TATRY MOUNTAIN RESORTS

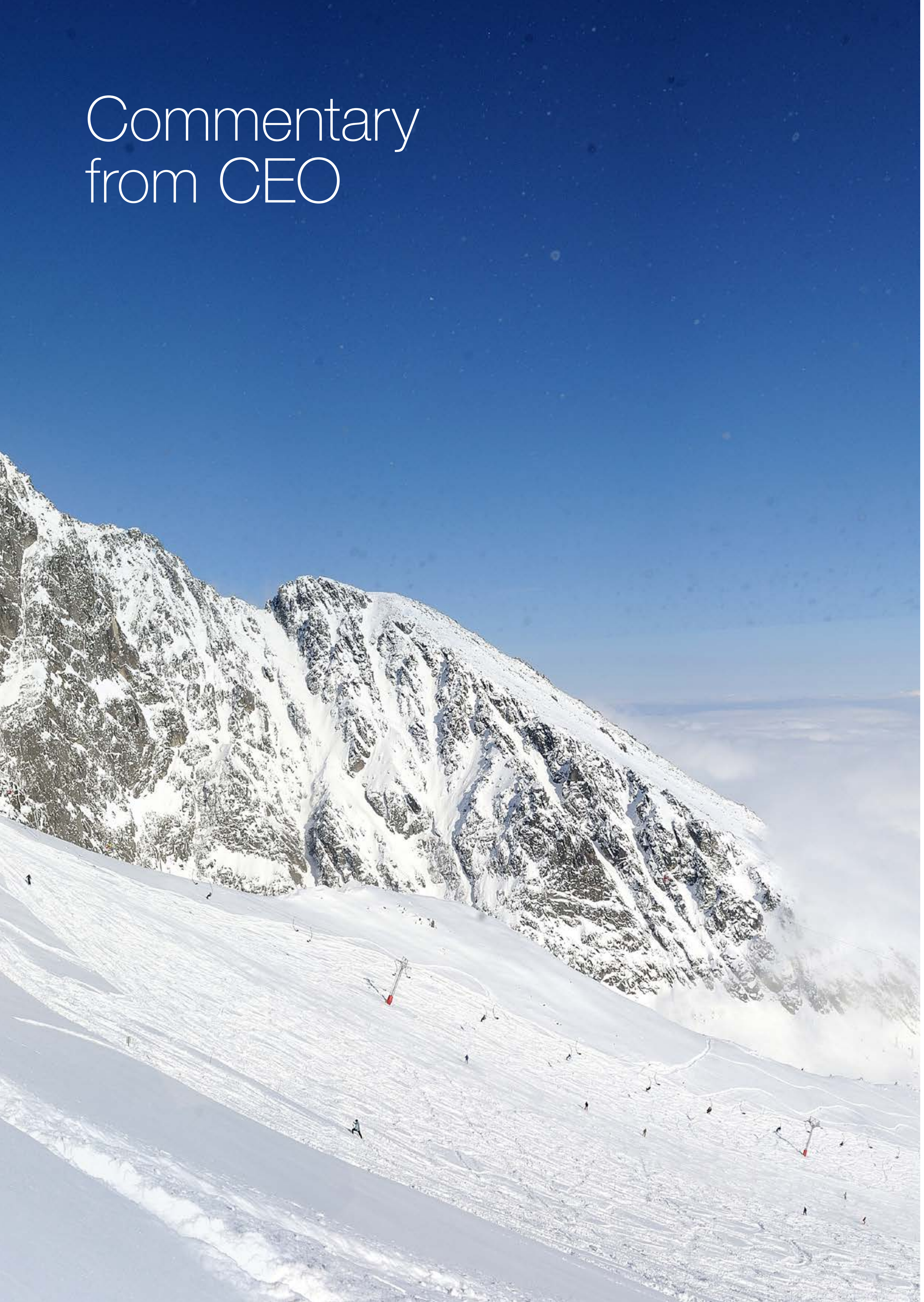
ANNUAL REPORT

2018/2019

Annual Report of Tatry mountain resorts, a.s. and its subsidiaries as of 31/10/2019

Content

Commentary from CEO



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

Dear Shareholders, Dear Fans of Mountains,

In the past financial year 2018/19 we grew again in revenues. The results were achieved by the organic growth of our resorts, hotels and additional services, as well as new acquisitions in Austria and the new golf segment. Total revenues increased by 17.9% to EUR 127.6 mil., and operating profit before depreciation, EBITDA, of EUR 35.5 mil. is up by 3.9%. However, due to higher operating and interest expenses, depreciation, and impairment of property we reported a net consolidated loss of EUR -2.3 mil.

The winter season was successful in terms of snow conditions in our mountain resorts and temperatures low enough for snowmaking. The largest increase in the visit rate was recorded in the fully modernized Polish Szczyrk Mountain Resort. The total visit rate of mountain resorts, including the newly acquired Austrian resorts Mölltaler Gletscher and Ankogel, improved by 4.9%. We have seen a drop in attendance in the Vysoké Tatry and Jasná resorts, as we are unable to meet our strategic expansion plan, especially in Vysoké Tatry, and we are faced with the competition of smaller resorts, especially in favorable snow conditions.

This winter we have introduced a revolutionary flexible pricing system for ski passes, “flexi pricing”, to regulate the visit rate, increase average revenue per skier day, and online client share. Thanks to the flexibility of prices we are able to quickly respond to the current demand in the mountain resorts, plan the capacity of the resorts and teach clients to buy ski passes in advance. Thanks to the flexi pricing system and online sales via Gopass Jasná Nízke Tatry grew in revenues the most.

The hotels of TMR’s portfolio, especially the renovated Tatra grand hotels, had a significant impact on the results with a 15.5% increase in revenues. Grandhotel Starý Smokovec has undergone a major change and in the winter season 2018/19 welcomed guests with modernized rooms, conference room and corridors. In November 2018 the Tatra Grandhotel Praha was awarded by the Heritage Hotels of Europe Awards as the best European historical hotel in the Heritage & Wellness category and was awarded the Slovakia´s Best Ski Hotel 2018 by the World Ski Awards 2018.

The summer season in the resorts has brought a visitors growth, although we have seen declines in the leisure parks. The total leisure parks’ visit rate dropped by 10.9%.

With the acquisition of the Alpine glacier resort of Mölltaler Gletscher and its sister Ankogel resort in Austrian Carinthia we have succeeded in fulfilling our medium-term strategic plan to expand our portfolio with a medium-sized Alpine resort. We took over the operation in May 2019 and the whole winter season will be reflected in the results of the following period.

This year we entered the golf segment when we rented two prestigious golf resorts in the Czech Republic - Kaskáda Golf Resort and Golf & Ski Resort Ostravice for at least 20 years. We plan to develop their accommodation capacities in particular, and we want to implement the Gopass program and take advantage of group synergies.

We again organized our favorite events, both in the winter and in the summer, including the most visited Tatra attraction, Ice Dome at Hrebienok, which was built this year in the style of Vatican St Peter’s Basilica. The Women‘s World Cup in Alpine Skiing in Špindlerův Mlýn, which we organized, had a positive audience response thanks to the participation and victory of the World Champion, Petra Vlhová.

In terms of investment in development, we invested EUR 45.3 mil. last year. Investments went to the Slovak resorts and hotels, as well as to Szczyrk, Legendia and real estate projects. In Szczyrk the Group‘s largest restaurant was built on the slope with a capacity of 430 people, and we also bought a hotel here.

In the following period we can benefit from further investments and grow organically as well as develop our activities in the new segments and operations.

See you on the slopes!

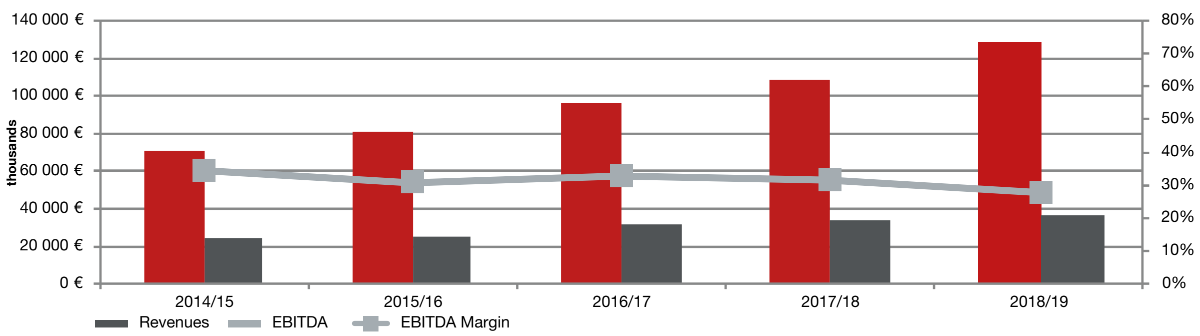
Bohuš Hlavatý

OPERATIONS REVIEW

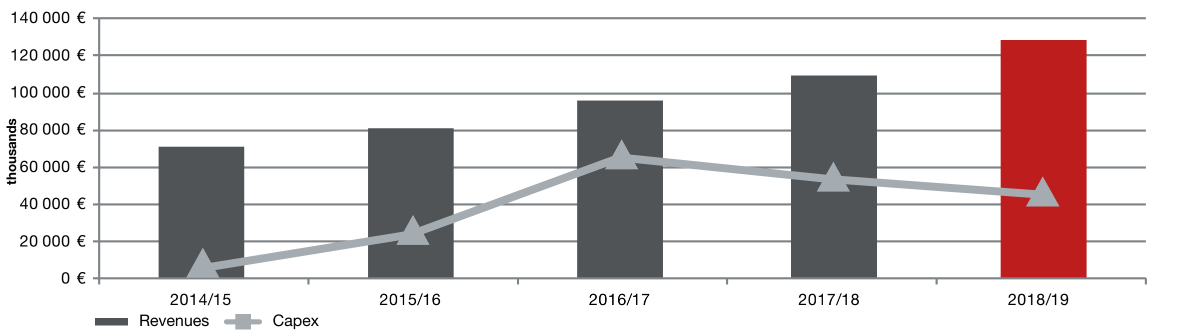
Consolidated Financial Highlights

in €'000 unless specified otherwise	2018/19	2017/18	2016/17	2015/16	2014/15
Revenues	127 592	108 249	95 910	81 202	70 915
EBITDA	35 496	34 166	31 516	25 111	24 410
EBIT	12 723	19 245	17 688	12 075	11 112
Net Income	-2 288	3 095	6 990	2 746	-751
CAPEX	45 254	53 887	65 058	23 625	6 000
No. of employees	1 456	1 402	1 289	1 095	804
Earnings per share (EUR)	-0,341	0,473	1,099	0,456	-0,101
Hotel Occupancy (%)	66,3	62,7	56,6	56,5	54,6
Avg. Daily Rate per Room (EUR)	88,0	80,1	71,3	65,4	62,4
Visit Rate Mountain Resorts ('000)	2 840	2 706	2 287	2 121	1 930
Visit Rate Leisure Parks ('000)	808	907	855	784	777
EBITDA (%)	27,8	31,6	32,9	30,9	34,4
EBIT (%)	10,0	17,8	18,4	14,9	15,7
Equity	110 173	113 789	113 149	106 003	103 331
Debt/Equity (%)	315,3	311,3	246,9	216,8	215,3
Debt/Capital (%)	75,9	75,7	71,2	68,4	68,3
Debt/EBITDA	9,8	10,4	8,9	9,2	9,1
Total Assets	533 858	521 684	438 341	375 701	360 921

Key Operating Results



Revenues vs. CAPEX



TMR in Numbers

10 resorts*

3.6 mil. guests + 1%

6 mountain resorts

2 leisure parks

2 golf resorts

2.8 mil. skier days + 4.9%

808 ths. guests - 10.9%

13 own / managed hotels

66.3 % occupancy + 3.6 p.p.

87.97 € ADR + 9.9%

Group Revenues
127.6 mil. € + 17.9%

Group EBITDA
35.5 mil. € + 3.9%

Group Net Profit
-2.3 mil. €

FTE
1 456

CAPEX - 10.9%
45.3 mil. €

* as of 31/10/2019

Our History

1992

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

2003

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

2009

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

2010

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

2011

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

2012

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

2013

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

2014

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

2015

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

2017

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

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 (40%) and from accommodation services in the hotels that TMR owns and/or runs (23%). Additional revenues come from ticket sale in the leisure parks (9%), and from ancillary services provided by the dining facilities on the slopes, in the golf resorts and in the leisure parks (14%) and sports and souvenir stores, rentals, and ski schools (6%). In addition to the mentioned business activities TMR conducts its business activities in real estate, revenues of which are generated mainly from lease of accommodation facilities and sale of apartments (7%). A part of revenues also comes from the operation of leased golf resorts (0.7%). 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 Otupné.

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, which TMR co-manages. In the High Tatras TMR also owns hotels Grandhotel Praha**** Tatranská Lomnica, Grandhotel**** Starý Smokovec, Hotel FIS*** at Štrbské pleso, and A Night at Lomnický Peak.

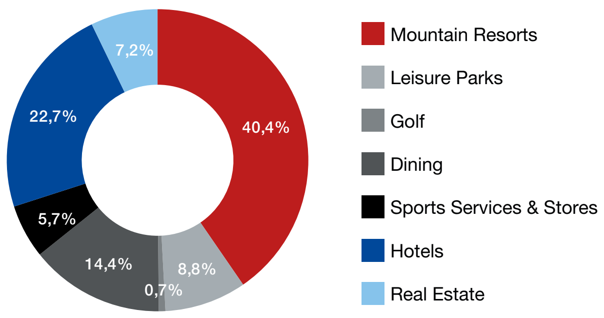
Since December 2017 TMR rents and operates a Czech ski center Ještěd. As of the end of FY 2018/19 TMR also owns a 9.5% share in Melida a.s., which since the winter 2012/13 leases and operates the resort Špindlerův Mlýn in the Czech Republic. In Poland TMR owns 97.6% in the mountain resort Szczyrk Mountain 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.

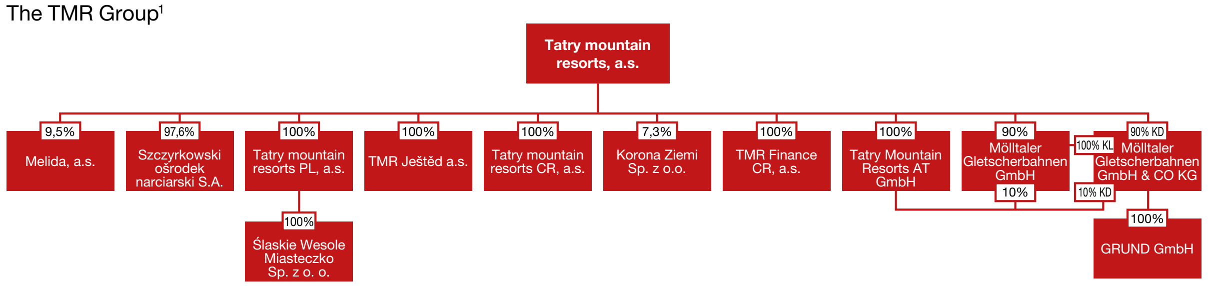
Business Segments of TMR

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.[2]

Revenue Breakdown

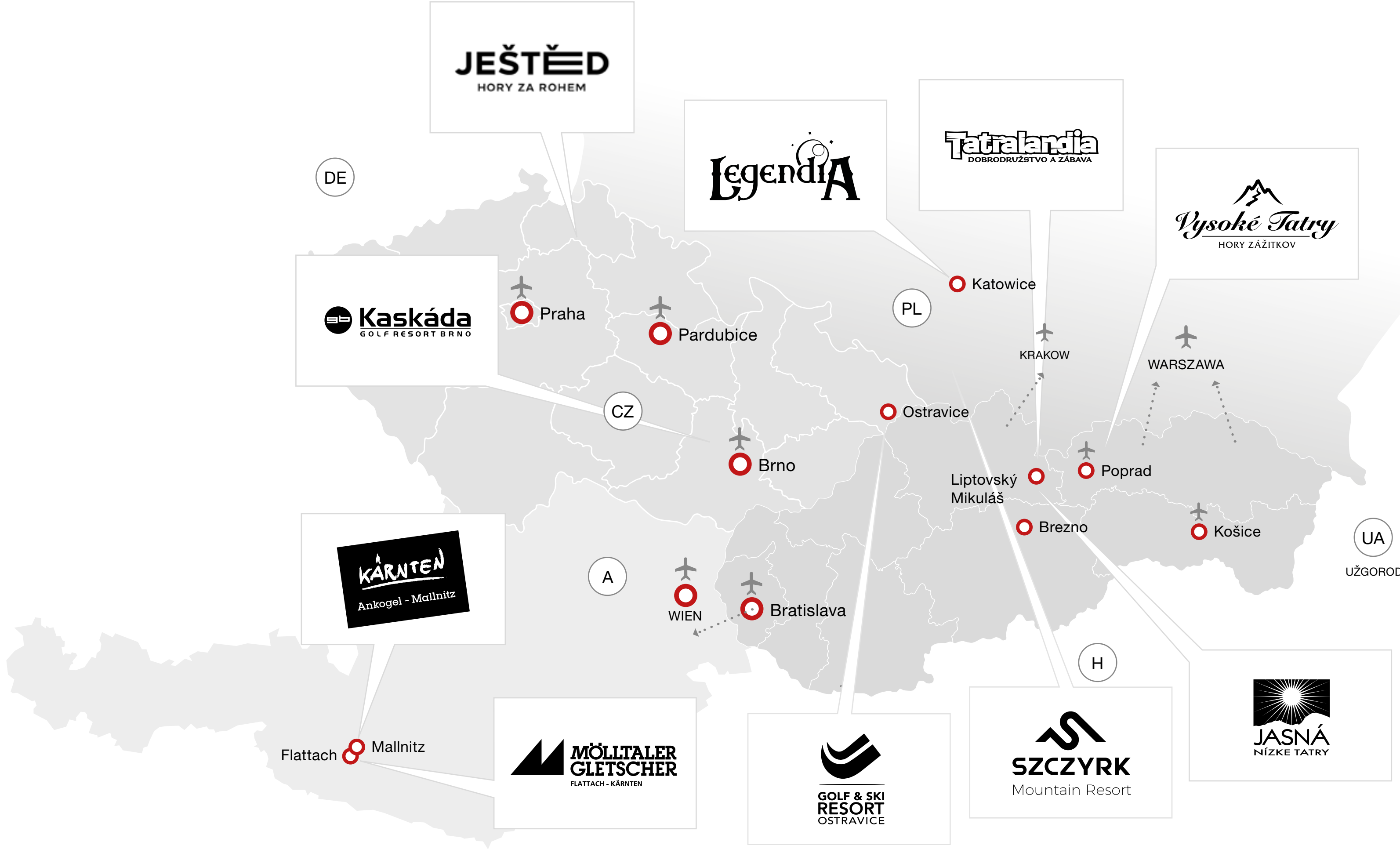


The TMR Group[1]



[1] As of 31/10/2019, GP - General Partner, LP - Limited Partner

[2] In the FY 2018/19 the Group changeditssegmentationfromthreekeysegments: Mountains&Leisure (withitssubsegments Mountain Resorts, LeisureParks, Dining, and SportsServices and Stores), Hotels, and RealEstate to sevenequalsegments: Mountain Resorts, LeisureParks, Golf, Dining, SportsServices and Stores &Leisure, Hotels, and RealEstate, whilstthe Golf segment wasadded.



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, ŠtrbskéPleso andStarý-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
- 20cableways and lifts
- Max. transportation capacity 21,385persons/hour
- Hotels- Grandhotel Praha**** Tatranská Lomnica, Grandhotel**** StarýSmokovec, Hotel FIS*** ŠtrbskéPleso, A Night at Lomnický Peak

Mountain ResortJASNÁ NÍZKE TATRY (JasnáLow Tatras)

- The biggest winter sports resort in Central Europe
- Ski areas - Chopok North and Chopok South
- Host ofFIS Ski World Cup Ladies 2015, Junior Alpine FIS World Cup 2014
- 50 km of ski trails,35.5km of snowmaking
- 27cableways and lifts
- Max. transportation capacity 31,784persons/hour
- Hotels-Hotel Tri Studničky****, Hotel Grand Jasná****, Chalets Jasná de Luxe**** and Hotel Srdiečko**, Hotel Rotunda, Hotel Pošta****
- Real Estate -lease out of hotels Liptov**, Hotel SKI &FUN**,Kosodrevina Lodge, lodging facility Otupné, sale of Chalets Jasná Collection, sale of apartments in Hotel Pošta

Mountain ResortSZCZYRK MOUNTAIN RESORT (Szczyrk)

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

Mountain ResortMÖLLTALER 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 ANKOGELMALLNITZ (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
- 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

Mountain Resort SKIAREAL JEŠTED

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

Aquapark TATRALANDIA

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

LEGENDIA - SILESIAN 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
- Lokalita - Morava, Česko

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 (TMR doesn't own but co-manages ski area 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 for 20 years to Melida, a.s., in which currently TMR owns 9.5%.

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 closely cooperates with the owner of the Štrbské Pleso resort which they manage together.

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. Besides skiing, visitors can enjoy different adrenaline attractions like snowbike, skifox and snowscoot. 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 227 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 Lomnicky 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 Kamzíkovo is open all year round at Skalnaté pleso.

StarýSmokovec
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 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 Tatry 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 Sliezsky dom, Smokovec, Hrebienok or to Poprad via the 'Freedom Route'. After years of examining the state of Štrbské pleso in 2008 the boating on the lake with a more than 130-year old tradition was allowed to restart. There are 11 wooden boats and one sports raft anchored to a newly built pier overlooking the Tatra peaks.

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 527 snow points covers 34 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 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 Tatry 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. In March 2014 TMR acquired 97% shares in the resort's parent company. As of the end of the financial year 2019 TMR had invested EUR 66.5 million into modernization of the resort with further investments planned.

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.

SKIAREALJEŠTĚD (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 20 ha of mostly black-red (difficult) ski trails interconnected with easier blue-red ski paths. 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. Thisattraction 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 Bazyliszek - 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 2019 TMR had invested almost EUR 42 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 Tatry Motion, Szczyrk Motion, and Ještěd Motion brands include specialized stores with top brand ski and snowboard goods, ski schools, and sports equipment rentals. Tatry 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
125 rooms, 236 beds
It is situated in the center of Tatranská Lomnica, at the foot of Lomnický štít, in the heart of the High Tatras. Its history dates back more than 110 years, since the grand opening in 1905. The wellness center Grand Mountain Spa combines local spa tradition with healing effects of the Tatra's nature. During FY 2016/17 the hotel's rooms underwent a renovation in the 'Classic' style.

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

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

A night on Mt. Lomnický štít
2 rooms, 7 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 ****, DemänovskáDolina
36 rooms, 100 beds
Its architecture and layout of exteriors and interiors complements the surrounding mountain environment and the panorama of local mountains. It is located in a beautiful forest area near a mountain stream. In 2010 new conference rooms with attractive views of a mountain stream were added, as well as a renovated wellness center with the first beach in the Tatra Mountains. These services complete the gap in the offer of this authentic boutique hotel.

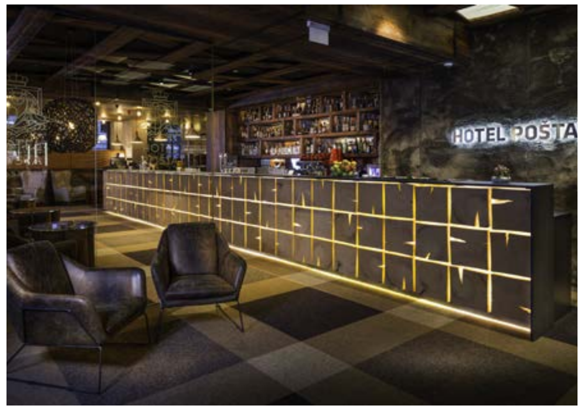
Hotel Grand****, Jasná
157 rooms, 311 beds
This mountain hotel is situated in the center of Jasná, at 1,100 m a.s.l., right near the start station of the 8-seat cabin cableway Grand Jet. Its ski in-ski out location is exceptional, as well as the renovated wellness center or a multipurpose conference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

Hotel Pošta****
31 rooms, 72 beds
The new Hotel Pošta located in the heart of Jasná offering 24 design deluxe rooms, 7 spacious apartments, a cozy boutique wellness center, culinary restaurant Angus, own cosmetics brand Tatry Wellness Elixír, baby and dog sitting, daily newspapers, shoes cleaning, concierge services, and much more.

Chalets Jasná Collection****
14 own apartments, 27 managed
Luxury apartments in the style of French alpine lodges provide a 4-star hotel quality. Their strategic advantage is their ski-in ski-out location directly on the slope at Záhradky (18 apartments) and at Otupné in Jasná's Center (23 apartments) and their provision of premium services. Each chalet has several apartments of various sizes, each with one up to four separate bedrooms. Guests can enjoy the 4* hotel chalet service and visit a private spa in the basement of some chalets.

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

Hotel Rotunda
3 rooms, 12 beds
Located at the top of Chopok Mountain in the Low Tatras at 2,004 m. Hotel Rotunda is a part of the renovated facility Rotunda, which connects the north and south side of Chopok Mountain with cableways The ski in ski out hotel with the highest elevation offers lodging for the most demanding clients that want to enjoy a top experience



in comfort and seek out an absolute escape. The hotel includes a panoramic restaurant Rotunda with Slovak and world cuisine, Energy Bar with quick snacks, and Rum Bar with a selection of specialty world rums.

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

CZECHIA

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.

REAL ESTATE

The goal of this segment is to build infrastructure and buildings in the mountain regions. In its realization the Company plans to capitalize on the unique location in the High and Low Tatras region. TMR's strategy in this segment is mostly development, construction, and sale of apartments. 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 was launched in Tatranská Lomnica with the remodeling of the lodging building Horec into luxurious apartments for sale. TMR also continued with the construction and sale of additional investment real estate in Holiday Village Tatralandia. Alongside these projects necessary infrastructure is being built for the natural development of tourism in the following areas - cableways, infrastructure, trails, information signs, etc. TMR plans its real estate projects mostly on traditional, urban areas, where sport and tourism have been part of history for decades.

The Company within the Real Estate segment owns and leases out hotels Liptov**, SKI hotel**, Kosodrevina Lodge, and lodging facility 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.

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-intense 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 2019, for the last 13 years TMR had invested in its resorts and hotels around 400 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 2018/19 in Jasná include, for example, the start of construction of new snowmaking reservoirs in Jasná, reconstruction of the lower restaurant at Skalnaté Lake, change of Rotunda restaurant, reconstruction of Grandhotel Starý Smokovec and Hotel Srdiečko. In Szczyrk, the transport capacity of existing lifts was strengthened and the largest restaurant in the holding with a capacity of 450 seats was built. Other attractions have been added to the Polish Legendia. In the TMR Real Estate Projects segment, TMR built more cottages and apartments for sale in Holiday Village Tatralandia, the Horec Apartments project in Tatranská Lomnica was launched and other chalets from Chalets Jasná Collection were added.

In the following periods TMR plans for its resorts in the Slovak Tatras to grow organically and capitalize on the completed investments. Future CAPEX in the Slovak resorts will mainly cover maintenance investments and investments into infrastructure, such as finishing the construction of the retention reservoirs in Jasná. The Group also plans to continue in the started real estate projects in the Slovak resorts. The apartment house Horec is being built in Tatranska Lomnica, which is the zero stage of the long planned Lomnicke Promenade. The last stage of the Chalets Jasná Collection will be completed in Jasná. In Tatralandia, after obtaining the necessary permits, new bungalows for sale will be built and will be managed by TMR. As for investments into development of the last acquired assets, TMR plans to get the Polish Szczyrk Mountain Resort to the level of its Tatra resorts. In the following period the investments will be directed mainly to accommodation facilities in the resort, the rooms of the hotel Gronie in Szczyrk will be renovated. The Polish amusement park, Legendia, will be further developed, and a new water attraction should be added. The newest acquired Austrian resorts will also require extensive investments, which TMR is planning in a few years. New slopes, lifts as well as the strengthening of the accommodation infrastructure in almost every resort are in the process of preparation, but many of them are hindered by lengthy processes in granting permits or granting exceptions.

PILLAR 2: STRATEGIC ACQUISITIONS AND EXPANSION

Last year TMR finally fulfilled its plan to expand its portfolio to include an Alpine resort, acquiring in June 2019 two Austrian sister resorts - Mölltaler Gletscher and Ankogel Mallnitz, which were also included in the GOPASS program. In the medium term, TMR will focus primarily on completing and strengthening existing resorts, where it has ample opportunities to grow, improve services and improve TMR's results. Strategic expansion of the operations on the neighboring Czech market includes an indirect minority interest in Melida a.s., the operator of the Špindlerův Mlýn resort, which is included in the GOPASS loyalty program. In November of 2017 TMR made an agreement with the Czech town of Liberec for TMR to rent and operate the ski resort Ještěd. TMR plans to develop the potential of this unique city ski resort via future investments. TMR also wants to expand its business activities in Czech by entering a new segment - golf. Since November 2018 TMR has been renting Golf & Ski Resort Ostravice and in January 2018 it started managing Kaskáda Golf Resort Brno. The Ostravice contract has been signed for 20 years and the Kaskáda contract, based on which TMR is managing the resort's hotel, restaurant and a congress center, has been signed for 20 years. In the following period TMR plans to expand its golf segment by partnering with Golf Resort Olomouc. Furthermore, TMR plans to 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

Management wants to achieve intensive growth of the number of visitors primarily by intensive customer orientation. Strategic steps to achieve this goal in the recent years included increasing the variety and quality of the services provided. TMR expands the scale of attractions offered and improves the quality of ski schools, ski equipment rentals, and dining facilities on slopes. Moreover, it continuously improves the offer of après ski possibilities. The Group also tries to optimize transport possibilities to its resorts and cooperates with local business entities on the level of regional clusters. TMR prefers to cooperate rather than compete with them; it wants to build on their success and provide their customers easy access to its nearby mountain resorts and leisure parks and a variety of attractions for children, adrenalin sports for the young (e.g. bike parks), and relaxation zones. Regarding accommodation possibilities, TMR focuses primarily on four-star hotels and improvement of their wellness and dining services. Other strategic steps include focus on affluent clientele, essential quality of management and staff, and a sophisticated marketing strategy. In the following period, TMR plans to strengthen its controlling team, improve the analysis of big data and its implementation 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.

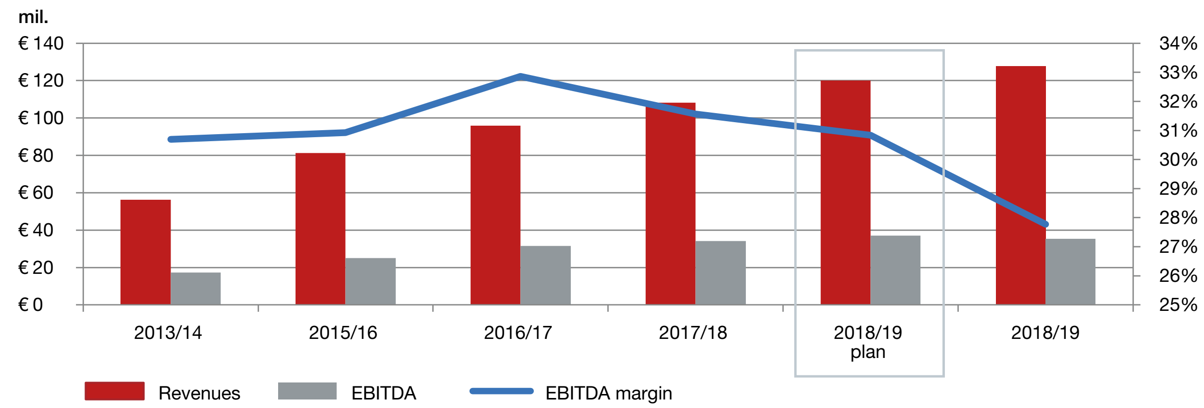
CAPEX	ACQUISITIONS	QUALITY
■ Almost 400 million euros over 13 years ■ New modern cableways and infrastructure ■ Renovated hotels ■ Larger, mondernized resorts ■ Investment apartments	■ Aquapark Tatralandia ■ Špindlerův Mlýn, CR (9,5%) ■ Szczyrk Mountain resort, PL ■ Legendia - Silesian Amusement Park Legendia ,PL ■ Mölltaler Gletscher, AT ■ Ankogel Mallnitz, AT ■ Lease of the Ještěd Ski Resort, CR ■ Commercial and marketing cooperations ■ Management of resorts for third parties	■ Better expereinces for visitors as a result of synergies ■ Trendsetter in tourism in the region ■ GOPASS loyalty program ■ Innovations ■ Flexi prices

FINANCIAL GOALS

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

The short term goal for 2018/19 included a growth in operating revenues of 10.9% (EUR 120 mil.) and a growth in EBITDA of 8.3% (EUR 37.0 mil). This financial plan was introduced at the Annual General Meeting on April 17, 2019. TMR met its financial goals for revenues, which exceeded the plan by 6.3%. The Group did not manage to meet the EBITDA plan as EBITDA was 4.1% below the plan. The reason for not meeting the EBITDA plan was the negative profit of the Austrian resorts since they were acquired after the winter season, and the results did not include the revenues generated in the main winter season. Another reason was the postponement of the recognition of profit from real estate projects. The projects were completed but due to administrative delays, such as building approval, the profit will not be recognized until the following year.

Plan vs. Actual Operating Results



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. 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, atypical premium billboards placed on walls of buildings in big cities and on main roads, citylights, bus banners and the like.

As for the Slovak market, also last year TMR cooperated on commercials and sponsored content 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 launched an 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. In Poland TMR communicates via website www.szczyrkowski.pl and via www.legendia.pl. All TMR hotels communicate with their clients also via a unified website 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.

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 is currently actively using Direct Marketing also in the GOPASS program. It is the key tool of the GOPASS program, interconnecting an e-shop, loyalty program, and a communication platform through email or text messages. As of the end of the fiscal year 2019, 1.859 million members in total were registered in the program, whilst during the year 600 thousand new members joined it. In the online sale during November 2018 through the end of October 2019 51% of all ski passes (skier days) in the Slovak mountain resorts have been sold via GOPASS.

EVENT MANAGEMENT ACTIVITIES DURING 2018/19

The ski season in the Slovak resorts began in Jasná on December 1. At Štrbské Pleso the season was launched on December 7 and in Tatranská Lomnica on December 15. At the beginning of the season the most popular Tatra attraction, the Tatra Ice Dome, was opened again at Hrebienok. The 6th annual most successful winter attraction in the High Tatras was built in the style of St. Peter's Basilica with Bernini's colonnade. Other popular winter events included Tatry Ice Master at Hrebienok, Snow camp and Dinner under the stars at Skalnate 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 "krňačky" sledges) again took place on the southern slopes of Mt. Chopok at the end of February. The European Women's Cup in downhill skiing in Jasná, attended by the world champion, Petra Vlhová, attracted a lot of guests. The public giant slalom race referred to as the Hero Season Trophy Tour took place in Szczyrk, Czech Špindlerův Mlýn and Vysoké Tatry, with the final round in Jasná on March 30. The winners in individual categories and resorts were awarded the Smart Pass - a season pass for the following skiing season.

During the summer season in Tatralandia inter alia TMR organized a race on the newest toboggans, 4 Family and Delphin, attended by the popular stars of the TV show, Daddies, as part of a rich accompanying program. At Mt. Chopok, families with children could experience the attractive and magical Dragon Nights associated with legends. Cultural and culinary experience at Štrbské Pleso awaited the visitors of the 6th Venetian Night event. The 12th year of the popular Bear Days event took place at Hrebienok and the popular family event Marmots at the Lake took place for the 9th time at Štrbské Pleso in August. The Legendia amusement park hosted dozens of events and animations throughout the summer season to attract more visitors to the park.

Jasná Nízke Tatry
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 Púť 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
In the Vysoké Tatry resort more snowmaking points have been added. The resort obtained also two snow track vehicles, one with a GPS system to measure and visualize snow cover. Restaurants expanded their capacities and a new one has been added. The resort also got an automatic defibrillator.

In the first year of the grant program, 'For a better life in the town of Vysoké Tatry', TMR gained support for nine projects, the goal of which is improvement of life in the town of Vysoké Tatry. Before the winter season the second phase of the remodeling of restaurant Hrebienok with a new café and a cafeteria was completed. Grandhotel Starý Smokovec underwent a major remodeling; 79 rooms and apartments, the hotel's hallways and conference room were modernized. A new addition of Hotel Fis's terrace was opened. In November 2018 Grandhotel Praha was awarded the best European historical hotel in the Heritage & Wellness category by Heritage Hotels of Europe Awards and Slovakia's Best Ski Hotel 2018 by World Ski Awards 2018.

Tatranská Lomnica was awarded the INSIDER TIP award among top resorts with a size of up to 20 km of slopes and 3.5 of 5 stars from skiresort.info.

Szczyrk Mountain Resort
In Szczyrk trails got maintained and improved; a new cableway was added; and the implementation of the Leica system enabled a higher quality trail grooming. The resort was operational also during a windy weather thanks to technical solutions. New products, Fresh Track and Trail grooming, were added. Another annual Winter Sport & Music Festival took place, featuring the longest and the most difficult giant slalom in Poland. Volvo Fresh Track, a presentation of new car models, was very popular.

Ještěd
Visitors this past season appreciated an easier entry point to the resort thanks to a multi-functional center of the first contact, a high quality ski rental, a greater area for the ski school, new turnstiles, and new dining facilities. Events, such as 'Your skis have a familiar face', or 'School report card on skis', had a great success.

Špindlerův Mlýn
In March 2019 TMR organized the World Cup in Alpine Skiing in Špindlerův Mlýn that met with a great success among visitors, also thanks to the attendance of the world champion, Petra Vlhová, and her victory in Giant Slalom.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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

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

EBITDA Margin

In order to evaluate operating profitability of 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 main target group for TMR is represented by tourists from Central and Eastern Europe, mainly from Slovakia, the Czech Republic, Poland, Ukraine, and Russia. The Austrian resorts are visited mainly by the domestic tourists, as well as tourists from West and Central Europe. Therefore, the visit rate in TMR's resorts is partly impacted by economic development in these countries.

