lease liabilities in the amount of EUR 12,602 thousand and at the same time reported an increase in lease liabilities of EUR 40,298 thousand in connection with the first application of IFRS 16 (see Note 29).

#### (g) Leases – IFRS 16 Leases for period ended 31. October 2020

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### *i. Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease

incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Buildings and land	30 years
• Individual movables and sets of movables	
▪ Works of art	20 years
▪ Billboards and advertising space	10 years
▪ Snow groomers	8 years
▪ Others	5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The weighted average incremental borrowing rate for the leases is 4.41% for the period ending 30 October 2020.

The right-of-use assets are also subject to impairment.

Refer to the accounting policies in Note 2(o) Impairment of non-financial assets.

#### ii. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The Group does not apply the practical expedient in IFRS 16.15. Every contract is examined to determine whether it contains a non-lease components in addition to lease components. Non-lease components are separated from the lease components, and only the lease components are accounted for in accordance with the provisions of IFRS 16.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. When revaluing lease liability due to a lease modification, residual value of the right-of-use asset is adjusted for the revaluation difference. Right-of-use asset is further depreciated from this adjusted value.

The Group's lease liabilities are included in Lease liabilities (see Note 29).

#### iii. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group also applies the lease of low-value assets recognition exemption to leases of items of low value - below EUR 1,000. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

In the case of leases, in which the Group transfers substantially all the risks and rewards of ownership of the asset, are classified as finance leases. The leased asset is derecognised and the Group recognizes a financial asset measured at amortized cost, representing the present value of the lease payments, adjusted as in lease liabilities.

In case that the Group leases right-of-use assets, which it further sublets as a lessor to other lessees, the Group evaluates the lease provided to the lessee on whether it is an operating or financial sublease. The only different criterion compared to leasing own assets is the assessment of the sublease against the right-of-use and not the original underlying asset. After assessing whether it is a financial or operating lease, it is subsequently reported in terms of accounting policies for the Group as a lessor.

#### (h) Leases – for period ending 31 October 2019

##### Financial lease

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

##### Operating and financial payments

Payments made under operating leasing are recognised in profit or loss on a straight-line basis over the term of the lease.

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

#### (i) Financial instruments

##### i. Initial recognition and measurement of financial asset

Financial assets upon initial recognition are classified in one of three categories as financial assets subsequently measured at amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient (ie. the Group measures life-time credit losses). The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.



The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

**ii. Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

**iii. Financial assets at amortised cost (debt instruments)**

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes Trade receivables, Other receivables and Loans provided.

**iv. Financial assets at fair value through OCI without recycling of cumulative gains and losses upon derecognition (equity instruments)**

The Group elected to measure equity instruments at fair value through OCI if both of the following conditions are met:

- The equity instrument is an instrument in neither an instrument in Associate, nor Subsidiary
- The equity instrument is not held for trading

**v. Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

**vi. Impairment of financial assets**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a method, that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For financial assets, where simplified approach is not used – Loans provided, significant increase in credit risk since initial recognition is assessed on an individual basis.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**Derivative financial instruments and hedge accounting**

**Initial recognition and subsequent measurement**

The Group uses derivative financial instruments, such as foreign currency swaps to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability

The Group does not use any other form of hedges.

At the beginning of the hedging relationship will be formally defined and documented hedging relationship and objective and strategy of an entity's risk management to ensure implementation. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

**Cash flow hedges**

That part of the gain or loss on the hedging instrument that is determined as effective hedging (ie that part that is offset by a change in the cash flow hedge provision) is recognized in other comprehensive income (OCI) until any remaining gain

or loss on the hedging instrument (or any gain or loss required to offset a change in a cash flow hedge provision) represents a hedge ineffectiveness recognized in profit or loss.

The separate component of equity related to the hedged item (cash flow hedge reserve) is adjusted to the lower of the following values (in absolute terms):

- (i) the cumulative gain or loss on the hedging instrument since the inception of the hedge and
- (ii) the cumulative change in the fair value (present value) of the hedged item (ie the present value of the cumulative change in the hedged expected future cash flows) since the inception of the hedge.

The Group uses swap currency contracts as hedges of its exposure to foreign currency risk in loans taken out in foreign currencies.

If the hedged expected transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or if the hedged expected transaction with a non-financial asset or non-financial liability becomes a liability to which fair value hedge accounting applies, the entity removes that amount from the cash flow hedge provision, and include it directly in the initial cost or other carrying amount of the asset or liability. It does not constitute a reclassification adjustment (see IAS 1) and therefore does not affect the other components of the comprehensive income.

For other cash flow hedges, the amount is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows have an impact on profit or loss.

When an entity ceases to account for a cash flow hedge, the amount that has accumulated in the cash flow hedge reserve remains in the cash flow hedge reserve until future cash flows are expected, otherwise the amount is immediately reclassified from the cash flow hedge reserve to profit or loss, management as a reclassification adjustment.

#### (j) Basis for consolidation

##### *i. Subsidiaries*

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

##### *ii. Associates*

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when a company holds between 20 and 50 percent of the voting rights of another entity. Investment in associate is recognised initially at cost. The consolidated financial statements include the Group's interest in the reported profits and losses of associates according to the equity method from the date of origin of significant influence until the date of cessation of the substantial influence. The investment is initially recognized at acquisition cost. When the Group's share of the losses exceeds the carrying amount of the associate, the carrying amount of that company is reduced to zero and the recognition of future losses is discontinued, except when the Group has incurred any liabilities in respect of the associate.

##### *iii. Joint ventures*

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually-agreed sharing of control of an arrangement. Joint ventures are

carried at cost. The financial statements include the Group's share of the total recognised gains and losses of joint ventures on an equity method basis, from the date that joint control commences until the date that joint control ceases.

The cost of financial investments is derived from the amount of spent cash or cash equivalents or is recognised at fair value of contributed assets and liabilities to acquire the enterprise at the moment of acquisition. Costs related to acquisition (transaction costs) are included in the cost of the investment.

As at the reporting date, the management reconsiders whether any events occurred which could cause impairment of financial investments. Potential impairment of financial investments below their cost is recognised through a value adjustment. Value adjustments are derived from the value of future cash flows discounted to present value.

##### *iv. Scope of consolidation*

The list of all companies included in the consolidation is provided in Note 42 – Companies within the Group.

##### *v. 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.

##### *vi. Acquisition method of accounting*

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

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

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

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

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

##### *vii. Unification of accounting principles*

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

#### (k) Foreign currency

##### *Foreign currency transactions*

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



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

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

#### **Conversion of foreign operations**

The results and financial position of a foreign operation are translated into the presentation currency so that the foreign operation can be included in the financial statements of the reporting entity upon full consolidation. The results and financial position are translated into another presentation currency, where:

- a) assets and liabilities for each presented statement of financial position (ie including comparable data) are translated at the closing rate valid on the date on which this statement of financial position was prepared.
- b) revenue and expenses for each statement of comprehensive income (ie including comparable information) shall be translated at the average exchange rate for the period.
- c) all resulting exchange differences are recognized in other comprehensive income.

#### **(l) Cash and cash equivalents**

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

#### **(m) Inventories**

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

#### **(n) Offsetting**

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

#### **(o) Impairment**

The carrying amounts of the Group's assets, other than inventories (refer to the accounting policy under letter m), investment property (refer to the accounting policy under letter r), financial instruments (refer to the accounting policy under letter i), and deferred tax assets (refer to the accounting policy under letter v) are reviewed at each financial statements date to determine whether there is objective indication of impairment of the asset. If any such indication exists, the asset's recoverable amount is estimated. Intangible assets that have an indefinite useful life are not subject to amortisation, but are tested annually for impairment as part of the cash-generating unit to which they belong. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

If assets available for sale caused a decrease in fair value recognized directly in equity and if objective reasons exist that prove that there was a decrease in the fair value of the assets, the cumulated loss recognized in equity shall be reported in the profit and loss statement even if the relevant financial asset had not been derecognized from the financial position.

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

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

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

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

#### **(p) Property, plant and equipment**

##### **i. Owned assets**

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

##### **ii. Subsequent expenditures**

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

##### **iii. Depreciation**

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

• Buildings	30 - 45 years
• Cableways and ski lifts	
▪ Fixed structures and other objects	20 – 40 years
▪ Technology and accessories	4 - 12 years
• Individual movables and sets of movables	
▪ Geothermal borehole	40 years
▪ Slides	25 years
▪ Equipment	5 - 12 years
▪ Fixtures and fittings and others	5 - 10 years

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

**iv. Capitalized borrowing costs**

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

**(q) Intangible assets****i. Goodwill and intangible assets acquired in a business combination**

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

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Negative goodwill arising on an acquisition is reassessed and any excess remainder of the negative goodwill after the reassessment is recognised in profit or loss.

Intangible assets acquired in a business combination are recognised at fair value on the acquisition date if the intangible asset is separable or arises from contractual or other legal rights. Intangible assets with an indefinite useful life are not subject to amortisation and are recorded at cost net of impairment loss. Intangible assets with a definite useful life are amortized over the useful life and are stated at cost net of accumulated amortisation and impairment losses.

**ii. Software and other intangible assets**

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

**iii. Amortisation**

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

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Software</li> <li>• Valuable rights</li> </ul> | <p>2 – 5 years</p> <p>each item uses an individual depreciation plan, based on the estimated useful lives if these assets, valuable rights also include trademarks which represent non-depreciated assets. The Group uses 2, 6, 7, 8, 12 and 50-year useful lives for its valuable rights.</p> |
|---|--|

**(r) Investment property**

Investment property represents assets that are held by the Group to generate rental income or to realise a long-term increase in value, or for both of these purposes. Investment property is stated at fair value, which is determined by an independent registered expert or by the management. Fair value is based on current prices of similar assets on an active market under the same location and the same conditions, or where such conditions are not available, by applying the generally applicable valuation models such as the yield method. Any gain or loss arising from a change in fair value is recognised in profit or loss.

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

Details on the valuation of investment property are specified in Note 3(b) – Critical accounting estimates and assumptions, Valuation of investment property. Rental income from investment property is accounted for as described in the accounting policy under letter (g) Leases – Group as a lessee.

**(s) Government grants**

Government grants are recognised where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

**(t) Provisions**

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

**i. Long-term employee benefits**

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

**ii. Short-term employee benefits**

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

**(u) Interest income and expense**

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

**(v) Income tax**

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

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

The amount of deferred tax is based on the expected method of realization or settlement of the carrying amount of assets and liabilities using tax rates valid as at the date of the financial statement's preparation or enacted to this date.



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

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

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

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

#### **(w) Trade and other payables**

Trade and other payables are stated at amortised cost (see Note (bb) Financial liabilities).

#### **(x) Revenues from services rendered**

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

- Revenues from cableways and ski lifts (hereinafter also referred to as "Mountain Resorts")
- Revenues from leisure parks
- Revenues from sports services and stores
- Revenues from hotel services (hereinafter also referred to as "Hotels")
- Revenues from restaurant facilities (hereinafter also referred to as "Dining")
- Revenues from real estate projects
- Revenues from golf resorts
- Other revenues

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

Since 2012 the Group has been running a loyalty program for its clients – Gopass. Gopass enables its clients to earn points for purchase of products and services in its resorts and to redeem these points as discounts from future purchases. The amount of unredeemed points are recognized as a decrease in sales against revenue time difference, as they are related to promised discounts from future purchases of clients. The Group monitors the value of unredeemed points and revalues it on a regular basis for its recognition in the financial statements.

Other services include in particular the services provided in relation to accommodation, such as the rental of premises including hotels disclosed as investments property, parking, wellness, massage, sale of souvenirs, etc. Revenues from rental are recognised over the duration of the rental, with accruals. Revenues from real estate projects are recognised following the transfer of rights and obligations and related risks on to buyer, to which occurs at the day of transferring the ownership rights. Revenues from the sale of souvenirs and other goods shall be recognised following the transfer of significant risks and benefits from the particular goods. Other revenues from services provided shall be recognised following the provision thereof.

#### **(y) Dividends**

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

#### **(z) Non-current assets and disposal groups held for sale**

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

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

Impairment losses on initial recognition as held for sale are recognised in profit or loss even if the revaluation reserve was created. The same applies to gains and losses on subsequent measurements. Gains are not recognised in excess of any cumulative impairment loss. Property, plant and equipment and intangible assets classified as held for sale are no longer depreciated or amortised.

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

#### **(aa) Reporting by segments**

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

#### **(bb) Financial liabilities**

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

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

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

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

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

#### **(cc) Fair value estimates**

The following notes summarise the main methods and assumptions used in estimating the fair values of financial assets and liabilities referred to in Note 35 – Fair value information:

**i. Loans granted**

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

**ii. Loans and borrowings**

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

**iii. Trade receivables/payables, other receivables and other assets/liabilities**

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

**3. Significant accounting estimates and assumptions**

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

**(a) Business combinations and purchase price allocation**

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

An overview of business combinations and purchase price allocation of current and previous period is in Note 5 – Increase and decrease of interests in companies.

**(b) Valuation of Investments in Property**

Investments in property are measured at fair value. The fair value of investments in property is determined either by a management evaluation or independent expert (see the Significant Accounting Principles, Note 2); in both of the cases the valuation is based on current market values and conditions. The fair market value is the estimated value, for which the property could be exchanged, on the valuation day, between knowledgeable, willing parties being a prospective seller and a prospective buyer, in an arm's length transaction, with each party acting well informed, cautiously and without compulsion.

In the absence of current market prices, net estimated cash flow generated from the leasing of property and gains from capitalisation which reflect the risk specific for the market and also cash flow from the property shall be taken into account. The valuation reflects (where relevant) the type of lessees who use the property or are responsible for the fulfilment of lease liabilities or the type of prospective users, if the property is left non-rented, the general market perception of lessee solvency, the distribution of responsibilities related to maintenance and insurance of property between the Company and the lessees, and the remaining life of property.

An overview of investments in property of current and previous period is in Note 18 – Investments in real estate.

**(c) Goodwill and impairment testing**

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

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

Potential impairment of goodwill is determined by comparing the recoverable amount of CGU and its book value. The value



of return is determined by the value in use. This value was derived from the business plan prepared by the management. The key prerequisite which was also the most sensitive factor in determining the recoverable amount, was expected revenues assessed by the management, profitability (EBITDA) and cost of capital used as the discount factor for future net cash flows. Expected revenues as well as the profit margin ratio are based on historical revenue and EBITDA, adjusted for the effects of anti-pandemic measures and adjusted by management's expectations for future developments - changes in customer target groups, strengthened marketing and increase in the quality of services rendered.

Projecting of cash flows applied in determining the value in use covers a medium-term period of 5 years and subsequent extrapolation for the next period. Based on such standard level of cash flows, the terminal value was calculated with expected nominal growth of cash flows by inflation at 1.6% p.a. (2019: 1%). Discount rates applied in the projecting of cash flows were calculated as weighted average cost of capital, representing 6.99% (without taking into account the effect of the corporate income tax) for 2020 and 6.5% (without taking into account the effect of the corporate income tax) for 2019.

In 2020 and 2019, goodwill was tested within CGU Vysoké Tatry, and the test did not show any reason for asset impairment.

If as at 31 October 2020, projected EBITDA of CGU Vysoké Tatry, being part of projected cash flows was lower than 5% in comparison with management estimates, the value in use for an individual cash-generating unit in the location of High Tatras would drop by EUR 10,272 thousand. In such case, it would not be necessary to account for the asset impairment or goodwill even at a lower EBITDA reached. If the discount rate increased by 0.5% in comparison with the management estimate, i.e. its value was 7.49 %, the value in use for an individual cash-generating unit for the location of High Tatras would drop by EUR 15,341 thousand. Here again it would not be necessary to account for asset impairment or goodwill even at a higher discount rate. In order for the value in use to reach the book value of CGU Vysoké Tatry, WACC would have to rise to 9.4% or EBITDA would decrease by 27%.

If as at 31 October 2019, projected EBITDA of CGU Vysoké Tatry, being part of projected cash flows was lower than 5% in comparison with management estimates, the value in use for an individual cash-generating unit in the location of High Tatras would drop by EUR 11,586 thousand. In such case, it would not be necessary to account for the asset impairment or goodwill even at a lower EBITDA reached. If the discount rate increased by 0.5% in comparison with the management estimate, i.e. its value was 7.00 %, the value in use for an individual cash-generating unit for the location of High Tatras would drop by EUR 22,671 thousand. Here again it would not be necessary to account for asset impairment or goodwill even at a higher discount rate.

#### (d) Assets impairment testing

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

The Group carries on 7 principal activities: running of mountain resorts, leisure parks, restaurant services, sports services and shops, accommodation services and real estate projects, in three Slovak locations: in Jasná (Low Tatras), in the High Tatras and in Liptovský Mikuláš and through its subsidiaries in the Republic of Poland, the Czech Republic and Austria. Each of the locations was assessed by the management as an individual cash-generating unit (CGU). The Group monitors the performance and creates independent budgets for individual cash-generating units. The Group assets were allocated to individual cash-generating units according to the material competence, whereas all assets, i.e. also the hotels, golf centres, catering establishments, leisure parks and sports services and shops are included in individual cash-generating units, except for ski lifts and cableways.

As at 31 October 2020, after assessment by the Group's management, an indicator of a possible impairment of the Group's assets in connection with the spread of the coronavirus and the subsequent declaration of a global pandemic was identified, see Note 2 (b) for more information. The Group's management assessed that most CGUs did not incur significant risk of impairment due to the historically good performance of CGUs and the expected operation of individual CGUs in a partially restricted regime related to anticipated pandemic measures by governments in individual countries during the winter season. The Group did not carry out Group-wide testing for impairment of assets. The impairment test was performed at the CGU, which was most affected by the anti-pandemic measures and historically did not show the required performance

- Polish center Szczyrk in the subsidiary Szczyrkowski Osrodek Narciarski S.A. ("SON") and the Polish center Legandia in the subsidiary Śląskie Wesole Miasteczko Sp. z o. o. (hereinafter referred to as "SWM"). No impairment was identified or recognized in CGU SON and impairment was recognized in CGU SWM in the Group's consolidated financial statements by accounting for impairment of property, plant and equipment belonging to CGU SWM. The impairment test was also performed for the High Tatras site, as it has assigned Goodwill, as specified in Note 3 (c).

As of 31 October 2019, the Group's management having considered the Group asset impairment, besides the impairment tests for the CGU Vysoké Tatry as goodwill is related to it as stated in Note 3(c), impairment tests have been done for center Legandia in the subsidiary Śląskie Wesole Miasteczko Sp. z o. o. (locations and individual CGUs) in Poland due to the fact that the planned indicators have not been achieved, which was analysed as an indicator of possible asset impairment of the Group. No indicators for asset impairment have been identified for CGUs in Slovakia. Potential asset impairment is determined by comparing the recoverable value of the CGU and its book value. The recoverable value is determined by value in use. The key assumption, which was also the most sensitive factor in determining the recoverable amount, was expected revenues assessed by management, profitability (EBITDA) and cost of capital used as a discount factor for future net cash flows. Expected revenues as well as profitability are based on historical revenues and EBITDA, adjusted for the effects of anti-pandemic measures and adjusted by management's expectations for future developments - changes in target customer groups, enhanced marketing and quality of services provided.

Modelling of future cash flows used in determining the value in use covers a medium term of 5 years with extrapolation for next periods. Based on such normalized cash flows the terminal value was calculated assuming a terminal growth of 2% per annum (2019: 2.2%). The discount rate used in projecting cash flows was calculated as the weighted average cost of capital and equalled 7.96% for Poland in 2020 (2019: 7.51%) (without taking into account the effect of corporate the income tax).

For the SWM (CGU) site in the Republic of Poland, the test for impairment of assets showed the need for additional impairment of assets, which resulted in an impairment of assets of EUR 7,016 thousand (2019: EUR 3,865 thousand). As at 31 October 2020, the total impairment of assets for CGU SWM amounts to EUR 10,881 thousand. The recoverable value of CGU SWM was estimated by the Group at EUR 24,642 thousand. The recoverable value in this case represents the value in use.

#### (e) Financial instruments at fair value

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

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

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





## Information about operating segments – Consolidated statement of financial position

in TEUR	Sports Services and														TOTAL				
	Mountain Resorts		Leisure Parks		Hotels		Dining		Stores		Real Estate		Golf		Other		TOTAL		
	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020
Goodwill and Intangible Assets	27 321	6 689	3 418	3 203	4 872	4 525	10	11	3	4	3	3	-	-	-	-	-	35 627	14 435
Property, Plant and Equipment	236 016	240 498	58 369	71 463	70 688	74 059	17 206	16 937	3 242	3 256	2 510	3 082	170	170	3 183	3 550	391 384	412 995	412 995
Right-of-use of leased assets	44 947	-	14 152	-	3 131	-	72	-	1 058	-	-	5 950	-	-	-	-	69 310	-	-
Investments Property	-	-	-	-	-	-	-	-	-	-	9 428	8 329	-	-	-	-	9 428	8 329	8 329
Inventory	592	399	249	131	815	980	166	131	2 115	3 096	4 525	3 471	130	-	-	-	8 591	8 208	8 208
Trade receivables	1 429	2 413	478	558	2 370	1 015	116	627	149	385	180	422	76	39	-	-	4 798	5 459	5 459
Investment in an associate and a joint venture	11 891	-	-	-	-	-	-	-	-	-	-	1 974	2 101	-	-	-	13 865	2 101	2 101
Other receivables	2 857	27 003	6 388	853	-	-	-	430	-	-	-	55	-	35	-	-	9 300	28 321	28 321
Financial investments	6	4 506	-	-	1	2	-	-	-	119	-	-	-	-	33	-	40	4 660	4 660
Other Assets	2 943	2 293	1 620	363	2 728	2 078	49	-	140	-	-	-	-	70	782	782	8 262	5 586	5 586
Loans Provided	-	20 150	-	1 198	-	4 524	-	-	-	-	-	43	-	-	2 956	2 898	2 956	28 813	28 813
Cash and Cash Equivalents	4 127	6 365	1 150	1 299	1 144	2 322	375	920	133	393	-	231	774	-	-	-	7 161	12 073	12 073
Assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 205	2 878	1 205	2 878	2 878
<b>Assets total</b>	<b>332 129</b>	<b>310 316</b>	<b>85 824</b>	<b>79 068</b>	<b>85 749</b>	<b>89 505</b>	<b>17 994</b>	<b>19 056</b>	<b>6 840</b>	<b>7 233</b>	<b>16 646</b>	<b>15 350</b>	<b>8 586</b>	<b>3 189</b>	<b>8 159</b>	<b>10 141</b>	<b>561 927</b>	<b>533 858</b>	<b>533 858</b>
Loans and Borrowings long term	32 817	66 987	-	-	-	3 880	-	-	-	-	-	-	-	-	-	-	32 817	70 867	70 867
Lease liabilities	38 623	-	14 207	-	2 965	-	79	-	748	-	-	-	6 066	-	-	-	62 688	-	-
Other long term liabilities	18 289	17 682	54	59	-	-	-	-	-	-	-	-	-	-	-	-	18 343	17 741	17 741
Loans and Borrowings short term	41 180	14 956	-	-	4 070	240	-	-	-	-	-	-	-	-	-	-	45 250	15 196	15 196
Trade payables	4 124	3 276	643	504	1 243	1 385	723	813	421	396	203	412	170	250	2 143	2 143	9 670	9 179	9 179
Other current liabilities	5 889	9 984	2 219	2 720	3 028	3 900	1 870	2 257	555	1 007	-	116	113	-	-	-	14 276	19 981	19 981
Reserves	611	246	82	79	116	115	66	66	31	31	30	30	27	27	-	-	962	594	594
Bonds Issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	258 973	261 287	261 287
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27 062	27 980	27 062	27 980	27 980
Corporate income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	860	-	860	860
<b>Total liabilities</b>	<b>141 533</b>	<b>113 131</b>	<b>17 205</b>	<b>3 362</b>	<b>12 022</b>	<b>9 520</b>	<b>2 738</b>	<b>3 136</b>	<b>1 755</b>	<b>1 434</b>	<b>233</b>	<b>442</b>	<b>6 379</b>	<b>390</b>	<b>288 178</b>	<b>292 270</b>	<b>470 041</b>	<b>423 685</b>	<b>423 685</b>

## Information about operating segments – Consolidated statement of profit and loss

In 2020, the Group generates 81% (2019: 84%) of its revenues in the Slovak Republic, 10% in Poland (2019: 10%), 3% in the Czech Republic (2019: 5%) and 6% in Austria (2019: 1%) Inter-segment eliminations are included in the amounts reported for individual periods. No Group's client has exceeded the limit of 10% share in total revenues. Interest expense is split based on managerial key and not based on the split in the table below.

## Information about operating segments – Consolidated statement of financial position

As of 31 October 2020 the Group recognised the value of plant, property and equipment in the Slovak Republic of EUR 273,075 thousand (as of 31 October 2019: EUR 283,092 thousand), EUR 86,576 thousand in Poland (as of 31 October 2019: EUR 98,571 thousand), EUR 27,366 thousand, in Austria (as of 31 October 2019: EUR 27,599 thousand) and EUR 3,969 thousand, in the Czech Republic (as of 31 October 2019: EUR 3,733 thousand). The total value of the deferred tax liability from the subsidiaries in Austria is EUR 4,603 thousand (2019: 4,776 thousand), in Slovakia is EUR 2,269 thousand, in Czech Republic is EUR 1,185 thousand and in Poland is EUR 179 thousand deferred tax asset as of 31 October 2020 (as of 31 October 2019: EUR 273 thousand deferred tax liability). 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. Loans and Borrowings were not used to finance specific projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 NOVEMBER 2017 TO 31 OCTOBER 2020

## 5. Increase and decrease of interests in companies

### (a) Subsidiaries

The table below provides an overview of subsidiaries acquired in 2020:

<i>in TEUR</i>	Date of acquisition (acquisition of control)	Acquisition price	Increase/ (Decrease) of cash flow	Share of Group after acquisition %
<i>Acquisition of subsidiaries</i>				
1. Tatranská, akciová spoločnosť and subsidiaries	31.5.2020	25 247	272	100%

On 31 May 2020, the Parent Company acquired a 100% stake in 1. Tatranská, akciová spoločnosť in the amount of EUR 25,247 thousand. The acquired company operates the Štrbské Pleso ski resort in the High Tatras in Slovakia, carries out hospitality activities and operates a ski school.

The Group thus acquired a 74% stake in Korona Ziemeľ sp.z o.o. (as at 31 October 2019: 7.3% stake - financial investment) and 51% stake in TIKAR d.o.o. (as at 31 October 2019: 0.4% stake - financial investment), which are subsidiaries of 1. Tatranská, akciová spoločnosť. Non-controlling interests were recognised in proportion to the net asset value of the companies to which they relate. In Korona Ziemeľ, net assets reached EUR 302 thousand as of the acquisition date, the corresponding non-controlling share of 26% of net assets represents EUR 80 thousand. In TIKAR, net assets reached EUR -314 thousand, the corresponding non-controlling share of 49% of net assets represents EUR -154 thousand. Non-controlling interests resulting from the acquisition together amount to EUR -74 thousand.

The total value of the acquired assets for 1. Tatranská, akciová spoločnosť, Korona Ziemeľ sp. Zoo. and TIKAR d.o.o. (collectively referred to as "1. Tatranská a subsidiaries") was reassessed to the fair value of EUR 23,385 thousand and the total value of liabilities to EUR 22,000 thousand at the acquisition date.

The goodwill that resulted from the transaction represents the expected synergies between the ski resorts within the CGU High Tatras, where the Group is expanding its operations. All goodwill is allocated to CGU Vysoké Tatry.

The Group has identified previously unrecognized lease-related liabilities and assets, measured at the present value of future lease payments, in accordance with the accounting policies used by the Group in its initial application of IFRS 16.

For trade receivables, their carrying amount represents the fair value, except for one receivable in the amount of EUR 3,470 thousand, which was assessed by the Group as uncollectible.

As of the acquisition date, 1. Tatranská and its subsidiaries contributed EUR 516 thousand to consolidated revenues and a loss of EUR 571 thousand to the overall comprehensive consolidated result. If the acquisition had been made at the beginning of the period presented, the revenues of 1. Tatranská and its subsidiaries would have contributed EUR 2,042 thousand to consolidated revenues and a loss of EUR 1,583 thousand to the total consolidated comprehensive income.

Additions due to the companies acquisition in 2020 related to 1. Tatranská and its subsidiaries had the following effect on the Group's assets and liabilities (information on the acquisition of assets is described in Note 3 (a)):

<i>in TEUR</i>	1. Tatranská, akciová spoločnosť and subsidiaries
Intangible assets	3 123
Property, plant and equipment	14 991
Investment property	1 098
Deferred tax asset	686
Inventories	55
Trade receivables	1 884
Loans provided	170
Other receivables	1
Cash and cash equivalents	272
Other assets	1 105
Deferred tax liability	-2 954
Loans and borrowings	-17 764
Trade payables	-164
Provisions	-18
Other current liabilities	-1 100
<b>Net identified assets and liabilities</b>	<b>1 385</b>
Non-controlling interest	74
Fair value of financial investments before acquisition	-120
Transferred performance	-25 247
<b>Goodwill</b>	<b>23 908</b>
Consideration paid, cash settlement - non-cash transaction	-
Cash acquired	272
<b>Net cash income / (expenditure)</b>	<b>272</b>

The consideration transferred in the amount of EUR 25,247 thousand represents the offsetting of financial assets (receivables and provided advances, where the fair value equals the book value) with the previous owners of the company 1. Tatranská. No contingent consideration arose in the transaction and no monetary consideration was provided.



The table below provides an overview of subsidiaries acquired in 2019:

<i>in TEUR</i>	<b>Date of acquisition (acquisition on of control)</b>	<b>Acquisition price</b>	<b>Decrease of cash flow</b>	<b>Share of Group after acquisition %</b>
<b>Acquisition of subsidiaries</b>				
Mölltaler Group	1.5.2019	36	23	100%

On 1 May 2019, the Company acquired 90% stake in Mölltaler Gletscherbahnen GmbH for EUR 33 thousand and 90% stake in Mölltaler Gletscherbahnen GmbH & Co KG for 1.8 EUR. 10% stake in Mölltaler Gletscherbahnen GmbH for EUR 4 thousand and 10% stake in Mölltaler Gletscherbahnen GmbH & Co KG for EUR 0.2 were purchased by Tatra Mountain Resorts AT GmbH. In this way the Group acquired 100% of Grundstücksverwertungs-GmbH Flattach as 100% stake is owned by Mölltaler Gletscherbahnen GmbH & Co KG. The acquired Companies run the ski resorts Mölltaler Gletscher and Ankogel in Austria. The total value of assets acquired and liabilities assumed for Mölltaler Gletscherbahnen GmbH, Mölltaler Gletscherbahnen GmbH & Co KG and Grundstücksverwertungs-GmbH Flattach (together referred to as the "Mölltaler Group") was revalued to its fair value of assets of EUR 28,622 thousand and liabilities of EUR 27 363 thousand.

The most important assumptions for determining the value of the Mölltaler Group were the business plan for 2019 - 2028 prepared by the Group's management, the estimated discount rate used in cash flow planning was calculated as the weighted average cost of capital and was 5.64% for years 2019 to 2028. The Group assumed an average year-on-year increase in EBITDA of 6% for the years after 2019.

If, at the acquisition date, the projected EBITDA CGU of the Mölltaler Group, which is part of the projected cash flows, were 5% lower for each year compared to management's estimate, the value of negative goodwill would decrease by EUR 1,162 thousand. If, at the acquisition date, the projected EBITDA CGU of the Mölltaler Group, which is part of the projected cash flows, were 5% higher for each year compared to management's estimate, the value of negative goodwill would increase by 1,162 thousand euros. If the discount rate were increased by 0.5% compared to the management estimate, i. the value would represent 6.14%, the value of negative goodwill would decrease by EUR 1,970 thousand. If the discount rate were reduced by 0.5% compared to management's estimate, i. the value would be 5.14%, the value of negative goodwill would increase by EUR 2,442 thousand.

Additions due to the companies acquisition in 2019 related to Mölltaler Group had the following effect on the Group's assets and liabilities (information on the acquisition of assets is described in Note 3 (a)):

<i>in TEUR</i>	<b>Mölltaler Group</b>
Property, plant and equipment	27 680
Inventories	175
Trade receivables	401
Financial instruments	8
Cash and cash equivalents	59
Other assets	299
Deferred tax liability	-4 776
Loans and borrowings	-372
Trade payables	-1 021
Other liabilities to the former shareholders	-20 572
Other liabilities	-622
<b>Net identified assets and liabilities (100% share)</b>	<b>1 259</b>
<b>Acquired share (100% share)</b>	<b>1 259</b>
Cost of acquisition	-36
<b>Gain on bargain purchase</b>	<b>-1 223</b>
Consideration paid, cash settlement	-36
Cash acquired	59
<b>Net cash income / (expenditure)</b>	<b>23</b>

As a result of the purchase price allocation of the acquired companies of Mölltaler Group, the fair value of acquired assets and assumed liabilities were adjusted, as stated in the table below:

<i>in TEUR</i>	<b>Mölltaler Group</b>
Property, plant and equipment	13 326
Other liabilities to the former shareholders	-11 189
<b>Total</b>	<b>2 137</b>

**(b) Associates and joint ventures**

The table below provides an overview of joint ventures acquired in 2020 (the Group did not enter into any transactions relating to associates between 1 November 2018 and 31 October 2019.):

<i>in TEUR</i>	Share of Group after acquisition %	Value of share acquired
MELIDA, a.s. (Associate)	25%	13 398
<b>Total</b>		<b>13 398</b>

On 15 December 2019, the Group signed an agreement on the transfer of securities, on the basis of which it purchased an additional 15.5% stake in MELIDA a.s., which is the operator of the Špindlerův Mlýn ski resort in the Czech Republic. The purchase price of MELIDA a.s. in the amount of EUR 7,118 thousand was the fair value of the share held as at 31 October 2019, increased by an additional purchase price in the amount of EUR 2,027 thousand. Valuation of the 9.5% share held as at 31 October 2019 in the amount of EUR 4,498 thousand, which was increased by additional capital contributions of EUR 593 thousand, totaling EUR 5,091 thousand December 2019

As at 31 October 2020, the stake in MELIDA a.s. is reported as an investment in associates measured using the equity method.

As at 31 October 2019 the Group held 9.5% stake in company MELIDA, a.s. for EUR 4,498 thousand. As at 31 October 2019, the fair value of MELIDA a.s. was estimated by the Group management using the discounted cash flow method, with the application of inputs from the business plan and of cash flow estimates. The business plan and cash flow estimates were consistently reviewed before application by Group management. The rent of the ski resort was based on the signed appendix no. 2, which came into effect on 22 March 2018, extended until 2057. Therefore cash flows projection was from 2018 to 2057. The main assumptions that were used in the valuation, were estimated cash flows, where the most important assumptions estimated by the management included EBITDA, its growth and discount rate.

EBIDTA projected for 2019 represented the value of EUR 5,890 thousand. For financial year 2019, the grow by 5% was originally forecasted, that was also achieved, for 2020 and 2021 the grow by 3% is expected, from 2022 to 2023 it is expected to grow by 2% per annum and from 2024 to 2057 by 1% per annum. The discount rate applied in the valuation of such financial assets used as at 31 October 2019, representing the required rate of return of own share capital, was of 7.80%.

On October 29, 2019, the Group signed an agreement on the transfer of securities with CAREPAR, a.s., on the basis of which the Group acquired 19 ordinary shares of MELIDA, a.s. and thus became a direct shareholder (9.5% stake) in MELIDA, a.s.

For further information about financial investments see Note 25 – Financial investments.

The total value of net identifiable assets and liabilities for MELIDA a.s. was revalued to a fair value of EUR 53,591 thousand at the date of acquisition of the 25% interest.

Fair values of assets and liabilities for MELIDA a.s:

<i>in TEUR</i>	MELIDA, a.s.
Total assets	69 899
Trade liabilities	-16 308
<b>Net identified assets and liabilities (100% share)</b>	<b>53 591</b>
<b>Acquired share (50% share)</b>	<b>13 398</b>
Cost of acquisition and the value of shares owned before the acquisition	-7 118
<b>Gain on bargain purchase</b>	<b>-6 280</b>

The table below provides an overview of selected financial information for MELIDA, a.s. (associate) and the book value of Group's shares in this Company:

<i>in TEUR</i>	2 020	2 019
Net profit / (loss) for the year	-2 552	-
Assets	66 007	-
Liabilities	-18 392	-
Equity	<b>47 615</b>	-
<i>in TEUR</i>		
Share of equity as at 1 November/ at the acquisition date	<b>13 398</b>	-
Share of the profit / (loss)	-638	-
Dividends received during the year	-	-
Foreign exchange difference	-856	-
<b>Share of equity as at 31 October 2020/ 31 October 2019</b>	<b>11 904</b>	-

The table below provides an overview of joint ventures acquired in 2019 (the Group did not enter into any transactions relating to joint ventures between 1 November 2019 and 31 October 2020.):

<i>in TEUR</i>	Share of Group after acquisition %	Acquisition price	Impairment allowance	Book value
Ostravice Hotel a.s. (joint venture)	50%	2 109	-	2 109
<b>Total</b>		<b>2 109</b>	<b>-</b>	<b>2 109</b>



On 31 December 2018, the company Tatry mountain resorts CR, a.s. acquired joint control and 50% of shares in the company OSTRAVICE HOTEL a.s. The agreed acquisition price was in the amount of CZK 53,797 thousand; due on 31 December 2025. The main activities of OSTRAVICE HOTEL a.s. is rent of real estate, appartments and other rental properties. The company OSTRAVICE HOTEL a.s. is incorporated in the Czech republic.

Total fair value of assets acquired in OSTRAVICE HOTEL a.s. was in the amount of EUR 4,218 thousand at the date of 50% shares acquisition and joint control acquisition.

