

## **Re. Item 3 of the Annual General Meeting agenda**

**Tatry mountain resorts, a.s.**

### **Company's Board of Directors' business performance review, report on the Company's assets and financial position as of 31/10/2023, business plan and financial budget**

Dear shareholders,

we have completed a successful and challenging year. We faced not only economic challenges in the form of rising consumer prices for goods and services, labor cost increases, and increase in interest rate, but also the impact of unpredictable weather that affected the winter season in locations outside of Slovakia. Despite these mentioned negative external influences, we achieved record numbers that reflect not only our resilience to challenges but also our ability to react quickly and effectively to changing circumstances. We effectively utilized our long-term expertise in price management through dynamic pricing, introducing new products, leveraging synergies within our resorts, and utilizing the Gopass program. As a result, consolidated revenues increased by 43% to EUR 188.4 million, and the Group's operating profit before depreciation, interest, and taxes (EBITDA) reached EUR 59.4 million, a 76% increase compared to the previous fiscal year. After accounting for higher operating costs, interest expenses, depreciation, impairment of fixed assets, and tax expenses, we reported a net consolidated loss of EUR 0.5 million. Despite this loss, we managed to maintain the group's cash flow at a stable level, with timely fulfillment of all obligations to our creditors and partners.

The winter season was successful in our mountain resorts in Slovakia, with higher altitude and a quality artificial snow system being a key factor. We have introduced a new cable car, Biela Púť-Priehyba, which significantly improved transportation connectivity in Jasna and enhanced the product quality for both skiers and pedestrians. Despite challenging years affected by the pandemic, we experienced increase in number of visitors, especially from foreign clients from Poland, Hungary, Romania, and Baltic countries in Jasna and High Tatras. The use of dynamic pricing tools, actively managed, enabled us to achieve growth in average customer spending in all our resorts and main segments. Our resorts in Poland, Czech Republic, and Austria in the winter season did not reach the overall expected revenue and visit rate, mainly due to unfavorable weather during the main part of the winter season.

Our water parks in Bešeňová and Tatrallandia experienced a successful not only winter but also summer season, setting a record attendance of over 1.3 million visitors, representing an increase of over 47% compared to the previous fiscal year. Although the Legendia amusement park saw 13% fewer guests compared to the previous year, the overall attendance in the amusement park segment, including water parks, increased by almost 26%.

Hotels in the TMR portfolio had a significant impact on results with a 48.4% growth in revenues. A novelty of the past season was stays in TMR hotels with ski passes and aquaparks included in the room rates, resulting in an increase in the average room rate and higher hotel occupancy. This innovation represents a product innovation welcomed by our customers, providing them with additional benefits and a better customer experience.

Throughout the year, we traditionally organized our popular events. The most visited Tatra attraction was again the Tatra Ice Dome in Hrebienok, resembling a unique sacred building – the Basilica of the Holy Sepulcher in Jerusalem. In addition to various events, we prepared many novelties and advantageous offers for our customers,

delivered through our Gopass customer program and updated Gopass mobile application, which brought new functionalities and an improved customer experience.

Last year, we invested EUR 22.7 million, primarily directed towards Slovak resorts, including the construction project of the Centrum Jasná hotel complex. Other significant investments included the completion and operation of the Biela Pút-Priehyba cable car, the reconstruction of wellness facilities in Grandhotel Starý Smokovec, and the refurbishment of apartments in Bešeňová. Investments also went into our foreign resorts in Poland, Czech Republic, and Austria.

We are aware of our position and role in sustainable business practices. We are developing and implementing processes in the ESG (Environmental, Social, Governance) initiatives and regulations. The goal is to create a management system, set goals, and implement investments with an emphasis on achieving sustainability.

In the coming period, we aim to continue improving the quality of services provided at our resorts and strengthen their competitiveness with product innovations. We will also focus on strategic investments to maintain an adequate length of the winter season, the quality of the main skiing product, and mitigate the impacts of changing weather conditions. We want to continue digitizing and innovating a significant part of our business. A significant upcoming project is the Gopass Property Fund, aiming to enable investments in premium properties managed and utilized by the TMR Group, which is a prerequisite for an attractive portfolio investment and interesting yield.

