



# THIRD-QUARTER AND NINE-MONTH 2011/2012 INTERIM REPORT

(PERIOD FROM NOVEMBER 1, 2011 TO JULY 31, 2012)

PRELIMINARY STATEMENT ON RESULTS OF THE SECOND HALF  
OF FISCAL YEAR 2011/2012







**Ing. Bohuš Hlavatý**  
CEO

Tatry mountain resorts, a.s.

### Commentary from CEO

*Even despite the lasting unstable economic situation in Eurozone, we are happy to state that for the observed nine-month period TMR recorded growth in operating revenues and earnings before depreciation and interest in comparing to the same period last year.*

*We benefited from stable weather, especially in the first half of the winter season 2011/12, which led to lower trail maintenance costs; a relatively late end of the skiing season; and weather*

*favorable for hiking in the summer season, which continued after the third quarter in August. During the whole period we capitalized on our corporate strategy, which inter alia is based mainly on capital investments. Based on this strategy during the last five years we have invested into Tatra resorts EUR 100, which are regularly reflected on results, as well as in this nine-month period. By the end of 2012 the level of CAPEX will have reached EUR 44 million.*

*As a part of the strategy, we continued also in qualitative improvement of our offered services in the resorts and hotels. With the goal of building our loyal client base we organized numerous events and marketing campaigns, which helped to attract a total of 1.5 million visitors, 21 % more than in the same period last year. The increased visit rate in the TMR resorts is confirmed by worldwide tourism trends, according to which the region of Central and Eastern Europe is reporting the highest percentage growth in tourist arrivals in Europe - + 7 % in the first half of 2012.*

*In the third quarter we reported stable growth in revenues in the High and Low Tatras (+ 14 %) with the steepest growth in our Tatry Motion retail stores (+ 79.5 %). Consolidated revenues for the reported nine-month period increased yoy by 13.6 % to EUR 32.573 million, out of which the 3Q revenues were EUR 8.025 million, which means a 3 % increase. Consolidated operating income before depreciation and interest improved in nine months by 32 % to EUR 10.298 million, whilst for 3Q it increased by 23 % to EUR 2.463 million.*

## PROFILE OF TMR

Tatry mountain resorts is a joint-stock company seated in Liptovský Mikuláš, registered on the Stock Bratislava Stock Exchange (BCPB). It is the largest entity in the field of tourism in Slovakia. Business activities of the TMR, a. s. Group are divided into three key segments: Mountains and Leisure, Hotels and Real Estate. Besides Tatry mountain resorts, a.s. the Group consists of (i) Grandhotel Praha a.s. (100 %), (ii) Tatry mountain resort services s.r.o. (100 %) a (iii) Interhouse Tatry, s.r.o. (50 %). The Group's portfolio in the Low Tatras includes Aquapark Tatralandia and therein the Holiday Village Tatralandia accommodation complex, the mountain resort Jasná Nízke Tatry and the hotels Wellness hotel Grand Jasná\*\*\*, Tri Studničky\*\*\*, Srdiečko\*\* and Chalets Záhradky de Luxe\*\*\*\*. TMR also owns and leases hotels Liptov\*\*, Ski&Fun Záhradky and Bungalovy\*\* and Chata Kosodrevina. In the High Tatras TMR owns and leases the resorts Vysoké Tatry - Tatranská Lomnica and Starý Smokovec and the hotels Grandhotel Praha Tatranská Lomnica\*\*\* (Grandhotel Praha a.s.), Grandhotel Starý Smokovec\*\*\*\* (Interhouse Tatry, s.r.o. 50 %), Hotel FIS\*\*\* and Hotel Slovakia\*\*\*. TMR also co-operates the resort of Štrbské pleso.