Fair value of assets and liabilities assumed in OSTRAVICE HOTEL a.s.:

<i>in TEUR</i>	<b>OSTRAVICE HOTEL a.s.</b>
Total assets	4 373
Trade liabilities	-155
<b>Net identified assets and liabilities (100% share)</b>	<b>4 218</b>
<b>Acquired share (50% share)</b>	<b>2 109</b>

The table below provides an overview of selected financial information for OSTRAVICE HOTEL a.s. (joint venture) and the book value of Group' s shares in the joint venture:

<i>in TEUR</i>	<b>2 020</b>	<b>2 019</b>
Net profit / (loss) for the year	-10	-16
Assets	4 153	4 373
Liabilities	-231	-155
Equity	<b>3 922</b>	<b>4 218</b>

<i>in TEUR</i>	<b>2 020</b>	<b>2 019</b>
Share of equity as at 1 November/ at the acquisition date	2 101	2 109
Share of the profit / (loss)	-5	-8
Dividends received durn the year	-	-
Foreign exchange difference	-135	-
<b>Share of equity as at 31 October 2020/ 31 October 2019</b>	<b>1 961</b>	<b>2 101</b>

## 6. Revenues

<i>in TEUR</i>	<b>1.11.2019 - 31.10.2020</b>	<b>1.11.2018 - 31.10.2019</b>
Mountain Resorts	46 211	50 857
Hotels	26 522	28 797
Restaurant facilities	16 529	18 281
Leisure Parks	7 918	11 230
Real Estate Projects	6 405	9 223
Sports Services and Stores	6 415	7 328
Golf	641	676
<b>Total</b>	<b>110 641</b>	<b>126 392</b>

## 7. Other operating revenues

<i>in TEUR</i>	<b>1.11.2019 - 31.10.2020</b>	<b>1.11.2018 - 31.10.2019</b>
Contractual penalties	-	24
Claims paid by insurance company	72	74
Other operating revenue	484	1 102
<b>Total</b>	<b>556</b>	<b>1 200</b>

**8. Consumption of material and goods**

<i>in TEUR</i>	<b>1.11.2019 - 31.10.2020</b>	<b>1.11.2018 - 31.10.2019</b>
Material in hotels and restaurant facilities	-7 092	-8 151
Chalets sold	-4 296	-7 225
Goods	-3 704	-4 919
Fuels	-751	-1 188
Material for repair and maintenance	-806	-822
Material and goods – other	-3 479	-3 995
<b>Total</b>	<b>-20 128</b>	<b>-26 300</b>

**9. Services purchased**

<i>in TEUR</i>	<b>1.11.2019 - 31.10.2020</b>	<b>1.11.2018 - 31.10.2019</b>
Energy consumption	-6 882	-6 333
Advertisement expenses	-2 616	-3 385
Rental costs (cost of premises) and others	-2 133	-6 408
Other administrative expenses	-2 159	-2 471
Communication expenses	-1 470	-1 622
Repairs and maintenance expenses	-2 291	-2 140
Legal advice expenses	-1 315	-1 212
Services related to owned premises	-443	-471
Transport, accommodation, travel expenses	-328	-345
Training expenses	-107	-228
Other purchased services	-4 878	-6 316
State aid related to rental costs	105	-
State aid related to other costs	160	-
<b>Total</b>	<b>-24 357</b>	<b>-30 931</b>

Other purchased services represent the accounting, audit and other expenses related to administrative operation of the Group. The Group uses the services of the audit firm KPMG Slovensko spol. s r.o. for the auditing of individual and consolidated financial statements. Expenses for those items for the period from 1 November 2019 to 31 October 2020 amounted to EUR 159 thousand (for the period ending 31 October 2019: EUR 159 thousand.). For the period ending 31 October 2019 the Group also used the audit services of KPMG Audyt Sp. z o.o. sp.k. for the first time to verify the individual financial statement and reporting group packages for the company Szczyrkowski Ośrodek Narciarski, S.A. and the company Śląskie Wesole Miasteczko Sp. z o.o.. The cost of these items in the period from 1 November 2019 to 31 October 2020 amounted to EUR 40 thousand (for the period ending on 31 October 2019: EUR 40 thousand).

**10. Personnel expenses**

<i>in TEUR</i>	<b>1.11.2019 - 31.10.2020</b>	<b>1.11.2018 - 31.10.2019</b>
Wages and salaries	-20 565	-20 248
Personnel leasing	-4 314	-4 356
Social security (compulsory)	-7 460	-7 997
Remuneration of members of key management and Supervisory Board	-1 195	-2 424
Other social expenses	-18	-20
State aid related to wages and salaries	2 476	-
<b>Total</b>	<b>-31 076</b>	<b>-35 045</b>

The average number of Group employees during the period from 1 November 2019 to 31 October 2020 was 1,332, out of which 16 were management (from 1 November 2018 to 31 October 2019, it was 1,456 employees, out of which 28 were management). During the year, the Group used the services of employment agencies for short-term personnel leasing. From 1 November 2019 to 31 October 2020, it was 307 employees (from 1 November 2018 to 31 October 2019: 376 employees).

The table below provides an overview of the Group's key management remuneration for the period from 1 November 2019 to 31 October 2020:

<i>in TEUR</i>	<b>Basic bonuses</b>	<b>Extraordinary bonuses / variable remuneration</b>	<b>Total</b>
<b>Management bonuses</b>			
Board of Directors	154	338	492
Board of Supervisors	53	-	53
Top management	300	350	650
Audit Committee	-	-	-
<b>Celkom</b>	<b>507</b>	<b>688</b>	<b>1 195</b>

Based on organization structure of the Group effective 1 November 2019, the top management consists of positions CEO, CFO, COO and CCO. The Board of Directors determines the remuneration of the top management.

For year ended 31 October 2020, the base remuneration for the top management amounted to EUR 300 thousand (in the period between 1 November 2018 and 31 October 2019: EUR 589 thousand). Members of the Board of Directors of the Group are paid basic flat remuneration, the level of which is set individually based on the decision of the General Assembly made on 29 April 2020 and is stated within their contract on performing the function of a member of the Board of Directors. For the year ended 31 October 2020 basic remuneration was paid out in the amount of EUR 154 thousand. The variable remuneration is paid to the Board of Directors upon fulfillment of the criteria defined in the Remuneration rules. The amount of variable remuneration for the members of the Board of Directors, as well as its pay date, are set by the Remuneration rules which are based on achieving the EBITDA plan. For year ended 31 October 2020, members of the Board of Directors were admitted variable remuneration based on achieving the EBITDA plan in the amount set according to point 2.3.1 of the Remuneration rules, i.e. EUR 958 thousand. On 26 February 2021, members of the Board of Directors waived their right to a part of the variable remuneration in the total amount of EUR 658 thousand. They will be paid the remaining EUR 300 thousand in accordance with the Remuneration rules. Extraordinary bonuses to the top management were paid out in the amount of EUR 350 thousand (for the year ended 31 October 2019: EUR 1,267 thousand). The total amount of claimed extraordinary bonuses in the amount of EUR 688 thousand, including variable remuneration, also contains a provision for extraordinary bonuses and related payroll contributions of members of the Board of Directors for



the period from 1 November 2019 to 31 October 2020 in the amount of EUR 338 thousand. The year-on-year decrease was caused mainly by the waived claim on variable remuneration by the members of the Board of Directors.

Basic remuneration is paid to members of the Supervisory Board of the Parent Group in accordance with the Supervisory Board Remuneration Rules and the contracts on office. For the year ended 31 October 2020, the basic remuneration totalled EUR 53 thousand (in the period between 1 November 2018 and 31 October 2019: EUR 43 thousand).

#### 11. Other operating expenses

<i>in TEUR</i>	1.11.2019 - 31.10.2020	1.11.2018 - 31.10.2019
Insurance (property, automobiles, travel cost)	-482	-449
Fees and commissions	-507	-577
Shortages and losses	-246	-217
Other operating cost	-90	-70
<b>Total</b>	<b>-1 325</b>	<b>-1313</b>

#### 12. Interest income and expenses

<i>in TEUR</i>	1.11.2019 - 31.10.2020	1.11.2018 - 31.10.2019
Interest income calculated using effective interest rate	1 023	1 173
Interest expense	-20 443	-16 791
<b>Total</b>	<b>-19 420</b>	<b>-15 618</b>

For the period from 1 November 2019 to 31 October 2020, the interest income of EUR 1,023 thousand (from 1 November 2018 to 31 October 2019 in the amount of EUR 1,173 thousand) is mainly from the fixed-rate loans provided. See Note 21 – Loans provided.

The table below shows the composition of interest expenses:

<i>in TEUR</i>	1.11.2019 - 31.10.2020	1.11.2018 - 31.10.2019
Interest expense related to loans and borrowings and leasing	-3 909	-5 742
Interest expense from bonds issued	-14 668	-10 742
Interest expense from leasing	-2 385	-571
Income associated with hedging derivative transaction SWAP	519	587
<b>Interest expense total</b>	<b>-20 443</b>	<b>-16 468</b>

For information about bonds issued see Note 34 – Bonds Issued.

In the period from 1 November 2019 to 31 October 2020, the Group capitalised the interest expenses into the assets in the amount of EUR 464 thousand (from 1 November 2018 to 31 October 2019, the Group capitalised interest expenses into the assets in amount of EUR 1,155 thousand). Interest rate used for interest expense capitalisation was 6.20% in the period from 1 November 2019 to 31 October 2020 (from 1 November 2018 to 31 October 2019 7.09%).

#### 13. Net profit / loss from financial instruments

<i>in TEUR</i>	1.11.2019 - 31.10.2020	1.11.2018 - 31.10.2019
Cost of administration of financial instruments	-302	-745
Income/ (loss) from the sale of financial instruments	-2	-
Other, net	-10 006	1 934
<b>Total</b>	<b>-10 310</b>	<b>1 189</b>

In the period from 1 November 2019 to 31 October 2020, the Group reported a loss from financial instruments of EUR 10,310 thousand (from 1 November 2018 to 31 October 2019 a loss of EUR 1,189 thousand). The loss from financial instruments in the current period was primarily due to the depreciation of the Polish zloty, which resulted in the revaluation of loans received in euros in Polish companies.

#### 14. Income tax and deferred tax

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

In order to calculate deferred tax from temporary differences incurred in the Slovak Republic, the Group used a 21% rate for the year 2020 (2019: 21%), resulting from the corporate income tax rate applicable on the date of preparation of the financial statements. To calculate deferred tax from temporary differences incurred in Poland and Czech, the Group used a 19% tax rate. The Group used a 25% tax rate in Austria as per the income tax rate of legal entities effective as of the date the financial statements were prepared on. The Group used a rate of 12% to calculate deferred tax on temporary differences arising in the Republic of Croatia. The individual tax rates used to calculate deferred taxes on temporary differences have not changed in any of the countries in which the Group operates compared to the previous accounting period.

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

<i>in TEUR</i>	1.11.2019 - 31.10.2020	1.11.2018 - 31.10.2019
Current tax:		
Tax of current accounting period	-257	-1 277
Withholding tax on interest	-3	-4
	<b>-260</b>	<b>-1 281</b>
Deferred tax:		
Posting and release of temporary differences	2 733	707
Change of tax rate	-	-
<b>Total reported tax</b>	<b>2 473</b>	<b>-574</b>

## Reconciliation of the effective tax rate

<i>in TEUR</i>	1.11.2019 - 31.10.2020		1.11.2018 - 31.10.2019	
	%		%	
Profit / (loss) before taxes		-22 986		-1 714
Tax rate	21%	-4 827	21%	-360
Tax non-deductible expenses	-12%	2 735	-26%	451
Income not subject to tax	2%	-435	17%	-284
Current tax: withholding tax on interest	0%	3	0%	4
Tax losses claimed during the period	0%	-103	3%	-47
Deferred tax asset not recognized	-2%	491	-56%	967
Impact of Poland's, Czech, Austrian and Croatian tax rate	1%	-339	9%	-158
Change in the tax rate	0%	-	0%	-
<b>Total</b>	<b>11%</b>	<b>-2 475</b>	<b>-33%</b>	<b>574</b>

## Income tax reported through other components of comprehensive income

<i>in TEUR</i>	1.11.2019 - 31.10.2020			1.11.2018 - 31.10.2019		
	Before taxes	After taxes		Before taxes	After taxes	
Net gain/(loss) on cash flow hedges	1 972	414	1 558	-1 403	-295	-1 108
<b>Other components of comprehensive income</b>	<b>1 972</b>	<b>414</b>	<b>1 558</b>	<b>-1 403</b>	<b>-295</b>	<b>-1 108</b>

Other comprehensive income that may be reclassified to profit or loss in subsequent periods:

## Movements of deferred tax liability (net) during 2020 and 2019

2020

<i>in TEUR</i>	Balance as at 1 November 2019	Reported in profit and loss statement	Reported in other comprehensive income	Effect of foreign exchange difference	Acquired through business combination	Balance as at 31 October 2020
Property, plant and equipment, and intangible assets	-27 661	1 505	-	-795	-2 116	-29 067
Investment property	-946	-30	-	-	-161	-1 137
Losses on impairment of trade receivables and other assets	90	-27	-	1	-	64
Cash Flow hedge	295	-	-415	-	-	-120
Provisions and liabilities	2 693	-163	-	-29	9	2 510
Leases (IFRS 16)	-	-79	-	-	-	-79
Tax losses	427	1 096	-	15	-	1 538
Other temporary differences	-	431	-	3	-	434
<b>Total, net</b>	<b>-25 102</b>	<b>2 733</b>	<b>-415</b>	<b>-805</b>	<b>-2 268</b>	<b>-25 857</b>

2019

<i>in TEUR</i>	Balance as at 1 November 2018	Reported in profit and loss statement	Reported in other comprehensive income	Effect of foreign exchange difference	Acquired through business combination	Balance as at 31 October 2019
Property, plant and equipment, and intangible assets	-23 673	-654	-	-2	-3 332	-27 661
Investment property	-1 025	79	-	-	-	-946
Losses on impairment of trade receivables and other assets	278	-239	45	6	-	90
Cash Flow hedge	-	-	295	-	-	295
Provisions and liabilities	2 108	1 988	-	41	-1 444	2 693
Tax losses	875	-467	-	19	-	427
Other temporary differences	-	-	-	-	-	-
<b>Total, net</b>	<b>-21 437</b>	<b>707</b>	<b>340</b>	<b>64</b>	<b>-4 776</b>	<b>-25 102</b>

See also Note 19 - Deferred tax asset, deferred tax liability.



## 15. Property, plant and equipment

<i>in TEUR</i>	Land and buildings	Individual movable assets and sets of movable assets	Assets under construction	Total
<i>Cost</i>				
Opening balance as at 1.11.2018	306 961	138 789	26 040	471 790
Additions	18 599	3 797	22 856	45 252
Additions due to business combinations	13 341	14 091	248	27 680
Disposals	-3 267	-3 270	-	-6 537
Reclassification to investment property	-	-	-	-
Transfer from assets available for sale	-	-	-	-
Transfers within assets	11 172	7 618	-18 790	-
Foreign exchange difference	1 443	279	230	1 952
<b>Balance as of 31.10.2019</b>	<b>348 248</b>	<b>161 304</b>	<b>30 584</b>	<b>540 136</b>
Opening balance as at 1.11.2019	348 248	161 304	30 584	540 136
Recognition of right-of-use asset - first-time adoption of IFRS 16 as at 1.11.2019 (see Note 16)	-10 497	-5 271	-	-15 768
<b>Opening balance as at 1.11.2019 - adjusted</b>	<b>337 751</b>	<b>156 033</b>	<b>30 584</b>	<b>524 368</b>
Additions	3 485	2 398	9 047	14 930
Additions due to business combinations	6 316	8 276	258	14 850
Disposals	-2 635	-2 957	-182	-5 774
Reclassification to investment property	-	-	-134	-134
Transfer from assets available for sale	-	-	-	-
Transfers within assets	13 291	5 215	-18 506	-
Foreign exchange difference	-7 181	-1 149	-1 138	-9 468
Balance as of 31.10.2020	<b>351 027</b>	<b>167 816</b>	<b>19 929</b>	<b>538 772</b>

<i>in TEUR</i>	Land and buildings	Individual movable assets and sets of movable assets	Assets under construction	Total
<i>Accumulated depreciation and losses from impairment of assets</i>				
Opening balance as at 1.11.2018	-51 331	-55 182	-	-106 513
Depreciation of current accounting period	-9 916	-9 529	-	-19 445
Decreases	490	2 459	-	2 949
Movement to investments in real property	-	-	-	-
Transfer from assets available for sale	-	-	-	-
Foreign exchange difference	-140	-147	-	-287
Balance as of 31.10.2019	<b>-64 550</b>	<b>-62 592</b>	<b>-</b>	<b>-127 142</b>
Opening balance as at 1.11.2019	-64 550	-62 592	-	-127 142
Recognition of right-of-use asset - first-time adoption of IFRS 16 as at 1.11.2019 (see Note 16)	826	1 091	-	1 917
<b>Opening balance as at 1.11.2019 - adjusted</b>	<b>-63 724</b>	<b>-61 501</b>	<b>-</b>	<b>-125 225</b>
Depreciation of current accounting period	-10 642	-10 234	-	-20 876
Decreases	1 055	2 570	-	3 625
Impairment of assets	-6 232	-784	-	-7 016
Movement to investments in real property	-	-	-	-
Transfer from assets available for sale	-	-	-	-
Transfers within assets	-	-	-	-
Foreign exchange difference	1 337	766	-	2 103
Balance as of 31.10.2020	<b>-78 206</b>	<b>-69 183</b>	<b>-</b>	<b>-147 388</b>
<i>Carrying value</i>				
As of 1.11.2018	<b>255 630</b>	<b>83 608</b>	<b>26 040</b>	<b>365 277</b>
As of 31.10.2019	<b>283 698</b>	<b>98 713</b>	<b>30 584</b>	<b>412 995</b>
As of 1.11.2019	<b>274 027</b>	<b>94 533</b>	<b>30 584</b>	<b>399 144</b>
As of 31.10.2020	<b>272 821</b>	<b>98 634</b>	<b>19 929</b>	<b>391 384</b>

In the period from 1 November 2019 to 31 October 2020, the Group carried out investments amounting to EUR 14,930 thousand. From the total value, in Slovakia the Group invested EUR 6,577 thousand. The Group invested EUR 2,675 thousand in the construction of the „Zadné vody“ reservoir, made an investment in the reconstruction of the Srdiečko hotel in the amount of EUR 437 thousand, invested EUR 569 thousand in the construction of the Centrum Jasná complex and made other smaller investments.

In the Republic of Poland, the Group invested EUR 6,573 thousand in the period from 1 November 2019 to 31 October 2020, out of which EUR 510 thousand was invested in the Szczyrk resort to add new seats and improve facilities in the cable car segment, amount of EUR 389 thousand to strengthen the artificial snow, EUR 219 thousand for landscaping and widening of the slopes, and the Group also made other smaller investments in this center.

In the period from 1 November 2019 to 31 October 2020, the Group invested more than EUR 800 thousand at the Legendia Center in Chorzów, mainly in the Rapid River attraction, which was put into operation in June 2020.

In the Czech Republic, in the Ještěd resort, the Group invested EUR 475 thousand in a change in the zoning plan for the “Nová Skalka” investment project, which consists of a ski slope, snowmaking and further development. Within the golf

segment in the Ostravice and Kaskáda resorts, the Group invested EUR 129 thousand in several small investment projects that result in an improvement of the golf environment as well as comfort in gastronomic establishments and accommodation facilities.

The Group also made other small investments in Slovakia, the Republic of Poland, Austria and the Czech Republic.

In the period from 1 November 2018 to 31 October 2019, the Group carried out investments amounting to EUR 45,252 thousand. From the total value, in Slovakia the Group invested EUR 22,537 thousand. The Group invested EUR 12,181 thousand for the purchase of Grand Jet Brhliská cableway in form of leasing, EUR 6,239 thousand for construction of new chalets in Otopné, EUR 1,492 thousand for purchase of snow groomers, EUR 929 thousand up to now for the construction of reservoir Zadné vody, EUR 886 thousand for the reconstruction of hotel Srdiečko. In addition, the Group made the investment worth of EUR 757 thousand for chalets in Tatralandia and other minor investments.

During 2019 the Group invested EUR 15,636 thousand in Poland. The main investments are represented by the construction of new cableway Hala Skryczenska - Male Skryczne of EUR 2,826 thousand and the construction of new restaurant facility Hala Skryczenska for EUR 2,639 thousand. The Group bought the hotel Gronie for EUR 2,585 thousand, invested also into snowmaking equipment of EUR 1,015 thousand, bought ski lifts for EUR 673 thousand, that will be used mostly in case of windy weather. The Group invested EUR 549 thousand into landscaping of the ski slopes and EUR 231 thousand for exchange of turnstile system.

At the entertainment center Legendia, the Group made the investment into a new attraction Rapid River in the amount of EUR 2,230 thousand that will be open in 2020. It constructed the attraction Fountain Show in the amount of EUR 843 thousand and spent EUR 401 thousand for attraction Tornado. In the Ještěd resort, the Czech republic, the Group put into use new shops of EUR 516 thousand and invested into construction of apreski bar the amount of EUR 181 thousand. The Group carried out also other minor investments in Slovakia, Poland and the Czech republic.

#### Unused assets and fully depreciated used assets

As of 31 October 2020 and 2019, the Group reported no unused assets. As at 31 October 2020 the Group used fully depreciated assets in acquisition cost EUR 22,909 thousand (2019: EUR 21,557 thousand).

#### Impairment loss

For the periods ending 31 October 2020, the Group reported impairment of fixed assets based on the impairment testing in total value of EUR 7,016 thousand related to Ślaskie Wesole Miasteczko Sp. z o. o. (CGU) in Poland (31 October 2019: EUR 3,865 thousand); in particular the amount related to land and buildings of EUR 6,232 thousand (31 October 2019: EUR 3,653 thousand), individual movable assets and sets of movable assets of EUR 784 thousand (31 October 2019: EUR 193 thousand) and software of EUR 0 thousand (31 October 2019: EUR 19 thousand); (information on the assets impairment testing is described in Note 3 (d)):

#### Insurance of assets

<i>in TEUR</i>	31.10.2020	31.10.2019
Natural disaster and vandalism	622 917	564 190
General machinery risks	46 907	34 219
Liability for damage	30 910	36 853

#### Security

As of 31 October 2020, property, plant and equipment in the amount of EUR 301,646 thousand was used to secure bank loans (as of 31 October 2019: in the amount of EUR 281,395 thousand).

#### Capitalized borrowing costs

As of 31 October 2020, the Group capitalised interest on loans into assets in the amount of EUR 464 thousand (as of 31 October 2019: the Group capitalised interest on loans into assets in the amount of EUR 1,155 thousand).

## 16. Right-of-use assets

Movements in the carrying amounts of property, plant and equipment acquired through leasing were as follows

	Land and buildings	Individual movable assets and sets of movable assets	Total
<i>in TEUR</i>			
<b>Cost</b>			
Opening balance as at 1.11.2019	17 893	5 271	23 164
Recognition of right-of-use asset - first-time adoption of IFRS 16 as at 1.11.2019	38 088	2 210	40 298
Derecognition of right-of-use asset as a result of sublease classification as financial sublease	-	-47	-47
<b>Opening balance as at 1.11.2019 - adjusted</b>	<b>55 981</b>	<b>7 434</b>	<b>63 415</b>
Additions	15 653	1 665	17 318
Additions due to business combinations	252	-	252
Disposals	-209	-140	-349
Modifications	-1 502	-79	-1 581
Foreign exchange difference	-1 344	-11	-1 355
<b>Balance as of 31.10.2020</b>	<b>68 831</b>	<b>8 869</b>	<b>77 700</b>
<b>Accumulated depreciation</b>			
Opening balance as at 1.11.2019	-2 139	-1 091	-3 230
<b>Opening balance as at 1.11.2019 - adjusted</b>	<b>-2 139</b>	<b>-1 091</b>	<b>-3 230</b>
Depreciation of current accounting period	-3 640	-1 919	-5 559
Decreases	209	140	349
Foreign exchange difference	48	2	50
<b>Balance as of 31.10.2020</b>	<b>-5 522</b>	<b>-2 868</b>	<b>-8 390</b>
<b>Carrying value</b>			
Opening balance as at 1.11.2019 - adjusted	53 842	6 343	60 185
<b>Balance as of 31.10.2020</b>	<b>63 309</b>	<b>6 001</b>	<b>69 310</b>

Opening balances as at 1 November 2019 represent reclassified assets related to financial leasing to right-of-use assets, see significant accounting principles item 2 (f) Leases - IFRS 16 Leases - impact of application.



## 17. Goodwill and intangible assets

in TEUR	Goodwill	Valuable rights	Lease contracts	Software	Acquired intangible assets	Total
<b>Cost</b>						
Opening balance as at 1.11.2018	8 508	3 881	7 396	2 804	647	23 236
Additions	-	-	-	426	595	1 021
Disposals	-	-1	-	-5	-2	-8
Transfers	-	-	-	550	-550	-
Foreign exchange difference	-4	15	-	10	-	21
<b>Balance as of 31.10.2019</b>	<b>8 504</b>	<b>3 895</b>	<b>7 396</b>	<b>3 785</b>	<b>690</b>	<b>24 270</b>
Opening balance as at 1.11.2019	8 504	3 895	7 396	3 785	690	24 270
Recognition of right-of-use asset - first-time adoption of IFRS 16 as at 1.11.2019 (see Note 16)	-	-	-7 396	-	-	-7 396
<b>Opening balance as at 1.11.2019 adj.</b>	<b>8 504</b>	<b>3 895</b>	<b>-</b>	<b>3 785</b>	<b>690</b>	<b>16 874</b>
Additions	-	-	-	397	531	928
Additions due to business comb.	23 908	3 123	-	-	-	27 031
Disposals	-	-186	-	-549	-94	-829
Transfers	-	25	-	395	-420	-
Foreign exchange difference	-89	-47	-	-38	-	-174
<b>Balance as of 31.10.2020</b>	<b>32 323</b>	<b>6 810</b>	<b>-</b>	<b>3 990</b>	<b>707</b>	<b>43 830</b>
<b>Accumulated depreciation and impairment loss</b>						
Opening balance as at 1.11.2018	-4 474	-1 061	-1 060	-2 526	-	-9 121
Depreciation for period	-	-72	-253	-361	-	-686
Decreases	-	1	-	5	-	6
Transfers	-	-	-	-19	-	-19
Foreign exchange difference	-4	-9	-	-2	-	-15
<b>Balance as of 31.10.2019</b>	<b>-4 478</b>	<b>-1 141</b>	<b>-1 313</b>	<b>-2 903</b>	<b>-</b>	<b>-9 835</b>
Opening balance as at 1.11.2019	-4 478	-1 141	-1 313	-2 903	-	-9 835
Recognition of right-of-use asset - first-time adoption of IFRS 16 as at 1.11.2019 (see Note 16)	-	-	1 313	-	-	1 313
<b>Opening balance as at 1.11.2019 adj.</b>	<b>-4 478</b>	<b>-1 141</b>	<b>-</b>	<b>-2 903</b>	<b>-</b>	<b>-8 522</b>
Depreciation for period	-	-128	-	-451	-	-579
Decreases	-	186	-	548	-	734
Foreign exchange difference	88	44	-	32	-	164
<b>Balance as of 31.10.2020</b>	<b>-4 390</b>	<b>-1 039</b>	<b>-</b>	<b>-2 774</b>	<b>-</b>	<b>-8 203</b>
<b>Carrying value</b>						
As of 1.11.2018	4 034	2 820	6 336	278	647	14 115
As of 31.10.2019	4 026	2 754	6 083	882	690	14 435
As of 1.11.2019 - adjusted	4 026	2 754	-	882	690	8 352
As of 31.10.2020	27 933	5 771	-	1 216	707	35 627

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

## 18. Investment property

in TEUR	31.10.2020	31.10.2019
<b>Acquisition price</b>		
Opening balance as at 1.11.2019 / 1.11.2018	8 329	7 279
Additions due to business combinations	1 099	-
Revaluation at fair value	-	1 050
<b>Balance as of 31.10.2020 / 31.10.2019</b>	<b>9 428</b>	<b>8 329</b>

As at 31 October 2020, the investment property covers three hotels (SKI, Liptov, Kosodrevina) and the accommodation facility Otupné with the aggregate book value of EUR 2,707 thousand (as at 31 October 2019: EUR 2,707 thousand), which are leased out to third parties that operate them, as well as forest areas and lots of land obtained as an acquisition in 2009 in the book value of EUR 5,622 thousand (as at 31 October 2019: EUR 5,622 thousand). Additions due to the acquisition of companies are Chata Solisko and Vila Zámociek in Tatranská Lomnica.

The value of the leased properties was determined by management's estimate. The estimate of management's fair value is based on discounting future cash flows arising from currently concluded leases after taking into account non-recoverable costs of 4-10% in each of the objects at yield of 5-9%, assuming a continuation of leases at current prices or based on market prices in the amount of EUR 10-16 per square meter. Neither the contractual lease payments nor any other assumptions have changed during the presented or comparable period.

The value of the land was determined by the management using market prices, and the final value is based on an estimate of market price per square meter, depending on the type of land and market transactions for similar lots of land. The price per m2 for forest land is in a range between EUR 0.60 – EUR 1.10, the price for land with built-up areas and courtyards ranges from EUR 60 to EUR 110 per m2. Prices per m2 for individual types of land did not change during the presented or comparable period.

As at 31 October 2020, the Group's management reassessed the value of the investment property and concluded that the assumptions that would lead to a change in the value of these investments did not change significantly.

As at 31 October 2019, the Group management, based on the current market and contract conditions, revalued the value of investment property upwards by EUR 1,050 thousand as at 31 October 2019. Valuation was made based on expert appraisals and available sale/purchase transactions.

If the fair value of that part of investment property that was determined based on management's estimates differed by 10%, the carrying amount of investment property would be EUR 983 thousand higher or lower compared to the amount reported as at 31 October 2020 (as at 31 October 2019: 833 ths. EUR ).

In the period between 1 November 2019 and 31 October 2020, income from investment property accounted for EUR 211 thousand and direct operating cost related to investment property was EUR 63 thousand (between 1 November 2018 and 31 October 2019: revenue from investment property accounted for EUR 201 thousand, and direct operating cost related to investment property was EUR 74 thousand).

**Security**

As at 31 October 2020, a part of investment property in the amount of EUR 2,756 thousand were used as the security for bank loans (as at 31 October 2019: in the amount of EUR 2,850 thousand).

**19. Deferred tax asset, deferred tax liability**

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

<i>in TEUR</i>	Receivables		Liabilities		Total	
	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019
Temporary differences related to:						
Non-current fixed and intangible assets	4 374	2 036	-33 441	-29 697	<b>-29 067</b>	<b>-27 661</b>
Investments Property	-	-	-1 137	-946	<b>-1 137</b>	<b>-946</b>
Losses from impairment of trade receivables and other assets	5 544	107	-5 480	-17	<b>64</b>	<b>90</b>
Cash Flow hedge	-	295	-120	-	<b>-120</b>	<b>295</b>
Provisions and liabilities	3 998	4 034	-1 488	-1 341	<b>2 510</b>	<b>2 693</b>
Leases (IFRS 16)	-	-	-79	-	<b>-79</b>	<b>-</b>
Tax losses	1 538	427	-	-	<b>1 538</b>	<b>427</b>
Other temporary differences	434	-	-	-	<b>434</b>	<b>-</b>
Offsetting	-14 683	-4 021	14 683	4 021	-	-
<b>Total</b>	<b>1 205</b>	<b>2 878</b>	<b>-27 062</b>	<b>-27 980</b>	<b>-25 857</b>	<b>-25 102</b>

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

<i>in TEUR</i>	31.10.2020	31.10.2019
Tax losses	-32 718	-40 425
<b>Total</b>	<b>-32 718</b>	<b>-40 425</b>

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

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

<i>in TEUR</i>	2021	2022	post 2022
Tax losses	-2 548	-2 245	-35 343

In the Slovak republic based on legislative changes, from 1 January 2014, losses created after 1 January 2010 have a four-years period, and the Group can also apply evenly maximum 25% of the given tax losses per year. In Poland the maximum deadline for redemption of tax losses incurred is 5 years. The Group may apply evenly maximum 50% of tax losses per year. If the entity's tax loss does not exceed PLN 5 000 000, the entity may claim up to 100% of the loss for the next 5 consecutive years. In the Czech Republic, the maximum deadline for redemption of tax losses is five subsequently following years, starting after the year in which the tax loss incurred. In Austria, the legislation does not limit the use of incurred tax losses. In the Republic of Croatia, the maximum deadline for redemption of tax losses is five subsequently following years, starting after the year in which the tax loss incurred.

**20. Inventories**

<i>in TEUR</i>	31.10.2020	31.10.2019
Goods	2 387	3 190
Material	1 679	1 547
Assets available for sale	4 525	3 471
<b>Total</b>	<b>8 591</b>	<b>8 208</b>

Assets held for sale consist of Chalety Otupné phase IV. (EUR 1,981 thousand) and Apartments Horec (EUR 2,543 thousand), which was completed by the Company, or is still in construction and will be consequently sold to 3rd parties. Proceeds from the sale of chalettes will be recognized in 2021, or later. The value represents 15 chalettes from Chalety Otupné phase IV

As of 31 October 2020, inventories of EUR 8,591 thousand were used to secure bank loans (as of 31 October 2019: EUR 8,208 thousand).

**21. Loans provided**

<i>in TEUR</i>	31.10.2020	31.10.2019
Short-term	2 108	27 985
Long-term	892	1 019
<b>Total</b>	<b>3 000</b>	<b>29 004</b>
Impairment allowance	-44	-191
<b>Total with allowance</b>	<b>2 956</b>	<b>28 813</b>

As at 31 October 2020 in accordance with the rules of IFRS 9, the value of the provision for short-term loans was EUR 44 thousand (as at 31 October 2019: EUR 191 thousand)



Table below summarizes short-term loans as at 31st October 2020 and 31 October 2019. As at 31st October 2020 the weighted arithmetic average of interest rates on short-term loans was 5.86% (as at 31 October 2019: 6.02%).

<i>in TEUR</i>		31.10.2020	31.10.2019
Debtor	Interest rate type	Loan value	Loan value
Thalia s.r.o.	5% p.a.	947	904
SON Partner	7% p.a.	904	953
P.M.I.R a.s.	5% p.a.	121	601
1. Tatranská, akciová spoločnosť	7% p.a.	-	13 975
J&T Private Equity	1.8% p.a.	-	4 059
TIKAR d.o.o.	10% p.a.	-	2 232
VICINITY INVESTMENT ltd.	5% p.a.	-	1 946
Korona Ziemí	7% p.a.	-	1 184
AIRAVATA Holding s.r.o.	5% p.a.	-	500
FBS Group s.r.o.	7% p.a.	-	493
P.M.I.R a.s.	5% p.a.	-	437
VICINITY INVESTMENT ltd.	-	-	380
GALAXO a.s.	5% p.a.	-	195
Owner of Penzión Energetik (Mgr. Ľubica Skušilová)	5% p.a.	-	85
Others	5% p.a.	136	41
<b>Total</b>		<b>2 108</b>	<b>27 985</b>

Table below summarizes long-term loans as at 31 October 2020 and 31 October 2019. As at 31 October 2020 the weighted arithmetic average of interest rates on long-term loans was 0.39% (as at 31 December 2019: 0.63%).

<i>in TEUR</i>		31.10.2020	31.10.2019
Debtor	Interest rate type	Loan value	Loan value
Melida, a.s.	-	804	859
OSTRAVICE HOTEL a.s.	4% p.a.	88	20
Others	4% p.a.	-	140
<b>Total</b>		<b>892</b>	<b>1 019</b>

## 22. Trade receivables

<i>in TEUR</i>	31.10.2020	31.10.2019
Trade receivables	4 975	5 630
Value adjustments to receivables	-177	-171
<b>Total</b>	<b>4 798</b>	<b>5 459</b>
<i>Short-term</i>	4 798	5 459
<i>Long-term</i>	-	-
<b>Total</b>	<b>4 798</b>	<b>5 459</b>

As of 31 October 2020, trade receivables amount to EUR 4,798 thousand and include current operating receivables. As of 31 October 2019, trade receivables amount to EUR 5,459 thousand and include current operating receivables.

Classification of receivables by maturities is as follows:

<i>in TEUR</i>	31.10.2020			31.10.2019		
	Gross	Value adjustment	Net	Gross	Value adjustment	Net
Within due period	3 179	-	3 179	4 047	-	4 047
Overdue within 30 days	232	-	232	417	-	417
Overdue from 30 days to 180 days	764	-21	743	127	-29	98
Overdue from 180 days to 365 days	367	-9	358	648	-10	638
Overdue over 365 days	433	-147	286	391	-132	259
<b>Total</b>	<b>4 975</b>	<b>-177</b>	<b>4 798</b>	<b>5 630</b>	<b>-171</b>	<b>5 459</b>

As at 31 October 2020, the Group created impairment allowance of EUR 17 thousand (as of 31 October 2019: EUR 15 thousand) in light of IFRS 9 expected credit loss changes. The rest of the amount of the value adjustments consisted of value adjustments to current operating receivables.

As of 31 October 2020 and 31 October 2019, the amount of the value adjustments consisted of value adjustments to current operating receivables.

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

<i>in TEUR</i>	31.10.2020	31.10.2019
Balance as at 1.11.2019 / 1.11.2018	171	57
Creation of value adjustment	67	134
Use	-55	-16
Reversal of value adjustment	-6	-4
<b>Balance as at 31.10.2020 / 31.10.2019</b>	<b>177</b>	<b>171</b>

As of 31 October 2020, receivables of EUR 4,798 thousand were used to secure bank loans (as of 31 October 2019: EUR 5,459 thousand).

**23. Other receivables**

<i>in TEUR</i>	<b>31.10.2020</b>	<b>31.10.2019</b>
Advance payments made	9 300	28 321
<b>Total</b>	<b>9 300</b>	<b>28 321</b>
<i>Short-term</i>	1 323	24 523
<i>Long-term</i>	7 977	3 798
<b>Total</b>	<b>9 300</b>	<b>28 321</b>

Advance payments made for assets are mainly related to future acquisitions amounting to EUR 6,388 thousand (as at 31 October 2019: EUR 22,214 thousand) and to unfinished investment activity in the amount of EUR 2,765 thousand (as at 31 October 2019: EUR 6,054 thousand).

On 28 January 2020 the Parent Company made a payment of 5,000 ths.EUR, which will be used as advance payment for future acquisition of the Group EUROCOM Investment s.r.o., which operates aquapark Bešeňová.

The year-on-year decrease in the total amount of advances provided is related to the acquisition of 100% of the shares of I. Tatranská, akciová spoločnosť that operates the Štrbské Pleso ski resort in the High Tatras, operates a hospitality business and operates a ski school. The Company acquired these shares under share transfer agreements signed on 29 May 2020. For further information see Note 5(a) – Increase and decrease of interests in companies, Subsidiaries.

**24. Other assets**

<i>in TEUR</i>	<b>31.10.2020</b>	<b>31.10.2019</b>
Prepaid expenses and accrued income	1 852	1 703
Other tax assets	1 999	1 319
Other Assets	4 366	2 598
Finance sublease receivables	64	-
<b>Total</b>	<b>8 262</b>	<b>5 586</b>
<i>Short-term</i>	8 262	5 586
<i>Long-term</i>	-	-
<b>Total</b>	<b>8 262</b>	<b>5 586</b>

As at 31 October 2020 the Company records a receivable against the company Penzión Energetik s.r.o. based on the contract of assignment and set off of receivables in amount of EUR 2,328 thousand (as at 31 October 2019: EUR 2,328 thousand).

Other assets in the amount of EUR 561 thousand (as at 31 October 2019: EUR 0 thousand) represent a receivable from subsidies from the state budget for temporary assistance to maintain employment in situation caused by the COVID-19 for the period October 2020 in Slovakia. For more information on government grants, see Note 32 - Other liabilities.

As at 31 October 2020, in accordance with the rules of IFRS 9, the provision for other assets amounted to EUR 19 thousand (as at 31 October 2019: EUR 34 thousand).