### **Financial performance review of the year**

- The total consolidated revenues increased by 42.6% to EUR 188.379 million (132.119).
- The consolidated operating profit before interest, tax, depreciation and amortisation (EBITDA) reached EUR 59.366 million EUR (33.696).
- The Group operated with the EBITDA margin of 31.5% (25.5).
- The net consolidated loss of the Group amounted to EUR -0.548 million (-11.947).
- The net consolidated loss per share amounted to EUR -0.074 (-1.694).
- The number of visitors to Mountain Resorts increased to 2.928 million (2.660); Leisure parks recorded 1.880 million (1.416) of visitors.

## **STRATEGY**

### **Vision**

Due to the unique position of the Tatras and strategic acquisitions in the region, we aim 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, 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 can 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.
- To the east of the Tatras there are ski resorts with only limited comparable services.
- The high altitude and investments in infrastructure provides a competitive advantage for TMR, comparing to other resorts in the region, since it significantly mitigates the risk of unfavorable weather because of global warming.
- The Group can capitalize on intra-segmental and inter-company synergies in sales, purchase, operations, and support areas of the Group.
- TMR has years of experiences and know-how in operation of mountain resorts, leisure parks, and ancillary tourist services, as well as in building capital-intensive infrastructure.
- TMR's business model is well diversified with revenue generation from mountain resorts, leisure parks, hotels, and complementary services.
- The size of the Group and its years of experiences and success enables an easier access to capital
- TMR mitigates the risk of seasonality with its summer season comparably strong to its winter season thanks to its summer cableway operations and summer activities, popularity of hotels in the mountain resorts, the summer operation of Silesian Amusement Park, and the all-year operation of water parks Tatrlandia, Bešeňová.

## **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 2023, for the last 17 years TMR had invested in its resorts and hotels over EUR 466 million. As a result of these investments, the services provided by TMR in the High and Low Tatras, in Polish Szczyrk, Legendia and in Czech resorts improved significantly. TMR's resorts thus reached the level of alpine resorts and increased their leading position in the region.

CAPEX of approximately EUR 23 million in 2022/23 includes among other things investments in the construction of the Biela Púť cableway in Jasná and continuation of construction works at Centrum Jasná development project. The investments also include the reconstruction of the wellness facility at Grandhotel Starý Smokovec, the refurbishment of apartments in the water park Bešeňová, improvements to the IT infrastructure, as well as the reconstruction of the water slide tower at Tatralandia. In the Szczyrk mountain resort, investments were made in the development of the bike park, the improvement of slope grooming machinery, the reconstruction of the cable car facility, and operational investments were carried out in Legendia. In Ještěd, the Group invested in the "Nová Skalka" project, while at the Kaskáda and Ostravice golf resorts, the Group focused on various operational investments. In Austrian resorts Mölltaler and Ankogel, investments were made in cable cars and ski slope expansions, and in Muttereralp, a new access system was implemented.

In the coming periods, the Group plans to grow organically in its resorts and capitalize on completed investments. Future capital investments in the resorts will mainly cover maintenance and infrastructure, improvements in the hotel segment, and the automation of customer service processes. The Group also intends to continue with planned real estate projects in Slovak resorts.

Investments will also be required for the recently acquired Austrian resorts, which the Group plans for in the coming years. New ski slopes, cable cars, and strengthening of accommodation infrastructure are in the preparation process for almost every resort, although many of them face lengthy processes in terms of permits and exemptions.

The Group is also focusing on investments in the digitization and automation of customer processes through its GOPASS program. The goal is to develop and enhance the GOPASS program, which is based on customer. Through investments in digital processes such as e-commerce, online marketing and communication, a digital customer application, and the automation of customer service processes, the Group aims to improve the quality and service for its customers and create a loyalty system.

The Group focuses on customer engagement and monetization by achieving a high-quality product and dynamic pricing. The Group has developed expertise in managing the prices of its key products (ski passes, hotel stays) and has thereby established a system of dynamic pricing that responds to demand and creditworthiness based on seasonality. This competence creates opportunities to increase efficiency and profitability by leveraging the potential in price determination.