Slovakia

According to the National Bank of Slovakia, in 2018 GDP increased by 4.1% year-over-year, the highest pace since 2015.[1] In 2019 GDP of Slovakia should reach a growth of 2.3% impacted by slowing external demand, caused by protectionist measures within global economy. The growth is driven by sectors focused on domestic demand. A negative impact comes from a higher government deficit and higher oil prices. ECB's monetary measures and employment have a positive impact on the economy. In the following years recovery of external demand is expected, as well as a speedier utilization of EU funds, as a result of which the estimated 2020 growth of 2.3% should accelerate to 2.5% in 2021.[2]

The Czech Republic

According to Czech National Bank (ČNB), economic growth in 2018 slowed down to 2.9% due to sensitivity to external economic development, higher base interest rates, less easing of fiscal policy, and a slower utilization of EU funds. In 2019 the GDP growth is estimated at 2.5%, a slowdown caused by weakening of global economy, as well as a weaker external demand and employment dynamics. Domestic consumption remains the growth driver. Future economic development of Czechia also depends on Germany's development, which is expected to recover slowly. In 2020 the Czech economy should grow 2.1%.[3]

Poland

According to EBRD, in 2018 Polish economy grew by 5.1%, the fastest growth in Central Europe. In the first half of 2019 the growth slowed down to 4.4%. Domestic demand was the key growth driver, boosted by improved investments, household consumption, and high government expenditures. Significant wage growth, social benefits, and a favorable labor market helped to maintain disposable incomes and consumer confidence. Polish economy is expected to growth further 3.9% in 2019 and 3.5% in 2020, threatened by negative external development, higher inflation, and higher energy prices.[4]

Ukraine

In 2018 Ukrainian economy accelerated its growth from 3.3% to 3.6% in the first half of 2019. Growth continued thanks to a high private consumption, fixed capital creation, and an increased real export. A significant private capital inflow on the domestic government securities market led to appreciation of the local currency, and state reserves were boosted as well. Inflation slowed down to 7.5%. Macroeconomic stability and investors' expectations will be greatly impacted by the IMF reform program. EBRD estimates the GDP growth of 3.3% for 2019 and 3.5% for 2020.[5]

Russia

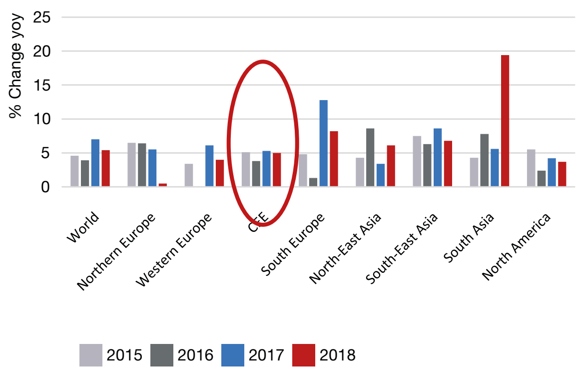
In 2018 Russian economy grew by 2.3% and continued to grow another 0.7% in the first half of 2019. Domestic consumption remained the key growth driver, although it was weakened by stagnant real wages and a higher VAT. A weaker external demand, lower oil prices, and a stronger rouble negatively impacted net exports. Sanctions and a restrictive fiscal policy took a toll on public and private investments. Decreasing inflation and a worse production output led the central bank to lower the base interest rate by 75 basis points. The bank sector with poor quality assets remains a problem. The rise in unsecured consumer credit led to bank consolidation, and 70% of bank assets are now owned or controlled by the state. The sanctions and weak private investments will likely impact the future economic development, with the estimated growth of 1.1% in 2019 and 1.7% in 2020.[6]

Austria

The standard of living in Austria belongs to one of the highest within OECD. Economic conditions have improved over the last couple of years, as a result of employment growth in the private sector, consumer confidence consolidation, and resulting higher wages. Austria capitalizes on the close integration with international value chains focused on Germany and with fast growing economies of Central and Eastern Europe. Labor force demand has been strong for the past three years, with a labor increase among women and the elderly. On the other hand, recruitment difficulties and skill disparity raised structural unemployment, which remains relatively high. Uneven production and employment development among regions put pressure on government expenditures. Previous government had a reform plan in place, aimed at easing market entry and improvement of business conditions, a tax reform aimed to support business investments and job creation, and started a reform of the education system. The economic growth will probably slow down due to a weakening external demand, especially from Germany and Italy, skill shortage, and recruitment problems, uncertainties in international trade policies, and bank capital adequacy. OECD estimates 2018's 2.3% growth to slow down to 1.4% in 2019 and 1.3% in 2020.[7]

[1] Report on economy of the SR. NBS. December 2018. https://www.nbs.sk/_img/Documents/_Publikacie/SESR/2018/protected/SESR_1218sk.pdf
[2] Position of the Bank Council of the NBS on Q4 2019 Prediction. NBS. December 17, 2019. https://www.nbs.sk/sk/informacie-pre-media/tlacove-spravy/detail-spravy/_stanovisko-br-nbs-k-p4q-2019/bc
[3] Inflationary expectations of the financial market. ČNB. December 2017. https://www.cnb.cz/export/sites/cnb/cs/financni-trhy/.galleries/inflacni_ocekavani_ft/inflacni_ocekavani_ft_2019/C_inflocek_12_2019.pdf
[4] European Bank for Reconstruction and Development. Regional Economic Prospects in EBRD Countries of Operations: November 2019. https://www.ebrd.com/what-we-do/economic-research-and-data/rep.html
[5] European Bank for Reconstruction and Development. Regional Economic Prospects in EBRD Countries of Operations: November 2019. https://www.ebrd.com/what-we-do/economic-research-and-data/rep.html
[6] European Bank for Reconstruction and Development. Regional Economic Prospects in EBRD Countries of Operations: November 2019. https://www.ebrd.com/what-we-do/economic-research-and-data/rep.html
[7] OECD Economic Surveys: Austria 2019. October 2019. https://www.oecd-ilibrary.org/economics/oecd-economic-surveys-austria_19990189

International Tourist Arrivals[8]



Travel & Tourism Competitiveness Index 2019 and 2017 comparison (Selected countries)[9]

Country/Economy	2019 Rank/140	2017 Rank/136
Spain	1	1
France	2	2
Germany	3	3
Japan	4	4
United Kingdom	5	6
United States	6	5
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

Regional Tourism Industry

In 2017 the growth in tourist arrivals in the region of Central and Eastern Europe (CEE) accelerated to 5.6%, and in 2018 the growth of tourist arrivals slightly slowed down to 5%, with similar growth in individual destination countries. Europe again maintained the top continent in international tourist arrivals. The region's 2018 tourist receipts rose 9%, accounting for 12% of Europe's tourist receipts. Russia increased tourist receipts in double digits thanks to the hosting of the 2018 FIFA World Cup. Georgia recorded the highest increase in tourist arrivals (+16.9%), followed by Lithuania (+11.9%). The top trends shaping the global travel industry include sustainability achieved by the efficient use of resources, promotion of biodiversity conservation, and steps to control climate change. Tourists seek travelling "to change", trying to live like locals, seeking authentic experiences and transformation. Travel "to show" also continues with goals to share one's travel experiences. Also, tourists pursue a healthier life on their travels, such as wellness. Due to a boom of single households and aging population, solo travel and multi-generational travel is on the rise. Finally, tourists try to raise awareness on sustainability while travelling.[10]

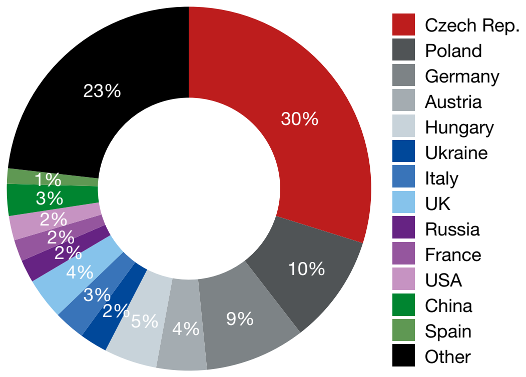
The Travel & Tourism Competitiveness Index (developed by the World Economic Forum) measures factors and policies that impact competitiveness of the Travel & Tourism sector in individual countries in context of regulatory, business, cultural, and natural environment. According to the Index, in 2019 CEE 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.[11]

Slovak Tourism Industry

Besides the majority of domestic tourists, Slovakia is mostly visited by neighboring countries, with the most tourists in 2018 coming yet again from the Czech Republic (702 thousand) and Poland, followed by German tourists. In 2018 international tourist arrivals here increased by 4.3%% to 2.256 million, which is well below the region's average. The number of domestic tourists also increased in 2018 by 4.0%. The ratio of domestic to foreign travelers has been traditionally 60/40, a much higher ratio of domestic tourists than the neighboring countries. The number of over-night stays in Slovakia in 2018 increased 3.9%, out of which 63% can be attributed to the domestic travelers. The average length of stay remained at 2.8 days, as in the previous period.[12] In the first half of 2019 the number of domestic and international tourist arrivals increased by 11%.[13] The reason behind the continually lower growth than the CEE region is the lack of interest in marketing the country as a travel destination by governmental institutions and lack of the government's support for the sector. Despite growth of the visit rate in last couple of years, absolute numbers of tourist arrivals are much lower than in the neighboring countries, such as Austria or Czechia, which year by year achieve significant growth. A small improvement in the tourism policy came in 2019 in the form of lowering the VAT from accommodation services and the implementation of the vacation voucher refundable by employers.[14]

[8] UNWTO International Tourism Highlights: 2019 Edition. August 2019. https://www.e-unwto.org/doi/pdf/10.18111/9789284421152
[9] World Economic Forum. The Travel & Tourism Competitiveness Index 2019. https://www.weforum.org/reports/the-travel-tourism-competitiveness-report-2019
[10] UNWTO International Tourism Highlights: 2019 Edition. August 2019. https://www.unwto.org/publication/international-tourism-highlights-2019-edition
[11] World Economic Forum. Travel & Tourism Competitiveness Report 2019. https://www.weforum.org/reports/the-travel-tourism-competitiveness-report-2019
[12] Ministry of transport and construction of the Slovak Rep. The accommodation statistics of tourism in Slovakia 2018. https://www.mindop.sk/ministerstvo-1/cestovny-ruch-7/statistika/ubytovacia-statistika/2018
[13] Ministry of transport and construction of the Slovak Rep. The accommodation statistics of tourism in Slovakia. 1st half of 2019. https://www.mindop.sk/ministerstvo-1/cestovny-ruch-7/statistika/ubytovacia-statistika/rok-2019
[14] Tourism in Slovakia remains the least of priorities. Trend. May 1, 2019. https://www.etrend.sk/trend-archiv/rok-2019/cislo-17/turizmus-je-v-sr-stale-na-chvoste-zaujmu.html

Origin of Foreign Tourists in Slovakia in 2018[15]

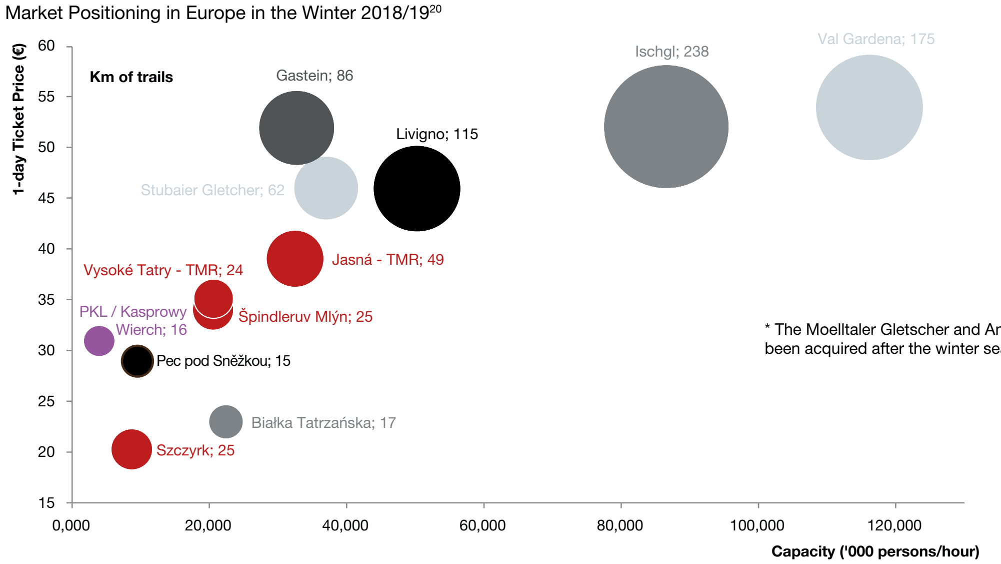


European Mountain Industry

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).[16] 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[17] - 53.2 million whereas Switzerland produces the highest rate of domestic skiers- 35%, with Germany having the highest total number of domestic skiers- 14.6 million.[18] 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.[19] 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.

Market Positioning in Europe in the Winter 2018/19[20]



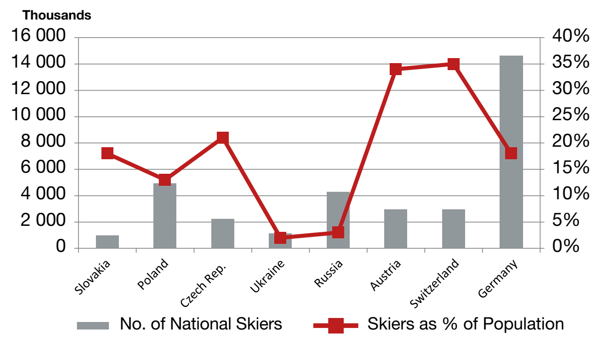
[15] Ministry of transport and construction of the Slovak Rep. The accommodation statistics of tourism in Slovakia 2018. https://www.mindop.sk/ministerstvo-1/cestovny-ruch-7/statistika/ubytovacia-statistika/2018.
[16] The number of skier visits is measured in terms of skier days; which means one person 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.
[17] 5-year average
[18] Vanat, Laurent. 2019 International report on mountain tourism. April 2019. www.vanat.ch
[19] Vanat, Laurent. 2019 International report on mountain tourism. April 2019. www.vanat.ch
[20] skiresort.info, resort websites

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.[21]

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



Mountain Tourism - Country Comparison[22]

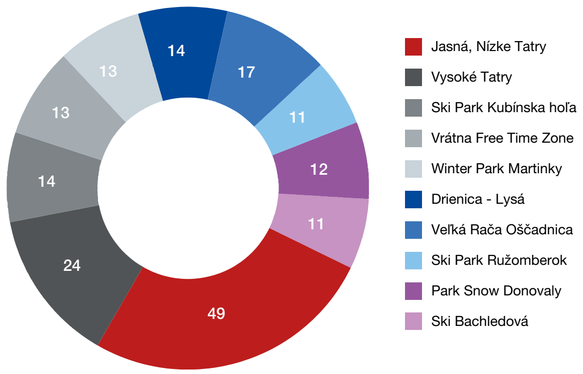
Country	No. of Ski areas*	Number of major resorts (>1 mil Skier Visits)	Skier visits	Proportion of domestic skiers (in % population)	Number of domestic skiers	% foreign skiers	Domestic Skier Visits per inhabit-ants	Skier Visits per foreign visitors
Alpine countries			**163 982 000**					
Austria	254	16	51 800 000	34,0%	2 960 000	66%	2,1	1,6
France	325	13	53 192 000	13,0%	8 574 000	27%	0,6	0,2
Italy	349	7	27 353 000	8,0%	4 844 000	35%	0,3	0,2
Switzerland	186	5	22 564 000	35,0%	2 959 000	46%	1,6	1,3
Germany	498	0	9 073 000	18,0%	14 607 000	10%	0,2	0,1
United States	481	6	54 179 000	8,0%	25 017 000	6%	0,2	0,1
Eastern Europe			**25 733 000**					
Czech Republic	191	0	5 800 000	21,0%	2 236 000	35%	0,4	0,3
Slovenia	44	0	1 103 000	14,0%	299 000	17%	0,4	0,1
Ukraine	54	0	1 400 000	2,0%	1 114 000	5%	0,0	0,0
Poland	182	0	5 000 000	13,0%	4 937 000	15%	0,1	0,1
Russia	354	0	7 430 000	3,0%	4 275 000	5%	0,0	0,0
Slovakia	107	0	5 000 000	18,0%	979 000	25%	0,7	1,0

[21] Vanat, Laurent. 2019 International report on mountain tourism. April 2019. www.vanat.ch
[22] Vanat, Laurent. 2019 International report on mountain tourism. April 2019. 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).[23]

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.[24]

Regional Hotel Industry

The hotel industry in Slovakia in 2018 continued the growth trend that started in 2015, with total turnover from accommodation services for hotels having increased by 8.0% year-over-year to EUR 428.6 mil. 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 region of Jasná Nízke Tatry and Tatralandia followed a positive trend in 2018 and recorded a 14.1% increase in hotel revenues. The region of Vysoké Tatry grew 13.7% in 2018.[25] 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.

[23] skiresort.info, resort websites
[24] Vanat, Laurent. 2019 International report on mountain tourism. April 2019. www.vanat.ch
[25] Selected tourism KPIs for Q4, 2018. Statistical Bureau of the Slovak Republic. https://slovak.statistics.sk

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.[26] 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.[27] 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.[28]

Regional Trends on the Real Estate Market

The performance of the regional real estate market depends on the stability of demand, which is impacted by macro-economic development, the job market development, income growth, and access to bank financing. Following robust investment activity in 2016 and 2017, the Slovak investment market has experienced yet another strong year resulting in a 2018 transactional volume of ca. 820 million euros. The sector split of income producing assets comprised mostly or retail and office space. 2018 was strong in residential housing, in which supply still cannot meet demand. However, construction costs increased due to shortage of construction capacities. Investments in hotels and recreational apartments were on the rise in 2018. The start of 2019 continued in the positive trend with a great number of new projects, although the estimates for the year 2019 are careful, predicting a slowdown in several real estate segments, that have been growing so far, due to uncertainties around Brexit and global trade and political wars.[29]

In the reported period, the recreational real estate market in the Jasná resort has been booming, with several new projects, such as the project under construction of a 5-star hotel resort or additional phases of Chalets Jasná.[30] In the High Tatras, mainly in Tatranská and Veľká Lomnica several real estate projects are being prepared or already getting built, also by TMR.[31]

[26] 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
[27] nagolf.eu, forbes.cz
[28] 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-frci-v-roce-2018
[29] Banks: There are more unexperienced developers. June 5, 2019. https://reality.etrend.sk/realitny-biznis/trh-rastol-mnozia-sa-vsak-slovicka-ale.html
[30] Jasná: the Slovak attempt for an alpine resort. 16.3.2017. Trend 11/2017. Real estate extra.
[31] Another area of recreational houses at the golf resort beneath the Tatras.10.2.2015. reality.etrend.sk/komercne-nehnutelnosti/pri-golfovom-ihrisku-pod-tatrami-dal-sia-zona-rekreacnych-domov.html

RISK FACTORS AND RISK MANAGEMENT

Risk Factors and Risk Management

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

Market Risks

Business Cycle

Current operations of the Group are focused in the Slovak, Czech, 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.

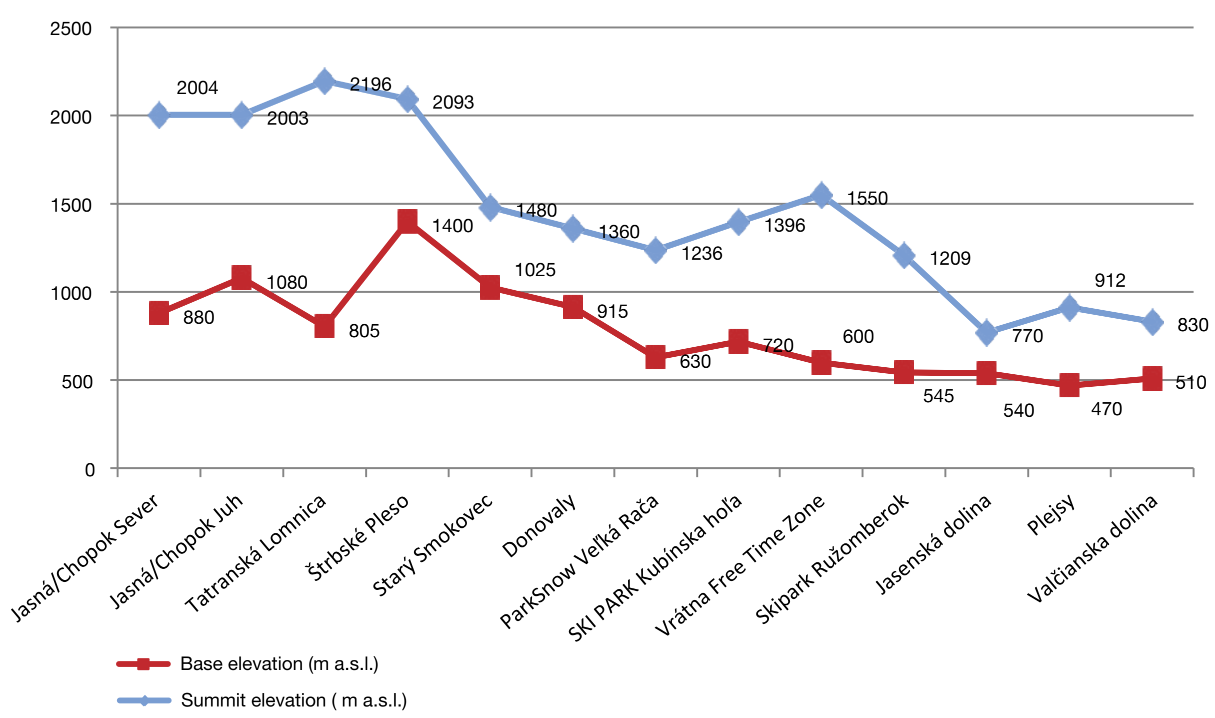
Competition

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 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.

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

Real Estate Market

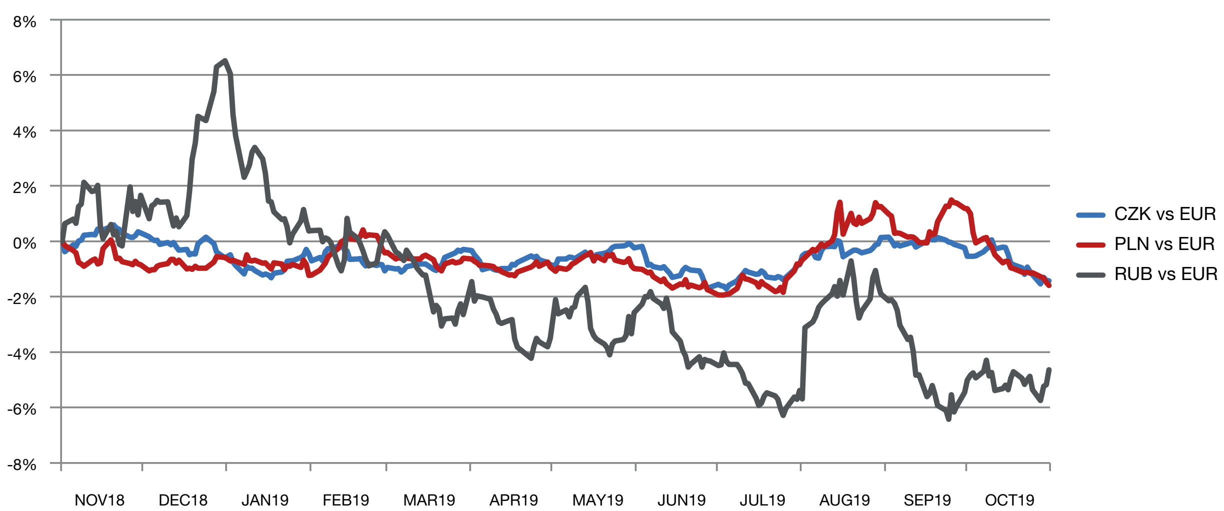
One of the operating segments of TMR is focused on real estate, as described in the Company Profile section. The revenues of this segment depend on sale and/or lease of residences, lodging facilities, and commercial space in the real estate projects. Even though the current performance of the Group does 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 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 2018/19 however, the Czech crown and Polish zloty were relatively flat. 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, Note 29.

One-year Performance of Selected Currencies vs. Euro[2]



[2] ECB. http://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html

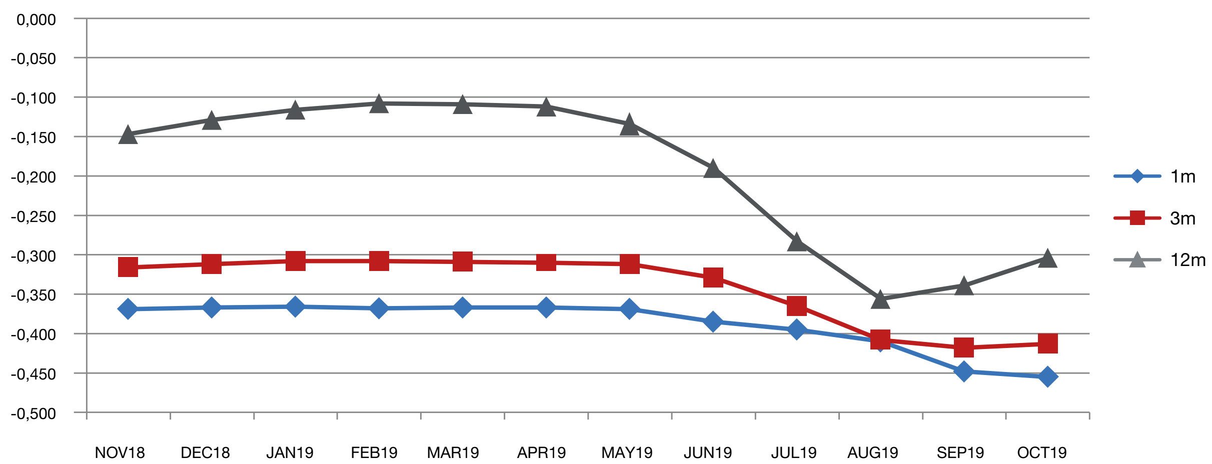
Interest Rates

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 2018/19 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, items 20, 27, 36.

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 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, items 20, 36.

EURIBOR rates (%)[3]



[3] http://www.emmi-benchmarks.eu/euribor-org/euribor-rates.html

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. Nevertheless, the increasing operating income comfortably covers the Group's debt service despite the high level of debt. The extent of the risk exposure is detailed in Consolidated Financial Statements, item 36.

Bonds and the Level of Debt

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, item 31.

Operating Risks

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

Safety

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

- In the course of developing, maintaining, and operating cableways, lifts, trails, swimming pools, toboggans, rollercoasters, 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 increased to EUR 127.592 mil. (108.249)
- Consolidated operating profit before interest, tax, depreciation and amortization (EBITDA) increased to EUR 35.496 mil. (34.166)
- TMR operated with EBITDA margin of 27.8% (31.6%)
- Net consolidated loss amounted to EUR -2.288 mil. (3.095)
- Net consolidated earnings per share amounted to EUR -0.341 (0.473)
- The number of visitors to Mountain Resorts increased to 2.840 mil. (2.706); Leisure Parks recorded 808 ths. (907) visitors

Selected Consolidated Results (IFRS)	For the Year Ended October 31	
in €'000	FY 2018/19	FY 2017/18
Sales	126 392	108 020
Other Operating Revenues	1 200	229
Total Revenues	**127 592**	**108 249**
Consumption of Material and Goods	-26 300	-19 318
Personnel and Operating Costs	-67 289	-57 031
Other Gain/ Loss	1 493	2 266
EBITDA	**35 496**	**34 166**
EBITDA Margin	27,8%	31,6%
Depreciation & Amortization	-20 131	-16 745
Impairment of PPE	-3 865	0
Gain on bargain purchase	1 223	1 824
EBIT	**12 723**	**19 245**
Interest Income	1 173	1 148
Interest Expense	-16 791	-14 010
Gain/ Loss on Financial Operations net	1 189	-3 099
Pre-tax Income	**-1 714**	**3 284**
Income Tax	-574	-189
Net Profit/ Loss	**-2 288**	**3 095**
Total Comprehensive Income	**-3 445**	**3 019**
EPS (€)	**-0,341**	**0,473**

TOTAL REVENUES AND INCOME

Total Revenues

The Group's total consolidated revenues for the past financial year amounted to EUR 127.592 mil. (108.249), an increase of 17.9%. Thereof, sales amounted to EUR 126.392 mil. (108.020) and the rest are other operating revenues of EUR 1.200 mil. (0.229). Revenues were positively impacted mainly by a higher visit rate in the Szczyrk resort, "flexi pricing" especially in Jasná, the acquisition of Austrian resorts of Mölltaler Gletscher and Ankogel, the new golf segment, ancillary services, the operations of the hotel portfolio and real estate projects. Revenues also includes the one-off impact of sales, advertising and accommodation from the World Cup in Alpine Skiing in Špindlerův Mlýn, organized by TMR. Excluding the one-off effects and acquisitions, revenues improved by 11.8% year-over-year.

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

Another TMR's key financial performance indicator - EBITDA - reached EUR 35.496 mil. (34.166); which means an increase of 3.9%. On the like-for-like basis EBITDA increased year-over-year 15.2%[1]. Cost of materials and goods sold grew by 36.1%, mainly due to the construction of apartments and chalets. Personnel and operating costs were up 18.0%. The rise in personnel and operating costs was caused mainly by the pressure of the labor market to raise wages, an increase in the minimum wage, hiring of new employees for the central department, and acquisitions. The resorts of Mölltaler Gletscher and Ankogel also had a negative impact on EBITDA. Since they were acquired after the winter season, they did not generate revenues high enough to cover their operating costs in the summer season. TMR's operating profitability ratio (EBITDA margin) reached the level of 27.8% (31.6).

Depreciation and Amortization, Impairment Loss

The depreciation and amortization costs increased to EUR 20.131 mil. (16.745) mainly due to completed investments and the acquisitions of the Austrian resorts. Due to revaluation of Legendia – Silesian Amusement Park an impairment loss was recognized in the amount of EUR 3.865 mil. (Consolidated Financial Statements, Note 15, 16).

Financial Activity

Interest income of EUR 1.173 mil. (1.148) mainly stemmed from loans granted, earning fixed interest rates (see Consolidated Financial Statements, Note 20). Interest expense rose to EUR 16.791 mil. (14.010); it includes mainly loan expenses and expenses of the issued bonds (see Consolidated Financial Statements, Note 12).

Taxes

Payable income tax was EUR -1.281 mil. (0.125). Total income tax was recognized in the amount of EUR -574 ths. (-189).

Net Income

The Group recognized a net consolidated loss in the amount of EUR -2.288 mil. (3.095). Loss attributable to owners of the parent company amounted to EUR -2.286 mil. (3.173). EPS reached EUR -0.341 (0.473). Total comprehensive income after accounting for foreign currency translation reserve and loss on cash flow hedging amounted to EUR -3.445 mil. (3.019). The parent company reported a net profit of EUR 4.087 mil. (7.573).

KEY EVENTS OF THE YEAR

The Group followed its corporate strategy, under which it took the following actions:

Capital Investments

At the Annual General Meeting (AGM) in April 2019 the Board of Directors presented the investment plan for current calendar year. The actual capital expenditures of the completed and ongoing investments, including reserves, for the financial year 2018/19 totaled EUR 45.3 mil.

Investments in the past FY included a new Grand Jet Brhliská cable car in total of EUR 12.2 mil, which the Company had rented for a long term with a right of buyback. So far TMR has invested EUR 929 ths. in a snowmaking water reservoir in Jasná. Also, new snow grooming vehicles were purchased for Slovak the resorts worth EUR 1.5 mil.

Hotel Srdiečko underwent a second phase of reconstruction with a budget of EUR 886 ths., and the construction of the new Hotel Centrum Jasná was under preparation.

In the leased Ještěd Ski Resort the planned investments are postponed for the next year due to environmental impact assessment processes. Only a new operation of a sports store and services, Ještěd Motion, and an après ski bar were added.

In the Polish Legendia - Silesian Amusement Park the last of the contractually agreed attractions in the first phase of modernization - Rapid River, with a transport capacity of 900 persons per hour, was added. In the last financial year means of EUR 2.2 mil. were invested in this attraction, which will open in 2020. In addition, attractions - Fountain show and Tornado were added.

[1] EBITDA for 2017/18 on the like-for-like basis excludes the revaluation of the interest in Melida, a.s. in the amount of EUR 2.458 mil.

In Szczyrk TMR purchased Hotel Szczyrk for EUR 2.6 mil. Another investment was the opening of a new restaurant, Hall Skryczinska, the largest restaurant within TMR's resorts, with a capacity of 430 people. The investment amounted to EUR 2.6 mil. The new Skalczynska - Male Skryczne cable car near the new restaurant in the amount of EUR 2.8 mil. and two other lifts were added in the assets registry. Further investments were made in the expansion of snowmaking, ski school, slopes, cycle routes, replacement of cableway software, and infrastructure.

In the Real Estate segment TMR built more cottages and apartments for sale in Holiday Village Tatralandia for EUR 757 ths., the Horec apartments project in Tatranská Lomnica started and additional chalets of Chalets Jasná Collection valued at EUR 6.2 mil. were built.

For more details, see Consolidated Financial Statements, Note 15.

Loyalty Program

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

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

As of the end of FY, there were 1.859 million members registered in the GOPASS program, whereas more than 600 ths new members joined.

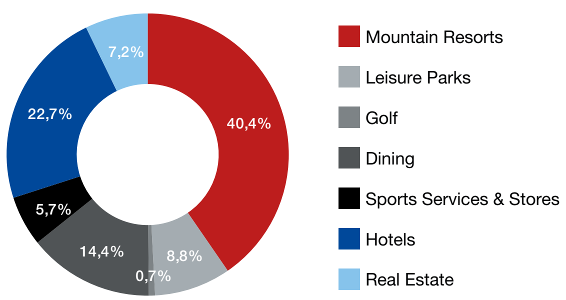
Acquisitions and Expansion

In June 2019 TMR signed a contract to purchase a 100% stake in Mölltaler Gletscherbahnen Gesellschaft mbH & CO KG, which owns and operates the Mölltaler Gletscher glacier ski resort and its sister resort Ankogel - Mallnitz in Austria. The Group took over the operations on 1 May 2019.

In the Czech Republic TMR has been renting and operating the Golf & Ski Resort Ostravice since November 2018 and the lease and management contract has been signed for 20 years.

Since January 2019 the Group has been renting the Golf Resort Kaskáda near Czech Brno for 20 years, managing the operation of a hotel with a congress center and a restaurant.

Revenue Breakdown



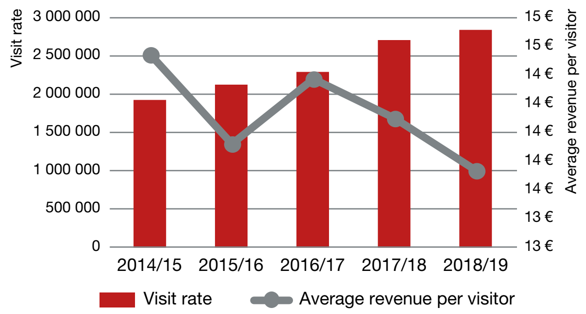
RESULTS BY SEGMENTS

Key Operating Results*	Revenues			EBITDA			EBITDA Margin		
in €'000	FY 2018/19	FY 2017/18	Change yoy (%)	FY 2018/19	FY 2017/18	Change yoy (%)	FY 2018/19	FY 2017/18	Change yoy (p.p.)
Mountain Resorts	51 485	45 361	13,5%	19 588	18 842	4,0%	38,0%	41,5%	-3,5%
Leisure Parks	11 238	12 342	-8,9%	3 662	4 521	-19,0%	32,6%	36,6%	-4,0%
Golf	913	0	NA	95	0	NA	0	NA	NA
Dining	18 431	16 013	15,1%	3 124	3 168	-1,4%	16,9%	19,8%	-2,8%
Sports Services & Stores	7 336	6 851	7,1%	1 230	1 165	5,6%	16,8%	17,0%	-0,2%
Hotels	28 966	25 081	15,5%	5 446	4 926	10,6%	18,8%	19,6%	-0,8%
Real Estate	9 223	2 601	254,6%	2 351	1 544	52,2%	25,5%	59,4%	-33,9%
Total	**127 592**	**108 249**	**17,9%**	**35 496**	**34 166**	**3,9%**	**27,8%**	**31,6%**	**-3,7%**

KEY PERFORMANCE INDICATORS (KPIs)

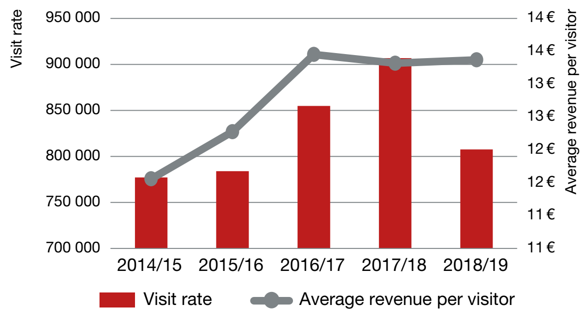
The visit rate in the Mountain Resorts segment in 2018/19 increased year-over-year by 4.9% to EUR 2.840 mil. (2.706) visitors/ skier days[2], whilst it includes skier days from the Austrian resorts of Mölltaler Gletscher and Ankogel[3]. On the like-for-like basis the visit rate dropped 1.5%. The Group observed a significant increase in the visit rate in the fully modernized Szczyrk Mountain Resort and a comparable percentage increase also in the rented Ještěd resort. The Vysoké Tatry and Jasná resorts did not manage to revert the slight drop in the visit rate from the winter season, even after the summer season since TMR is unsuccessful in fulfilling its strategic plan of resorts expansion, especially in Vysoké Tatry, thus it faces a competition of smaller resorts, especially in favorable snow conditions. The average revenue per sold skier day decreased 2.6% to EUR 13.73 (14.10[4]), although the average revenue from online sales via GOPASS in the Tatra resorts improved thanks to the flexi pricing, especially in Jasná. Without the impact of the Austrian resorts the average revenue dropped 0.6%.

Mountain Resorts' KPIs



Leisure Parks reported a 10.9% fall in the visit rate to 808 ths. (907) visitors due to a worse weather in the spring, shorter operating hours, a lower marketing budget, and several attractions closed down due to technical reasons and cost cutting. The average revenue per visitor slightly improved, by 0.4% to EUR 13.37 (13.32).

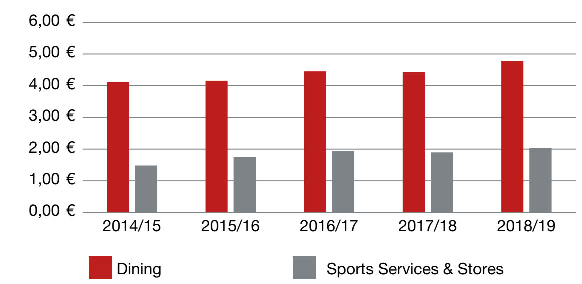
Leisure Parks' KPIs



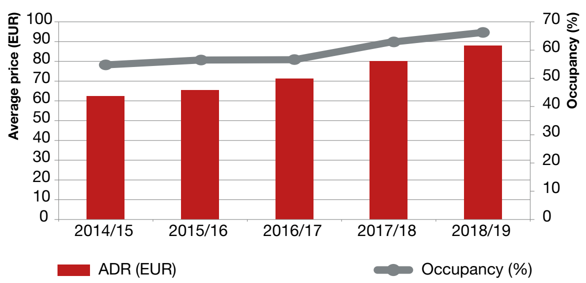
The resort clients spent more in dining facilities on and off the slopes and in the leisure parks. Average dining revenues thus improved 7.9% to EUR 4.78(4.43), whilst dining facilities were added in the Austrian resorts and in Ještěd. Sports Services & Stores, which largely depend on performance of the resorts, reported average revenues per visitor up 7.3% to EUR 2.03 (1.90).[5]

The weighted average occupancy of the TMR hotel portfolio grew by 3.8 percentage points to 66.3% (62.7[6]), whilst during the year 36 rooms of Green Inn Hotel and 50 rooms of Hotel Kaskáda in the rented golf resorts were added. In the reported period the Group no longer managed Hotel Kukučka. 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 9.9% to EUR 87.97 (80.07[7]).

Average revenue per visitor in selected segments



KPIs of Hotel Portfolio



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[2] 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.
[3] The period from 1/5/2019 - 31/10/2019
[4] Recalculated
[5] 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.
[6] The average occupancy in 2017/18 excluded the lodging facility A Night at Lomnicky Peak.
[7] The average daily room rate in 2017/18 excluded the lodging facility A Night at Lomnicky Peak.

FINANCIAL OPERATING RESULTS[8]

Mountain Resorts

Revenues of the largest segment, Mountain Resorts, make up 40.4% (41.9) 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. The Group achieved a 13.5% revenue growth in Mountain Resorts to EUR 51.485 mil. (45.361) mainly as a result of the acquisition of the Austrian resorts, a successful winter season in Jasná thanks to the „flexi pricing" and in Szczyrk thanks to the increased visit rate. Mountain Resorts' revenues include a one-off impact of entry ticket sales, advertising, and lodging at the World Cup in Alpine Skiing in Špindlerův Mlýn in the total amount of EUR 1.970 mil., which TMR organized. The impact of the Austrian resorts totals EUR 1.506 mil., which includes operations since May 2019 and ski pass sale via Gopass for the Austrian Mölltaler Gletscher based on a business cooperation before the acquisition. On the like-for-like basis excluding the one-off items and the acquisition revenues would reach a 5.8% growth to EUR 48.009 mil.

The Mountain Resorts' EBITDA increased year-over-year by 4.0% to EUR 19.588 mil. (18.842), reaching operating profitability of 38.0% (41.5). The like-for-like EBITDA, excluding the one-off effects, acquisitions, and the revaluation of the interest in Melida, a.s. from 2017/18, improved 22.7% year-over-year.

Leisure Parks

The Leisure Parks' revenues are mostly generated from entry tickets to Aquapark Tatralandia and Legendia - Silesian Amusement Park and make up 8.8% (11.4) of total revenues. In the past year revenues decreased 8.9% to EUR 11.238 mil. (12.342). The decrease was caused by a fall in the visit rate. EBITDA fell 19.0% to EUR 3.662 mil. (4.521). Operating profitability of Leisure Parks dropped to 32.6% (36.6).

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 913 ths. (0). The operating performance indicator, EBITDA, was achieved in the amount of EUR 95 ths. (0).

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 14.4% (14.8) of total revenues. Total revenues reached EUR 18.431 mil. (16.013), or a 15.1% increase. The like-for-like revenues excluding the acquisitions improved 7.5% to EUR 17.221 mil. The annual growth confirms the trend of the rising clients' demand for ancillary services in the resorts, thus TMR sees additional growth potential in this segment and thus has been expanding and improving its dining facilities. The segment's operating profitability reached 16.9% (19.8), whereas EBITDA slightly decreased to EUR 3.124 mil. (3.168). On the like-for-like basis EBITDA improved 10.7%. 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. Opening of new operations, increased visit rate, higher average client spending, as well as numerous marketing events during the year contributed to the segment's positive results.

Sports Stores & Services

Last year's revenues generated from the sports stores, ski schools, sports equipment rentals and service in Mountain Resorts under the Tatry 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 5.7% (6.3) share in total revenues. The segment's revenues reached a 7.1% growth to EUR 7.336 mil. (6.851). The operating performance indicators, EBITDA, improved 5.6% to EUR 1.230 mil. (1.165) and the segment's operating profitability reached the level of 16.8% (17.0).

[8] 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 Estate to seven equal segments: Mountain Resorts, Leisure Parks, Golf, Dining, Sports Services and Stores & Leisure, Hotels, and Real Estate, whilst the Golf segment was added.

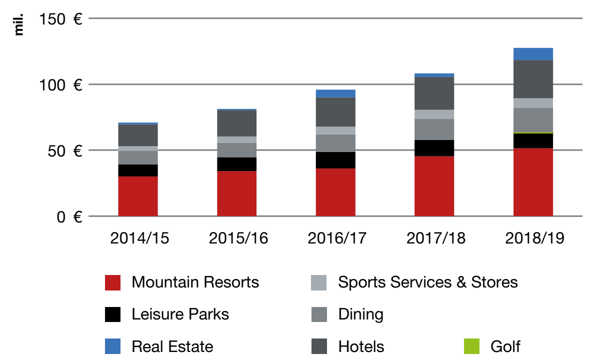
Hotels

The Group's second largest segment is Hotels, revenues of which make up a 22.7% (23.2) share in total revenues. Hotels ended the financial year with revenues amounting to EUR 28.966 mil. (25.081) - a growth of 15.5%. Besides the higher average occupancy and higher ADR of the hotel portfolio, the revenue growth was achieved also thanks to the renovated Tatra grand hotels, especially Grandhotel Starý Smokovec, which had undergone a major renovation before the winter season 2018/19. Additional golf hotel capacities of Green Inn Hotel and Hotel Kaskáda, new Chalets Jasná Collection, synergies among Mountain Resorts and Tatralandia, building client relations via the GOPASS program, and effective marketing also impacted the growth. The like-for-like revenues excluding the new hotels improved 11.8% to EUR 28.053 mil. EBITDA improved by 10.6% to EUR 5.446 mil. (4.926) with the corresponding EBITDA margin of 18.8% (19.6).

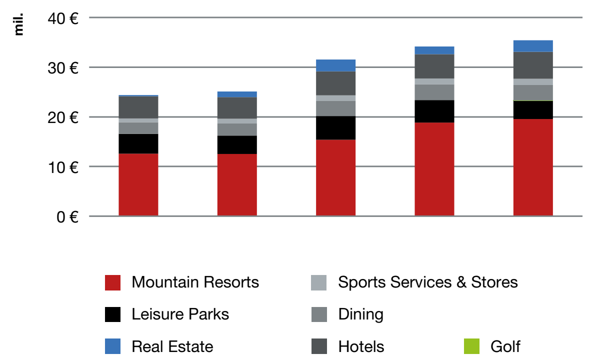
Real Estate

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 7.2% (2.4) of total revenues and they reached the level of EUR 9.223 mil. (2.601). In the past financial year revenues from the sale of seven bungalows of Holiday Village Tatralandia and 28 apartments and one individual chalet of the Chalets Jasná Collection project totaled EUR 8.973 mil. EBITDA increased to EUR 2.351 mil. (1.544), and EBITDA margin reached 25.5% (59.4).

Revenues by Segments



EBITDA by Segments



Explanations

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

Group's Position at the End of the Year

FINANCIAL POSITION

Liquidity

As of the end of 2018/19 the Group operated with liquid funds in the amount of EUR 12.073 mil. (54.525) in the form of cash and cash equivalents. The decrease is due to the fact that cash was used to repay the loan from J&T Banka in the amount of EUR 42.036 mil.

Borrowings

The total value of the Group's borrowings amounted to EUR 347.350 mil. (354.193). Out of that issued bonds are valued at EUR 261.287 mil. (238.417). In November 2018 the Group issued the fourth tranche of bonds, TMR IV 4.5%/2022, through its SPV (special purpose vehicle) company, TMR Finance CR, a.s. This bond issue was used to refinance the Group's other debt (a loan from Tatra Banka and to repay the matured bonds TMR I 4.5%/2018). As of the end of the period, these bonds were valued at EUR 59.263 mil. In December 2018 the Company repaid the TMR I bonds with the balance of EUR 66.479 mil. as of the maturity date. During the year the value of the sold bonds TMR III 4.40%/2024 increased from EUR 58.5 mil. to EUR 88.1 mil. The total value of the Group's bank loans and leases as of the end of the period came to EUR 86.063 mil. (115.776). 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. As of 31/10/2019 the value of borrowings with maturity within 12 months was EUR 15.196 mil. (79.924). The decrease is due to the repayment of a short-term loan facility from J&T Banka which was used to repay Tatra Banka loan prior to the new bond issue. The level of the Group's debt as of the period end was at 75.7% (75.7%) (total debt-to-capital ratio). Total debt-to-EBITDA ratio reached the level of 9.8 (10.4) as of 31/10/2019 (See Consolidated Financial Statements, Note 27, 32).