**25. Financial investments**

<i>in TEUR</i>	<b>31.10.2020</b>	<b>31.10.2019</b>
Financial instruments measured at fair value through profit or loss	40	4 660
<b>Total</b>	<b>40</b>	<b>4 660</b>

As at 31 October 2019, financial instruments measured at fair value through profit/loss from operations represent mainly the 9.5% investment in company MELIDA a.s. in the value of EUR 4,498 thousand, which leases and operates the ski centre Špindlerov Mlyn. On 15 December 2019, the Company signed the contract for the transfer of securities. The Company acquired additional 15.5% share in company MELIDA a.s., thereby the shares were reclassified to investment in associate. Details about reporting and history of the company MELIDA, a.s. are described in Note 5(b) – Increase and decrease of interests in companies, Associates and Joint Ventures.

Financial investments also represent an investment of a cash contribution to Tatranské dopravné družstvo, which is engaged in brokerage activities in the area of services in the amount of EUR 33 thousand (31 October 2019: EUR 33 thousand) and an investment in SON Partner Sp. Zoo. in the amount of EUR 0.5 thousand (as at 31 October 2019: EUR 0.5 thousand).

Financial investments further include an investment in Korona Zieme Sp. z o.o. in the amount of EUR 119 thousand (7.3% stake) and the investment in company TIKAR D.O.O. in amount of EUR 1 thousand (0.4% stake). On May 31, 2020, the Company acquired a 100% stake in I. Tatranská, akciová spoločnosť, thereby acquiring an additional 66.2% stake in Korona Zieme Sp. Zoo. and an additional 50.6% stake in TIKAR d.o.o., reclassifying the shares in the companies to subsidiaries. Reporting and history details for Korona Zieme Sp. Zoo. and TIKAR d.o.o. are described in more detail in Note 5 (a) - Increase and decrease of interests in companies, Subsidiaries.

Along with the purchase of Mölltaler Glicherbahnen GmbH & Co KG, the Group also acquired Kärntens Sommerbergbahnen securities, which went into liquidation between 31 October 2019 and 31 October 2020 (as at 31 October 2019: EUR 2 thousand).

**26. Cash and cash equivalents**

<i>in TEUR</i>	<b>31.10.2020</b>	<b>31.10.2019</b>
Cash	107	170
Stamps and vouchers	-	-
Current accounts with banks	7 056	11 906
Impairment allowance	-2	-3
<b>Total</b>	<b>7 161</b>	<b>12 073</b>

As at 31 October 2020, the Group created impairment allowance of EUR 2 thousand in light of IFRS 9 expected credit loss changes.

The Group may freely dispose of the bank accounts.

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

The share capital approved, subscribed and fully paid as of 31 October 2020 and 31 October 2019 comprised of 6,707,198 ordinary shares in nominal value of EUR 7 per share as of 31 October 2020 and 31 October 2019. The emission of shares is marked by ISIN: SK1120010287.



On 29 April 2020, an ordinary general meeting of Tatra mountain resorts, a.s. was held. The general meeting decided, among other things, on the distribution of profit Tatra mountain resorts, a.s. generated in the period between 1 November 2019 and 31 October 2020 according to the financial statements compiled for that accounting period, in the amount of EUR 4,087 thousand as follows:

- The balance in the amount of EUR 409 thousand, allocation to the reserve fund
- The balance in the amount of EUR 20 thousand, allocation to social fund
- The balance in the amount of EUR 3,658 thousand, transfer to undistributed profit from previous periods

Shareholders have a right to the payment of dividends, and the value of share vote in the Group general meeting is determined as a ratio of the value of one share and the total value of share capital. The following table presents the Group shareholders and the number of shares, ownership interest and voting rights.

31 October 2020	Number of shares	Ownership interest in TEUR	Ownership interest %	Voting rights %
C.I. CAPITAL INDUSTRIES LIMITED	1 973 197	13 813	29,4%	29,4%
FOREST HILL COMPANY, s.r.o.	1 030 919	7 216	15,4%	15,4%
STOCKLAC LIMITED	924 731	6 473	13,8%	13,8%
NIKROC INVESTMENTS LIMITED	897 771	6 284	13,4%	13,4%
RMSM1 LIMITED	588 166	4 117	8,8%	8,8%
Minority shareholders	1 292 414	9 047	19,2%	19,2%
<b>Total</b>	<b>6 707 198</b>	<b>46 950</b>	<b>100%</b>	<b>100%</b>

31 October 2019	Number of shares	Ownership interest in TEUR	Ownership interest %	Voting rights %
C.I. CAPITAL INDUSTRIES LIMITED	1 309 139	9 164	19,5%	19,5%
FOREST HILL COMPANY, s.r.o.	1 030 919	7 216	15,4%	15,4%
NIKROC INVESTMENTS LIMITED	897 771	6 284	13,4%	13,4%
KEY DEE LIMITED	664 058	4 648	9,9%	9,9%
TINSEL ENTERPRISES LIMITED	638 385	4 469	9,5%	9,5%
RMSM1 LIMITED	588 166	4 117	8,8%	8,8%
Minority shareholders	1 578 760	11 052	23,5%	23,5%
<b>Total</b>	<b>6 707 198</b>	<b>46 950</b>	<b>100%</b>	<b>100%</b>

#### Profit / (loss) per share

	31.10.2020	31.10.2019
Profit / (loss) for the period in TEUR	-20 208	-2 286
Weighted average number of ordinary shares	6 707 198	6 707 198
<b>Profit / (loss) per share in EUR</b>	<b>-3.013</b>	<b>-0.341</b>

#### Legal reserve fund

The legal reserve fund amounts to EUR 7,021 thousand (as of 31 October 2019: EUR 6,612 thousand). According to the Slovak legislation, a legal reserve fund shall be mandatorily created on an annual basis, in the minimum amount of 10% of the Group's net profit and minimum of 20% of the subscribed share capital (on a cumulative basis). The legal reserve fund may be used only for the settlement of the Group's losses and it cannot be used for payment of dividends. The calculation of the legal reserve fund is made in compliance with the Slovak legal regulations.

The legal reserve fund of the subsidiaries totals EUR 0 due to losses of prior periods. According to the Polish law the fund is mandatorily created on an annual basis; in the minimum amount of 8% of the Group's net profit and up to 33% of the subscribed share capital (on a cumulative basis). The statutory reserve fund does not have to be formed according to the Czech legislation, its creation is purely voluntary, unless otherwise stated in the statutes or in the Group's social contract. According to Austrian legislation, the statutory reserve fund does not have to be created for our companies, depending on their size and type of company, its creation is purely voluntary, this obligation is not stipulated by the obligations in the currently valid social contract. Under Croatian law, there is no obligation to create a reserve fund. The obligation to create is determined by the partnership agreement, while the company is obliged to create a reserve fund only when a profit is made.

#### Profit (loss) distribution

For the financial year ending 31 October 2020, the Group's management proposes to distribute the consolidated loss of EUR 20,513 thousand as follows:

- Transfer to losses from previous years in amount of EUR 20,513 thousand and subsequent settlement against the account of the retained earnings

#### Change in the revaluation reserve

The foreign currency translation reserve includes all foreign exchange differences resulting from conversion of the financial statements of foreign companies Szczyrkowski Ośrodek Narciarski, S.A., Śląskie Wesole Miasteczko Sp. z o.o. Korona Ziemi sp.z o.o. in Poland, from translation of financial statements of TMR Ještěd, a.s. and TMR Finance CR, a.s. and Tatra mountain resorts CR, a.s. in Czech Republic and from translation of financial statements of TIKAR d.o.o. in the Republic of Croatia to euros.

#### Non-controlling interest

Non-controlling interests represent the interests of minority shareholders in subsidiaries:

in TEUR	31.10.2020	31.10.2019
Szczyrkowski Ośrodek Narciarski, S.A (SON) (3%)	-143	106
Korona Ziemi sp.z o.o. (26%)	74	-
TIKAR d.o.o. (49%)	-209	-
<b>Total</b>	<b>-278</b>	<b>106</b>

in TEUR	SON	Korona Ziemi sp.z o.o.	TIKAR d.o.o.
Assets	32 690	558	-229
Liabilities	-37 440	-202	-198
Goodwill attributable to the Group	-	-72	-1
<b>Net assets, net of goodwill</b>	<b>-4 750</b>	<b>284</b>	<b>-428</b>
Percentage of non-controlling interest	3%	26%	49%
<b>Book value of non-controlling interest</b>	<b>-143</b>	<b>74</b>	<b>-209</b>
Revenues	8 425	-3	-
Profit (loss)	-8 156	-22	-112
Other comprehensive income	-	-	-
Total comprehensive income	-8 156	-22	-112
Percentage of non-controlling interest	3%	26%	49%
<b>Profit/(loss) attributable to the non-controlling interest</b>	<b>-245</b>	<b>-6</b>	<b>-55</b>
<b>Other comprehensive income attributable to the non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>

**28. Loans and borrowings**

<i>in TEUR</i>	<b>31.10.2020</b>	<b>31.10.2019</b>
Loans and borrowings received	78 067	73 461
<b>Total</b>	<b>78 067</b>	<b>73 461</b>
<i>Short-term</i>	45 250	10 779
<i>Long-term</i>	32 817	62 682
<b>Total</b>	<b>78 067</b>	<b>73 461</b>

Received loans and borrowings as of 31 October 2020 and 31 October 2019 are shown in the following overview:

<b>Creditor</b>	<b>Interest rate type</b>	<b>Maturity date</b>	<b>Unpaid amount as at 31.10.2020 <i>in TEUR</i></b>
J&T Banka a.s.	12M EURIBOR + 5% p.a.	31.3.2033	36 468
Poštová banka, a.s.	12M EURIBOR + 4.657% p.a.	31.12.2028	18 450
Poštová banka, a.s.	12M EURIBOR + 4.571% p.a.	30.6.2022	6 800
Poštová banka, a.s.	12M EURIBOR + 4.684% p.a.	31.12.2028	4 500
EUROCOM Investment s.r.o.	4% p.a.	30.4.2021	4 138
Poštová banka, a.s.	12M EURIBOR + 4.686% p.a.	30.6.2032	4 070
Poštová banka, a.s. - overdraft	3M EURIBOR + 3.818% p.a.	31.3.2021	2 931
Kärntner Sparkasse AG - overdraft	3M EURIBOR + 1.250% p.a.	less than 1 year	709
<b>Total</b>			<b>78 067</b>

<b>Creditor</b>	<b>Interest rate type</b>	<b>Maturity date</b>	<b>Unpaid amount as at 31.10.2019 <i>in TEUR</i></b>
J&T Banka a.s.	12M EURIBOR + 5% p.a.	31.3.2032	35 365
Poštová banka, a.s.	12M EURIBOR + 4.657% p.a.	31.12.2028	18 962
Poštová banka, a.s.	12M EURIBOR + 4.571% p.a.	30.6.2022	7 200
Poštová banka, a.s.	12M EURIBOR + 4.684% p.a.	31.12.2028	4 625
Poštová banka, a.s.	12M EURIBOR + 4.686% p.a.	30.6.2032	4 120
EUROCOM Investment s.r.o.	4% p.a.	31.3.2020	2 005
Ostatné	various	less than 1 year	1 184
<b>Total</b>			<b>73 461</b>

The overdraft facility in the Austrian company (bank) Hypo Tirol Bank AG was repaid on 30 April 2020.

As at 31 October 2019 other loans and borrowings in the amount of EUR 1,184 thousand (as at 31 October 2018: EUR 0) represent overdrafts, that the Group drawn in the Austrian companies in the following banks Hypo Tirol Bank AG and Kärntner Sparkasse AG.

The weighted average of interest rates for loans and borrowings received as at 31 October 2020 was 4.72% (as of 31 October 2019: 4.80%). The interest is payable on a monthly basis. For more information, see Note 12 – Interest income and expenses.

In the period from 1 November 2019 to 31 October 2020, the Group established an overdraft in Poštová banka, a.s., increased the loan from EUROCOM Investment s.r.o. by EUR 2,000 thousand and increased the loan from J&T Banka a.s. by EUR 3,000 thousand. Otherwise, the Group did not draw any new loan.

On 7 October 2019, the Group signed a short-term loan agreement with EUROCOM Investment, s.r.o. up to the amount of EUR 3,000 thousand, which was on 1 December 2019 on the basis of Amendment no. 1 to the loan agreement increased to the amount of EUR 4,000 thousand. The total amount of the outstanding loan balance as at the balance sheet date is in the amount of EUR 4,138 thousand (as at 31 October 2019: EUR 2,005 thousand).

In period between 1 November 2018 and 31 October 2019 the Group drawn two new loans from Poštová banka, a.s.. The first loan in the amount of EUR 5,000 thousand was used for refinancing of costs for various investment projects, the outstanding unpaid balance of the loan as of the date was EUR 4,500 thousand. The second loan in amount of EUR 20,500 thousand was also used for refinancing of cost of other investment projects, the outstanding unpaid balance of the loan was in the amount of EUR 18,450 thousand.

In May 2019 the Group drawn a new loans from J&T Banka a.s. in the amount of EUR 37,000 thousand, which was in September 2020 increased to the amount of EUR 40,000 thousand. The outstanding unpaid balance of the loan as of the date was of EUR 36,468 thousand.

In period between 1 November 2017 and 31 October 2018 the Group drawn a loan in amount of EUR 4,500 thousand, used for refinancing of costs for rebuilding the former administration building to Hotel Pošta in ski resort Jasná. The outstanding unpaid balance of the loan as of the date was EUR 4,070 thousand.

On 14 August 2018 the Group signed a short-term loan agreement with the Group J&T Banka, a.s. in the amount of EUR 42,036 thousand. This short-term loan was subsequently used on 15 August 2018 to repay the received loan provided by Tatra banka, a.s.. As a result, security of the Group was erased from the respective liens register by Tatra banka, a.s.. On 15 November 2018 the Group repaid the loan granted by J&T Banka, a.s..

**Security**

In order to guarantee bank loans, the following assets were used: lands, technology and service buildings of mountain lift equipment: ski lifts, chair cableways, terrestrial cableways, hanging cableways, cabin cableways, transformers, operating buildings and structures: Tri Studničky Hotel, Srdiečko Hotel, Kosodrevina Hotel, Liptov Hotel, SKI Hotel, a former telecommunication building, bungalows as well as tangible asset of Polish ski resort Szczyrk. All movable assets of the Jasná a High Tatras resorts as well as trade receivables are pledged as well.

As of 31 October 2020, property, plant and equipment, investments in real estate, inventories and receivables of EUR 317,791 thousand were used to secure bank loans and bonds (as of 31 October 2019: in the amount of EUR 298,187 thousand).



**29. Lease liabilities***v tis. eur*

Opening balance as at 1.11.2019	12 602
Recognition of lease liabilities - first-time adoption of IFRS 16 as at 1.11.2019	40 298
<b>Opening balance as at 1.11.2019 - adjusted</b>	<b>52 900</b>
Additions	17 307
Additions due to business combinations	110
Modifications	-1 581
Accretion of interest	2 385
Payments	-7 102
Foreign exchange difference	-1 331
<b>Balance as of 31.10.2020</b>	<b>62 688</b>
<i>Short-term</i>	9 002
<i>Long-term</i>	53 686
<b>Total</b>	<b>62 688</b>

The maturity of lease liabilities is as follows:

<i>in TEUR</i>	31.10.2020	31.10.2019
Less than 1 year	9 002	4 417
1 - 5 years	10 764	8 185
Above 5 years	42 922	-
<b>Total</b>	<b>62 688</b>	<b>12 602</b>

The following table presents the reconciliation between lease liabilities as at 1 November 2019 and irrevocable operating lease payments recognized as at 31 October 2019:

<i>in TEUR</i>	
Operating lease commitments as at 31 October 2019	35 264
Specification of parameters according to the IFRS 16 methodology and discounting using the average interest rate as at 1 November 2019	5 034
Operating lease commitments as at 1.11.2019	<b>40 298</b>
Add:	
Commitments relating to leases previously classified as finance lease	12 602
<b>Operating lease commitments as at 1.11.2019</b>	<b>52 900</b>

**30. Trade payables**

<i>in TEUR</i>	31.10.2020	31.10.2019
Trade payables	8 377	8 347
Unbilled deliveries	1 293	832
<b>Total</b>	<b>9 670</b>	<b>9 179</b>
<i>Short-term</i>	6 985	8 052
<i>Long-term</i>	2 685	1 127
<b>Total</b>	<b>9 670</b>	<b>9 179</b>

As at 31 October 2020, long-term trade liabilities represent other long term liabilities in amount of EUR 2,240 thousand and retention money against contractors in amount of EUR 445 thousand.

As at 31 October 2020, overdue liabilities amounted to EUR 2,555 thousand (as at 31 October 2019: 3,030 thousand). Overdue liabilities as at 31 October 2020 represent primarily unpaid retention fees due to signed construction contracts with suppliers for their performed and realised construction of individual buildings, in some cases repayment schedules are agreed with suppliers.

**31. Hedge accounting**

The Group applies only cash-flow hedges and hedges only against foreign currency risk.

Since the Group has taken out a loan from its Czech subsidiary, the currency gap has widened. The Group decided to manage the foreign currency risk against the Czech Crown on this particular instrument by hedging against changes in foreign currency exchange rates.

The Group has decided not to hedge any other risks arising from this particular instrument besides the foreign currency risk, as they are managed otherwise. Please refer to section financial risks for further information.

The hedged item is a long-term bullet-payment loan denominated in CZK, with fixed repayment schedule.

Hedging instrument is a Foreign currency swap, swapping the CZK repayments on the loan exposure for repayments in EUR, retaining the fixed nature of interest rates in both currencies.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and swap contracts match the terms of the bond (i.e., notional amount and repayment schedules). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange swap contracts are identical to the hedged risk components. As the critical terms of the foreign exchange and swap contracts match the terms of the bond (i.e., notional amount and repayment schedules), the Group expects the hedging relationship to be effective to a high degree.

The hedge ineffectiveness can arise, when the Group stops paying the bond or eventually repays greater portion than intended by repayment schedule. The Group plans to repay the bond in line with the repayment schedule.

The profile of the nominal amount of the hedging instrument – hedging instrument has a fixed maturity of November 2022 for the whole of 57.9 mil EUR. Forward rate used in the contract is 25.870 CZK / 1 EUR.

In current period from 1 November 2019 to 31 October 2020, the impact of hedging instrument and hedged instrument on statement of financial position is:

In '000 EUR	Notional amount	Carrying amount	Line item in statement of financial position	Changes in FV used for measuring ineff.
Foreign exchange swap	57,943	(2,197)	Other liabilities	(1,858)

In '000 EUR	Change in fair value used for Measuring ineffectiveness.	Cash flow hedge reserve	Cost of hedging reserve
Foreign exchange swap	1,858	451	0

In current period, the effect of cash flow hedge on statement of financial performance is:

In '000 EUR	Total hedging gain/(loss) recognised in OCI	Ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss	Cost of hedging recognised in OCI	Amount reclassified from OCI to profit or loss	Line item in the statement of profit or loss
Foreign exchange swap	1,558	0	-	0	244	Interest income calculated using the effective interest rate and Interest expense
					-3,748	Profit / (loss) from financial operations, net

In previous period from 1 November 2018 to 31 October 2019, the impact of hedging instrument and hedged instrument on statement of financial position was:

In '000 EUR	Notional amount	Carrying amount	Line item in statement of financial position	Changes in FV used for measuring ineff.
Foreign exchange swap	57,943	(348)	Other liabilities	(348)

In '000 EUR	Change in fair value used for Measuring ineffectiveness.	Cash flow hedge reserve	Cost of hedging reserve
Foreign exchange swap	348	1,108	0

In previous period, the effect of cash flow hedge on statement of financial performance was:

In '000 EUR	Total hedging gain/(loss) recognised in OCI	Ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss	Cost of hedging recognised in OCI	Amount reclassified from OCI to profit or loss	Line item in the statement of profit or loss
Foreign exchange swap	1,108	0	-	0	587	-

### 32. Other liabilities

<i>in TEUR</i>	31.10.2020	31.10.2019
Liabilities towards employees	2 056	2 718
Advances received	4 839	5 697
Deferred revenues	5 044	5 167
Liabilities to shareholders from reduction in share capital	215	215
Other liabilities to the former shareholders (Mölltaler Group)	14 485	18 303
Hedging derivative transactions - foreign exchange SWAP	2 197	348
Other	3 783	5 274
<b>Total</b>	<b>32 619</b>	<b>37 722</b>
<i>Short-term</i>	14 276	19 981
<i>Long-term</i>	18 343	17 741
<b>Total</b>	<b>32 619</b>	<b>37 722</b>

As of 31 October 2020, the liabilities to employees represent mainly a provision for bonuses for the financial year from 1 November 2019 to 31 October 2020 in the amount of EUR 822 thousand (as of 31 October 2019: EUR 3,147 thousand), and wage liabilities to employees of EUR 1,190 thousand (as of 31 October 2019: EUR 1,270 thousand).

As at 31 October 2020, advance payments received comprise in particular of advance payments for purchase of Chalets and apartments Horec in the amount of EUR 3,103 thousand (as at 31 October 2019: EUR 2,645 thousand) and advance payments received for hotel stays in the amount of EUR 1,022 thousand (as at 31 October 2019: EUR 2,286 thousand).

As at 31 October 2020, the deferred revenues includes mainly the amount of EUR 3,070 thousand for accrual of ski passes sold - "Šikovná sezónka" (as at 31 October 2019: EUR 3,073 thousand), the amount of EUR 6 thousand is rentals for the premises of J&T BANKA, a.s., a branch of a foreign bank on the premises of the Grandhotel Starý Smokovec (as at 31 October 2019: EUR 32 thousand). The reserve for discounts on purchases was as at 31 October 2020 in total amount of EUR 586 thousand (as at 31 October 2019: EUR 603 thousand).

The amount of deferred revenues includes also government grants in the amount of 78 thousand that represents a subsidy for the Hotel Tri studničky (as at 31 October 2019: 80 thousand), in the amount of EUR 495 thousand for the cableway Solisko - Furkotka and state subsidies in the amount of EUR 360 thousand for temporary employment aid in the period of the COVID-19 outbreak for the period September and October 2020, to be utilised in November 2020 in accordance with the relevant measures.

Details of movement of government grants are presented in the table:

<i>in TEUR</i>	31.10.2020	31.10.2019
Balance as at 1.11.2019 / 1.11.2018	958	82
Increase from subsidiary acquisition	537	916
Received during the year	3 101	-
Released to the statement of profit and loss and other comprehensive income	-2 861	-40
<b>Balance as at 31.10.2020 / 31.10.2019</b>	<b>1 735</b>	<b>958</b>

State aid related to COVID-19 was received during the year in the amount of EUR 2,741 thousand. This is short-term state aid that has been recognized in the statement of comprehensive income as income during the period in which the related costs to be reimbursed are recorded. For more details see Note 9 - Purchased Services and Note 10 - Personnel Expenses.



<i>in TEUR</i>	1.11.2019 - 31.10.2020
State aid related to rental costs	105
State aid related to wages and salaries	2 476
State aid related to other costs	160
<b>Total</b>	<b>2 741</b>

As of 31 October 2020, the liabilities to shareholders from a reduction in the share capital represent EUR 215 thousand (as of 31 October 2019: EUR 215 thousand) and contain mainly the outstanding liability from the reduction in the share capital in total of EUR 174,388 thousand. For more information on the reduction in the share capital, see Note 27 – Equity.

As of 31 October 2020, the other liabilities to the former shareholders represent EUR 14,485 thousand and contain mainly the outstanding balance to the former shareholders related to the loan provided to the the Austrian Company Mölltaler Gletscherbahnen GmbH & Co KG before the acquisition by the Group. For more information on the acquisition of subsidiaries, see Note 5 (a) – Increase and decrease of interests in companies.

As of 31 October 2020, the amount of other liabilities contains also social security liabilities of EUR 1,047 thousand (as of 31 October 2019: EUR 833 thousand), further comprise the amount of EUR 1,216 thousand resulting from the acquisition of TMR Ještěd, a.s. in accordance with standard IFRS 3 (as of 31 October 2019: EUR 1,274 thousand), on the basis of a signed rent agreement ("business rent") for 10 years with an option for the next 10 years.

The formation and utilisation of social fund during the accounting period is shown in the following overview:

<i>in TEUR</i>	31.10.2020	31.10.2019
Balance as at 1.11.2019 / 1.11.2018	25	92
Creation of social fund against expenses	109	138
Drawing	-116	-205
<b>Balance as at 31.10.2020 / 31.10.2019</b>	<b>18</b>	<b>25</b>

### 33. Provisions

<i>in TEUR</i>	Unused vacations	Other	Total
Opening balance as at k 1.11.2019	577	17	594
Creation of provisions during the year	653	285	938
Increase from subsidiary acquisition	18	-	18
Reversal of provisions during the year	-	-	-
Use of provisions during the year	-580	-	-580
Foreign exchange difference	-7	-1	-8
<b>Balance as at 31.10.2020</b>	<b>661</b>	<b>301</b>	<b>962</b>
	<b>31.10.2020</b>	<b>31.10.2019</b>	
<i>Short-term</i>	942	570	
<i>Long-term</i>	20	24	
<b>Total</b>	<b>962</b>	<b>594</b>	

### 34. Bonds issued

During the accounting period 2014, the Group issued two bond issues in the total nominal value of EUR 180,000 thousand, which, starting from 19 February 2014, are admitted to trading on the Bratislava Stock Exchange. On 10 October 2018, the Group issued the third bond issue in a total value of EUR 90,000 thousand. During December 2018 the bonds from the first issue were repaid in the total amount of EUR 70,000 thousand. On 7 November 2018, the Group issued the fourth bond issue TMR F. CR in the nominal value of CZK 1,500,000 thousand.

Details on particular bonds are presented in the table below.

<i>in TEUR</i>					Face value of the issue in the initial currency in '000	Interest rate p.a. in %	Effective interest rate p.a. in %	Carrying value as of 31.10.2020	Carrying value as of 31.10.2019
Name	ISIN	Date of issue	Maturity date	Curren- cy of the issue					
TMR I 4,50%/2018	SK41200 09606	17.12.2013	17.12.2018	EUR	70 000	4.5	5.82	-	-
TMR II 6,00%/2021	SK41200 09614	5.2.2014	5.2.2021	EUR	110 000	6.0	6.17	114 821	113 922
TMR III 4,40%/2024	SK41200 14598	10.10.2018	10.10.2024	EUR	90 000	4.4	4.93	88 423	88 102
TMR F. CR 4,5%/2022	CZ00035 20116	7.11.2018	7.11.2022	CZK	1 500 000	4.5	5.09	55 729	59 263
<b>Total</b>								<b>258 973</b>	<b>261 287</b>
<i>Short-term</i>								116 249	6 368
<i>Long-term</i>								142 724	254 919
<b>Total</b>								<b>258 973</b>	<b>261 287</b>

All four bonds represent a book-entry security in bearer form, and their issue was approved by the National Bank of Slovakia. The liability resulting from the bond TMR II subordinate to the liability from the bond TMR I. The Group account was credited with financial resources from both of the bonds on 11 February 2014 in the total amount of EUR 180,582 thousand, including the aliquot interest income from the bond TMR I in the amount of EUR 582 thousand. Cash from TMR III bond was credited to the Group's account during the month October 2018 in a total value of EUR 60,000 thousand. The rest of the cash funds from the bond TMR III bond in the total amount of EUR 30,000 thousand was credited to the Group's account between November 2018 and December 2018.

During the accounting period of 2018, the Group purchased its own TMR I bonds in a total volume of EUR 5,000 thousand. On 17 December 2018 the bonds TMR I from the first issue were repaid in the total amount of EUR 70,000 thousand.

Covenants – issue of TMR II – The Parent Company has committed to achieve the value of the Senior DEBT financial indicator (excluding the TMR II bonds)/EBITDA at the level of max. 6.5 and the value of the DSCR financial indicator (including the set-off of cost against the payment of coupons from the TMR II bonds) at the level of min. 1.00.

Covenants - issue of TMR III - The Parent Company has committed that, until all of its monetary obligations under the Bonds have been met, the Net Senior Debt to Modified EBITDA (Leverage) ratio will not exceed 8. The Parent Company has also committed to the LTV ratio, this indicator may not be higher than 70%.

On 7 November 2018, the Group issued the fourth bond issue TMR F. CR in the nominal value of CZK 1,500,000 thousand. The cash funds received was consequently provided to other companies within the Group in the form of loans.

Covenants - issue of TMR F. CR - The company TMR Finance CR has committed that, until all of its monetary obligations under the Bonds have been met, the Net Senior Debt to Modified EBITDA (Leverage) ratio will not exceed 8. The company TMR Finance CR has also committed to the LTV ratio, this indicator may not be higher than 70%.

All four tranches are obliged to pay coupons regularly, financed from the Group's own resources.

Out of the total value of liability of EUR 258,973 thousand (as at 31 October 2019: EUR 261,287 thousand), a short-term portion amounts to EUR 116,249 thousand (as at 31 October 2019: EUR 6,368 thousand), which represents a liability from coupon due in the period of 12 months after 31 October 2020 and liability from the emission of TMR II due 5 February 2021.

#### Security

A right of lien for the issued TMR III bonds on the real estate, movable assets and part of receivables, in total amount of EUR 106,314 thousand (as of 31 October 2019: EUR 110,524 thousand). It is property that is not used as a security for other Group liabilities.

A right of lien for the issued TMR F. CR bonds on the Group's the real estate, movable assets and part of receivables, in total amount of EUR 62,289 thousand (as of 31 October 2019: EUR 65,641 thousand). It is property which is not used as a security for other Group liabilities.

#### 35. Fair value information

The following overview contains information about the carrying amount and fair value of the Group's financial assets and liabilities, that are not accounted for in fair value:

<i>in TEUR</i>	Note	Carrying value		Fair value	
		31.10.2020	31.10.2019	31.10.2020	31.10.2019
<b>Financial assets</b>					
Loans provided	21	2 956	28 813	2 925	27 251
<b>Total</b>		<b>2 956</b>	<b>28 813</b>	<b>2 925</b>	<b>27 251</b>

<i>in TEUR</i>	Note	Carrying value		Fair value	
		31.10.2020	31.10.2019	31.10.2020	31.10.2019
<b>Financial liabilities</b>					
Bonds issued	34	258 973	261 287	255 878	275 251
<b>Total</b>		<b>258 973</b>	<b>261 287</b>	<b>255 878</b>	<b>275 251</b>

The table does not present financial instruments for which the carrying amount is considered to be an approximation of fair value.

#### 36. Changes in liabilities arising from financial activities

<i>in TEUR</i>	1 November 2019	Cash flows	Reclassified as part of disposal group	Acquisition of subsidiary	Changes in fair value	Other	31 October 2020
Loans and borrowings	86 063	1 741	-	-	-	-9 737	78 067
Lease liabilities	-	-7 102	-	-	-	69 790	62 688
Bonds issued	261 287	-13 125	-	-	-	10 811	258 973
<b>Total liabilities from financing activities</b>	<b>347 350</b>	<b>-18 486</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70 864</b>	<b>399 728</b>

In case of leases the category Other represents increase due to implementation of IFRS 16.

<i>in TEUR</i>	1 November 2018	Cash flows	Reclassified as part of disposal group	Acquisition of subsidiary	Changes in fair value	Other	31 October 2019
Loans and borrowings	115 776	-40 875	-	-	-	11 162	86 063
Bonds issued	238 417	23 119	-	-	-	-249	261 287
<b>Total liabilities from financing activities</b>	<b>354 193</b>	<b>-17 756</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10 913</b>	<b>347 350</b>

#### 37. Information about risk management

This section provides details about the risks the Group is exposed to and about the method of management thereof.

The Group is exposed to risk in the following areas:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

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

##### Credit risk

The Group's primary exposure to credit risk arises through its trade receivables, lease receivables, other receivables and advances and loans provided. The amount of credit risk exposure is represented by the carrying amounts of these assets in the balance sheet if no form of guarantee is issued. The carrying amount of receivables, advances and loans provided represents the maximum accounting loss that would have to be recognised if the counterparty completely failed to perform its contractual obligations and all collaterals and guarantees would be of no value. Therefore, this value highly exceeds the expected losses included in the provision for unrecoverable receivables. Before the conclusion of major contracts, the Group's management evaluates the credit risk related to the counterparty at its regular meetings. Provided material risks are identified, the Group withdraws from concluding the contract.

##### Loans provided

The Group assigns a level of credit risk to the loans provided on the basis of data that is expected to predict credit risk (including but not limited to external ratings, financial statements, management accounts and cash flow projections and available counterparty press releases), potential days past due and applying experienced credit judgment. The grades of



credit risk are defined by qualitative and quantitative factors that indicate the risk of default and are consistent with external credit rating definitions from credit rating agencies such as Moody's and Standard & Poors. The probability of default is then assigned based on historical data collected by these agencies.

The loss given default (LGD) parameters generally reflect an expected rate of return of 40%, except when a borrowing is reduced by a loan.

Probability of default (PD)	Loss given default (LGD)	Carrying value	Expected credit loss (ECL)
1.99% - 7.74%	40%	3,000	- 44

#### Sensitivity analysis

If the borrower's credit quality was changed, the probability of default (PD) would also change. If the PD increased by 10%, the ECL would increase by EUR 4 thousand. If the PD decreased by 10%, the ECL would decrease by EUR 4 thousand EUR.

The Group also takes into account the differences between the economic conditions during the period in which the historical data were collected, the current conditions and the Group's view on the economic conditions over the expected life of the loan.

As of 31 October 2020, the Group was exposed to the following credit risk:

<i>in TEUR</i>	Legal entities	Banks	Other financial institutions	Other	Total
<b>Financial assets</b>					
Loans Provided	2 819	-	-	137	2 956
Trade receivables	2 918	-	-	-	2 918
Cash and Cash Equivalents	-	7 054	-	107	7 161
Other Assets	2 752	-	30	701	3 483
<b>Total</b>	<b>8 489</b>	<b>7 054</b>	<b>30</b>	<b>945</b>	<b>16 518</b>

As of 31 October 2019, the Group was exposed to the following credit risk:

<i>in TEUR</i>	Legal entities	Banks	Other financial institutions	Other	Total
<b>Financial assets</b>					
Loans Provided	28 864	-	-	140	29 004
Other receivables	28 102	219	-	-	28 321
Trade receivables	5 459	-	-	-	5 459
Cash and Cash Equivalents	-	11 903	-	170	12 073
Other Assets	1 924	-	1 312	2 443	5 679
<b>Total</b>	<b>64 349</b>	<b>12 122</b>	<b>1 312</b>	<b>2 753</b>	<b>80 536</b>

#### Liquidity risk

Liquidity risk arises in the general financing of the Group's activities and financial positions. It includes the risk of being unable to finance assets at an agreed maturity and interest rate and inability to realize assets at a reasonable price in a reasonable time frame. Individual companies in the Group use different methods of managing liquidity risk. Group's Management focuses on managing and monitoring the liquidity of each Group controlled by the Group. In order to manage liquidity, the management changed its accounting period to a financial year ending 31 October. In the first half of its accounting period the Group has the winter season representing 60% of the Group's income. Based on the development in the first half of the year, the Group is able, in good time, to affect the income and expenditures to maintain sufficient liquidity. In the Group, seasonality is compensated also by a strong summer season, providing for a more stable liquidity through the entire year.

The liquidity risk associated with the COVID-19 pandemic is described in Note 2 (b).

The following table includes an analysis of financial assets and liabilities of the Group classified by the remaining maturity. This analysis represents the most prudent alternative of the remaining maturities including the interest, based on contractual terms. Therefore, the earliest repayment possible is reported for liabilities and the latest repayment possible is reported for assets. Assets and liabilities without a defined maturity are reported together in the "not specified" category.

As of 31 October 2020, the Group was exposed to the following liquidity risk:

<i>in TEUR</i>	Carrying value	Future cash flow	Up to 3 months	3 months up to 1 year	1 year up to 5 years	Above 5 years	Without specification
<b>Financial assets</b>							
Loans provided	2 956	3 001	1 025	1 084	-	892	-
Trade receivables	2 918	2 935	2 571	329	35	-	-
Cash and cash equivalents	7 161	7 163	7 163	-	-	-	-
Other Assets	3 483	3 506	1 116	2 348	42	-	-
<b>Total</b>	<b>16 518</b>	<b>16 605</b>	<b>11 875</b>	<b>3 761</b>	<b>77</b>	<b>892</b>	<b>-</b>
<b>Financial obligations</b>							
Loans and borrowings	-78 067	-96 619	-1 605	-20 250	-35 643	-39 121	-
Lease liabilities	-62 688	-92 708	-1 554	-9 509	-20 534	-61 111	-
Bonds issued	-258 973	-283 675	-1 238	-121 798	-160 639	-	-
Trade liabilities	-9 363	-9 363	-7 128	-6	-2 083	-146	-
Other liabilities	-23 892	-26 539	-105	-40	-19 449	-6 945	-
<b>Total</b>	<b>-432 983</b>	<b>-508 904</b>	<b>-11 630</b>	<b>-151 603</b>	<b>-238 348</b>	<b>-107 323</b>	<b>-</b>

As of 31 October 2020, loans granted for up to 1 year amount to EUR 2,109 thousand (as of 31 October 2019: EUR 27,986 thousand), most of which are payable at request or until October 2021. These loans will not be paid off within a year. The Group plans to draw these financial resources according to its needs in order to finance its investment activity and acquisitions. The loan granted is expected to be paid off within 3 years.

As stated in Note 28 - Loans and Borrowings, as at 31 October 2020, the Group did not meet the financial and other conditions relating to certain loans, and therefore the long-term portion of the loan with a book value of EUR 26,735 thousand was reclassified to short-term. At the end of the year, the Group received confirmations from bank that it will not require early repayment of the loans ("covenant waiver"). As the confirmation from the banks took place after 31 October 2020, these loans are classified as short-term at the balance sheet date. The liquidity risk analysis takes into account future cash flows based on contractual terms according to the repayment schedule.

The management of the Group plans to repay issued bonds in the future by issuing new bonds. See also Note 39 – Subsequent events.

As of 31 October 2019, the Group was exposed to the following liquidity risk:

<i>in TEUR</i>	Carrying value	Future cash flow	Up to 3 months	3 months up to 1 year	1 year up to 5 years	Above 5 years	Without specification
<b>Financial assets</b>							
Loans provided	28 813	29 005	26 865	1 121	160	859	-
Other receivables	28 321	2 307	87	219	2	-	1 999
Trade receivables	5 459	5 487	5 396	71	20	-	-
Cash and cash equivalents	12 073	12 066	11 919	-	-	-	147
Other Assets	5 586	5 600	4 115	-	1 080	-	405
<b>Total</b>	<b>80 252</b>	<b>54 465</b>	<b>48 382</b>	<b>1 411</b>	<b>1 262</b>	<b>859</b>	<b>2 551</b>
<b>Financial obligations</b>							
Loans and borrowings	-86 063	-119 533	-37 392	-8 779	-59 849	-13 513	-
Bonds issued	-261 287	-366 482	-1 323	-11 883	-197 858	-155 418	-
Trade liabilities	-9 179	-9 179	-9 109	-	-	-	-70
Other liabilities	-37 722	-37 637	-17 333	-908	-	-	-163
<b>Total</b>	<b>-394 251</b>	<b>-532 831</b>	<b>-65 157</b>	<b>-21 570</b>	<b>-257 707</b>	<b>-188 164</b>	<b>-233</b>

The carrying amount of other receivables includes the advances provided where they are not expected to be settled in cash, but by means of a transfer of shares.