## REVENUES AND INCOME

### NINE-MONTH PERIOD 2011/12

In the reported period consolidated revenues grew to EUR 32.573 million (EUR 28.684 million). Growth was recorded in all segments and subsegments of TMR. In the Mountains and Leisure segment the most notable increases of operating revenues<sup>1</sup> were posted by subsegments of Aquapark (+ 49 %<sup>2</sup>), Sports Services and Stores (+ 39 %), and Dining (+ 32 %), especially in the High Tatras, where revenues increased by 46 %. Revenues from ski pass sales and cableway ticket sales in the Mountain Resorts subsegment improved by 6.2 %, specifically, the High Tatras recorded a 19 % growth and the Low Tatras a slight drop of 3.4 %. However, last year's sales in Jasná were impacted on a great level by one-time barter revenues from corporate clientele, which did not reach that level this year. The revenue increases in Mountains and Leisure can be attributable to improved key performance indicators (KPIs) in all subsegments and locations. The number of visitors increased for the reported nine-month period to 1.505 million (1.248<sup>3</sup>), including the visitors of Štrbské pleso. The resort of Vysoké Tatry - Tatranská Lomnica a Starý Smokovec was visited by 496 thousand visitors (444.5), Štrbské pleso by 120 thousand (108), and Jasná Nízke Tatry by 486 thousand (438). Aquapark Tatralandia welcomed 404 thousand visitors. The average revenue per visitor for the last nine months improved in Mountain Resorts and Tatralandia by 13 % to EUR 13.85, in Dining by

<sup>1</sup> For a more true evaluation of operating profitability operating results are adjusted for 100 % of results of Grandhotel Starý Smokovec, owned by Interhouse Tatry, s.r.o., in which TMR owns a 50 % stake, which is as per IFRS accounted for by the equity method.

<sup>2</sup> The results of Aquapark Tatralandia for the compared period of 2010/11 cover only the period since April of 2011, when the aquapark was added to the portfolio.

<sup>3</sup> The number of visitors of Tatralandia included in the compared period of 2010/11 is only from April of 2011 till July of 2011.

22 % to EUR 2.45, and in Sports Services and Stores by 25 % to EUR 1.70.

In the Hotels segment revenues reached EUR 8.957 million (EUR 8.246 million) with a notable increase in accommodation facilities of aquapark Tatralandia – + 114 %. Wellness hotel Grand Jasná achieved the highest revenues – EUR 2.488 million. This segment's revenue growth can be attributable to the 9 % growth of the average daily rate per room (ADR) of the whole portfolio to EUR 47.16. The average occupancy of the portfolio hotels slightly dropped by 2 percentage points to 46.2 %, and the average length of stay in the TMR hotels remained unchanged in comparing to the same period last year – 3 days.

In the Real Estate segment there was no apartment sale closed during the observed period under the project Grand Residences Tatranská Lomnica from December 2011, which might be caused by the unfavorable situation in the real estate market. This segment's revenues come solely from the lease of hotels Liptov, Ski&Fun Záhradky a Bungalovy, and Kosodrevina Lodge.

Consolidated earnings before interest, tax, depreciation, and amortization (EBITDA) increased by EUR 2.482 million to EUR 10.298 million (EUR 7.816 million), which results in EBITDA margin of 31.6 % (27.2 %). The reason for the improvement is the fact that a great portion of operating costs is fixed, so they do not increase proportionally with sales. Cost of sales increased by 18 % due to higher sales, mainly from Dining, Sports Services and Stores Tatry Motion, and in Hotels due to higher sales from F&B<sup>4</sup> operations. Personnel and other operating expenses increased by 4 % due to higher sales, higher operating costs also because aquapark Tatralandia was in operation also in the winter season as opposed to the winter season of 2010/11; due to snowmaking on new trails in Tatranská Lomnica; and due to launch of operation of the new 8-seat cableway in Tatranská Lomnica in the winter season of 2011/12. Mountains and Leisure marked an increase of operating income by 49.7 % to EUR 8.967 million (EUR 5.990 million), while the most profitable were the subsegments of Aquapark (EBITDA margin 44.7 %) and Mountain Resorts (38 %). In Hotels EBITDA decreased by 9.3 % due to the change of the hotels' revenue structure, with a lower portion of room revenues and a higher portion of F&B, which achieves a lower EBITDA margin, though.