Total Assets

The book value of total assets increased to EUR 533.858 mil. (521.684). Value of current assets decreased to EUR 88.303 mil. (125.760) mostly due to a decrease in cash and cash equivalents relating to the repayment of old loans. Non-current assets rose to EUR 445.555 mil. (395.924) due to completed investments that were added to the fixed assets registry. The value of fixed assets amounted to EUR 421.324 mil. (372.556). The key completed investments transferred to fixed assets included new cableways in Szczyrk, new attractions in Legendia, finished apartments of Chalets Jasná Collection and cottages of Holiday Village Tatralandia, the renovated Hotel Srdiečko, a snowmaking water reservoir in Jasná, a purchased hotel and a new dining facility in Szczyrk, and other minor investments (See Consolidated Financial Statements, Note 15).

Financial Position in €'000	October 31	
	2018/19	2017/18
Total Assets	533 858	521 684
Non-current Assets	445 555	395 924
Fixed Assets	421 324	372 556
Other Non-current Assets	24 231	23 368
Current Assets	88 303	125 760
Liquid Assets	12 073	54 525
Equity	111 746	113 789
Liabilities	422 112	407 895
Non-current Liabillities	368 762	259 355
Current Liabilities	53 350	148 540
Total Debt	347 350	354 193

Equity

The book value of shareholders' equity amounted to EUR 111.746 mil. (113.789), whilst retained earnings and other funds totaled EUR 35.640 mil. (33.746). Minority interest amounted to EUR 106 ths. (108).

CASH FLOW

Cash flow generated from operating activities reached EUR 27.663 mil. (38.074). Cash flows assigned for investment activity reached EUR -31.229 mil. (-54.798), whilst cash flow for acquisition of property amounted to EUR -31.229 mil. (-54.798). The Company recorded cash flows generated from financing activities in the amount of EUR -34.918 mil. (61.107). During the year the Group repaid principal of loans received in the amount of EUR 43.674 mil. The proceeds generated from the issued bonds for the given period amounted to EUR 88.119 mil., and the Group purchased its own bonds in the amount of EUR 65.000 mil.

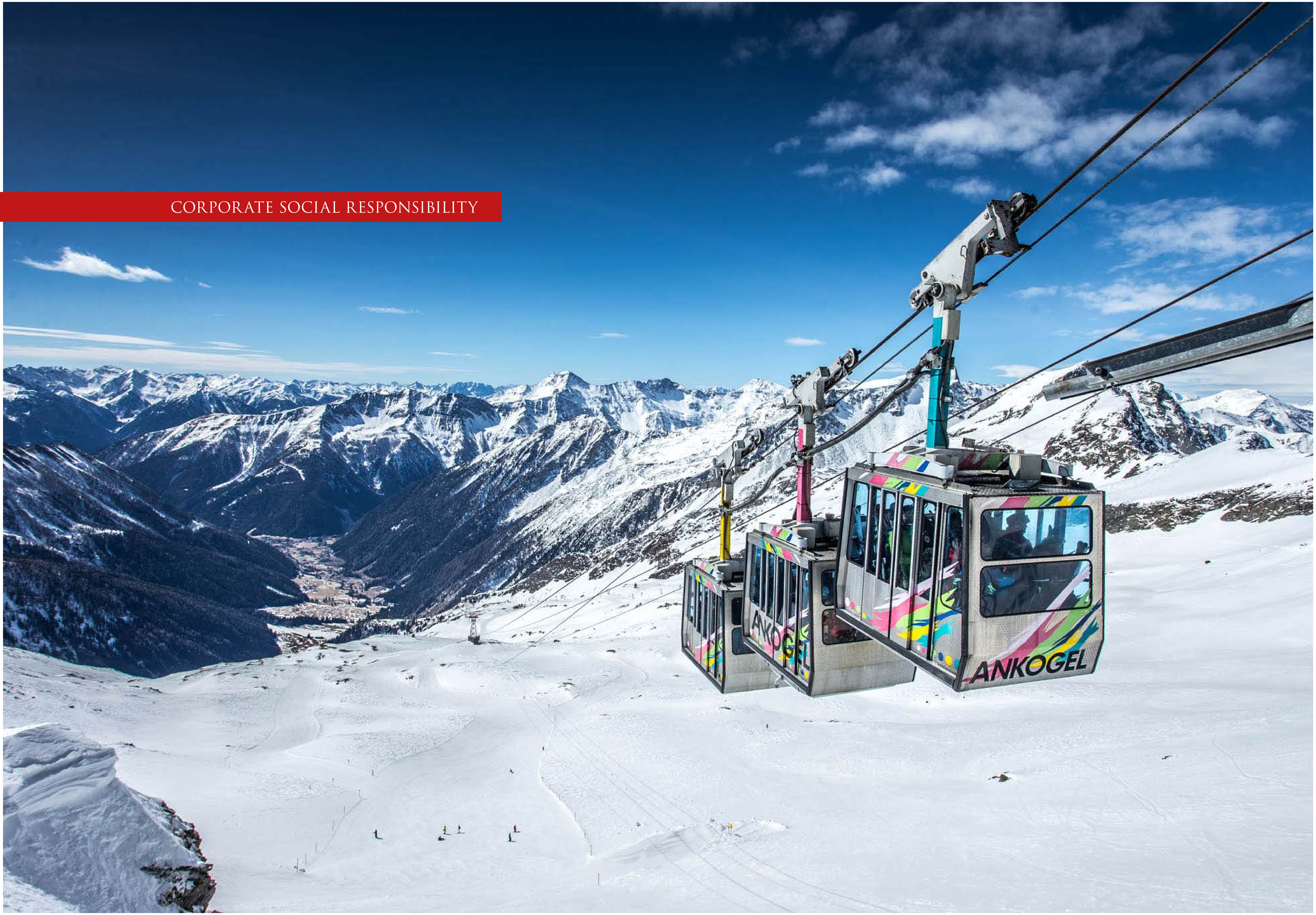
OUTLOOK

The management expects continuing positive effects stemming from capital investments of prior periods with impact on the next financial year and following periods, in terms of increasing the visit rate, client spending in the resorts, and growing occupancy in the hotels, especially in the off-season. The intense activity in the Real Estate segment is expected to continue also in the following periods, which should generate additional revenues and income not only in this segment but also in Hotels and ancillary services through shops and dining facilities. Besides continuing the gradual progress in the projects of modernization of all the resorts and building infrastructure, in the short term the management will keep focusing on inter-segment synergies, quality management, utilization of innovative information technologies, on increasing the quality of services provided and quality of human capital, and on active sales strategy also through the GOPASS program. In terms of expansion of TMR's operations, the Group will focus on the development and modernization of the leased Ještěd resort in Czechia, operation of lodging capacities for third parties, and the development of activities in the golf segment. In the midterm horizon TMR also plans further development of the Austrian resorts.

Explanations

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

Cash Flows in €'000	November 1 - October 31	
	2018/19	2017/18
Net Cash from Operating Activities	27 663	38 074
Net Cash from Investing Activities	-35 194	-54 240
Net Cash from Financing Activities	-34 918	61 107
Net Increase in Cash and Cash Equivalents	-42 452	44 941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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 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 2018/19

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

Green Chopok

In May 2019 volunteers met at Mt. Chopok for the Green Chopok event in order to clean up ski trails and surroundings from garbage and rocks. Besides cleaning the trails, the fans of mountains also planted trees at Mt. Chopok. More than 200 volunteers and fans of mountains from whole Slovakia joined the action.

Sports Events

The Group proactively supports sport events in its resorts, either as a partner or as a sponsor. Also in the last period, TMR participated in several sports events, such as the European Cup in Jasná. TMR also organized the World Cup in Alpine Skiing in Špindlerův Mlýn. Both events were attended by the world champion, Petra Vlhová. Olympic team arena and Jasna Adrenalin (part of the international Freeride World Tour).

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.

For a Better Life in the Town of Vysoké Tatry

In the last financial year, 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 2019 TMR supported nine projects together. Thanks to the grant, sledgers bought sleds, sports equipment for the Athletic Club in Vysoké Tatry, and in the kindergarten provided climbing frames, beam, rope mountain and hanging swings. TMR gave a helping hand to the local theater company and the Roman Catholic parish. Thanks to the grant, the Vysoké Tatry physical training unit purchased equipment, while the Tatra Youth Parliament sharpened and installed book boxes. The total amount of contributions to supported projects under the 2019 grant program was EUR 19 930.

HUMAN RESOURCES

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

The annual average number of the Group employees for the financial year 2018/19 totaled 1,456 (1,402 in 2017/18). In the reported period the Group was using services of human resource agencies in hiring short term employees. In 2018/19 376 employees were hired this way (282 in 2017/18). This proves that the Group is considered a major and credible employer. Despite the Group's positive business performance, jobs seasonality is still present. The Group hires a high number of full-time employees and contractors especially before the winter and summer season, which shows efficient human capital management. In comparing with prior years, differences between the summer and winter season are diminishing. By efficient utilization of human resources we were able to decrease the number of seasonal employees and stabilize full-time employees.

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

In 2018/19 the Group published 530 job offers and recorded 6,821 responses. The number of the job offers published is the reflection of the labor market which is facing a lack of skilled labor force in the whole EU. Due to this status quo TMR puts emphasis on internal learning, requalification of the human capital, and employees' personal growth, thus TMR prefers internal recruitment in the hiring process.

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. TMR focuses on decreasing unemployment of young people caused by differences between skills of school graduates and employers' expectations. Therefore, TMR successfully joined the dual education system. In the school year 2019/20 there were 52 students of Hotel Academy in Liptovský Mikuláš involved in its operations, 23 students were from Otto Brückner Hotel Academy in Kežmarok, and 14 students joined the program from the Specialized Hotel School in Starý Smokovec. By the end of FY 2018/19, there were 89 students in total participating in the dual education program. Students perform professional practice in TMR's hotels and restaurants - Hotel Grand Jasná, Hotel Tri Studničky, Hotel Pošta, Holliday Village Restaurant, Restaurant Paradiso, Grandhotel Praha Tatranská Lomnica, hotel Grand Starý Smokovec, Hotel FIS Štrbské Pleso and HUMNO Restaurant & Music Pub in Tatranská Lomnica. In June 2019 15 students of dual education successfully passed their final exams in the Lukova Restaurant in the Jasná resort. Four successful graduates of the Hotel Academy in Liptovský Mikuláš are currently working in Jasná and in the aquapark. Three graduates who continue in the post graduate studies at the academy work in TMR's operations as contractors. 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 cca 60 foreign full-time students of the university working part-time for TMR during 2018/19.

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

In December 2018 TMR launched a trainee program for university and college graduates. Four college graduates were selected in the program. During 2019 they attended the trainee program at TMR's operations in individual resorts of TMR.

Employee Learning

The Group supports a continuing development of skills, knowledge, and employee loyalty on all levels in order to enable them to efficiently fulfill their job duties, improve their job performance, and to create further advancement opportunities for the employees. The Group created and recruited professionals for the new department of learning and development, which has executed an analysis of the employees' learning needs based on the Company strategy, goals, and the system of regular job performance evaluation of the employees. The department keeps a check on the level of personal profile, potential, and qualification of each employee and sets individual development plans. Based on the development plans during 2019 the department had 2,160 employees attending internal learning courses on 11 topics.

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.

In the summer of 2019 the TMR Group organized the first kids' camp for the TMR employees. The camp took place in TMR's Hotel Hrebienok in Vysoké Tatry under the supervision of camp animators, TMR employees.

CORPORATE GOVERNANCE

Corporate Governance

CORPORATE GOVERNANCE PRINCIPLES

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

CORPORATE BODIES AND MANAGEMENT

BOARD OF DIRECTORS

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

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

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

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

As of 31 October 2019, the Board of Directors comprised of four members:

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

Members of the Board of Directors

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

In June 2009 Ing. Hlavatý was first elected as a member of the Company's Board of Directors and as the Chairman of the Board of Directors. On 27/05/2014 he was reelected as a member of the Board of Directors and its Chairman, effective as of 30/06/2014. On the Supervisory Board meeting held on 11/06/2019 he was reelected a member of the Board and chairman of the Board, effective 01/07/2019. Since 2009 Mr. Hlavatý also holds the office of the Company's Chief Executive Officer. Under his leadership, TMR underwent a successful revitalization and started making use of synergies with its subsidiaries. He managed the successful issue of TMR shares on the Bratislava Stock Exchange. Since 2006 he has held a number of senior managerial positions in hotel and tourism sectors in the High and Low Tatras. In 2006 - 2008 he held the position of CEO of JASNÁ Nízke Tatry (predecessor of TMR) and CEO of Tatranské lanové dráhy (Tatra Cableways). Previously, he held top managerial positions at Slovak, Polish and Czech FMCG companies: Vodní sklo Brno (Vice-Chairman of the Executive Board 2003 - 2006), Wyborova SA (Pernod Ricard Poland) (Sales Director 2001 - 2003), Seagram Poland (Sales Director 1999 - 2001), Seagram Slovakia (Sales Director 1995 - 1999), and BOBI Slovakia (since 1997 Kimberley Clark) (Director 1994 - 1995).

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

Number of shares held as of 31 October 2019: 710

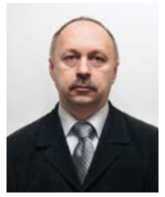
Jozef Hodek - member of the Board of Directors and CFO of the Company since 29/06/2009

Mr. Hodek was first elected as a member of the Board of Directors in June 2009. On 27/05/2014 he was reelected, effective as of 30/06/2014. 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 Tatry mountain resort services, a.s., which merged with TMR. Currently, he serves as the Company's CFO. He was engaged in TMR efficiency improvement processes, the issue of new shares and listing on the Bratislava Stock Exchange. Previously, in 2006 to 2007, he worked in the audit department of Pricewaterhouse Cooper Slovakia. He graduated from the University of Economics, Faculty of Business Informatics in Bratislava.

He is also a supervisory board member at the Polish company Szczyrkowski Ośrodek Narciarski S.A., at Korona Ziemi Sp. z o.o., and at Śląskie 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 Tatry mountain resorts CR, a.s.) and since 30/09/2017 he has been a member of the supervisory board of Tatry mountain resorts PL, a.s. Since 16/02/2018 he has been a member of the supervisory board of Tatry mountain resorts CR, a.s., the Czech Republic and since 14/09/2018 he has been a statutory director and the director of the Board of TMR Finance CR, a.s., Czech Republic. Since 09/07/2018 he has been a supervisory board member of GARFIN HOLDING, a.s.

Number of shares held as of 31 October 2019: 431

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



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

Besides serving on the Board of Directors of TMR, NITRA REAL GROUP, Ing. Gábriš is a legal representative at Traťová strojní stanice Olomouc, spol. s r.o., SANUS Real, s.r.o. and HS WEST, s. r.o. He is also chairman of the Board of Directors at Tatralandia a.s., TAVIS, a.s., STAVCOM-HP a.s. in the Czech Republic and a member of the Board of Directors of TSS Grade, a.s.in the Czech Republic and a sore shareholder and the director of the Board of the company ŠIROKÉ INVEST a.s. Since 11/10/2019 he has been a legal representative of AQUATHERMAL SENEC, a.s. and since 19/03/2019 a legal representative of DOMÉNA, s.r.o. Since 22/03/2019 he has been a member of the board of directors of HOTEL SENEC a.s. since 15/10/2019 he has been a vice chairman of the board of directors of TSS GRADE, a.s., and since 17/04/2019 he has been a member of the board of directors of ZILINSKA.SK, a.s.

Number of shares held as of 31 October 2019: 0

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

Mr. Devečka was elected as a member of the Board of Directors in December 2011. Since 1991 he has been an owner, businessman, co-owner, executive and member of the Supervisory Board in a number of companies. Previously, he held the position of Senior Manager in Tesla Liptovský Hrádok, a technology machinery company. He graduated from the University of Technology in Liptovsky Mikuláš, with a specialization in microelectronics and laser technology.

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

Number of shares held as of 31 October 2019: 500

Remuneration of Members of the Board of Directors

Remuneration of members of the Company's Board of Directors is governed by "Remuneration Rules for Members of the Board of Directors of Tatry Mountain Resorts, a.s."

(hereinafter only the "Remuneration Rules"), approved by the Company's Supervisory Board on 12/09/2013 and by contracts on office signed between members of the Board of Directors and the Company, and approved by the Company's Supervisory Board.

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

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

SUPERVISORY BOARD

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

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

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 2019, the Supervisory Board was comprised of nine members:

- **Igor Rattaj** - Chairman of the Supervisory Board, reelected by the General Meeting on 17/04/2019, effective 01/07/2019;
- **František Hodorovský** - Vice-Chairman of the Supervisory Board, elected by the General Meeting;
- **Adam Tomis** - member of the Supervisory Board, reelected by the General Meeting on 17/04/2019, effective on 17/04/2019
- **Pavol Mikušiak** - member of the Supervisory Board, elected by the General Meeting;
- **Roman Kudláček** - member of the Supervisory Board, elected by the General Meeting;
- **Martin Kopecký** - member of the Supervisory Board, elected by the General Meeting;
- **Ján Štetka** -member of the Supervisory Board, elected by TMR employees;
- **Peter Kubeňa** - independent member of the Supervisory Board, elected by TMR employees;
- **Miroslav Roth** - independent member of the Supervisory Board, elected by TMR employees;

Changes during the year:
On April 17, 2019, the General Meeting re-elected Adam Tomis as a member of the Supervisory Board as of April 17, 2019 as his term had ended on 12/04/2019, and reelected Igor Rattaj as a member of the Supervisory Board as his term had ended on 30/06/2019. Also, the Supervisory Board at its meeting on 11/06/2019 reelected Igor Rattaj the chairman of the Supervisory Board, effective as of 01/07/2019.

Members of the Supervisory Board

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

  Mr. Rattaj has held the office of the Chairman of the Supervisory Board since June 2009, when he was elected by the General Meeting as a member of the Supervisory Board and reelected by the General Meeting on 12/04/2014 and on 17/04/2019. He has extensive experience in financing. Additionally, he is a member of Supervisory Boards and an Executive in a number of companies. He worked as Director for Trading with Securities in J&T Securities. Previously, he held the position of Vice-Chairman of the Board of Directors and Director for Private Banking at "Podnikatelská banka" in Prague. He graduated from the Slovak University of Technology, Faculty of Electrical Engineering in Bratislava.

  Besides his role as TMR's Chairman of the Supervisory Board, Ing. Rattaj holds positions as a member of the Board of Directors of 1. Garantovaná, a.s., a vice-chairman of the board of directors of CAREPAR, a.s., Czechia, a member of the board of directors of Park Orbis Pictus a.s., Czechia, a member of the Board of Directors at MELIDA, a.s., the Czech Republic, a member of the board of directors of NARCIUS, a.s., and a director and a management board member of HOBACOR, a.s., Czechia. He also serves as a legal representative at KPRHT 5, s. r. o., Thalia s.r.o., C4U, s.r.o, MONTIR, s.r.o. RCBT, s. r. o., ORBIS NATURA, s.r.o., Czechia, MORAVA SPORT, s.r.o., the Czech Republic, 360 real facilities s.r.o., the Czech Republic. He is also 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 Tatry mountain resorts CR, a.s.). He is also a management board member of Nadace J&T. Since 29.05.2018 he has been a member of the supervisory board of isifa a.s. Czech Republic, since 04.09.2018 he has been the managing director of HURRICANE FACTORY PRAHA s.r.o, Czech Republic. Since 16.02.2018 he has been a member of the Board of Directors of Tatry Mountain Resorts CR, a.s. since 08.10.2018 has been a managing director of CARMEN INVEST s.r.o. and since 20.12.2017 has been a member of the Supervisory Board of CryptoData a.s. Since 21.06.2017 he has been the Chairman of the Board of Directors of GARFIN HOLDING, a. s and since 01.08.2018 he has been the Chairman of the Board of Directors of Huricane Factory a.s. Since 11/04/2019 he has been a board of directors member of Algo Financial Technologies a.s., 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.

  Number of shares held as of 31 October 20189 3,300 (Igor Rattaj), 1,309,139 (C.I. CAPITAL INDUSTRIES LIMITED, 100%), 664,058 (KEY DEE LIMITED, 50%)

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

  In January 2011, Mr Hodorovský was first elected by the General Meeting as a member of the Supervisory Board and, at the same time, he was elected by the Supervisory Board as Vice-Chairman of the Supervisory Board, as the 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 2019: 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 2019: 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 2019: 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 2019: 1,000

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

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

Number of shares held as of 31 October 2019: 0

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

In November 2017, Mr. Štetka was reelected as a member of the Supervisory Board by employees of the Company. Since 1998 he has been working for TMR as Cableways Operation Manager in the resort Jasná Nízke Tatry. Before joining TMR he worked as Director for Cableways in Telemar, a.s. and before that he worked at Javorina travel agency. He has a master degree (M.Sc.) as a graduate of the Slovak University of Technology in Bratislava, with a specialization in mechanical engineering.

Number of shares held as of 31 October 2019: 15

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

Mr. Kubeňa was reelected as a member of the Supervisory Board by employees of the Company in November 2017. He presently works at TMR as Facility Management Director in Aquapark Tatralandia; he has held this position since 1998. Previously, he studied gardening and landscaping at the Slovak Agricultural University.

Number of shares held as of 31 October 2019: 0

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

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

Number of shares held as of 31 October 2019: 0

Remuneration of Members of the Supervisory Board

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

signed between members of the Supervisory Board and the Company, and approved by the Company's General Meeting.

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

The total basic remuneration paid for the year ending 31 October 2019 totaled EUR 43 thousand (43).

TOP MANAGEMENT

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

As of 31 October 2019, the top management comprised of four members:

- **Bohuš Hlavatý** - CEO (Chief Executive Officer) of TMR and Chairman of the Board of Directors
- **Jozef Hodek** - CFO (Chief Financial Officer) of TMR and member of the Board of Directors
- **Čeněk Jílek** - COO (Chief Operations Officer)
- **Árendáš Andrej** - CCO (Chief Commercial Officer, Business and Marketing Director)

Changes during the year:
The Company's Board of Directors at the meeting held on 29 May 2018 approved, with effect from 1 November 2018, the new organizational structure of the Company, which resulted in a change in the top management. Effective from 1 November 2018, the top management consists of the positions of CEO, CFO, COO and CCO. The top management directly reports to the Board of Directors of the Company. The change in the organizational structure of the Company was also introduced to the members of the Supervisory Board at the meeting of the Supervisory Board held on 29 May 2018.

Members of the Top Management

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

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

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

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

- **Čeněk Jílek** - COO

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

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

Number of shares held as of 31 October 2019: 0

- **Árendáš Andrej** - CCO

Ing. Andrej Árendáš assumed the office of the holding's business and marketing director at TMR in September 2018. During his professional career, he was working for multinational companies with well-developed sales and marketing processes for 25 years. He was focusing mainly on the satisfaction of clients in all phases of the selling process in various fields. After graduating from the Žilina University in the field of economics, he started working for the Europapier Group Company as the shop division general manager and an authorized agent. He stayed there for 7 years. Then he worked for OSRAM as a member of the TOP management for 12 years and was responsible for sales and marketing in Slovakia, Germany and Austria. For the past 6 years, he worked as the director of international sales for the Arbonia AG Company, Switzerland.

Number of shares held as of 31 October 2019: 0

Remuneration of the Top Management and the Board of Directors

The Board of Directors determines and approves the remuneration of the top management based on achieved results in each resort and segment. For the year ended on 31 October 2019 the top management was paid basic remuneration totaling EUR 589 ths. (695) and the Board of Directors EUR 106 ths. Extraordinary bonuses to the top management and the Board of Directors altogether amounted to EUR 1.267 mil. (1.416[1]).

Remuneration of TMR Leadership 2017/18 in €'000	Basic Remune-ration	Extraor-dinary Bonuses	Total
Top Management and the Board of Directors		1 267	1 962
Total	43	0	43
Total	**738**	**1 267**	**2 005**

Remuneration of TMR Leadership 2016/17 in €'000	Basic Remune-ration	Extraor-dinary Bonuses	Total
Top Management and the Board of Directors		1 416	2 111
Total	43	0	43
Total	**738**	**1 416**	**2 154**

GENERAL MEETING

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

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

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

Decision-Making Procedure of the General Meeting

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

The Annual General Meeting for the period from 1 November 2018 - 31 October 2019 was held on 17 April 2019.

Annual General Meeting

At the Annual General Meeting held on 17 April 2019, the shareholders adopted the following key resolutions:

1. Approval of the presence of third parties at the Annual General Meeting
2. Approval of the annual individual financial statements as of 31 October 2018
3. Approval of the distribution of individual net profit achieved in the financial year beginning on 01/11/2017 and ending on 31/10/2018 in the amount of EUR 7,573,516.96. A part of the profit in the amount of EUR 757,351.70 was to be added to the reserve fund, a part of the profit in the amount of EUR 225,254 was to be used to pay off losses of prior periods, a part of the profit in the amount of EUR 37,867.58 was to be added to the social fund, and EUR 6,553,043.68 was to be transferred to the Retained earnings account.
4. Approval of changes in the Articles of Association - addition of business activities
5. Approval of the auditor - KPMG Slovensko spol. s.r.o. to audit the financial statements for the year ending 31 October 2019
6. Reelection of the members of the Supervisory Board - Igor Rattaj and Adam Tomis 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.

SUPERVISORY BOARD REPORT

For the financial period from 1 November 2018 to 31 October 2019, the Company's Supervisory Board carried out the Company monitoring activities consisting of nine members. In April 2019, the Annual General Meeting reelected the Supervisory Board Members, Igor Rattaj effective as of 01/07/2019 and Adam Tomis, effective as of 17/04/2019. In the period from 1 November 2018 to 31 October 2019, the Supervisory Board held five sessions:

- On 13/11/2018 nine members of the Supervisory Board were present.
- On 12/12/2018 six members of the Supervisory Board were present.
- On 14/03/2019 nine members of the Supervisory Board were present.
- On 11/06/2019 eight members of the Supervisory Board were present.
- On 29/10/2019 nine members of the Supervisory Board were present.

During the financial year ending 31/10/2019 as part of its control function, the Supervisory Board focused at controlling the Board of Directors' fulfillment of its duties assigned by the General Meeting, at monitoring the Board of Directors activity in terms of effective management of the Company, achievement of strategic goals in given conditions and determining the Company's growth plans, the operating and financial activity, the Company's assets, liabilities and receivables, correct bookkeeping, fulfillment of the business plan, financial budget, investment plan and compliance with the Company's Articles of Association, Code of Conduct and general legally binding regulations. The Supervisory Board approved the financial plans submitted by the Board of Directors, major investments and other material financial and business transactions for the relevant financial year, and submitted the results of its monitoring activities to the General Meeting. As part of their role, the Supervisory Board members have electronic access to production systems, through which they can get a daily report on the Company's financial performance. The Supervisory Board meetings were always attended also by the chairman of the Board of Directors (and CEO) and by CFO who is also a member of the Board of Directors. They informed the Supervisory Board members in detail on the Company performance including finance (CAPEX, Cash Flow, debt service).

THE COMPANY'S CORPORATE GOVERNANCE CODE

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

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 52% men and 48% women, it has not yet prepared and implemented a diversity policy for its statutory bodies and top management, thus such policy is not published on the Company website either.

Main criteria for selecting candidates for key positions and statutory bodies are competency and fulfillment of requirements for a given role; not factors such as sex or age.

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

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

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

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

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

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

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

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

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

- full names of the members of the supervisory board and its committees;

- supervisory board members' fulfilment of the independence criteria;

- number of meetings of the supervisory board and its committees in the reporting period;

- self-assessment of the supervisory board;

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

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

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

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

Presence of third parties is usually allowed based on the proposal by the Board of Directors at Annual General Meetings. 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.

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

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

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

OTHER SUPPLEMENTARY DATA

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

ISIN: SK1120010287
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.

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

Bonds TMR III 4.40%/ 2024 are senior bods, 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: 7-11-2022
Issue Date: 7-11-2018

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.
As of 31/10/2019 the Company has not issued any employee stock or preferred shares.

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

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

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

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

As of 31/10/2019 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 2018/19.

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 2018/19 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 9.5% 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 2019 and Consolidated Financial Statements as of 31 October 2019 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 2019, the Company achieved net profit of EUR 4.087 mil. according to Individual Financial Statements. The Board of Directors proposes the following distribution of profit:

1. EUR 409 ths. will be allocated to the reserve fund;
2. EUR 20 ths. will be allocated to the social fund, based on the Collective Agreement
3. The balance in the amount of EUR 3.658 mil. will be transferred to the retained earnings account.

Shares

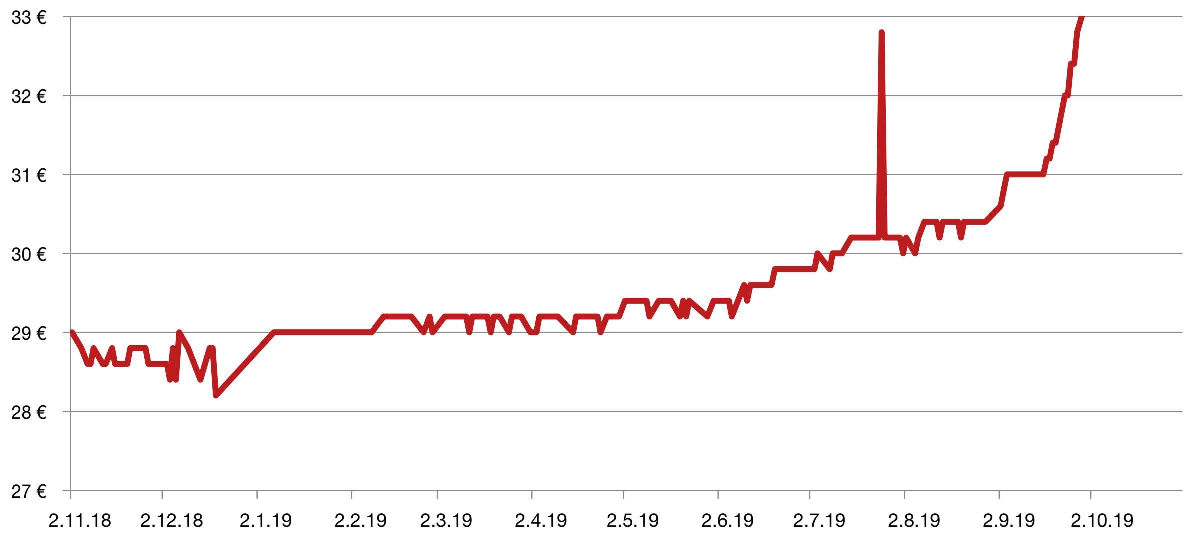
Shareholder Club

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 www.tmr.sk/shareholder-club/
750 VIP GOLD	More info at www.tmr.sk/shareholder-club/

TMR Stock Performance on the BSSE



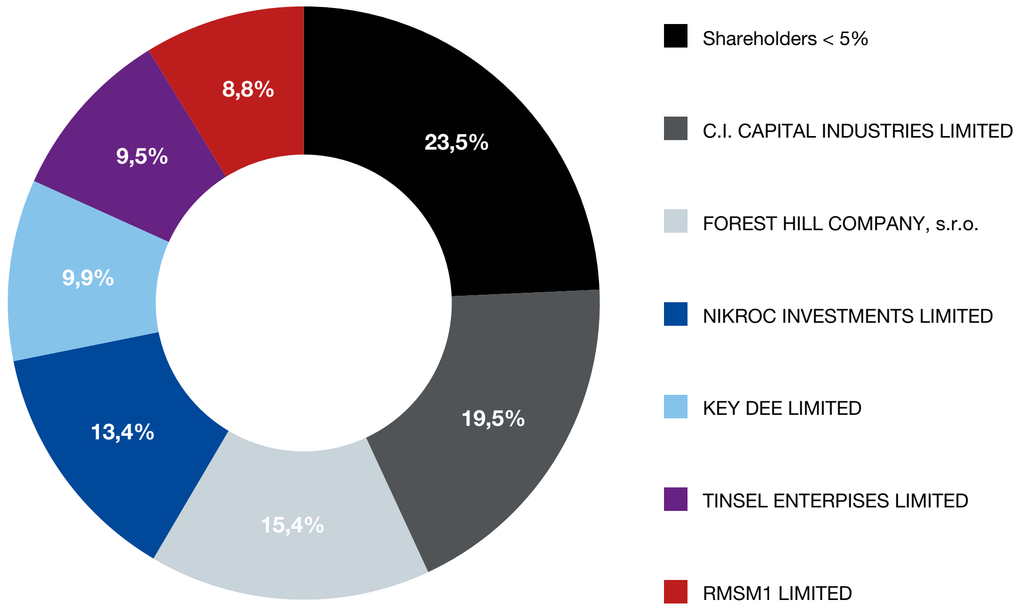
Closing Price	BSSE (EUR)	WSE (PLN)	PSE (CZK)
31/10/19	35,80	155,00	1000,00
31/10/18	29,20	132,00	780,00

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

Shareholder Structure

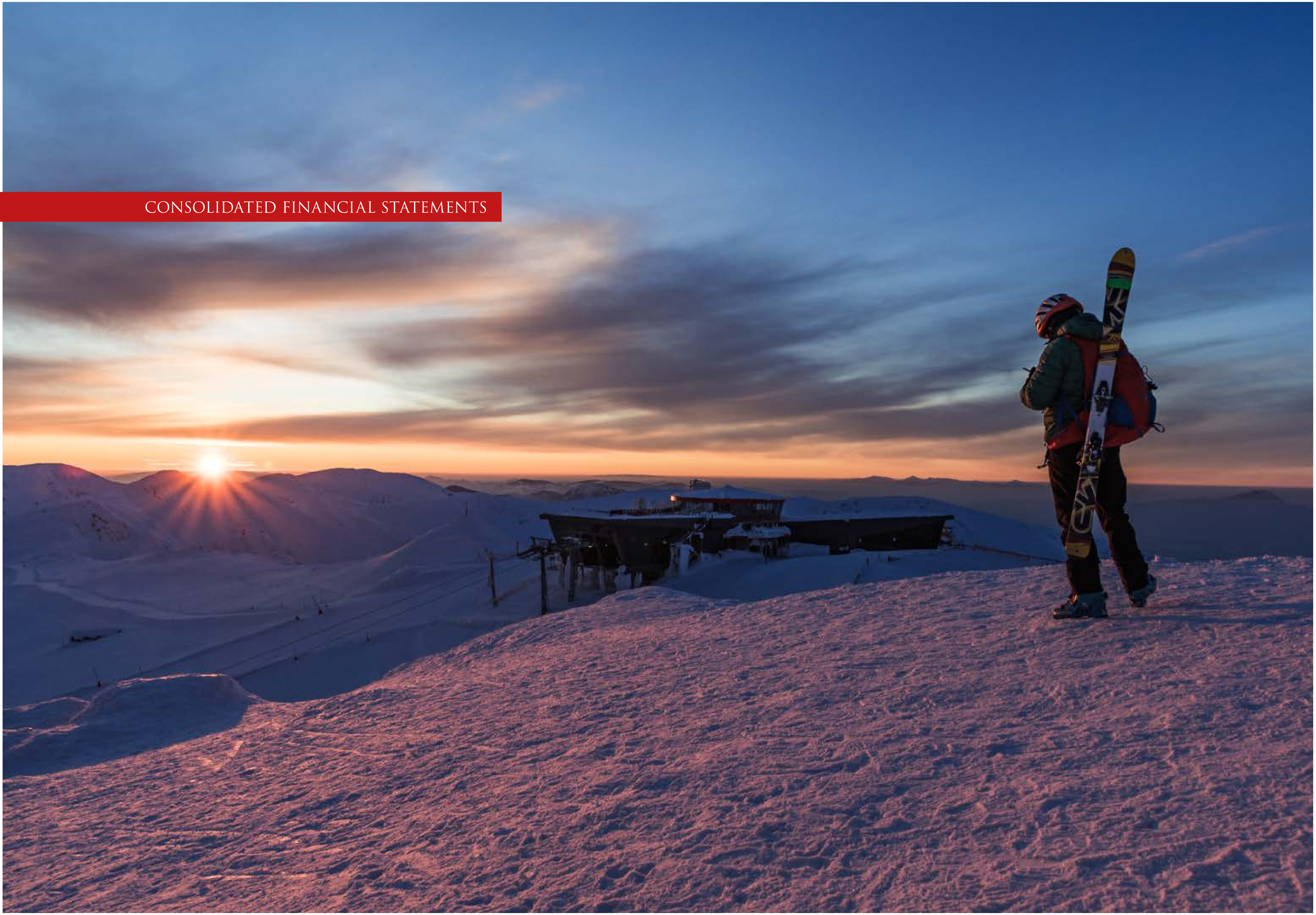
To the best of the Company's knowledge the following entities held the following direct or indirect interest in the share capital and the Company voting rights as of 31/10/2019:

Shareholder Structure as of 31.10.2019



Company / Name	No. of Shares	Interest in Share Capital		Voting Rights %
		in EUR thousands	%	
Shareholders < 5%	1 578 760	11 051	23,5%	23,5%
C.I. CAPITAL INDUSTRIES LIMITED	1 309 139	9 164	19,5%	19,5%
FOREST HILL COMPANY, s.r.o.	1 030 919	7 216	15,4%	15,4%
NIKROC INVESTMENTS LIMITED	897 771	6 284	13,4%	13,4%
KEY DEE LIMITED	664 058	4 648	9,9%	9,9%
TINSEL ENTERPISES LIMITED	638 385	4 469	9,5%	9,5%
RMSM1 LIMITED	588 166	4 117	8,8%	8,8%
Total	6 707 198	46 950	100,0%	100,0%

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 2018 to 31 October 2019

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

in TEUR	Note	1.11.2018 - 31.10.2019	1.11.2017 - 31.10.2018
Sales	6	126 392	108 020
Other operating revenue	7	1 200	229
Total revenue		**127 592**	**108 249**
Material and goods consumption	8	-26 300	-19 318
Purchased Services	9	-30 931	-28 225
Personal cost	10	-35 045	-28 806
Other operating cost	11	-1 313	-1 284
Gain on sale of assets		638	461
Increase in fair value of investment property	17	1 050	725
Gain on revaluation of financial investments	24	-	2 458
Creation and reversal of value adjustments to receivables	21	-195	-94
Profit before interest, taxes, depreciation and amortization (EBITDA)*		**35 496**	**34 166**
Depreciation and amortization	15,16	-20 131	-16 745
Gain on bargain purchase	5	1 223	1 824
Impairment of fixed assets	15,16	-3 865	-
Profit before interest, taxes (EBIT)		**12 723**	**19 245**
Interest income calculated using effective interest rate	12	1 173	1 148
Interest expense	12	-16 791	-14 010
Net profit / (loss) on financial instruments	13	1 189	-3 099
Share of the profit or loss of investments in joint ventures and associates accounted for using the equity method	5	-8	-
Profit / (loss) before tax		**-1 714**	**3 284**
Income tax	14	-574	-189
Profit / (loss)		**-2 288**	**3 095**
Attributable to:			
- Holders of interest in the parent company's equity		**-2 286**	**3 173**
- Non-controlling interest		**-2**	**-78**
Other components of the comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Net gain/(loss) on cash flow hedges	14	-1 108	-
Foreign currency translation reserve		-49	-76
Total comprehensive income / (expense)		**-3 445**	**3 019**

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

Total comprehensive income / (expense)		**-3 445**	**3 019**
Attributable to:			
- Holders of interest in the parent company's equity		**-3 443**	**3 097**
- Non-controlling interest		**-2**	**-78**
Earnings per share (in EUR)	26	**-0,341**	**0,473**
Number of shares		**6 707 198**	**6 707 198**

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

The Notes 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

in TEUR	**Note**	**31.10.2019**	**31.10.2018**
Assets			
Goodwill and Intangible Assets	16	14 435	14 116
Property, Plant and Equipment	15	412 995	365 277
Investments Property	17	8 329	7 279
Investment in an associate and a joint venture	5	2 101	-
Loans Provided	20	1 019	3 043
Other receivables	22	3 798	3 997
Deferred tax asset	18	2 878	2 212
Fixed assets total		**445 555**	**395 924**
Inventory	19	8 208	8 123
Trade receivables	21	5 459	3 335
Loans Provided	20	27 794	22 198
Other receivables	22	24 523	29 494
Financial investments	24	4 660	4 652
Cash and Cash Equivalents	25	12 073	54 525
Other Assets	23	5 586	3 433
Total current assets		**88 303**	**125 760**
Assets total		**533 858**	**521 684**
Equity	26		
Capital		46 950	46 950
Share premium		30 430	30 430
Profit for the year		-2 286	3 173
Retained earnings and other funds		35 640	33 746
Foreign currency translation reserve		-667	-618
Total equity attributable to holders of interest in the parent company's equity		**110 067**	**113 681**
Non-controlling interest		106	108
Total equity		**110 173**	**113 789**
Liabilities			
Loans and Borrowings	27	70 867	35 852
Provisions	31	24	24
Other non-current liabilities	30	17 741	1 525
Bonds Issued	32	254 919	167 415
Deferred tax liability	18	27 980	23 649
Total non-current liabilities		**372 658**	**228 465**
Loans and Borrowings	27	15 196	79 924
Trade payables	28	8 052	8 816
Provisions	31	570	468
Bonds Issued	32	6 368	71 002
Corporate income tax	18	860	-
Other current liabilities	30	19 981	19 220
Total current liabilities		**51 027**	**179 430**
Total liabilities		**423 685**	**407 895**
Total equity and liabilities		**533 858**	**521 684**

Consolidated statement of changes in equity

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
Balance as at 31 October 2018	**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**
Balance as at 1 November 2018 after IFRS 9 first-time adoption adjustments	**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**
Other components of comprehensive income, after tax									
- items with possible subsequent reclassification into profit/(loss):									
Cash Flow hedge	-	-	-	-1 108	-	-	**-1 108**	-	**-1 108**
Revaluation reserve	-	-	-	-	-49	-	**-49**	-	**-49**
Total comprehensive income for the period	**-**	**-**	**760**	**-1 108**	**-49**	**-3 046**	**-3 443**	**-2**	**-3 445**
Transactions with owners posted directly into equity									
Effect of acquisition of a subsidiary	-	- -	- -	-	-	-	-	-	-
Purchase of non-controlling interest	-	- -	- -	-	-	-	-	-	-
Total transactions during the year	-	- -	- -	-	-	-	-	-	-
Balance as at 31 October 2019	**46 950**	**30 430 -**	**6 612 -**	**-924**	**-667**	**27 666**	**110 067**	**106**	**110 173**

Consolidated statement of changes in equity (continued)

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
Balance as at 1 November 2017	**46 950**	**30 430**	**4 930**	**180**	**-413**	**29 484**	**111 561**	**1 588**	**113 149**
Transfer of retained earnings into the legal reserve fund	-	-	922	-	-	-922	**-**	-	**-**
Profit / (loss) for the period	-	-	-	-	-	3 173	**3 173**	**-78**	**3 095**
Other components of comprehensive income, after tax									
- items with possible subsequent reclassification into profit/(loss):									
Revaluation of available-for-sale securities at fair value	-	-	-	-	-	-	**-**	-	**-**
Revaluation reserve	-	-	-	4	-80	-	**-76**	-	**-76**
Total comprehensive income for the period	**-**	**-**	**922**	**4**	**-80**	**2 251**	**3 097**	**-78**	**3 019**
Transactions with owners posted directly into equity									
Contributions to the fund	-	-	-	-	-	-	-	-	-
Effect of acquisition of a subsidiary	-	-	-	-	-125	-852	-977	**-1 402**	**-2 379**
Total transactions during the year	-	-	-	-	-125	-852	-977	**-1 402**	**-2 379**
Balance as at 31 October 2018	**46 950**	**30 430**	**5 852**	**184**	**-618**	**30 883**	**113 681**	**108**	**113 789**

The Notes constitute an integral part of the Consolidated Financial Statements.

