

# TATRY MOUNTAIN RESORTS, A.S.

## NINE-MONTH AND THIRD-QUARTER 2012/13 INTERIM REPORT

(PERIOD FROM 1-11-2012 TO 31-7-2013)

PRELIMINARY STATEMENT ON RESULTS OF THE SECOND HALF OF FISCAL YEAR 2012/13

### HIGHLIGHTS

- \* Total revenues of TMR for the first nine months of 2012/13 reached EUR 43.243 mil. (33.711), of which EUR 10.706 mil. (8.334) refer to 3Q
- \* Earnings before interest, taxes, depreciation and amortization (EBITDA) increased to EUR 14.661 mil. (10.355), of which EUR 2.521 mil. (2.451) refer to 3Q
- \* For the first nine months of 2012/13 TMR operated with an EBITDA margin of 33.9% (30.7), while the EBITDA margin for 3Q reached 23.6% (29.4)
- \* TMR mountain resorts were visited during the nine months of 2012/13 by 12.7% more visitors, 1.241 mil. in total, and Aquapark Tatralandia was visited by 403 ths. (404)

## COMMENTARY FROM CEO

The first nine months of the 2012/13 fiscal year were a success for TMR. A relatively strong and long winter season 2012/13 contributed to positive results and helped us confirm our position of the leader in Slovakia's mountain tourism. We mainly capitalized on completed investments into development of our resorts and hotels from previous years, while these investments transferred us to the next level of quality, comparable to alpine resorts. The project of interconnecting the north and south side of the Chopok Mountain in the Jasná Nízke Tatry with three new cableways was the key investment, which significantly increased the resort's capacity, attractiveness, and possibilities. The third quarter was traditionally a period of maintenance and realization of capital investments in the mountain resorts and hotels of TMR. Further we used to our benefit a stable visit rate in our resorts during the months of June and July and growing client spending in the resorts. For three quarters of 2012/13 we recorded a revenue growth of 28.3% and EBITDA growth of 41.6%. Out of that the third quarter revenues increased by 28.5% and EBITDA by 2.8%. Our mountain resorts were visited by 12.7% more visitors during the first nine months, and Tatralandia was visited by 7% more visitors. In sync with the trend of increasing client expenditures, our average revenues per visitor in the resorts increased by 31%. In the hotels we manage the average occupancy declined by 1.5 p.p., although the average daily rate per room increased by 19%, which had a positive impact on the results. We expect to finish the financial year 2012/13 positively, also in the last quarter, which includes a strong August that happened to be favorable for summer trekking and visits of aquaparks. We look forward to the next record-breaking winter season, during which we will be drawing on our successful attractions added last year, investments of prior years and of the current year, as well.

## PROFILE OF TMR

Tatry mountain resorts, a.s. (TMR) is a joint stock company with its headquarters in Liptovský Mikuláš, registered at the Bratislava Stock Exchange (BSSE), the Prague Stock Exchange (PSE), and the Warsaw Stock Exchange (WSE). It is the biggest entity in tourism in Slovakia. TMR's operations are divided into three key segments: Mountains & Aquapark, Hotels, and Real Estate. The Group owns and/or operates in the High Tatras: the Vysoké Tatry resort with the ski areas of Tatranská Lomnica and Starý Smokovec and the ski area of Štrbské Pleso in the High Tatras, which TMR co-manages. In the High Tatras the Group also owns and operates hotels: Grandhotel Praha Tatranská Lomnica\*\*\*\*, Grandhotel Starý Smokovec\*\*\*\* and leases Hotel FIS\*\*\*. In the Low Tatras TMR owns and operates Aquapark Tatralandia, which includes the lodging facility Holiday Village Tatralandia; the mountain resort Jasná Nízke Tatry; and hotels: Wellness hotel Grand Jasná\*\*\*\*, Tri Studničky Hotel\*\*\*\*, Hotel Srdiečko\*\*, and Chalets Jasná de Luxe\*\*\*\*. At the same time TMR owns and leases out Hotel Liptov\*\*, Hotel Slovakia\*\*\*, Hotel Ski & Fun\*\* and Kosodrevina Lodge. Since the winter season 2012/13 TMR leases and operates the Špindlerův Mlýn resort in the Czech Republic through its subsidiary Melida, a.s.

## REVENUES AND INCOME

### Nine-month Period 2012/13

For the 2012/13 nine-month period, which includes the whole winter season, a part of the summer season, and the period between the seasons, consolidated revenues increased by 28.3% to EUR 43.243 mil. (33.711). Double-digit percentage increases are observed in each segment and subsegment of TMR.