The amount of depreciation and amortization decreased to EUR 5.434 million (EUR 5.860 million). Net consolidated income reached EUR 7.139 million (EUR 8.041 million). The reason being was lower net interest income in the amount of EUR 2.389 million (EUR 6.120 million) as a result of withdrawing a portion of promissory notes in order to

finance also multi-year capital investments, which as of the date of this publication are still in process and have not yet impacted income.

Comprehensive net income after net change in fair value of financial assets reached EUR 7.106 million (EUR 8.043 million). Earnings per share per the given period come to EUR 1.06 (1.20).

### THIRD QUARTER

Consolidated revenues for 3Q 2011/12 reached EUR 8.025 million (EUR 7.767 million). Operating revenues of the main segment of Mountains and Leisure came to EUR 6.248 million (EUR 5.904 million) with the most significant improvement yoy<sup>5</sup> in the subsegment of Sports Services and Stores (+ 79.5 %), especially in the Tatry Motion stores in Jasná Nízke Tatry. Revenues in the mountain resorts increased by 14 % thanks to the visit rate increased by 16.4 % (including Štrbské pleso) and the average revenue per visitor higher by 7 %. The level of the same period last year was reached with revenues from the aquapark (- 1.6 %) and dining facilities (- 3.8 %). The Hotels segment's revenues slightly fell to EUR 2.046 million (EUR 2.198 million) due to a drop in ADR of the majority of the hotels in the portfolio, on average by 6 %. Consolidated earnings before interest, tax, depreciation, and amortization (EBITDA) was recorded at EUR 2.463 million (EUR 2.007 million), while operating profitability (EBITDA margin) improved by 4.9 percentage points to 30.7 %. Consolidated net income reached EUR 0.967 million (EUR 1.758 million), a decrease due to net interest income lowered by 78 % and due to liquid funds tied up in ongoing multi-year investments. Earnings per share come to EUR 0.14 (0.26).

## INVESTMENTS

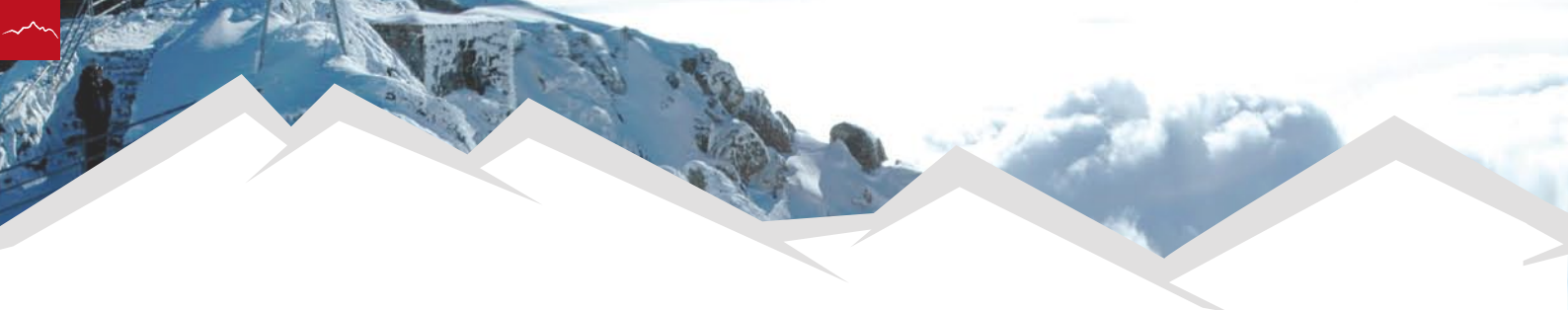
In 3Q TMR continued with capital investments from the previous year, which include the construction of a complex cableway system Funitel in Jasná Nízke Tatry. Funitel is a part of the project to connect the north and south side of Chopok mountain in the Jasná resort. The project also includes construction of two additional lifts. Completion of all three lifts and their launch of operation are planned for the winter season of 2012/13. With the connection transport capacity of the resort will increase by 5,580 persons/hour. The latest technologies used in this project also eliminate the impact of unfavorable weather conditions and thereby increase efficiency of operations. In aquapark Tatralandia the first phase of the Tropical Paradise project was completed in the reported