#### Foreign exchange risk

Because of the acquisition of subsidiaries in Poland and Czech Republic, the Group is primarily exposed to foreign exchange risk of Polish zloty and Czech crown versus euro. The Management regularly monitors whether the difference between receivables and payables in the foreign currency is not too big.

Due to the acquisition of subsidiaries in the Republic of Croatia, the Group is also exposed to the risk of changes in the exchange rate of the Croatian kuna against the euro, but the Group's activities in the Croatian kuna are insignificant.

Since the Group has issued bonds, denominated in CZK in amount of EUR 58.7 million, the currency gap has widened, and the Group decided to manage the foreign currency risk against the Czech Crown on this particular instrument by hedging against changes in foreign currency exchange rates. For more information, see Note 31 – Hedge accounting.

As of 31 October 2020 and 2019, the Group reported below mentioned items of financial assets and liabilities denominated in foreign currencies:

<i>in TEUR</i>	2020			2019		
	PLN	CZK	HRK	PLN	CZK	HRK
<b>Financial assets</b>						
Loans provided	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Trade receivables	327	201	-	182	493	-
Cash and cash equivalents	1 266	305	5	239	899	-
Other assets	59	182	-	301	152	-
<b>Total</b>	<b>1 652</b>	<b>688</b>	<b>5</b>	<b>722</b>	<b>1 544</b>	<b>-</b>
<b>Financial obligations</b>						
Loans and borrowings	-36 468	-	-	-32 012	-	-
Lease liabilities	-19 029	-6 147	-	-	-	-
Bonds issued	-	-55 729	-	-	-59 263	-
Trade liabilities	-851	-2 596	-	-110	-2 436	-
Other liabilities	0	-17	-	-2 242	-313	-
<b>Total</b>	<b>-56 348</b>	<b>-64 489</b>	<b>-</b>	<b>-34 364</b>	<b>-62 012</b>	<b>-</b>

Other assets and liabilities of the Group are denominated in euros. There is a secondary risk that the weakening of the Czech crown, Polish zloty or Russian rouble against the euro would lead to a reduction in the number of visitors to Slovakia from these countries. The Group's management is not able to quantify value of this risk for sure.

#### Sensitivity analysis

Appreciation of euro by 1% versus Polish zloty and Czech crown would have the following impact on financial assets and financial liabilities of the Group:

<b>Effect on the portfolio</b>	2020	2019
<i>in TEUR</i>		
PLN	542	1061
CZK	632	721

Depreciation of euro by 1% versus Polish zloty and Czech crown would have a comparably large but opposite impact on financial assets and financial liabilities of the Group as opposed to appreciation.



**Interest rate risk**

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

As of 31 October 2020 and 31 October 2019, the Group has the following interest-earning assets and interest-bearing liabilities:

<i>in TEUR</i>	31.10.2020	31.10.2019
<b>Fixed interest rate</b>		
Assets	16 518	217 670
Payables	-359 055	-279 128
<b>Variable interest rate</b>		
Assets	-	-
Payables	-73 928	-40 203

**Sensitivity analysis for instruments with variable interest rate**

A change of 100 basis points in interest rates would have the following effect on profit or loss and cash flow sensitivity:

<i>in TEUR</i>	Profit (Loss)	
	100 bb growth	100 bb decline
<b>31 October 2020</b>		
Instruments with variable interest rate	739	0
Effect	<u>739</u>	<u>0</u>
<b>31 October 2019</b>		
Instruments with variable interest rate	-402	402
Effect	<u>-402</u>	<u>402</u>

Interest-bearing liabilities of the Group bear variable interest rates based on EURIBOR. The Group considers a variable interest rate to be a self-management of the interest rate risk. EURIBOR grows under economic expansion, but also the economic performance of the population grows and the Group has higher revenues and earnings. It is quite the opposite under economic recession.

At present, when EURIBOR is a negative value, the variable interest component of the total interest rate does not affect the economic result and cash flow sensitivity, as according to the loan agreements the value of EURIBOR is then taken at the level of 0%.

**Operational risk**

Operational risk is the risk of loss arising from embezzlement, unauthorised activities, error, omission, inefficiency or system failure. This risk arises in the case of all of the Group's activities and all companies within the Group are exposed to such risk. Operational risk includes also the risk of lawsuit.

The Group's objective is to manage the operational risk so as to prevent financial losses and damage to Group's reputation within the effectiveness of costs spent to achieve this objective, while avoiding measures hindering initiative and creativity.

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

The Group is also exposed to risk of adverse weather-related conditions. The resort attendance is dependent on the volume and period of snow. Adverse conditions negatively affect the number of skiers and the Group's revenues or profit or loss. Warm weather may disproportionately increase the cost of production of artificial snow and change the area for skiing. Historically, the region of the Low Tatras had an average of 80 cm of snow during the winter season and the High Tatras region had 85 cm of snow. The start of the winter season and the snow conditions affect the perception of the whole season by skiers. The Group is unable to reliably predict the snow conditions at the beginning of the winter season. Thanks to the use of snow-making systems, snow conditions during the winter season are stable every year.

**38. Related parties****Identification of related parties**

As shown in the following overview, the Group has a related-party relationship with its shareholders who have significant influence in the Group and other parties; as of 31 October 2020 and 31 October 2019 or during the period from 1 November 2019 to 31 October 2020 and 1 November 2018 to 31 October 2019:

- (1) Companies with joint control or significant influence over the entity and its subsidiaries or associates,
- (2) Joint ventures in which the Group is a partner,
- (3) Associates,
- (4) Members of the Group's top management or shareholders of the Group (see also Note 10 – Personnel expenses)

Information about remuneration of key management is provided in Note 10 – Personnel expenses.

All related party transactions, including those with senior management, were made on the basis of market conditions that are common in such transactions between unrelated parties or that are expected in such transactions. None of the related parties benefited in any way from their mutual transactions.

As at 31 October 2020, the Group has receivables in the amount of EUR 947 thousand (2019: EUR 68 thousand) and liabilities in the amount of EUR 341 thousand (2019: EUR 0) from members of the top management and companies related through members of the top management.

In the period from 1 November 2019 to 31 October 2020, the Group reported revenues of EUR 595 thousand (2019: 0 EUR) and expenses of EUR 1,251 thousand (2019: 0 EUR) to members of the top management and companies related through members of the top management.

**39. Subsequent events**

On 1 November 2020, within the Group merged the Parent Company with the company I.Tatranská, akciová spoločnosť on the basis of the draft Merger Agreement. The successor Group after this date is the Parent Company.

On 15 December 2020, the Group entered into the Agreement on transfer of business shares with the Austrian Company, which owns a smaller ski resort. The subject of the purchase / acquisition is the acquisition of 100% of the business shares of this Company. The Agreement, by which the shares will be transferred, is still subject to the fulfillment of certain conditions, which have not yet been fulfilled and it is therefore not yet certain whether the acquisition will take place.

On 5 December 2020, the Group started the ski season, which lasted until 31 December 2020, when the Government of the Slovak Republic decided to close all ski resorts including hotels and gastronomic establishments. This situation still continues as at the date of issue of this financial statements. In Austria, mountain resorts were only open during the Christmas season due to pandemic measures and management decisions. In the Czech Republic, the mountain resort for skiers was open during the Christmas holidays (December 26). Subsequently, the center was closed and during January 2021 it was in operation in a limited mode for pedestrians. Since the end of January, the ski resort in the Czech Republic has been closed due to pandemic measures. Golf resorts operated in a limited mode until mid-December 2020. Subsequently, the operations (hotels and gastronomy) were closed, the golf segment continues to operate only in a limited mode. The mountain resort in Poland started the ski season on 18 December 2020, which lasted until 27 December 2020 due to pandemic measures. Subsequently, the resort was closed and reopened on 12 February 2021 and the ski season continues until the date of the consolidated financial statements.

As a result of the continuing unfavorable pandemic situation, the Group's Board of Directors has undertaken a radical cost saving, which resulted in the announcement of mass redundancies, which the Parent Company announced to the authorities on 25 January 2021.

During February 2021, the Group issued new TMR V bonds with a total value of up to EUR 150 million, at an interest rate of 6% p.a. and maturity in 2026. On 2 February 2021, bonds worth EUR 5 million were sold. On 4 February 2021, bonds worth EUR 90 million were sold. On 5 February 2021, bonds worth EUR 15 million were sold.

In February 2021, the Group drew an operating loan from J&T Bank in the amount of EUR 20 million and repaid the TMR II bonds in total amount of EUR 110,000 thousand.

Information related to the coronavirus and the declaration of a global pandemic is provided in Note 2 (b).

#### 40. Capital commitments and capital management

In the course of financial year 2014, the Group made two bond issues (see Note 34 - Bonds issued) in the total nominal value of EUR 180,000 thousand, which have been admitted to trading on the Bratislava Stock Exchange since 19 February 2014.

On 10 October 2018, the Group issued the third issue of TMR III bonds at a total nominal value of EUR 90,000 thousand; will be due in 2024. On 7 November 2018, the Group issued the fourth bond issue TMR F. CR in the nominal value of CZK 1,500 million, with maturity in 2022.

Further information on issued bonds and related covenants is provided in Note 34 – Bonds Issued.

The Group's management deals with capital management in order to secure a sufficient amount of funds for the planned investments in the period for which the investments were planned, if necessary in cooperation with bank loans.

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

No changes occurred in the approach of the Group's management to capital management occurred in the period from 1 November 2019 to 31 October 2020.

#### 41. Contingent assets and contingent liabilities

Since many areas of the Slovak tax legislation have yet to be sufficiently tested in practice, there is an uncertainty about the application of the tax legislation in these areas by tax authorities. The extent of the uncertainty cannot be quantified and will only cease once legislative precedents or official interpretations of the authorities are set.

The Group is a party to several legal disputes. The maximum amount of compensation for all legal disputes can amount up to EUR 385 thousand plus related charges and fees.

#### 42. Companies within the Group

The list of companies in the Group as of 31 October 2020 and 31 October 2019 is included in the following overview:

	Country	Method	31.10.2020		31.10.2019	
			Consol. %	Control	Consol. %	Control
<b>Parent company</b>						
Tatry mountain resorts, a.s.	Slovakia	full	100		100	
<b>Subsidiaries</b>						
Szczyrkowski Ośrodek Narciarski, S.A.	Poland	full	97	direct	97	direct
Śląskie Wesole Miasteczko Sp. z o. o.	Poland	full	100	indirect	100	indirect
Tatry mountain resorts PL, a.s.	Slovakia	full	100	direct	100	direct
TMR Ještěd a.s.	Czech republic	full	100	direct	100	direct
Tatry mountain resorts CR, a.s.	Czech republic	full	100	direct	100	direct
TMR Finance CR, a.s.	Czech republic	full	100	direct	100	direct
Tatry Mountain Resorts AT GmbH	Austria	full	100	direct	100	direct
Mölltaler Gletscherbahnen GmbH & Co KG	Austria	full	100	direct	100	direct
Mölltaler Gletscherbahnen GmbH	Austria	full	100	direct	100	direct
Grundstücksverwertungs-GmbH Flattach	Austria	full	100	indirect	100	indirect
I. Tatranská, akciová spoločnosť	Slovakia	full	100	direct		
Korona Ziemi sp.z o.o.	Poland	full	74	indirect		
TIKAR d.o.o	Croatia	full	51	indirect		
<b>Joint ventures</b>						
OSTRAVICE HOTEL a.s.	Czech republic	equity method	50	indirect	50	indirect
<b>Associate</b>						
MELIDA a.s. (Note 5(b))	Czech republic	equity method	25	direct		

In March 2014, the Group acquired a 97% stake in the Polish mountain resort of Szczyrkowski Ośrodek Narciarski S.A. (SON). In April 2015, the Group agreed to acquire a 75% stake in a Polish company that owns and operates the Silesian Amusement Park (Śląskie Wesole Miasteczko Sp. Z o.o.). In 2017, the subsidiary Tatry mountain resorts PL, a.s. was established, which bought the entire 75% stake in SWM from the parent company and subsequently bought the remaining 25% stake from the original owner and thus became the sole owner.

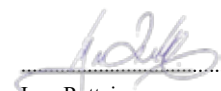
In December 2017, the Group, through its subsidiary TMR Ještěd a.s. officially took over the operation of the Ještěd sports complex in the city of Liberec. In November 2018, the Group entered the golf segment and leases and operates Golf & Ski Resort Ostravice in the Czech Republic. The subject of activity of OSTRAVICE HOTEL a.s. is the rental of real estate, apartments and non-residential premises. In January 2019, the Group leased Golf Resort Kaskáda near Brno, Czech Republic, for a period of 20 years, managing the operation of a hotel with a congress center and restaurant.

The company Tatry mountain resorts CR, a.s. was founded in 2018 and is used for future acquisitions in the Czech Republic. In 2018, the company TMR Finance CR, a.s. whose main activity is the provision of funds obtained by issuing bonds to related companies in the Group in the form of loans, borrowings or other forms of financing.

In 2019, through the subsidiary Tatry Mountain Resorts AT GmbH, the Group acquired shares in the subsidiaries Mölltaler Gletscherbahnen GmbH & Co. KG, Mölltaler Gletscherbahnen GmbH and Grundstücksverwertungs-GmbH Flattach.

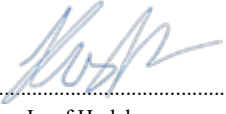


These subsidiaries operate the Mölltaler Gletscher and Ankogel ski resorts in Austria. In May 2020, the Group acquired a 100% stake in I. Tatranská, a joint-stock company that operates the Štrbské Pleso ski resort in the High Tatras in Slovakia, operates a hospitality business and operates a ski school. The Group thus acquired a controlling interest in Korona Ziemi sp. z o.o, which operates an amusement park in Poland, and TIKAR d.o.o, which is auctioning a hotel in Croatia.



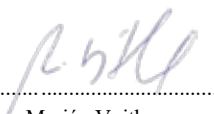
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Igor Rattaj  
*Chairman  
of the Board of Directors*



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Jozef Hodek  
*Member  
of the Board of Directors*



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Marián Vojtko  
*Person responsible for  
bookkeeping*

## Independent Auditor's Report



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Translation of the Auditors' Report originally prepared in Slovak language

## Independent Auditors' Report

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

## Report on the Audit of the Consolidated Financial Statements

## Opinion

We have audited the consolidated financial statements of Tatry mountain resorts, a.s. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 October 2020, consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 October 2020, 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.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section. We are independent of the Group in accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit") including the Code of Ethics for an Auditor that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

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

## Independent Auditor's Report



## Going concern considerations related to COVID-19

As at 31 October 2020, the Group's current liabilities exceeded its current assets by EUR 160,465 thousand and it recognized loss in amount of EUR 20,513 thousand for the year then ended.

Refer to Notes 2b) (Basis for preparation) of the consolidated financial statements.

## Key audit matter:

## Our response:

The Group's consolidated financial statements are prepared on a going concern basis.

Our audit procedures in the area included, among others:

As discussed in Note 2b), the outbreak of the COVID-19 pandemic and the measures adopted by the government of countries in which the Group operates to mitigate the pandemic's spread have significantly impacted the Group. These measures have negatively impacted the Group's financial performance for the year and also its liquidity position. Also, significant uncertainty remains over how the outbreak will impact the Group's business in future periods and customer demand for its services.

- Understanding the Group's business planning process over the assessment of the Group's ability to continue as a going concern;

- Inspecting the management's assessment of the going concern basis of accounting, including their evaluation of the business/operating and liquidity risks arising from the COVID-19 outbreak, and plans for further actions in response to the risks identified. As part of the procedure we also made corroborating inquiries of the Group's CFO;

The Group's going concern assessment was based on cash flow forecasts, which in the management's view support the assertion that the Group will have sufficient resources to continue for a period of at least 12 months from the reporting date. The preparation of these forecasts incorporated a number of assumptions and significant judgment under a number of scenarios, including those considered by the management to be severe but plausible, such as duration of government COVID-19 measures and access to additional financing. As part of the assessment, the Group also considered a number of actions aimed at alleviating the potential disruption to its business and liquidity position, such as access to additional financing and deferral of capital expenditure.

- Independently evaluating the reasonableness and feasibility of the plans for future actions in order to alleviate the effects of the outbreak, by reference to the preceding procedure as well as by performing the following:

- Challenging the key assumptions used in the determination of the forecast financial information under various scenarios. This primarily included challenging the assumed lockdown period, forecast sales and capital expenditure, based on our understanding of the Group's activities and by reference to publicly available industry/market reports;



## Independent Auditor's Report



The management concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Note 2b) further explains how the judgment was formed.

The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of the consolidated financial statements its effects are subject to significant levels of uncertainty. The Group's use of the going concern basis of accounting is a key audit matter due to the associated extent of uncertainty, and consequently, high level of judgment required in evaluating the management's plans for future actions and their financial impact.

- Performing an analysis of the going concern conclusion's sensitivity to changes in the aforementioned key assumptions adopted in the going concern assessment, and considering whether there were any indicators of management bias in the assessment;
- Assessing the availability of banking and other financing facilities and arrangements, by inspecting underlying documentation, such as banking facility agreements signed and prospectus approved by regulators related to issue of bonds before and after the reporting period end, and assessing the impact of any covenants and other restrictive terms therein;
- Considering whether any additional relevant facts or information have become available since the date on which the Group made its assessment;
- Evaluating the appropriateness of Group's disclosures in respect of the going concern assessment, subsequent events and any related uncertainties in the consolidated financial statements against the requirements of the financial reporting standards.

## Independent Auditor's Report



#### Impact of adopting International Financial Reporting Standard (IFRS) 16 Leases

As at 31 October 2020, the Group had recognized right of use assets in amount of EUR 69,310 thousand and lease liabilities in amount of EUR 62,688 thousand.

Refer to Notes 2e), 2f) and 2g) (Summary of significant accounting policies) and Note 16 (Right of use assets) and Note 29 (Lease liabilities) of the consolidated financial statements.

#### Key audit matter:

The Group adopted IFRS 16 Leases from 1 November 2019. The standard introduces a new lease accounting model, where lessees are required to recognize a right-of-use (ROU) asset and a lease liability arising from a lease in their statement of financial position.

As discussed in Note 2e) of the consolidated financial statements, the Group applied IFRS 16 initially using the modified retrospective approach. Therefore, the cumulative effects of adopting the Standard have been recognized as an adjustment to the opening balance of retained earnings at 1 November 2019, with no restatement of comparative information, and with certain exemptions and practical expedients applied (such as those in respect of: (i) short-term and low-value leases and (ii) applying a single discount rate to a portfolio of leases with similar characteristics). As also indicated in Note 2e), the Group chose not to apply IFRS 16 to contracts previously identified as not containing leases in accordance with the legacy lease standards and interpretations.

As a result, as at 1 November 2019, the Group recognized ROU asset of EUR 60,185 thousand and lease liabilities of EUR 52,900.

#### Our response:

Our audit procedures in the area included, among other things, the following:

*At transition date and for subsequent accounting:*

- Through inquiries of relevant finance personnel and reading of the Group's internally prepared accounting memoranda and policies, obtaining an understanding of the Group's process for identifying leases and evaluating design and implementation of key related controls.
- Assessing whether leases have been appropriately identified by the Group, by reference to our audit documentation for prior year, through inquiries of relevant finance personnel and by inspecting relevant documentation. The procedure also involved examining the operating expenses, prepayments or accruals and evaluating whether they might be representative of a payment for the right to use of the identified asset.
- For the recognition exemptions and practical expedients applied, assessing, as appropriate and by reference to the relevant documents (including underlying lease contracts), that the Standard's conditions and requirements for the application of the exemptions and practical expedients were met.

## Independent Auditor's Report



Significant judgement is required in identifying lease arrangements and in making assumptions and estimates in order to determine the ROU asset and the lease liability, in particular in relation to the assessment of the lease term, lease payments and discount rates, or characteristics of leases accounted for on a portfolio basis. Evaluating lease modifications introduces another element of complexity in the accounting for leases under the new Standard.

Due to the above factors, accounting for leases, including the transition adjustments arising from applying IFRS 16, is inherently complex, and requires management to exercise significant judgment regarding material amounts in the consolidated financial statements. It therefore required our increased attention in the audit and as such was considered by us to be a key audit matter.

- Identifying leases for which a portfolio approach has been applied. For selected portfolios, challenging the appropriateness of applying the portfolio approach through (i) inquires of relevant finance personnel, (ii) inspecting the Group's qualitative assessment and examining whether the leases have similar characteristics.
- Obtaining the Group's transition-date measurement of the ROU asset and lease liabilities as well as detailed schedules reconciling these opening amounts to the closing amounts at the year-end ("roll-forward schedules").
- Selecting a sample of leases at transition date and a sample of new lease contracts entered into during the year, assessing key terms and conditions (including lease term, lease payments (fixed and variable), any obligation to dismantle and restore leased asset) by reference to the underlying lease contracts, and also challenging the calculation of the discount rates applied.

*For the leases selected in the preceding procedure, by reference to the contract terms and discount rates assessed in the preceding procedure:*

- Developing an estimate of the lease liability to evaluate the Group's estimate, and examining whether the estimates are consistent with the Group's estimate;
- Re-performing the determination of the cost of the ROU asset, including, where relevant, examining whether the initial measurement of the lease liability used in the calculation of the ROU asset agrees to the lease liability recorded at lease commencement and tracing prepaid lease payments, lease incentives and initial direct costs to relevant documentation;

## Independent Auditor's Report



- Inquiring of relevant finance personnel as to the reasons for any inconsistencies with the Group's estimates.

*For leases which required remeasurement of the related liability during the year:*

- Making inquiries of relevant finance personnel regarding presence of conditions requiring reassessment of lease liabilities and evaluating whether the triggering events were identified in the correct period.
- Inspecting board minutes and correspondence with lessors for evidence of adjustments.
- Assessing whether re-measurement should have been recorded related to the new triggering events and if so, developing an independent estimate of the remeasured lease liability and, where applicable, the ROU asset, reflecting the revised lease terms.
- Challenging the appropriateness of the Group's assessment of the ROU assets for impairment, with particular attention paid to the identification of impairment indicators, grouping within appropriate cash-generating units and determination of the discount rates.
- Examining whether the Group's disclosures in the consolidated financial statements, as the lessee, appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.



## Independent Auditor's Report



### Impairment of property, plant and equipment and intangible assets

Carrying amount of property, plant and equipment and intangible assets as at 31 October 2020: EUR 399,078 thousand (31 October 2019: EUR 423,405); Impairment allowance of assets as at 31 October 2020: EUR 10,881 thousand (31 October 2019: EUR 3,865 thousand)

Refer to Notes 2o) and 2p) (Summary of significant accounting policies), Note 3d) (Assets impairment testing), Note 15 (Property, plant and equipment) and Note 17 (Goodwill and intangible assets) of the consolidated financial statements.

#### Key audit matter:

As described in Note 3d) of the consolidated financial statements, in the current year, the Group identified impairment indicators in respect of its property, plant and equipment and intangible assets, including ones related to business disruption and loss incurred during the year as a result of the COVID-19 pandemic.

In the wake of the above factors, as at 31 October 2020, the Group tested property, plant and equipment and intangible assets for impairment, as part of the impairment test performed for the cash generating unit („CGU”) polish ski resort Szczyrk of daughter company Szczyrkowski Osrodek Narciarski S.A. and CGU amusement park Legendia of daughter company Ślaskie Wesole Miasteczko Sp. z o. o. The Group determined recoverable amount for both above mentioned CGU's based on its value in use estimated under the discounted cash flow method.

#### Our response:

Our audit procedures in the area included, among others:

- Evaluating against the requirements of the relevant financial reporting standards the Group's accounting policy for identification of impairment, and measurement and recognition of any impairment losses in respect of property, plant and equipment and intangible assets;
- Assessing internal controls relating to the identification of impairment indicators and to the process of impairment testing;
- Evaluating the quality of the Group's forecasting by comparing historical projections with actual outcomes;
- Assessing the appropriateness of asset grouping into CGUs, based on our understanding of the Group's operations and business units;
- Inquiring of the management of the Group regarding the impact of the COVID-19 pandemic and of related government response programs on the Group and its results in the current year and going forward.

## Independent Auditor's Report



Determination of the recoverable amount requires making a number of assumptions and judgments, in particular those relating to grouping of assets into CGUs, discount rates used and future cash flows, with key assumptions made about prices for services provided, costs, and expected levels of sales, output and operating costs.

Due to the above factors, coupled with the significantly higher estimation uncertainty stemming from the business disruption impact of the COVID-19 global pandemic, assessment of property, plant and equipment and intangible assets for impairment required our significant judgment and increased attention in the course of our audit. As a consequence, we consider the area to be our key audit matter.

- Assisted by our own valuation specialists, challenging the reasonableness of the Group's key assumptions and judgments used in estimating the recoverable amount, including:
  - Assessing the Group's discounted cash flow model against the relevant financial reporting standards and market practice,
  - Challenging reasonableness of the key macroeconomic assumptions used, such as those in respect of discount rates by reference to publicly available external sources, and
  - Using our knowledge of the Group, its past performance, business, and our industry experience, and also our understanding of the effects of the COVID-19 pandemic, assessing reasonableness of the assumptions relating to future prices of services provided, as well as those in respect of expected sales, output and operating costs, by reference to publicly available reports, market reports and the Group's internal documents;
- Assessing susceptibility of the impairment model and the resulting impairment conclusion to management bias, by challenging the Group's analysis of the model's sensitivity to changes in key underlying assumptions;
- Evaluating the appropriateness and completeness of impairment-related disclosures in the consolidated financial statements against the requirements of the financial reporting standards.

## Independent Auditor's Report



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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.

## Independent Auditor's Report



- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



## Independent Auditor's Report



### Report on Other Legal and Regulatory Requirements

#### Reporting on other information in the Consolidated Annual Report

The statutory body is responsible for the other information. The other information comprises the information included in the Consolidated Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting") but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information in the Consolidated Annual Report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the Consolidated Annual Report that we have obtained prior to the date of the auditors' report on the audit of the consolidated financial statements, and, in doing so, consider whether the other information is materially inconsistent with the audited consolidated financial statements or our knowledge obtained in the audit of the consolidated financial statements, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With respect to the Consolidated Annual Report, we are required by the Act on Accounting to express an opinion on whether the other information given in the Consolidated Annual Report is consistent with the consolidated financial statements prepared for the same financial year, and whether it contains information required by the Act on Accounting.

Based on the work undertaken in the course of the audit of the consolidated financial statements, in our opinion, in all material respects:

- the other information given in the Consolidated Annual Report for the year ended 31 October 2020 is consistent with the consolidated financial statements prepared for the same financial year; and
- the Consolidated Annual Report contains information required by the Act on Accounting.

In addition to this, in light of the knowledge of the Group and its environment obtained in the course of the audit of the consolidated financial statements, we are required by the Act on Accounting to report if we have identified material misstatements in the other information in the Consolidated Annual Report. We have nothing to report in this respect.

## Independent Auditor's Report



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

#### Appointment and approval of an auditor

We have been appointed as a statutory auditor by the statutory body of Tatry mountain resorts, a.s. on 15 November 2019 on the basis of approval by the General Meeting of Tatry mountain resorts, a.s. on 29 April 2020. The period of our total uninterrupted engagement, including previous renewals (extensions of the period for which we were originally appointed) and reappointments as statutory auditors, is twelve years.

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

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

#### Non-audit services

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

In addition to the statutory audit services and services disclosed in the consolidated financial statements of the Group, we did not provide any other services to the Group.

1 April 2021  
Bratislava, Slovak Republic

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



Responsible auditor:  
Martin Kršjak  
License UDVA No. 990

This is a translation of the original Slovak Auditors' Report into English language. The consolidated statement of financial position as at 31 October 2020, consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to consolidated financial statements, including a summary of significant accounting policies have not been translated. For a full understanding of the information stated in the Auditors' Report, the Report should be read in conjunction with the full set of consolidated financial statements prepared in Slovak.





SEPARATE FINANCIAL STATEMENTS



# Separate Financial Statements

**Tatry mountain resorts a.s.**  
**Individual Financial Statement**  
**for the Period from 1 November 2019 to 31 October 2020**  
  
**prepared in accordance**  
**with the International Financial Reporting Standards (“IFRS”)**  
**Standards (“IFRS”) as adopted by the EU**

## Separate statement of profit and loss and other comprehensive income

<i>in TEUR</i>	Note	1.11.2019 - 31.10.2020	1.11.2018 - 31.10.2019
Sales	6	89 614	106 194
Other operating revenue	7	258	822
<b>Total revenue</b>		<b>89 872</b>	<b>107 016</b>
Material and goods consumption	8	-17 813	-22 989
Purchased services	9	-17 877	-22 023
Personal cost	10	-23 838	-29 274
Other operating cost	11	-1 063	-1 074
Gain on sale of assets		727	820
Increase in fair value of investment property	18	-	1 050
Creation of value adjustments	23,24,26,28	-20 554	-3 976
<b>Profit before interest, taxes, depreciation and amortization (EBITDA)*</b>		<b>9 454</b>	<b>29 550</b>
Depreciation and amortization	15,17	-14 611	-14 917
Depreciation of right-of-use of leased assets	16	-3 546	-
<b>Profit / (loss) before interest, taxes (EBIT)</b>		<b>-8 703</b>	<b>14 633</b>
Interest income calculated using effective interest rate	12	7 523	6 080
Interest expense	12	-17 173	-15 326
Net profit / (loss) on financial instruments	13	-3 746	-71
<b>Profit / (loss) before tax</b>		<b>-22 099</b>	<b>5 316</b>
Income tax	14	4 165	-1 229
<b>Profit / (loss)</b>		<b>-17 934</b>	<b>4 087</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Net gain/(loss) on cash flow hedges	33	1 558	-1 108
<b>Total comprehensive income</b>		<b>-16 376</b>	<b>2 979</b>
<b>Profit/(loss) per share (in EUR)</b>	29	<b>-2,674</b>	<b>0,609</b>
<b>Number of shares</b>		<b>6 707 198</b>	<b>6 707 198</b>

\*EBITDA represents a profit from recurring Company activities before taxes, interest, amortization and depreciation, adjusted to other income and expenses, which are listed under EBITDA, in particular profit / (loss) from financial operations representing foreign exchange gains / (losses). The EBITDA indicator adjusted in this way is used by the Company's management to manage the Company's performance as well as individual CGUs (cash-generating units).

The Notes provided on pages 7 to 69 constitute an integral part of the Separate Financial Statements. An overview of the profit and loss statement by particular segments is in Note 4 – Information about Operating Segments.

## Separate Statement of Financial Position

<i>in TEUR</i>	Note	31.10.2020	31.10.2019
<b>Assets</b>			
Goodwill and intangible assets	17	8 079	7 731
Property, plant and equipment	15	260 467	283 092
Right-of-use of leased assets	16	33 157	-
Investment property	18	8 329	8 329
Investments in an associate and a joint venture	19	7 118	-
Loans provided	23	6 033	5 618
Other receivables	25	7 797	3 584
Investments in subsidiaries	20	32 762	7 515
<b>Total non-current assets</b>		<b>363 742</b>	<b>315 869</b>
Inventory	22	7 428	7 440
Trade receivables	24	2 155	4 872
Loans provided	23	92 113	107 135
Other receivables	25	1 356	22 649
Financial investments	27	154	4 652
Cash and cash equivalents	28	4 370	10 280
Other assets	26	15 105	10 766
<b>Total current assets</b>		<b>122 681</b>	<b>167 794</b>
<b>Assets total</b>		<b>486 423</b>	<b>483 663</b>
<b>Equity</b>			
Capital	29	46 950	46 950
Share premium		30 430	30 430
Profit for the period		-17 934	4 087
Retained earnings and other funds		48 639	42 994
<b>Total equity</b>		<b>108 085</b>	<b>124 461</b>
<b>Liabilities</b>			
Loans and borrowings	30	56 176	100 894
Lease liabilities	31	27 763	-
Trade payables	32	445	1 127
Provisions	35	20	24
Bonds issued	36	88 192	196 935
Deferred tax liability	21	18 865	22 655
<b>Total non-current liabilities</b>		<b>191 461</b>	<b>321 635</b>
Loans and borrowings	30	43 367	10 763
Lease liabilities	31	7 883	-
Trade payables	32	5 614	5 338
Provisions	35	369	460
Bonds issued	36	115 052	5 089
Corporate income tax liability	14	-	860
Other current liabilities	34	14 592	15 057
<b>Total current liabilities</b>		<b>186 877</b>	<b>37 567</b>
<b>Total liabilities</b>		<b>378 338</b>	<b>359 202</b>
<b>Total equity and liabilities</b>		<b>486 423</b>	<b>483 663</b>

The Notes constitute an integral part of the Separate Financial Statements.

<i>in TEUR</i>	Capital	Share premium	Legal reserve fund	Funds from revaluation	Retained earnings	Total
<b>Balance as at 1 November 2019</b>	46 950	30 430	6 609	-928	41 400	124 461
Transfer of retained earnings into the legal reserve fund	-	-	409	-	-409	-
Profit / (loss) for the period	-	-	-	-	-17 934	-17 934
<b>Other components of comprehensive income, after tax</b>	-	-	-	1 558	-	1 558
- items with possible subsequent reclassification into profit/(loss):						
Cash Flow hedge	-	-	-	1 558	-	1 558
<b>Total comprehensive income for the period</b>	-	-	409	1 558	-18 343	-16 376
<b>Transactions with owners posted directly into equity</b>	-	-	-	-	-	-
Contributions to the fund	-	-	-	-	-	-
<b>Total transactions during the year</b>	-	-	-	-	-	-
<b>Balance as at 31 October 2020</b>	46 950	30 430	7 018	630	23 057	108 085

## Separate Statement of Changes in Equity



	Capital	Share premium	Legal reserve fund	Funds from revaluation	Retained earnings	Total
<b>Balance as at 30 October 2018</b>	46 950	30 430	5 852	180	39 510	122 922
IFRS 9 first-time adoption	-	-	-	-	-1 440	-1 440
<b>Balance as at 1 November 2018 after IFRS 9 first-time adoption adjustments</b>	46 950	30 430	5 852	180	38 070	121 482
Transfer of retained earnings into the legal reserve fund	-	-	757	-	-757	-
Profit for the period	-	-	-	-	4 087	4 087
<b>Other components of comprehensive income, after tax</b>						
- items with possible subsequent reclassification into profit/(loss):						
Cash Flow hedge				-1 108	-	-1 108
<b>Total comprehensive income for the period</b>			757	-1 108	3 330	2 979
<b>Transactions with owners posted directly into equity</b>						
Contributions to the fund						
<b>Total transactions during the year</b>						
<b>Balance as at 31 October 2019</b>	46 950	30 430	6 609	-928	41 400	124 461

The Notes constitute an integral part of the Separate Financial Statements.

### Separate Cash Flow Statement

<i>in TEUR</i>	Note	1.11.2019 - 31.10.2020	1.11.2018 - 31.10.2019
<b>OPERATING ACTIVITIES</b>			
Profit		-17 934	4 087
Adjustments related to:			
Profit from the sale of land, buildings and equipment and intangible assets		-727	-820
Depreciation and amortization	15,17	14 611	14 917
Depreciation of right-of-use of leased assets	16	3 546	-
Creation of value adjustments to receivables	23,24,26	20 554	3 976
(Profit)/ loss from financial operations	13	3 746	-71
Profit from revaluation of investments in property	18	-	-1 050
Net interest expense / (income)	12	9 650	9 246
Gross change in provisions		-95	71
Income tax	14	-4 165	1 229
Change in trade receivables, other receivables and other assets		1 865	-1 436
Variation in inventory		12	455
Change in trade liabilities and other liabilities		-1 962	-3 248
Cash flow from operating activity before income tax		<b>29 101</b>	<b>27 356</b>
Income tax paid		-1 579	-557
Cash flow from operating activity		<b>27 522</b>	<b>26 799</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of land, buildings and equipment and intangible assets	15,17	-7 469	-12 069
Proceeds from sale of property, plant and equipment and intangible assets		2 207	4 142
Cost of acquisition of subsidiaries	5	-	-33
Cost of acquisition of an associate and a joint venture (MELIDA a.s.)	5	-2 478	-
Loans provided		-13 009	-37 718
Repayment of loans provided		8 062	14 786
Advances provided	25	-5 000	-
Interest receivable		197	13
Cash flow used by investing activity		<b>-17 490</b>	<b>-30 879</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of lease liabilities		-4 978	-2 732
Leasing received		-	1 898
Repayment of received loans and borrowings		-5 918	-48 625
Loans and borrowings received		9 762	60 770
Bonds issued, netto	36	-	30 000
Purchase of own bonds		-	-65 000
Interest paid		-14 807	-14 714
Dividends paid		-	-
Cash flow from financing activity		<b>-15 941</b>	<b>-38 404</b>
Net increase/ (decrease) of cash and cash equivalents		-5 909	-42 504
Influence of impairment allowance to cash and cash equivalents	28	-1	-3
Cash and cash equivalents at the beginning of the year	28	10 280	52 787
<b>Cash and cash equivalents at the end of the year</b>	<b>28</b>	<b>4 370</b>	<b>10 280</b>

The Notes constitute an integral part of the Separate Financial Statements.

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**1. Information about the Company**

Tatry mountain resorts a.s. (hereinafter referred to as the “Company”) is a joint stock company with the registered office and place of business in Demänovská Dolina 72, Liptovský Mikuláš 031 01. The company was established on 20 March 1992 and was registered in the Commercial Register on 1 April 1992. The Company identification number is 31 560 636 and the Company tax identification number is 2020428036.

The Company is not a member having unlimited liability in other accounting entities.

Starting from 19 November 1993, the Company shares are registered on the Bratislava Stock Exchange; starting from 15 October 2012, on the Warsaw Stock Exchange (WSE), and starting from 22 October 2012, on the Prague Stock Exchange (BCCP). On 22 August 2013, an extraordinary general meeting was held, which decided on a reduction in the share capital of the Company Tatry Mountain Resorts, a.s. from EUR 221,338 thousand to EUR 46,950 thousand, i.e. by EUR 174,388 thousand. Then during 2014, the Company issued two bond issues in the total nominal value of EUR 180,000 thousand, which, starting from 19 February 2014, are admitted to trading on the Bratislava Stock Exchange.

On 17 December 2013, the Company issued the first issue of TMR I bonds with a total nominal value of EUR 70,000 thousand, due in 2018. On 5 February 2014, the Company issued the second issue of TMR II bonds with a total nominal value of EUR 110,000 thousand, due in 2021. On 10 October 2018, the company issued the third bond issue TMR III in the nominal value of EUR 90,000 thousand, with maturity in 2024. See par. 36 – Bonds Issued.

The Company has the accounting period and fiscal year from 1 November to 31 October, as the Company activity is influenced by seasonal fluctuations.