Consolidated cash flow statement

in TEUR	Note	1.11.2018 - 31.10.2019	1.11.2017 - 31.10.2018
OPERATING ACTIVITIES			
Profit		-2 288	3 095
Adjustments related to:			
Gain on disposal of PPE and intangible assets		-638	-461
Depreciation and amortisation	15,16	20 131	16 745
Reversal of value adjustments to receivables		195	94
Net (gain)/loss on financial instruments (non-cash)		-1 734	-950
Impairment of fixed assets		3 865	-
Revaluation of financial instruments	24	-	-2 458
Revaluation of Investment property	17	-1 050	-725
Net interest (income)/expenses	12	15 618	12 862
Gain on bargain purchase	5	-1 223	-1 824
Share of the profit or loss of investments in joint ventures and associates accounted for using the equity method	5	-8	-
Change in provisions		102	117
Income tax	14	574	189
Change in trade receivables, other receivables and other assets		1 475	8 736
Change in inventories		90	-2 271
Change in trade payables and other liabilities		-6 869	5 400
Cash flow from operating activities before income tax		**28 240**	**38 549**
Income tax paid		-577	-475
Cash flow from operating activities		**27 663**	**38 074**
INVESTMENT ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets	15,16	-31 229	-54 798
Proceeds from disposal of PPE and intangible assets		638	2 011
Cost of business combinations, net of cash acquired		-2 101	-388
Net cash income from the purchase of subsidiaries	5	23	-
Loans provided		-15 301	-2 542
Repayment of loans provided		12 697	2 252
Acquisition of a subsidiary, net of cash acquired	5	-	-943
Interest received	20, 22	79	168
Cash flow used by investing activities		**-35 194**	**-54 240**
FINANCIAL ACTIVITIES			
Repayment of liabilities from financial lease		-2 732	-987
Financial lease received		1 898	871
Repayment of received loans and borrowings		-43 674	-88 626
New loans and borrowings received		2 817	110 319
Bonds Issued, netto	32	88 119	58 347
Purchase of own bonds		-65 000	-5 081
Interest paid		-16 346	-13 736
Dividends paid		-	-
Cash flow from financing activities		**-34 918**	**61 107**
Net increase of cash and cash equivalents		-42 449	44 941
Influence of impairment allowance to cash and cash equivalents	25	-3	-
Cash and cash equivalents at the beginning of the year	25	54 525	9 584
Cash and cash equivalents at end of the year	**25**	**12 073**	**54 525**

The Notes constitute an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

Content

1. Information about the Company

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

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

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

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. Both emitions were subscribed in the full amount by the day of financial statement preparation. See par. 32 – Bonds Issued.

The structure of the Company's shareholders as of 31 October 2019 and as of 31 October 2018 was as follows:

31 October 2018	**Share in share capital**		**Voting rights**
	in TEUR	%	%
C.I. CAPITAL INDUSTRIES LIMITED	9 164	19,5%	19,5%
FOREST HILL COMPANY, s.r.o.	7 216	15,4%	15,4%
NIKROC INVESTMENTS LIMITED	6 284	13,4%	13,4%
KEY DEE LIMITED	4 648	9,9%	9,9%
TINSEL ENTERPRISES LIMITED	4 469	9,5%	9,5%
RMSM1 LIMITED	4 117	8,8%	8,8%
Minority shareholders	11 052	23,5%	23,5%
Total	**46 950**	**100%**	**100%**

31 October 2017	**Share in share capital**		**Voting rights**
	in TEUR	%	%
C.I. CAPITAL INDUSTRIES LIMITED	9 164	19,5%	19,5%
FOREST HILL COMPANY, s.r.o.	7 216	15,4%	15,4%
NIKROC INVESTMENTS LIMITED	6 284	13,4%	13,4%
KEY DEE LIMITED	4 648	9,9%	9,9%
TINSEL ENTERPRISES LIMITED	4 469	9,5%	9,5%
RMSM1 LIMITED	4 117	8,8%	8,8%
Minority shareholders	11 052	23,5%	23,5%
Total	**46 950**	**100%**	**100%**

The consolidated financial statements of the Group for the period ending 31 October 2019 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.

1. Information about the Company (continued)

During the accounting period the Group acquired shares in Austrian companies that run the ski resorts Mölltaler Gletscher and Ankogel in Austria. The Group became a direct shareholder (9.5% share) in the company MELIDA, a.s. that operates the ski resort Špindlerov Mlyn in the Czech Republic.

The average number of Group employees during the period from 1 November 2018 to 31 October 2019 was 1,456, out of which 28 were management (from 1 November 2017 to 31 October 2018, it was 1, 402 employees, out of which 25 were management).

During the year, the Group used the services of employment agencies for short-term personnel leasing. From 1 November 2018 to 31 October 2019, it was 376 employees (from 1 November 2017 to 31 October 2018: 282 employees).

The Group's bodies are:

Board of Directors:
Ing. Bohuš Hlavatý, Chairman (since 30 June 2009)
Ing. Branislav Gábriš, Vice-Chairman (since 18 February 2011)
Ing. Andrej Devečka, Member (since 22 December 2011)
Ing. Jozef Hodek, Member (since 30 June 2009)

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

2. Significant accounting policies

(a) Statement of compliance

The Consolidated financial statements for the period from 1 November 2018 to 31 October 2019 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU and in accordance with Act No. 431/2002 Coll. of the National Council of the Slovak Republic on Accounting ("Act on Accounting").

The financial statements were approved by the Board of Directors on 28 February 2020.

(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.

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

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

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

(c) Adoption of new standards and interpretations

When preparing the separate financial statements, the Group applied the following International Financial Reporting Standards, amendments to the standards and interpretations as adopted by the EU, which are effective for the accounting period starting 1 November 2018:

In July 2014, the IASB issued final version of **IFRS 9 Financial Instruments** that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 comprises three aspects of accounting: recognition and measurement, impairment losses and hedge accounting. IFRS 9 is effective from 1 January 2018. Early application is permitted. Except for hedge accounting, the standard should be applied retrospectively. The comparative information of prior periods is not required.

The adoption of **IFRS 9 Financial Instruments** and its impact on the financial statements is described in Notes e) and f).

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

In May 2014, IASB issued **IFRS 15 Revenue from Contracts with Customers**, effective for the periods starting on 1 January 2018 with earlier adoption permitted. IFRS 15 defines the principles for accounting for revenues and will be applicable to all contracts concluded with customers. The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled.

2. Significant accounting policies (continued)

Depending on whether certain criteria are met, revenue is recognised:

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

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

The Group evaluated the impact of IFRS 15 on the consolidated financial statements of the Group and came to the conclusion that the first-time adoption of the standard does not have material impact on the financial statements due to the nature and types of revenue that the Group generates.

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

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of Interpretation is permitted and must be disclosed. Since the Group's current practice is in line with the Interpretation, the Group assessed that the Interpretation does not have a material impact on the financial statements.

The amendments to **IAS 40 Transfers of Investment Property** is effective for annual periods beginning on or after 1 January 2018 and should be applied prospectively. Early application is permitted. The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. A mere change in management's intentions for the use of a properly does not provide evidence of a change in use. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investmnet property and there is evidence of the change in use.

The Group assessed that the first-time adoption of the amendments does not have significant impact on the consolidated financial statements, as the Group transfer property into, or out of investment property only in case of the change in the use of the property.

The following standards and interpretations are effective for annual periods beginning on 1 January 2018:

- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions. The amendments clarify share-based payment accounting in various areas
- Annual Improvements to IFRS (2014-2016 Cycle) contain two amendments to standards.

Above mentioned amendments do not have a material impact on the consolidated financial statements of the Group.

(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.

2. Significant accounting policies (continued)

As at 31 Ooctober 2019, 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:

- IFRS 3 Business Combinations. The amendment clarifies the definition of 'business' (effective for annual periods beginning on or after 1 January 2020, the amendment is not yet endorsed by the EU)
- IFRS 9 Financial Instruments: Classification and Measurement. The amendment is related to the prepayment features with negative compensation (effective for annual periods beginning on or after 1 January 2019)
- IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016, the EC has decided not to launch the endorsement process and to wait for the final IFRS Standard)
- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)
- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021, the standard is not yet endorsed by the EU)
- IAS 1 Presentation of Financial Statements. The amendment clarifies the definition of 'materiality' (effective for annual periods beginning on or after 1 January 2020, the amendment is not yet endorsed by the EU)
- IAS 19 Employee Benefits. The amendment clarifies changes, curtailment or settlement of plans (effective for annual periods beginning on or after 1 January 2019)
- IAS 28 Investments in Associates and Joint Ventures. The amendment refers to the long-term interests in associates and joint ventures (the amendment is effective for annual periods beginning on or after 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments (the standard is effective for annual periods beginning on or after 1 January 2019)
- Annual improvements to IFRS standards 2015-2017 Cycle (issued in December 2017, effective for accounting periods beginning on or after 1 January 2019)

Except for impact of IFRS 16, the Group does not expect the standards to have a material impact on the consolidated financial statements.

IFRS 16 Leases

The standard is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.

IFRS 16 supersedes IAS 17 Leases and related interpretations. The standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period in exchange for consideration. For such contracts, the new model requires a lessee to recognize a right-of-use asset and a lease liability. The right-of-use asset is amortized and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new standard introduces several limited scope exceptions for lessees which include:

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

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

It is expected, that first-time adoption of the standard will have significant impact on the consolidated financial statements, since it is required to recognise assets and liabilities from operating leases in statement of financial position, where the Group act as a lessee. This applies mainly on operating lease of lands. The character and and expenses related to these lease will change, as the Group will report depreciation expense from the right to use the asset and interest expense from liabilities. The Group is now recording expenses from operating lease on a linear basis and the asset and liabilities only in time inconsistency between actual lease payment and recorded expense. Instead, the Group will recognize lease payments within lease liability.

2. Significant accounting policies (continued)

Based on the information available, the Group assumes that the impact on the financial statements as at 1 November 2019 will be following:

Statement of financial position	
in thousands of euro	**1 November 2019**
Right to use the land and buildingd	39 003
Right to use the other non-current tangible assets	629
Increase in other liabilities	39 632
Net impact on equity	**0**

The Group plans to apply IFRS 16 initially on 1 January 2019 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 Novemebr 2019, without any adjustment to comparable information.

The Group intends to apply the practical expedient to grandfather the definition of lease on transition. This means that it will apply IFRS 16 to all contracts entered before 1 Novemebr 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

The Group also intends to apply an exemption for short-term contracts. This means that it will not apply IFRS 16 to those contracts that were entered into at the date of initial adoption for the period of less than 12 months and to the low value contracts.

(e) Impact of adoption of IFRS 9

The following table summarizes an impact of new standard IFRS 9 on statement of financial position as at 1 November 2018, when the mentioned standard became effective:

in TEUR	**Note**	**31.10.2018**	**IFRS 9**	**1.11.2018**
Assets				
Goodwill and Intangible Assets	16	14 116	-	14 116
Property, Plant and Equipment	15	365 277	-	365 277
Investments Property	17	7 279	-	7 279
Investment in an associate and a joint venture	5	-	-	-
Loans Provided	20	3 043	-8	3 035
Other receivables	22	3 997	-44	3 953
Deferred tax asset	18	2 212	-	2 212
Fixed assets total		**395 924**		**395 872**
Inventory	19	8 123	-	8 123
Trade receivables	21	3 335	-14	3 321
Loans Provided	20	22 198	-117	22 081
Other receivables	22	29 494	-	29 494
Financial investments	24	4 652	-	4 652
Cash and Cash Equivalents	25	54 525	-1	54 524
Other Assets	23	3 433	-32	3 401
Total current assets		**125 760**		**125 596**
Assets total		**521 684**		**521 468**

2. Significant accounting policies (continued)

(e) Impact of adoption of IFRS 9 (continued)

in TEUR	**Note**	**31.10.2018**	**IFRS 9**	**1.11.2018**
Equity	26			
Capital		46 950	-	46 950
Share premium		30 430	-	30 430
Profit for the year		3 173	-	3 173
Retained earnings and other funds		33 746	-171	33 575
Foreign currency translation reserve		-618	-	-618
		113 681		**113 510**
Total equity attributable to holders of interest in the parent company's equity				
Non-controlling interest		108	-	108
Total equity		**113 789**		**113 618**
Liabilities				
Loans and Borrowings	27	35 852	-	35 852
Trade payables	28	-	-	-
Provisions	31	24	-	24
Other non-current liabilities	30	1 525	-	1 525
Bonds Issued	32	167 415	-	167 415
Deferred tax liability	18	23 649	-45	23 604
Total non-current liabilities		**228 465**		**228 420**
Loans and Borrowings	27	79 924	-	79 924
Trade payables	28	8 816	-	8 816
Provisions	31	468	-	468
Bonds Issued	32	71 002	-	71 002
Corporate income tax	18	-	-	-
Other current liabilities	30	19 220	-	19 220
Total current liabilities		**179 430**		**179 430**
Total liabilities		**407 895**		**407 850**
Total equity and liabilities		**521 684**		**521 468**

(f) Initial application of IFRS 9 Financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Grouphas applied IFRS 9 with the initial application date as of 1 November 2018.

The nature of these adjustments are described below:

i. Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

2. Significant accounting policies (continued)

The assessment of theGroup's business model was made as of the date of initial application, 1 November 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 November 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

ii. Impairment

The adoption of IFRS 9 has fundamentally changed the accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

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

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

IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment is required. This change had no impact on the Groupas the hedging relationships are simple and straight-forward.

The standard includes new requirements for achieving, continuing and discontinuing hedge accounting and allows additional risks to be designated as hedged items. Extensive additional disclosures about Group risk management and its hedging activities are required.

Financial instruments (except for financial liabilities)

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

i. Initial recognition and measurement of financial asset

Financial assets are classified, at initial recognition, as subsequently measured at amortised 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.

2. Significant accounting policies (continued)

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 Groupy 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 Grouphas 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

2. Significant accounting policies (continued)

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.

The Groupy 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.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group 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.

2. Significant accounting policies (continued)

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

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

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

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

(g) Financial instruments – applicable for comparative period ending 31.10.2018

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

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

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

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

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

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

2. Significant accounting policies (continued)

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

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

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

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

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

vi. Derecognition
A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered by the Group. Available-for-sale assets that are sold are derecognised and the corresponding payable receivables to buyers are recognised as at the date the Group commits to sell the assets. Loans and advances to customers are derecognised as at the day they are paid/ settled by the Group.

vii. Impairment
Loans provided are recognized net of loan loss impairment allowance. Impairment allowances are determined on the basis of the loan status and the behavior of the borrower and take into account the value of all collateral and third party guarantees. The recoverable amount of receivables carried at amortized cost is determined as the present value of estimated future cash flows discounted at the original effective interest rate (ie the effective interest rate calculated on initial recognition of these financial assets). Short-term receivables are not discounted.

When an impairment loss has been recognized directly in equity for available-for-sale assets and there is objective reason for impairment, the cumulative loss that was recognized in equity is subsequently recognized in the statement of profit or loss, even if financial assets were not derecognised from the balance sheet.

The amount impairment expense recognized in the income statement represents the difference between the cost and the fair value less any impairment of financial assets already recognized in the income statement. A decrease in the fair value below the cost of acquisition by more than 20%, or a decrease in the fair value below the cost of acquisition that lasts more than 9 months, in the case of investments in equity securities, is considered impairment.

Impairment losses on receivables carried at amortized cost are recognized when an increase in the recoverable amount can be objectively attributed to an event that occurred after their write-down in accounting. In the case of goodwill, an impairment loss cannot subsequently be reduced.

2. Significant accounting policies (continued)

(h) 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 41 – 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.

2. Significant accounting policies (continued)

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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) Impairment

The carrying amounts of the Group's assets, other than inventories (refer to the accounting policy under letter k), investment property (refer to the accounting policy under letter p), financial assets at fair value through profit or loss (refer to the accounting policy under letter c), and deferred tax assets (refer to the accounting policy under letter t) 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.

2. Significant accounting policies (continued)

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

Loans provided are recognized net of expected credit losses (ECL). ECLs are a probable weighted estimate of credit losses. Credit losses are measured as the present value of the difference between contractual and expected cash flows.

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.

An impairment loss in respect of receivables carried at amortised cost is reversed if the increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. In the case of goodwill, an impairment loss cannot be decreased subsequently.

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

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

(n) Property, plant and equipment

i. Owned assets

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

ii. Leasing

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

iii. Subsequent expenditures

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

2. Significant accounting policies (continued)

iv. Depreciation

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

• Buildings	30 - 45 years
• Individual movables and sets of movables	
▪ Geothermal borehole	40 years
▪ Slides	25 years
▪ Cableways, ski lifts, and leisure attractions	5 - 40 years
▪ Equipment	3 - 25 years
▪ Fixtures and fittings and others	2.5 - 10 years

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

v. Capitalized borrowing costs

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

(o) 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 i). Useful life of these assets is reassessed regularly. Lease contracts refer to valuation of rights from long-term lease contracts.

2. Significant accounting policies (continued)

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	2 – 5 years
• Lease contracts	29 years
• Valuable rights	each item uses an individual depreciation plan, based on the estimated useful lives if these assets, valuable rights also include trademarks which represent non-depreciated assets. The Group uses 2, 6, 7, 8, 12 and 50-year useful lives for its valuable rights.

(p) 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 (o).

(q) 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.

(r) Interest income and expense

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

(s) Rental income

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

2. Significant accounting policies (continued)

(t) 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.

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.

(u) Operative and financial lease payments

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

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

(v) Trade and other payables

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

(w) Revenues from services rendered

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

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

2. Significant accounting policies (continued)

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 transfering 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.

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

(y) 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.

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

(aa) 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.

2. Significant accounting policies (continued)

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.

(bb) Fair value estimates
The following notes summarise the main methods and assumptions used in estimating the fair values of financial assets and liabilities referred to in Note 33 – Fair value information:

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

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

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.

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 Tatry 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 assests 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 assests of EUR 28,622 thousand and liabilities of EUR 27 363 thousand. As at 31 October 2019 no impairment allowance to the assets acquired was recorded.

The most important source materials for determination of the value of the Mölltaler Group was the business plan for the years 2019 – 2028 prepared by Group's management. The estimated discount rate used for cash flow projections was calculated as the weighted average cost of capital and amounted to 5.64% for the years 2019 to 2028. The Group assumed 6% annual increase of EBITDA, for the years after 2019.

If at acquisition date, the projected EBITDA of CGU Mölltaler Group, which is part of the projected cash flows was each year lower by 5% in comparison with management's estimates, the value of negative goodwill (gain on bargain purchase) would drop by EUR 1,162 thousand. If at acquisition date, the projected EBITDA of CGU Mölltaler Group, which is part of the projected cash flows was each year higher by 5% in comparison with management's estimates, the value of negative goodwill (gain on bargain purchase) would increase by EUR 1,162 thousand. If the discount rate increased by 0.5% in comparison with the management's estimate, i.e. its value was 6.14%, the value of negative goodwill (gain on bargain purchase) would drop by EUR 1,970 thousand. If the discount rate decreased by 0.5% in comparison with the management's estimate, i.e. its value was 5.14%, the value of negative goodwill (gain on bargain purchase) would increase by EUR 2,442 thousand.

On 31 December 2018, the company Tatry mountain resorts CR, a.s. aquired 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 net 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.

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 cost of acquisition was agreed on 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. Management

3. Significant accounting estimates and assumptions (continued)

of the Company considered possible effect of the fair value revaluation within purchase price allocation process and evaluated that fair value of the acquired assets is not significantly different from the accounting value.

On 5 May 2017 Tatry mountain resorts CR, a.s. was established, with a registered capital of CZK 2,000 thousand (EUR 75 thousand), the sole shareholder of which became Tatry mountain resorts, a.s.. On 21 December 2017 a contract for the „business rent" („rent of the plant") was concluded between Ski Resort Ještěd a.s. and the company Tatry mountain resorts CR, a.s.. The business rent is agreed for 10 years with an option for the next 10 years that the company plans to use. The Group evaluated this transaction as a business acquisition in accordance with IFRS 3. The value of the acquired assets and liabilities at acquisition was determined by the Group in cooperation with professional advisers. The most important source materials for determining the value provided to the external consulting firm was the business plan for the years 2018 – 2037 prepared by Group's management. The estimated discount rate used for cash flow projections was calculated as the weighted average cost of capital and amounted to 6.5% for the years 2018 to 2037.
In 2019 the Group assumed 44% annual increase of EBITDA, mainly due to the opening of new restaurants and businesses with sport services. For the years 2020 – 2022, the Group expects 2.2% annual increase and between 2023 and 2037, the Group expects an annual increase of the EBITDA indicator always by an additional 2% compared to the previous year. On 31 January 2018 the company Tatry mountain resorts CR, a.s. changed its name and was renamed to TMR Ještěd a.s.. If at day of acquisition, the projected EBITDA of CGU TMR Ještěd a.s., which is part of the projected cash flows was each year lower by 5% in comparison with management's estimates, the value of negative goodwill would drop by EUR 120 thousand (7%). If at day of acquisition, the projected EBITDA of CGU TMR Ještěd a.s., which is part of the projected cash flows was each year higher by 5% in comparison with management's estimates, the value of negative goodwill would increase by EUR 120 thousand (7%). If the discount rate increased by 0.5% in comparison with the management's estimate, i.e. its value was 7%, the value of negative goodwill would drop by EUR 92 thousand (5%). If the discount rate decreased by 0.5% in comparison with the management's estimate, i.e. its value was 6%, the value of negative goodwill would increase by EUR 98 thousand (5%).

On 6 December 2017 the Group signed a purchase contract with the company Wojewódzki Park Kultury i Wypoczynku S.A. („WPKiW") to acquire an additional 25% shares of Ślaskie Wesole Miasteczko Sp. z o.o. („SWM") in the total value of PLN 10,000 thousand. By signing this agreement, the Group became 100% owner of the SWM company.

(b) Real estate investments valuation

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

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

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

As at 31 October 2019, the investments in real property cover three hotels (SKI, Liptov, Kosodrevina) and the accommodation facility Otupné with the aggregate book value of EUR 2,707 thousand (as at 31 October 2018: EUR 2,707 thousand), which are leased out to third parties that operate them, as well as forest areas and lands obtained as an acquisition in 2009 in the book value of EUR 5,622 thousand (as at 31 October 2018:EUR 4,572 thousand). The value of the hotels was estimated by the management in a manner specified above. The value of the land was determined by the management using market prices, and the final value is based on an estimate of the market price per square meter, depending on the type of land and market transactions for lands of similar character.

3. Significant accounting estimates and assumptions (continued)

As at 31 October 2019, the Group management, based on the current contract conditions, revalued the value of investments property upwards by EUR 1,050 thousand (as at 31 October 2018: EUR 725 thousand). For the purposes of valuation the expert reports and available sale/purchase contracts were used.

If the fair value of the portion of investments in property which was determined based on management estimates differs from management estimates by 10%, the book value of investments in property would be higher or lower by EUR 833 thousand in comparison with the amount reported as at 31 October 2019 (as at 31 October 2018: EUR 728 thousand).

(c) Goodwill and impairment testing

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

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

Potential impairment of goodwill is determined by comparing the recoverable amount of CGU and its book value. The value of return is determined by the value in use. This value was derived from the business plan prepared by the management. The key prerequisite which was also the most sensitive factor in determining the recoverable amount, was expected revenues assessed
by the management, profitability and cost of capital used as the discount factor for future net cash flows. The expected revenues as well as profitability (EBITDA) are based on changes in customer target groups, strengthened marketing and increased quality of the services rendered.

Projecting of cash flows applied in determining the value in use covers a medium-term period of 5 years and subsequent extrapolation for the next period. Based on such standard level of cash flows, the terminal value was calculated with expected growth of cash flows at 1% p.a. (2018: 1%). Discount rates applied in the projecting of cash flows were calculated as weighted average cost of capital, representing 6.5% (without taking into account the effect of the corporate income tax) for 2019 and 6.81% for 2018 (after taking into account the effect of corporate the income tax).

In 2019 and 2018, goodwill was tested within CGU Vysoké Tatry, and the test did not show any reason for asset impairment. Goodwill acquired by the acquisition in 2015 of the Polish resort Ślaskie Wesole Miasteczko Sp. z o. o has been tested as of 31 October 2019 and 2018 as part of the impairment test. See Note 3(d). The test showed the need of asset impairment of CGU Ślaskie Wesole Miasteczko Sp. z o. o. in 2019.

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 EBIDTA 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.

If as at 31 October 2018, projected EBITDA of CGU Vysoké Tatry, being part of projected cash flows was lower than 5% in comparison with management estimates, the value in use for an individual cash-generating unit in the location of High Tatras would drop by EUR 10,160 thousand. In such case, it would not be necessary to account for the asset impairment or goodwill even at a lower EBIDTA reached. If the discount rate increased by 0.5% 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 12,821 thousand. Here again it would not be necessary to account for asset impairment or goodwill even at a higher discount rate.

3. Significant accounting estimates and assumptions (continued)

(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, namely in five locations: Jasná (the Low Tatras), in the High Tatras, and in Liptovský Mikuláš, and in Szczyrk and Chorzow in Poland and in Czech Republic with planned asset expansion also
to Austria. Each of the locations was assessed by the management as an individual cash-generating unit (CGU). The 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 and sports services and shops are included in individual cash-generating units, except for ski lifts and cableways.

As of 31 October 2019 and 2018, the Group's management having considered the Group asset impairment, besides the impairment tests for the CGU Vysoke Tatry as goodwill is related to it as stated in par. 3(c), impairment tests have been done for both resorts (locations and individual CGUs) in Poland due to the fact that the planned indicators have not been achieved, which was analysed as an indicator of possible asset impairment of the Group. No indicators for asset impairment have been identified for CGUs in Slovakia.

Potential asset impairment is determined by comparing the recoverable value of the CGU and its book value. The recoverable value is determined by value in use. The value in use has been derived based on the business plan prepared by the management. Profitability and the cost of capital used as the discount factor for future free cash flows were the key assumption and the most sensitive indicator for determining the recoverable value. Expected revenues and profitability are based on changes in target customers groups, boosted marketing, and quality enhancement of services provided. Modelling of future cash flows used in determining the value in use covers a medium term of 5 years with the following extrapolation for next periods. Based on such normalized cash flows the terminal value was calculated assuming a terminal growth of 2.2% per anum. The discount rate used in projecting cash flows was calculated as the weighted average cost of capital and equalled 7.51% for Poland in 2019 (2018: 7.51%) (after taking into account the effect of corporate the income tax). The asset impairment test showed the need of asset impairment in the total value of EUR 3,865 thousand (2018: EUR 0 thousand) for CGU in Poland.

If the projected EBITDA of the CGU Śląskie Wesole Miasteczko Sp. z o. o., as of 31 October 2019, which is a part of projected cash flows, was 5% lower each year in comparing with the managemen's estimate, the value in use of the CGU Śląskie Wesole Miasteczko Sp. z o. o. would decrease by EUR 1,755 thousand. In this case it would be necessary to recognise asset impairment or goodwill by achieving of a lower EBITDA. If the discount rate was 0.5% higher than the management's estimate, i.e. it would equal 8.01%, the value in use of the CGU Śląskie Wesole Miasteczko Sp. z o. o. would decrease by EUR 1,160 thousand. Even in this case it would be necessary to recognize asset impairment or goodwill when using a higher discount rate.

As of 31 October 2019 based on the Group's management assessment there was no indicator of imparment identified regarding the investment in subsidiary company, Szczyrkowski Ośrodek Narciarski, S.A., as the company met the expected results of projected EBITDA.Consequently, the Group did not calculate impairment test for company Szczyrkowski Ośrodek Narciarski, S.A..

If the projected EBITDA of the CGU Śląskie Wesole Miasteczko Sp. z o. o., as of 31 October 2018, which is a part of projected cash flows, was 5% lower each year in comparing with the managemen's estimate, the value in use of the CGU Śląskie Wesole Miasteczko Sp. z o. o. would decrease by EUR 2,175 thousand. In this case it would be necessary to recognise asset impairment or goodwill by achieving of a lower EBITDA. If the discount rate was 0.5% higher than the management's estimate, i.e. it would equal 8.01%, the value in use of the CGU Śląskie Wesole Miasteczko Sp. z o. o. would decrease by EUR 3,494 thousand. Even in this case it would be necessary to recognize asset impairment or goodwill when using a higher discount rate.

If the projected EBITDA of the CGU Szczyrkowski Ośrodek Narciarski, S.A, as of 31 October 2018, which is a part of projected cash flows, was 5% lower each year in comparing with the managemen's estimate, the value in use of the CGU Szczyrkowski Ośrodek Narciarski, S.A, would decrease by EUR 5,273 thousand. In this case it would not be necessary to recognise asset.

3. Significant accounting estimates and assumptions (continued)

impairment or goodwill even by achieving of a lower EBITDA. If the discount rate was 0.5% higher than the management's estimate, i.e. it would equal 8.01%, the value in use of the CGU Szczyrkowski Ośrodek Narciarski, S.A,. would decrease by EUR 8,755 thousand. Even in this case it would not be necessary to recognize asset impairment or goodwill not even when using a higher discount rate.

(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.

in TEUR	31.10.2019				31.10.2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Financial investments	-	8	4 652	**4 660**	-	-	4 652	**4 652**
Loans Provided	-	-	28 813	**28 813**	-	-	25 241	**25 241**
Other receivables	-	28 321	-	**28 321**	-	24 030	-	**24 030**
Trade receivables	-	5 459	-	**5 459**	-	3 335	-	**3 335**
Cash and Cash Equivalents	-	12 073	-	**12 073**	-	54 525	-	**54 525**
Other Assets	-	5 586	-	**5 586**	-	3 433	-	**3 433**
Total	**-**	**51 447**	**33 465**	**84 912**	**-**	**115 216**	**-**	**115 216**

in TEUR	31.10.2019				31.10.2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial obligations								
Loans and Borrowings	-	86 063	-	**86 063**	-	115 776	-	**115 776**
Bonds Issued	-	261 287	-	**261 287**	-	238 417	-	**238 417**
Trade payables	-	9 179	-	**9 179**	-	8 816	-	**8 816**
Other Liabilities	-	37 722	-	**37 722**	-	20 745	-	**20 745**
Total	**-**	**394 251**	**-**	**394 251**	**-**	**383 754**	**-**	**383 754**

As at 31 October 2019, within Level 3, the Group registers the financial investement (9.5% share) in the company MELIDA, a.s. in the amount of EUR 4,498 thousand (as at 31 October 2018: EUR 4,498 thousand), which is rents and subsequently operates the ski resort Špindlerov Mlyn in the Czech Republic.

On 29 October 2019 the Group signed the contract regarding the trasfer of shares with the company CAREPAR, a.s., based on which the Group acquired 19 pcs of ordinary shares in company MELIDA, a.s.. In this way, the Group became the direct shareholder (9.5% share) in the company MELIDA, a.s..

3. Significant accounting estimates and assumptions (continued)

As at 31 October 2018 the Company registered the financial investment (19% share) in the company CAREPAR, a.s. in amount of EUR 4,498 thousand. This Company owned 50% share in the company MELIDA a.s., which rents and operates the ski resort Špindlerov Mlyn in the Czech Republic. Since as at 31 October 2018, CAREPAR, a.s. does not account for any other significant assets or liabilities apart from the share in MELIDA a.s., the fair value of the investment in CAREPAR, a.s. was set as 9.5% of the estimated fair value of MELIDA a.s.

As at 31 October 2019, after the assessment of the Group management, no indicator of significat change in financial investment value in the company MELIDA a.s was identified. Therefore, no impairment allowance was accounted for related to MELIDA a.s.

As at 31 October 2018 and 201, 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 preconditions that were used in the valuation, were estimated cash flows, where the most important assumptions estimated by the management included EBITDA, its growth and discount rate.

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 anum and from 2024 to 2057 by 1% per anum. The discount rate applied in the valuation of such financial assets used as at 31 October 2018, representing the required rate of return of own share capital, was of 7.80% (2017: 8.70%).

If in the calculation as at 31 October 2018 the EBITDA projected for MELIDA a.s., which is a part of the projected cash flows, was 5% lower every year compared to the management estimates, the value of investment in CAREPAR, a.s. would drop by EUR 341 thousand. If the discount rate increased by 0.5% in comparison with the management estimate, i.e. its value would be 8.30%, the value of CAREPAR, a.s. would drop by EUR 242 thousand.

4. Information about operating segments

Information about operating segments – Consolidated statement of profit and loss

in TEUR	Mountain Resorts		Leisure Parks		Hotels		Dining		Sports Services and Stores		Real Estate		Golf		Other		TOTAL	
	31.10.2019	31.10.2018	31.10.2019	31.10.2018	31.10.2019	31.10.2018	31.10.2019	31.10.2018	31.10.2019	31.10.2018	31.10.2019	31.10.2018	31.10.2019	31.10.2018	31.10.2019	31.10.2018	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*	*12 m*	*12 m*
Revenues	50 857	45 319	11 230	12 309	28 797	25 004	18 281	15 935	7 328	6 852	9 223	2 601	676	-	-	-	**126 392**	
Other operating revenues	628	41	8	33	169	77	150	78	8	-	-	-	237	-	-	-	**1 200**	
Consum. of mat. and goods	-4 671	-4 062	-523	-615	-5 289	-4 900	-5 641	-5 303	-2 753	-2 938	-7 337	-1 500	-86	-	-	-	**-26 300**	
Purchased services	-15 390	-14 791	-3 264	-3 275	-7 443	-6 151	-3 113	-2 764	-650	-623	-964	-621	-107	-	-	-	**-30 931**	
Personnel expenses	-11 247	-9 227	-3 610	-3 512	-10 467	-8 797	-6 390	-4 961	-2 561	-2 183	-373	-126	-397	-	-	-	**-35 045**	
Other operating expenses	-490	-456	-121	-338	-326	-306	-164	-95	-136	-85	-68	-4	-8	-	-	-	**-1 313**	
Gain on sale of assets	21	-9	1	1	10	-	1	-	-	-	820	469	-215	-	-	-	**638**	
Gain on reval. of invest. property	-	-	-	-	-	-	-	-	-	-	1 050	725	-	-	-	-	**1 050**	
Gain on revaluation of financial investments	-	2 038	-	-	-	-	-	278	-	142	-	-	-	-	-	-	**-**	
Release of value adjustments to receivables	-120	-11	-59	-82	-5	-1	-	-	-6	-	-	-	-5	-	-	-	**-195**	
Depreciat. and amort.	-10 632	-8 438	-3 593	-3 357	-3 605	-3 164	-1 401	-1 014	-556	-479	-101	-87	-63	-	-180	-206	**-20 131**	
Gain on bargain purchase	1 223	1 824	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Impairment of fixed assets	-	-	-3 865	-	-	-	-	-	-	-	-	-	-	-	-	-	**1 223**	
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 173	1 148	**1 173**	
Interest expenses	-6 584	-5 955	-1 748	-1 421	-3 947	-3 209	-2 373	-1 775	-1 030	-805	-1 073	-845	-36	-	-	-	**-16 791**	
Net profit from financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 189	-3 099	**1 189**	
Share of the profit / (loss) of investments in JV accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-	-8	-	-	-	**-8**	
Profit/(loss) of the segment before tax	**3 595**	**6 273**	**-5 544**	**-257**	**-2 106**	**-1 447**	**-650**	**379**	**-356**	**-119**	**1 177**	**612**	**-4**	**-**	**2 182**	**-2 157**	**-1 714**	**3 284**
Income tax																	**-574**	
Consolidated profit / (loss)																	**-2 288**	

4. Information about operating segments (continued)

Information about operating segments – Consolidated statement of financial position

in TEUR	Mountain Resorts		Leisure Parks		Hotels		Dining		Sports Services and Stores		Real Estate		Golf		Other		TOTAL	
	31.10.2019	31.10.2018	31.10.2019	31.10.2018	31.10.2019	31.10.2018	31.10.2019	31.10.2018	31.10.2019	31.10.2018	31.10.2019	31.10.2018	31.10.2019	31.10.2018	31.10.2019	31.10.2018	31.10.2019	
Goodwill and Intangible Assets	6 689	6 773	3 203	3 213	4 525	4 114	11	10	4	3	3	3	-	3	-	-	**14 435**	
Property, Plant and Equipment	240 498	193 386	71 463	74 832	74 059	72 953	16 937	15 311	3 236	2 848	3 082	3 263	170	3 263	3 550	2 684	**412 995**	
Investments Property	-	-	-	-	-	-	-	-	-	-	8 329	7 279	-	7 279	-	-	**8 329**	
Inventory	399	407	131	132	980	704	131	10	3 096	2 889	3 471	3 981	-	3 981	-	-	**8 208**	
Trade receivables	2 413	1 257	558	352	1 015	834	627	464	385	209	422	219	39	219	-	-	**5 459**	
Other receivables	27 003	33 258	853	233	-	-	430	-	-	-	-	-	35	-	-	-	**28 321**	
Financial investments	4 506	4 499	-	-	2	1	-	-	119	119	-	-	-	-	33	33	**4 660**	
Other Assets	2 293	2 111	363	816	2 078	506	-	-	-	-	-	-	70	-	782	-	**5 586**	
Loans Provided	20 150	17 394	1 198	1 115	4 524	4 660	-	-	-	-	43	43	-	43	2 898	2 029	**28 813**	
Cash and Cash Equivalents	6 365	4 730	1 299	831	2 322	1 450	920	877	393	415	-	-	774	-	-	46 222	**12 073**	
Assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Deferred tax receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2 878	2 212	**2 878**	
Assets total	**310 316**	**263 815**	**79 068**	**81 524**	**89 505**	**85 222**	**19 056**	**16 672**	**7 233**	**6 483**	**15 350**	**14 788**	**3 189**	**14 788**	**10 141**	**53 180**	**533 858**	
Loans and Borrowings long term	66 987	31 732	-	-	3 880	4 120	-	-	-	-	-	-	-	-	-	-	**70 867**	
Other long term liabilities	17 682	1 424	59	101	-	-	-	-	-	-	-	-	-	-	-	-	**17 741**	
Loans and Borrowings short term	14 956	79 709	-	-	240	215	-	-	-	-	-	-	-	-	-	-	**15 196**	
Trade payables	3 276	4 163	504	828	1 385	1 767	813	1 070	396	498	412	490	250	490	2 143	-	**9 179**	
Other current liabilities	9 984	8 480	2 720	3 466	3 900	3 981	2 257	2 253	1 007	1 040	-	-	113	-	-	-	**19 981**	
Reserves	246	207	79	75	115	102	66	56	31	26	30	26	27	26	-	-	**594**	
Bonds Issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	261 287	238 417	**261 287**	
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27 980	23 649	**27 980**	
Corporate income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	860	-	**860**	
Total liabilities	**113 131**	**125 715**	**3 362**	**4 470**	**9 520**	**10 185**	**3 136**	**3 379**	**1 434**	**1 564**	**442**	**516**	**390**	**516**	**292 270**	**262 066**	**423 685**	**407**

4. Information about operating segments (continued)

Information about operating segments – Consolidated statement of profit and loss

In 2019, the Group generates 84% (2018: 89%) of its revenues in the Slovak Republic, 10% in Poland (2018: 10%) , 5% in the Czech Republic (2018: 1%) and 1% in Austria. in. 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.

Information about operating segments – Consolidated statement of financial position

As of 31 October 2019 the Group recognised the value of plant, property and equipment in the Slovak Republic of EUR 283,092 thousand (as of 31 October 2018: EUR 282 589 thousand), EUR 98,571 thousand in Poland (as of 31 October 2018: EUR 81,076 thousand), EUR 27 599 thousand. in Austria and EUR 3,733 thousand. in the Czech Republic (as of 31 October 2018: EUR 2,612 thousand). The total value of the deferred tax liability from the subsidiaries in Austria is EUR 4 776 thousand. and in Poland is EUR 273 thousand as of 31 October 2019 (as of 31 October 2018: EUR 570 thousand). Inter-segment eliminations are included in the amounts reported for individual periods. Inter-segment prices are determined on the basis of market rates for similar services and financing.

5. Increase and decrease of interests in companies

(a) Subsidiaries

On 5 May 2017 Tatry mountain resorts CR, a.s. was established, with a registered capital of CZK 2,000 thousand (EUR 75 thousand), the sole shareholder of which became Tatry mountain resorts, a.s.. On 21 December 2017 a contract for the rent of the plant was concluded between Ski Resort Ještěd a.s. and the company Tatry mountain resorts CR, a.s.. The business rent is agreed for 10 years with an option for the next 10 years that the company plans to use. The Group evaluated this transaction as a business acquisition in ac cordance with IFRS 3. On 31 January 2018 the company Tatry mountain resorts CR, a.s. changed it's name and 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 25 thousand was incorporated. The Company became sole shareholder. On 6 December 2017 Tatry mountain resorts PL, a.s. purchased the entire 75% share in Slaskie Wesole Miasteczko Sp. z o.o. for the actual value of PLN 30,000 thousand. On 6 December 2017 the Group signed a purchase contract with the company Wojewódzki Park Kultury i Wypoczynku S.A. („WPKiW") to acquire an additional 25% shares of Śląskie Wesole Miasteczko Sp. z o.o. („SWM") in the total value of PLN 10,000 thousand. By signing this agreement, the Group became 100% owner of the SWM company. On 31 October 2018, PLN 4,000 thousand was settled.

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

On 14 September 2018 the company TMR Finance CR, a.s. was founded with a registered capital of CZK 2,000 thousand (EUR 78 thousand). The Company has become its sole shareholder.