The core segment of Mountains & Leisure improved its revenues year-over-year to reach EUR 32.637 mil. (24.600), while the resort Jasná Nízke Tatry contributed to the increase the most. In total Mountain Resorts' revenues

improved by 27.75%, Aquapark's by 22.8%, Dining's by 62.3%, and revenues of Sports Stores & Services Tatry Motion rose by 43.3%. A notable revenue increase can be attributable to improvement in all the key performance indicators (KPIs). Mountain Resorts recorded a total of 1.241 mil. visitors<sup>1</sup> (1.101) and Aquapark's visit rate totaled 432 thousand (404). Average revenue per visitor in the resorts improved by 10.4% and in Dining this measure improved by 46%. In the branches of Tatry Motion the average revenue on a like-for-like basis improved by 17%<sup>2</sup>.

In the Hotels segment revenues for the observed period increased to EUR 10.409 mil. (8.957), while an increase was reported by eight out of nine managed hotels. The revenue growth is supported by increase in occupancy, on average by 1.5 p.p., and by a growth of average daily rate per room (ADR) of 19%.<sup>3</sup>

In Real Estate revenues continue to come solely from lease of lodging capacities to third parties with an insignificant impact on total results: revenues from the lease reached EUR 196.9 ths. (154.8).

The positive revenues were impacted by snow and weather conditions of the winter season in the mountain resorts. The start of the winter was slightly delayed due to a warm and dry November. The winter season in the Tatras began on December 8 and lasted till the end of April. Thanks to the extensive snowmaking on 65km of trails in the TMR resorts we were able to make up for the slower winter start. However, there was abundant amount of natural snowfall in the mountain resorts during the second half of the winter from February through April. Besides the fact that the mountain resorts capitalized on strong visit rate all through April, the spring break and Easter, which came a week later than last year, were also a success in terms of the number of visitors and outstanding skiing conditions.

Earnings before interest, tax, depreciation, and amortization (EBITDA) for the observed period improved by 41.6% to EUR 14.661 mil. (10.354) with operating profitability (EBITDA margin) of 33.9% (30.7). We observed improvement in EBITDA in each segment and subsegment with the greatest change in Mountain Resorts (+EUR 2.265 mil.), especially in the Jasná Nízke Tatry resort. From the core segments Aquapark recorded the highest operating profitability with 44.7% (44.7). Cost of sales increased by 35.7% and personnel and operating expenses went up by 27.1% due to the launch of new cableways, expansion of snowmaking, opening of new après skis operations and due to the launch of Tropical Paradise in Aquapark Tatralandia.

### Third Quarter 2012/13

Total revenues for the last three-month period, which includes the months of May, June, and July, increased by 28.5% to EUR 10.706 mil. (8.333).

The core segment of Mountains & Leisure improved its revenues by 30.6% to EUR 8.157 mil. (6.248), with the largest absolute increase in Mountain Resorts (+EUR 973 ths.) and the greatest percentage growth in ancillary services: Dining (+68.7%) and Sports Services & Stores (46.7%). The revenue growth can be attributed mainly to growing average revenues per customer, which in the TMR resorts increased by 31%, in Jasná Nízke Tatry even by 72.6%; in

<sup>1</sup> The visit rate in Mountain Resorts in the winter season is measured in terms of sold skier days, i.e. the number of persons that visited a mountain resort during any part of the day or night for skiing, snowboarding, or other kind of downhill ride. E.g., a 4-day ski pass sold means four skier days.

<sup>2</sup> During the period of 9M 2012/13 branches of the subsegment of Sports Services & Stores were added in Tatralandia, whereas during 9M 2011/12 these were insignificant and so were not reported separately.

<sup>3</sup> For comparison like-for-like the Hotels segment's results include Hotel Slovakia, although it has been rented to a third party since June 1, 2013.

Dining they went up +73.9%; and in Sports Services & Stores +5.7%. These growing visitor expenditures reflect the trend of migration to a more affluent clientele and the trend of growing demand for ancillary services also in the summer season. The visit rate of TMR resorts in the third quarter 2012/13 remained roughly on the level of previous year – 484.2 thousand (499) with a slight decrease of 3%. 222 thousand visitors came to Vysoké Tatry, 39.5 thousand to Jasná, and 222.7 thousand to Aquapark Tatralandia.

In the second core segment – Hotels – revenues grew to EUR 2.517 mil. (2.046), whilst hotels in the High Tatras improved, as well as hotels in the Low Tatras. The average weighted occupancy of the portfolio fell to 45.2% (52.4), although the average daily rate per room (ADR) increased to EUR 41.66 (34.31)<sup>4</sup>. The ongoing renovation of the Hotel Srdiečko in Jasná limited its operation and capacity in the observed period.