4 Food & Beverage

5 Year-over-year







period. It is a tropical indoor hall with additional capacity of 750 sunbeds, and it will eliminate unfavorable impact of weather. Moreover, it is expected that thanks to Tropical Paradise the visit rate will be balanced out during off-peak season of the aquapark. In the hotel segment investments into hotel renovations and construction of conference space are in process. The CAPEX budget till the end of 2012 is estimated for EUR 44 million.

## LIQUIDITY AND FINANCIAL POSITION

In the last three months the amount of short-term liquid funds decreased by EUR 13.180 million to EUR 47.753 million (EUR 82.334 million) as a result of using a portion of promissory notes payable on sight to finance capital investments. As a result, the amount of cash and cash equivalents as of the end of the period came to EUR 6.410 million (EUR 6.575 million), and other receivables made up EUR 41.343 million (EUR 75.759 million). Total debt of the Group comes to EUR 16.115 million (EUR 12.865 million), whilst total debt-to-equity ratio reached 5.9 % (4.7 %). The book value of total assets as of the end of the period makes up EUR 312.348 million (EUR 301.429 million), out of which the amount of fixed assets has increased in last three months by EUR 10.952 million to EUR 200.079 million (EUR 158.838 million).

## SIGNIFICANT CHANGES

On 30/6/2012 the Company's employees elected three new members of the Supervisory Board: Ján Štetka, Peter Kubeňa, and Miroslav Roth. The term of office lasts till 30/6/2017.

During 3Q TMR started discussions on possibilities of cooperation with ČSTV (Czech union of physical education) in the form of operating the ski resort of Špindlerův Mlýn in the Czech Republic. The subject of the discussions was possible lease of the resort together with Snowhill for 20 years with an option to prolong for another 20 years. The annual lease amount for the ski resort is CZK 43.8 million. At the same time future lessees will be obliged during the 20-year period to realize investments of CZK 800 million in the resort. The successful selection of TMR and Snowhill was a result of their expertise, long-time experiences, and financial strength. As of the date of this report, lease contracts have not been signed yet.

## PARENT COMPANY

Total revenues of the parent company Tatry mountain resorts, a.s. for nine months reached EUR 31.287 million. Net income for nine months was noted in the amount of EUR 7.933 million.

## OUTLOOK TILL THE END OF 2011/2012

The Company expects positive 4Q 2011/12 results, which will include the end of the summer season – August, which experienced summer weather favorable for hiking, which should be reflected especially in sales of the mountain resorts. Consequently, a synergic effect is expected in Hotels, Dining, and in the Tatry Motion stores. The Company expects to fulfill the financial plan 2011/12, which projected operating revenues at EUR 42.757 million and EBITDA at EUR 13.113 million.

By the end of the financial year the Company also plans an entry to the Warsaw and Prague stock exchanges in the form of dual listing. The entry is subject to approval of the boards of the relevant exchanges.

## OUTLOOK FOR THE WINTER SEASON 2012/13

For the winter season 2012/13 completion and launch of operation of the three new lifts are planned in the resort of Jasná Nízke Tatry, described above. This event is expected to impact the results of the winter season. In addition, expansion of snowmaking is in preparation. It should improve the quality of resort services. The second phase of the Tropical Paradise project, total CAPEX of which is estimated at EUR 5.2 million, is expected to bring growth in visit rate and revenues in aquapark Tatrallandia. Upon the successful signing of the contracts of cooperation with the resort of Špindlerův Mlýn, the launch of operation of this resort under the management of TMR (and Snowhill) is expected to follow.