The table below provides an overview of subsidiaries acquired in 2018:

in TEUR	**Date of acquisition (acquisition of control)**	**Acquisition price**	**Decrease of cash flow**	**Share of Group after acquisition %**
Acquisition of subsidiaries				
PHIG Holding GmbH	28.5.2018	32	-32	100%
Sportovní areál Ještěd a.s.	21.12.2017	1 427	-356	100%

On 28 May 2018 the company Tatry mountain resorts, a.s. signed a purchase agreement of PHIG Holding GmbH, which was later renamed to Tatry mountain resorts AT GmbH. The cost of acquisition was agreed on EUR 32 thousand, with Tatry mountain resorts, a.s. becoming the sole owner of the business. The net asset value of the company amounted to EUR 32 thousand at the date of acquisition. The management of the Group evaluated the possible impacts of revaluation to fair value, within purchase price allocation process and decided that fair value of net assets acquired is only insignificantly different to the book value

5. **Increase and decrease of interests in companies (continued)**

Additions due to the companies acquisition in 2018 had the following effect on the Group's assets and liabilities (information on the acquisition of assets is described in Note 3 (a)):

in TEUR	**Sportovní areál Ještěd a.s.**	**PHIG Holding GmbH**
Intangible Assets	-	2
Property, Plant and Equipment	2,443	-
Deferred tax asset	1,053	-
Other Assets	73	32
Cash and Cash Equivalents	16	-
Loans and Borrowings	-	-
Other liabilities	-334	-2
Net identified assets and liabilities (100% share)	3,251	32
Acquired share (100% share)	**3,251**	**32**
Cost of acquisition	-1,427	-32
Gain on bargain purchase	**-1,824**	**-**
Consideration paid, cash settlement	-372	-32
Cash acquired	16	-
Net cash expenditure	**-356**	**-32**

Net cash (expenditure) / income	**356**
Gain / (loss) from the acquistion day	-137
Gain / (loss) of the acquired company for the year 2018	-200
Revenues of the acquired company for the year 2018	1,397

As a result of the purchase price allocation of the acquired companies, the fair value of TMR Ještěd, a.s.. assets were adjusted, stated in the table below:

in TEUR	*TMR Ještěd a.s.*
Property, Plant and Equipment	-6,664
Deferred tax asset	1,053
Total	**-5,611**

Assets fair value adjustments:

Overview of the cost of acquisition of „Sportovní areál Ještěd a.s.“:

in TEUR	
Present value of future rent payments	1,081
Consideration paid, cash settlement	372
Other settlements	-26
Total	**1,427**

Cost of acquisition consists mainly from net present value of all future rent payments, payable annually over the period of the business rent duration. When signing the business rent contract, The Group took over the obligation of the drawn, but not yet settled bank loans. The obligation was subsequently paid to Česká spořitelna, a.s..

5. **Increase and decrease of interests in companies (continued)**

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

in TEUR	**Date of acquisition (acquisition of control)**	**Acquisition price**	**Decrease of cash flow**	**Share of Group after acquisition %**
Acquisition of subsidiaries				
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 Tatry 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 assests 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 assests of EUR 28,622 thousand and liabilities of EUR 27 363 thousand. As at 31 October 2019 no impairment allowance was recorded.

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)):

in TEUR	**Mölltaler Group**
Property, plant and equipment	27 680
Invetories	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
Net identified assets and liabilities (100% share)	**1 259**
Acquired share (100% share)	**1 259**
Cost of acquisition	-36
Gain on bargain purchase	**-1 223**
Consideration paid, cash settlement	-36
Cash acquired	59
Net cash income / (expenditure)	**23**

5. Increase and decrease of interests in companies (continued)

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

in TEUR	**Mölltaler Group**
Property, plant and equipment	13 326
Other liabilities to the former shareholders	-11 189
Total	**2 137**

(b) Associates and joint ventures

The table below provides an overview of joint ventures acquired in 2019 a 2018:

in TEUR	**Share of Group after acquisition %**	**Acquisition price**	**Impairment allowance**	**Book value**
OSTRAVICE HOTEL a.s. (joint venture)	50%	2 109	-	2 109
Total		**2 109**	**-**	**2 109**

On 31 December 2018, the company Tatry mountain resorts CR, a.s. aquired 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.:

in TEUR	**OSTRAVICE HOTEL a.s.**
Total assets	4 373
Trade liabilities	-155
Net identified assets and liabilities (100% share)	**4 218**
Acquired share (50% share)	**2 109**

5. Increase and decrease of interests in companies (continued)

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:

in TEUR	**2 019**	**2018**
Net profit / (loss) for the year	-16	-
Assets	4 373	-
Liabilities	-155	-
Equity	**4 218**	**-**

in TEUR		
Share of equity at the acquisition date	2 109	-
Share of the profit / (loss)	-8	-
Dividends received durn the year	-	-
Share of equity as at 31 October 2019	**2 101**	**-**

6. Revenues

in TEUR	**1.11.2018 - 31.10.2019**	**1.11.2017 - 31.10.2018**
Mountain Resorts	50 857	45 319
Hotels	28 797	25 004
Restaurant facilities	18 281	15 935
Leisure Parks	11 230	12 309
Real Estate Projects	9 223	2 601
Sports Services and Stores	7 328	6 852
Golf	676	-
Total	**126 392**	**108 020**

7. Other operating revenues

in TEUR	**1.11.2018 - 31.10.2019**	**1.11.2017 - 31.10.2018**
Contractual penalties	24	-
Claims paid by insurance company	74	7
Other operating revenue	1 102	222
Total	**1 200**	**229**

8. Consumption of material and goods

in TEUR	**1.11.2018 - 31.10.2019**	**1.11.2017 - 31.10.2018**
Material in hotels and restaurant facilities	-8 151	-7 112
Chalets sold	-7 225	-1 498
Goods	-4 919	-4 956
Fuels	-1 188	-863
Material for repair and maintenance	-822	-945
Material and goods – other	-3 995	-3 944
Total	**-26 300**	**-19 318**

9. Services purchased

in TEUR	**1.11.2018 - 31.10.2019**	**1.11.2017 - 31.10.2018**
Energy consumption	-6 333	-5 396
Advertisement expenses	-3 385	-4 936
Rental costs (cost of premises) and others	-6 408	-5 818
Other administrative expenses	-2 471	-2 316
Communication expenses	-1 622	-1 370
Repairs and maintenance expenses	-2 140	-1 926
Legal advice expenses	-1 212	-1 048
Services related to owned premises	-471	-400
Transport, accommodation, travel expenses	-345	-268
Training expenses	-228	-163
Other purchased services	-6 316	-4 584
Total	**-30 931**	**-28 225**

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 2018 to 31 October 2019 amounted to EUR 159 thousand (for the period ending 31 October 2018: EUR 149 thousand.). For the period ending 31 October 2018 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 reporteding group packages for the company Szczyrkowski Ośrodek Narciarski, S.A. and the company Ślaskie Wesole Miasteczko Sp. z o.o.. The cost of these items in the period from 1 November 2018 to 31 October 2019 amounted to EUR 40 thousand (for the period ending on 31 October 2018: EUR 40 thousand).

10. Personnel expenses

in TEUR	**1.11.2018 - 31.10.2019**	**1.11.2017 - 31.10.2018**
Wages and salaries	-20 248	-16 838
Personnel leasing	-4 356	-3 032
Social security (compulsory)	-7 997	-6 767
Remuneration of members of key management and Supervisory Board	-2 424	-2 154
Other social expenses	-20	-15
Total	**-35 045**	**-28 806**

10. Personnel expenses (continued)

The average number of Group employees during the period from 1 November 2018 to 31 October 2019 was 1,456, out of which 25 were management (from 1 November 2017 to 31 October 2018, it was 1, 402 employees, out of which 25 were management). During the year, the Group used the services of employment agencies for short-term personnel leasing. From 1 November 2018 to 31 October 2019, it was 376 employees (from 1 November 2017 to 31 October 2018: 282 employees).

Based on organization structure of the Group effective 1 November 2018, 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 2019, the base remuneration for the top management amounted to EUR 589 thousand (in the period between 1 November 2017 and 31 October 2018: EUR 695 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 and is stated within their contract on performing the function of a member of the Board of Directors. For the year ended 31 October 2019 basic remuneration was paid out in the amount of EUR 106 thousand. The 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 top management were paid out in the amount of EUR 1,267 thousand (for the year ended 31 October 2018: EUR 1,416 thousand) after the fulfilment of the criteria for extraordinary bonuses (achieving the EBITDA plan of the Parent company).

Basic remuneration is paid to members of the Supervisory Board of the Parent company in accordance with the Supervisory Board Remuneration Rules and the contracts on office. For the year ended 31 October 2019, the basic remuneration totalled EUR 43 thousand (in the period between 1 November 2017 and 31 October 2018: EUR 43 thousand).

11. Other operating expenses

in TEUR	**1.11.2018 - 31.10.2019**	**1.11.2017 - 31.10.2018**
Insurance (property, automobiles, travel cost)	-449	-407
Fees and commissions	-577	-705
Shortages and losses	-217	-161
Other operating cost	-70	-11
Total	**-1 313**	**-1284**

12. Interest income and expenses

in TEUR	**1.11.2018 - 31.10.2019**	**1.11.2017 - 31.10.2018**
Interest income calculated using effective interest rate	1 173	1 148
Interest expense	-16 791	-14 010
Total	**-15 618**	**-12 862**

For the period from 1 November 2017 to 31 October 2018, the interest income of EUR 1,173 thousand (from 1 November 2017 to 31 October 2018 in the amount of EUR 1,148 thousand) is mainly from the fixed-rate loans provided. See Note 20 – Loans provided.

12. Interest income and expenses (continued)

For the period from 1 November 2018 to 31 October 2019, the interest expenses in the amount of EUR 16,791 thousand (from 1 November 2017 to 31 October 2018 in the amount of EUR 14,010 thousand) represent the cost of loans and borrowings of EUR 3,825 thousand (from 1 November 2017 to 31 October 2018 in the amount of EUR 3,972 thousand) and the interest expenses from the bonds issued of EUR 13,553 thousand (from 1 November 2017 to 31 October 2018 in the amount of EUR 10,038 thousand) and interest income associated with derivative transaction SWAP of EUR 587 thousand.

The Group issued interest-bearing bonds in the total nominal value of EUR 270 million and CZK 1,500 million. The first portion of the bonds TMR I in the amount of EUR 70 million with nominal interest rate of 4.5% p.a. was repaid on 17 December 2018 in full. The second portion of the bonds TMR II in the amount of EUR 110 million with nominal interest rate of 6% p.a. is due on 5 February 2021. The third tranche of bonds TMR III in the amount of EUR 90 million (as at 31 October 2018 drawn EUR 60 million) with nominal interest rate of 4.4% p.a. is payable on 10 October 2024. The fourth tranche of bonds TMR F. CR in the amount of CZK 1,500 million with nominal interest rate of 4.5% p.a. is payable on 7 November 2022. For more information on bonds issued, see par. 32 – Bonds issued.

In the period from 1 November 2018 to 31 October 2019, the Group capitalised the interest expenses into the assets in the amount of EUR 1,155 thousand (from 1 November 2017 to 31 October 2018, the Group capitalised interest expenses into the assets in amount of EUR 643 thousand). Interest rate used for interest expense capitalisation was 7.09% in the period from 1 November 2018 to 31 October 2019 (from 1 November 2017 to 31 October 2018 5.36%).

13. Net profit / loss from financial instruments

in TEUR	**1.11.2018 - 31.10.2019**	**1.11.2017 - 31.10.2018**
Cost of administration of financial instruments	-745	-925
Income from the sale of financial instruments	-	4
Other, net	1 934	-2 178
Total	**1 189**	**-3 099**

In the period from 1 November 2018 to 31 October 2019, the Group reported a loss from financial instruments of EUR 1 189 thousand (from 1 November 2017 to 31 October 2018 a loss of EUR 3,099 thousand). In the prior period the loss from financial instruments was primarily caused by the sthrengthening of Polish zloty exchange rate, resulting in a revaluation of loans provided in Polish zloty, as well as the cost associated with the issue of TMR III bonds and the early repayment of the bank loan to Tatra banka, a.s..

14. Income tax and deferred tax

in TEUR	**1.11.2018 - 31.10.2019**	**1.11.2017 - 31.10.2018**
Current tax:		
Tax of current accounting period	-1 277	-111
Withholding tax on interest	-4	-14
	-1 281	**-125**
Deferred tax:		
Posting and release of temporary differences	707	-64
Change of tax rate	-	-
Total reported tax	**-574**	**-189**

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

14. Income tax and deferred tax (continued)

In order to calculate deferred tax from temporary differences incurred in the Slovak Republic, the Group used for the year 2019 a 21% rate (2018: 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.

Reconciliation of the effective tax rate

in TEUR	**1.11.2018 - 31.10.2019** %		**1.11.2017 - 31.10.2018** %	
Profit / (loss) before taxes		**-1 714**		**3 284**
Tax rate	21%	-360	21%	690
Tax non-deductible expenses	-26%	451	10%	344
Income not subject to tax	17%	-284	-15%	-507
Current tax: withholding tax on interest	0%	4	1%	28
Tax losses claimed during the period	3%	-47	-5%	-157
Deferred tax asset not recognized	-56%	967	1%	26
Impact of Poland's, Czech and Autrian tax rate	9%	-158	-7%	-235
Change in the tax rate	0%	-	0%	-
Total	**-33%**	**574**	**6%**	**189**

Income tax reported through other components of comprehensive income

	1.11.2018 - 31.10.2019			**1.11.2017 - 31.10.2018**		
in TEUR	**Before taxes**	**Tax**	**After taxes**	**Before taxes**	**Tax**	**After taxes**
Profit / (loss) cash-flow hedge derivatives	-1 403	-295	-1 108	-	-	-
Other components of comprehensive income	**-1 403**	**-295**	**-1 108**	**-**	**-**	**-**

Movements of deferred tax liability (net) during 2019 and 2018

2019

in TEUR	**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
Provisions and liabilities	2 108	1 988	-	41	-1 444	2 693
Tax losses	875	-467	-	19	-	427
Other temporary differences	-	-	-	-	-	-
Total, net	**-21 437**	**707**	**340**	**64**	**-4 776**	**-25 102**

14. Income tax and deferred tax (continued)

2018

in TEUR	Balance as at 1 November 2017	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 2018
Property, plant and equipment, and intangible assets	-23 216	-1 476	-	-34	1 053	-23 673
Investment property	-848	-177	-	-	-	-1 025
Losses on impairment of trade receivables and other assets	59	228	-	-9	-	278
Provisions and liabilities	851	1 273	-	-16	-	2 108
Tax losses	800	86	-	-11	-	875
Other temporary differences	-2	2	-	-	-	-
Total, net	**-22 356**	**-64**	**-**	**-70**	**1 053**	**-21 437**

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

15. Property, plant and equipment

in TEUR	Land and buildings	Individual movable assets and sets of movable assets	Assets under construction	Total
Cost				
Opening balance as at 1.11.2017	258 586	130 947	28 455	417 988
Additions	7 978	4 249	41 798	54 025
Additions due to business combinations	1 359	1 084	-	2 443
Disposals	-566	-313	-941	-1 820
Reclassification to investment property	-	-	-	-
Transfer from assets available for sale	-	-	-	-
Transfers within assets	40 206	2 861	-43 067	-
Foreign exchange difference	-602	-39	-205	-846
Balance as of 31.10.2018	**306 961**	**138 789**	**26 040**	**471 790**
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	11 171	7 618	-18 790	-1
Foreign exchange difference	1 443	279	230	1 952
Balance as of 31.10.2019	**348 248**	**161 304**	**30 584**	**540 136**
Accumulated depreciation and losses from impairment of assets				
Opening balance as at 1.11.2017	-43 412	-47 412	-	-90 824
Depreciation of current accounting period	-7 962	-8 016	-	-15 978
Decreases	33	237	-	270
Movement to investments in real property	-	-	-	-
Transfer from assets available for sale	-	-	-	-
Foreign exchange difference	10	9	-	19
Balance as of 31.10.2018	**-51 331**	**-55 182**	**-**	**-106 513**
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
Impairment of assets	-3 653	-193	-	-3 846
Movement to investments in real property	-	-	-	-
Transfer from assets available for sale	-	-	-	-
Transfers within assets	-	-	-	-
Foreign exchange difference	-140	-147	-	-287
Balance as of 31.10.2019	**-64 550**	**-62 592**	**-**	**-127 142**
Carrying value				
As of 1.11.2017	**215 174**	**83 536**	**28 455**	**327 164**
As of 31.10.2018	**255 630**	**83 607**	**26 040**	**365 277**
As of 1.11.2018	**255 630**	**83 608**	**26 040**	**365 277**
As of 31.10.2019	**283 698**	**98 713**	**30 584**	**412 995**

15. Property, plant and equipment (continued)

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 Otupné, EUR 1,492 thousand for purchase of snow groomers, EUR 929 thousand up to now for the construction of reservoir Zadne 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 reprented by the constructon 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 wheather. 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 contruction of apreski bar the amount of EUR 181 thousand.

The Group carried out also other minor instestments in Slovakia, Poland and the Czech republic.

In the period from 1 November 2017 to 31 October 2018, the Group carried out investments amounting to EUR 54,025 thousand. From the total value, in Slovakia the Group invested EUR 1,981 thousand to build new toboggans in Tatralandia and has put into use the construction of a new "Crystal" gastronomy facility in Biela Púť worth of EUR 1,534 thousand. The Group further built new restaurant facilities "Koliba Habarka" in the Jasná resort right at the top station of the 6-chair lift Lúčky - Výhliadka worth of EUR 1,529 thousand, improved snowmaking machinery and ski tracks for more than EUR 1,461 thousand. In High Tatras, the rooms in the Grandhotel Starý Smokovec were also reconstructed, amounting to EUR 1,352 thousand, put into use "AOM" (assisted business) kiosks in mountain resorts and in Tatralandia worth of EUR 876 thousand, invested EUR 670 thousand to the Tatran Hotel in Veľká Lomnica and carried out additional minor investments.

During 2018, in the Szczyrk in Poland, the Group has put in use 3 new cableways with a total value of EUR 18,453 thousand, put into use an accumulation tank for water worth of EUR 3,636 thousand, invested EUR 1,652 thousand to construction of new and modification of already existing ski slopes, issued a new artificial snow worth of EUR 4,885 thousand and built a new lift in case of windy days in the amount of EUR 642 thousand. The Group then invested EUR 325 thousand in Szczyrk into the new ski school, reinforced the old and completed the new lighting of the evening skiing worth of EUR 333 thousand, bought 2 new snowcats in the total value of EUR 559 thousand and invested an additional EUR 220 thousand in the sport shop.

In 2018 at the entertainment center Legendia in Poland, the Group put into use the "Interactive dark ride" attraction worth of EUR 3,593 thousand, invested EUR 617 thousand to buy a second cart for the "Lech coaster" attraction and additional improvements to this attraction, exhibited new paths and pavements in amount of EUR 437 thousand, invested EUR 401 thousand to improve parking areas, built new engineering networks and provided relocation in almost EUR 644 thousand. The amount EUR 185 thousand was invested in restaurant and gastronomic facilities and made further minor investment.

15. Property, plant and equipment (continued)

Unused assets and fully depreciated used assets
As of 31 October 2019 and 2018, the Group reported no unused assets. As at 31 October 2019 the Group used fully depreciated assets in acquistion cost EUR 21,557 thousand (2018: EUR 13,915 thousand).

Impairment loss
For the periods ending 31 October 2019, the Group reported impairment of fixed assets based on the impairment testing in total value of EUR 3,865 thousand related to Ślaskie Wesole Miasteczko Sp. z o. o. (CGU) in Poland; in particular the amount related to land and buildings of EUR 3,653 thousand, individual movable assets and sets of movable assets of EUR 193 thousand and software of EUR 19 thousand (information on the asssets impairment testing is described in Note 3 (d)):

For the periods ending 31 October 2018, the Group reported no loss from impairment of property, plant and equipment.

Insurance of assets

in TEUR	**31.10.2019**	**31.10.2018**
Natural disaster and vandalism	564 190	379 537
General machinery risks	34 219	25 729
Liability for damage	36 853	15 000

Security
As of 31 October 2019, property, plant and equipment in the amount of EUR 281,395 thousand was used to secure bank loans (as of 31 October 2018: in the amount of EUR 287,041 thousand).

Capitalized borrowing costs
As of 31 October 2019, the Group capitalised interest on loans into assets in the amount of EUR 1,155 thousand (as of 31 October 2018: the Group capitalised interest on loans into assets in the amount of EUR 643 thousand).

16. Goodwill and intangible assets

in TEUR	Goodwill	Valuable rights	Lease contracts	Software	Acquired intangible assets	Total
Cost						
Opening balance as at 1.11.2017	8 508	3 879	7 396	2 452	231	22 466
Additions	-	-	-	355	418	773
Additions due to business combinations	-	2	-	-	-	2
Disposals	-	-	-	-5	-	-5
Foreign exchange difference	-	-	-	-	-	-
Balance as of 31.10.2018	**8 508**	**3 881**	**7 396**	**2 804**	**647**	**23 236**
Opening balance as at 1.11.2018	8 508	3 881	7 396	2 804	647	23 236
Additions	-	-	-	426	595	1 021
Additions due to business combinations	-	-	-	-	-	-
Disposals	-	-1	-	-5	-2	-8
Transfers	-	-	-	550	-550	-
Foreign exchange difference	-4	15	-	10	-	21
Balance as of 31.10.2019	**8 504**	**3 895**	**7 396**	**3 785**	**690**	**24 270**
Accumulated depreciation and losses from impairment of assets						
Opening balance as at 1.11.2017	-4 474	-991	-804	-2 088	-	-8 357
Depreciation of current accounting period	-	-69	-256	-442	-	-767
Decreases	-	-	-	4	-	4
Losses from impairment of assets	-	-	-	-	-	-
Foreign exchange difference	-	-1	-	-	-	-1
Balance as of 31.10.2018	**-4 474**	**-1 061**	**-1 060**	**-2 526**	-	**-9 121**
Opening balance as at 1.11.2018	-4 474	-1 061	-1 060	-2 526	-	-9 121
Depreciation of current accounting period	-	-72	-253	-361	-	-686
Decreases	-	1	-	5	-	6
Impairment of assets	-	-	-	-19	-	-19
Transfers	-	-	-	-	-	-
Foreign exchange difference	-4	-9	-	-2	-	-15
Balance as of 31.10.2019	**-4 478**	**-1 141**	**-1 313**	**-2 903**	-	**-9 835**
Carrying value						
As of 1.11.2017	**4 034**	**2 888**	**6 592**	**364**	**231**	**14 110**
As of 31.10.2018	**4 034**	**2 820**	**6 336**	**278**	**647**	**14 116**
As of 1.11.2018	**4 034**	**2 820**	**6 336**	**278**	**647**	**14 116**
As of 31.10.2019	**4 026**	**2 754**	**6 083**	**882**	**690**	**14 435**

16. Goodwill and intangible assets (continued)

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

17. Investments in real estate

in TEUR	**31.10.2019**	**31.10.2018**
Acquisition price		
Opening balance as at 1.11.2018 / 1.11.2017	7 279	6 554
Revaluation at fair value	1 050	725
Balance as of 31.10.2019 / 31.10.2018	**8 329**	**7 279**

As at 31 October 2019, the investment property covers three hotels (SKI, Liptov, Kosodrevina) and the accommodation facility Otupné with the aggregate book value of EUR2,707 thousand (as at 31 October 2018: 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 2018: EUR 4,572 thousand). The value of the hotels was arrived at using management estimate, as stipulated above. 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.

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 (as at 31 October 2018: EUR 725 thousand). Valuation was made based on expert appraisals and available sale/purchase transactions.

In the period between 1 November 2018 and 31 October 2019, income from investment property accounted for EUR 201 thousand and direct operating cost related to investment property was EUR 74 thousand (between 1 November 2017and 31 October 2018: revenue from investment property accounted for EUR 197 thousand, and direct operating cost related to investment property was EUR 61 thousand).

Security

As at 31 October 2019, a part of investment property in the amount of EUR 2,850 thousand were used as the security for bank loans (as at 31 October 2018: in the amount of EUR 2,462 thousand).

18. Deferred tax asset, deferred tax liability

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

in TEUR	Receivables		Liabilities		Total	
	31.10.2019	**31.10.2018**	**31.10.2019**	**31.10.2018**	**31.10.2019**	**31.10.2018**
Temporary differences related to:						
Non-current fixed and intangible assets	2 036	681	-29 697	-24 354	**-27 661**	**-23 673**
Investments Property	-	-	-946	-1 025	**-946**	**-1 025**
Losses from impairment of trade receivables and other assets	107	278	-17	-	**90**	**278**
Provisions and liabilities	4 034	2 108	-1 341	-	**2 693**	**2 108**
Tax losses	427	875	-	-	**427**	**875**
Other temporary differences	-	-	-	-	**-**	**-**
Offsetting	-4 021	-1 730	4 021	1 730	**-**	**-**
Total	**2 878**	**2 212**	**-27 980**	**-23 649**	**-25 102**	**-21 437**

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

in TEUR	**31.10.2019**	**31.10.2018**
Tax losses	-11 823	-3 108
Total	-11 823	-3 108

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:

in TEUR	**2019**	**2020**	**post 2020**
Tax losses	-	0,2	2 224

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. 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.

19. Inventories

in TEUR	**31.10.2019**	**31.10.2018**
Goods	3 190	2 965
Material	1 547	1 177
Assets available for sale	3 471	3 981
Total	**8 208**	**8 123**

19. Inventories (pokračovanie)

Assets held for sale consist of Chalety Otupné phase III. (EUR 766 thousand) and phase IV. (EUR 2,706 thousand), which was completed, or is still being completed by the Group and will be consequently sold to the third parties. Proceeds from the sale of chalettes will be recognized in 2020, or later. In total it is 8 chalettes.

As of 31 October 2019, inventories of EUR 8,208 thousand were used to secure bank loans (as of 31 October 2018: EUR 7,895 thousand).

20. Loans provided

in TEUR	**31.10.2019**	**31.10.2018**
Short-term	27 985	22 198
Long-term	1 019	3 043
Total	**29 004**	**25 241**
Impairment allowance	-191	-
Total with allowance	**28 813**	**25 241**

Table below summarizes short-term loans as at 31st October 2019 and 31 October 2018. As at 31st October 2019 the weighted arithmetic average of interest rates on short-term loans was 6.02% (as at 31 October 2018: 6.29%).

As at 31 October 2019 the Group created impairment allowance to loans provided of EUR 191 thousand.

in TEUR		**31.10.2019**	**31.10.2018**
Debtor	**Interest rate type**	**Loan value**	**Loan value**
1. Tatranská, akciová spoločnosť	7% p.a.	13 975	13 300
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 Ziemi	7% p.a.	1 184	1 024
SON Partner	7% p.a.	953	939
Thalia s.r.o.	5% p.a.	904	861
P.M.I.R a.s.	5% p.a.	601	-
AIRAVATA Holding s.r.o.	5% p.a.	500	2 006
FBS Group s.r.o.	7% p.a.	493	-
P.M.I.R a.s.	5% p.a.	437	121
VICINITY INVESTMENT ltd.	-	380	-
GALAXO a.s.	5% p.a.	195	184
Owner of Penzión Energetik (Mgr. Ľubica Skusilová)	5% p.a.	85	2 401
AIRAVATA Holding s.r.o.	5% p.a.	-	212
AIRAVATA Holding s.r.o.	5% p.a.	-	78
AIRAVATA Holding s.r.o.	5% p.a.	-	119
AIRAVATA Holding s.r.o.	-	-	380
P.M.I.R a.s.	5% p.a.	-	503
Others	5% p.a.	41	70
Total		**27 985**	**22 198**

20. Loans provided (continued)

Table below summarizes long-term loans as at 31 October 2019 and 31 October 2018. As at 31 October 2019 the weighted arithmetic average of interest rates on long-term loans was 0.63% (as at 31 December 2018: 6.95%).

in TEUR **Debtor**	**Interest rate type**	**31.10.2019** **Loan value**	**31.10.2018** **Loan value**
Melida, a.s.	-	859	846
OSTRAVICE HOTEL a.s.	4% p.a.	20	-
TIKAR d.o.o.	10% p.a	-	2 061
Others	4% p.a.	140	136
Total		**1 019**	**3 043**

21. Trade receivables

in TEUR	**31.10.2019**	**31.10.2018**
Trade receivables	5 630	3 392
Value adjustments to receivables	-171	-57
Total	**5 459**	**3 335**
Short-term	5 459	3 335
Long-term	-	-
Total	**5 459**	**3 335**

As of 31 October 2019, trade receivables amount to EUR 5,781 thousand and include current operating receivables. As of 31 October 2018, trade receivables amount to EUR 3,335 thousand and include current operating receivables.

Classification of receivables by maturities is as follows:

in TEUR	**31.10.2019**			**31.10.2018**		
	Gross	**Value adjustment**	**Net**	**Gross**	**Value adjustment**	**Net**
Within due period	4 047	-	4 047	1 991	-	1 991
Overdue within 30 days	417	-	417	256	-	256
Overdue from 30 days to 180 days	127	-29	98	37	-5	32
Overdue from 180 days to 365 days	648	-10	638	518	-8	510
Overdue over 365 days	391	-132	259	590	-44	546
Total	**5 630**	**-171**	**5 459**	**3 392**	**-57**	**3 335**

As at 31 October 2019, the Group created impairment allowance of 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 2018, the amount of the value adjustments consisted of value adjustments to current operating receivables.

21. Trade receivables (continued)

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

in TEUR	**31.10.2019**	**31.10.2018**
Balance as at 1.11.2018 / 1.11.2017	57	118
Creation of value adjustment	134	101
Use	-16	-155
Reversal of value adjustment	-4	-7
Balance as at 31.10.2019 / 31.10.2018	**171**	**57**

As of 31 October 2019, receivables of EUR 5,781 thousand were used to secure bank loans (as of 31 October 2018: EUR 3,335 thousand).

22. Other receivables

in TEUR	**31.10.2019**	**31.10.2018**
Advance payments made	28 321	33 491
Total	**28 321**	**33 491**
Short-term	24 523	29 494
Long-term	3 798	3 997
Total	**28 321**	**33 491**

Advance payments made for assets are mainly related to future acquisitions amounting to EUR 22,214 thousand (as at 31 October 2018: EUR 22,839 thousand) and to unfinished investment activity in the amount of EUR 6,054 thousand (as a 31 October 2018: EUR 10,576 thousand). The Group made in particular an advance payment for a future acquisition which is the company running cable ways. The Company plans to buy this company in the future. A contract is made with VICINITY INVESTMENT ltd.

23. Other assets

in TEUR	**31.10.2019**	**31.10.2018**
Prepaid expenses and accrued income	1 703	1 542
Other tax assets	1 319	1 658
Other Assets	2 564	233
Total	**5 586**	**3 433**
Short-term	5 586	3 433
Long-term	-	-
Total	**5 586**	**3 433**

24. Financial investments

in TEUR	**31.10.2019**	**31.10.2018**
Financial instruments measured at fair value through profit or loss	4 660	4 652
Total	**4 660**	**4 652**

24. Financial investments (continued)

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

As at 31 October 2018, financial instruments measured at fair value through profit/loss from operations represent the 19% investment in company CAREPAR a.s. in the value of EUR 4,498 thousand, which owns 50% share of the company MELIDA a.s., which leases and operates the ski centre Špindlerov Mlyn in Czech Republic. CAREPAR, a.s. as at 31 October 2018 recognises only 50% share in MELIDA, a.s. and no other significant assets or liabilities, fair value of CAREPAR was determined as 9.5% of the fair value of share in MELIDA, a.s.

As at 31 October 2019, management evaluated the fair value estimate of share in MELIDA, a.s. and concluded that no ssumptions changed that would materially change its fair value.

Fair value of MELIDA, a.s. as at 31 October 2018 and 2019 estimated by management using discounting cash flow method (DCF), with business plan and forecasted cash flows as model inputs. The business plan and cash flow forecas have been thoroughly reviewed before being used by management. The rental of the ski resort was based on the signed amendment no. 2, which entered into force on 22 March 2018, extended until 2057, therefore cash flows from 2018 to 2057 were projected. The main assumptions used in the valuation were the expected cash flows, where the most important assumptions estimated by management were EBITDA, its growth and discount rate.

The projected EBITDA for 2018 amounted to EUR 5,90 thousand. For 2019 it is expected to increase by 5%, which was also achieved, for 2020 and 2021 is expected to increase by 3%, from 2022 to 2023 it is expected to increase by 2% per year and from 2024 to 2057 1% per year. The discount rate used for valuation of these financial assets as at 31 October 2018, representing the required rate of return on equity, was 7.80% (2017: 8.70%).

Financial investments further include an investment in Korona Ziemi Sp. z o.o. in the amount of EUR 119 thousand (as of 31 October 2018: EUR 119 thousand), a cash contribution to Tatranské dopravné družstvo, which is engaged in intermediary activities in the field of services in amount of EUR 33 thousand (as at 31 October 2018: EUR 33 thousand), the investment in company TIKAR D.O.O. in amount of EUR 1 thousand (as at 31 October 2018: EUR 1 thousand) and the investment in company SON Partner Sp. z o.o. in the amount of EUR 0.5 thousand (as at 31 October 2018: EUR 0.5 thousand).

Along with the purchase of Mölltaler Gletscherbahnen GmbH & Co KG, the Group also acquired Kärntens Sommerbergbahnen securities in the amount of EUR 2 thousand (as at 31 October 2018: EUR 0 thousand), which are further intended for sale.

25. Cash and cash equivalents

in TEUR	**31.10.2019**	**31.10.2018**
Cash	170	67
Stamps and vouchers	-	-
Current accounts with banks	11 906	54 458
Impairment allowance	-3	-
Total	**12 073**	**54 525**

As at 31 October 2019, the Group created impairment allowance of EUR 3 thousand in light of IFRS 9 expected credit loss changes.

The Group may freely dispose of the bank accounts.

26. Equity

Share capital and share premium

The share capital approved, subscribed and fully paid as of 31 October 2019 and 31 October 2018 comprised of 6,707,198 ordinary shares in nominal value of EUR 7 per share as of 31 October 2019 and 31 October 2018.

On 12 April 2010, the issues of shares designated as ISIN: CS0009011952, series 01,02, ISIN: SK1120002110, series 01, ISIN: SK1120005527, series 01, ISIN: SK1120006061, series 01, ISIN: SK1120009156, series 01 ceased and merged into a single issue of ISIN SK1120010287.

On 17 April 2019, 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 2018 and 31 October 2019 according to the financial statements compiled for that accounting period, in the amount of EUR 7,574 thousand as follows:

- The balance in the amount of EUR 757 thousand, allocation to the reserve fund
- The balance in the amount of EUR 225 thousand, settlement of accumulated losses from previous periods
- The balance in the amount of EUR 38 thousand, allocation to social fund
- The balance in the amount of EUR 6,553 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 2018	**Number of shares**	**Ownership interest** %	**Voting rights** %
C.I. CAPITAL INDUSTRIES LIMITED	1 309 139	19,5%	19,5%
FOREST HILL COMPANY, s.r.o.	1 030 919	15,4%	15,4%
NIKROC INVESTMENTS LIMITED	897 771	13,4%	13,4%
KEY DEE LIMITED	664 058	9,9%	9,9%
TINSEL ENTERPRISES LIMITED	638 385	9,5%	9,5%
RMSM1 LIMITED	588 166	8,8%	8,8%
Minority shareholders	1 578 760	23,5%	23,5%
Total	**6 707 198**	**100%**	**100%**

31 October 2017	**Number of shares**	**Ownership interest** %	**Voting rights** %
C.I. CAPITAL INDUSTRIES LIMITED	1 309 139	19,5%	19,5%
FOREST HILL COMPANY, s.r.o.	1 030 919	15,4%	15,4%
NIKROC INVESTMENTS LIMITED	897 771	13,4%	13,4%
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TINSEL ENTERPRISES LIMITED	638 385	9,5%	9,5%
RMSM1 LIMITED	588 166	8,8%	8,8%
Minority shareholders	1 578 760	23,5%	23,5%
Total	**6 707 198**	**100%**	**100%**

Profit per share

	31.10.2019	**31.10.2018**
Profit attributable to the Group owners (in EUR’000)	-2 286	3 173
Weighted average number of ordinary shares	6 707 198	6 707 198
Profit per share in euros	**-0,341**	**0,473**

26. Equity (continued)

Legal reserve fund

The legal reserve fund amounts to EUR 6,612 thousand (as of 31 October 2018: EUR 5,852 thousand). According to the Slovak legislation, a legal reserve fund shall be mandatorily created on an annual basis, in the minimum amount of 10% of the Company's net profit and 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 Company's losses and it cannot be used for payment of dividends. The calculation of the legal reserve fund is made in compliance with the Slovak legal regulations. The legal reserve fund of the subsidiaries totals EUR 0 due to losses of prior periods. According to the Polish law the fund is mandatorily created on an annual basis; in the minimum amount of 8% of the Company's net profit and up to 33% of the subscribed share capital (on a cumulative basis). 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 company's social contract.

Reduction in the share capital

On 22 August 2013, an extraordinary General Meeting was held, which decided on a reduction in the share capital of the Company Tatry Mountain Resorts, a.s. from EUR 221,338 thousand to EUR 46,950 thousand, i.e. by EUR 174,388 thousand. The change in the share capital became effective on 22 October 2013 as the day of registering the reduction in the share capital with the respective Commercial Register. After the reduction of the Company's share capital, the nominal value per share changed from the former EUR 33 per share to EUR 7 per share.

Profit (loss) distribution

For the financial year ending 31 October 2019, the Group's management proposes to distribute the consolidated loss of EUR 2,288 thousand as follows:

– Transfer to losses from previous years in amount of EUR 2,288 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 Szczyrk and Ślaskie Wesole Miasteczko in Poland and from translation of financial statements of TMR Ještěd, a.s. and TMR Finance CR, a.s. and Tatry mountain resorts CR, a.s. to euros.

Non-controlling interest

Non-controlling interests include a minority shareholder's 3% share in the Szczyrk subsidiary (SON).

in TEUR	**31.10.2019**	**31.10.2018**
SON	106	108
Total	**106**	**108**

in TEUR	**SON**
Assets	41 771
Liabilities	-38 213
Goodwill attributable to the Group	-
Net assets, net of goodwill	**3 558**
Percentage of non-controlling interest	3,00%
Book value of non-controlling interest	**106**
Revenues	9 126
Profit (loss)	-80
Other comprehensive income	-
Total comprehensive income	-80
Percentage of non-controlling interest	3,00%
Profit/(loss) attributable to the non-controlling interest	**-2**
Other comprehensive income attributable to the non-controlling interest	-
Net increase (decrease) of cash and cash equivalents	**-851**

27. Loans and borrowings

in TEUR	**31.10.2019**	**31.10.2018**
Loans and borrowings received	73 461	113 976
Leasing	12 602	1 800
Total	**86 063**	**115 776**
Short-term	15 196	79 924
Long-term	70 867	35 852
Total	**86 063**	**115 776**

Received loans and borrowings as of 31 October 2019 and 31 October 2018 are shown in the following overview:

Creditor	**Interest rate type**	**Maturity date**	**Unpaid amount as at 31.10.2019** *in TEUR*
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
Other	various	less than 1 year	1 184
Total			**73 461**

Veriteľ	**Typ úrokovej miery**	**Dátum splatnosti**	**Nesplatená suma k 31.10.2018** *v tis. eur*
J&T Banka a.s.	4% p.a.	15.11.2018	42 036
J&T Banka a.s.	12M EURIBOR + 5% p.a.	31.3.2032	33 375
Poštová banka, a.s.	12M EURIBOR + 4,657% p.a.	31.12.2028	20 500
Poštová banka, a.s.	12M EURIBOR + 4,571% p.a.	30.6.2022	8 700
Poštová banka, a.s.	12M EURIBOR + 4,684% p.a.	31.12.2028	5 000
Poštová banka, a.s.	12M EURIBOR + 4,686% p.a.	30.6.2032	4 335
Heineken Slovensko a.s.	-	30.11.2018	30
Celkom			**113 976**

As at 31 October 2019 other loans and borrowings in the amount of EUR 1,184 thousand (as at 31 October 2018: EUR 0) reprenset 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 2019 was 4.80% (as of 31 October 2018: 4.51%). The interest is payable on a monthly basis. For more information, see Note 12 – Interest income and expenses.

27. Loans and borrowings (continued)

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 4,625 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 18,963 thousand.

In May 2019 the Group drawn a new loans from J&T Banka a.s. in the amount of EUR 37,000 thousand. The outstanding unpaid balance of the loan as of the date was of EUR 35,365 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 oustanding unpaid balance of the loan as of the date was EUR 4,120 thousand.

In period between 1 November 2016 and 31 October 2017 the Group drawn a 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 ifinancial statemets was of EUR 7,200 thousand.

On 14 August 2018 the Group 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 7 October 2019 the Group signed a short-term loan agreement with EUROCOM Investment s.r.o. in amount of EUR 2,005 thousand.

Security
In order to guarantee bank loans, the following assets were used: lands, technology and service buildings of mountain lift equipment: ski lifts, chair cableways, terrestrial cableways, hanging cableways, cabin cableways, transformers, operating buildings and structures: Tri Studničky Hotel, Srdiečko Hotel, Kosodrevina Hotel, Liptov Hotel, SKI Hotel, a former telecommunication building, bungalows 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 2019, property, plant and equipment, investments in real estate, inventories and receivables of EUR 295,527 thousand were used to secure bank loans (as of 31 October 2018: in the amount of EUR 300,784 thousand).

The maturity of financial lease liabilities as of 31 October 2019 was as follows:

in TEUR	**Principal**	**Interest**	**Payments**
Less than 1 year	4 417	51	4 468
1 - 5 years	8 185	39	8 224
Total	**12 602**	**90**	**12 692**

On 1 November 2018 the Company signed a leasing agreement with VEREX REALITY s.r.o., in amount of EUR 9,872 thousand valid until 30 April 2023. In addition, as at 31 October 2019 the Company had several leasing contracts with Tatra-leasing, s.r.o. in the total amount of EUR 2,531 thousand (as at 31 October 2018: EUR 1,799 thousand).

27. Loans and borrowings (continued)

The maturity of financial lease liabilities as of 31 October 2018 was as follows:

in TEUR	**Principal**	**Interest**	**Payments**
Less than 1 year	855	34	889
1 - 5 years	945	21	966
Total	**1 800**	**55**	**1 855**

28. Trade payables

in TEUR	**31.10.2019**	**31.10.2018**
Trade payables	8 347	7 666
Unbilled deliveries	832	1 150
Total	**9 179**	**8 816**
Short-term	8 052	8 816
Long-term	1 127	-
Total	**9 179**	**8 816**

As of 31 October 2019, past due liabilities amounted to EUR 3,030 thousand (as of 31 October 2018: EUR 1,155 thousand).

29. Hedge accounting

The Group applies hedge accounting for the first time in current year. The Group applies only cash-flow hedges and hedges only against foreign currency risk.

Since the Grouphas 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.

The Group 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 bond denominated in CZK with fixed repayment schedule.

Hedging instrument is a Foreign currency swap, swapping the CZK repayments on the bond 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.

There is no impact of hedge accounting for comparative period.

29. Hedge accounting (continued)

In current period, 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	(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 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 recogni sed 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	-

30. Other liabilities

in TEUR	**31.10.2019**	**31.10.2018**
Liabilities towards employees	2 718	3 814
Advances received	6 045	7 652
Deferred revenues	5 167	3 582
Liabilities to shareholders from reduction in share capital	215	215
Other liabilities to the former shareholders (Mölltaler Group)	18 303	-
Other	5 274	5 482
Total	**37 722**	**20 745**
Short-term	19 981	19 220
Long-term	17 741	1 525
Total	**37 722**	**20 745**

As of 31 October 2019, the liabilities to employees represent mainly a provision for bonuses for the financial year from 1 November 2018 to 31 October 2019 in the amount of EUR 3,147 thousand (as of 31 October 2018: EUR 2,669 thousand), and wage liabilities to employees of EUR 1,270 thousand (as of 31 October 2018: EUR 1,041 thousand).