EBITDA was recorded in the amount of EUR 2.521 mil. (2.451).

## INVESTMENTS

In the third quarter the Company continued in the CAPEX plan for the year with the budget of EUR 45 mil. The Company commenced work on the key investment – replacement of the cableway Štart – Skalnaté pleso in the Vysoké Tatry resort, Tatranská Lomnica for a 15-seat gondola. Dining options at Skalnaté pleso will be expanded by the end of the year. In Jasná ski trails are being enhanced, and a 6-seat cableway with a new ski trail is being built in the ski area Lúčky. Shielding of new cableway stations at the Chopok Mountain is also nearly finished. At the exit station of the Funitel cableway at Chopok the renovation of the iconic view-top Rotunda restaurant is underway. Construction of a new conference hall adjacent to Wellness Hotel Grand Jasná with a capacity of 350 people has been completed as of the date of this report. Construction of six apartments Chalets Záhradky de Luxe is ongoing as well. In Hotel Srdiečko in the resort of Jasná Nízke Tatry renovation works are underway on the lobby, lobby bar, and the wellness space. All the ongoing investment projects are planned to be completed by the beginning of the winter season 2013/14.

## SIGNIFICANT EVENTS

On August 22, 2013 the Board of Directors of TMR convened an Extraordinary General Meeting (EGM), where shareholders adopted the Board's proposal to decrease share capital by EUR 174.4 mil. to EUR 46.95 mil., which means a decrease of the nominal value per share by EUR 26 to EUR 7 with the record date of the share capital decrease in the Commercial Register being October 22, 2013. During the EGM the shareholders also approved a shareholder proposal to issue bonds in the amount of EUR 110 mil.

## OUTLOOK TILL END OF 2012/13

The last quarter of the financial year – the period from August 1 to October 31 includes the last summer break month of August, which this year was strong in terms of visitation of the mountain resorts and occupancy of TMR's hotels. The relatively favorable summer weather was good for hiking and visits of water parks, such as Tatralandia, since there was only rainy day in August in the High Tatras, Jasná, or Tatralandia.

Performance of the resort in Špindlerův Mlýn, the Czech Republic, which is co-managed by TMR, has so far not been consolidated into the Group's results, and its impact on the Group's performance will be visible in the future.

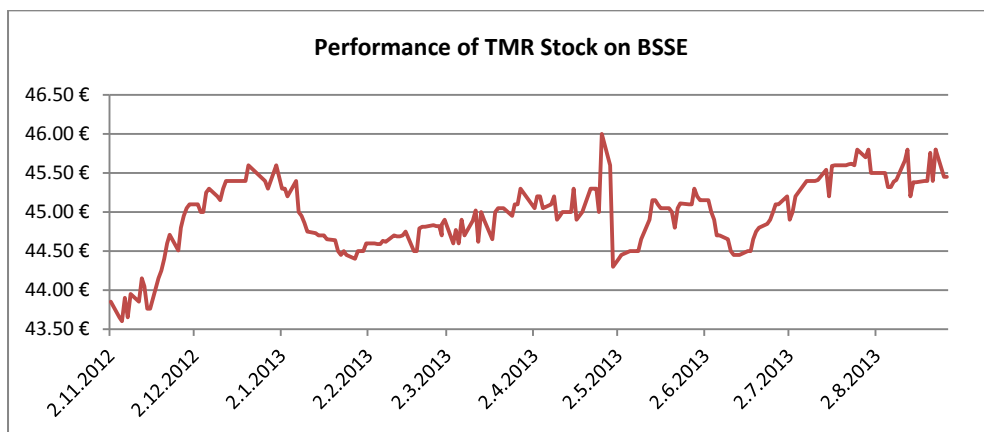
<sup>4</sup> For comparison like-for-like the Hotels segment's results include Hotel Slovakia, although it has been rented to a third party since June 1, 2013.

## OUTLOOK FOR THE WINTER SEASON 2013/14

Management expects that the winter season 2013/14 will be strong again in terms of ski pass sale and sale of entries to the aquapark. TMR intends to continue to capitalize on the completed investments of prior years as well of the current year – investments aimed at TMR mountain resorts, aquapark, and the portfolio hotels. The following season will be the second one for TMR in operating the interconnected north and south side of Mt. Chopok in the Jasná Nízke Tatry resort. Thanks to a strong marketing support and thanks to TMR's loyal clients management expects that the season in Jasná will be even stronger. On the other hand, in Vysoké Tatry management expects that the new cableway Štart – Skalnaté pleso in the ski area of Tatranská Lomnica as well as the new enhanced and expanded ski trails will attract a great number of visitors. New additions of the last year in Aquapark Tatralandia, such as Tropical Paradise, will again be a revenue driver in the winter season.