The Shareholders’ structure of the Company is described in Note 29 - Equity

The principal activities of the Company comprise the operation of cable ways and ski lifts, restaurant and catering services, the operation of a ski and snowboard school, the purchase and sale of goods, hotel business. Since 29 March 2011, the Company has operated Aquapark Tatralandia, thus expanding the portfolio of services rendered. During 2014 and 2015 the Company acquired interests in subsidiaries in Poland that operate the Szczyrk ski resort and an amusement park in Chorzow. During the years 2017 and 2018 the Company expanded its portfolio by subsidiary companies in the Czech Republic and Austria. The company in Czech Republic provides ski center Ještěd pri Liberci since December 2017. In 2019 the Company acquired interests in Austrian companies operating the ski resorts Mölltaler Gletscher and Ankogel in Austria. In October 2019 the Company became a direct shareholder (9.5% share) in MELIDA a.s., then in December 2019 acquired additional 15,5 % share (in total the Company has 25% share). MELIDA a.s. operates the ski resort Špindlerův Mlýn in the Czech Republic. During the accounting period the Company acquired shares in the Slovak company I. Tatranská, akciová spoločnosť, which operates the ski resort Štrbské pleso in High Tatras, provides hospitality services and operates a ski school.



Company bodies are:

**The Board of Directors**

Ing. Igor Rattaj, the Chairman (since 30.4.2020)  
 Ing. Bohuš Hlavatý, the Chairman (until 29.4.2020)  
 Ing. Branislav Gábriš, the Vice-Chairman (until 28.4.2020)  
 Ing. Andrej Devečka, the Member (until 28.4.2020)  
 Ing. Jozef Hodek, the Member (since 30.6.2009)  
 Čeněk Jilek, the Member (since 29.4.2020)

**The Supervisory Board:**

Ing. Bohuš Hlavatý (since 30.4.2020)  
 Ing. Igor Rattaj (until 29.4.2020)  
 Ing. František Hodorovský (since 18.1.2011)  
 Roman Kudláček (since 21.4.2012)  
 Ing. Andrej Devečka (since 29.4.2020)  
 Ing. Ján Štetka (until 30.4.2020)  
 Ing. Peter Kubeňa (until 31.3.2020)  
 Miroslav Roth (since 30.6.2012)  
 Ing. Pavol Mikušiak (since 27.4.2013)  
 Adam Tomis (since 12.4.2014)  
 PhDr. Martin Kopecký, MSc, CFA (until 24.4.2020)

## 2. Significant Accounting Policies

### (a) Statement of compliance

The separate financial statements for the period from 1 November 2019 to 31 October 2020 have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by the EU and in accordance with Art 17a), par. 3 of Act No. 431/2002 Coll. of the National Council of the Slovak Republic on Accounting (“Act on Accounting”).

Since the Company has share in subsidiaries, IFRS and the Act on Accounting require the preparation of consolidated financial statement. The Company has not consolidated its subsidiaries in this separate financial statement. The investments in subsidiaries are recognized at cost (net of impairment losses, if any) and dividend returns are recognized at the moment when the Company became entitled to receiving dividends from those companies. The Company applies similar treatment to associates. The Company prepares consolidated financial statements that shall be published by the end of February 2021 and that shall be available at the Company headquarters.

The financial statements were approved by the Board of Directors on 26 February 2021.

### (b) Basis of preparation

The separate financial statements have been prepared based on the historical cost principle, while the investment property and financial instruments measured at fair value were revalued to their fair value through profit or loss.

The Company's separate financial statements have been prepared on a going-concern basis.

The Company's management expects that the Company has sufficient resources to continue as a going concern for at least another 12 months and that the preparation of the financial statements, assuming the continuity of its operations, is appropriate.

The Company's main activities in connection with the spread of the coronavirus and the declaration of a global pandemic were significantly affected. Measures taken by the Government of the Slovak Republic in the fight against the spread of infection, in particular restrictions on international and domestic transport, ban on social, leisure and sporting events, resulted in the closure of the Company's mountain resorts, water parks and other facilities from mid-March to the end of April 2020. During this period, the Company did not generate revenues. Cable cars and hotels have resumed operations in May, and water parks have opened in June. The Company operated these activities in compliance with stricter hygiene regulations. Due to the deterioration of the epidemiological situation in the Slovak Republic, in mid-October, it was decided to close water parks.

These facts negatively affected the economic result of the Company, which for the year ended 31 October 2020 reported a loss of EUR 17,934 thousand. The Company's net current assets as at 31 October 2020 amounted to EUR -64,196 thousand. In February 2021, bonds from the issue of TMR II in the amount of EUR 110 million were paid out. The repayment was partially funded from the issue of TMR V bonds, which the Company issued during February 2021 in the total amount of up to EUR 150 million, at an interest rate of 6% p.a. and maturity date in 2026. On 2 February 2021, bonds worth EUR 5 million were sold. On 4 February 2021, bonds worth EUR 90 million were sold. On 5 February 2021, bonds worth EUR 15 million were sold. In February 2021, the Company drew an operating loan from J&T Bank in the amount of EUR 20 million.

In the context of the pandemic, the European Commission has approved a scheme of a temporary framework for state aid to support employment, which allows the use of various types of compensation to companies most affected by the consequences of a coronavirus pandemic. As part of this assistance, the Company drew funds in the form of wage subsidies for employees in the total amount of EUR 2,051 thousand and rental subsidies in the total amount of EUR 21 thousand for the year ended 31 October 2020. From 1 November 2020 until the date of approval of the financial statements, the Company drew funds in the form of wage subsidies for employees in the amount of EUR 1,525 thousand and rental subsidies in the amount of EUR 2 thousand.

On 5 December 2020, the Company started the ski season, which lasted until 31 December 2020, when the Government of the Slovak Republic decided to close all ski resorts, including hotels and gastronomic establishments. This situation continues until the financial statements are issued.

As a result of the continuing unfavorable pandemic situation, the Company's Board of Directors had to undertake a radical cost saving, which resulted in the announcement of mass redundancies, which the Company announced to the authorities on 25 January 2021.

Given the current situation, there is uncertainty associated with the development of the pandemic situation in the Slovak Republic and the anti-epidemiological measures taken by the Government, which have an impact on the operation of the Company's main activities. The Company's management has therefore prepared several liquidity scenarios for a period of 12 months from the balance sheet date. The assumptions used in the models are based on estimates of the potential impacts of COVID-19 restrictions and also include the steps taken by management to mitigate the effects of the pandemic during this period. The baseline scenario includes the impact of deferral of loan repayments, reduction of capital expenditures and expects operations to reopen in April 2021. Based on this scenario, sufficient funds will be available to the Company. The scenarios also envisage an even more pessimistic variant of easing restrictions, which would allow the reopening of operations only from May 2021. Also in this case the Company should have sufficient funds to ensure its operation and, if necessary, use funds from the TMR V bond issue.

The Company's management assessed the impacts of COVID-19 on the Company's operations and concluded that there was no significant uncertainty about the Company's continuing operations (going concern).

As stated in Note 30 - Loans and Borrowings, the Company did not meet the financial and other conditions attached to certain loans. However, after the end of the year it received a confirmation from the bank that in the following 12 months the bank will not require early repayment of the loans ("covenant waiver"). The Company's bank approved the non-application of the sanctions for violation of covenants until 31 October 2021. As the confirmation from the bank was received after 31 October 2020, these loans are classified as short-term at the balance sheet date.

The separate financial statements have been prepared in EUR thousands.

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

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

#### (c) Adoption of new standards and interpretations

In the course of the accounting period starting on 1 November 2019, the Company implemented following new IFRS standards, amendments to standards and IFRIC interpretations. The application of them had no impact on the financial statements of the company, except for IFRS 16 with its impact described below.

- IFRS 16 Leases
- Amendments to IFRS 9 – Negative compensation
- Amendments to IAS 19 – Plan amendment, curtailment or settlement
- Amendments to IAS 28 – Long term interests in associates and joint ventures
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Annual improvements to IFRS standards 2015-2017 Cycle

#### (d) International financial reporting standards that were issued but not yet effective

The Company did not apply any International Financial Reporting Standards as adopted by the European Union before the date they become effective. In case that the transition arrangements allow entities to choose between prospective or retrospective approach, the Company decided to apply these standards prospectively.

As at 31 October 2020, the following International Financial Reporting Standards, amendments to standards and interpretations were issued but not yet effective, and have not been applied by the Company in preparing these financial statements:

- Amendments to IAS 1 „Presentation of Financial Statements“ a IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors“
- Amendments to the Conceptual Framework for Financial Reporting
- Amendments to IFRS 9 „Financial Instruments“, IAS 39 „Financial Instruments: Recognition and Measurement“ a IFRS 7 „Financial Instruments: Disclosures“
- IFRS 17 „Insurance Contracts“
- Amendments to IFRS 17: Insurance Contracts and IFRS 4: Insurance Contracts
- Amendments to IFRS 3 "Business Combinations"
- Amendments to IFRS 10 „Consolidated Financial Statements“ and IAS 28 „Investments in Associates and Joint Ventures“
- Amendments to IFRS 16 Leases – Covid 19 Rent Related Concessions
- Annual improvements to IFRS standards 2018-2020 Cycle
- Amendments to IAS 16 Property, Plant and Equipment
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

The Company anticipates that the issuance of new but not yet effective International Standards will not affect the financial statements.

#### (e) Implementation of new standards and interpretations – IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and Related Interpretations (IFRIC 4, SIC 27). The standard removes the current dual model of lessee accounting. IFRS 16 introduces one common model for reporting leases by lessees, in which all leased assets as well as liabilities from leases with a lease term of more than 12 month are reported in the statement of financial position, regardless of whether it is an operating lease or a finance lease. Lessees shall account for all leases in accordance with the new uniform model described in part 2 (g) - Leases - IFRS 16 Leases for the period ended 31 October 2020.

Accounting on the lessor side will remain almost unchanged. The Company has elected to apply a modified retrospective approach with the cumulative effect of initially applying the standard recognised at the date of initial application, in line with the transition requirements of IFRS 16. Using the modified retrospective method of applying IFRS 16, operating leases are recognized as a right to use the lease liability at the date of initial application at the present value of future lease payments, adjusted for advances and accruals that were on the balance sheet at the date of initial application. In the case of finance leases, these are not translated to the new value, but the existing assets are reclassified as usable assets, the lease liability remains unchanged.

In applying IFRS 16 for the first time, the Company used following practical expedients:

- The Company applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The Company relied on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review. The company did not recognised any provision for onerous leases in the statement of financial position immediately before the date of initial application;
- The Company excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- The Company used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.



Payments related to short-term leases and leases of low-value assets are recognized on a straight-line basis over the term as an expense in the statement of comprehensive income. The Company considers as short-term lease a lease lease period of 12 months or less. Low-value assets are assets whose value does not exceed EUR 1,000 when new.

Additional disclosures regarding this standard are provided in Note 2 (f) - Leases - IFRS 16 Leases - Impact of adop

#### (f) Leases – IFRS 16 Leases - Impact of adoption

The impact of IFRS 16 arises from the recognition of a lease liability and the right-of-use asset for a lease that has classified as an operating lease under IAS 17.

The following table summarizes an impact of new standard IFRS 16 on statement of financial position as at 1 November 2019, when the mentioned standard was applied for the first time:

	Note	31.10.2019 originally published	IFRS 16 first-time adoption	Balance as € 1.11.2019 after IFRS 16 first time adoption adjustment
<i>in TEUR</i>				
<b>Assets</b>				
Property, plant and equipment	15	283 092	-13 653	269 439
Right-of-use of leased assets	16	-	36 642	36 642
<b>Total non-current assets</b>		<b>283 092</b>	<b>22 989</b>	<b>306 081</b>
Other assets	26	10 766	3 688	14 454
<b>Total current assets</b>		<b>10 766</b>	<b>3 688</b>	<b>14 454</b>
<b>Assets total</b>		<b>293 858</b>	<b>26 677</b>	<b>320 535</b>
<b>Liabilities</b>				
Loans and borrowings	30	100 894	-8 184	92 710
Lease liabilities	31	-	32 646	32 646
<b>Total non-current liabilities</b>		<b>100 894</b>	<b>24 462</b>	<b>125 356</b>
Loans and borrowings	30	10 763	-4 219	6 544
Lease liabilities	31	-	6 434	6 434
<b>Total current liabilities</b>		<b>10 763</b>	<b>2 215</b>	<b>12 978</b>
<b>Total liabilities</b>		<b>111 657</b>	<b>26 677</b>	<b>138 334</b>

As at 1 November 2019, the Company reclassified assets related to financial leasing in the amount of EUR 13 thousand to right-of-use of leased assets. The Company recorded an increase in assets representing a right-of-use in connection with the first-time application of IFRS 16 in the amount of EUR 26,677 thousand (see Note 16). Subsequent derecognition of right of use assets due to reclassification of sublease as financial sublease resulted in a decrease of 3,688 thousand in right of use assets and a simultaneous increase in other assets of the same amount (see Note 26).

As at 1 November 2019, the Company reclassified a portion of loans and borrowings related to finance leases to liabilities in the amount of EUR 12,403 thousand and at the same time reported an increase in lease liabilities of 26,677 thousand in connection with the first application of IFRS 16 (see Note 31).

#### (g) Leases – IFRS 16 Leases for period ended 31. October 2020

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### i. Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Buildings and land	30 years
• Individual movables and sets of movables	
▪ Works of art	20 years
▪ Billboards and advertising space	10 years
▪ Snow groomers	8 years
▪ Others	5 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

Refer to the accounting policies for impairment of non-financial assets in Note 2(o) Impairment.

##### ii. Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The Company does not apply the practical expedient in IFRS 16.15. Every contract is examined to determine whether it contains a non-lease components in addition to lease components. Non-lease components are separated from the lease components, and only the lease components are accounted for in accordance with the provisions of IFRS 16.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. When revaluing lease liability due to a lease modification, residual value of the right-of-use asset is adjusted for the revaluation difference. Right-of-use asset is further depreciated from this adjusted value.

The Company's lease liabilities are included in Lease liabilities (see Note 31).

### iii. Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Company also applies the lease of low-value assets recognition exemption to leases of items of low value - below EUR 1,000. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Arising rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

In the case of leases, in which the Company transfers substantially all the risks and rewards of ownership of the asset, are classified as finance leases. The leased asset is derecognised and the Company recognizes a financial asset measured at amortized cost, representing the present value of the lease payments, adjusted as in lease liabilities.

In case that the Company leases right-of-use assets, which it further sublets as a lessor to other lessees, the Company evaluates the lease provided to the lessee on whether it is an operating or financial sublease. The only different criterion compared to leasing own assets is the assessment of the sublease against the right-of-use and not the original underlying asset. After assessing whether it is a financial or operating lease, it is subsequently reported in terms of accounting policies for the Company as a lessor.

#### (h) Leases – for period ending 31.October 2019

##### Financial lease

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

##### Operating and financial payments

Payments made under operating leasing are recognised in profit or loss on a straight-line basis over the term of the lease.

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

#### (i) Financial instruments

##### i. Initial recognition and measurement of financial asset

Financial assets upon initial recognition are classified in one of three categories as financial assets subsequently measured at amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient (ie. the Company measures life-time credit losses). The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a

significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

##### ii. Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

##### iii. Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate method (EIR) and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes Trade receivables, Other receivables and Loans provided.

##### iv. Financial assets at fair value through OCI without recycling of cumulative gains and losses upon derecognition (equity instruments)

The Company elected to measure equity instruments at fair value through OCI if both of the following conditions are met:

- The equity instrument is an instrument in neither an instrument in Associate, nor Subsidiary
- The equity instrument is not held for trading

##### v. Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:



- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

**vi. Impairment of financial assets**

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a method, that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For financial assets, where simplified approach is not used – Loans provided, significant increase in credit risk since initial recognition is assessed on an individual basis.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**Derivative financial instruments and hedge accounting**

**Initial recognition and subsequent measurement**

The Company uses derivative financial instruments, such as foreign currency swaps to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability

The Company does not use any other form of hedges.

At the beginning of the hedging relationship will be formally defined and documented hedging relationship and objective and strategy of an entity's risk management to ensure implementation. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

**Cash flow hedges**

That part of the gain or loss on the hedging instrument that is determined as effective hedging (ie that part that is offset by a change in the cash flow hedge provision) is recognized in other comprehensive income (OCI) until any remaining gain or loss on the hedging instrument (or any gain or loss required to offset a change in a cash flow hedge provision) represents a hedge ineffectiveness recognized in profit or loss.

The separate component of equity related to the hedged item (cash flow hedge reserve) is adjusted to the lower of the following values (in absolute terms):

- (i) the cumulative gain or loss on the hedging instrument since the inception of the hedge and
- (ii) the cumulative change in the fair value (present value) of the hedged item (ie the present value of the cumulative change in the hedged expected future cash flows) since the inception of the hedge.

The Company uses swap currency contracts as hedges of its exposure to foreign currency risk in loans taken out in foreign currencies.

If the hedged expected transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or if the hedged expected transaction with a non-financial asset or non-financial liability becomes a liability to which fair value hedge accounting applies, the entity removes that amount from the cash flow hedge provision, and include it directly in the initial cost or other carrying amount of the asset or liability. It does not constitute a reclassification adjustment (see IAS 1) and therefore does not affect the other components of the comprehensive income.

For other cash flow hedges, the amount is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows have an impact on profit or loss.

When an entity ceases to account for a cash flow hedge, the amount that has accumulated in the cash flow hedge reserve remains in the cash flow hedge reserve until future cash flows are expected, otherwise the amount is immediately reclassified from the cash flow hedge reserve to profit or loss, management as a reclassification adjustment.

**(j) Financial investments**

**i. Subsidiaries**

Subsidiaries are all enterprises that are controlled by the Company. The control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise, so as to obtain benefits from its activities. . The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Investments in subsidiaries are measured at cost.

**ii. Associates**

Associates are those enterprises in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when a company holds between 20 and 50 percent of the voting rights of another entity. Investments in associates are recognised at cost.

The cost of financial investments is derived from the amount of spent cash or cash equivalents or is recognised at fair value of contributed assets and liabilities to acquire the enterprise at the moment of acquisition. Costs related to acquisition (transaction costs) are included in the cost of the investment.

As at the reporting date, the management reconsiders whether any events occurred which could cause impairment of financial investments. Potential impairment of financial investments below their cost is recognised through a value adjustment. Value adjustments are derived from the value of future cash flows discounted to present value.

#### (k) Foreign currency

##### *Foreign currency transactions*

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The separate financial statements are presented in thousands of euros, which is the Company's functional and presentation currency. Transactions in foreign currencies are translated into euros at the foreign exchange rate valid at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euros at the financial statements date at the exchange rate of the European Central Bank valid at that day.

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

#### (l) Cash and cash equivalents

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

#### (m) Inventories

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

#### (n) Offsetting

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

#### (o) Impairment

The carrying amounts of the Company's assets, other than inventories (refer to the accounting policy under letter m), investment property (refer to the accounting policy under letter r), financial assets (refer to the accounting policy under letter i), and deferred tax assets (refer to the accounting policy under letter w) are reviewed at each financial statements date to determine whether there is objective indication of impairment of the asset. If any such indication exists, the asset's recoverable amount is estimated. Intangible assets that have an indefinite useful life are not subject to amortisation, but are tested annually for impairment as part of the cash-generating unit to which they belong. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

If assets available for sale caused a decrease in fair value recognized directly in equity and if objective reasons exist that prove that there was a decrease in the fair value of the assets, the cumulated loss recognized in equity shall be reported in the profit and loss statement even if the relevant financial asset had not been reversed from the financial position.

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

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

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

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

#### (p) Property, plant and equipment

##### *i. Owned assets*

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

##### *ii. Subsequent expenditures*

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

##### *iii. Depreciation*

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

• Buildings	30 - 45 years
• Cableways and ski lifts	
▪ Fixed structures and other objects	20 – 40 years
▪ Technology and accessories	4 - 12 years
• Individual movables and sets of movables	
▪ Geothermal borehole	40 years
▪ Slides	25 years
▪ Equipment	5 - 12 years
▪ Fixtures and fittings and others	5 - 10 years



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

**iv. Capitalized borrowing costs**

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

**(q) Intangible assets**

**i. Goodwill and intangible assets acquired in a business combination**

Goodwill recognized as a result of the Company merging with its subsidiaries is measured as the excess of the sum of the consideration transferred, or the amount of the investments, over the net of the actual amounts of the identifiable assets acquired and the liabilities assumed. Goodwill on acquisition of subsidiaries and associates is included in the investments in subsidiaries and associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**ii. Software and other intangible assets**

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

**iii. Amortisation**

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

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

**(r) Investment property**

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

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

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

Details on the valuation of investment property are specified in Note 3(a) – Significant Accounting Estimates and Assumptions, Valuation of investment property.

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

**(s) Government grants**

Government grants are recognised where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

**(t) Provisions**

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

**i. Long-term employee benefits**

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

**ii. Short-term employee benefits**

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

**(u) Interest income and expense**

Interest income and expense is recognised in profit or loss in the period to which it relates using the effective interest rate basis. All expenses on loans and borrowings are recognised in profit or loss, with the exception of capitalised borrowing costs; refer to the accounting policy under Note 2 (j), part (iv).

**(v) Income tax**

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

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

The amount of deferred tax is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

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

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

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

#### **(w) Trade and other payables**

Trade and other payables are stated at amortised cost (see Note 2 (bb) Financial liabilities).

#### **(x) Revenues from services rendered**

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

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

The company recognises the revenues to the extent, in which it is probable that the economic benefits will flow to the Company and these revenues can be reliably evaluated. The revenues are recognised at fair value. Revenues are accrued depending on in which period the services were rendered, excluding revenues from the aqua park, hotel services and restaurant facilities, which are recognised in profit or loss after the service has been rendered. Revenues from services rendered do not include value added tax. They are also net of discounts and rebates (rebates, bonuses, discounts, credit notes and the like).

Since 2012 the Company has been running a loyalty program for its clients – GOPASS. GOPASS enables its clients to earn points for purchase of products and services in its resorts and to redeem these points as discounts from future purchases. The amount of unredeemed points are recognized as a decrease in sales against revenue time difference, as they are related to promised discounts from future purchases of clients. The Company monitors the value of unredeemed points and revalues it on a regular basis for its recognition in the financial statements.

Other services include in particular the services provided in relation to accommodation, such as the rental of premises including hotels disclosed as investments property, parking, wellness, massage, sale of souvenirs, etc. Revenues from rental are recognised over the duration of the rental, with accruals. Revenues from real estate projects are recognised following the transfer of rights and obligations and related risks on to buyer, to which occurs at the day of transferring the ownership rights. Revenues from the sale of souvenirs and other goods shall be recognised following the transfer of significant risks and benefits from the particular goods. Other revenues from services provided shall be recognised following the provision thereof.

#### **(y) Dividends**

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

#### **(z) Non-current assets and disposal groups held for sale**

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

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

Impairment losses on initial recognition as held for sale are recognised in profit or loss even if the revaluation reserve was created. The same applies to gains and losses on subsequent measurements. Gains are not recognised in excess of any cumulative impairment loss. Property, plant and equipment and intangible assets classified as held for sale are no longer depreciated or amortised.

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

#### **(aa) Reporting by segments**

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

#### **(bb) Financial liabilities**

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

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

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

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



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

**(cc) Fair value estimates**

The following notes summarise the main methods and assumptions used in estimating the fair values of financial assets and liabilities referred to in Note 37 – Fair value information:

*i. Loans granted*

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

*ii. Loans and borrowings*

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

*iii. Trade receivables/payables, other receivables and other assets/liabilities*

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

**3. Significant Accounting Estimates and Assumptions**

The compilation of the financial statements according to the International Financial Reporting Standards as adopted by the EU requires the application of certain significant accounting estimates. It also requires that the management, in the application process of the Company accounting principles, should use its judgement. Therefore, the accounting estimates will be rarely identical with actual figures. Estimates and assumptions carrying a significant risk of causing a material modification of the book value of assets and liabilities in the future accounting period are described below in the text. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and also in future periods if the revision affects both current and future periods.

**(a) Valuation of Investments in Property**

Investments in property are measured at fair value. The fair value of investments in property is determined either by a management evaluation or independent expert (see the Significant Accounting Principles, Note 2); in both of the cases the valuation is based on current market values and conditions. The fair market value is the estimated value, for which the property could be exchanged, on the valuation day, between knowledgeable, willing parties being a prospective seller and a prospective buyer, in an arm's length transaction, with each party acting well informed, cautiously and without compulsion.

In the absence of current market prices, net estimated cash flow generated from the leasing of property and gains from capitalisation which reflect the risk specific for the market and also cash flow from the property shall be taken into account. The valuation reflects (where relevant) the type of lessees who use the property or are responsible for the fulfilment of lease liabilities or the type of prospective users, if the property is left non-rented, the general market perception of lessee solvency, the distribution of responsibilities related to maintenance and insurance of property between the Company and the lessees, and the remaining life of property.

An overview of investments in property of current and previous period is in Note 18 – Investment Property.

**(b) Goodwill and Impairment Test**

As at the date of the financial statements, the Company is required to assess whether there is any indication that its goodwill is impaired. If there is no indication that goodwill may be impaired, the Company shall, according to IAS 36, test reported goodwill for possible impairment on a yearly basis as at 31 October, i.e. as at the date of compilation of the annual separate financial statements.

On the day of reporting, the acquired goodwill is allocated to individual cash-generating units (CGU) that are expected to benefit from the synergies of the business combinations.

Potential decrease of the goodwill value is determined by comparing the return value of CGU and its book value. The return value is determined by the value in use. The value in use was derived from a business plan prepared by the management. The key prerequisite which was also the most sensitive factor in determining the recoverable amount was expected revenues assessed by the management, the profit margin ratio (EBITDA) and the cost of capital used as the discount factor for future net cash flows. Expected revenues as well as the profit margin ratio are based on historical revenue and EBITDA, adjusted for the effects of anti-pandemic measures and adjusted by management's expectations for future developments - changes in customer target groups, strengthened marketing and increase in the quality of services rendered.

Projecting of cash flows applied in determining the value in use covers a medium-term period of 5 years and subsequent extrapolation for the next period. Based on such standard level of cash flows, the terminal value was calculated with expected nominal growth of cash flows by inflation at 1.6% p.a. (2019: 1%). Discount rates applied in the projecting of cash flows were calculated as weighted average cost of capital, representing 6.99% (without taking into account the effect of the corporate income tax) for 2020 and 6.5% for 2019 (without taking into account the effect of the corporate income tax).

In 2020 and 2019, goodwill was tested within CGU Vysoké Tatry, and the test did not show any reason for asset impairment.

If as at 31 October 2020, projected EBITDA of CGU Vysoké Tatry, being part of projected cash flows was lower than 5% in comparison with management estimates, the value in use for an individual cash-generating unit in the location of High Tatras would drop by EUR 10,272 thousand. In such case, it would not be necessary to account for the asset impairment or goodwill even at a lower EBITDA reached. If the discount rate increased by 0.5% in comparison with the management estimate, i.e. its value was 7.49 %, the value in use for an individual cash-generating unit for the location of High Tatras would drop by EUR 15,341 thousand. Here again it would not be necessary to account for asset impairment or goodwill even at a higher discount rate. In order for the value in use to reach the book value of CGU Vysoké Tatry, WACC would have to rise to 9.3% or EBITDA would decrease by 27%.

If as at 31 October 2019, projected EBITDA of CGU Vysoké Tatry, being part of projected cash flows was lower than 5% in comparison with management estimates, the value in use for an individual cash-generating unit in the location of High Tatras would drop by EUR 11,586 thousand. In such case, it would not be necessary to account for the asset impairment or goodwill even at a lower EBITDA reached. If the discount rate increased by 0.5% in comparison with the management estimate, i.e. its value was 7.00 %, the value in use for an individual cash-generating unit for the location of High Tatras would drop by EUR 22,671 thousand. Here again it would not be necessary to account for asset impairment or goodwill even at a higher discount rate.

**(c) Asset Impairment**

IAS 36 requires the testing of asset impairment in cases where external or internal indicators would point out to possible asset impairment.

The Company carries on 6 principal activities: running of mountain resorts, leisure park - aquapark, restaurant services, sports services and stores, accommodation services and real estate projects, namely in three locations: Jasná (the Low Tatras), in the High Tatras, and in Liptovský Mikuláš and via its subsidiaries in Slovakia, Poland, Czech Republic and Austria. Each of the locations was assessed by the management as an individual cash-generating unit (CGU). The company monitors performance and creates separate budgets for each cash-generating unit. The Company's assets were allocated according to their material affiliation to the individual cash-generating units, while the individual CGU units

include all assets located there, ie in addition to the lifts and cable cars, also hotels, restaurants and sports services and shops.

As at 31 October 2020, after assessment by the Company's management, an indicator of a possible impairment of the Company's assets in connection with the spread of the coronavirus and the subsequent declaration of a global pandemic was identified, see Note 2 (b) for more information. The Company's management assessed that there was no significant risk of impairment due to the historically good performance of CGUs directly owned by the Company and the expected early start-up to the originally planned performance after the opening of operations. The Company did not carry out company-wide testing for impairment of assets. The impairment test was performed at the CGU, which was most affected by the anti-pandemic measures and historically did not show the required performance - the Polish subsidiaries SON and SWM. In SON, no impairment of assets was calculated, in SWM impairment was reflected in the Company's separate financial statements by accounting for the expected loss from the credit exposure to this subsidiary. The impairment test was also performed for the High Tatras site, as it has assigned Goodwill, as specified in Note 3 (b).

As at 31 October 2019, the Company management having considered the Company asset impairment did not identify any indicator of possible impairment. For that reason, the asset impairment test was not performed. An impairment test was performed only for the location of High Tatras, as it has assigned Goodwill as specified in Note 3 (b).

#### (d) Financial Instruments at Fair Value

The fair value of financial instruments is determined based on:

- Level 1: quoted market prices (unadjusted) in active markets for identical assets or liabilities  
 Level 2: inputs other than quoted market prices included within Level 1, which are comparable for the asset or liability, either directly (as prices of comparable instruments) or indirectly (derived from prices)  
 Level 3: inputs for the asset and liability, which are not determined on the basis of data from comparable markets (unobservable inputs)

When the quoted market price is not available, the fair value of the instrument is estimated using valuation techniques. When using valuation models, the management applies estimates and assumptions which are consistent with information available on estimates and assumptions that market participants would use when pricing the relevant financial instrument.

in TEUR	31.10.2020				31.10.2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>								
Loans provided	-	-	98 146	98 146	-	-	112 753	112 753
<b>Total</b>	-	-	98 146	98 146	-	-	112 753	112 753

in TEUR	31.10.2020				31.10.2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial obligations</b>								
Bonds issued	-	203 244	-	203 244	-	202 024	-	202 024
<b>Total</b>	-	203 244	-	203 244	-	334 617	-	334 617

The table does not present financial instruments for which the carrying amount is considered to be an approximation of fair value.

#### 4. Information about Operating Segments

##### Information about Operating Segments - Separate Profit and Loss Statement

in TEUR	Mountain Resorts		Leisure Parks		Hotels		Dining		Sports Services and Stores		Real Estate		Other		TOTAL	
	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019
	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m	12 m
Sales	34 195	39 908	5 676	8 142	25 418	27 735	12 842	15 244	5 088	6 026	6 395	9 138	-	-	89 614	106 194
Other operating revenue	4	603	-	-	123	118	133	96	-2	4	-	-	-	-	258	822
Material and goods consumption	-2 460	-3 132	-286	-334	-4 655	-5 093	-3 952	-4 734	-2 111	-2 396	-4 349	-7 300	-	-	-17 813	-22 989
Purchased Services	-8 386	-10 261	-1 079	-1 290	-6 077	-6 463	-1 847	-2 538	-288	-493	-200	-978	-	-	-17 877	-22 023
Personal cost	-5 945	-8 713	-1 542	-2 663	-9 459	-9 993	-4 870	-5 386	-1 867	-2 157	-155	-363	-	-	-23 838	-29 274
Other operating cost	-342	-406	-65	-70	-265	-303	-116	-109	-188	-122	-87	-64	-	-	-1 063	-1 074
Gain on sale of assets	-	-	-	-	-	-	-	-	-	-	727	820	-	-	727	820
Increase in fair value of investment property	-	-	-	-	-	-	-	-	-	-	-	1 050	-	-	-	1 050
Creation of value adjustments to receivables	-7	-	-	-26	-25	-5	-	-	5	-6	-	-	-	-20 527	-3 939	-3 976
Depreciation and amortization	-8 550	-8 102	-1 828	-1 475	-3 682	-3 469	-1 344	-1 273	-439	-493	-137	-98	1 369	-7	-14 611	-14 917
Depreciation and amortization (IFRS 16)	-2 784	-	-392	-	-212	-	-28	-	-130	-	-	-	-	-	-3 546	-
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	7 523	6 080	7 523	6 080
Interest expense	-6 802	-5 995	-1 327	-1 378	-4 621	-3 847	-2 335	-2 128	-925	-965	-1 163	-1 013	-	-	-17 173	-15 326
Net Profit from Financial Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-3 746	-71	-3 746	-71
Profit / (loss) of the segment before taxes	-1 077	3 903	-843	906	-3 455	-1 319	-1 517	-828	-857	-602	1 031	1 193	-15 381	2 062	-22 099	5 316
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4 165	-1 229
<b>Profit / (Loss)</b>	-1 077	3 903	-843	906	-3 455	-1 319	-1 517	-828	-857	-602	1 031	1 193	-15 381	2 062	-22 099	5 316
															4 165	-1 229
															-17 934	4 087

The Company generates all of its revenues on the territory of the Slovak Republic. Eliminations among segments are included in amounts reported for particular periods. The 10% limit of the share of total revenue was not exceeded by any Company client.



## Information about Operating Segments - Separate Statement of Financial Position

in TEUR	Mountain Resorts		Leisure Parks		Hotels		Dining		Sports Services and Stores		Real Estate		Other		TOTAL		
	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	
Goodwill and Intangible Assets	424	421	2 769	2 766	4 870	4 525	10	11	3	4	3	3	-	-	-	8 079	7 731
Property, Plant and Equipment	133 631	148 762	34 505	37 566	68 088	71 459	16 008	16 137	2 542	2 536	2 510	3 082	3 183	3 550	260 467	283 092	
Right-of-use leased assets	28 233	-	709	-	3 131	-	27	-	1 058	-	-	-	-	-	33 157	-	
Investments Property	-	-	-	-	-	-	-	-	-	-	8 329	8 329	-	-	8 329	8 329	
Inventory	430	337	-	-	783	948	-	-	1 691	2 684	4 525	3 471	-	-	7 428	7 440	
Trade receivables	991	2 079	229	448	490	995	116	595	149	332	180	422	-	-	2 155	4 872	
Investments in associates	7 118	-	-	-	-	-	-	-	-	-	-	-	-	-	7 118	7 515	
Participations with control	32 734	7 515	28	-	-	-	-	-	-	-	-	-	-	-	32 762	-	
Other receivables	2 765	26 122	6 388	112	-	-	-	-	-	-	-	-	-	-	9 153	26 233	
Financial investments	-	4 498	-	-	1	2	-	-	119	119	-	-	33	33	154	4 652	
Other Assets	4 078	982	8 110	7 388	2 728	2 396	49	-	140	-	-	-	-	-	15 105	10 766	
Loans Provided	-	-	-	-	-	-	-	-	-	-	-	-	98 146	112 753	98 146	112 753	
Cash and Cash Equivalents	2 652	5 737	285	1 097	1 089	2 272	300	850	43	323	-	-	-	-	4 370	10 280	
Assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Deferred tax receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Assets total</b>	<b>213 056</b>	<b>196 452</b>	<b>53 023</b>	<b>49 378</b>	<b>81 180</b>	<b>82 597</b>	<b>16 510</b>	<b>17 593</b>	<b>5 745</b>	<b>5 998</b>	<b>15 547</b>	<b>15 307</b>	<b>101 362</b>	<b>116 336</b>	<b>486 423</b>	<b>483 663</b>	

in TEUR	Mountain Resorts		Leisure Parks		Hotels		Dining		Sports Services and Stores		Real Estate		Other		TOTAL		
	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019	
Loans and Borrowings long term	-	34 672	3 762	3 569	-	3 880	-	-	-	-	-	-	52 414	58 773	56 176	100 894	
Loans and Borrowings short term	36 820	10 523	-	-	4 070	240	-	-	-	-	-	-	2 477	-	43 367	10 763	
Lease liabilities	31 262	-	638	-	2 965	-	33	-	748	-	-	-	-	-	35 646	-	
Trade payables	3 176	2 899	393	565	1 243	1 385	698	808	346	396	203	412	-	-	6 059	6 465	
Other liabilities	6 321	6 894	2 219	1 400	3 628	3 750	1 870	2 157	555	857	-	-	-	-	14 592	15 057	
Reserves	155	193	38	47	96	120	53	66	22	28	25	31	-	-	389	484	
Bonds Issued	-	-	-	-	-	-	-	-	-	-	-	-	203 244	202 024	203 244	202 024	
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-	-	18 865	22 655	18 865	22 655	
Income tax liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	860	-	
<b>Total liabilities</b>	<b>77 734</b>	<b>55 182</b>	<b>7 050</b>	<b>5 581</b>	<b>12 002</b>	<b>9 375</b>	<b>2 654</b>	<b>3 030</b>	<b>1 671</b>	<b>1 281</b>	<b>228</b>	<b>443</b>	<b>277 000</b>	<b>284 312</b>	<b>378 338</b>	<b>359 202</b>	

Eliminations among segments are included in amounts reported for particular periods. The prices used among segments are determined based on market prices for similar services and financing. Loans and Borrowings and Bonds Issued in the Other category were not used to finance specific projects.

### 5. Increase and Decrease of Shares in Companies

On 31 May 2020, the Company acquired a 100% stake in 1. Tatranská, akciová spoločnosť in the amount of EUR 25,247 thousand. The acquired company operates the Štrbské Pleso ski resort in the High Tatras in Slovakia, carries out hospitality activities and operates a ski school.

On 15 December 2019, the Company signed an agreement on the transfer of securities, on the basis of which it purchased an additional 15.5% stake in MELIDA a.s., which is the operator of the Špindlerův Mlýn ski resort in the Czech Republic. By signing the contract, the Company became the owner of a total share of 25% in this company. The purchase price of MELIDA a.s. in the amount of EUR 7,118 thousand was the fair value of the share held as at 30 October 2019, increased by an additional cash consideration in the amount of EUR 2,027 thousand. The valuation of the 9.5% stake held as at 30 October 2019 in the amount of EUR 4,498 thousand, which was increased by additional capital contributions of EUR 593 thousand, totaled EUR 5,091 thousand, was assessed by the Company as a reliable estimate of the fair value of the 9.5% stake held as of 15 December 2019.

On 29 October 2019, the Company signed an agreement on the transfer of securities with CAREPAR, a.s., on the basis of which the Company acquired 19 ordinary shares of MELIDA a.s., a.s. and thus became a direct shareholder (9.5% stake) in MELIDA, a.s..