## ***Pillar 2: Strategic acquisitions and expansion***

Following the acquisition of three Austrian resorts in the last couple of years, in the medium term, TMR will focus primarily on completing and strengthening existing resorts, where it will have ample opportunities to grow, improve services and improve TMR's results. Strategic expansion of the operations on the neighboring Czech market includes a direct minority interest in Melida a.s., the operator of the Špindlerův Mlýn resort, which is included in the GOPASS loyalty program. In November of 2017 TMR made an agreement with the Czech town of Liberec for TMR to rent and operate the ski resort Ještěd. TMR plans to develop the potential of this unique city ski resort via future investments. TMR also expanded its business activities in Czech by entering a new segment – golf. Since November 2018 TMR has been renting Golf & Ski Resort Ostravice and in January 2018 it started managing Kaskáda Golf Resort Brno. The Ostravice

contract has been signed for 20 years and the Kaskáda contract, based on which TMR is managing the resort's hotel, restaurant, and a congress center, has been signed for 20 years. TMR also plans to further expand its business activities in utilization of accommodation capacities for third parties, namely of new hotel in Bešeňová and Centrum Jasná.

### ***Pillar 3: Constant operation & service enhancement***

The intensive growth in the number of visitors in the years before the outbreak of the COVID-19 pandemic, had been the result of an intensive customer orientation. Even in the years to come, management wants to achieve intensive growth of the number of visitors primarily by intensive pro-customer approach. Strategic steps to achieve this goal in the recent years included increasing the variety and quality of the services provided. TMR expanded the scale of attractions offered and improved the quality of ski schools, ski equipment rentals, and dining facilities on slopes.

Moreover, it continuously improves the offer of après ski possibilities. The Group also tries to optimize transport possibilities to its resorts and cooperates with local business entities on the level of regional clusters. TMR prefers to cooperate rather than compete with them; it wants to build on their success and provide their customers easy access to its nearby mountain resorts and leisure parks and a variety of attractions for children, adrenalin sports for the young (e.g. bike parks), and relaxation zones.

Regarding accommodation possibilities, TMR focuses primarily on four-star hotels and improvement of their wellness and dining services. Other strategic steps include focus on affluent clientele, essential quality of management and staff, and a sophisticated marketing strategy. A novelty is the creation of a resort "All Inclusive" package for accommodated guests. It's including ski passes and aqua passes in the accommodation price for every single day of stay. This offer creates a comprehensive product for the customer, increasing the synergy effect between the hotel and the resort, not only within mountain resorts but also between mountain resorts and water parks. This offer establishes a unique position with customers and simultaneously serves as a competitive advantage in the market. It also increases the complexity of pricing for hotels and ski passes/water park passes, presenting an opportunity to improve profitability. The Group gained experience in dynamic price management through the Gopass program in this area. By implementing this new business strategy, the Group achieved an increase in average prices, improved hotel occupancy, and enhanced the perceived value of its products from a customer perspective.

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. Dynamic price management is also a fundamental part of the GOPASS program, contributing to revenue growth in combination with other features and the creation of new products.

Within this pillar, TMR fully utilizes synergic effects among its segments, thus it can 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. Linking this strategy with hotels has contributed to the creation of the „All-Inclusive,, offer for hotels.

CAPEX	ACQUISITIONS	QUALITY
<ul style="list-style-type: none"> <li>•Over EUR 466 million over 17 years</li> <li>•New modern cableways and infrastructure</li> <li>•Renovated hotels</li> <li>•Larger, modernized resorts</li> <li>•Investment apartments</li> </ul>	<ul style="list-style-type: none"> <li>•Aquapark Tatralandia</li> <li>•Špindlerův Mlýn, CR (25%)</li> <li>•Szczyrk Mountain resort, PL</li> <li>•Legendia - Silesian Amusement Park Legendia ,PL</li> <li>•Mölltaler Gletscher, AT</li> <li>•Ankogel Mallnitz, AT</li> <li>•Muttereralm, Innsbruck, AT</li> <li>•Lease of the Ještěd Ski Resort, CR</li> <li>•Water park Bešeňová</li> <li>•Commercial and marketing cooperations</li> <li>•Management of resorts for third parties</li> </ul>	<ul style="list-style-type: none"> <li>•Better experiences for visitors as a result of synergies</li> <li>•Trendsetter in tourism in the region</li> <li>•GOPASS loyalty program</li> <li>•Innovations</li> <li>•Flexi prices</li> </ul>

**Financial budget:**

The Company plans to reach the following consolidated financial results as of 31<sup>st</sup> October 2024:

Total planned operating revenues:	EUR 209,000 thousand
Planned operating EBITDA indicator:	EUR 61,500 thousand