Key Results by Segments in €'000	Revenues				EBITDA			
	3Q 2012/13	3Q 2011/12*	9M 2012/13	9M 2011/12*	3Q 2012/13	3Q 2011/12*	9M 2012/13	9M 2011/12*
<b>Mountains &amp; Leisure</b>	<b>8.157</b>	<b>6.248</b>	<b>32.637</b>	<b>24.600</b>	<b>2.409</b>	<b>2.273</b>	<b>12.785</b>	<b>8.967</b>
Mountain Resorts	3.622	2.649	19.567	15.327	488	522	8.076	5.811
Aquapark	2.875	2.587	5.171	4.210	1.597	1.480	2.312	1.883
Dining	1.342	795	5.514	3.398	348	284	1.761	891
Sports Services & Stores	318	217	2.384	1.664	-24	-13	636	382
<b>Hotels</b>	<b>2.517</b>	<b>2.046</b>	<b>10.409</b>	<b>8.957</b>	<b>88</b>	<b>150</b>	<b>1.729</b>	<b>1.287</b>
<b>Real Estate</b>	<b>32</b>	<b>40</b>	<b>197</b>	<b>155</b>	<b>24</b>	<b>28</b>	<b>147</b>	<b>101</b>
<b>Total</b>	<b>10.706</b>	<b>8.334</b>	<b>43.243</b>	<b>33.711</b>	<b>2.521</b>	<b>2.451</b>	<b>14.661</b>	<b>10.355</b>

\* The 2011/12 results are adjusted for 100% results of Grandhotel Starý Smokovec, owned during the given period by Interhouse Tatry, s.r.o., in which TMR held 50% in the given period. This share was reported according to IFRS using the equity method.



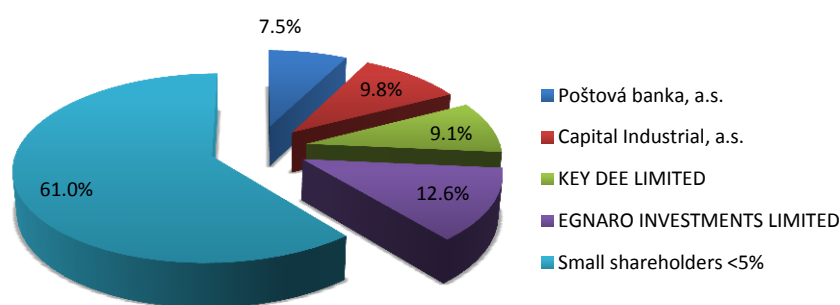
Closing price	BSSE (EUR)	WSE (PLN)	PSE (CZK)
31-07-2013	45,50	199	1240
31-07-2012	43,41	NA	NA
15-10-2012 <sup>5</sup>		179	NA
22-10-2012 <sup>6</sup>			1085

<sup>5</sup> The beginning of trading with TMR shares on the main market of WSE – the Warsaw Stock Exchange

<sup>6</sup> The beginning of trading with TMR shares on the main market of PSE – the Prague Stock Exchange



Shareholder Structure as of 13-9-2013



This interim report was prepared as of 13-09-2013 and published on the Company website [www.tmr.sk](http://www.tmr.sk).

13-09-2013

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

**Used abbreviations and explanations**

3Q – Third quarter of the financial year of TMR, the period from May 1 to July 31

9M – the period of three quarters of the financial year of TMR, the period from November 1 to July 31

ADR – Average daily rate

BSSE – the Bratislava Stock Exchange

EBITDA – Earnings before interest, taxes, depreciation and amortization; the key financial performance indicator of TMR

FY – Financial year of TMR, the period from November 1 to October 31

KPIs – Key performance indicators. In Mountains & Leisure KPIs include: visit rate and average revenue per visitor for the given period. In Hotels they include: occupancy and average daily rate per room (ADR).

Skier days – the measure of visit rate in the mountain resorts of TMR in the winter season, counting the number of persons that visited a mountain resort during any part of the day or night for skiing, snowboarding, or other kind of downhill ride. E.g., a 4-day ski pass sold means four skier days.

p.p. – percentage points

PSE – the Prague Stock Exchange

WSE – the Warsaw Stock Exchange