## KEY OPERATING RESULTS\*

Revenues in €'000	May 1 - July 31 3 Months		November 1 - July 31 9 Months	
	2011/2012	2010/2011	2011/2012	2010/2011
<b>Mountains &amp; Leisure</b>	<b>6 248</b>	<b>5 904</b>	<b>24 600</b>	<b>21 029</b>
Mountains & Leisure	2 649	2 328	15 327	14 437
Vysoké Tatry	2 100	1 833	7 411	6 240
Jasná Nízke Tatry	549	495	7 917	8 197
Aquapark	2 587	2 629	4 210	2 823
Tatralandia	2 587	2 629	4 210	2 823
Dining	795	826	3 398	2 573
Vysoké Tatry	204	198	1 201	820
Jasná Nízke Tatry	65	87	1 355	1 122
Tatralandia	526	540	843	630
Sports Services & Stores	217	121	1 664	1 197
Vysoké Tatry	112	91	595	382
Jasná Nízke Tatry	105	30	1 068	815
Tatralandia	NA	NA	NA	NA
<b>Hotels</b>	<b>2 046</b>	<b>2 198</b>	<b>8 957</b>	<b>8 246</b>
Vysoké Tatry	1 041	1 024	3 936	3 578
Jasná Nízke Tatry	518	719	3 869	4 131
Tatralandia	487	456	1 152	537
<b>Real Estate</b>	<b>40</b>	<b>19</b>	<b>155</b>	<b>118</b>
Real Estate Projects	0	0	0	0
Lease	40	19	155	118
<b>Total Revenues</b>	<b>8 334</b>	<b>8 121</b>	<b>33 711</b>	<b>29 393</b>

EBITDA in €'000	May 1 - July 31 3 Months		November 1 - July 31 9 Months	
	2011/2012	2010/2011	2011/2012	2010/2011
<b>Mountains &amp; Leisure</b>	<b>2 273</b>	<b>1 796</b>	<b>8 967</b>	<b>5 990</b>
Mountain Resorts	522	230	5 811	3 872
Vysoké Tatry	908	609	2 492	1 763
Jasná Nízke Tatry	-386	-379	3 319	2 109
Aquapark	1 480	1 340	1 883	1 237
Tatralandia	1 480	1 340	1 883	1 237
Dining	284	207	891	602
Vysoké Tatry	28	1	311	177
Jasná Nízke Tatry	-62	-34	209	158
Tatralandia	318	241	371	268
Sports Services & Stores	-13	19	382	279
Vysoké Tatry	-11	17	113	47
Jasná Nízke Tatry	-2	1	269	232
Tatralandia	NA	NA	NA	NA
<b>Hotels</b>	<b>150</b>	<b>266</b>	<b>1 287</b>	<b>1 418</b>
Vysoké Tatry	16	121	281	469
Jasná Nízke Tatry	-65	-41	789	802
Tatralandia	198	185	217	147
<b>Real Estate</b>	<b>28</b>	<b>2</b>	<b>101</b>	<b>57</b>
Real Estate Projects	0	0	0	0
Lease	28	2	101	57
<b>Total EBITDA</b>	<b>2 451</b>	<b>2 064</b>	<b>10 355</b>	<b>7 465</b>
<b>EBITDA Margin</b>	<b>29,4%</b>	<b>25,4%</b>	<b>30,7%</b>	<b>25,4%</b>

\* For a more true evaluation of operating profitability operating results are adjusted for 100 % of results of Grandhotel Starý Smokovec, owned by Interhouse Tatry, s.r.o., in which TMR owns a 50 % stake, which is as per IFRS accounted for by the equity method