On 1 May 2019, the Company acquired 90% share in Mölltaler Gletscherbahnen GmbH in the amount of 33 thousand and 90% share in Mölltaler Gletscherbahnen GmbH & Co KG in amount of 1.8 EUR. 10% share in companies Mölltaler Gletscherbahnen GmbH and Mölltaler Gletscherbahnen GmbH & Co KG was acquired by Tatry Mountain Resorts AT GmbH. The acquired companies operate the ski resorts Mölltaler Gletscher a Ankogel in Austria.

### 6. Revenue

<i>in TEUR</i>	1.11.2019 - 31.10.2020	1.11.2018 - 31.10.2019
Mountain Resorts	34 195	39 908
Hotels	25 418	27 735
Restaurant facilities	12 842	15 244
Real Estate Projects	6 395	9 138
Leisure Parks	5 676	8 142
Sports Services and Stores	5 088	6 026
<b>Total</b>	<b>89 614</b>	<b>106 194</b>

### 7. Other Operating Revenue

<i>in TEUR</i>	1.11.2019 - 31.10.2020	1.11.2018 - 31.10.2019
Contractual penalties	-	24
Claims paid by insurance company	1	3
Other operating revenue	257	795
<b>Total</b>	<b>258</b>	<b>822</b>

### 8. Consumption of Material and Goods

<i>in TEUR</i>	1.11.2019 - 31.10.2020	1.11.2018 - 31.10.2019
Material in hotels and restaurant facilities	-6 254	-7 563
Goods	-3 374	-3 881
Chalets sold	-4 296	-7 225
Fuels	-518	-744
Material for repair and maintenance	-720	-686
Material and goods – other	-2 651	-2 890
<b>Total</b>	<b>-17 813</b>	<b>-22 989</b>

### 9. Purchased Services

<i>in TEUR</i>	1.11.2019 - 31.10.2020	1.11.2018 - 31.10.2019
Energy consumption	-5 018	-5 075
Advertisement expenses	-2 035	-2 481
Rental costs (cost of premises) and others	-1 649	-4 324
Other administrative expenses	-1 810	-1 477
Repairs and maintenance expenses	-1 162	-1 501
Communication expenses	-1 359	-1 517
Legal advice expenses	-868	-974
Services related to owned premises	-393	-403
Transport, accommodation, travel expenses	-268	-313
Training expenses	-96	-219
Other purchased services	-3 240	-3 739
State aid related to rental costs	21	-
<b>Total</b>	<b>-17 877</b>	<b>-22 023</b>

Other purchased services represent the accounting, audit and other expenses related to administrative operation of the Company. The Company uses the services of KPMG Slovensko spol. s. r.o. auditing company for the auditing of individual and consolidated financial statements. Between 1 November 2019 and 31 October 2020, the expense of these items represented EUR 159 thousand (for the period ended on 31 October 2019: EUR 159 thousand).



**10. Personnel Expenses**

<i>in TEUR</i>	<b>1.11.2019 - 31.10.2020</b>	<b>1.11.2018 - 31.10.2019</b>
Wages and salaries	-14 659	-15 901
Personnel leasing	-4 107	-4 076
Social security (compulsory)	-5 914	-6 876
Remuneration of members of key management and Supervisory Board	-1 195	-2 406
Other social expenses	-14	-15
State aid related to wages and salaries	2 051	-
<b>Total</b>	<b>-23 838</b>	<b>-29 274</b>

In the period between 1 November 2019 and 31 October 2020, the average number of Company employees was 1,044, of which management 14 (between 1 November 2018 and 31 October 2019, it was 1,145, of which management 22). During the year, the Company used the services of employment agencies for short-term personnel leasing. In the period between 1 November 2019 and 31 October 2020 it was 272 employees in average (between 1 November 2018 and 31 October 2019: 229 employees).

The table below provides an overview of the Company's key management remuneration for the period from 1 November 2019 to 31 October 2020:

<i>in TEUR</i>	<b>Basic remuneration</b>	<b>Extraordinary bonuses</b>	<b>Annual bonus</b>	<b>Total</b>
<b>Remuneration of members of key management</b>				
Board of Directors	154	338	-	492
Supervisory Board	53	-	-	53
Top management	300	350	-	650
Audit Committee	-	-	-	-
<b>Celkom</b>	<b>507</b>	<b>688</b>	<b>-</b>	<b>1 195</b>

Based on organization structure of the Company effective 1 November 2019, top management consists of positions CEO, CFO, COO and CCO. The Board of Directors determines the remuneration of the top management.

For year ended 31 October 2020, base remuneration for top management amounted to EUR 300 thousand (in the period between 1 November 2018 and 31 October 2019: EUR 589 thousand). Members of the Board of Directors of the Company are paid basic flat remuneration, which for each is set individually based on the decision of the Supervisory Board and is stated within their contract on performing the function of a member of the Board of Directors. For the year ended 31 October 2020 basic remuneration was paid out in the amount of EUR 154 thousand. Extraordinary bonuses are paid to the Board of Directors upon fulfilment of the criteria defined in the Remuneration rules. The amount of extraordinary bonuses for the members of the Board of Directors, as well as its pay date are set by the Remuneration rules, which are based on achieving the EBITDA plan. The total amount of extraordinary bonuses of the Board of Directors does not exceed 1% of EBITDA. Extraordinary bonuses to the members of the Board of Directors and top management were paid out in the amount of EUR 350 thousand (for the year ended 31 October 2019: EUR 1,267 thousand), where the total amount of claimed extraordinary bonuses in the amount of EUR 688 thousand includes a provision for extraordinary bonuses and related payroll contributions of members of the Board of Directors for the period from 1 November 2019 to 31 October 2020 in the amount of EUR 338 thousand. The year-on-year decrease was caused mainly by non-fulfilment of the criteria for extraordinary bonuses (achieving the EBITDA plan).

Basic remuneration is paid to members of the Supervisory Board in accordance with the Supervisory Board Remuneration Rules and the contracts on office. For the year ending 31 October 2020, basic remuneration totalled 53 thousand (in the period between 1 November 2018 and 31 October 2019: 43 thousand).

**11. Other Operating Cost**

<i>in TEUR</i>	<b>1.11.2019 - 31.10.2020</b>	<b>1.11.2018 - 31.10.2019</b>
Insurance (property, automobiles, travel cost)	-316	-318
Fees and commissions	-432	-499
Shortages and losses	-232	-184
Other operating cost	-83	-73
<b>Total</b>	<b>-1 063</b>	<b>-1 074</b>

**12. Interest Income and Expense**

<i>in TEUR</i>	<b>1.11.2019 - 31.10.2020</b>	<b>1.11.2018 - 31.10.2019</b>
Interest income calculated using effective interest rate	7 523	6 080
Interest expense	-17 173	-15 326
<b>Total</b>	<b>-9 650</b>	<b>-9 246</b>

Interest income calculated using effective interest rate is payable mainly from loans provided at a fixed interest rate. See Note 23 - Loans Provided

The table below shows the composition of interest expenses:

<i>v tis. eur</i>	<b>1.11.2019 - 31.10.2020</b>	<b>1.11.2018 - 31.10.2019</b>
Interest expense related to loans and borrowings	-4 456	-4 600
Interest expense from bonds issued	-11 779	-10 742
Interest expense from leasing	-1 457	-571
Income associated with hedging derivative transaction SWAP	519	587
<b>Interest expense total</b>	<b>-17 173</b>	<b>-15 326</b>

For information about bonds issued see Note 36 – Bonds Issued.

In the period between 1 November 2019 and 31 October 2020, the Company did not capitalise interest expense into assets (between 1 November 2018 and 31 October 2019, the company did not capitalise interest expense).

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

in TEUR	1.11.2019 - 31.10.2020	1.11.2018 - 31.10.2019
Cost of administration of financial instruments	-301	-743
Other, net	-3 445	672
<b>Total</b>	<b>-3 746</b>	<b>-71</b>

In the period between 1 November 2019 and 31 October 2020, category other is represented mainly by losses from foreign exchange rate differences (between 1 November 2018 and 31 October 2019, category other is represented mainly by gains from foreign exchange rate differences).

**14. Income Tax and Deferred Tax**

Deferred income tax is calculated using statutory tax rates, which are expected in a period in which the receivable is realized or the liability is settled.

To calculate deferred tax from temporary differences originated in the Slovak Republic, the Company applied a 21% rate for the year 2020 (2019: 21%) resulting from the legal corporate income tax rate valid as at the date when the financial statements are being compiled.

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

in TEUR	1.11.2019 - 31.10.2020	1.11.2018 - 31.10.2019
Current tax:		
Tax of current accounting period	-36	-971
Withholding tax on interest	-3	-4
	<b>-39</b>	<b>-975</b>
Deferred tax:		
Posting and release of temporary differences	4 204	-254
Change of tax rate	-	-
<b>Total reported tax</b>	<b>4 165</b>	<b>-1 229</b>

in TEUR	1.11.2019 - 31.10.2020			1.11.2018 - 31.10.2019		
	Before taxes	Tax	After taxes	Before taxes	Tax	After taxes
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>						
Net gain/(loss) on cash flow hedges	1 972	414	1 558	-1 403	-295	-1 108
<b>Total comprehensive income</b>	<b>1 972</b>	<b>414</b>	<b>1 558</b>	<b>-1 403</b>	<b>-295</b>	<b>-1 108</b>

**Reconciliation of effective tax rate**

in TEUR	1.11.2019 - 31.10.2020		1.11.2018 - 31.10.2019	
	%		%	
Profit before taxes		<b>-22 099</b>		<b>5 316</b>
Tax rate 21%	21%	-4 641	21%	1 116
Tax non-deductible expenses	-3%	713	7%	393
Income not subject to tax	1%	-240	-5%	-284
Current tax: withholding tax on interest	0%	3	0%	4
Tax losses claimed during the period, to which the deferred tax was not accounted for	0%	-	0%	-
Change of tax rate	0%	-	0%	-
<b>Total</b>	<b>19%</b>	<b>-4 165</b>	<b>23%</b>	<b>1 229</b>

**Movements of deferred tax liability (net) during 2020 and 2019**

2020

in TEUR	Balance as at 1 November 2019	Reported in profit and loss statement	Reported in other comprehensive income	Acquired through business combination	Balance as at 31 October 2020
Non-current tangible and intangible assets	-23 917	370	-	-	-23 547
Investment property	-946	-30	-	-	-976
Losses from impairment of trade receivables and other assets	1 225	4 308	-	-	5 533
Cash Flow hedge	295	-	-415	-	-120
Provisions and liabilities	688	-444	-	-	244
Leases (IFRS 16)	-	80	-	-	80
Tax losses	-	-79	-	-	-79
<b>Total, net</b>	<b>-22 655</b>	<b>4 205</b>	<b>-415</b>	<b>-</b>	<b>-18 865</b>



2019

<i>in TEUR</i>	Balance as at 1 November 2018	Reported in profit and loss statement	Reported in other comprehensive income	Acquired through business combination	Balance as at 31 October 2019
Non-current tangible and intangible assets	-22 685	-1 232	-	-	-23 917
Investment property	-1 025	79	-	-	-946
Losses from impairment of trade receivables and other assets	10	832	383	-	1 225
Cash flow hedge	-	-	295	-	295
Provisions and liabilities	621	67	-	-	688
Tax losses	-	-	-	-	-
<b>Total, net</b>	<b>-23 079</b>	<b>-254</b>	<b>678</b>	<b>-</b>	<b>-22 655</b>

See also Note 21 - Deferred Tax Asset, Deferred Tax Liability.

#### 15. Property, Plant and Equipment

<i>in TEUR</i>	Land and buildings	Individual movable assets and sets of movable assets	Assets under construction	Total
<b>Cost</b>				
Opening balance as at 1.11.2018	234 998	131 246	13 659	379 903
Additions	15 738	2 046	4 753	22 537
Increases from company merger	-	-	-	-
Disposals	-3 085	-1 641	-	-4 726
Reclassification to investment property	-	-	-	-
Transfers within assets	-	-	-	-
Movements within assets	2 208	5 098	-7 306	-
<b>Balance as of 31.10.2019</b>	<b>249 859</b>	<b>136 749</b>	<b>11 106</b>	<b>397 714</b>
Opening balance as at 1.11.2019	249 859	136 749	11 106	397 714
Recognition of right-of-use asset - first-time adoption of IFRS 16 as at 1.11.2019 (see point 16)	-10 497	-5 073	-	-15 570
<b>Opening balance as at 1.11.2019 - adjusted</b>	<b>239 362</b>	<b>131 676</b>	<b>11 106</b>	<b>382 144</b>
Increases	1 960	109	4 508	6 577
Increases from company merger	-	-	-	-
Disposals	-2 135	-2 528	-181	-4 844
Reclassification to investment property	-	-	-	-
Transfers within assets held for sale	-	-	-	-
Movements within assets	3 352	1 963	-5 315	-
<b>Balance as of 31.10.2020</b>	<b>242 539</b>	<b>131 220</b>	<b>10 118</b>	<b>383 877</b>

<i>in TEUR</i>	Land and buildings	Individual movable assets and sets of movable assets	Assets under construction	Total
<b>Accumulated depreciation and losses from impairment of assets</b>				
Opening balance as at 1.11.2018	-48 657	-52 711	-	-101 368
Depreciation of current accounting period	-6 985	-7 675	-	-14 660
Decreases	328	1 078	-	1 406
Movement to investments in real property	-	-	-	-
Transfer from assets held for sale	-	-	-	-
<b>Balance as of 31.10.2019</b>	<b>-55 314</b>	<b>-59 308</b>	<b>-</b>	<b>-114 622</b>
Opening balance as at 1.11.2019	-55 314	-59 308	-	-114 622
Recognition of right-of-use asset - first-time adoption of IFRS 16 as at 1.11.2019 (see point 16)	826	1 091	-	1 917
<b>Opening balance as at 1.11.2019 - adjusted</b>	<b>-54 488</b>	<b>-58 217</b>	<b>-</b>	<b>-112 705</b>
Depreciation of current accounting period	-6 988	-7 174	-	-14 162
Decreases	942	2 515	-	3 457
Movement to investments in real property	-	-	-	-
Movement from investments in real property	-	-	-	-
<b>Balance as of 31.10.2020</b>	<b>-60 534</b>	<b>-62 876</b>	<b>-</b>	<b>-123 410</b>
<b>Carrying value</b>				
As of 1.11.2018	<b>186 341</b>	<b>78 535</b>	<b>13 659</b>	<b>278 535</b>
As of 31.10.2019	<b>194 545</b>	<b>77 441</b>	<b>11 106</b>	<b>283 092</b>
As of 1.11.2019 - adjusted	<b>184 874</b>	<b>73 459</b>	<b>11 106</b>	<b>269 439</b>
As of 31.10.2020	<b>182 005</b>	<b>68 344</b>	<b>10 118</b>	<b>260 467</b>

During the period from 1 November 2019 to 31 October 2020, the Company carried out investments amounting to EUR 6,577 thousand. The Company invested EUR 2,675 thousand in the construction of the „Zadné vody“ reservoir, made an investment in the reconstruction of the Srdiečko hotel in the amount of EUR 437 thousand, invested EUR 569 thousand in the construction of the Centrum Jasná complex and made other smaller investments.

During the period from 1 November 2018 to 31 October 2019, the Company carried out investments amounting to EUR 22,537 thousand. The Company invested EUR 12,181 thousand for the purchase of Grand Jet Brhliská cableway in form of leasing, EUR 6,239 thousand for construction of new chalets in Otupné, EUR 1,492 thousand for purchase of snow groomers, EUR 929 thousand up to now for the construction of reservoir Zadné vody, EUR 886 thousand for the reconstruction of hotel Srdiečko. In addition the Company made an investment worth EUR 757 thousand for chalets in Tatralandia and other minor investments.

**Unused assets and fully depreciated used assets**

As at 31 October 2020 and 2019, the Company did not hold any unused assets. As at 31 October 2020 the Company used fully depreciated assets in acquisition cost EUR 17,330 thousand (2018: EUR 16,886 thousand).

**Impairment loss**

For the period ended on 31 October 2020 and 31 October 2019, the Company did not recognise any loss from impairment of land, buildings and equipment.

**Property Insurance**

<i>in TEUR</i>	<b>31.10.2020</b>	<b>31.10.2019</b>
Natural disaster and vandalism	408 586	389 949
General machinery risks	27 213	26 279
Liability for damage	9 550	15 000

**Security**

As at 31 October 2020, Land, buildings and equipment in the amount of EUR 222,106 thousand were used as the security of the bank loans (as at 31 October 2019: in the amount of EUR 228,995 thousand).

**Capitalised financial cost**

As at 31 October 2020, the Company did not capitalise any interest on loans into assets (as at 31 October 2019: the Company did not capitalise any interest on loans into assets).

**16. Right-of-use Assets**

Movements in the carrying amounts of property, plant and equipment acquired through leasing were as follows:

<i>in TEUR</i>	<b>Land and buildings</b>	<b>Individual movable assets and sets of movable assets</b>	<b>Total</b>
<b>Cost</b>			
Opening balance as at 1.11.2019	10 497	5 073	15 570
Recognition of right-of-use asset - first-time adoption of IFRS 16 as at 1.11.2019	24 976	1 701	26 677
Derecognition of right-of-use asset as a result of sublease classification as financial sublease	-3 569	-119	-3 688
<b>Opening balance as at 1.11.2019 - adjusted</b>	<b>31 904</b>	<b>6 655</b>	<b>38 559</b>
Additions	25	1 617	1 642
Disposals	-34	-67	-101
Modifications	-1 502	-79	-1 581
<b>Balance as of 31.10.2020</b>	<b>30 393</b>	<b>8 126</b>	<b>38 519</b>
<b>Accumulated depreciation</b>			
Opening balance as at 1.11.2019	-826	-1 091	-1 917
Recognition of right-of-use asset - first-time adoption of IFRS 16 as at 1.11.2019	-	-	-
Derecognition of right-of-use asset as a result of sublease classification as financial sublease	-	-	-
<b>Opening balance as at 1.11.2019 - adjusted</b>	<b>-826</b>	<b>-1 091</b>	<b>-1 917</b>
Depreciation of current accounting period	-2 041	-1 505	-3 546
Decreases	34	67	101
Modifications	-	-	-
<b>Balance as of 31.10.2020</b>	<b>-2 833</b>	<b>-2 529</b>	<b>-5 362</b>
<b>Carrying value</b>			
Opening balance as at 1.11.2019 - adjusted	<b>31 078</b>	<b>5 564</b>	<b>36 642</b>
Balance as of 31.10.2020	<b>27 560</b>	<b>5 597</b>	<b>33 157</b>



## 17. Goodwill and Intangible Assets

<i>in TEUR</i>	Goodwill	Valuable rights	Software	Acquired intangible assets	Total
<b>Acquisition price</b>					
Opening balance as at 1.11.2018	3 740	3 964	2 479	646	10 829
Increases	-	-	376	595	971
Increases from company merger	-	-	-	-	-
Decreases	-	-	-	-2	-2
Transfers within assets	-	-	550	-550	-
Balance as of 31.10.2019	<b>3 740</b>	<b>3 964</b>	<b>3 405</b>	<b>689</b>	<b>11 798</b>
Opening balance as at 1.11.2019	3 740	3 964	3 405	689	11 798
Increases	-	-	361	531	892
Increases from company merger	-	-	-	-	-
Decreases	-	-186	-549	-94	-829
Transfers within assets	-	25	395	-420	-
Balance as of 31.10.2020	<b>3 740</b>	<b>3 803</b>	<b>3 612</b>	<b>706</b>	<b>11 861</b>
<b>Accumulated depreciation and losses from impairment of assets</b>					
Opening balance as at 1.11.2018	-350	-1 121	-2 339	-	-3 810
Depreciation of current accounting period	-	-69	-188	-	-257
Decreases	-	-	-	-	-
Losses from impairment of assets	-	-	-	-	-
Balance as of 31.10.2019	<b>-350</b>	<b>-1 190</b>	<b>-2 527</b>	<b>-</b>	<b>-4 067</b>
Opening balance as at 1.11.2019	-350	-1 190	-2 527	-	-4 067
Depreciation of current accounting period	-	-72	-377	-	-449
Decreases	-	186	548	-	734
Losses from impairment of assets	-	-	-	-	-
Balance as of 31.10.2020	<b>-350</b>	<b>-1 076</b>	<b>-2 356</b>	<b>-</b>	<b>-3 782</b>
<b>Carrying value</b>					
As of 1.11.2018	<b>3 390</b>	<b>2 843</b>	<b>140</b>	<b>646</b>	<b>7 019</b>
As of 31.10.2019	<b>3 390</b>	<b>2 774</b>	<b>878</b>	<b>689</b>	<b>7 731</b>
As of 1.11.2019	<b>3 390</b>	<b>2 774</b>	<b>878</b>	<b>689</b>	<b>7 731</b>
As of 31.10.2020	<b>3 390</b>	<b>2 727</b>	<b>1 256</b>	<b>706</b>	<b>8 079</b>

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

## 18. Investment Property

<i>in TEUR</i>	31.10.2020	31.10.2019
<b>Acquisition price</b>		
Opening balance as at 1.11.2019 / 1.11.2018	8 329	7 279
Revaluation at fair value	-	1 050
<b>Balance as of 31.10.2020 / 31.10.2019</b>	<b>8 329</b>	<b>8 329</b>

As at 31 October 2020, the investment property covers three hotels (SKI, Liptov, Kosodrevina) and the accommodation facility Otopné with the aggregate book value of EUR 2,707 thousand (as at 31 October 2019: EUR 2,707 thousand), which are leased out to third parties that operate them, as well as forest areas and lots of land obtained as an acquisition in 2009 in the book value of EUR 5,622 thousand (as at 31 October 2019: EUR 5,622 thousand).

The value of the leased properties was determined by management's estimate. The estimate of management's fair value is based on discounting future cash flows arising from currently concluded leases after taking into account non-recoverable costs of 4-10% in each of the objects at yield of 5-9%, assuming a continuation of leases at current prices. Neither the contractual lease payments nor any other assumptions have changed during the presented or comparable period.

The value of the land was determined by the management using market prices, and the final value is based on an estimate of market price per square meter, depending on the type of land and market transactions for similar lots of land. The price per m<sup>2</sup> for forest land is in a range between EUR 0.60 – EUR 1.10, the price for land with built-up areas and courtyards ranges from EUR 60 to EUR 110 per m<sup>2</sup>. Prices per m<sup>2</sup> for individual types of land did not change during the presented or comparable period.

As at 31 October 2020, the Company's management reassessed the value of the investment property and concluded that the assumptions that would lead to a change in the value of these investments did not change significantly.

As at 31 October 2019, the Company management, based on current market conditions, revalued the value of investment property upwards by EUR 1,050 thousand. Valuation was made based on expert appraisals and other market transactions.

If the fair value of that part of investment property that was determined based on management's estimates differed by 10%, the carrying amount of investment property would be EUR 833 thousand higher or lower compared to the amount reported as at 31 October 2020 (as at 31 October 2019: EUR 833 thousand).

In the period between 1 November 2019 and 31 October 2020, income from investment property accounted for EUR 183 thousand and direct operating cost related to investment property was EUR 63 thousand (between 1 November 2018 and 31 October 2019: revenue from investment property accounted for EUR 201 thousand, and direct operating cost related to investment property was EUR 74 thousand).

**Security**

As at 31 October 2020, a part of investment property in the amount of EUR 2,756 thousand were used as the security for bank loans (as at 31 October 2019: in the amount of EUR 2,850 thousand).

**19. Investment in an Associate and a Joint Venture**

<i>in TEUR</i>	31.10.2020	31.10.2019
MELIDA, a.s. (25% stake)	7 118	-
<b>Total investments in subsidiaries</b>	<b>7 118</b>	<b>-</b>

On 15 December 2019, the Company signed an agreement regarding transfer of securities, on the basis of which it purchased an additional 15.5% stake in MELIDA a.s., which is the operator of the Špindlerův Mlýn ski resort in the Czech Republic. By signing the contract, the Company became owner of a total share of 25% in the amount of EUR 7,118 thousand. As at 31 October 2020, the stake in MELIDA a.s. is reported as an investment in associates at cost.

The purchase price of MELIDA a.s. in the amount of EUR 7,118 thousand was the fair value of the share held as at 30 October 2019, increased by an additional cash consideration in the amount of EUR 2,027 thousand. The valuation of the 9.5% stake held as at 30 October 2019 in the amount of EUR 4,498 thousand, which was increased by additional capital contributions of EUR 593 thousand, totaled EUR 5,091 thousand, was assessed by the Company as a reliable estimate of the fair value of the 9.5% stake held as of 15 December 2019.

As at 31 October 2019, the Company recorded a financial investment of 9.5% stake in MELIDA, a.s. in the amount of EUR 4,498 thousand. For more information on the total amount of financial investments, see Note 27 - Financial Investments.

As at 29 October 2019, the Company signed an agreement on the transfer of securities with CAREPAR, a.s., on the basis of which the Company acquired 19 ordinary shares of MELIDA, a.s. and thus became a direct shareholder (9.5% stake) in MELIDA, a.s.

As at 31 October 2019, the Company's management reassessed fair value of the stake in MELIDA, a.s. and concluded that the assumptions that would lead to a change in the value of this investment did not change significantly.

The fair value of MELIDA, a.s. as at 31 October 2019 and 2018 was estimated by the Company's management using the cash flow discounting method, using inputs from the business plan and cash flow estimates. The business plan and cash flow estimates have been thoroughly reviewed by the Company's management prior to their use. The lease of the ski resort was based on the signed Amendment no. 2, which entered into force on 22 March 2018, extended until the year 2057, therefore cash flows were projected from 2018 to 2057. The main assumptions used in the valuation were expected cash flows, where the most important assumptions estimated by management were EBITDA, its growth and the discount rate.

Projected EBITDA for 2018 amounted to EUR 5,890 thousand. For 2019 it was originally expected to increase by 5%, which was also achieved, for 2020 and 2021 it is expected to increase by 3%, from 2022 to 2023 it is expected to increase by 2% per year and from 2024 to 2057 by 1% per year. The discount rate for the valuation of these financial assets applied as at 31 October 2018, representing the required rate of return on equity was 7.80% (2017: 8.70%).

If, in the calculation as at 31 October 2018, the projected EBITDA of MELIDA, a.s., which is part of the projected cash flows, were 5% lower for each year compared to the management's estimate, the value of the investment in CAREPAR, a.s. would decrease by EUR 341 thousand. If the discount rate were increased by 0.5% compared to the management estimate, i. its value would be 8.30%, the value of CAREPAR, a.s. would decrease by EUR 242 thousand.

**20. Investments in Subsidiaries**

<i>in TEUR</i>	31.10.2020	31.10.2019
1. Tatranská, akciová spoločnosť (100% stake)	25 247	-
Szczyrkowski Osrode Narciarski S.A. (97% stake)	7 191	7 191
Tatry mountain resorts CR, a.s. (100% stake)	79	79
TMR Finance CR, a.s. (100% stake)	78	78
TMR Ještěd a.s. (100% stake)	75	75
Mölltaler Gletscherbahnen GmbH (90% stake)	33	33
Tatry Mountain Resorts AT GmbH (100% stake)	32	32
Tatry mountain resorts PL, a.s. (100% stake)	27	27
Mölltaler Gletscherbahnen GmbH & Co KG (90% stake)	0,002	0,002
<b>Total investments in subsidiaries</b>	<b>32 762</b>	<b>7 515</b>

On 31 May 2020, the Company acquired 100% stake in 1. Tatranská, akciová spoločnosť for EUR 25,247 thousand. Acquired company operates the ski resort Štrbské pleso in High Tatras in Slovakia, provides restaurant and catering services and runs a ski and snowboard school.

On 1 May 2019, the Company acquired 90% stake in Mölltaler Gletscherbahnen GmbH for 33 thousand and 90% stake in Mölltaler Gletscherbahnen GmbH & Co KG for EUR 1.8. 10% stake in Mölltaler Gletscherbahnen GmbH and 10% stake in Mölltaler Gletscherbahnen GmbH & Co KG were purchased by Tatry Mountain Resorts AT GmbH. The acquired Companies run the ski resorts Mölltaler Gletscher and Ankogel in Austria.

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

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

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

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

On 31 January 2018, the company Tatry mountain resorts CR, a.s. was renamed to TMR Ještěd a.s..

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

On 14 April 2015, the Company acquired a 70% stake in Polish company PS Rozrywka, which was later renamed to Ślaskie Wesole Miasteczko Sp. z o. o. (hereinafter referred to as SWM). For such a 70% stake, the Company paid EUR 6,727 thousand. On 4 August 2015, the Company purchased an additional 5% stake, in a total amount of EUR 723 thousand. The company SWM is the operator of a theme park in the town of Chorzow, Poland. The total value of the assets, as the date of acquisition after revaluation at the fair value was EUR 9,489 thousand, and the total value of equity was EUR 9,077 thousand. On 6 December 2017 the Company sold its 75% stake in Ślaskie Wesole Miasteczko Sp. Z o.o., to the subsidiary Tatry mountain resorts PL, a.s. for PLN 30 million.



On 5 March 2014, the Company purchased 97% shares of Szczyrkowski Osrodek Narciarski S.A. (hereinafter referred to as SON), in a total amount of EUR 7,191 thousand. It is a company holding and running a ski centre in Poland. The total value of the assets, as the date of acquisition after revaluation at the fair value was EUR 13,321 thousand, and the total value of equity was EUR 9,031 thousand.

### Security

As at 31 October 2020, shares in subsidiary SON in the amount of EUR 7,191 thousand (as at 31 October 2019: in the amount of 7,191 tis. eur) were used to secure bank loans of the subsidiary SON.

### 21. Deferred Tax Asset, Deferred Tax Liability

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

<i>in TEUR</i>	Receivables		Payables		Total	
	31.10.2020	31.10.2019	31.10.2020	31.10.2019	31.10.2020	31.10.2019
Temporary differences related to:						
Non-current fixed and intangible assets	-	-	-23 547	-23 917	-23 547	-23 917
Investments property	-	-	-976	-946	-976	-946
Losses from impairment of trade receivables and other assets	5 533	1 225	-	-	5 533	1 225
Cash flow hedge	-	295	-120	-	-120	295
Provisions and liabilities	244	688	-	-	244	688
Leases (IFRS 16)	-	-	-79	-	-79	-
Tax losses	80	-	-	-	80	-
Set-off	-5 857	-2 208	5 857	2 208	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-18 865</b>	<b>-22 655</b>	<b>-18 865</b>	<b>-22 655</b>

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

<i>in TEUR</i>	31.10.2020	31.10.2019
Tax losses	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

Deferred tax asset from unredeemed losses from previous periods is posted only up to the amount to which it may be probably redeemed in the future against future tax profits.

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

<i>in TEUR</i>	2020	2021	post 2021
Tax losses	-	-95	-285

Based on legislative changes, from 1 January 2014, losses created after 1 January 2010 have a 4-years period, and the Company can also apply evenly maximum 25% of the given tax losses per year.

### 22. Inventory

<i>in TEUR</i>	31.10.2020	31.10.2019
Goods	1 677	2 663
Material	1 226	1 306
Assets available for sale	4 525	3 471
<b>Total</b>	<b>7 428</b>	<b>7 440</b>

Assets held for sale consist of Chalety Otupné phase IV. (EUR 1,981 thousand) and Apartments Horec (EUR 2,543 thousand), which was completed by the Company, or is still in construction and will be consequently sold to 3rd parties. Proceeds from the sale of chalettes will be recognized in 2021, or later. The value represents 15 chalettes from Chalety Otupné phase IV.

As at 31 October 2020, inventory of EUR 7,428 thousand (as at 31 October 2019: EUR 7,440 thousand) was used to secure bank loans.

### 23. Loans Provided

<i>in TEUR</i>	31.10.2020	31.10.2019
Short-term	118 165	112 786
Long-term	6 033	5 618
<b>Total</b>	<b>124 198</b>	<b>118 404</b>
Impairment allowance	-26 052	-5 651
<b>Total with allowance</b>	<b>98 146</b>	<b>112 753</b>

Table below summarizes short-term loans as at 31 October 2020 and 31 October 2019. As at 31 October 2020, the weighted average interest rate applied on the short-term loans was 7.04% (as at 31 October 2018: 6.77%).

As at 31 October 2020 in accordance with the rules of IFRS 9, the value of the provision for short-term loans was EUR 2,822 thousand (as at 31 October 2019: EUR 1,751 thousand) and the specific provision for short-term loans to companies within the Group - Ślaskie Wesole Miasteczko Sp. z o.o./ Tatry mountain resorts PL, a.s. in the amount of EUR 23,230 thousand (as at 31 October 2019: EUR 3,900 thousand).

<i>in TEUR</i>		31.10.2020	31.10.2019
Debtor	Interest rate type	Loan value	Loan value
Szczyrkowski Osrodek Narciarski S.A.	7% p.a.	32 267	26 532
Tatry mountain resorts PL, a.s.*	7% p.a.	26 993	24 251
Ślaskie Wesole Miasteczko Sp. z o.o.	7% p.a.	20 233	20 653
1. Tatranská, akciová spoločnosť	7% p.a.	14 652	13 975
Tatry mountain resorts PL, a.s.	7% p.a.	4 949	2 994
Szczyrkowski Osrodek Narciarski S.A.	7% p.a.	4 312	5 246
Mölltaler Gletscherbahnen GmbH & Co KG	7% p.a.	3 531	557
TIKAR d.o.o.	10% p.a.	2 403	2 232
Tatry mountain resorts CR, a.s.	7% p.a.	2 346	2 271
TMR Ještěd a.s.	7% p.a.	1 636	1 029
Korona Ziemi	7% p.a.	1 226	1 184
Thalia s.r.o.	5% p.a.	947	904
SON Partner	7% p.a.	904	953
TMR Ještěd a.s.	7% p.a.	776	539
TMR Ještěd a.s.	7% p.a.	725	729
P.M.I.R. a.s.	5% p.a.	121	437
TMR Finance CR a.s.	4.51% p.a.	9	-
J&T Private Equity	1.8% p.a.	-	4 059
VICINITY INVESTMENT Ltd.	5% p.a.	-	1 946
P.M.I.R. a.s.	5% p.a.	-	601
FBS Group s.r.o.	7% p.a.	-	493
VICINITY INVESTMENT Ltd.	-	-	380
AIRAVATA Holding s.r.o.	5% p.a.	-	500
GALAXO a.s.	5% p.a.	-	195
Owner of Penzion Energetik (Mgr. Lubica Skusilová)	5% p.a.	-	85
Others	4% p.a.	135	-
Others	5% p.a.	-	41
<b>Total short-term provided loans</b>		<b>118 165</b>	<b>112 786</b>

\*Legal form of the loan provided to Tatry mountain resorts PL, a.s. in the amount of EUR 24,251 thousand as at 31 October 2019, was changed to a promissory note as at 1 November 2019, which had residual value as at 31 October 2020 EUR 26,993 thousand, the other contractual terms were retained.

Table below summarizes long-term loans as at 31 October 2020 and 31 October 2019. As at 31 October 2020, the weighted average interest rate applied on the long-term loans was 4.27% (as at 31 October 2019: 4.21%).

<i>in TEUR</i>		31.10.2020	31.10.2019
Debtor	Interest rate type	Loan value	Loan value
Mölltaler Gletscherbahnen GmbH & Co KG	5% p.a.	4 825	4 599
Melida, a.s.	-	804	859
TIKAR d.o.o.	4% p.a.	316	-
OSTRAVICE HOTEL a.s.	4% p.a.	88	20
Others	4% p.a.	-	140
<b>Total long-term provided loans</b>		<b>6 033</b>	<b>5 618</b>

#### 24. Trade Receivables

<i>in TEUR</i>	31.10.2020	31.10.2019
Trade receivables	2 231	4 960
Value adjustments to receivables	-76	-88
<b>Total</b>	<b>2 155</b>	<b>4 872</b>
<i>Short-term</i>	2 155	4 872
<i>Long-term</i>	-	-
<b>Total</b>	<b>2 155</b>	<b>4 872</b>

As at 31 October 2020, trade receivables amount to EUR 2,155 thousand and comprise current operating receivables. As at 31 October 2019, trade receivables involved current operating receivables amounting to EUR 4,872 thousand.

The ageing structure of receivables is as follows:

<i>in TEUR</i>	31.10.2020			31.10.2019		
	Gross	Impairment allowance	Net	Gross	Impairment allowance	Net
Within due period	1 566	-	1 566	3 746	-	3 746
Overdue within 30 days	138	-	138	406	-	406
Overdue from 30 days to 180 days	114	-21	93	128	-28	100
Overdue from 180 days to 365 days	85	-9	76	366	-6	360
Overdue over 365 days	328	-46	282	314	-54	260
<b>Total</b>	<b>2 231</b>	<b>-76</b>	<b>2 155</b>	<b>4 960</b>	<b>-88</b>	<b>4 872</b>

As at 31 October 2020 and 31 October 2019, the amount of impairment allowance related to current operating receivables.

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

<i>in TEUR</i>	31.10.2020	31.10.2019
Balance as at 1.11.2019 / 1.11.2018	88	47
Creation of value adjustment	33	55
Use	-40	-10
Reversal of value adjustment	-5	-4
<b>Balance as at 31.10.2020 / 31.10.2019</b>	<b>76</b>	<b>88</b>

As at 31 October 2020, receivables in amount of EUR 2,155 thousand (as at 31 October 2019: EUR 4,872 thousand) were used to secure bank loans.



**25. Other Receivables**

<i>in TEUR</i>	<b>31.10.2020</b>	<b>31.10.2019</b>
Advance payments made	9 153	26 233
<b>Total</b>	<b>9 153</b>	<b>26 233</b>
<i>Short-term</i>	1 356	22 649
<i>Long-term</i>	7 797	3 584
<b>Total</b>	<b>9 153</b>	<b>26 233</b>

Advances provided for assets relate mainly to future planned acquisitions in the amount of EUR 6,388 thousand (as at 31 October 2019: EUR 22,214 thousand) and to unfinished investment activities in the amount of EUR 2,765 thousand (as at 31 October 2019: EUR 4,019 thousand).

As at 28 January 2020 the Company made a payment of EUR 5,000 thousand, which will be used as advance payment for future acquisition of the company EUROCOM Investment s.r.o., which operates aquapark Bešeňová.

The year-on-year decrease in the total amount of advances provided is related to the acquisition of 100% of the shares of 1.Tatranská, akciová spoločnosť that operates the Štrbské Pleso ski resort in the High Tatras, operates a hospitality business and operates a ski school. The Company acquired these shares under share transfer agreements signed on 29 May 2020.

**26. Other Assets**

<i>in TEUR</i>	<b>31.10.2020</b>	<b>31.10.2019</b>
Prepaid expenses and accrued income	1 120	1 266
Other tax assets	680	-
Finance sublease receivables	3 622	-
Other Assets	9 903	9 593
Impairment allowance	-220	-93
<b>Total</b>	<b>15 105</b>	<b>10 766</b>
<i>Short-term</i>	15 105	10 766
<i>Long-term</i>	-	-
<b>Total</b>	<b>15 105</b>	<b>10 766</b>

As at 31 October 2020 the Company records a receivable against the company Penzión Energetik s.r.o. based on the contract of assignment and set off of receivables in amount of EUR 2,328 thousand (as at 31 October 2019: EUR 2,328 thousand).