30. Other liabilities (continued)

As of 31 October 2019, advances received represent mainly advances for the purchase of chalets in the amount of EUR 2,645 thousand (as of 31 October 2018: EUR 4,935 thousand) and advances received for the accommodation in hotels in the amount of EUR 2,286 thousand (as of 31 October 2018: EUR 1,724 thousand).

As of 31 October 2019, the deferred revenues include mainly the amount of EUR 3,073 thousand for accrual of the "Šikovná sezónka" ski passes sold (as of 31 October 2018: EUR 2,893 thousand), the amount of EUR 32 thousand is the rent for the premises of J&T BANKA, a.s., a branch of a foreign bank in the premises of the Grandhotel Starý Smokovec (as of 31 October 2018: EUR 74 thousand) and the amount of EUR 80 thousand is a subsidy for the Tri studničky Hotel (as of 31 October 2018: EUR 82 thousand). The reserve for discounts on purchases was as at 31 October 2019 in total amount of EUR 603 thousand (EUR 603 thousand as at 31 October 2018).

As of 31 October 2019, the liabilities to shareholders from a reduction in the share capital represent EUR 215 thousand (as of 31 October 2018: 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 26 – Equity.

As of 31 October 2019, the other liabilities to the former shareholders represent EUR 18,303 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 2019, the amount of other liabilities contains also social security liabilities of EUR 833 thousand (as of 31 October 2018: EUR 725 thousand), further comprise the amount of EUR 1,274 thousand resulting from the acquisition of TMR Ješted, a.s. in accordance with standard IFRS 3 (as of 31 October 2018: EUR 1,149 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:

in TEUR	**31.10.2019**	**31.10.2018**
Balance as at 1.11.2018 / 1.11.2017	92	47
Creation of social fund against expenses	138	137
Drawing	-205	-92
Balance as at 31.10.2019 / 31.10.2018	**25**	**92**

31. Provisions

in TEUR	**Unused vacations**	**Other**	**Total**
Opening balance as at k 1.11.2018	**474**	**18**	**492**
Creation of provisions during the year	569	-	569
Increase from subsidiary acquisition	-	-	-
Reversal of provisions during the year	-	-	-
Use of provisions during the year	-468	-	-468
Foreign exchange difference	2	-1	1
Balance as at 31.10.2019	**577**	**17**	**594**

	31.10.2019	**31.10.2018**
Short-term	570	468
Long-term	24	24
Total	**594**	**492**

32. 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. As at the date of the finacial statements the full amount of EUR 90,000 thousand has been credited to the Group's account (as at 31 October 2018 credited amount of EUR 60,000 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. As of the date of the financial statement, the bonds from the fourth issue were sold in the full amount of CZK 1,500,000 thousand.

Details on particular bonds are presented in the table below.

in TEUR

Name	ISIN	Date of issue	Maturity date	Currency of the issue	Face value of the issue in the initial currency in '000	Interest rate p.a. in %	Effective interest rate p.a. in %	Carrying value as of 31.10.2019	Carrying value as of 31.10.2018
TMR I 4,50%/2018	SK4120009606	17.12.2013	17.12.2018	EUR	70 000	4.5	5.82	-	65 990
TMR II 6,00%/2021	SK4120009614	5.2.2014	5.2.2021	EUR	110 000	6.0	6.17	113 922	113 924
TMR III 4,40%/2024	SK4120014598	10.10.2018	10.10.2024	EUR	90 000	4.4	4.93	88 102	58 503
TMR F. CR 4,5%/2022	CZ0003520116	7.11.2018	7.11.2022	CZK	1 500 000	4,5	5,09	59 263	-
Total								**261 287**	**238 417**
Short-term								6 368	71 002
Long-term								254 919	167 415
Total								**261 287**	**238 417**

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 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 582 ths. EUR. 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. On 7 November 2018, the Group issued the fourth bond issue TMR F. CR in the nominal value of CZK 1,500,000 thouand. The cash funds received was consequently provided to other companies within the Group in the form of loans.

The Group committed to maintain the ratio of senior debt (excluding the bonds TMR II) / EBITDA at the level up to 6.5 and DSCR (including expenses related to payment of coupons of bonds TMR I and II) at the level of at least 1.00.

All four tranches are obliged to pay coupons regularly, financed from the Group's own resources.

32. Bonds issued (continued)

Out of the total liability value of EUR 261,287 thousand (as of 31 October 2018: EUR 238,417 thousand), the short-term portion of EUR 6,368 thousand (as of 31 October 2018: EUR 71,002 thousand) is a coupon liability due in the course of 2019 and 2020.

Security

A right of lien for the issued TMR III bonds on the Group's the real estate, movable assets and part of receivables, in total amount of EUR 110,524 thousand. It is property which 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 65,641 thousand. It is property which is not used as a security for other Group liabilities.

33. 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:

in TEUR	Carrying value		Fair value	
	31.10.2019	**31.10.2018**	**31.10.2019**	**31.10.2018**
Financial assets				
Loans provided (Note 20)	28 813	25 241	27 251	24 972
Other receivables (Note 22)	28 321	23 040	28 321	24 030
Investment in a joint venture (Note 5)	2 101	-	2 101	-
Trade receivables (Note 21)	5 459	3 335	5 459	3 335
Cash and cash equivalents (Note 25)	12 073	54 525	12 073	54 525
Other assets (Note 23)	5 586	3 433	5 586	3 433
Total	**82 353**	**109 574**	**80 791**	**110 295**

in TEUR	Carrying value		Fair value	
	31.10.2019	**31.10.2018**	**31.10.2019**	**31.10.2018**
Financial liabilities				
Loans and borrowings (Note 27)	86 063	115 776	86 063	115 445
Bonds issued (Note 32)	261 287	238 417	275 251	251 143
Trade payables (Note 28)	9 179	8 816	9 179	8 816
Other liabilities (Note 30)	37 722	20 745	37 722	20 745
Total	**394 251**	**383 754**	**408 215**	**396 149**

As of 31 October 2019, other receivables contain the advance provided mainly for the future acquisition, i.e. the cableway operator, in the amount of EUR 19,451 thousand (as of 31 October 2018: EUR 19,451 thousand). The Group intends to buy that company in the future. The contract is concluded with VICINITY INVESTMENT ltd. for the period of one year and, therefore, the carrying amount of the advance provided does not materially differ from its fair value.

34. Operating lease

Lease on the part of the lessee

The Group rents land with ski slopes and cableways and rents some vehicles based on the operating lease contracts. Major contracts for lease of lands are concluded for the period of 30 years with another 10-year option. The major contracts have a 1-year notice period.

Costs of operating lease for the period ending 31 October 2019 recognised in the profit or loss represented EUR 4,996 thousand (for the period ending 31 October 2018: EUR 3,985 thousand).

34. Operating lease (continued)

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

in TEUR	31.10.2019	31.10.2018
Within 1 year	3 198	2 206
From 1 year to 5 years	7 842	6 356
5 and more years	24 224	17 444
Total	**35 264**	**26 006**

35. Changes in liabilities arising from financial activities

in TEUR	1 November 2018	Cash flows	Reclassified as part of disposal group	Acquisition of subsidiary	Changes in fair value	Other	31 October 2019
Non-current interest bearing loans and borrowings	115 776	-40 875	-	-	-	11 162	86 063
Bonds issued	238 417	23 119	-	-	-	-249	261 287
Total liabilities from financing activities	**354 193**	**-17 756**	**-**	**-**	**-**	**10 913**	**347 350**

in TEUR	1 November 2017	Cash flows	Reclassified as part of disposal group	Acquisition of subsidiary	Changes in fair value	Other	31 October 2018
Non-current interest bearing loans and borrowings	94 478	21 577	-	-	-	-279	115 776
Bonds issued	184 842	53 266	-	-	-	309	238 417
Total liabilities from financing activities	**279 320**	**74 843**	**-**	**-**	**-**	**30**	**354 193**

36. 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.

36. Information about risk management (continued)

Loans provided

The Company 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)	Carryning value	Expected credit loss (ECL)
0.74% - 1.68%	**40%**	**29 004**	**- 191**

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 19 thousand. If the PD decreased by 10%, the ECL would decrease by EUR 19 thousand. EUR. 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 on the economic conditions over the expected life of the loan.

As of 31 October 2019, the Group was exposed to the following credit risk:

in TEUR	Legal entities	Banks	Other financial institutions	Other	Total
Financial assets					
Loans Provided	28 864	-	-	140	29 004
Other receivables	28 102	219	-	-	28 321
Investment in an associate and a joint venture	2 101	-	-	-	2 101
Trade receivables	5 459	-	-	-	5 459
Financial investments	4 658	-	-	2	4 660
Cash and Cash Equivalents	-	11 903	-	170	12 073
Other Assets	1 924	-	1 312	2 443	5 679
Total	**71 108**	**12 122**	**1 312**	**2 755**	**87 297**

As of 31 October 2018, the Group was exposed to the following credit risk:

in TEUR	Legal entities	Banks	Other financial institutions	Other	Total
Financial assets					
Loans Provided	25 104	-	-	137	25 241
Other receivables	23 686	344	-	-	24 030
Trade receivables	3 335	-	-	-	3 335
Financial investments	4 652	-	-	-	4 652
Cash and Cash Equivalents	34	54 435	-	56	54 525
Other Assets	902	-	1 174	1 357	3 433
Total	**57 713**	**54 779**	**1 174**	**1 550**	**115 216**

36. Information about risk management (continued)

Liquidity risk
Liquidity risk arises in the general financing of the Group's activities and financial positions. It includes the risk of being unable to finance assets at an agreed maturity and interest rate and inability to realize assets at a reasonable price in a reasonable time frame. Individual companies in the Group use different methods of managing liquidity risk. Group's Management focuses on managing and monitoring the liquidity of each company controlled by the Group. In order to manage liquidity, the management changed its accounting period to a financial year ending 31 October. In the first half of its accounting period the Group has the winter season representing 60% of the Group's income. Based on the development in the first half of the year, the Group is able, in good time, to affect the income and expenditures to maintain sufficient liquidity. In the Vysoké Tatry resort, seasonality is compensated also by a strong summer season, providing for a more stable liquidity through the entire year.

The following table includes an analysis of financial assets and liabilities of the Group classified by the remaining maturity. This analysis represents the most prudent alternative of the remaining maturities including the interest. Therefore, the earliest repayment possible is reported for liabilities and the latest repayment possible is reported for assets. Assets and liabilities without a defined maturity are reported together in the "not specified" category.

As of 31 October 2019, the Group was exposed to the following liquidity risk:

in TEUR	Carrying value	Future cash flow	Up to 3 months	3 months up to 1 year	1 year up to 5 years	Above 5 years	Without specification
Financial assets							
Loans Provided	**28 813**	**29 005**	26 865	1 121	160	859	-
Other receivables	**28 321**	**2 307**	87	219	2	-	1 999
Investment in an associate and a joint venture	**2 101**	**2 101**	-	-	-	-	2 101
Trade receivables	**5 459**	**5 487**	5 396	71	20	-	-
Financial investments	**4 660**	**4 660**	-	-	-	-	4 660
Cash and Cash Equivalents	**12 073**	**12 066**	11 919	-	-	-	147
Other Assets	**5 586**	**5 600**	4 115	-	1 080	-	405
Total	**87 013**	**61 226**	**48 382**	**1 411**	**1 262**	**859**	**9 312**
Financial obligations							
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	-	-19 233	-163
Total	**-394 251**	**-532 831**	**-65 157**	**-21 570**	**-257 707**	**-188 164**	**-233**

36. Information about risk management (continued)

As of 31 October 2019, loans granted for up to 1 year amount to EUR 27,986 thousand (as of 31 October 2018: EUR 22,198 thousand), most of which are payable at request or until October 2020. These loans will not be paid off within a year. The Group plans to draw these financial resources according to its needs in order to finance its investment activity and acquisitions. The loan granted is expected to be paid off within 3 years.

The carrying amount of Other receivables includes the advances provided where they are not expected to be settled in cash, but by means of a transfer of shares within 3 years.

The management of the Group plans to repay issued bonds in the future by issuing new bonds. See also Note 38 – Subsequent events.

As of 31 October 2018, the Group was exposed to the following liquidity risk:

in TEUR	Carrying value	Future cash flow	Up to 3 months	3 months up to 1 year	1 year up to 5 years	Above 5 years	Without specification
Financial assets							
Loans Provided	**25 241**	**25 542**	16 039	6 159	2 499	845	-
Other receivables	**24 030**	**5 903**	592	344	-	-	4 967
Trade receivables	**3 335**	**3 331**	3 312	**19**	-	-	-
Financial investments	**4 652**	**4 652**	-	-	-	-	4 652
Cash and Cash Equivalents	**54 525**	**54 525**	53 597	797	-	-	131
Other Assets	**3 433**	**3 522**	2 081	215	876	-	350
Total	**115 216**	**97 475**	**75 621**	**7 534**	**3 375**	**845**	**10 100**
Financial obligations							
Loans and Borrowings	**-115 776**	**-168 307**	-42 653	-37 272	-29 278	-37 443	-21 661
Bonds Issued	**-238 417**	**-284 743**	-66 463	-9 680	-135 520	-73 080	-
Trade Liabilities	**-8 816**	**-8 798**	-8 429	-	-	-	-369
Other Liabilities	**-20 745**	**-20 725**	-16 677	-690	-301	-2 897	-160
Total	**-383 754**	**-482 573**	**-134 222**	**-47 642**	**-165 099**	**-113 420**	**-22 190**

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.

Since the Grouphas 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 29 – Hedge accounting.

36. Information about risk management (continued)

As of 31 October 2019 and 2018, the Group reported below mentioned items of financial assets and liabilities denominated in foreign currecncies:

	2019		2018	
in TEUR	**PLN**	**CZK**	**PLN**	**CZK**
Financial assets				
Loans Provided	-	-	-	-
Other receivables	-	-	-	-
Investment in an associate and a joint venture	-	2101	-	-
Trade receivables	182	493	107	41
Financial investments	-	-	-	-
Cash and Cash Equivalents	239	899	691	11
Other Assets	301	152	1 512	64
Total	**722**	**3 645**	**2 310**	**116**
Financial obligations				
Loans and Borrowings	-32 012	0	-22 299	-
Bonds Issued	-	-59 263	-	-
Trade Liabilities	-110	-2 436	-978	-131
Other Liabilities	-2 242	-313	-1 281	-113
Total	**-34 364**	**-62 012**	**-24 558**	**-244**

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:

Effect on the portfolio

in TEUR	**2019**	**2018**
PLN	1 061	846
CZK	721	92

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.

36. Information about risk management (continued)

As of 31 October 2019 and 31 October 2018, the Group has the following interest-earning assets and interest-bearing liabilities:

in TEUR	**31.10.2019**	**31.10.2018**
Fixed interest rate		
Assets	217 670	76 256
Payables	279 128	241 095
Variable interest rate		
Assets	-	-
Payables	40 203	115 025

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:

in TEUR	**Profit (Loss)**	
	100 bb growth	**100 bb decline**
31 October 2019		
Instruments with variable interest rate	-402	402
Effect	**-402**	**402**

in TEUR	**Profit (Loss)**	
	100 bb growth	**100 bb decline**
31 October 2018		
Instruments with variable interest rate	-1 150	1 150
Effect	**-1 150**	**1 150**

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.

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.

37. 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 2019 and 31 October 2018 or during the period from 1 November 2018 to 31 October 2019 and 1 November 2017 to 31 October 2018:

(1) Companies with joint control or significant influence over the entity and its subsidiaries or associates,
(2) Joint ventures in which the Group is a partner,
(3) Associates,
(4) Members of the company's top management or shareholders of the Group (see also Note 10 – Personnel expenses)

Information about remuneration of key management is provided in Note 10 – Personnel expenses.

Apart from personnel expenses, the Group has receivables towards key management as of 31 October 2019 EUR 0 thousand (2018: EUR 68 thousand), due the loans provided and revenues from these loans in amount of EUR 0 thousand for the accounting period 2019 (2018: EUR 3 thousand).

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

38. Subsequent events

On 28 January 2020, the Group paid EUR 5,000 thousand, as an advance on the future purchase of EUROCOM Investment s.r.o, which operates the aquapark Bešeňová.

On 3 February 2020, the Group redeemed the TMR II bond coupon in the amount of EUR 6,600 thousand.

On 11 March 2020, the World Health Organization declared a global pandemic in relation to the spread of coronavirus (COVID-19). The COVID-19 pandemic also affects the Group which was hit by the virus at the end of its winter season and spring midseason.

On 16 March 2020, the Slovak Government issued an order aimed at containing the virus, as a consequence of which the Group had to close all its mountain resorts, water parks and other operations.

This resulted in a fall in sales, but because winter earnings had largely been accrued when the restrictions came into force, the negative effect on the revenue side was not significant. For this reason, as at the date of issuing the consolidated financial statements, the Group had a significant amount of available cash and cash equivalents and highly positive working capital. As of 28 February 2020, the volume of cash and cash equivalents increased by more than 30% compared to the end of the financial year.

The Group expects a maximum reduction in sales at the beginning of the spring season of between EUR 7,000 thousand and EUR 8,000 thousand, based on pandemic restrictions continuing for two months. It will compensate for lower revenue through cost-side savings and by non-realizing/postponing a portion of investments to the following year. If the virus restrictions remain in place for two months, there is likely to be only a minimal negative effect on the summer season, which begins no earlier than in the first half of June. Moreover, the closures were enforced at a time of limited Group activity at the end of the winter season, when many of its resorts and hotels are routinely closed annually.

Furthermore, it is highly probable that due to the pandemic and long after its effective containment, natural caution will inhibit people from traveling abroad. This means that more Slovaks, Czechs and Poles will spend summer holidays in their home countries, in which the Group operates.

38. Subsequent events (continued)

In the event that the effects of the pandemic worsen, the Group will switch to a “massive cost-saving regime” and postpone all planned investments until the following year. The Group is currently not committed to any significant investment from which it could not withdraw. In order to address liquidity, the Group has already begun to actively negotiate with its financial creditors the postponement of loan repayments by a year. It has also been discussing the possibility of drawing new bridging loans to cover its operating costs and maintain its financial stability.

The Group's management ordinarily plans monthly cash flows which, due to the current situation, are being reviewed weekly.

Due to its available cash and cash equivalents at the end of the winter season, plus short-term receivables expected to be repaid in the near future, the Group can meet its obligations related to loans and issued bonds for at least a further four months, assuming no change in the situation. In the case of bonds, the Group is obliged to repay only interest payments during the upcoming year. In the event of a prolonged pandemic and financial difficulties, the Group is able to postpone the repayment of interest after approval of major bondholders, who hold more than 10%.

Additionally, the Group has the option of using an approved overdraft account opened with Poštová banka, a.s. to ensure continuity of its cash flows.

Following the closure of the Group's resorts under the government restrictions, the Group's management began discussions with employee representatives to address the situation in the best possible way, within the constraints of labor law. At the time of issuing the financial statements, negotiations are still ongoing, while administrative staff work via remote access from home. A large number of Group's employees are seasonal employees and if the pandemic restrictions continue until the beginning of the summer season, they will not be contracted until the Group's resorts reopen.

In the opinion of the Group's management, the factors above support the assertion that the Group will have sufficient resources to continue for at least 12 months from the date of issuing the financial statements. The Group’s management has concluded that the extent of the possible outcomes considered in adopting this judgment does not give rise to significant uncertainties related to events or conditions that could raise serious doubts about the Group's ability to continue as a going concern.

39. Capital commitments and capital management

In the course of 2014, the Group made two bond issues (see Note 32 - Bonds issued) in the total nominal value of EUR 180,000 thousand, which have been admitted to trading on the Bratislava Stock Exchange since 19 February 2014. The Group committed to maintain the ratio of senior debt (excluding the bonds TMR II) / EBITDA at the level up to 6.5 and DSCR (including expenses related to payment of coupons of bonds TMR I and II) at the level of at least 1.00.

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. As of the date of the financial statement, the bonds from the fourth issue were sold in the full amount. Both emitions were subscribed in the full amount by the day of financial statement preparation.

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. Interest income on the TMR F. CR bond will be paid for each income period on a semi-annual basis, on 7 November and 7 May each year, starting on 10 April 2019 The TMR F. CR bond has maturity on 7 November 2022.

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 2018 to 31 October 2019.

40. 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 576 thousand plus related charges and fees.

41. Companies within the Group

The list of companies in the Group as of 31 October 2019 and 31 October 2018 is included in the following overview:

			31.10.2019		**31.10.2018**	
	Country	**Method**	**Consol. %**	**Control**	**Consol. %**	**Control**
Parent company						
Tatry mountain resorts, a.s.	Slovakia	full	100		100	
Subsidiaries						
Szczyrkowski Ośrodek Narciarski, S.A.	Poland	full	97	direct	97	direct
Ślaskie 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	-	-
Mölltaler Gletscherbahnen GmbH	Austria	full	100	direct	-	-
Grundstücksverwertungs-GmbH Flattach	Austria	full	100	indirect	-	-
Joint ventures						
OSTRAVICE HOTEL a.s.	Czech republic	equity method	50	direct	-	-

Bohuš Hlavatý	Jozef Hodek	Marián Vojtko	Marián Vojtko
Chairman of the Board of Directors	*Member of the Board of Directors*	*Person responsible for preparation of the statements*	*Person responsible for bookkeeping*

Independent Auditor's Report

KPMG Slovensko spol. s r. o.
Dvořákovo nábrežie 10
P. O. Box 7
820 04 Bratislava 24
Slovakia

Telephone: +421 (0)2 59 98 41 11
Fax: +421 (0)2 59 98 42 22
Internet: www.kpmg.sk

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. ("The Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 October 2019, 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 2019, 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"). 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

Impairment of loans provided and other receivables

As at 31 October 2019 the carrying amount of loans provided and other receivables (long term and short term): EUR 57,134 thousand; related impairment allowance: EUR 191 thousand; impairment loss for the year then ended: EUR 191 thousand.

Refer to Notes 2e) and 2i) (Summary of significant accounting policies) and Notes 20 and 22 (Loans provided and Other receivables) of the consolidated financial statements.

Key audit matter:	***Our response:***
As at 31 October 2019, loans provided, and other receivables are represented primarily by an advance payment for shares in a company operating a ski resort of EUR 19,451 thousand and a loan provided to that entity of EUR 13,975 thousand. Loans provided and other receivables are assessed by the Group 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 Group 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 Group 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. We identified impairment of loans provided and other receivables as a key audit matter because these assets are material to the Group and due to the fact,	Our audit procedures in the area, performed where applicable, with the assistance from our own financial instrument's specialists, included: – Updating understanding of and assessing the design and implementation of key internal controls over the credit control, the loans and other receivables collection process and making loss allowances for loans provided and other receivables; – Assessment of the appropriateness of the Group's impairment methodology against the relevant financial reporting requirements; – Evaluating whether the Group's estimates of expected credit losses appropriately consider both current economic conditions and forward-looking information; – Assessment of the accuracy and completeness of the Group's ECL estimates at 31 October 2019 including: *For loans and other receivables assessed individually, for a risk-based sample of debtors:* – Inspecting the debtors' most recent financial statements, credit terms and historical repayment patters, and making corroborating inquiries of the Group's CFO and relevant finance

Independent Auditor‘s Report

that estimating ECLs is inherently subjective and requires the exercise of significant management judgment.

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 Group'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 Group'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 Board'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.

Independent Auditor‘s Report

Impact of COVID-19 and related going concern considerations

Refer to Note 2(b) (Going concern) and 38 (Subsequent events) of the consolidated financial statements

Key audit matter:

The Group's consolidated financial statements are prepared on a going concern basis.

The World Health Organization declared on 11 March 2020 the coronavirus (COVID-19) outbreak a pandemic, and also, on 16 March 2020, the Decree of the Government of the Slovak Republic, was issued on 16 March 2020, whereby Slovakia's government declared the state of emergency. The measures taken by the government to counter the effects of the outbreak include border closures, quarantine, severe limitations imposed on cross-border and domestic transportation, ban on social, cultural, leisure or sport events, among other things. As a consequence of the developments, the Group was forced to close all its mountain resorts as well as water parks and other operations until at least 26 March 2020.

The Group's going concern assessment was based on cash flow forecasts which in 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 management to be severe but plausible, such as length of the outbreak exceeding 2 months. 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 postponing the loan instalments, drawing of new loans

Our response:

Our procedures in this area included, among others:

- Inspecting the Management Board's assessment of the going concern basis of accounting, including their assessment of the business/operating and liquidity risks arising from the COVID-19 outbreak, and plans for further actions in response to the risks identified;
- inquiring of the chairman of the board and the board member responsible for the business strategy, regarding the Group's plans for future actions in order to alleviate the effects of the outbreak, whether and to what extent the outcome of these plans is likely to improve the situation and whether the plans are feasible in the circumstances;
- Analyzing the Group's net working capital position as at 31 October 2019 and 29 February 2020 to assess the availability of liquid funds to settle short-term financial obligations;
- Considering whether any additional facts or information have become available since the date on which the Group made its assessment;
- Confirming the existence of the Group's banking overdraft facilities to third party confirmations, including the approval of extension of the existing facilities by the lenders as at 31 October 2019 and 29 February 2020;

Independent Auditor's Report

and reduction in wages, salaries and other costs.

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 38 further explains how the judgment was formed by the management.

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 Group's plans for future actions and their financial impact.

- Challenging the key assumptions used by the Management Board in the determination of the forecasted financial information under various scenarios. This included challenging:
  - Bonds coupons payments;
  - Loans installments;
  - Wages and salaries costs reduction.
- Independent assessment of the Group's expected compliance with bank covenants based on the forecasted financial information, under a number of scenarios;
- Evaluating whether, in view of the requirements of the applicable financial reporting framework, the consolidated financial statements provide adequate disclosures about the events or conditions (including the COVID-19 outbreak) that had been identified that may cast significant doubt on the entity's ability to continue as a going concern and judgements made in concluding that there are no material uncertainties.

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.

Independent Auditor's Report

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.
- 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.

Independent Auditor‘s Report

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

Report on Other Legal and Regulatory Requirements

Reporting on Information in the Annual Report

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

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

With respect to the Annual Report of the Group, we consider whether it includes the disclosures 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:

- the information given in the Annual Report for the year ended 31 October 2019 is consistent with the consolidated financial statements prepared for the same financial year; and
- the Annual Report contains information according to the Act on Accounting

In addition, we will report whether we have identified any material misstatement in the Annual Report in light of the knowledge and understanding of the Group and its environment that we have acquired during the course of the audit of the consolidated financial statements. We have nothing to report.

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 the Company from 17 April 2019. 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 11 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 28 February 2020.

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.

23 March 2020
Bratislava, Slovak Republic

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

Responsible auditor:
Ing. Martin Kršjak
License UDVA No. 990

Separate Financial Statements

Tatry mountain resorts a.s.

Individual Financial Statement

for the Period from 1 November 2018 to 31 October 2019

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

in TEUR	Note	1.11.2018 - 31.10.2019	1.11.2017 - 31.10.2018
Sales	6	106 194	96 189
Other operating revenue	7	822	190
Total revenue		**107 016**	**96 379**
Material and goods consumption	8	-22 989	-18 023
Purchased Services	9	-22 023	-21 631
Personal cost	10	-29 274	-26 095
Other operating cost	11	-1 074	-944
Gain on sale of assets		820	469
Increase in fair value of investment property	17	1 050	725
Gain on revaluation of financial investments	25	-	2 458
Creation of value adjustments to receivables	22	-3 976	-83
Profit before interest, taxes, depreciation and amortization (EBITDA)*		**29 550**	**33 255**
Depreciation and amortization	15,16	-14 917	-13 417
Goodwill impairment loss	16	-	-
Profit before interest, taxes (EBIT)		**14 633**	**19 838**
Interest income calculated using effective interest rate	12	6 080	3 669
Interest expense	12	-15 326	-12 089
Net profit / (loss) on financial instruments	13	-71	-2 091
Profit before taxes		**5 316**	**9 327**
Income tax	14	-1 229	-1 754
Profit		**4 087**	**7 573**
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Net gain/(loss) on cash flow hedges	14	-1 108	-
Total comprehensive income		**2 979**	**7 573**
Profit per share (in EUR)	27	**0,609**	**1,129**
Number of shares		**6 707 198**	**6 707 198**

*EBITDA represents a profit from recurring Company activities before taxes, interest, amortization and depreciation, adjusted to other income and expenses, which are listed under EBITDA.

The Notes provided on pages 7 to 62 constitute an integral part of the Separate Financial Statements. An overview of the profit and loss statement by particular segments is in par. 4 – Information on Operating Segments.

Separate Statement of Financial Position

in TEUR	Note	31.10.2019	31.10.2018
Assets			
Goodwill and Intangible Assets	16	7 731	7 020
Property, Plant and Equipment	15	283 092	278 535
Investments Property	17	8 329	7 279
Loans Provided	21	5 618	3 043
Other receivables	23	3 584	3 708
Investments in Subsidiaries	18	7 515	7 482
Fixed assets total		**315 869**	**307 067**
Inventory	20	7 440	7 895
Trade receivables	22	4 872	3 387
Loans Provided	21	107 135	86 322
Other receivables	23	22 649	24 224
Financial investments	25	4 652	4 652
Cash and Cash Equivalents	26	10 280	52 787
Other Assets	24	10 766	8 770
Total current assets		**167 794**	**188 037**
Assets total		**483 663**	**495 104**
Equity	27		
Capital		46 950	46 950
Share premium		30 430	30 430
Profit for the period		4 087	7 573
Retained earnings and other funds		42 994	37 969
Total equity		**124 461**	**122 922**
Liabilities			
Loans and Borrowings	28	100 894	39 874
Trade payables	29	1 127	-
Provisions	32	24	24
Other non-current liabilities	31	-	-
Bonds Issued	33	196 935	167 415
Deferred tax liability	19	22 655	23 079
Total non-current liabilities		**321 635**	**230 392**
Loans and Borrowings	28	10 763	46 548
Trade payables	29	5 338	7 689
Provisions	32	460	389
Bonds Issued	33	5 089	71 002
Corporate income tax liability	19	860	-
Other current liabilities	31	15 057	16 162
Total current liabilities		**37 567**	**141 790**
Total liabilities		**359 202**	**372 182**
Total equity and liabilities		**483 663**	**495 104**

The Notes provided on pages 7 to 62 constitute an integral part of the Separate Financial Statements.

Separate Statement of Changes in Equity

in TEUR	Capital	Share premium	Legal reserve fund	Funds from revaluation	Retained earnings	Total
Balance as at 31 October 2018	**46 950**	**30 430**	**5 852**	**180**	**39 510**	**122 922**
IFRS 9 first-time adoption	-	-	-	-	-1 440	-1 440
Balance as at 1 November 2018 after IFRS 9 first-time adoption adjustments	**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
Other components of comprehensive income, after tax						
- items with possible subsequent reclassification into profit/(loss):						
Cash Flow hedge	-	-	-	-1 108	-	-1 108
Total comprehensive income for the period	-	-	**757**	**-1 108**	**3 330**	**2 979**
Transactions with owners posted directly into equity						
Dividend payment	-	-	-	-	-	-
Total transactions during the year	-	-	-	-	-	-
Balance as at 31 October 2019	**46 950**	**30 430**	**6 609**	**-928**	**41 400**	**124 461**

Separate Statement of Changes in Equity (continued)

in TEUR	Capital	Share premium	Legal reserve fund	Funds from revaluation	Retained earnings	Total
Balance as at 1 November 2017	**46 950**	**30 430**	**4 930**	**180**	**32 859**	**115 349**
Transfer of retained earnings into the legal reserve fund	-	-	922	-	-922	-
Profit for the period	-	-	-	-	7 573	7 573
Other components of comprehensive income, after tax						
- items with possible subsequent reclassification into profit/(loss):						
Revaluation of available-for-sale securities at fair value	-	-	-	-	-	-
Total comprehensive income for the period	-	-	922	-	6 651	7 573
Transactions with owners posted directly into equity						
Dividend payment	-	-	-	-	-	-
Total transactions during the year	-	-	-	-	-	-
Balance as at 31 October 2018	**46 950**	**30 430**	**5 852**	**180**	**39 510**	**122 922**

The Notes provided on pages 7 to 62 constitute an integral part of the Separate Financial Statements.

Separate Cash Flow Statement

in TEUR	Note	1.11.2018 - 31.10.2019	1.11.2017 - 31.10.2018
OPERATING ACTIVITIES			
Profit		**4 087**	**7 573**
Adjustments related to:			
Profit from the sale of land, buildings and equipment and intangible assets		-820	-469
Depreciation and amortization	15,16	14 917	13 417
Creation of value adjustments to receivables		3 976	83
Profit from revaluation of financial instruments	25	-	-2 458
(Profit)/ loss from financial operations		-71	-
Profit from revaluation of investments in property	17	-1 050	-725
Net interest expense / (income)	12	9 246	8 420
Gross change in provisions		71	82
Income tax	14	1 229	1 754
Change in trade receivables, other receivables and other assets		-1 436	624
Variation in inventory		455	-2 132
Change in trade liabilities and other liabilities		-3 248	4 965
Cash flow from operating activity before income tax		**27 356**	**31 134**
Income tax paid		-577	-475
Cash flow from operating activity		**26 779**	**30 659**
INVESTING ACTIVITIES			
Acquisition of land, buildings and equipment and intangible assets	15,16	-12 069	-17 677
Proceeds from sale of property, plant and equipment and intangible assets		4 142	1 003
Cost of acquisition of subsidiaries	5	-33	-189
Loans Provided		-37 718	-38 430
Repayment of loans provided		14 786	9 049
Interest receivable		13	112
Cash flow used by investing activity		**-30 879**	**-46 132**
FINANCING ACTIVITIES			
Repayment of liabilities from financial leasing		-2 732	-987
Financial leasing received		1 898	871
Repayment of received loans and borrowings		-48 625	-53 045
Loans and borrowings received		60 770	73 556
Bonds Issued, netto	32	30 000	58 347
Purchase of own bonds		-	-5 081
Repaid bonds		-65 000	-
Interest paid		-14 714	-11 463
Dividends paid		-	-
Cash flow from financing activity		**-38 404**	**62 198**
Net increase of cash and cash equivalents		-42 504	46 725
Influence of impairment allowance to cash and cash equivalents	26	52 787	-
Cash and cash equivalents at the beginning of the year	26	-3	6 062
Cash and cash equivalents at the end of the year	**26**	**10 280**	**52 787**

The Notes provided on pages 7 to 62 constitute an integral part of the Separate Financial Statements.

Content

1. Information about the Company

Tatry mountain resorts a.s. (hereinafter referred to as the “Company”) is a joint stock company with the registered office and place of business in Demänovská Dolina 72, Liptovský Mikuláš 031 01. The company was established on 20 March 1992 and was registered in the Commercial Register on 1 April 1992. The Company identification number is 31 560 636 and the Company tax identification number is 2020428036.

The Company is not a member having unlimited liability in other accounting entities.

Starting from 19 November 1993, the Company shares are registered on the Bratislava Stock Exchange; starting from 15 October 2012, on the Warsaw Stock Exchange (WSE), and starting from 22 October 2012, on the Prague Stock Exchange (BCCP). On 22 August 2013, an extraordinary general meeting was held, which decided on a reduction in the share capital of the Company Tatry Mountain Resorts, a.s. from 221,338 ths. EUR to 46,950 ths. EUR, i.e. by 174,388 ths. EUR. Then during 2014, the Company issued two bond issues in the total nominal value of 180,000 ths. EUR, which, starting from 19 February 2014, are admitted to trading on the Bratislava Stock Exchange.

On 10 October 2018, the company issued the third bond issue TMR III in the nominal value of 90,000 ths. EUR, with maturity in 2024. As at the date of the finacial statements the the full amount of 90,000 ths EUR has been credited to the Company’s account. See par. 33 – Bonds Issued.

In 2009, the Company decided to change the accounting period from a calendar year to a fiscal year from 1 November to 31 October. Such a change was aimed at making the period more realistic as the Company activity depends on seasonal fluctuations.

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

As at 31 October 2019 and 31 October 2018, the Shareholders structure of the Company was as follows:

31 October 2019	**Share in share capital**		**Voting rights**
	in TEUR	%	%
C.I. CAPITAL INDUSTRIES LIMITED	9 164	19,5%	19,5%
FOREST HILL COMPANY, s.r.o.	7 216	15,4%	15,4%
NIKROC INVESTMENTS LIMITED	6 284	13,4%	13,4%
KEY DEE LIMITED	4 648	9,9%	9,9%
TINSEL ENTERPRISES LIMITED	4 469	9,5%	9,5%
RMSM1 LIMITED	4 117	8,8%	8,8%
Minority shareholders	11 052	23,5%	23,5%
Total	**46 950**	**100%**	**100%**

31 October 2018	**Share in share capital**		**Voting rights**
	in TEUR	%	%
C.I.CAPITAL INDUSTRIES LIMITED	9 164	19,5%	19,5%
BELGOMET s.r.o.	7 216	15,4%	15,4%
NIKROC INVESTMENTS LIMITED	6 284	13,4%	13,4%
KEY DEE LIMITED	4 648	9,9%	9,9%
TINSEL ENTERPRISES LIMITED	4 469	9,5%	9,5%
RMSM1 LIMITED	4 117	8,8%	8,8%
Minority shareholders	11 052	23,5%	23,5%
Total	**46 950**	**100%**	**100%**

1. Information about the Company (continued)

The principal activities of the Company comprise the operation of cable ways and ski lifts, restaurant and catering services, the operation of a ski and snowboard school, the purchase and sale of goods, hotel business. Since 29 March 2011, the Company has operated Aquapark Tatralandia, thus expanding the portfolio of services rendered. During 2014 and 2015 the Company acquired interests in subsidiaries in Poland that operate the Szczyrk ski resort and an amusement park in Chorzow. 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. During accounting period the Company acquired interests in Austrian companies operating the ski resorts Mölltaler Gletscher and Ankogel in Austria. During the accounting period the Company became a direct shareholder (9.5% share) in MELIDA, which operates the ski resort Špindlerův Mlýn in the Czech Republic.

In the period between 1 November 2018 and 31 October 2019, the average number of Company employees was 1,145, out of which the management was 22 (between 1 November 2017 and 31 October 2018, it was 1 150, out of which the management was 25).

During the year, the Company used the services of employment agencies for short-term personnel leasing. In the period between 1 November 2018 and 31 October 2019 it was 299 employees in average (between 1 November 2017 and 31 October 2018: 272 employees).

Company bodies are:

The Board of Directors
Ing. Bohuš Hlavatý, the Chairman (since 30.06.2009)
Ing. Branislav Gábriš, the Vice-Chairman (since 18.02.2011)
Ing. Andrej Devečka, the Member (since 22.12.2011)
Ing. Jozef Hodek, the Member (since 30.6.2009)

The Supervisory Board:
Ing. Igor Rattaj (since 29.06.2009)
Ing. František Hodorovský (since 18.01.2011)
Roman Kudláček (since 21.04.2012)
Ing. Ján Štetka (since 30.06.2012)
Ing. Peter Kubeňa (since 30.06.2012)
Miroslav Roth (since 30.06.2012)
Ing. Pavol Mikušiak (since 27.04.2013)
Adam Tomis (since 12.04.2014)
PhDr. Martin Kopecký, MSc, CFA (since 25.04.2015)

2. Significant accounting policies

(a) Statement of compliance
The separate financial statements for the period from 1 November 2018 to 31 October 2019 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 2020 and that shall be available at the Company headquarters and on the Company's website.

The financial statements were approved by the Board of Directors on 28 February 2020.

(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 separate financial statements have been prepared in thousands EUR.

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

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

(c) Adoption of new standards and interpretations

When preparing the separate financial statements, the Company applied the following International Financial Reporting Standards, amendments to the standards and interpretations as adopted by the EU, which are effective for the accounting period starting 1 November 2018:

In July 2014, the IASB issued final version of **IFRS 9 Financial Instruments** that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 comprises three aspects of accounting: recognition and measurement, impairment losses and hedge accounting. IFRS 9 is effective from 1 January 2018. Early application is permitted. Except for hedge accounting, the standard should be applied retrospectively. The comparative information of prior periods is not required.

The adoption of **IFRS 9 Financial Instruments** and its impact on the financial statements is described in Notes e) and f).

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

2. Significant accounting policies (continued)

In May 2014, IASB issued **IFRS 15 Revenue from Contracts with Customers**, effective for the periods starting on 1 January 2018 with earlier adoption permitted. IFRS 15 defines the principles for accounting for revenues and will be applicable to all contracts concluded with customers. The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

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

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

The Company evaluated the impact of IFRS 15 on the financial statements of the Company and came to the conclusion that the first-time adoption of the standard does not have material impact on the financial statements due to the nature and types of revenue that the Company generates.

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

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. Since the Company's current practice is in line with the Interpretation, the Company assessed that the Interpretation does not have a material impact on the financial statements.

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

The following standards and interpretations are effective for annual periods beginning on 1 January 2018:

- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions. The amendments clarify share-based payment accounting in various areas
- Annual Improvements to IFRS (2014-2016 Cycle) contain two amendments to standards.

Above mentioned amendments do not have a material impact on the financial statements of the Company.

2. Significant accounting policies (continued)

(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 Ooctober 2019, 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 Company in preparing these financial statements:

- IFRS 3 Business Combinations. The amendment clarifies the definition of 'business' (effective for annual periods beginning on or after 1 January 2020, the amendment is not yet endorsed by the EU)
- IFRS 9 Financial Instruments: Classification and Measurement. The amendment is related to the prepayment features with negative compensation (effective for annual periods beginning on or after 1 January 2019)
- IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016, the EC has decided not to launch the endorsement process and to wait for the final IFRS Standard)
- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)
- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021, the standard is not yet endorsed by the EU)
- IAS 1 Presentation of Financial Statements. The amendment clarifies the definition of 'materiality' (effective for annual periods beginning on or after 1 January 2020, the amendment is not yet endorsed by the EU)
- IAS 19 Employee Benefits. The amendment clarifies changes, curtailment or settlement of plans (effective for annual periods beginning on or after 1 January 2019)
- IAS 28 Investments in Associates and Joint Ventures. The amendment refers to the long-term interests in associates and joint ventures (the amendment is effective for annual periods beginning on or after 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments (the standard is effective for annual periods beginning on or after 1 January 2019)
- Annual improvements to IFRS standards 2015-2017 Cycle (issued in December 2017, effective for accounting periods beginning on or after 1 January 2019)

Except for impact of IFRS 16, the Company does not expect the standards to have a material impact on the financial statements.

IFRS 16 Leases

The standard is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.