## CONSOLIDATED INCOME STATEMENT

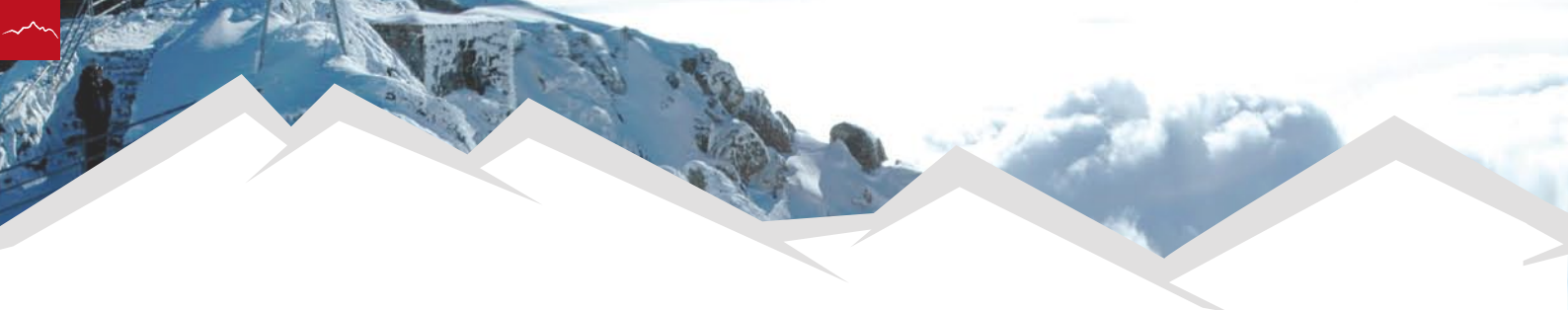
in €'000 (except for values per share)	May 1-July 31 3 Months		November 1 - July 31 9 Months		November 1 - October 31 12 Months
	2011/2012	2010/2011	2011/2012	2010/2011	2010/2011
<b>Revenues</b>	<b>8 025</b>	<b>7 767</b>	<b>32 573</b>	<b>28 684</b>	<b>38 758</b>
Cost of Sales	-986	-1 062	-5 031	-4 268	-5 397
<b>Gross Profit</b>	<b>7 039</b>	<b>6 705</b>	<b>27 542</b>	<b>24 416</b>	<b>33 361</b>
Personnel and Other Operating Expenses	-4 576	-4 698	-17 244	-16 600	-21 894
<b>EBITDA</b>	<b>2 463</b>	<b>2 007</b>	<b>10 298</b>	<b>7 816</b>	<b>12 219</b>
<i>EBITDA Margin</i>	<i>30,7%</i>	<i>25,8%</i>	<i>31,6%</i>	<i>27,2%</i>	<i>31,5%</i>
Depreciation and Amortization	-1 855	-2 029	-5 434	-5 860	-8 120
<b>EBIT</b>	<b>608</b>	<b>-22</b>	<b>4 864</b>	<b>1 956</b>	<b>1 599</b>
Interest Income/Expenses	393	1 795	2 389	6 120	5 332
Loss from associates	-47	-32	-98	-62	-1 703
<b>Income Before Tax</b>	<b>954</b>	<b>1 741</b>	<b>7 155</b>	<b>8 014</b>	<b>13 334</b>
Income Tax	13	17	-16	27	-4 307
<b>Net Income</b>	<b>967</b>	<b>1 758</b>	<b>7 139</b>	<b>8 041</b>	<b>9 027</b>
<i>Net Income Margin</i>	<i>12,0%</i>	<i>22,6%</i>	<i>21,9%</i>	<i>28,0%</i>	<i>23,3%</i>
Net Change in Fair Value of Financial Assets	-22	0	-33	2	150
<b>Comprehensive Net Income</b>	<b>945</b>	<b>1 758</b>	<b>7 106</b>	<b>8 043</b>	<b>9 177</b>
Attributable to:	0	0	0	0	0
Owners of the Company	945	1 758	7 106	8 043	9 177
Shares Outstanding	6 707	6 707	6 707	6 707	6 707
Earnings per Share (in €)	0,14	0,26	1,06	1,20	1,35
Dividend per Share					0,96