Other assets amounting 6,490 thousand (at 31 October 2019: EUR 7,045 thousand) represent the Company's receivable from the sale of 75% of the shares in Slaskie Wesole Miasteczko Sp. z o.o. against its subsidiary Tatry mountain resorts PL, a.s..

Other assets in the amount of EUR 561 thousand (as at 31 October 2019: EUR 0 thousand) represent a receivable from subsidies from the state budget for temporary assistance to maintain employment in situation caused by the COVID-19 for the period October 2020. For more information on government grants, see Note 34 - Other liabilities.

As at 31 October 2020, in accordance with the rules of IFRS 9, the provision for other assets amounted to EUR 220 thousand (as at 31 October 2019: EUR 93 thousand).

**27. Financial Investments**

<i>in TEUR</i>	<b>31.10.2020</b>	<b>31.10.2019</b>
Financial instruments measured at fair value through profit or loss	154	4 652
Available-for-sale securities	-	-
<b>Total</b>	<b>154</b>	<b>4 652</b>

As at 31 October 2019, financial instruments measured at fair value through profit/loss from operations represent mainly the 9.5% investment in company MELIDA a.s. in the value of EUR 4,498 thousand, which leases and operates the ski centre Špindlerov Mlyn. On 15 December 2019, the Company signed the contract for the transfer of securities. The Company acquired additional 15.5% share in company MELIDA a.s., thereby the shares were reclassified to investment in associate. Details about reporting and history of the company MELIDA, a.s. are described in Note 19 – Investment in an Associate and a Joint Venture.

**28. Cash and Cash Equivalents**

<i>in TEUR</i>	<b>31.10.2020</b>	<b>31.10.2019</b>
Cash	12	12
Stamps and vouchers	-	-
Current accounts with banks	4 360	10 271
Impairment allowance	-2	-3
<b>Total</b>	<b>4 370</b>	<b>10 280</b>

As at 31 October 2020, the Company created impairment allowance of EUR 2 thousand in light of IFRS 9 expected credit loss changes (as at 31 October 2019: EUR 3 thousand).

The Company can freely dispose of bank accounts.

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

As at 31 October 2020 and 31 October 2019, the approved, subscribed and fully paid-up share capital consisted of 6,707,198 ordinary shares in the nominal value of 7 EUR per share. The emission of shares is marked by ISIN: SK1120010287.

On 29 April 2020, an ordinary general meeting of Tatry mountain resorts, a.s. was held. The general meeting decided, among other things, on the distribution of profit Tatry mountain resorts, a.s. generated in the period between 1 November 2019 and 31 October 2020 according to the financial statements compiled for that accounting period, in the amount of EUR 4,087 thousand as follows:

- The balance in the amount of EUR 409 thousand, allocation to the reserve fund
- The balance in the amount of EUR 20 thousand, allocation to social fund
- The balance in the amount of EUR 3,658 thousand, transfer to undistributed profit from previous periods

Shareholders have a right to the payment of dividends, and the value of share vote in the Company general meeting is determined as a ratio of the value of one share and the total value of share capital. The following table presents the Company shareholders and the number of shares, ownership interest and voting rights.

31 October 2020	Number of shares	Ownership interest in TEUR	Ownership interest %	Voting rights %
C.I. CAPITAL INDUSTRIES LIMITED	1 973 197	13 813	29,4%	29,4%
FOREST HILL COMPANY, s.r.o.	1 030 919	7 216	15,4%	15,4%
STOCKLAC LIMITED	924 731	6 473	13,8%	13,8%
NIKROC INVESTMENTS LIMITED	897 771	6 284	13,4%	13,4%
RMSM1 LIMITED	588 166	4 117	8,8%	8,8%
Minority shareholders	1 292 414	9 047	19,2%	19,2%
<b>Total</b>	<b>6 707 198</b>	<b>46 950</b>	<b>100%</b>	<b>100%</b>

31 October 2019	Number of shares	Ownership interest in TEUR	Ownership interest %	Voting rights %
C.I. CAPITAL INDUSTRIES LIMITED	1 309 139	9 164	19,5%	19,5%
FOREST HILL COMPANY, s.r.o.	1 030 919	7 216	15,4%	15,4%
NIKROC INVESTMENTS LIMITED	897 771	6 284	13,4%	13,4%
KEY DEE LIMITED	664 058	4 648	9,9%	9,9%
TINSEL ENTERPRISES LIMITED	638 385	4 469	9,5%	9,5%
RMSM1 LIMITED	588 166	4 117	8,8%	8,8%
Minority shareholders	1 578 760	11 052	23,5%	23,5%
<b>Total</b>	<b>6 707 198</b>	<b>46 950</b>	<b>100%</b>	<b>100%</b>

**Profit / (loss) per share**

	31.10.2020	31.10.2019
Profit / (loss) for the period in TEUR	-17 934	4 087
Weighted average number of ordinary shares	6 707 198	6 707 198
<b>Profit / (loss) per share in EUR</b>	<b>-2,674</b>	<b>0,609</b>

**Legal reserve fund**

As at 31 October 2020, the legal reserve fund amounts to EUR 7,018 thousand (as at 31 October 2019: 6,609 thousand). According to the Slovak legislation, the creation of legal reserve fund is compulsorily created on a yearly basis in the minimum amount of 10% of the Company net profit and at least up to 20% of subscribed share capital (cumulatively). The legal reserve fund can only be used for the payment of Company losses, and cannot be used for the payment of dividends. The calculation of reserve fund is made according to Slovak legal regulations.

**Profit Distribution**

For the fiscal year ended on 31 October 2020, the Company management proposes the distribution of total loss in the amount of EUR 17,934 thousand as follows:

- Transfer to undistributed losses from previous periods in the amount of EUR 17,934 thousand subsequent set-off against the account retained earnings of previous periods

**30. Loans and Borrowings**

in TEUR	31.10.2020	31.10.2019
Loans and borrowings received	99 543	99 254
<b>Total</b>	<b>99 543</b>	<b>99 254</b>
<i>Short-term</i>	43 367	6 545
<i>Long-term</i>	56 176	92 709
<b>Total</b>	<b>99 543</b>	<b>99 254</b>

Based on loan agreements, the Company is obliged to meet certain financial and other conditions. As of 31 October 2020, the Company did not meet the financial and other conditions relating to certain loans. As a result, at the end of the reporting period, the creditors had the opportunity to terminate the loans, and therefore the long-term part of the loan with a book value of EUR 26,735 thousand was reclassified to short-term.

None of the loans were repaid to creditors after the end of the year due to non-compliance with these conditions. Further information on subsequent credit events is provided in Note 2 (b) Basis of preparation.

Loans and borrowings received as at 31 October 2020 and as at 31 October 2019 are stated in the following table. Maturity date represents the final maturity date of the entire loan.

Creditor	Interest rate type	Maturity date	Unpaid amount as at 31.10.2020 in TEUR
TMR Finance CR, a.s.	4.51% p.a.	30.11.2022	54 892
Poštová banka, a.s.	12M EURIBOR + 4.657% p.a.	31.12.2028	18 450
Poštová banka, a.s.	12M EURIBOR + 4.571% p.a.	30.6.2022	6 800
Poštová banka, a.s.	12M EURIBOR + 4.684% p.a.	31.12.2028	4 500
EUROCOM Investment s.r.o.	4% p.a.	30.4.2021	4 138
Poštová banka, a.s.	12M EURIBOR + 4.686% p.a.	30.6.2032	4 070
Ślaskie Wesole Miasteczko Sp. z o. o.	7% p.a.	31.12.2021	3 762
Poštová banka, a.s. - overdraft	3M EURIBOR + 3.818% p.a.	31.3.2021	2 931
<b>Total</b>			<b>99 543</b>

Creditor	Interest rate type	Maturity date	Unpaid amount as at 31.10.2019 in TEUR
TMR Finance CR, a.s.	4,51% p.a.	30.11.2022	58 773
Poštová banka, a.s.	12M EURIBOR + 4.657% p.a.	31.12.2028	18 962
Poštová banka, a.s.	12M EURIBOR + 4.571% p.a.	30.6.2022	7 200
Poštová banka, a.s.	12M EURIBOR + 4.684% p.a.	31.12.2028	4 625
Poštová banka, a.s.	12M EURIBOR + 4.686% p.a.	30.6.2032	4 120
Ślaskie Wesole Miasteczko Sp. z o. o.	7% p.a.	31.12.2020	3 569
EUROCOM Investment s.r.o.	4% p.a.	31.3.2020	2 005
<b>Total</b>			<b>99 254</b>

The weighted average of interest rates for loans and borrowings as at 31 October 2020 accounted for 4.61% (as at 31 October 2019: 4.64%). The interest is due on a monthly basis. For more information, see Note 12 – Interest Income and Expense.

In the period from 1 November 2019 to 31 October 2020, the Company established an overdraft in Poštová banka, a.s. and increased the loan from EUROCOM Investment s.r.o. by EUR 2,000 thousand. Otherwise, the Company did not draw any new loan.

On 7 October 2019, the Company signed a short-term loan agreement with EUROCOM Investment, s.r.o. up to the amount of EUR 3,000 thousand, which was on 1 December 2019 on the basis of Amendment no. 1 to the loan agreement increased to the amount of EUR 4,000 thousand. The total amount of the outstanding loan balance as at the balance sheet date is in the amount of EUR 4,138 thousand (as at 31 October 2019: EUR 2,005 thousand).

In period between 1 November 2018 and 31 October 2019 the Company drawn two new loans from Poštová banka, a.s.. The first loan in amount of EUR 5,000 thousand was used for refinancing of costs for various investment projects, the outstanding unpaid balance of the loan as of the date was EUR 4,500 thousand. The second loan in amount of EUR 20,500 thousand was also used for refinancing of cost of other investment projects, the outstanding unpaid balance of the loan was in the amount of EUR 18,450 thousand.

In period between 1 November 2017 and 31 October 2018 the Company drawn loan in amount of EUR 4,500 thousand, used for refinancing of costs for rebuilding the former administration building to Hotel Pošta in ski resort Jasná. The outstanding unpaid balance of the loan as of the date was EUR 4,070 thousand.

In period between 1 November 2016 and 31 October 2017 the Company drawn new loan in the total amount of EUR 10,000 thousand from Poštová banka a.s. The loan was used for the construction of a new ski cable car Krupová – Kosodrevina, including the snowmaking equipment and landscaping of the ski slope. The outstanding unpaid balance of the loan as of the date of financial statements was of EUR 6,800 thousand.

On 14 August 2018 the Company signed a short-term loan agreement with the company J&T Banka, a.s. in the amount of EUR 42,036 thousand. This short-term loan was subsequently used on 15 August 2018 to repay the received loan provided by Tatra banka, a.s.. As a result, security of the Company was erased from the respective liens register by Tatra banka, a.s. On 15 November 2018 the Company repaid the loan granted by J&T Banka, a.s.

On 30 November 2018 the loan granted by Heineken Slovensko a.s. was repaid.

On 2 December 2018 the Company drawn new loan from TMR Finance CR, a.s. in the total amount of EUR 58,773 thousand. The outstanding unpaid balance of the loan as of the date of financial statements was of EUR 54,892 thousand.

#### Security

The following assets were used as a security of bank loans: lots of land, technology and operating buildings of mountain lift facilities: lifts, chair-lift rope ways (hereinafter: RWs), funicular RWs, aerial RWs, gondola RWs, transformer

stations, economic buildings and structures: Hotel Tri Studničky, Hotel Srdiečko, Hotel Kosodrevina, Hotel Liptov, Hotel SKI, former telecommunications building, Bungalows. All movable assets of the centres Jasná and High Tatras are put into pledge, also including trade receivables.

As at 31 October 2020, lots of land, buildings and equipment, investments in real estate, inventory and receivables of EUR 234,445 thousand were used as a security of bank loans (as at 31 October 2019: in the amount of EUR 243,127 thousand).

#### 31. Lease Liabilities

in TEUR

Opening balance as at 1.11.2019	12 403
Recognition of lease liabilities - first-time adoption of IFRS 16 as at 1.11.2019	26 677
<b>Opening balance as at 1.11.2019 - adjusted</b>	<b>39 080</b>
Additions	1 668
Modifications	-1 581
Accretion of interest	1 457
Payments	-4 978
<b>Balance as of 31.10.2020</b>	<b>35 646</b>
Short-term	7 883
Long-term	27 763
<b>Total</b>	<b>35 646</b>

The maturity of lease liabilities is as follows:

in TEUR	31.10.2020	31.10.2019
Less than 1 year	7 883	4 218
1 - 5 years	7 839	8 185
Above 5 years	19 924	-
<b>Total</b>	<b>35 646</b>	<b>12 403</b>



The following table presents the reconciliation between lease liabilities as at 1 November 2019 and irrevocable operating lease payments recognized as at 31 October 2019:

in TEUR

Operating lease commitments as at 31.10.2019	33 651
Discounting using the average interest rate as at 1.11.2019 and specification of parameters according to the IFRS 16 methodology	-6 974
Operating lease commitments as at 1.11.2019	<u>26 677</u>
Add:	
Commitments relating to leases previously classified as finance lease	12 403
<b>Operating lease commitments as at 1.11.2019</b>	<b><u>39 080</u></b>

### 32. Trade Liabilities

in TEUR	31.10.2020	31.10.2019
Trade Liabilities	4 943	5 735
Unbilled deliveries	1 116	730
<b>Total</b>	<b><u>6 059</u></b>	<b><u>6 465</u></b>
<i>Short-term</i>	5 614	5 338
<i>Long-term</i>	445	1 127
<b>Total</b>	<b><u>6 059</u></b>	<b><u>6 465</u></b>

As at 31 October 2020, long-term trade liabilities in the amount of EUR 445 thousand represent retention money against contractors.

As at 31 October 2020, overdue liabilities amounted to EUR 1,757 thousand (as at 31 October 2019: 1,402 thousand). Overdue liabilities as at 31 October 2020 represent primarily unpaid retention fees due to signed construction contracts with suppliers for their performed and realised construction of individual buildings, in some cases repayment schedules are agreed with suppliers.

### 33. Hedge Accounting

The Company applies only cash-flow hedges and hedges only against foreign currency risk.

Since the Company has taken out a loan from its Czech subsidiary, the currency gap has widened. The Company decided to manage the foreign currency risk against the Czech Crown on this particular instrument by hedging against changes in foreign currency exchange rates.

The Company has decided not to hedge any other risks (interest rate risk,..) arising from this particular instrument besides the foreign currency risk, as they are managed otherwise. Please refer to section financial risks for further information.

The hedged item is a long-term bullet-payment loan denominated in CZK, drawn from Company's subsidiary with fixed repayment schedule.

Hedging instrument is a Foreign currency swap, swapping the CZK repayments on the loan exposure for repayments in EUR, retaining the fixed nature of interest rates in both currencies.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and swap contracts match the terms of the loan (i.e., notional amount and repayment schedules). The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange swap contracts are identical to the hedged risk components. As the critical terms of the foreign exchange and swap contracts match the terms of the loan (i.e., notional amount and repayment schedules), the Company expects the hedging relationship to be effective to a high degree.

The hedge ineffectiveness can arise, when the Company stops paying the loan or eventually repays greater portion than intended by repayment schedule. The Company plans to repay the loan in line with the repayment schedule.

The profile of the nominal amount of the hedging instrument – hedging instrument has a fixed maturity of November 2022 for the whole of EUR 57.9 mil. Forward rate used in the contract is 25.870 CZK / 1 EUR.

In current period from 1 November 2019 to 31 October 2020, the impact of hedging instrument and hedged instrument on statement of financial position is:

In '000 EUR	Notional amount	Carrying amount	Line item in statement of financial position	Changes in FV used for measuring ineff.
Foreign exchange swap	57,943	(2,197)	Other liabilities	(1,858)

In '000 EUR	Change in fair value used for measuring ineffectiveness.	Cash flow hedge reserve	Cost of hedging reserve
Foreign exchange swap	1,858	451	0

In current period, the effect of cash flow hedge on statement of financial performance is:

In '000 EUR	Total hedging gain/(loss) recognised in OCI	Ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss	Cost of hedging recognised in OCI	Amount reclassified from OCI to profit or loss	Line item in the statement of profit or loss
Foreign exchange swap	1,558	0	-	0	244	Interest income calculated using the effective interest rate and Interest expense
					-3,748	Profit / (loss) from financial operations, net

In previous period from 1 November 2018 to 31 October 2019, the impact of hedging instrument and hedged instrument on statement of financial position was:

In '000 EUR	Notional amount	Carrying amount	Line item in statement of financial position	Changes in FV used for measuring ineff.
Foreign exchange swap	57,943	(348)	Other liabilities	(348)

In '000 EUR	Change in fair value used for measuring ineffectiveness.	Cash flow hedge reserve	Cost of hedging reserve
Foreign exchange swap	348	1,108	0

In previous period, the effect of cash flow hedge on statement of financial performance was:

In '000 EUR	Total hedging gain/(loss) recognised in OCI	Ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss	Cost of hedging recognised in OCI	Amount reclassified from OCI to profit or loss	Line item in the statement of profit or loss
Foreign exchange swap	1,108	0	-	0	587	-

### 34. Other Liabilities

<i>in TEUR</i>	31.10.2020	31.10.2019
Liabilities towards employees	1 737	3 992
Advances received	4 142	5 291
Hedging derivative transactions - foreign exchange SWAP	2 197	348
Deferred revenues	4 010	3 632
Liabilities to shareholders from reduction in share capital	215	215
Other	2 291	1 927
<b>Total</b>	<b>14 592</b>	<b>15 057</b>
<i>Short-term</i>	14 592	15 057
<i>Long-term</i>	-	-
<b>Total</b>	<b>14 592</b>	<b>15 057</b>

As at 31 October 2020, advance payments received comprise in particular of advance payments for purchase of Chalets and apartments Horec in the amount of EUR 3,103 thousand (as at 31 October 2019: EUR 2,645 thousand) and advance payments received for hotel stays in the amount of EUR 1,022 thousand (as at 31 October 2019: EUR 2,286 thousand).

As at 31 October 2020, liabilities towards employees represent mainly a provision for bonuses for the fiscal year between 1 November 2019 and 31 October 2020 in the amount of EUR 484 thousand (as at 31 October 2019: EUR 2,896 thousand) and wage liabilities to employees in the amount of EUR 870 thousand (as at 31 October 2019: EUR 1,039 thousand).

As at 31 October 2020, liabilities to shareholders from reduction in share capital are in the amount of EUR 215 thousand (as at 31 October 2019: EUR 215 thousand) and contain in particular the outstanding liability from reduction in share capital, performed in financial year 2013, are in the total amount of EUR 174,388 thousand.

As at 31 October 2020 derivative operations – foreign exchange SWAP represents the fair value of the derivative in the amount of EUR 2,197 thousand (as at 31 October 2019: EUR 348 thousand). For more information, see Note 33 - Security Accounting.

As at 31 October 2020, the deferred revenues includes mainly the amount of EUR 2,323 thousand for accrual of ski passes sold - "Šikovná sezónka" (as at 31 October 2019: EUR 2,520 thousand), the amount of EUR 6 thousand is rentals for the premises of J&T BANKA, a.s., a branch of a foreign bank on the premises of the Grandhotel Starý Smokovec (as at 31 October 2019: EUR 32 thousand). The reserve for discounts on purchases was as at 31 October 2020 in total amount of EUR 384 thousand (as at 31 October 2019: EUR 384 thousand).

The amount of deferred revenues includes also government grants in the amount of 78 thousand that represents a subsidy for the Hotel Tri studničky (as at 31 October 2019: 80 thousand) and state subsidies in the amount of EUR 360 thousand for temporary employment aid in the period of the COVID-19 outbreak for the period September and October 2020, to be utilised in November 2020 in accordance with the relevant measures.

**Details of movement of government grants** are presented in the table:

<i>in TEUR</i>	31.10.2020	31.10.2019
Balance as at 1.11.2019 / 1.11.2018	80	82
Received during the year	2 433	-
Released to the statement of profit and loss and other comprehensive income	-2 075	-2
<b>Balance as at 31.10.2020 / 31.10.2019</b>	<b>438</b>	<b>80</b>

State aid related to COVID-19 was received during the year in the amount of EUR 2,433 thousand. This is short-term state aid that has been recognized in the statement of comprehensive income as income during the period in which the related costs to be reimbursed are recorded. For more details see Note 9 - Purchased Services and Note 10 - Personnel Expenses.

<i>in TEUR</i>	1.11.2019 - 31.10.2020
State aid related to rental costs	21
State aid related to wages and salaries	2 051
<b>Celkom</b>	<b>2 072</b>

As at 31 October 2020, the amount of other liabilities contains also EUR 794 thousand liabilities related to social security (as at 31 October 2019: EUR 655 thousand) and assigned receivables in the amount of EUR 1,284 thousand.

**The creation and drawing from the social fund** during the accounting period are presented in the table below:

<i>in TEUR</i>	31.10.2020	31.10.2019
Balance as at 1.11.2019 / 1.11.2018	25	92
Creation of social fund against expenses	109	138
Drawing	-116	-205
<b>Balance as at 31.10.2020 / 31.10.2019</b>	<b>18</b>	<b>25</b>

**35. Provisions**

<i>in TEUR</i>	Unused vacations	Other	Total
Opening balance as at 1.11.2019	460	24	484
Creation of provisions during the year	369	-	369
Reversal of provisions during the year	-	-	-
Use of provisions during the year	-464	-	-464
<b>Balance as at 31.10.2020</b>	<b>365</b>	<b>24</b>	<b>389</b>
		<b>31.10.2020</b>	<b>31.10.2019</b>
<i>Short-term</i>		369	460
<i>Long-term</i>		20	24
<b>Total</b>		<b>389</b>	<b>484</b>

**36. Bonds Issued**

During the accounting period 2014, the Company issued two bond issues in the total nominal value of EUR 180,000 thousand, which, starting from 19 February 2014, are admitted to trading on the Bratislava Stock Exchange. On 10 October 2018, the Company issued the third bond issue in a total value of EUR 90,000 thousand. During December 2018 the bonds from the first issue were repaid in the total amount of EUR 70,000 thousand. Details on particular bonds are presented in the table below.

<i>in TEUR</i>	ISIN	Date of issue	Maturity date	CCY of the issue	Face value of the issue in the initial currency in '000	Interes t rate p.a. in %	Effectiv e interest rate p.a. in %	Carrying value as of 31.10.202 0	Carrying value as of 31.10.201 9
<b>Name</b>									
TMR I 4,50%/2018	SK41200 09606	17.12.2013	17.12.2018	EUR	70 000	4.5		-	-
TMR II 6,00%/2021	SK41200 09614	5.2.2014	5.2.2021	EUR	110 000	6.0	6.17	114 821	113 922
TMR III 4,40%/2024	SK41200 14598	10.10.2018	10.10.2024	EUR	90 000	4.4	4.94	88 423	88 102
<b>Total</b>								<b>203 244</b>	<b>202 024</b>
<i>Short-term</i>								115 052	5 089
<i>Long-term</i>								88 192	196 935
<b>Total</b>								<b>203 244</b>	<b>202 024</b>

All three bonds represent a book-entry security in bearer form, and their issue was approved by the National Bank of Slovakia. The liability resulting from the bond TMR II is subordinated to the liability from the bond TMR I. The Company account was credited with financial resources from both of the bonds on 11 February 2014 in the total amount of EUR 180,582 thousand, including the accrued interest income from the bond TMR I in the amount of EUR 582 thousand. Cash from TMR III bond was credited to the Company's account during the month October 2018 in a total value of EUR 60,000 thousand. The rest of the cash funds from the bond TMR III bond in the total amount of EUR 30,000 thousand was credited to the Company's account between November 2018 and December 2018.

During the accounting period of 2018, the Company purchased its own TMR I bonds in a total volume of EUR 5,000 thousand. On 17 December 2018 the bonds TMR I from the first issue were repaid in the total amount of EUR 70,000 thousand.

Covenants – issue of TMR II - The Company has committed to achieve the value of the Senior DEBT financial indicator (excluding the TMR II bonds)/EBITDA at the level of max. 6.5 and the value of the DSCR financial indicator (including the set-off of cost against the payment of coupons from the TMR II bonds) at the level of min.1.00.

Covenants - issue of TMR III - The Company has committed that, until all of its monetary obligations under the Bonds have been met, the Net Senior Debt to Modified EBITDA (Leverage) ratio will not exceed 8. The Company has also committed to the LTV ratio, this indicator may not be higher than 70%.

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

Out of the total value of liability of EUR 203,244 thousand (as at 31 October 2019: EUR 202,024 thousand), a short-term portion amounts to EUR 114,821 thousand (as at 31 October 2019: EUR 113,922 thousand), which represents a liability from coupon due due in the period of 12 months after 31 October 2020 and liability from the emission of TMR II due 5 February 2021.

**Security**

A right of lien for the issued TMR III bonds on the real estate, movable assets and part of receivables, in total amount of EUR 106,314 thousand (as at 31 October 2019: EUR 524 thousand). It is property that is not used as a security for other Company liabilities.

**37. Data on Fair Value**

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

<i>in TEUR</i>		Carrying value		Fair value	
		31.10.2020	31.10.2019	31.10.2020	31.10.2019
<b>Financial assets</b>					
Loans provided	23	98 146	112 753	97 196	111 963
<b>Total</b>		<b>98 146</b>	<b>112 753</b>	<b>97 196</b>	<b>111 963</b>
<i>in TEUR</i>		Carrying value		Fair value	
		31.10.2020	31.10.2019	31.10.2020	31.10.2019
<b>Financial obligations</b>					
Bonds issued	36	203 244	202 024	203 031	213 520
<b>Total</b>		<b>203 244</b>	<b>202 024</b>	<b>203 031</b>	<b>213 520</b>

The table does not present financial instruments for which the carrying amount is considered to be an approximation of fair value.



**38. Changes in Liabilities Arising from Financial Activities**

*in TEUR*

	1. november 2019	Cash flows	Reclassified as part of disposal group	Acquisition of subsidiary	Changes in fair value	Other	31 October 2020
Loans and borrowings	111 657	-364	-	-	-	-11 750	99 543
Lease liabilities	-	-5 017	-	-	-	40 663	35 646
Bonds issued	202 024	-10 560	-	-	-	11 780	203 244
<b>Total liabilities from financing activities</b>	<b>313 681</b>	<b>-15 941</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40 693</b>	<b>338 433</b>

In case of leases the category Other represents increase due to implementation of IFRS 16.

*in TEUR*

	1. november 2018	Cash flows	Reclassified as part of disposal group	Acquisition of subsidiary	Changes in fair value	Other	31 October 2019
Loans and borrowings	86 422	22 749	-	-	-	2 486	111 657
Bonds issued	238 417	-35 000	-	-	-	-1 393	202 024
<b>Total liabilities from financing activities</b>	<b>324 839</b>	<b>-12 251</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 093</b>	<b>313 681</b>

**39. Information on Risk Management**

This section provides details of risks to which the Company is exposed, and the method of management of the risks.

The Company is exposed risks in the following areas:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

The management is generally responsible for setting and control of Company risk management.

**Credit Risk**

The Company is exposed to this risk mainly with respect to trade receivables, lease receivables, other receivables, advance payments and loans provided. The volume of exposure to this risk is expressed as the book value of these assets in the balance sheet in case that no form of guarantees is provided. The book value of receivables, advance payments and loans provided expresses the highest possible book loss that would have been posted if the counterpart completely fails in performing its contractual obligations, and all securities and guarantees would have a zero value. Therefore, this value far exceeds the expected losses which are included in the provisions for irrecoverable debts. Before signing major contracts the Company board at regular board meetings evaluates credit risk related to counterpart. In case of identifying significant risks, the Company withdraws from signing the contract.

**Loans provided**

The Company assigns a degree of credit risk to loans provided on the basis of data that is expected to predict credit risk (including but not limited to external ratings, financial statements, management accounts and cash flow projections and available counterparty press releases), potential days past due and applying experienced credit judgment.

The grades of credit risk are defined by qualitative and quantitative factors that indicate the risk of default and are consistent with external credit rating definitions from credit rating agencies such as Moody's and Standard & Poors. The probability of default is then assigned based on historical data collected by these agencies.

The default loss (LGD) parameters generally reflect an expected rate of return of 40%, except when the loan is reduced by a loan.

Probability of default (PD)	Loss Given Default (LGD)	Carrying amount	Impairment allowance (ECL)
1.99% - 7.74%	40%	124,198	-26,052

**Sensitivity analysis**

If the borrower's credit quality has changed, the probability of default would also change. If PD increased by 10%, ECL would increase by EUR 2,605 thousand. If PD decreased by 10%, ECL would decrease by EUR 2,605 thousand.

The Company also takes into account the differences between the economic conditions during the period in which the historical data were collected, the current conditions and the Company's view of the economic conditions over the expected life of the loan.

As at 31 October 2020, the Company was exposed to the following credit risk:

*in TEUR*

	Legal entities	Banks	Other financial institutions	Other	Total
<b>Financial assets</b>					
Loans provided	98 009	-	-	137	98 146
Other receivables	-	-	-	-	-
Trade receivables	2 155	-	-	-	2 155
Cash and cash equivalents	-	4 358	-	12	4 370
Other Assets	12 574	-	30	572	13 176
<b>Total</b>	<b>112 738</b>	<b>4 358</b>	<b>30</b>	<b>721</b>	<b>117 847</b>

As at 31 October 2019, the Company was exposed to the following credit risk:

*in TEUR*

	Legal entities	Banks	Other financial institutions	Other	Total
<b>Financial assets</b>					
Loans provided	118 264	-	-	140	118 404
Other receivables	26 014	219	-	-	26 233
Trade receivables	4 872	-	-	-	4 872
Cash and cash equivalents	-	10 268	-	12	10 280
Other Assets	10 347	-	24	491	10 862
<b>Total</b>	<b>159 497</b>	<b>10 487</b>	<b>24</b>	<b>643</b>	<b>170 651</b>

**Liquidity Risk**

Liquidity risks arise within general financing of the Company and management of financial positions. It covers the risk of insolvency regarding the financing of assets within the agreed maturity period and at the interest rate, and also the risk of asset management at a reasonable price within an adequate timeframe. The Company management focuses on liquidity management and monitoring. Due to liquidity management, the management changed the accounting period to a fiscal year ended on 31 October. In the first half of its accounting period, the Company has a winter season, which represents 60% of Company's income. According to the trend in the first half-year, the Company can affect the side of revenues and expenses sufficiently early, so that they are able to keep sufficient liquidity for Company's operation. In the Vysoké Tatry centre, the seasonal nature is also balanced with a strong summer season, which ensures its more stable liquidity all year round.

The liquidity risk associated with the COVID-19 pandemic is described in Note 2 (b) Basis of preparation. The following table presents an analysis of Company financial assets and liabilities grouped by the residual maturity. The analysis presents the most prudent variant of residual maturity including interest, based on contracted terms. Therefore, for liabilities, the earliest possible repayment is reported, and for assets, the latest possible repayment is reported. Assets and liabilities which have no maturity are posted in the category "Without specification".

As at 31 October 2020, the Company was exposed to the following liquidity risk:

<i>in TEUR</i>	Carrying value	Future cash flow	Up to 3 months	3 months up to 1 year	1 year up to 5 years	Above 5 years	Without specification
<b>Financial assets</b>							
Loans provided	98 146	125 888	117 082	1 084	404	7 318	-
Other receivables	-	-	-	-	-	-	-
Trade receivables	2 155	2 172	2 172	-	-	-	-
Cash and cash equivalents	4 370	4 372	4 372	-	-	-	-
Other assets	13 176	15 612	7 521	2 555	1 044	4 492	-
<b>Total</b>	<b>117 847</b>	<b>148 044</b>	<b>131 147</b>	<b>3 639</b>	<b>1 448</b>	<b>11 810</b>	<b>-</b>
<b>Financial obligations</b>							
Loans and borrowings	-99 543	-110 597	-1 619	-16 626	-80 657	-11 695	-
Lease liabilities	-35 646	-51 428	-1 006	-8 125	-12 661	-29 636	-
Bonds issued	-203 244	-222 440	-	-120 560	-101 880	-	-
Trade payables	-5 720	-5 720	-5 720	-	-	-	-
Other liabilities	-4 017	-4 017	-1 376	-40	-2 601	-	-
<b>Total</b>	<b>-348 170</b>	<b>-394 202</b>	<b>-9 721</b>	<b>-145 351</b>	<b>-197 799</b>	<b>-41 331</b>	<b>-</b>

As at 31 October 2020 the loans provided up to 1 year amount to EUR 118,166 thousand (as at 31 October 2019: EUR 112,786 thousand), a majority of which is payable on demand or by the end of October 2021. These loans will not be paid within 1 year. The Company plans to require the repayment of these financial resource based on the needs for the purposes of financing the investment activity and acquisition. The expected drawdown of the loan provided is within 3 years.

As stated in Note 30 - Loans and Borrowings, as at 31 October 2020, the Company did not meet the financial and other conditions relating to certain loans, and therefore the long-term portion of the loan with a book value of EUR 26,735 thousand was reclassified to short-term. At the end of the year, the Company received confirmations from bank that it will not require early repayment of the loans ("covenant waiver"). As the confirmation from the banks took place after 31 October 2020, these loans are classified as short-term at the balance sheet date. The liquidity risk analysis takes into account future cash flows based on contractual terms according to the repayment schedule.

The Company's management plans to repay the issued bonds by issuing new bonds. For more information on newly drawn loans and bonds subscribed after the date on which the financial statements are prepared, see Note 41 – Subsequent events.

As at 31 October 2019, the Company was exposed to the following liquidity risk:

<i>in TEUR</i>	Carrying value	Future cash flow	Up to 3 months	3 months up to 1 year	1 year up to 5 years	Above 5 years	Without specification
<b>Financial assets</b>							
Loans provided	112 753	118 517	111 665	1 121	160	5 458	113
Other receivables	26 233	219	-	219	-	-	-
Trade receivables	4 872	4 887	4 887	-	-	-	-
Cash and cash equivalents	10 280	10 273	10 273	-	-	-	-
Other assets	10 766	10 862	10 862	-	-	-	-
<b>Total</b>	<b>164 904</b>	<b>144 758</b>	<b>137 687</b>	<b>1 340</b>	<b>160</b>	<b>5 458</b>	<b>113</b>
<b>Financial obligations</b>							
Loans and borrowings	-111 657	-111 636	-1 358	-8 779	-87 986	-13 513	-
Bonds issued	-202 024	-233 000	-	-10 560	-132 440	-90 000	-
Trade payables	-6 465	-6 465	-6 465	-	-	-	-
Other liabilities	-15 057	-15 057	-15 057	-	-	-	-
Corporate income tax liability	-860	-860	-860	-	-	-	-
<b>Total</b>	<b>-336 063</b>	<b>-367 018</b>	<b>-23 740</b>	<b>-19 339</b>	<b>-220 426</b>	<b>-103 513</b>	<b>-</b>

The book value of Other receivables contains mainly advance payments made, which are not expected to be paid in cash, but by a transfer of shares.

**Currency Risk**

Due to the acquisition of subsidiaries in Poland and in the Czech Republic and due to providing loans to and receiving loans from these companies during 2019 and 2020, the Company is primarily exposed to the risk of changes in the exchange rate of Polish Zloty and Czech Crown against the EUR. The management monitors regularly whether there is a large difference between foreign currency liabilities and receivables. As at 31 October 2020, the Company reported an investment in the subsidiary in the amount of EUR 7,191 thousand, and loans provided in Polish Zloty were in amount of EUR 31,624 thousand and in Czech Crown were in amount of EUR 232 thousand, and loans provided in Czech Crown were in amount of EUR 5,519 thousand.

Since the Company drawn a loan from its subsidiary in Czech Republic, denominated in Czech Crown, the open position on the currency risk at the Czech Crown has significantly opened. The Company decided to hedge its currency position against fluctuations in the Czech Crown for this particular debt instrument. For more information, see Note 33 - Hedge Accounting.

The other Company assets and liabilities are denominated in euro.

Secondarily, there is a risk that the weakening of the Czech Crown, Polish Zloty or of the Russian Ruble against the EUR would lead to reducing the number of visitors from the above stated countries.

**Sensitivity analysis**

1% strengthening of the EUR against the Polish Zloty would have the following effect on the financial assets and financial liabilities of the Company:

<i>in TEUR</i>	2020	2019
PLN	-381	-333

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

**Interest Risk**

Company transactions are exposed to the risk of interest rate changes. The volume of this risk is equal to the amount of interest-bearing assets and interest-bearing liabilities, for which the interest rate differs, in the maturity period or in the period of change, from the present interest rate. Therefore, the period for which a fixed interest rate is determined for the financial instrument, expresses the exposure to the risk of changes in interest rates to which the Company is exposed. The table below presents Company exposure to the risk of changes in interest rates based on contractual maturity period of financial instruments.

As at 31 October 2020 and as at 31 October 2019, the Company has the following assets and liabilities linked to interest rates:

<i>in TEUR</i>	31.10.2020	31.10.2019
<b>Fixed interest rate</b>		
Assets	117 847	127 318
Payables	-311 419	-279 647
<b>Variable interest rate</b>		
Assets	-	-
Payables	-36 751	-37 418

**Sensitivity analysis for instruments with a variable interest rate**

Change by 100 basis points in interest rates would have the following effect on the profit/loss from operations and cash flow sensitivity:

<i>in TEUR</i>	Profit (Loss)	
	100 bb growth	100 bb decline
<b>31 October 2020</b>		
Instruments with variable interest rate	368	-
Effect	<b>368</b>	<b>-</b>
<i>in TEUR</i>		
<b>31 October 2019</b>		
Instruments with variable interest rate	-374	374
Effect	<b>-374</b>	<b>374</b>

Company interest-bearing liabilities have a variable interest rate referring to EURIBOR. The Company considers the variable interest rate as the self-management of interest risk. During an economic expansion, the EURIBOR is growing, but at the same time, the population economic performance is growing, and the company has higher revenues and profits. During an economic recession, the situation is completely opposite.

At present, when EURIBOR is a negative value, the variable interest component of the total interest rate does not affect the economic result and cash flow sensitivity, as according to the loan agreements the value of EURIBOR is then taken at the level of 0%.

**Operational Risk**

Operational risk is the risk of loss resulting from any fraud, unauthorised activities, failures, errors, inefficiency or failure of systems. The risk is created in all Company activities. Operational risk also includes the risk of legal disputes.

The aim of the Company is to manage the operational risk to prevent any financial losses and detriment to the Company reputation within the cost-efficiency of cost spent on achieving this objective, while avoiding any measures preventing initiatives and creativity.

The Company management has key responsibility for the implementation of inspections related to the operational risk management. The responsibility is supported by the implementation of standards for the management of operational risk which is common for the whole Company. Operational risk is governed by a system of directives, minutes of meetings and control mechanisms. The Company has a controlling department which attempts to eliminate all operational risks through regular inspections.