IFRS 16 supersedes IAS 17 Leases and related interpretations. The standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period in exchange for consideration. For such contracts, the new model requires a lessee to recognize a right-of-use asset and a lease liability. The right-of-use asset is amortized and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new standard introduces several limited scope exceptions for lessees which include:

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

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

2. Significant accounting policies (continued)

It is expected, that first-time adoption of the standard will have significant impact on the financial statements, since it is required to recognise assets and liabilities from operating leases in statement of financial position, where the Company act as a lessee. This applies mainly on operating lease of lands. The character and and expenses related to these lease will change, as the Company will report depreciation expense from the right to use the asset and interest expense from liabilities. The Company is now recording expenses from operating lease on a linear basis and the asset and liabilities only in time inconsistency between actual lease payment and recorded expense. Instead, the Company will recognize lease payments within lease liability.

Based on the information available, the Company assumes that the impact on the financial statements as at 1 November 2019 will be following:

Statement of financial position

in thousands of euro	**1 November 2019**
Increase in property and plant	19 801
Increase in other non-current tangible assets	629
Increase in long-term loans	20 430
Net impact on equity	**0**

The Company plans to apply IFRS 16 initially on 1 January 2019 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 Novemebr 2019, without any adjustment to comparable information.

The Company intends to apply the practical expedient to grandfather the definition of lease on transition. This means that it will apply IFRS 16 to all contracts entered before 1 Novemebr 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

The Company also intends to apply an exemption for short-term contracts. This means that it will not apply IFRS 16 to those contracts that were entered into at the date of initial adoption for the period of less than 12 months and to the low value contracts.

2. Significant accounting policies (continued)

(e) Impact of adoption of IFRS 9

The following table summarizes an impact of new standard IFRS 9 on statement of financial position as at 1 November 2018, when the mentioned standard became effective:

in TEUR	**Note**	**31.10.2018**	**IFRS 9**	**1.11.2018**
Assets				
Goodwill and Intangible Assets	16	7 020	-	7 020
Property, Plant and Equipment	15	278 535	-	278 535
Investments Property	17	7 279	-	7 279
Loans Provided	21	3 043	-8	3 035
Other receivables	23	3 708	-44	3 664
Investments in Subsidiaries	18	7 482	-	7 482
Fixed assets total		**307 067**		**307 015**
Inventory	20	7 895	-	7 895
Trade receivables	22	3 387	-14	3 373
Loans Provided	21	86 322	-1 724	84 598
Other receivables	23	24 224	-	24 224
Financial investments	25	4 652	-	4 652
Cash and Cash Equivalents	26	52 787	-1	52 786
Other Assets	24	8 770	-32	8 738
Total current assets		**188 037**		**186 266**
Assets total		**495 104**		**493 281**
Equity	27			
Capital		46 950	-	46 950
Share premium		30 430	-	30 430
Profit for the period		7 573	-	7 573
Retained earnings and other funds		37 969	-1 440	36 529
Total equity		**122 922**		**121 482**
Liabilities				
Loans and Borrowings	28	39 874	-	39 874
Trade payables	29	-	-	-
Provisions	31	24	-	24
Other non-current liabilities	30	-	-	-
Bonds Issued	32	167 415	-	167 415
Deferred tax liability	19	23 079	-383	22 696
Total non-current liabilities		**230 392**		**230 009**
Loans and Borrowings	28	46 548	-	46 548
Trade payables	29	7 689	-	7 689
Provisions	31	389	-	389
Bonds Issued	32	71 002	-	71 002
Other current liabilities	30	16 162	-	16 162
Total current liabilities		**141 790**		**141 790**
Total liabilities		**372 182**		**371 799**
Total equity and liabilities		**495 104**		**493 281**

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

(f) Initial application of IFRS 9 Financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied IFRS 9 with the initial application date as of 1 November 2018.

The nature of these adjustments are described below:

i. Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 November 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 November 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Company. The Company continued measuring at fair value all financial assets previously held at fair value under IAS 39.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

ii. Impairment

The adoption of IFRS 9 has fundamentally changed the accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

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

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

IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment is required. This change had no impact on the Company as the hedging relationships are simple and straight-forward.

The standard includes new requirements for achieving, continuing and discontinuing hedge accounting and allows additional risks to be designated as hedged items. Extensive additional disclosures about company risk management and its hedging activities are required.

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

Financial instruments (except for financial liabilities)

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

Financial instruments

i. Initial recognition and measurement of financial asset

Financial assets are classified, at initial recognition, as subsequently measured at amortised 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 (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 Company's financial assets at amortised cost includes Trade receivables, Other receivables and Loans provided.

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

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.

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.

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

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.

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

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

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

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

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

(g) Financial instruments – applicable for comparative period ending 31.10.2018

i. Classification

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

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

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

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

ii. Recognition

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

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

iii. Measurement

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

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

iv. Fair value measurement principles

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

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

v. Gain and losses on subsequent revaluation

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

vi. Derecognition

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

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

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

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

vii. Impairment

Loans provided are recognized net of loan loss impairment allowance. Impairment allowances are determined on the basis of the loan status and the behavior of the borrower and take into account the value of all collateral and third party guarantees. The recoverable amount of receivables carried at amortized cost is determined as the present value of estimated future cash flows discounted at the original effective interest rate (ie the effective interest rate calculated on initial recognition of these financial assets). Short-term receivables are not discounted.

When an impairment loss has been recognized directly in equity for available-for-sale assets and there is objective reason for impairment, the cumulative loss that was recognized in equity is subsequently recognized in the statement of profit or loss, even if financial assets were not derecognised from the balance sheet.

The amount impairment expense recognized in the income statement represents the difference between the cost and the fair value less any impairment of financial assets already recognized in the income statement. A decrease in the fair value below the cost of acquisition by more than 20%, or a decrease in the fair value below the cost of acquisition that lasts more than 9 months, in the case of investments in equity securities, is considered impairment.

Impairment losses on receivables carried at amortized cost are recognized when an increase in the recoverable amount can be objectively attributed to an event that occurred after their write-down in accounting. In the case of goodwill, an impairment loss cannot subsequently be reduced.

(h) 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.

(i) 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.

2. Significant accounting policies (continued)

(j) 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.

(k) 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.

(l) 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.

(m) Impairment

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

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

Loans granted are recognised net of value adjustment for expected credit losses (ECL). ECL are probability-weighted expectations of future credit lossess. Credit losses are measured as a present value of the difference of contractual and expected cash flows.

If assets available for sale caused a decrease in fair value recognized directly in equity and if objective reasons exist that prove that there was a decrease in the fair value of the assets, the cumulated loss recognized in equity shall be reported in the profit and loss statement even if the relevant financial asset had not been reversed from the financial position. The amount of loss recognized in the profit and loss statement is the difference between the acquisition cost and the fair value, adjusted for the impairment of the financial asset already recognized in profit and loss.

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.

2. Significant accounting policies (continued)

(n) Property, plant and equipment

i. Owned assets

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

ii. Leasing

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

iii. Subsequent expenditures

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

iv. Depreciation

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

- Buildings — 30 - 45 years
- Individual movables and sets of movables
  - Geothermal borehole — 40 years
  - Slides — 25 years
  - Cableways and ski lifts — 12 - 40 years
  - Equipment — 5 - 12 years
  - Fixtures and fittings and others — 5 - 10 years

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

v. Capitalized borrowing costs

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

(o) Intangible assets

i. Goodwill and intangible assets acquired in a business combination

Goodwill recognized as a result of the Company merging with its subsidiaries is measured as the excess of the sum of the consideration transferred, or the amount of the investments, over the net of the actual amounts of the identifiable assets acquired and the liabilities assumed. Goodwill on acquisition of subsidiaries and associates is included in the investments in subsidiaries and associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. Significant accounting policies (continued)

ii. Software and other intangible assets

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

iii. Amortisation

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

- Software — 4 – 5 years
- Valuable rights — each item uses an individual depreciation plan, based on the 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.

(p) Investment property

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

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

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

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

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

(q) Provisions

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

i. Long-term employee benefits

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

ii. Short-term employee benefits

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

2. Significant accounting policies (continued)

(r) Interest income and expense

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

(s) Rental income

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

(t) Income tax

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

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

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

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

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

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

(u) Operative and financial lease payments

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

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

(v) Trade and other payables

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

2. Significant accounting policies (continued)

(w) 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 transfering 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.

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

(y) 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.

2. Significant accounting policies (continued)

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.

(z) 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.

(aa) 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.

(bb) Fair value estimates
The following notes summarise the main methods and assumptions used in estimating the fair values of financial assets and liabilities referred to in Note 33 – Fair value information:

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

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

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

3. Significant Accounting Estimates and Assumptions

The compilation of the financial statements according to the International Financial Reporting Standards as adopted by the EU requires the application of certain significant accounting estimates. It also requires that the management, in the application process of the Company accounting principles, should use its judgement. Therefore, the accounting estimates will be rarely identical with actual figures. Estimates and assumptions carrying a significant risk of causing a material modification of the book value of assets and liabilities in the future accounting period are described below in the text. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and also in future periods if the revision affects both current and future periods.

(a) Valuation of Investments in Property

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

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

As at 31 October 2019, the investments in real property cover three hotels (SKI, Liptov, Kosodrevina) and the accommodation facility Otupné with the aggregate book value of 2,707 ths. EUR (as at 31 October 2018: 2,707 ths EUR), which are leased out to third parties that operate them, as well as forest areas and lands obtained as an acquisition in 2009 in the book value of 5,622 ths. EUR (as at 31 October 2018: 4,572 ths EUR). The value of the hotels was estimated by the management in a manner specified above. The value of the land was determined by the management using market prices, and the final value is based on an estimate of the market price per square meter, depending on the type of land and market transactions for lands of similar character.

As at 31 October 2019, the Company management, based on current market and contract conditions, revalued the value of investments in property and came to the conclusion, that the value of contractual lease has changed and therefore there was a need to adjust the value of investments in property. The investments property revaluation was 1,050 ths. EUR as at 31 October 2019 (as at 31 October 2018: 725 ths. EUR). For the purposes of valuation the expert reports and available sale/purchase contracts were used.

If the fair value of the portion of investments in property which was determined based on management estimates differs from management estimates by 10%, the book value of investments in property would be higher or lower by 833 ths. EUR in comparison with the amount reported as at 31 October 2019 (as at 31 October 2018: 728 ths. EUR).

(b) Goodwill and Impairment Test

As at the date of the financial statements, the Company is required to assess whether there is any indication that its goodwill is impaired. If there is no indication that goodwill may be impaired, the Company shall, according to IAS 36, test reported goodwill for possible impairment on a yearly basis as at 31 October, i.e. as at the date of compilation of the annual separate financial statements.

On the day of reporting, the acquired goodwill is allocated to individual cash-generating units (CGU) that are expected to benefit from the synergies of the business combinations.

3. Significant Accounting Estimates and Assumptions (continued)

Potential decrease of the goodwill value is determined by comparing the return value of CGU and its book value. The return value is determined by the value in use. The value in use was derived from a business plan prepared by the management. The key prerequisite which was also the most sensitive factor in determining the recoverable amount was expected revenues assessed by the management, the profit margin ratio (EBITDA) and the cost of capital used as the discount factor for future net cash flows.

Expected revenues as well as the profit margin ratio are based on changes in customer target groups, strengthened marketing and increase in the quality of services rendered.

Projecting of cash flows applied in determining the value in use covers a medium-term period of 5 years and subsequent extrapolation for the next period. Based on such standard level of cash flows, the terminal value was calculated with expected growth of cash flows at 1% p.a. (2018: 1%). Discount rates applied in the projecting of cash flows were calculated as weighted average cost of capital, representing 6.5% (without taking into account the effect of the corporate income tax) for 2019 and 6.5% for 2018 (after taking into account the effect of corporate the income tax).

In 2019 and 2018, goodwill was tested within CGU Vysoké Tatry, and the test did not show any reason for asset impairment. 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 11,586 ths. EUR. In such case, it would not be necessary to account for the asset impairment or goodwill even at a lower EBIDTA reached. If the discount rate increased by 0.5% 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 22,671 ths. EUR. Here again it would not be necessary to account for asset impairment or goodwill even at a higher discount rate.

If as at 31 October 2018, projected EBITDA of CGU Vysoké Tatry, being part of projected cash flows was lower than 5% in comparison with management estimates, the value in use for an individual cash-generating unit in the location of High Tatras would drop by 10,160 ths. EUR. In such case, it would not be necessary to account for the asset impairment or goodwill even at a lower EBIDTA reached. If the discount rate increased by 0.5% in comparison with the management estimate, i.e. its value was 7.00 %, the value in use for an individual cash-generating unit for the location of High Tatras would drop by 12,821 ths. EUR. Here again it would not be necessary to account for asset impairment or goodwill even at a higher discount rate.

(c) Asset Impairment

IAS 36 requires the testing of asset impairment in cases where external or internal indicators would point out to possible asset impairment.

The Company carries on 6 principal activities: running of mountain resorts, leisure parks, restaurant services, sports services and stores, accommodation services and real estate projects, namely in three locations: Jasná (the Low Tatras), in the High Tatras, and in Liptovský Mikuláš and via its subsidiaries in Poland, Czech Republic and Austria with new asset expansion in 2019. Each of the locations was assessed by the management as an individual cash-generating unit (CGU). The Company monitors the performance and creates independent budgets for individual cash-generating units. The Company assets were allocated to individual cash-generating units according to the material competence, whereas all assets, i.e. also the Hotels, Catering establishments and Sports services and shops are included in individual cash-generating units, except for Ski lifts and Cable ways.

As at 31 October 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 par. 3(b).

As at 31 October 2018, the Company management having considered the Company asset impairment did not identify any indicator of possible impairment. For that reason, the asset impairment test was not performed. An impairment test was performed only for the location of High Tatras, as it has assigned Goodwill as specified in par. 3(b).

3. Significant Accounting Estimates and Assumptions (continued)

(d) Financial Instruments at Fair Value

The fair value of financial instruments is determined based on:

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

Level 2: inputs other than quoted market prices included within Level 1, which are comparable for the asset or liability, either directly (as prices of comparable instruments) or indirectly (derived from prices)

Level 3: inputs for the asset and liability, which are not determined on the basis of data from comparable markets (unobservable inputs)

When the quoted market price is not available, the fair value of the instrument is estimated using valuation techniques. When using valuation models, the management applies estimates and assumptions which are consistent with information available on estimates and assumptions that market participants would use when pricing the relevant financial instrument.

in TEUR	31.10.2019				31.10.2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Financial investments	-	-	4 652	**4 652**	-	-	4 652	**4 652**
Loans Provided	-	-	112 753	**112 753**	-	-	89 365	**89 365**
Other receivables	-	26 232	-	**26 232**	-	23 437	-	**23 437**
Investments in Subsidiaries	-	7 515	-	**7 515**	-	7 482	-	**7 482**
Trade receivables	-	4 872	-	**4 872**	-	3 387	-	**3 387**
Cash and Cash Equivalents	-	10 280	-	**10 280**	-	52 787	-	**52 787**
Other Assets	-	9 503	-	**9 503**	-	7 574	-	**7 574**
Total	**-**	**58 402**	**117 405**	**175 807**	**-**	**94 667**	**94 017**	**188 684**

in TEUR	31.10.2019				31.10.2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial obligations								
Loans and Borrowings	-	111 657	-	**111 657**	-	86 422	-	**86 422**
Bonds Issued	-	202 024	-	**202 024**	-	238 417	-	**238 417**
Trade payables	-	6 465	-	**6 465**	-	7 689	-	**7 689**
Other Liabilities	-	14 471	-	**14 471**	-	6 080	-	**6 080**
Total	**-**	**334 617**	**-**	**334 617**	**-**	**338 608**	**-**	**338 608**

As at 31 October 2019, within Level 3, the Company registers the financial investement (9.5% share) in the company MELIDA, a.s. in the amount of 4,498 ths. EUR (as at 31 October 2018: EUR 4,498 thousand), which is rents and subsequently operates the ski resort Špindlerov Mlyn in the Czech Republic.

On 29 October 2019 the Company signed the contract regarding the trasfer of shares with the company CAREPAR, a.s., based on which the Company acquired 19 pcs of ordinary shares in company MELIDA, a.s.. In this way, the Company became the direct shareholder (9.5% share) in the company MELIDA, a.s.. As at 31 October 2018 the Company registered the financial investment (19% share) in the company CAREPAR, a.s. in amount of 4,498 ths. EUR. This Company owned 50% share in the company MELIDA a.s., which rents and operates the ski resort Špindlerov Mlyn in the Czech Republic. Since as at 31 October 2018, CAREPAR, a.s. does not account for any other significant assets or liabilities apart from the share in MELIDA a.s., the fair value of the investment in CAREPAR, a.s. was set as 9.5% of the estimated fair value of MELIDA a.s.

3. Significant Accounting Estimates and Assumptions (continued)

As at 31 October 2019, after the assessment of the Company's management, no indicator of significat change in financial investment value in the company MELIDA a.s was identified. Therefore, no impairment allowance was accounted for related to MELIDA a.s.

As at 31 October 2019 and 2018, the fair value of MELIDA a.s. was estimated by the Company 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 Company management. The rent of the ski resort was based on the signed appendix no. 2, which came into effect on 22 March 2018, extended until 2057. Therefore cash flows projection was from 2018 to 2057. The main preconditions that were used in the valuation, were estimated cash flows, where the most important assumptions estimated by the management included EBITDA, its growth and discount rate.

EBIDTA projected for 2019 represented the value of 5,890 ths EUR. For financial year 2019, the grow by 5% was originally expected, for 2020 and 2021 the grow by 3% is expected, from 2022 to 2023 it is expected to grow by 2% per year and from 2024 to 2057 by 1% per year. The discount rate applied in the valuation of such financial assets used as at 31 October 2018, representing the required rate of return of own share capital, was of 7.80% (2017: 8.70%).

If in the calculation as at 31 October 2018 the EBITDA projected for MELIDA a.s., which is a part of the projected cash flows, was 5% lower every year compared to the management estimates, the value of investment in CAREPAR, a.s. would drop by 341 ths. EUR. If the discount rate increased by 0.5% in comparison with the management estimate, i.e. its value would be 8.30%, the value of CAREPAR, a.s. would drop by 242 ths. EUR.

4. Information about Operating Segments

Information about Operating Segments - Separate Profit and Loss Statement

in TEUR	Mountain Resorts 31.10.2019	Mountain Resorts 31.10.2018	Leisure Parks 31.10.2019	Leisure Parks 31.10.2018	Hotels 31.10.2019	Hotels 31.10.2018	Dining 31.10.2019	Dining 31.10.2018	Sports Services and Stores 31.10.2019	Sports Services and Stores 31.10.2018	Real Estate 31.10.2019	Real Estate 31.10.2018	Other 31.10.2019	Other 31.10.2018	TOTAL 31.10.2019	TOTAL 31.10.2018
	12 m	*12 m*	*12 m*	*12 m*	*12 m*	*12 m*	*12 m*	*12 m*	*12 m*	*12 m*	*12 m*	*12 m*	*12 m*	*12 m*	*12 m*	*12 m*
Sales	39 908	39 258	8 142	8 610	27 735	25 004	15 244	14 528	6 026	6 188	9 138	2 601	-	-	**106 194**	**96 189**
Other operating revenue	603	34	-	-	118	77	96	79	4	-	-	-	-	-	**822**	**190**
Material and goods consumption	-3 132	-3 750	-334	-322	-5 093	-4 900	-4 734	-4 849	-2 396	-2 702	-7 300	-1 500	-	-	**-22 989**	**-18 023**
Purchased Services	-10 261	-10 296	-1 290	-1 553	-6 463	-6 151	-2 538	-2 489	-493	-522	-978	-620	-	-	**-22 023**	**-21 631**
Personal cost	-8 713	-8 146	-2 663	-2 623	-9 993	-8 797	-5 386	-4 491	-2 157	-1 912	-363	-126	-	-	**-29 274**	**-26 095**
Other operating cost	-406	-375	-70	-83	-303	-306	-109	-93	-122	-83	-64	-4	-	-	**-1 074**	**-944**
Gain on sale of assets	-	-	-	-	-	-	-	-	-	-	820	469	-	-	**820**	**469**
Increase in fair value of investment property	-	-	-	-	-	-	-	-	-	-	1 050	725	-	-	**1 050**	**725**
Gain on revaluation of financial investments	-	2 038	-	-	-	-	-	278	-	142	-	-	-	-	**-**	**2 458**
Creation of value adjustments to receivables	-	-	-26	-82	-5	-1	-	-	-6	-	-	-	-3 939	-	**-3 976**	**-83**
Depreciation and amortization	-8 102	-7 344	-1 475	-1 289	-3 469	-3 172	-1 273	-918	-493	-403	-98	-85	-7	-206	**-14 917**	**-13 417**
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	6 080	3 669	**6 080**	**3 669**
Interest expense	-5 995	-4 630	-1 378	-1 316	-3 847	-2 971	-2 128	-1 644	-965	-745	-1 013	-783	-	-	**-15 326**	**-12 089**
Net Profit from Financial Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-71	-2 091	**-71**	**-2 091**
Profit / (loss) of the segment before taxes	**3 903**	**6 789**	**906**	**1 342**	**-1 319**	**-1 217**	**-828**	**401**	**-602**	**-37**	**1 193**	**677**	**2 062**	**1 372**	5 316	9 327
Income tax															**-1 229**	**-1 754**
Profit/ (Loss)															**4 087**	**7 573**

The Company generates all of its revenues on the territory of the Slovak Republic. Eliminations among segments are included in amounts reported for particular periods.
The 10% limit of the share of total revenue was not exceeded by any Company client.

4. Information about Operating Segments (continued)

Information about Operating Segments - Separate Statement of Financial Position

in TEUR	Mountain Resorts 31.10.2019	Mountain Resorts 31.10.2018	Leisure Parks 31.10.2019	Leisure Parks 31.10.2018	Hotels 31.10.2019	Hotels 31.10.2018	Dining 31.10.2019	Dining 31.10.2018	Sports Services and Stores 31.10.2019	Sports Services and Stores 31.10.2018	Real Estate 31.10.2019	Real Estate 31.10.2018	Other 31.10.2019	Other 31.10.2018	TOTAL 31.10.2019	TOTAL 31.10.2018
Goodwill and Intangible Assets	421	375	2 766	2 515	4 525	4 114	11	10	4	3	3	3	-	-	**7 731**	**7 020**
Property, Plant and Equipment	148 762	143 629	37 566	38 697	71 459	72 953	16 137	14 638	2 536	2 671	3 082	3 263	3 550	2 684	**283 092**	**278 535**
Investments Property	-	-	-	-	-	-	-	-	-	-	8 329	7 279	-	-	**8 329**	**7 279**
Inventory	337	373	-	88	948	703	-	-12	2 684	2 762	3 471	3 981	-	-	**7 440**	**7 895**
Trade receivables	2 079	1 335	448	326	995	834	595	464	332	209	422	219	-	-	**4 872**	**3 387**
Investments in associates	7 515	7 482	-	-	-	-	-	-	-	-	-	-	-	-	**7 515**	**7 482**
Other receivables	26 122	27 753	112	179	-	-	-	-	-	-	-	-	-	-	**26 233**	**27 932**
Financial investments	4 498	4 498	-	-	2	2	-	-	119	119	-	-	33	33	**4 652**	**4 652**
Other Assets	982	858	7 388	7 405	2 396	507	-	-	-	-	-	-	-	-	**10 766**	**8 770**
Loans Provided	60 677	41 589	44 613	41 044	4 524	4 660	-	-	-	-	43	43	2 897	2 029	**112 753**	**89 365**
Cash and Cash Equivalents	5 737	3 154	1 097	700	2 272	1 451	850	862	323	398	-	-	-	46 222	**10 280**	**52 787**
Assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Deferred tax receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Assets total	**257 129**	**231 046**	**93 991**	**90 954**	**87 120**	**85 224**	**17 593**	**15 962**	**5 998**	**6 162**	**15 351**	**14 788**	**6 480**	**50 968**	**483 663**	**495 104**
Loans and Borrowings long term	34 672	31 732	3 569	4 021	3 880	4 120	-	-	-	-	-	-	58 773	-	**100 894**	**39 874**
Loans and Borrowings short term	10 523	46 333	-	-	240	215	-	-	-	-	-	-	-	-	**10 763**	**46 548**
Trade payables	2 899	3 210	565	731	1 385	1 767	808	1 020	396	471	412	490	-	-	**6 465**	**7 689**
Other liabilities	6 894	7 417	1 400	1 554	3 750	3 981	2 157	2 213	857	997	-	-	-	-	**15 057**	**16 162**
Reserves	193	164	47	41	120	102	66	56	28	24	31	26	-	-	**484**	**413**
Bonds Issued	-	-	-	-	-	-	-	-	-	-	-	-	202 024	238 417	**202 024**	**238 417**
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-	-	860	-	**860**	**-**
Total liabilities	55 **182**	88 **856**	5 **581**	6 **347**	9 **375**	10 **185**	3 **030**	3 **289**	1 **281**	1 **492**	443	516	284 312	261 496	**359 202**	**372 182**

Eliminations among segments are included in amounts reported for particular periods. The prices used among segments are determined based on market prices for similar services and financing.

5. Increase and Decrease of Shares in Companies

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

On 30 September 2017 Tatry mountain resorts PL, a.s. was established, with a registered capital of 25 ths. EUR, the sole shareholder of which became the Company. Subsequently on 6 December 2017, Tatry mountain resorts PL, a.s. purchased the whole 75% stake in Slaskie Wesole Miasteczko Sp. z o.o. in total value of 30,000 ths PLN.

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

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

On 14 September 2018 the company TMR Finance CR, a.s. was founded with a registered capital of 2,000 ths. CZK (78 ths. EUR). The Company has become its sole shareholder. TMR Finance CR, a.s. issued bonds on the Prague Stock Exchange on 7 November 2018 (see point 33- Issued bonds).

On 1 May 2019, the Company acquired 90% share in Mölltaler Gletscherbahnen GmbH in the amount of 33 ths. EUR 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

in TEUR	**1.11.2018 - 31.10.2019**	**1.11.2017 - 31.10.2018**
Mountain Resorts	39 908	39 258
Hotels	27 735	25 004
Restaurant facilities	15 244	14 528
Real Estate Projects	9 138	2 601
Leisure Parks	8 142	8 610
Sports Services and Stores	6 026	6 188
Total	**106 194**	**96 189**

7. Other operating revenue

in TEUR	**1.11.2018 - 31.10.2019**	**1.11.2017 - 31.10.2018**
Contractual penalties	24	-
Claims paid by insurance company	3	2
Other operating revenue	795	188
Total	**822**	**190**

8. Consumption of Material and Goods

in TEUR	**1.11.2018 - 31.10.2019**	**1.11.2017 - 31.10.2018**
Material in hotels and restaurant facilities	-7 563	-6 686
Goods	-3 881	-4 748
Chalets sold	-7 225	-1 498
Fuels	-744	-725
Material for repair and maintenance	-686	-745
Material and goods – other	-2 890	-3 621
Total	**-22 989**	**-18 023**

9. Purchased Services

in TEUR	**1.11.2018 - 31.10.2019**	**1.11.2017 - 31.10.2018**
Energy consumption	-5 075	-4 569
Advertisement expenses	-2 481	-3 247
Rental costs (cost of premises) and others	-4 324	-4 403
Other administrative expenses	-1 477	-1 551
Repairs and maintenance expenses	-1 501	-1 720
Communication expenses	-1 517	-1 348
Legal advice expenses	-974	-821
Services related to owned premises	-403	-371
Transport, accommodation, travel expenses	-313	-254
Training expenses	-219	-162
Other purchased services	-3 739	-3 185
Total	**-22 023**	**-21 631**

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 2018 and 31 October 2019, the expense of these items represented 159 ths. EUR (for the period ended on 31 October 2018: 149 ths. EUR).

10. Personnel Expenses

in TEUR	**1.11.2018 - 31.10.2019**	**1.11.2017 - 31.10.2018**
Wages and salaries	-15 901	-14 581
Personnel leasing	-4 076	-3 013
Social security (compulsory)	-6 876	-6 332
Remuneration of members of key management and Supervisory Board	-2 406	-2 154
Other social expenses	-15	-15
Total	**-29 274**	**-26 095**

In the period between 1 November 2018 and 31 October 2019, the average number of Company employees was 1,145, of which management 22 (between 1 November 2017 and 31 October 2018, it was 1,150, of which management 25). During the year, the Company used the services of employment agencies for short-term personnel leasing. In the period between 1 November 2018 and 31 October 2019 it was 299 employees in average (between 1 November 2017 and 31 October 2018: 272 employees).

10. Personnel Expenses (continued)

Based on organization structure of the Company effective 1 November 2018, 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 2019, base remuneration for top management amounted to 589 ths. EUR (in the period between 1 November 2017 and 31 October 2018: 695 ths. EUR). 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 and is stated within their contract on performing the function of a member of the Board of Directors. For the year ended 31 October 2019 basic remuneration was paid out in the amount of 106 ths. EUR 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 top management were paid out in the amount of 1,267 ths. EUR (for the year ended 31 October 2018: 1,416 ths. EUR) after the fulfilment of the criteria for extraordinary bonuses (achieving the EBITDA plan).

Basic remuneration is paid to members of the Supervisory Board in accordance with the Supervisory Board Remuneration Rules and the contracts on office. For the year ending 31 October 2019, basic remuneration totalled 43 ths. EUR (in the period between 1 November 2017 and 31 October 2018: 43 ths. EUR).

11. Other operating cost

in TEUR	**1.11.2018 - 31.10.2019**	**1.11.2017 - 31.10.2018**
Insurance (property, automobiles, travel cost)	-318	-334
Fees and commissions	-499	-438
Shortages and losses	-184	-161
Other operating cost	-73	-11
Total	**-1 074**	**-944**

12. Interest Income and Expense

in TEUR	**1.11.2018 - 31.10.2019**	**1.11.2017 - 31.10.2018**
Interest income calculated using effective interest rate	6 080	3 669
Interest expense	-15 326	-12 089
Total	**-9 246**	**-8 420**

For the period between 1 November 2018 and 31 October 2019, the interest income was 6,080 ths. EUR (between 1 November 2017 and 31 October 2018, it was 3,669 ths. EUR) is payable mainly from loans provided at a fixed interest rate. See par. 21 – Loans provided.

For the period between 1 November 2018 and 31 October 2019, the interest expense in the amount of 15,326 ths. EUR represents the cost of loans and borrowings of 5,171 ths. EUR (between 1 November 2017 and 31 October 2018, it was 2,051 ths. EUR), interest expense from bonds issued of 10,742 ths. EUR (between 1 November 2017 and 31 October 2018, it was 10,038 ths. EUR) and income associated with derivative transaction SWAP of 587ths. EUR. The Company issued interest-bearing bonds in the total nominal value of 270 mil. EUR. The first portion of the bonds TMR I in the amount of 70 mil. EUR with nominal interest rate of 4.5% p.a. was repaid on 17 December 2018 in full. The second portion of the bonds TMR II in the amount of 110 mil. EUR with nominal interest rate of 6% p.a. is due on 5 February 2021. The third tranche of bonds TMR III in amount of 90 mil. EUR (as at 31 October 2018 drawn 60 mil. EUR) with nominal interest rate of 4.4% p.a. is payable on 10 October 2024. For more information on bonds issued, see par. 33 – Bonds issued.

12. Interest Income and Expense (continued)

In the period between 1 November 2018 and 31 October 2019, the Company did not capitalise interest expense into assets (between 1 November 2017 and 31 October 2018, the company did not capitalise interest expense).

13. Net Profit / (Loss) from Financial Instruments

in TEUR	**1.11.2018 - 31.10.2019**	**1.11.2017 - 31.10.2018**
Cost of administration of financial instruments	-743	-925
Income from the sale of financial instruments	-	4
Other, net	672	-1 170
Total	**-71**	**-2 091**

Other is represented mainly by gains from foreign exchange rate differences.

14. Income Tax and Deferred Tax

in TEUR	**1.11.2018 - 31.10.2019**	**1.11.2017 - 31.10.2018**
Current tax:		
Tax of current accounting period	-971	-111
Withholding tax on interest	-4	-14
	-975	**-125**
Deferred tax:		
Posting and release of temporary differences	-254	-1 629
Change of tax rate	-	-
Total reported tax	**-1 229**	**-1 754**

Deferred income tax is calculated using enacted tax rates the validity of which is expected in a period in which the receivable is performed or the liability is settled.

To calculate deferred tax from temporary differences originated in the Slovak Republic, the Company applied for the year 2019 a 21% rate (2018: 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

	1.11.2018 - 31.10.2019			**1.11.2017 - 31.10.2018**		
in TEUR	**Before taxes**	**Tax**	**After taxes**	**Before taxes**	**Tax**	**After taxes**
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):						
Net gain/(loss) on cash flow hedges	-1 403	-295	-1 108	-	-	-
Total comprehensive income	**-1 403**	**-295**	**-1 108**	-	-	-

14. Income Tax and Deferred Tax (continued)

Reconciliation of effective tax rate

in TEUR	1.11.2018 - 31.10.2019 %		1.11.2017 - 31.10.2018 %	
Profit before taxes		**5 316**		**9 327**
Tax rate 21%	21%	1 116	21%	1 959
Tax non-deductible expenses	7%	393	3%	288
Income not subject to tax	-5%	-284	-5%	-507
Current tax: withholding tax on interest	0%	4	0%	14
Tax losses claimed during the period, to which the deferred tax was not accounted for	0%	-	0%	-
Change of tax rate	0%	-	0%	-
Total	**23%**	**1 229**	**19%**	**1 754**

Movements of deferred tax liability (net) during 2019 and 2018

2019

in TEUR	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
Investments in real 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	-	-	-	-	-
Total, net	**-23 079**	**-254**	**678**	**-**	**-22 655**

2018

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

See also par. 19 - Deferred tax liability.

15. Property, Plant and Equipment

in TEUR	Land and buildings	Individual movable assets and sets of movable assets	Assets under construction	Total
Cost				
Opening balance as at 1.11.2017	224 902	127 483	11 058	363 443
Additions	5 511	4 038	7 673	17 222
Increases from company merger	-	-	-	-
Disposals	-487	-275	-	-762
Reclassification to investment property	-	-	-	-
Transfers within assets	-	-	-	-
Movements within assets	5 072	-	-5 072	-
Balance as of 31.10.2018	**234 998**	**131 246**	**13 659**	**379 903**
Opening balance as at 1.11.2018	234 998	131 246	13 659	379 903
Increases	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	-
Balance as of 31.10.2019	**249 859**	**136 749**	**11 106**	**397 714**
Accumulated depreciation and losses from impairment of assets				
Opening balance as at 1.11.2017	-42 744	-45 822	-	-88 566
Depreciation of current accounting period	-5 941	-7 090	-	-13 031
Decreases	28	201	-	229
Movement to investments in real property	-	-	-	-
Transfer from assets available for sale	-	-	-	-
Balance as of 31.10.2018	**-48 657**	**-52 711**	**-**	**-101 368**
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	-	-	-	-
Movement from investments in real property	-	-	-	-
Balance as of 31.10.2019	**-55 314**	**-59 308**	**-**	**-114 622**
Carrying value				
As of 1.11.2017	**182 158**	**81 661**	**11 058**	**274 877**
As of 31.10.2018	**186 341**	**78 535**	**13 659**	**278 535**
As of 1.11.2018	**186 341**	**78 535**	**13 659**	**278 535**
As of 31.10.2019	**194 545**	**77 441**	**11 106**	**283 092**

During the period from 1 November 2018 to 31 October 2019, the Company carried out investments amounting to 22,573 ths. EUR. The Company invested 12,181 ths. EUR for the purchase of Grand Jet Brhliská cableway in form of leasing, 6,239 tis. Eur for construction of new chalets in Otupné, 1,492 for purchase of snow groomers, 929 ths EUR up to now for the construction of reservoir Zadne vody, 886 ths EUR for the reconstruction of hotel Srdiečko. In addition the Company made an investment worth 757 ths EUR for chalets in Tatralandia and other minor investments.

15. Property, Plant and Equipment (continued)

During the period from 1 November 2017 to 31 October 2018, the Company carried out investments amounting to 17,222 ths. EUR. Company has invested 1,981 ths. EUR to build new toboggans in Tatralandia, has put into use the construction of a new "Crystal " gastronomy facility in Biela Púť worth 1,534 ths. EUR. The Company then built new restaurant "Koliba Habarka " in The Jasna resort right next to the top station of the 6-chair lift Lúčky- Exposure worth 1,529 ths. EUR, improved snow and ski tracks for more than 1,461 ths. EUR. In the High Tatras, the rooms in the Grandhotel Starý Smokovec were also reconstructed, amounting 1,352 ths. EUR. The company also put into use "AOM " (assisted business place) kiosks in montain resorts and in
Tatralandia worth 876 ths. EUR. And it invested 670 ths. EUR to the Tatran hotel in Veľká Lomnica and carried out additional investments.

Unused assets and fully depreciated used assets
As at 31 October 2019 and 2018, the Company did not hold any unused assets. As at 31 October 2019 the Company used fully depreciated assets in acquistion cost 16,886 ths. EUR (2018: 11,470 ths. EUR).

Impairment loss
For the period ended on 31 October 2019 and 31 October 2018, the Company did not recognise any loss from impairment of land, buildings and equipment.

Property Insurance

in TEUR	**31.10.2019**	**31.10.2018**
Natural disaster and vandalism	389 949	354 537
General machinery risks	26 279	25 715
Liability for damage	15 000	15 000

Security
As at 31 October 2019, Land, buildings and equipment in the amount of 228,995 ths. EUR were used as the security of the bank loans (as at 31 October 2018: in the amount of 225,265 ths. EUR).

Capitalised financial cost
As at 31 October 2019, the Company did not capitalise any interest on loans into assets (as at 31 October 2018: the Company did not capitalise any interest on loans into assets).

16. Goodwill and Intangible Assets

in TEUR	**Goodwill**	**Valuable rights**	**Software**	**Acquired intangible assets**	**Total**
Acquisition price					
Opening balance as at 1.11.2017	3 740	3 964	2 446	230	10 380
Increases	-	-	37	418	455
Increases from company merger	-	-	-	-	-
Decreases	-	-	-5	-	-5
Transfers within assets	-	-	2	-2	-
Balance as of 31.10.2018	**3 740**	**3 964**	**2 480**	**646**	**10 830**
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	**3 740**	**3 964**	**3 405**	**689**	**11 798**
Accumulated depreciation and losses from impairment of assets					
Opening balance as at 1.11.2017	-350	-1 052	-2 026	-	-3 428
Depreciation of current accounting period	-	-69	-317	-	-386
Decreases	-	-	4	-	4
Losses from impairment of assets	-	-	-	-	-
Balance as of 31.10.2018	**-350**	**-1 121**	**-2 339**	**-**	**-3 810**
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	**-350**	**-1 190**	**-2 527**	**-**	**-4 067**
Carrying value					
As of 1.11.2017	**3 390**	**2 912**	**420**	**230**	**6 952**
As of 31.10.2018	**3 390**	**2 843**	**141**	**646**	**7 020**
As of 1.11.2018	**3 390**	**2 843**	**140**	**646**	**7 020**
As of 31.10.2019	**3 390**	**2 774**	**878**	**689**	**7 731**

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

17. Investment Property

in TEUR	**31.10.2019**	**31.10.2018**
Acquisition price		
Opening balance as at 1.11.2018 / 1.11.2017	7 279	6 554
Revaluation at fair value	1 050	725
Balance as of 31.10.2019 / 31.10.2018	**8 329**	**7 279**

17. Investment Property (continued)

As at 31 October 2019, the investment property covers three hotels (SKI, Liptov, Kosodrevina) and the accommodation facility Otupné with the aggregate book value of 2,707 ths. EUR (as at 31 October 2018: 2,707 ths. EUR), which are leased out to third parties that operate them, as well as forest areas and lots of land obtained as an acquisition in 2009 in the book value of 5,622 ths. EUR (as at 31 October 2018: 4,572 ths. EUR). The value of the hotels was arrived at using management estimate, as stipulated above. 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.

As at 31 October 2019, the Company management, based on current market conditions, revalued the value of investment property upwards by 1,050 ths. EUR as at 31 October 2019 (as at 31 October 2018: 725 ths. EUR). Valuation was made based on expert appraisals and other market transactions.

In the period between 1 November 2018 and 31 October 2019, income from investment property accounted for 201 ths. EUR and direct operating cost related to investment property was 74 ths. EUR (between 1 November 2017 and 31 October 2018: revenue from investment property accounted for 197 ths. EUR, and direct operating cost related to investment property was 61 ths. EUR).

Security
As at 31 October 2019, a part of investment property in the amount of 2,850 ths. EUR were used as the security for bank loans (as at 31 October 2018: in the amount of 2,462 ths. EUR).

18. Investments in Subsidiaries

in TEUR	**31.10.2019**	**31.10.2018**
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	-
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	-
Total investments in subsidiaries	**7 515**	**7 482**

On 1 May 2019, the Company acquired 90% stake in Mölltaler Gletscherbahnen GmbH for 33 ths. EUR and 90% stake in Mölltaler Gletscherbahnen GmbH & Co KG for 1.8 EUR. 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 2,000 ths. CZK (79 ths. EUR). 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 32 ths. EUR, with the Company becoming the sole owner of the business. The net asset value of the company at the time of acquisition amounted to 32 ths. EUR.

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

18. Investments in Subsidiaries (continued)

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

On 30 September 2017, company Tatry mountain resorts PL, a.s., with share capital in total amount of 27 ths. EUR was incorporated. The Company became sole shareholder in the new company. The new company will realize aquisitions 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 30,000 ths PLN.

On 14 April 2015, the Company acquired a 70% stake in Polish company PS Rozrywka, which was later renamed to Ślaskie Wesole Miasteczko Sp. z o. o. (hereinafter referred to as SWM). For such a 70% stake, the Company paid 6,727 ths. EUR. On 4 August 2015, the Company purchased an additional 5% stake, in a total amount of 723 ths. EUR. The company SWM is the operator of a theme park in the town of Chorzow, Poland. The total value of the assets, as the dat of acquisition after revaluation at the fair value was 9,489 ths. EUR, and the total value of equity was 9,077 ths. EUR. On 6 December 2017 the Company sold its 75% stake in Śląskie Wesole Miasteczko Sp. Z o.o., to the subsidiary Tatry mountain resorts PL, a.s. for 30 million PLN.

On 5 March 2014, the Company purchased 97% shares of Szczyrkowski Osrode Narciarski S.A. (hereinafter referred to as Szczyrk), in a total amount of 7,191 ths. EUR. It is a company holding and running a ski centre in Poland. The total value of the assets, as the date of acquisition after revaluation at the fair value was 13,321 ths. EUR, and the total value of equity was 9,031 ths. EUR.

19. Deferred Tax Asset, Deferred Tax Liability

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

in TEUR	**Receivables**		**Payables**		**Total**	
	31.10.2019	**31.10.2018**	**31.10.2019**	**31.10.2018**	**31.10.2019**	**31.10.2018**
Temporary differences related to:						
Non-current fixed and intangible assets	-	-	-23 917	-22 685	**-23 917**	**-22 685**
Investments Property	-	-	-946	-1 025	**-946**	**-1 025**
Losses from impairment of trade receivables and other assets	1 225	10	-	-	**1 225**	**10**
Cash Flow hedge	295	-	-	-	**295**	**-**
Provisions and liabilities	688	621	-	-	**688**	**621**
Tax losses	-	-	-	-	-	-
Set-off	**-2 208**	**-631**	**2 208**	**-631**	**-**	**-**
Total	**-**	**-**	**-22 655**	**-23 079**	**-22 655**	**-23 079**

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

in TEUR	**31.10.2019**	**31.10.2018**
Tax losses	-	-
Total	-	-

Deferred tax asset from unredeemed losses from previous periods is posted only up to the amount to which it may be probably redeemed in the future against future tax profits.