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in €'000	July 31		October 31
	2012	2011	2011
<b>Assets</b>			
<b>Non-current Assets</b>			
Goodwill and Intangible Assets	4 004	4 797	3 805
Property, Plant & Equipment	200 079	158 838	171 639
Investment Property	4 194	4 341	4 194
Trade Receivables	1 354	1 290	1 153
Granted Credit	8 054	7 737	7 674
Other Receivables	16 951	206	18 095
Investment in Associates	5 081	6 820	5 179
Deferred Tax Receivable	33	612	2 082
<b>Total Non-current Assets</b>	<b>239 750</b>	<b>184 641</b>	<b>213 821</b>
<b>Current Assets</b>			
Inventories	1 384	857	985
Trade Receivables	2 394	3 072	4 046
Granted Credit	172	76	236
Other Receivables	41 343	75 759	70 225
Securities Available for Sale	15 626	14 880	17 337
Cash and Cash Equivalents	6 410	6 575	6 391
Other Assets	3 715	15 569	1 626
Assets Held for Sale	1 554	0	458
<b>Total Current Assets</b>	<b>72 598</b>	<b>116 788</b>	<b>101 304</b>
<b>Total Assets</b>	<b>312 348</b>	<b>301 429</b>	<b>315 125</b>
<b>Equity</b>			
Share Capital	221 338	221 338	221 338
Share Premium	30 430	30 430	30 430
Retained Earnings and Other Funds	21 596	19 781	20 918
Non-controlling Interest	-	-	-
<b>Total Equity</b>	<b>273 364</b>	<b>271 549</b>	<b>272 686</b>
<b>Liabilities</b>			
<b>Non-current Liabilities</b>			
Credit and Loans	13 259	10 244	14 807
Trade Liabilities	22	0	13
Reserves	20	20	20
Other Non-current Liabilities	466	199	611
Deferred Tax Liability	11 871	9 223	13 962
<b>Total Non-current Liabilities</b>	<b>25 638</b>	<b>19 686</b>	<b>29 413</b>
<b>Current Liabilities</b>			
Credit and Loans	2 856	2 621	3 118
Trade Liabilities	6 733	2 866	4 915
Reserves	87	92	464
Tax Due Liability	-	19	1 121
Other Current Liabilities	3 670	4 596	3 408
<b>Total Current Liabilities</b>	<b>13 346</b>	<b>10 194</b>	<b>13 026</b>
<b>Total Liabilities</b>	<b>38 984</b>	<b>29 880</b>	<b>42 439</b>
<b>Total Equity and Liabilities</b>	<b>312 348</b>	<b>301 429</b>	<b>315 125</b>



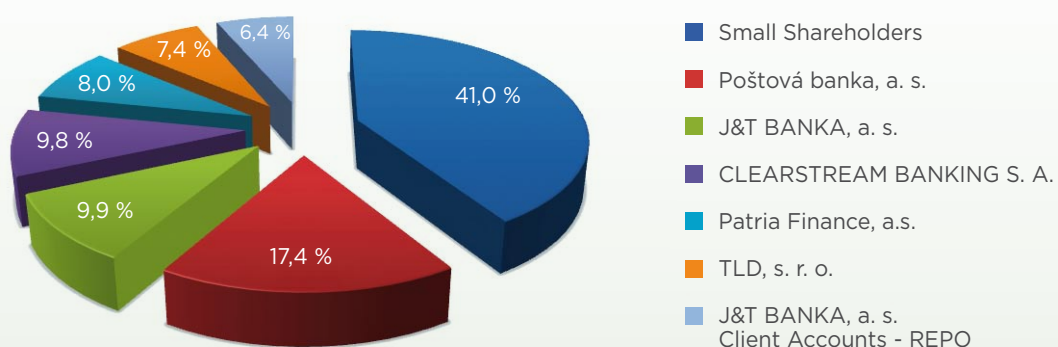


## TMR STOCK PERFORMANCE



## SHAREHOLDER STRUCTURE

Shareholder Structure as of July 9, 2012



This preliminary statement was produced for the release date of September 19, 2012.

September 19, 2012,

Bohuš Hlavatý, CEO of Tatry mountain resorts, a.s.





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