The Company is also exposed to the risk of unfavourable conditions with respect to the weather. The number of visitors in the centre depends on the snow and snowfall periods. Unfavourable conditions adversely affect the number of skiers and the revenue of profit/loss from operations. Warm weather can unreasonably increase the cost of snowmaking and reduce the area where skiing is possible. Historically, the Low Tatras and the High Tatras region had on average 80 cm and 85 cm of snow during the winter season, respectively. The start of winter season and snow conditions affect the perception of the whole season by skiers. The Company is not able to forecast reliably in any manner the snow conditions at the beginning of winter season. Also thanks to the system of snowmaking, the snow conditions during the winter are stable each year.



**40. Related Parties****Identification of related parties**

As provided in the following overview, the Company has relations of a related party with respect to its shareholders having significant influence in the Company, and with respect to other parties, as at 31 October 2020 and 31 October 2019 or during the period between 1 November 2019 and 31 October 2020 and 1 November 2018 and 31 October 2019:

- (1) Companies controlling jointly or having significant influence on the accounting entity and its subsidiary and associate companies
- (2) Jointly controlled companies in which the Company is a partner
- (3) Associates
- (4) The members of company top management or Company shareholders (see also Note 10 – Personnel Expenses)

Information on remuneration of key management is stated in Note 10 – Personnel Expenses. All transactions with related parties, including transactions with Key management, were realized based on conditions, which are ordinary (or expected) for non-related parties transactions realized on the market. None of the related parties was privileged in any kind of transactions. The Company has the transactions provided below with respect to related parties:

<i>in TEUR</i>	Note:	Receivables		Payables	
		31.10.2020	31.10.2020	31.10.2019	31.10.2019
Szczyrkowski Osrodek Narciarski S.A.	1	36 663	-	31 906	-
Ślaskie Wesole Miasteczko Sp. z o. o.	2	20 256	3 762	20 737	3 570
TMR Ještěd a.s.	3	3 188	5	2 344	-
Tatry mountain resorts CR, a.s.	4	2 398	1	2 319	1
Tatry mountain resorts PL, a.s.	5	38 432	-	34 290	-
Mölltaler Gletscherbahnen GmbH & Co KG	6	8 447	94	5 066	116
Mölltaler Gletscherbahnen GmbH	7	2	-	1	-
Grundstücksverwertungs-GmbH Flattach	8	2	-	1	-
TMR Finance CR, a.s.	9	9	54 891	-	58 773
Ostravice Hotel a.s.	10	88	-	-	-
MELIDA, a.s.	11	804	-	-	-
I. Tatranská, akciová spoločnosť	12	14 655	1 284	-	-
TIKAR d.o.o.	13	2 719	-	-	-
Korona Ziemi sp.z o.o.	14	1 230	-	-	-
Key management		947	341	68	-

<i>in TEUR</i>	Note:	Revenues		Costs	
		1.11.2019- 31.10.2020	1.11.2019 - 31.10.2020	1.11.2018 - 31.10.2019	1.11.2018- 31.10.2019
Szczyrkowski Osrodek Narciarski S.A.	1	2 734	14	2 387	14
Ślaskie Wesole Miasteczko Sp. z o. o.	2	1 211	193	1 403	218
TMR Ještěd a.s.	3	287	24	241	-
Tatry mountain resorts CR, a.s.	4	218	4	150	8
Tatry mountain resorts PL, a.s.	5	1 924	-	1 720	-
Mölltaler Gletscherbahnen GmbH & Co KG	6	118	-	108	13
Mölltaler Gletscherbahnen GmbH	7	391	-	1	-
Grundstücksverwertungs-GmbH Flattach	8	2	-	1	-
TMR Finance CR, a.s.	9	-	2 471	-	2 276
Ostravice Hotel a.s.	10	-	-	-	-
MELIDA, a.s.	11	-	-	-	-
I. Tatranská, akciová spoločnosť	12	337	7	-	-
TIKAR d.o.o.	13	71	-	-	-
Korona Ziemi sp.z o.o.	14	31	-	-	-
Key management		595	1 251	-	-

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

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

<sup>3</sup> TMR Ještěd a.s. became a related party on 5 May 2017.

<sup>4</sup> Tatry mountain resorts CR, a.s. became a related party on 16 February 2018.

<sup>5</sup> Tatry mountain resorts PL, a.s. became a related party on 30 September 2017.

<sup>6</sup> Mölltaler Gletscherbahnen GmbH & Co KG became a related party on 1 May 2019.

<sup>7</sup> Mölltaler Gletscherbahnen GmbH became a related party on 1 May 2019.

<sup>8</sup> Grundstücksverwertungs-GmbH Flattach became a related party on 1 May 2019.

<sup>9</sup> TMR Finance CR, a.s. became a related party on 14 September 2018.

<sup>10</sup> OSTRAVICE HOTEL a.s. became a related party on 31 December 2018.

<sup>11</sup> MELIDA, a.s. became a related party on 15 December 2019.

<sup>12</sup> I. Tatranská, akciová spoločnosť became a related party on 31 May 2020.

<sup>13</sup> TIKAR d.o.o. became a related party on 31 May 2020.

<sup>14</sup> Korona Ziemi sp. Z.o.o. became a related party on 31 May 2020.

**41. Subsequent Events**

On 1 November 2020, the Company merged with the company I.Tatranská, akciová spoločnosť on the basis of the draft Merger Agreement. The successor company after this date is the Company.

On 15 December 2020, the Company entered into the Agreement on transfer of business shares with the Austrian company, which owns a smaller ski resort. The subject of the purchase / acquisition is the acquisition of 100% of the business shares of this company. The Agreement, by which the shares will be transferred, is still subject to the fulfillment of certain conditions, which have not yet been fulfilled and it is therefore not yet certain whether the acquisition will take place.

On 5 December 2020, the Company started the ski season, which lasted until 31 December 2020, when the Government of the Slovak Republic decided to close all ski resorts including hotels and gastronomic establishments. This situation continues until the financial statements are issued.

As a result of the continuing unfavorable pandemic situation, the Company's Board of Directors had to undertake a radical cost saving, which resulted in the announcement of mass redundancies, which the Company announced to the authorities on 25 January 2021.

During February 2021, the Company issued new TMR V bonds with a total value of up to EUR 150 million, at an interest rate of 6% p.a. and maturity in 2026. On 2 February 2021, bonds worth EUR 5 million were sold. On 4 February 2021, bonds worth EUR 90 million were sold. On 5 February 2021, bonds worth EUR 15 million were sold.

In February 2021, the Company drew an operating loan from J&T Bank in the amount of EUR 20 million.

Information related to the coronavirus and the declaration of a global pandemic is provided in Note 2 (b).

**42. Capital Commitments and Capital Management**

During 2014, the Company issued two bond issues (see Note 36 – Bonds issued) in the total nominal value of EUR 180,000 thousand, which, starting from 19 February 2014, are admitted to trading on the Bratislava Stock Exchange.

On 10 October 2018, the company issued the third bond issue TMR III in the nominal value of EUR 90,000 thousand. Interest income on the TMR III bond will be paid for each income period on a semi-annual basis, on 10 October and 10 April each year, starting on 10 April 2019. The TMR III bond has maturity on 10 October 2024.

Further information on issued bonds and related covenants is provided in Note 36 – Bonds Issued.

The Company management manages capital in order to ensure sufficient amount of resources for planned investments in that period for which investments are planned, if necessary in cooperation with bank loans.

No external requirements for capital management are linked either to the Company or to its subsidiaries.

Over the course of the period between 1 November 2019 and 31 October 2020, no changes occurred in the Company's management approach to capital management.

**43. Contingent Assets and Contingent Liabilities**

With respect to that many areas of Slovak law on taxation have not been sufficiently ascertained in practice, there is uncertainty in how tax offices will apply them. It is not possible to quantify the level of this uncertainty and it will only cease to exist when legal precedents or official interpretations of the relevant bodies are available.

The Company has initiated several legal proceedings. The maximum amount of compensation in all legal proceedings can be up to EUR 274 thousand and accessions thereof.



.....  
Igor Rattaj  
*The Chairman of the  
Board of Directors*



.....  
Jozef Hodek  
*Member of the  
Board of Directors*



.....  
Marián Vojtko  
*Person responsible for  
bookkeeping*

## Independent Auditor's Report



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Translation of the Auditors' Report originally prepared in Slovak language

### Independent Auditors' Report

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

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

##### Opinion

We have audited the separate financial statements of Tatry mountain resorts, a.s. ("the Company"), which comprise the separate statement of financial position as at 31 October 2020, separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 October 2020, and of its unconsolidated financial performance and unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

##### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section. We are independent of the Company in accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit") including the Code of Ethics for an Auditor that are relevant to our audit of the separate financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key Audit Matters

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

## Independent Auditor's Report



#### Going concern considerations related to COVID-19

As at 31 October 2020, the Company's current liabilities exceeded its current assets by EUR 64,196 thousand and it recognized loss in amount of EUR 17,934 thousand for the year then ended.

Refer to Notes 2b) (Basis for preparation) of the separate financial statements.

#### Key audit matter:

The Company's financial statements are prepared on a going concern basis.

As discussed in Note 2b), the outbreak of the COVID-19 pandemic and the measures adopted by the government of Slovak republic to mitigate the pandemic's spread have significantly impacted the Company. These measures have negatively impacted the Company's financial performance for the year and also its liquidity position. Also, significant uncertainty remains over how the outbreak will impact the Company's business in future periods and customer demand for its services.

The Company's going concern assessment was based on cash flow forecasts, which in the management's view support the assertion that the Company will have sufficient resources to continue for a period of at least 12 months from the reporting date. The preparation of these forecasts incorporated a number of assumptions and significant judgment under a number of scenarios, including those considered by the management to be severe but plausible, such as duration of government COVID-19 measures and access to additional financing. As part of the assessment, the Company also considered a number of actions aimed at alleviating the potential disruption to its business and liquidity position, such as access to additional financing and deferment of capital expenditure.

#### Our response:

Our audit procedures in the area included, among others:

- Understanding the Company's business planning process over the assessment of the Company's ability to continue as a going concern;
- Inspecting the management's assessment of the going concern basis of accounting, including their evaluation of the business/operating and liquidity risks arising from the COVID-19 outbreak, and plans for further actions in response to the risks identified. As part of the procedure we also made corroborating inquiries of the Company's CFO;
- Independently evaluating the reasonableness and feasibility of the plans for future actions in order to alleviate the effects of the outbreak, by reference to the preceding procedure as well as by performing the following:
  - Challenging the key assumptions used in the determination of the forecast financial information under various scenarios. This primarily included challenging the assumed lockdown period, forecast sales and capital expenditure, based on our understanding of the Company's activities and by reference to publicly available industry/market reports;



## Independent Auditor's Report



The management concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Note 2b) further explains how the judgment was formed.

The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of the separate financial statements its effects are subject to significant levels of uncertainty. The Company's use of the going concern basis of accounting is a key audit matter due to the associated extent of uncertainty, and consequently, high level of judgment required in evaluating the management's plans for future actions and their financial impact.

- Performing an analysis of the going concern conclusion's sensitivity to changes in the aforementioned key assumptions adopted in the going concern assessment, and considering whether there were any indicators of management bias in the assessment;
- Assessing the availability of banking and other financing facilities and arrangements, by inspecting underlying documentation, such as banking facility agreements signed and prospectus approved by regulators related to issue of bonds before and after the reporting period end, and assessing the impact of any covenants and other restrictive terms therein;
- Considering whether any additional relevant facts or information have become available since the date on which the Company made its assessment;
- Evaluating the appropriateness of Company's disclosures in respect of the going concern assessment, subsequent events and any related uncertainties in the separate financial statements against the requirements of the financial reporting standards.

## Independent Auditor's Report



#### Impact of adopting International Financial Reporting Standard (IFRS) 16 Leases

As at 31 October 2020, the Company had recognized right of use assets in amount of EUR 33,157 thousand and lease liabilities in amount of EUR 35,646 thousand.

Refer to Notes 2e), 2f) and 2g) (Summary of significant accounting policies) and Note 16 (Right of use assets) and Note 31 (Lease liabilities) of the separate financial statements.

#### Key audit matter:

The Company adopted IFRS 16 Leases from 1 November 2019. The standard introduces a new lease accounting model, where lessees are required to recognize a right-of-use (ROU) asset and a lease liability arising from a lease in their statement of financial position.

As discussed in Note 2e) of the separate financial statements, the Company applied IFRS 16 initially using the modified retrospective approach. Therefore, the cumulative effects of adopting the Standard have been recognized as an adjustment to the opening balance of retained earnings at 1 November 2019, with no restatement of comparative information, and with certain exemptions and practical expedients applied (such as those in respect of: (i) short-term and low-value leases and (ii) applying a single discount rate to a portfolio of leases with similar characteristics). As also indicated in Note 2e), the Company chose not to apply IFRS 16 to contracts previously identified as not containing leases in accordance with the legacy lease standards and interpretations.

As a result, as at 1 November 2019, the Company recognized ROU asset of EUR 36,642 thousand and lease liabilities of EUR 39,080.

#### Our response:

Our audit procedures in the area included, among other things, the following:

At transition date and for subsequent accounting:

- Through inquiries of relevant finance personnel and reading of the Company's internally prepared accounting memoranda and policies, obtaining an understanding of the Company's process for identifying leases and evaluating design and implementation of key related controls.
- Assessing whether leases have been appropriately identified by the Company, by reference to our audit documentation for prior year, through inquiries of relevant finance personnel and by inspecting relevant documentation. The procedure also involved examining the operating expenses, prepayments or accruals and evaluating whether they might be representative of a payment for the right to use of the identified asset.
- For the recognition exemptions and practical expedients applied, assessing, as appropriate and by reference to the relevant documents (including underlying lease contracts), that the Standard's conditions and requirements for the application of the exemptions and practical expedients were met.
- Identifying leases for which a portfolio approach has been applied. For selected

## Independent Auditor's Report



Significant judgement is required in identifying lease arrangements and in making assumptions and estimates in order to determine the ROU asset and the lease liability, in particular in relation to the assessment of the lease term, lease payments and discount rates, or characteristics of leases accounted for on a portfolio basis. Evaluating lease modifications introduces another element of complexity in the accounting for leases under the new Standard.

Due to the above factors, accounting for leases, including the transition adjustments arising from applying IFRS 16, is inherently complex, and requires management to exercise significant judgment regarding material amounts in the separate financial statements. It therefore required our increased attention in the audit and as such was considered by us to be a key audit matter.

portfolios, challenging the appropriateness of applying the portfolio approach through (i) inquires of relevant finance personnel, (ii) inspecting the Company's qualitative assessment and examining whether the leases have similar characteristics.

- Obtaining the Company's transition-date measurement of the ROU asset and lease liabilities as well as detailed schedules reconciling these opening amounts to the closing amounts at the year-end ("roll-forward schedules").
- Selecting a sample of leases at transition date and a sample of new lease contracts entered into during the year, assessing key terms and conditions (including lease term, lease payments (fixed and variable), any obligation to dismantle and restore leased asset) by reference to the underlying lease contracts, and also challenging the calculation of the discount rates applied.

*For the leases selected in the preceding procedure, by reference to the contract terms and discount rates assessed in the preceding procedure:*

- Developing an estimate of the lease liability to evaluate the Company's estimate, and examining whether the estimates are consistent with the Company's estimate;
- Re-performing the determination of the cost of the ROU asset, including, where relevant, examining whether the initial measurement of the lease liability used in the calculation of the ROU asset agrees to the lease liability recorded at lease commencement and tracing prepaid lease payments, lease incentives and initial direct costs to relevant documentation;

## Independent Auditor's Report



- Inquiring of relevant finance personnel as to the reasons for any inconsistencies with the Company's estimates.

*For leases which required remeasurement of the related liability during the year:*

- Making inquiries of relevant finance personnel regarding presence of conditions requiring reassessment of lease liabilities and evaluating whether the triggering events were identified in the correct period.
- Inspecting board minutes and correspondence with lessors for evidence of adjustments.
- Assessing whether re-measurement should have been recorded related to the new triggering events and if so, developing an independent estimate of the remeasured lease liability and, where applicable, the ROU asset, reflecting the revised lease terms.
- Challenging the appropriateness of the Company's assessment of the ROU assets for impairment, with particular attention paid to the identification of impairment indicators, grouping within appropriate cash-generating units and determination of the discount rates.
- Examining whether the Company's disclosures in the separate financial statements, as the lessee, appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.



#### Impairment of loans provided

As at 31 October 2020, the carrying amount of loans provided (long term and short term): EUR 98,146 thousand; related impairment allowance: EUR 26,052 thousand; impairment loss for the year then ended: EUR 20,554 thousand (as at 31 October 2019 and for the year then ended: EUR 112,753 thousand, EUR 5,651 thousand and EUR 3,976 thousand, respectively)

Refer to Notes 2i) (Summary of significant accounting policies) and Note 23 (Loans provided) of the separate financial statements.

#### Key audit matter:

As at 31 October 2020, loans provided are represented primarily by uncollateralized loans to related companies totalling EUR 123,038 thousand.

Loans provided are assessed by the Company for impairment as at each reporting date, both at an individual asset and collective basis. Management measures the loss allowance at an amount equal to expected credit losses (ECLs) being a probability weighted estimate of credit losses. Credit losses are measured as the present value of an expected cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that it expects to receive). The estimate takes into account, among other things, repayment history and past credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For collectively assessed exposures, the Company uses statistical models with parameters such as the probability of default (PD) and loss given default (LGD) using historical data, as adjusted for appropriate forward-looking information.

#### Our response:

Our audit procedures in the area, performed where applicable, with the assistance from our own financial instruments and valuation specialists, included:

- Updating understanding of and assessing the design and implementation of key internal controls over the credit control, the loans collection process and making loss allowances for loans provided;
- Assessment of the appropriateness of the Company's impairment methodology against the relevant financial reporting requirements;
- Evaluating whether the Company's estimates of expected credit losses appropriately consider both current economic conditions and forward-looking information;
- Evaluating whether in its loan staging and ECL measurement the Company appropriately considered the effects of the market disruption resulting from the COVID-19 pandemic.
- Assessment of the accuracy and completeness of the Company's ECL estimates at 31 October 2020 including:



We identified impairment of loans provided as a key audit matter because these assets are material to the Company and due to the fact that estimating ECLs is inherently subjective and requires the exercise of significant management judgment including due to significantly higher estimation uncertainty stemming from the business disruption impact of the COVID-19 global pandemic.

For loans assessed individually, for a risk-based sample of debtors:

- Inspecting the debtors' most recent financial statements, credit terms and historical repayment patterns, and making corroborating inquiries of the Company's CFO and relevant finance personnel, to obtain understanding of any credit/repayment uncertainties, significant increase in credit risk or default;
- Inspecting supporting documents in relation to cash receipts from debtors subsequent to the end of the reporting period;
- Considering the outcome of the above procedures, critically assessing the Company's estimate of the expected cash flows from each loan and other receivable in the sample, also assessing the appropriateness of the discount rate used.

For collective impairment assessment:

- Assessing the key collective impairment model parameters, such as the PD and LGD, and the effects thereof on the model, by reference to the Company's own historical credit loss experience, our understanding of the business, current economic trends and expectations, and market practices;
- Performing a retrospective assessment of the historical accuracy of the management's impairment assumptions and estimates, including estimated loss rates, against actual outcomes;
- Evaluating whether the disclosures in the financial statements in respect of the expected credit losses for the loans and other receivables satisfy the requirements of the relevant financial reporting standards.





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

The statutory body is responsible for the preparation of the separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the statutory body determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.



- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



### Report on Other Legal and Regulatory Requirements

#### Reporting on other information in the Annual Report

The statutory body is responsible for the other information. The other information comprises the information included in the Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting") but does not include the separate financial statements and our auditors' report thereon. Our opinion on the separate financial statements does not cover the other information in the Annual Report.

In connection with our audit of the separate financial statements, our responsibility is to read the other information in the Annual Report that we have obtained prior to the date of the auditors' report on the audit of the separate financial statements, and, in doing so, consider whether the other information is materially inconsistent with the audited separate financial statements or our knowledge obtained in the audit of the separate financial statements, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

The Annual Report was not available to us as of the date of this auditors' report on the audit of the individual financial statements.

When we obtain the Annual Report of the Company, based on the work undertaken in the course of the audit of the individual financial statements we will express an opinion as to whether, in all material respects:

- the other information given in the Annual Report for the year ended 31 October 2020 is consistent with the separate financial statements prepared for the same financial year; and
- the Annual Report contains information required by the Act on Accounting.

In addition to this, in light of the knowledge of the Company and its environment obtained in the course of the audit of the separate financial statements, we are required by the Act on Accounting to report if we have identified material misstatements in the other information in the Annual Report. We have nothing to report in this respect.



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

#### Appointment and approval of an auditor

We have been appointed as a statutory auditor by the statutory body of the Company 15 November 2019 on the basis of approval by the General Meeting of the Company 13 May 2020. The period of our total uninterrupted engagement, including previous renewals (extensions of the period for which we were originally appointed) and reappointments as statutory auditors, is twelve years.

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

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

#### Non-audit services

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

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

26 February 2021  
Bratislava, Slovak Republic

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



Responsible auditor:  
Martin Kršjak  
License UDVA No. 990

This is a translation of the original Slovak Auditors' Report into English language. The separate statement of financial position as at 31 October 2020, separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to separate financial statements, including a summary of significant accounting policies have not been translated. For a full understanding of the information stated in the Auditors' Report, the Report should be read in conjunction with the full set of separate financial statements prepared in Slovak.





REMUNERATION REPORT



# Remuneration report

## REMUNERATION REPORT OF MEMBERS OF THE BODIES OF PUBLIC LIMITED COMPANY TATRY MOUNTAIN RESORTS, A.S.

Board of Directors of Tatry mountain resorts, a.s. with its registered seat at Demänovská Dolina 72, 031 01 Liptovský Mikuláš, ID: 31 560 636, registered in the Commercial Register kept by the District Court of Žilina, Section: Sa, Insert No. 62/L (hereinafter referred to as "**The Company**") in accordance with the provision stated in § 201e of Act No. 513/1991 of the Commercial Code as amended (hereinafter referred to as the "**Commercial Code**") prepared the following report on the remuneration of members of the Company's bodies for the financial year starting on 01.11.2019 and ending on 31.10.2020 (hereinafter referred to as the "**Remuneration Report**").

### 1. REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

1.1. The Board of Directors of the Company was active in the financial year starting on 01.11.2019 and ending on 31.10.2020 (hereinafter referred to as the "**Financial year**") in the following composition:

- 1.1.1 Ing. Igor Rattaj, Chairman of the Board of Directors since 30.04.2020
- 1.1.2 Ing. Jozef Hodek, Member of the Board of Directors since 30.06.2009
- 1.1.3 Čeněk Jílek, Member of the Board of Directors since 29.04.2020
- 1.1.4 Ing. Bohuš Hlavatý, Chairman of the Board of Directors and CEO until 29.04.2020
- 1.1.5 Ing. Andrej Devečka, Member of the Board of Directors until 28.04.2020
- 1.1.6 Ing. Branislav Gábriš, Vice-Chairman of the Board of Directors until 28.04.2020

### 1.2 Overview of all components of the total remuneration

- 1.2.1 In accordance with the remuneration rules of the Company's bodies approved by the General Meeting on 29.04.2020 (hereinafter referred to as "**Remuneration rules**") the members of the Board of Directors are provided with so-called total remuneration of a member of the Board of Directors which consists of: (i) fixed component – point 2.2 of the Remuneration rules, (ii) variable component – point 2.3 of the Remuneration rules and (iii) bonuses and other benefits.
- 1.2.2 For the Financial year, these following components of the total remuneration were paid to the members of the Board of Directors:
  - 1.2.2.1 Fixed component of the total remuneration:
    - Ing. Igor Rattaj, in the amount of 48.318,- EUR
    - Ing. Jozef Hodek, in the amount of 38.545,- EUR
    - Čeněk Jílek, in the amount of 24.363,- EUR
    - Bohuš Hlavatý, in the amount of 24.000,- EUR
    - Ing. Andrej Devečka, in the amount of 12.436,- EUR
    - Ing. Branislav Gábriš, in the amount of 1.772,- EUR
  - 1.2.2.2 Variable component of the total remuneration:
    - Ing. Igor Rattaj, in the amount of 100.000,- EUR
    - Ing. Jozef Hodek, in the amount of 100.000,- EUR
    - Čeněk Jílek, in the amount of 100.000,- EUR
    - Bohuš Hlavatý, in the amount of 0,- EUR
    - Ing. Andrej Devečka, in the amount of 0,- EUR
    - Ing. Branislav Gábriš, in the amount of 0,- EUR

### 1.3 Proportional share of fixed and variable component in the total remuneration

1.3.1 The proportional share of fixed and variable component of the total remuneration for members of the Board of Directors is as follows:

	Fixed component	Variable component
Ing. Igor Rattaj	32,57%	67,43%
Ing. Jozef Hodek	27,82%	72,18%
Čeněk Jílek	19,59%	80,41%
Bohuš Hlavatý	100%	0%
Ing. Andrej Devečka	100%	0%
Ing. Branislav Gábriš	100%	0%

### 1.4 Explanation of how the total remuneration corresponds to the agreed remuneration rules including how it contributes to a long-term performance of the Company and information on how the performance assessment criteria have been applied

1.4.1 The total remuneration provided or awarded to the members of the Board of Directors in the Financial year takes full account of the criteria for awarding remuneration within the meaning of the Remuneration rules. In the case of a fixed component of the total remuneration it is the proper performance of the function of a member of the Board of Directors and in the case of the variable component of the total remuneration it is the achievement of the performance criterion, which is the positive financial result of the Company. For the Financial year, the Company achieved positive consolidated financial result (EBITDA) of EUR 35 471 thousand and when comparing the so-called modified EBITDA like-for-like, the achieved modified EBITDA for the year ended 31.10.2020 (EUR 32 071 thousand) was more than 90 % of the modified EBITDA for the year ended 31.10.2019 (EUR 34 265 thousand). At the same time, the Company duly complied with already set non-financial indicators of its performance – position of the Company as a so-called "Creditworthy debtor". Despite the fulfilment of all criteria for awarding the members of the Board of Directors the variable component of the total remuneration in full, each member of the Board of Directors at the board meeting on 26.02.2020, in view of the situation caused by the COVID-19 pandemic and the measures taken in connection with it and their impact on the functioning of the Company, waived the right to receive part of the earned variable component of the total remuneration, in total of EUR 658 000. Part of the earned and accepted variable component of total remuneration in total amount of EUR 300 000 will be paid to the members of the Board of Directors in accordance with a section 2.3.10 of the Remuneration rules on the next payout date specified by the Company for the payment of wages to employees after publication of the Company's consolidated IFRS financial statements as of 31.10.2020.

### 2. REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD

2.1. The Supervisory Board of the Company served during the Financial year in the following composition:

- 2.1.1 Ing. Bohuš Hlavatý, Chairman of the Supervisory Board since 30.04.2020
- 2.1.2 Ing. František Hodorovský, Vice-Chairman of the Supervisory Board since 18.01.2011
- 2.1.3 Ing. Roman Kudláček, Member of the Supervisory Board since 21.04.2012
- 2.1.4 Ing. Pavol Mikušiak, Member of the Supervisory Board since 27.04.2013
- 2.1.5 Adam Tomis, Member of the Supervisory Board since 12.04.2014
- 2.1.6 Ing. Andrej Devečka, Member of the Supervisory Board since 29.04.2020

- 2.1.7. Miroslav Roth, Member of the Supervisory Board since 30.06.2012
- 2.1.8. Ing. Igor Rattaj, Chairman of the Supervisory Board until 29.04.2020
- 2.1.9. PhDr. Martin Kopecký, Member of the Supervisory Board until 24.04.2020
- 2.1.10. Ing. Ján Štetka, Member of the Supervisory Board until 30.04.2020
- 2.1.11. Ing. Peter Kubeňa, Member of the Supervisory Board until 31.03.2020

## 2.2. Overview of all components of the total remuneration

- 2.2.1. In accordance with the Remuneration rules, the members of the Supervisory Board are provided with the so-called total remuneration of a member of the Supervisory Board, which consists of: (i) fixed component – point 3.2 of the Remuneration rules, (ii) variable component – point 3.3 of the Remuneration rules and (iii) bonuses and other benefits.
- 2.2.2. For the Financial year, these following components of the total remuneration were paid to the members of the Supervisory Board:
  - 2.2.2.1. Fixed component of the total remuneration:
    - Ing. Bohuš Hlavatý, in the amount of 24.000,- EUR
    - Ing. František Hodorovský, in the amount of 6.000,- EUR
    - Ing. Roman Kudláček, in the amount of 3.600,- EUR
    - Ing. Pavol Mikušiak, in the amount of 3.600,- EUR
    - Adam Tomis, in the amount of 3.600,- EUR
    - Ing. Andrej Devečka, in the amount of 1.800,- EUR
    - Miroslav Roth, in the amount of 3.600,- EUR
    - Ing. Igor Rattaj, in the amount of 6.000,- EUR
    - PhDr. Martin Kopecký, in the amount of 1.745,- EUR
    - Ing. Ján Štetka, in the amount of 1.800,- EUR
    - Ing. Peter Kubeňa, in the amount of 1.500,- EUR
  - 2.2.2.2. The variable component of the total remuneration is not granted to the members of the Supervisory Board in accordance with the Remuneration rules.

## 2.3. Proportional share of fixed and variable component in the total remuneration

- 2.3.1 The proportional share of fixed and variable component of the total remuneration of the members of the Supervisory Board is as follows:

	Fixed remuneration	Variable remuneration
Ing. Bohuš Hlavatý	100%	0%
Ing. František Hodorovský	100%	0%
Ing. Roman Kudláček	100%	0%
Ing. Pavol Mikušiak	100%	0%
Adam Tomis	100%	0%
Ing. Andrej Devečka	100%	0%
Miroslav Roth	100%	0%
Ing. Igor Rattaj	100%	0%
PhDr. Martin Kopecký	100%	0%
Ing. Ján Štetka	100%	0%
Ing. Peter Kubeňa	100%	0%

- 2.4. Explanation of how the total remuneration corresponds to the approved remuneration rules, including how it contributes to the long-term performance of the Company and information on how the performance assessment criteria have been applied

the Financial year takes full account of the criteria for awarding remuneration within the meaning of the Remuneration rules. Only a fixed component of the total remuneration is awarded to members of the Supervisory Board for the proper performance of the function of a member of the Supervisory Board.

## COMMON PROVISIONS ON REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE MEMBERS OF THE SUPERVISORY BOARD

**Annual remuneration summary regardless of its form of acquisition, annual development of the Company's performance assessment and average annual remuneration summary based on comparison of income from total remuneration of a member of the Body of the Company and income of the Company's employees who are not members of the Body of the Company and have a weekly working time established according to a special law, for at least five previous accounting periods**

- 3.1.1. In accordance with the Remuneration rules a member of the Board of Directors and a member of the Supervisory Board also have the right to remuneration in the form of salary or any other form obtained from the Company for the act of employment contract or any other contract in the case of a membership within the Board of Directors and in the form of a salary in the case of a membership within the Supervisory Board. However, members of the Board of Directors and members of the Supervisory Board are not awarded remuneration for the performance of their duties in the bodies of other companies belonging to the TMR Group. No royalties were awarded or paid to the members of Board of Directors or members of Supervisory Board during the Financial year.
- 3.1.2. For the Financial year, members of the Board of Directors and members of the Supervisory Board were paid remuneration in aggregate as follows:
  - Ing. Igor Rattaj, in the amount of 154.318,- EUR
  - Ing. Jozef Hodek, in the amount of 208.249,- EUR
  - Čeněk Jílek, in the amount of 191.777,- EUR
  - Bohuš Hlavatý, in the amount of 458.782,- EUR
  - Ing. Andrej Devečka, in the amount of 24.736,- EUR
  - Ing. Branislav Gábriš, in the amount of 1.772,- EUR
  - Ing. František Hodorovský, in the amount of 6.000,- EUR
  - Ing. Roman Kudláček, in the amount of 3.600,- EUR
  - Ing. Pavol Mikušiak, in the amount of 3.600,- EUR
  - Adam Tomis, in the amount of 3.600,- EUR
  - Miroslav Roth, in the amount of 24.822,- EUR
  - PhDr. Martin Kopecký, in the amount of 1.745,- EUR
  - Ing. Ján Štetka, in the amount of 54.477,- EUR
  - Ing. Peter Kubeňa, in the amount of 8.279,- EUR
- 3.1.3. Comparison of income from total remuneration of a member of the Body of the Company and income of the Company's employees in thousand EUR:

Financial year	2020	2019	2018	2017	2016
Number of „E“	1 332	1 456	1 402	1 289	1 095
Number of „BoC“	12	19	18	19	19
Number of „EE“	1 325	1 444	1 391	1 277	1 083
Total annual personal expenses for „E“	21 760	22 672	18 992	16 125	14 918
Total annual remuneration for „BoC“	1 195	2 424	2 154	1 786	1 945
Total annual remuneration for BoC/ number of BoC	99.6	127.6	119.7	94.0	102.4
Total annual personal expenses for EE/ number of EE	15.5	14.0	12.1	11.2	12.0
Total annual remuneration BoC/number BoC to total annual personal expenses EE/number of EE	6.4 multiple	9.1 multiple	9.9 multiple	8.4 multiple	8.5 multiple

„E“ Employees of the Company in the corresponding Financial year

„EE“ Employees of the Company in the corresponding Financial year without the number of members of the Body of the Company

„BoC“ Members of the Body of the Company (member of the Board of Directors, member of the Supervisory Board, persons on the highest level of management) in the corresponding Financial year

### 3.2. Number of shares and share options granted or offered in connection with the performance of the function

3.2.1. No member of the Board of Directors and the Supervisory Board has acquired any shares or stock options in connection with the performance of a member of the Board of Directors function neither as member of the Supervisory Board. Information on the number of shares of the Company owned by individual members of Board of Directors and members of the Supervisory Board is provided in the annual report prepared as of 31.10.2020, which includes this Remuneration report.

### 3.3. Information on the use of the possibility of recovering option of the variable component of the total remuneration

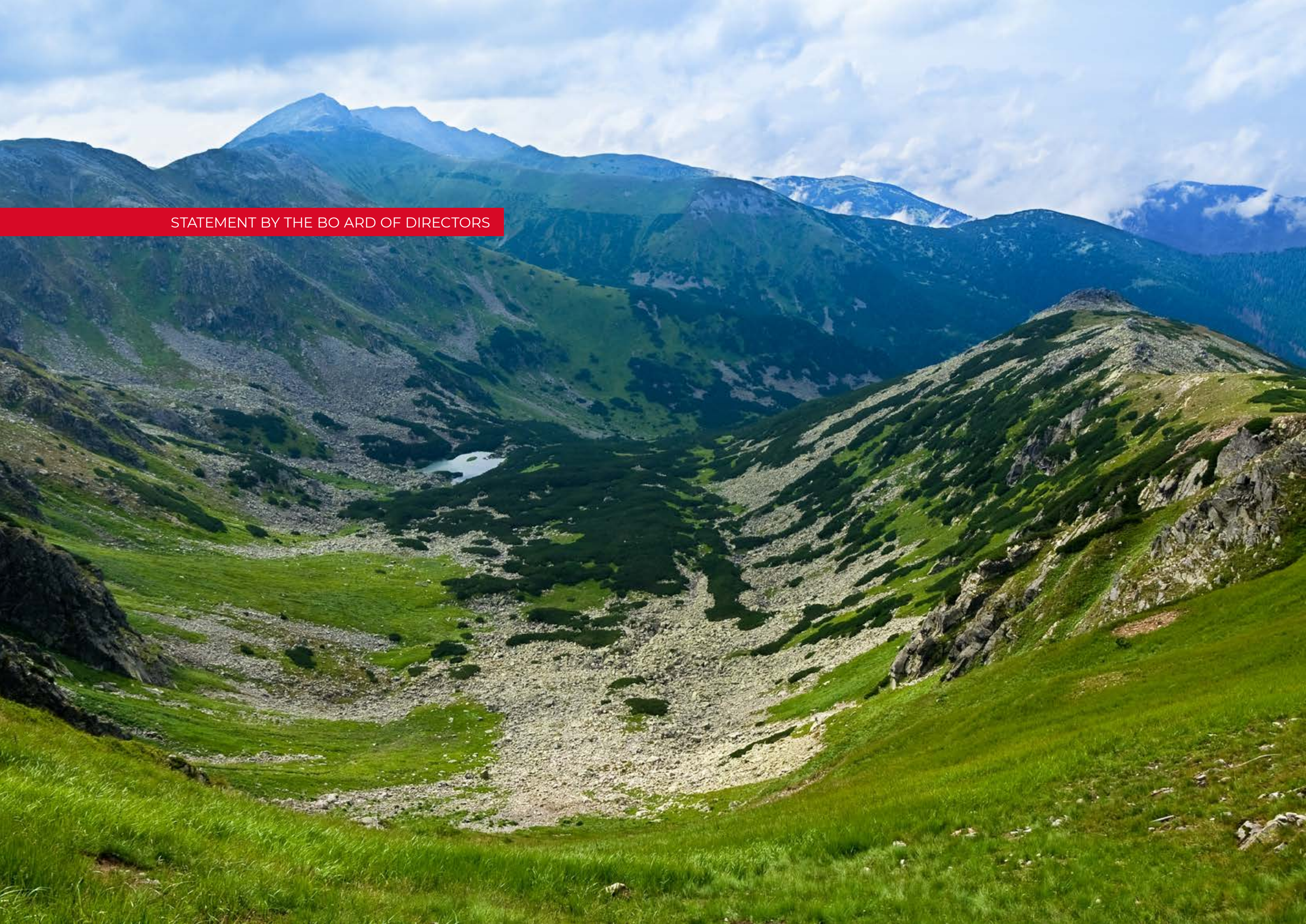
3.3.1. The Company has not set any criteria for recovering the variable component of the total remuneration.

### 3.4. Information on all cases pursuant to § 201a, section 3, including an explanation of the nature of exceptional cases and an indication of the specific provisions from which they have temporarily deviated

3.4.1. The Remuneration rules do not provide for any exceptional cases referred to in § 201a, section 3 of the Commercial Code, therefore the provisions in the Financial year have not been applied.



STATEMENT BY THE BOARD OF DIRECTORS





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## Statement by the Board of Directors

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The Board of Directors of Tatry mountain resorts, a.s. hereby states that according to its best knowledge Annual Report, Consolidated Financial Statements, and Separate Financial Statements have been prepared in accordance with relevant regulations, and they present a true and accurate description of assets, liabilities, financial situation, and comprehensive results of the Group (Tatry mountain resorts, a.s. and its subsidiaries) and the Parent company. The Board further states that Annual Report contains a true and accurate review of performance, operating results, and position of the Group, as well as an explanation of key risks and uncertainty factors that the Group faces.

Demänovská Dolina, February 26, 2021



Igor Rattaj

Chairman of the Board of Directors



Jozef Hodek

Member of the Board of Directors, CFO



TATRY MOUNTAIN RESORTS, a.s., e-mail: [info@tmr.sk](mailto:info@tmr.sk), [www.tmr.sk](http://www.tmr.sk), tel.: 0850 606 202  
foto: Marek Hajkovský