19. Deferred Tax Asset, Deferred Tax Liability (continued)

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

in TEUR	2019	2020	post 2020
Tax losses	-	-	-

Based on legislative changes, from 1 January 2014, losses created after 1 January 2010 have a 4 years period, and the Company can also apply evenly maximum 25% of the given tax losses per year.

20. Inventory

in TEUR	31.10.2019	31.10.2018
Goods	2 663	2 762
Material	1 306	1 152
Assets available for sale	3 471	3 981
Total	**7 440**	**7 895**

Assets held for sale consist of Chalety Otupné phase III. (766 ths. EUR) and phase IV. (2,706 ths. EUR), 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 2020 or later. The value represents 8 chalettes in total.

As at 31 October 2019, inventory of 7,440 ths. EUR (as at 31 October 2018: 7,895 ths. EUR) was used to secure bank loans.

21. Loans Provided

in TEUR	31.10.2019	31.10.2018
Short-term	112 786	86 322
Long-term	5 618	3 043
Total	**118 404**	**89 365**
Impairment allowance	-5 651	-
Total with allowance	**112 753**	**89 365**

Table below summarizes short-term loans as at 31 October 2019 and 31 October 2018. As at 31 October 2019, the weighted average interest rate applied on the short-term loans was 6.77% (as at 31 October 2018: 6.86%).

As at 31 October 2019 the Company created impairment allowance to loans provided of 5,651 ths. EUR.

21. Loans Provided (continued)

in TEUR		**31.10.2019**	**31.10.2017**
Debtor	**Interest rate type**	**Loan value**	**Loan value**
Szczyrkowski Osrodek Narciarski S.A.	7% p.a.	26 532	15 169
Tatry mountain resorts PL, a.s.	7% p.a.	24 251	22 430
Ślaskie Wesole Miasteczko Sp. z o.o.	7% p.a.	20 653	17 591
1. Tatranská, akciová spoločnosť	7% p.a.	13 975	13 300
Szczyrkowski Osrodek Narciarski S.A.	7% p.a.	5 246	6 519
J&T Private Equity	1.8% p.a.	4 059	-
Tatry mountain resorts PL, a.s.	7% p.a.	2 994	1 062
Tatry mountain resorts CR, a.s.	7% p.a.	2 271	179
TIKAR d.o.o.	10% p.a.	2 232	-
VICINITY INVESTMENT ltd.	5% p.a.	1 946	-
Korona Ziemi	7% p.a.	1 184	1 024
TMR Ještěd a.s.	7% p.a.	1 029	451
SON Partner	7% p.a.	953	939
Thalia s.r.o.	5% p.a.	904	861
TMR Ještěd a.s.	7% p.a.	729	673
P.M.I.R a.s.	5% p.a.	601	-
Mölltaler Gletscherbahnen GmbH & Co KG	7% p.a.	557	-
TMR Ještěd a.s.	7% p.a.	539	50
AIRAVATA Holding s.r.o.	5% p.a.	500	2 006
FBS Group s.r.o.	7% p.a.	493	-
P.M.I.R a.s.	5% p.a.	437	121
VICINITY INVESTMENT ltd.	-	380	-
GALAXO a.s.	5% p.a.	195	184
Owner of Penzión Energetik (Mgr. Ľubica Skusilová)	5% p.a.	85	2 401
AIRAVATA Holding s.r.o.	5% p.a.	-	212
AIRAVATA Holding s.r.o.	5% p.a.	-	78
AIRAVATA Holding s.r.o.	5% p.a.	-	119
AIRAVATA Holding s.r.o.	-	-	380
P.M.I.R a.s.	5% p.a.	-	503
Others	5% p.a.	41	70
Total short-term provided loans		**112 786**	**86 322**

Table below summarizes long-term loans as at 31 October 2019 and 31 October 2018. As at 31 October 2019, the weighted average interest rate applied on the long-term loans was 4.21% (as at 31 October 2018: 6.55%).

in TEUR		**31.10.2019**	**31.10.2017**
Debtor	**Interest rate type**	**Loan value**	**Loan value**
Mölltaler Gletscherbahnen GmbH & Co KG	5% p.a.	4 599	-
TIKAR d.o.o.	10% p.a	-	2 061
Melida, a.s.	-	859	846
OSTRAVICE HOTEL a.s.	4% p.a.	20	-
Others	4% p.a.	140	136
Total long-term provided loans		**5 618**	**3 043**

22. Trade receivables

in TEUR	**31.10.2019**	**31.10.2018**
Trade receivables	4 960	3 434
Value adjustments to receivables	-88	-47
Total	**4 872**	**3 387**
Short-term	4 872	3 387
Long-term	-	-
Total	**4 872**	**3 387**

As at 31 October 2019, trade receivables amount to 4,872 ths. EUR and comprise current operating receivables. As at 31 October 2018, trade receivables involved current operating receivables amounting to 3,387 ths. EUR.

The ageing structure of receivables is as follows:

in TEUR	**31.10.2019**			**31.10.2018**		
	Gross	**Impairment allowance**	**Net**	**Gross**	**Impairment allowance**	**Net**
Within due period	3 746	-	3 746	2 098	-	2 098
Overdue within 30 days	406	-	406	241	-	241
Overdue from 30 days to 180 days	128	-28	100	33	-5	28
Overdue from 180 days to 365 days	366	-6	360	487	-4	483
Overdue over 365 days	314	-54	260	575	-38	537
Total	**4 960**	**-88**	**4 872**	**3 434**	**-47**	**3 387**

As at 31 October 2019 and 31 October 2018, the amount of impairment allowance related to current operating receivables.

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

in TEUR	**31.10.2019**	**31.10.2018**
Balance as at 1.11.2018 / 1.11.2017	47	118
Creation of value adjustment	55	90
Use	-10	-154
Reversal of value adjustment	-4	-7
Balance as at 31.10.2019 / 31.10.2018	**88**	**47**

As at 31 October 2019, receivables in amount of 4,872 ths. EUR (as at 31 October 2018: 3,387 ths. EUR) were used to secure bank loans.

23. Other receivables

in TEUR	**31.10.2019**	**31.10.2018**
Advance payments made	26 233	27 932
Total	**26 233**	**27 932**
Short-term	22 649	24 224
Long-term	3 584	3 708
Total	**26 233**	**27 932**

23. Other receivables (continued)

Advance payments made for assets are mainly related to future acquisitions amounting to 22,214 ths. EUR (as at 31 October 2018: 22,839 ths. EUR) and to unfinished investment activity in the amount of 4,019 ths. EUR (as at 31 October 2018: 5,093 ths. EUR). The Company made in particular an advance payment for a future acquisition which is the company running cable ways. The Company plans to buy this company in the future. A contract is made with VICINITY INVESTMENT ltd.

24. Other Assets

in TEUR	**31.10.2019**	**31.10.2018**
Prepaid expenses and accrued income	1 266	1 196
Other tax assets	-	475
Other Assets	9 500	7 099
Total	**10 766**	**8 770**
Short-term	10 766	8 770
Long-term	-	-
Total	**10 766**	**8 770**

As at 31 October 2019 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 2,328 ths EUR.
Other assets amounting 7,045 ths. EUR 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..

25. Financial investments

in TEUR	**31.10.2019**	**31.10.2018**
Financial instruments measured at fair value through profit or loss	4 652	4 652
Available-for-sale securities	-	-
Total	**4 652**	**4 652**

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 4,498 ths. EUR, which leases and operates the ski centre Špindlerov Mlyn.
On 29 October 2019, the Company signed an agreement on the transfer of securities with CAREPAR, as, under which the Company acquired 19 ordinary shares of MELIDA, as. and thus became a direct shareholder (9.5% stake) in MELIDA, as.

As at 31 October 2018, financial instruments measured at fair value through profit/loss from operations represent the 19% investment in company CAREPAR a.s. in the value of 4,498 ths. EUR, which owns 50% share of the company MELIDA a.s., which leases and operates the ski centre Špindlerov Mlyn in Czech Republic. CAREPAR, a.s. as at 31 October 2018 recognises only 50% share in MELIDA, a.s. and no other significant assets or liabilities, fair value of CAREPAR was determined as 9.5% of the fair value of share in MELIDA, a.s.

As at 31 October 2019, management evaluated the fair value estimate of share in MELISA, a.s. and concluded that no assumptions changed that would materially change its fair value.

Fair value of MELIDA, a.s. as at 31 October 2018 and 2019 estimated by management using discounting cash flow method (DCF), with business plan and forecasted cash flows as model inputs. The business plan and cash flow forecas have been thoroughly reviewed before being used by management. The rental of the ski resort was based on the signed amendment no. 2, which entered into force on 22 March 2018, extended until 2057, therefore cash flows from 2018 to 2057 were projected. The main assumptions used in the valuation were the expected cash flows, where the most important assumptions estimated by management were EBITDA, its growth and discount rate.

25. Financial investments (continued)

The projected EBITDA for 2018 amounted to 5 890 ths. euros. For 2019 it is expected to increase by 5%, which was also achieved, for 2020 and 2021 is expected to increase by 3%, from 2022 to 2023 it is expected to increase by 2% per year and from 2024 to 2057 1% per year. The discount rate used for valuation of these financial assets as at 31 October 2018, representing the required rate of return on equity, was 7.80% (2017: 8.70%).

26. Cash and Cash Equivalents

in TEUR	**31.10.2019**	**31.10.2018**
Cash	12	12
Stamps and vouchers	-	-
Current accounts with banks	10 271	52 775
Impairment allowance	-3	-
Total	**10 280**	**52 787**

As at 31 October 2019, the Company created impairment allowance of 3 ths EUR in light of IFRS 9 expected credit loss changes.

The Company can freely dispose of bank accounts.

27. Equity

Share capital and share premium
As at 31 October 2019 and 31 October 2018, the approved, subscribed and fully paid-up share capital consisted of 6,707,198 ordinary shares in the nominal value of 7 EUR per share.

On 12 April 2010, issues of shares marked ISIN: CS0009011952, series 01,02, ISIN: SK1120002110, series 01, ISIN: SK1120005527, series 01, ISIN: SK1120006061, series 01, ISIN: SK1120009156, series 01 ceased to exist and were consolidated into one issue ISIN SK1120010287.

On 17 April 2019, 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 2018 and 31 October 2019 according to the financial statements compiled for that accounting period, in the amount of 7,574 ths. EUR as follows:

- The balance in the amount of 757 ths. EUR, allocation to the reserve fund
- The balance in the amount of 225 ths. EUR, settlement of accumulated losses from previous periods
- The balance in the amount of 38 ths. EUR, allocation to social fund
- The balance in the amount of 6,553 ths. EUR, transfer to undistributed profit from previous periods

Shareholders have a right to the payment of dividends, and the value of share vote in the Company general meeting is determined as a ratio of the value of one share and the total value of share capital. The following table presents the Company shareholders and the number of shares, ownership interest and voting rights.

27. Equity (continued)

31 October 2019	**Number of shares**	**Ownership interest %**	**Voting rights %**
C.I. CAPITAL INDUSTRIES LIMITED	1 309 139	19,5%	19,5%
FOREST HILL COMPANY, s.r.o.	1 030 919	15,4%	15,4%
NIKROC INVESTMENTS LIMITED	897 771	13,4%	13,4%
KEY DEE LIMITED	664 058	9,9%	9,9%
TINSEL ENTERPRISES LIMITED	638 385	9,5%	9,5%
RMSM1 LIMITED	588 166	8,8%	8,8%
Minority shareholders	1 578 760	23,5%	23,5%
Total	**6 707 198**	**100%**	**100%**

31 October 2018	**Number of shares**	**Ownership interest %**	**Voting rights %**
C.I.CAPITAL INDUSTRIES LIMITED	1 309 139	19,5%	19,5%
BELGOMET s.r.o.	1 030 919	15,4%	15,4%
NIKROC INVESTMENTS LIMITED	897 771	13,4%	13,4%
KEY DEE LIMITED	664 058	9,9%	9,9%
TINSEL ENTERPRISES LIMITED	638 385	9,5%	9,5%
RMSM1 LIMITED	588 166	8,8%	8,8%
Minority shareholders	1 578 760	23,5%	23,5%
Total	**6 707 198**	**100%**	**100%**

Profit per share

	31.10.2019	**31.10.2018**
Profit for the period in TEUR	4 087	7 573
Weighted average number of ordinary shares	6 707 198	6 707 198
Profit per share in EUR	**0,609**	**1,129**

Legal reserve fund

As at 31 October 2019, the legal reserve fund amounts to 6,609 ths. EUR (as at 31 October 2017: 5,852 ths. EUR). According to the Slovak legislation, the creation of legal reserve fund is compulsorily created on a yearly basis in the minimum amount of 10% of the Company net profit and at least up to 20% of subscribed share capital (cumulatively). The legal reserve fund can only be used for the payment of Company losses, and cannot be used for the payment of dividends. The calculation of reserve fund is made according to Slovak legal regulations.

Reduction in share capital
On 22 August 2013, an extraordinary general meeting was held, which decided on a reduction in the share capital of the Company Tatry Mountain Resorts, a.s. from 221,338 ths. EUR to 46,950 ths. EUR, i.e. by 174,388 ths. EUR. The change in the share capital became effective on 22 October 2013 as the day of making an entry of the reduction in the share capital into the respective Commercial Register. After the reduction of the Company share capital, the nominal value per share changed from original 33 EUR per share to 7 EUR per share.

Profit Distribution
For the fiscal year ended on 31 October 2019, the Company management proposes the distribution of total profit in the amount of 4,087 ths. EUR as follows:

- The allocation to the reserve fund in the amount of 409 ths. EUR
- The allocation to the social fund based on the collective agreement in the amount of 20 ths. EUR
- The balance in the amount of 3,658 ths. EUR, transfer to undistributed profit from previous periods

28. Loans and Borrowings

in TEUR	**31.10.2019**	**31.10.2018**
Loans and borrowings received	99 254	84 622
Leasing	12 403	1 800
Total	**111 657**	**86 422**
Short-term	10 763	46 548
Long-term	100 894	39 874
Total	**111 657**	**86 422**

Leasing in the amount of 12,403 ths. EUR includes also the net present value of future payments amounting to 9,872 ths. EUR related to the future purchase of the cable car in Jasná, which the Company leases under the contract on the future purchase contract. The amount of 2,531 ths. EUR is linked to the leasing of tangible assets from Tatra-leasing, s.r.o.

Loans and borrowings received as at 31 October 2019 and as at 31 October 2018 are stated in the following table:

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
Total			**99 254**

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

The weighted average of interest rates for loans and borrowings as at 31 October 2019 accounted for 4.64% (as at 31 October 2018: 4.44%). The interest is due on a monthly basis. For more information, see par. 12 – Interest Income and Expense.

28. Loans and Borrowings (continued)

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 5,000 ths EUR was used for refinancing of costs for various investment projects, the outstanding unpaid balance of the loan as of the date was 4,625 ths EUR. The second loan in amount of 20,500 ths EUR was also used for refinancing of cost of other investment projects, the outstanding unpaid balance of the loan was in the amount of 18,963 ths EUR.

In period between 1 November 2017 and 31 October 2018 the Company drawn loan in amount of 4,500 ths, EUR, used for refinancing of costs for rebuilding the former administration building to Hotel Pošta in ski resort Jasná. The oustanding unpaid balance of the loan as of the date was 4,120 ths EUR.

In period between 1 November 2016 and 31 October 2017 the Company drawn new loan in the total amount of 10,000 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 ifinancial statemets was of 7,200 ths EUR.

On 14 August 2018 the Company signed a short-term loan agreement with the company J&T Banka, a.s. in the amount of 42,036 ths. EUR. This short-term loan was subsequently used on 15 August 2018 to repay the received loan provided by Tatra banka, a.s.. As a result, 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.

The Company drawn new loan from TMR Finance CR, a.s. in the total amount of 58,773,000 ths. EUR

On 7 October 2019 the Company signed a short-term loan agreement with EUROCOM Investment s.r.o. in amount of 2,005 ths EUR.

On 1 November 2018 the Company signed a leasing agreement with VEREX REALITY s.r.o., in amount of9,872 ths. EUR valid until 30 April 2023. In addition, as at 31 October 2019 the Company had several leasing contracts with Tatra-Leasing, s.r.o. in the total amount of 2,531 ths EUR (as at 31 October 2018: 1,799 ths EUR).

Security

The following assets were used as a security of bank loans: lots of land, technology and operating buildings of mountain lift facilities: lifts, chair-lift rope ways (hereinafter: RWs), funicular RWs, aerial RWs, gondola RWs, transformer stations, economic buildings and structures: Hotel Tri Studničky, Hotel Srdiečko, Hotel Kosodrevina, Hotel Liptov, Hotel SKI, former telecommunications building, Bungalows. All movable assets of the centres Jasná and High Tatras are put into pledge, also including trade receivables.

As at 31 October 2019, lots of land, buildings and equipment, investments in real estate, inventory and receivables of 243,127 ths. EUR were used as a security of bank loans (as at 31 October 2018: in the amount of 239,008 ths. EUR).

Maturity of liabilities from financial leasing as at 31 October 2019 was as follows:

in TEUR	**Principal**	**Interest**	**Payments**
Less than 1 year	4 218	51	4 269
1 - 5 years	8 185	39	8 224
Total	**12 403**	**90**	**12 493**

28. Loans and Borrowings (continued)

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

in TEUR	Principal	Interest	Payments
Less than 1 year	855	34	889
1 - 5 years	945	21	966
Total	**1 800**	**55**	**1 855**

29. Trade Liabilities

in TEUR	31.10.2019	31.10.2018
Trade Liabilities	5 735	6 923
Unbilled deliveries	730	766
Total	**6 465**	**7 689**
Short-term	5 338	7 689
Long-term	1 127	-
Total	**6 465**	**7 689**

As at 31 October 2019, long-term trade liabilities in the amount of 1,127 ths EUR represent retention money against costractors.

As at 31 October 2019, overdue liabilities amounted to 1,402 ths. EUR (as at 31 October 2018: 1,155 ths. EUR).

30. Hedge accounting

The Company applies hedge accounting for the first time in current year. 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, denominated in CZK in amount of 58.7 mil EUR, the currency gap has widened, and 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.

30. Hedge accounting (continued)

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.

There is no impact of hedge accounting for comparative period.

In current period, 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	(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 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 recogni sed 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	-

31. Other Liabilities

in TEUR	31.10.2019	31.10.2018
Liabilities towards employees	3 992	3 688
Advances received	5 291	6 741
Deferred revenues	3 632	3 300
Liabilities to shareholders from reduction in share capital	215	215
Other	1 927	2 218
Total	**15 057**	**16 162**
Short-term	15 057	16 162
Long-term	-	-
Total	**15 057**	**16 162**

31. Other Liabilities (continued)

As at 31 October 2019, advance payments received comprise in particular of advance payments for purchase of Chalets in the amount of 2,645 ths. EUR (as at 31 October 2018: 4,935 ths. EUR) and advance payments received for hotel stays in the amount of 2,286ths. EUR (as at 31 October 2018: 1,724 ths. EUR).

As at 31 October 2019, liabilities towards employees represent mainly a provision for bonuses for the fiscal year between 1 November 2018 and 31 October 2019 in the amount of 2,896 ths. EUR (as at 31 October 2018: 2,669 ths. EUR) and wage liabilities to employees in the amount of 1,039 ths. EUR (as at 31 October 2018: 935 ths. EUR).

As at 31 October 2019, liabilities to shareholders from reduction in share capital are in the amount of 215 ths. EUR (as at 31 October 2018: 215 ths. EUR) and contain in particular the outstanding liability from reduction in share capital are in the total amount of 174,388 ths. EUR.

As at 31 October 2019, the deferred revenues includes mainly the amount of 2,520 ths. EUR for accrual of ski passes sold - "Šikovná sezónka" (as at 31 October 2018: 2,554 ths. EUR), the amount of 32 ths. EUR is rentals for the premises of J&T BANKA, a.s., a branch of a foreign bank on the premises of the Grandhotel Starý Smokovec (as at 31 October 2018: 74 ths. EUR), the amount of 80 ths. EUR is a subsidy for the Hotel Tri studničky (as at 31 October 2018: 82 ths. EUR). The reserve for discounts on purchases was as at 31 October 2019 in total amount of 384 ths. EUR (384 ths. EUR as at 31 October 2018).

As at 31 October 2019, the amount of other liabilities contains also 655 ths. EUR liabilities related to social security (as at 31 October 2018: 602 ths. EUR).

The creation and drawing from the social fund during the accounting period are presented in the table below:

in TEUR	**31.10.2019**	**31.10.2018**
Balance as at 1.11.2018 / 1.11.2017	92	47
Creation of social fund against expenses	138	137
Drawing	-205	-92
Balance as at 31.10.2019 / 31.10.2018	**25**	**92**

32. Provisions

in TEUR	**Unused vacations**	**Other**	**Total**
Opening balance as at 1.11.2018	**389**	**24**	**413**
Creation of provisions during the year	460	-	460
Reversal of provisions during the year	-	-	-
Use of provisions during the year	-389	-	-389
Balance as at 31.10.2019	**460**	**24**	**484**

	31.10.2019	**31.10.2018**
Short-term	460	389
Long-term	24	24
Total	**484**	**413**

33. Bonds Issued

During the accounting period 2014, the Company issued two bond issues in the total nominal value of 180,000 ths. EUR, which, starting from 19 February 2014, are admitted to trading on the Bratislava Stock Exchange. On 10 October 2018, the Company issued the third bond issue in a total value of 90,000 ths. EUR. As at the date of the finacial statements the full amount of 90,000 ths EUR has been credited to the Company's account (as at 31 October 2018 credited amount of 60,000. EUR). As of the date of the financial statement, bonds from the first issue were repaid in the amount of 90,000 ths. EUR. During December 2018 the bonds from the first issue were repaid in the total amount of 70,000 ths. Details on particular bonds are presented in the table below.

in TEUR

Name	**ISIN**	**Date of issue**	**Maturity date**	**Currency of the issue**	**Face value of the issue in the initial currency in '000**	**Interest rate p.a. in %**	**Effective interest rate p.a. in %**	**Carrying value as of 31.10.2019**	**Carrying value as of 31.10.2018**
TMR I 4,50%/2018	SK41200 09606	17.12.2013	17.12.2018	EUR	70 000	4.5		-	65 990
TMR II 6,00%/2021	SK41200 09614	5.2.2014	5.2.2021	EUR	110 000	6.0	6.17	113 922	113 924
TMR III 4,40%/2024	SK41200 14598	10.10.2018	10.10.2024	EUR	90 000	4.4	4.94	88 102	58 503
Total								**202 024**	**238 417**
Short-term								5 089	71 002
Long-term								196 935	167 415
Total								**202 024**	**238 417**

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 subordinate to the liability from the bond TMR I. The Company account was credited with financial resources from both of the bonds on 11 February 2014 in the total amount of 180,582 ths. EUR, including the aliquot interest income from the bond TMR I in the amount of 582 ths. EUR. Cash from TMR III bond was credited to the Company´s account during the month October 2018 in a total value of 60,000 ths. EUR. The rest of the cash funds from the bond TMR III bond in the total amount of 30,000 ths. EUR 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 5,000 ths. EUR. On 17 December 2018 the bonds TMR I from the first issue were repaid in the total amount of 70,000 ths. EUR.

The Company undertook to achieve the value of the Senior DEBT financial indicator (excluding the TMR II bonds)/EBITDA at the level of max. 6,5 and the value of the DSCR financial indicator (including the set-off of cost against the payment of coupons from the TMR I and TMR II bonds) at the level of min.1,00.

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

Out of the total value of liability of 202,024 ths. EUR (as at 31 October 2018: 238,417 ths. EUR), a short-term portion amounts to 5,089 ths. EUR (as at 31 October 2018: 71,002 ths. EUR) a liability from coupon due over the course of 2019 and 2020.

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 110,524 ths EUR. It is property which is not used as a security for other Company liabilities.

34. 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:

in TEUR	Carrying value		Fair value	
	31.10.2019	**31.10.2018**	**31.10.2019**	**31.10.2018**
Financial assets				
Loans provided (note 21)	112 753	89 365	111 963	88 881
Other receivables (note 23)	26 013	23 437	26 013	23 437
Investments in subsidiaries (note 18)	7 515	7 482	7 515	7 482
Trade receivables (note 22)	4 872	3 387	4 872	3 387
Cash and Cash Equivalents (note 26)	10 280	52 787	10 280	52 787
Other assets (note 24)	10 766	7 574	10 766	7 574
Total	**172 199**	**184 032**	**171 409**	**183 548**

in TEUR	Carrying value		Fair value	
	31.10.2019	**31.10.2018**	**31.10.2019**	**31.10.2018**
Financial obligations				
Loans and Borrowings (note 28)	111 657	86 422	111 657	86 564
Bonds issued (note 33)	202 024	238 417	213 520	251 143
Trade payables (note 29)	6 465	7 689	6 465	7 689
Other payables (note 31)	15 057	6 080	15 057	6 080
Total	**335 203**	**338 608**	**346 699**	**351 476**

As at 31 October 2019, Other receivables contain in particular an advance payment made for future acquisition, which is a company running cable ways, in the amount of 19,451 ths. EUR (as at 31 October 2018: 19,451 ths. EUR). The Company plans to buy this company in the future. A contract is made with VICINITY INVESTMENT ltd, for a period of one year, and for this reason, the book value of advance payment made is not materially different from its fair value.

35. Operating Lease

Leasehold on the part of a lessee

The Company leases lots of land on which ski runs and cable ways are built, and leases some cars based on contracts on operating lease. The most significant contracts on the lease of land are concluded for a period of 30 years with an option for additional 10 years. The most significant contracts have the notice period of 1 year.

Cost for operating lease for the period ended on 31 October 2019 shown in the profit/loss from operations amounted to 3,946 ths. EUR (for the period ended on 31 October 2018: 2,933 ths. EUR).

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

in TEUR	**31.10.2019**	**31.10.2018**
Within 1 year	3 198	2 205
From 1 year to 5 years	7 842	6 356
5 and more years	22 611	16 086
Total	**33 651**	**24 647**

36. Changes in liabilities arising from financial activities

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	11 311	-	-	-	13 924	111 657
Bonds issued	238 417	-35 000	-	-	-	-1 393	202 024
Total liabilities from financing activities	**324 839**	**-23 689**	**-**	**-**	**-**	**12 531**	**313 681**

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

37. 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.

37. Information on Risk Management (continued)

Probability of default (PD)	Default loss (LGD)	Carrying amount	Impairment allowance (ECL)
0,74% - 8,21%	**40%**	**118 404**	**- 5 651**

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 565 ths. EUR. If PD decreased by 10%, ECL would decrease by 565 thous. EUR. 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 2019, the Company was exposed to the following credit risk:

in TEUR	**Legal entities**	**Banks**	**Other financial institutions**	**Other**	**Total**
Financial assets					
Loans Provided	118 264	-	-	140	118 404
Other receivables	26 014	219	-	-	26 233
Investments in Subsidiaries	7 515	-	-	-	7 515
Trade receivables	4 872	-	-	-	4 872
Financial investments	4 652	-	-	-	4 652
Cash and Cash Equivalents	-	10 268	-	12	10 280
Other Assets	10 347	-	24	491	10 862
Total	**171 664**	**10 487**	**24**	**643**	**182 818**

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

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

37. Information on Risk Management (continued)

Liquidity Risk
Liquidity risks arise within general financing of the Company and management of financial positions. It covers the risk of insolvency regarding the financing of assets within the agreed maturity period and at the interest rate, and also the risk of asset management at a reasonable price within an adequate timeframe. The Company management focuses on liquidity management and monitoring. Due to liquidity management, the management changed the accounting period to a fiscal year ended on 31 October. In the first half of its accounting period, the Company has a winter season, which represents 60% of Companys' income. According to the trend in the first half-year, the Company can affect the side of revenues and expenses sufficiently early, so that they are able to keep sufficient liquidity for Company's operation. In the Vysoké Tatry centre, the seasonal nature is also balanced with a strong summer season, which ensures its more stable liquidity all year round.

The following table presents an analysis of Company financial assets and liabilities grouped by the residual maturity. The analysis presents the most prudent variant of residual maturity including interest. Therefore, for liabilities, the earliest possible repayment is reported, and for assets, the latest possible repayment is reported. Assets and liabilities which have no maturity are posted in the category "Without specification".

As at 31 October 2019, the Company was exposed to the following liquidity risk:

in TEUR	**Carrying value**	**Future cash flow**	**Up to 3 months**	**3 months up to 1 year**	**1 year up to 5 years**	**Above 5 years**	**Without specification**
Financial assets							
Loans Provided	**112 753**	**118 517**	111 665	1 121	160	5 458	113
Other receivables	**26 233**	**219**	-	219	-	-	-
Investments in Subsidiaries	**7 515**	**-**	-	-	-	-	-
Trade receivables	**4 872**	**4 887**	4 887	-	-	-	-
Financial investments	**4 652**	**4 652**	-	-	-	-	4 652
Cash and Cash Equivalents	**10 280**	**10 273**	10 273	-	-	-	-
Other Assets	**10 766**	**10 862**	10 862	-	-	-	-
Total	**177 071**	**149 410**	**137 687**	**1 340**	**160**	**5 458**	**4 765**
Financial obligations							
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 Liabilities	**-6 465**	**-6 465**	-6 465	-	-	-	-
Other Liabilities	**-15 057**	**-15 057**	-15 057	-	-	-	-
Corporate income tax liability	**-860**	**-860**	-860	-	-	-	-
Total	**-336 063**	**-367 018**	**-23 740**	**-19 339**	**-220 426**	**-103 513**	**-**

As at 31 October 2019 the loans provided up to 1 year amount to 112,786 ths. EUR (as at 31 October 2018: 86,322 ths. EUR), a majority of which is payable on demand or by the end of October 2019. These loans will not be paid within 1 year. The Company plans to require the repayment of these financial resourse 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.

The Book value of Other receivables contains mainly advance payments made, which are not expected to be paid in cash, but by a transfer of shares within 3 years.

The Company management plans to repay the bonds issued by the issue of new bonds.

37. Information on Risk Management (continued)

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

in TEUR	Carrying value	Future cash flow	Up to 3 months	3 months up to 1 year	1 year up to 5 years	Above 5 years	Without specification
Financial assets							
Loans Provided	89 366	89 536	62 572	23 750	2 369	845	-
Other receivables	23 437	344	-	344	-	-	-
Investments in Subsidiaries	7 482	7 482	-	-	-	-	7 482
Trade receivables	3 387	3 387	3 387	-	-	-	-
Financial investments	4 652	4 652	-	-	-	-	4 652
Cash and Cash Equivalents	52 787	52 787	52 787	-	-	-	-
Other Assets	7 574	7 574	7 574	-	-	-	-
Total	**188 685**	**165 762**	**126 320**	**24 094**	**2 369**	**845**	**12 134**
Financial obligations							
Loans and Borrowings	**-86 422**	**-86 401**	-42 653	-3 895	-23 396	-16 457	-
Bonds Issued	**-238 417**	**-284 743**	-66 463	-9 680	-135 520	-73 080	-
Trade Liabilities	**-7 689**	**-7 689**	-7 689	-	-	-	-
Other Liabilities	**-6 080**	**-6 080**	-6 080	-	-	-	-
Total	**-338 608**	**-384 913**	**-122 885**	**-13 575**	**-158 916**	**-89 537**	**-**

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 2018 and 2019, 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 2019, the Company reported an investment in the subsidiary in the amount of 7,218 ths. EUR, and loans provided in Polish Zloty were in amount of 31,029 ths. EUR and in Czech Crown were in amount of 232 ths. EUR, and loans provided in Czech Crown were in amount of 5,703 ths. EUR.

Since the Company drawn a loan from its subsidiary in Czech Republic, denominated in Czech Crown were in amount of 58,7 mil EUR, 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 30 - 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.

37. Information on Risk Management (continued)

Sensitivity analysis

1% strengthening of the EUR against the Polish Zloty would have the following effect on the financial assets and financial liabilities of the Company:

Effect on the portfolio

in TEUR	**2019**	**2018**
PLN	-333	-377

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 2019 and as at 31 October 2018, the Company has the following assets and liabilities linked to interest rates:

in TEUR	**31.10.2019**	**31.10.2018**
Fixed interest rate		
Assets	127 318	140 381
Payables	279 647	242 438
Variable interest rate		
Assets	-	-
Payables	37 418	82 349

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:

in TEUR	**Profit (Loss)**	
	100 bb growth	**100 bb decline**
31 October 2019		
Instruments with variable interest rate	-374	374
Effect	**-374**	**374**

in TEUR	**Profit (Loss)**	
	100 bb growth	**100 bb decline**
31 October 2018		
Instruments with variable interest rate	-823	823
Effect	**-823**	**823**

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.

37. Information on Risk Management (continued)

Operational Risk

Operational risk is the risk of loss resulting from any fraud, unauthorised activities, failures, errors, inefficiency or failure of systems. The risk is created in all Company activities. Operational risk also includes the risk of legal disputes. The aim of the Company is to manage the operational risk to prevent any financial losses and detriment to the Company reputation within the cost-efficiency of cost spent on achieving this objective, while avoiding any measures preventing initiatives and creativity.

The Company management has key responsibility for the implementation of inspections related to the operational risk management. The responsibility is supported by the implementation of standards for the management of operational risk which is common for the whole Company. Operational risk is governed by a system of directives, minutes of meetings and control mechanisms. The Company has a controlling department which attempts to eliminate all operational risks through regular inspections.

The Company is also exposed to the risk of unfavourable conditions with respect to the weather. The number of visitors in the centre depends on the snow and snowfall periods. Unfavourable conditions adversely affect the number of skiers and the revenue of profit/loss from operations. Warm weather can unreasonably increase the cost of snowmaking and reduce the area where skiing is possible. Historically, the Low Tatras and the High Tatras region had on average 80cm and 85cm of snow during the winter season, respectively. The start of winter season and snow conditions affect the perception of the whole season by skiers. The Company is not able to forecast reliably in any manner the snow conditions at the beginning of winter season. Also thanks to the system of snowmaking, the snow conditions during the winter are stable each year.

38. 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 2019 and 31 October 2018 or during the period between 1 November 2018 and 31 October 2019 and 1 November 2017 and 31 October 2018:

(1) Companies controlling jointly or having significant influence on the accounting entity and its subsidiary and associate companies
(2) Jointly controlled companies in which the Company is a partner
(3) Associates
(4) The members of company top management or Company shareholders (see also par. 10 – Personnel expenses)

Information on remuneration of key management is stated in par. 10 – Personnel expenses. Since none of the shareholders has a shareholding in the Company exceeding 20% or any significant influence, the shareholders are not provided as related parties, and the above stated transactions or balances are not understood as transactions with related parties. All transactions with relates 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:

38. Related parties (continued)

in TEUR	Note:	**Receivables 31.10.2019**	**Payables 31.10.2019**	**Receivables 31.10.2018**	**Payables 31.10.2018**
Szczyrkowski Osrodek Narciarski S.A.	1	31 906	-	21 823	19
Ślaskie Wesole Miasteczko Sp. z o. o.	2	20 737	3 570	17 655	4 027
TMR Ještěd a.s.	3	2 344	-	1 208	
Tatry mountain resorts CR, a.s.	4	2 319	1	182	-
Tatry mountain resorts PL, a.s.	5	27 245	-	23 492	-
Mölltaler Gletscherbahnen GmbH & Co KG	6	5 066	116	-	-
Mölltaler Gletscherbahnen GmbH	7	1	-	-	-
Grundstücksverwertungs-GmbH Flattach	8	1	-	-	-
TMR Finance CR, a.s.	9	-	58 773	-	-
Key management		68	-	68	-
OSTRAVICE HOTEL a.s. (joint venture)	10	20	-	-	-

in TEUR	Note:	**Revenues 1.11.2018 - 31.10.2019**	**Costs 1.11.2018 - 31.10.2019**	**Revenues 1.11.2017 - 31.10.2018**	**Costs 1.11.2017 - 31.10.2018**
Szczyrkowski Osrodek Narciarski S.A.	1	721	14	1 582	13
Ślaskie Wesole Miasteczko Sp. z o. o.	2	216	-	1 158	352
TMR Ještěd a.s.	3	108	-	73	-
Tatry mountain resorts CR, a.s.	4	49	8	8	-
Tatry mountain resorts PL, a.s.	5	-	-	138	-
Mölltaler Gletscherbahnen GmbH & Co KG	6	8	13	-	-
Mölltaler Gletscherbahnen GmbH	7	1	-	-	-
Grundstücksverwertungs-GmbH Flattach	8	1	-	-	-
Key management		-	-	3	-

[1] Szczyrkowski Osrodek Narciarski S.A. became a related party on 30 April 2014.
[2] Ślaskie Wesole Miasteczko Sp. z o. o. became a related party on 1 May 2015.
[3] TMR Ještěd a.s. became a related party on 5 May 2017.
[4] Tatry mountain resorts CR, a.s. became a related party on 16 February 2018.
[5] Tatry mountain resorts PL, a.s. became a related party on 30 September 2017.
[6] Mölltaler Gletscherbahnen GmbH & Co KG became a related party on 1 May 2019.
[7] Mölltaler Gletscherbahnen GmbH became a related party on 1 May 2019.
[8] Grundstücksverwertungs-GmbH Flattach became a related party on 1 May 2019.
[9] TMR Finance CR, a.s became a related party on 14 September 2018.
[10] OSTRAVICE HOTEL a.s. became a related party on 31 December 2018.

39. Subsequent Events

On 28 January 2020 the Company paid the amount of 5,000 ths. EUR, which will be used as an advance payment for the future purchase of the company EUROCOM Investment s.r.o, that is operating the aquapark Bešeňová. On 3 February 2020 the Company redeemed the TMR II bond coupon in amount of 6,600 ths EUR.

40. Capital Commitments and Capital Management

During 2014, the Company issued two bond issues (see par. 33 – Bonds issued) in the total nominal value of 180,000 ths. EUR, which, starting from 19 February 2014, are admitted to trading on the Bratislava Stock Exchange. The Company undertook to achieve the value of the Senior DEBT financial indicator (excluding the TMR II bonds)/EBITDA at the level of max. 6,5 and the value of the DSCR financial indicator (including the set-off of cost against the payment of coupons from the TMR I and TMR II bonds) at the level of min.1,00.

On 10 October 2018, the company issued the third bond issue TMR III in the nominal value of 90,000 ths. EUR. As of the date of financial statements, sales proceeds were credited to the Company's account in full amount of 90,000 ths EUR. (as of 31 October 2018, bonds from the third issue were sold in total amount of 60,000 ths EUR). 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.

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.

Before the date of merger with the parent company, no external requirements for capital management are linked either to the Group or to its subsidiaries.

Over the course of the period between 1 November 2018 and 31 October 2019, no changes occurred in the Group management approach to capital management.

41. Contingent Assets and Contingent Liabilities

With respect to that many areas of Slovak law on taxation have not been sufficiently ascertained in practice, there is uncertainty in how tax offices will apply them. It is not possible to quantify the level of this uncertainty and it will only cease to exist when legal precedents or official interpretations of the relevant bodies are available.

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

The Company has initiated several legal proceedings. The maximum amount of compensation in all legal proceedings can be up to 474 ths. EUR and accessions thereof.

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Bohuš Hlavatý	Jozef Hodek	Marián Vojtko	Marián Vojtko
The Chairman of the Board of Directors	*Member of the Board of Directors*	*Person responsible for the compilation of Statements*	*Person responsible for bookkeeping*

Independent Auditor's Report

KPMG Slovensko spol. s r. o.
Dvořákovo nábrežie 10
P. O. Box 7
820 04 Bratislava 24
Slovakia

Telephone: +421 (0)2 59 98 41 11
Fax: +421 (0)2 59 98 42 22
Internet: www.kpmg.sk

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 2019, 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 2019, 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"). 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

Impairment of loans provided and other receivables

As at 31 October 2019, the carrying amount of loans provided and other receivables (long term and short term): EUR 138,986 thousand; related impairment allowance: EUR 5,651 thousand; impairment loss for the year then ended: EUR 3,900 thousand.

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

Key audit matter:

As at 31 October 2019, loans provided and other receivables are represented primarily by uncollateralized loans to related companies totalling EUR 89,400 thousand, an advance payment for shares in a company operating a ski resort of EUR 19,451 thousand and a loan provided to that entity of EUR 13,975 thousand.

Loans provided and other receivables 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 specialists, included:

- Updating understanding of and assessing the design and implementation of key internal controls over the credit control, the loans and other receivables collection process and making loss allowances for loans provided and other receivables;
- 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;
- Assessment of the accuracy and completeness of the Company's ECL estimates at 31 October 2019 including:

  For loans and other receivables assessed individually, for a risk-based sample of debtors:

  - Inspecting the debtors' most recent financial statements, credit terms and historical repayment patters, and making corroborating inquiries of the Company's CFO and relevant finance personnel, to obtain understanding of any credit / repayment uncertainties,

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We identified impairment of loans provided and other receivables 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.

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 Board'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

Independent Auditor's Report

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.

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KPMG

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Information in the Annual Report

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

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

With respect to the Annual Report, we also consider whether it includes the disclosures required by the Act on Accounting.

Based on the work undertaken in the course of the audit of the separate financial statements, in our opinion:

- the information given in the Annual Report for the year ended 31 October 2019 is consistent with the separate financial statements prepared for the same financial year; and
- the Annual Report contains information according to the Act on Accounting.

In addition to this, in light of the knowledge of the Company and its environment obtained in the course of audit, we are required to report if we have identified material misstatement in the Annual Report that we have obtained prior to the date of this auditors' report. We have nothing to report in this respect.

Independent Auditor's Report

KPMG

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 17 April 2019. 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 eleven 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.

28 February 2020
Bratislava, Slovak Republic

Slovenská komora audítorov
SKAU
Č.licencie 96
KPMG
Slovensko spol. s r.o.

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

Responsible auditor:
Martin Kršjak
License UDVA No. 990

STATEMENT BY THE BO ARD OF DIRECTORS

Statement by the Board of Directors

The Board of Directors of Tatry mountain resorts, a.s. hereby states that according to its best knowledge Annual Report, Consolidated Financial Statements, and Separate Financial Statements have been prepared in accordance with relevant regulations, and they present a true and accurate description of assets, liabilities, financial situation, and comprehensive results of the Group (Tatry mountain resorts, a.s. and its subsidiaries) 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 28, 2020

Bohuš Hlavatý	Jozef Hodek
Chairman of the Board of Directors, CEO	Member of the Board of Directors, CFO

TATRY
MOUNTAIN RESORTS

TATRY MOUNTAIN RESORTS, a.s.
e-mail: info@tmr.sk, www.tmr.sk

Photo: Marek Hajkovský