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Translation of the Auditors' Report originally prepared in Slovak language

Independent Auditors' Report

To the Shareholders, Supervisory Board and Board of Directors of Tatry mountain resorts, a.s.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Tatry mountain resorts, a.s. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 October 2020, consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 October 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section. We are independent of the Group in accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit") including the Code of Ethics for an Auditor that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Going concern considerations related to COVID-19

As at 31 October 2020, the Group's current liabilities exceeded its current assets by EUR 160,465 thousand and it recognized loss in amount of EUR 20,513 thousand for the year then ended.

Refer to Notes 2b) (Basis for preparation) of the consolidated financial statements.

Key audit matter:	Our response:
<p>The Group's consolidated financial statements are prepared on a going concern basis.</p> <p>As discussed in Note 2b), the outbreak of the COVID-19 pandemic and the measures adopted by the government of countries in which the Group operates to mitigate the pandemic's spread have significantly impacted the Group. These measures have negatively impacted the Group's financial performance for the year and also its liquidity position. Also, significant uncertainty remains over how the outbreak will impact the Group's business in future periods and customer demand for its services.</p> <p>The Group's going concern assessment was based on cash flow forecasts, which in the management's view support the assertion that the Group will have sufficient resources to continue for a period of at least 12 months from the reporting date. The preparation of these forecasts incorporated a number of assumptions and significant judgment under a number of scenarios, including those considered by the management to be severe but plausible, such as duration of government COVID-19 measures and access to additional financing. As part of the assessment, the Group also considered a number of actions aimed at alleviating the potential disruption to its business and liquidity position, such access to additional financing and deferment of capital expenditure.</p>	<p>Our audit procedures in the area included, among others:</p> <ul style="list-style-type: none">• Understanding the Group's business planning process over the assessment of the Group's ability to continue as a going concern;• Inspecting the management's assessment of the going concern basis of accounting, including their evaluation of the business/operating and liquidity risks arising from the COVID-19 outbreak, and plans for further actions in response to the risks identified. As part of the procedure we also made corroborating inquiries of the Group's CFO;• Independently evaluating the reasonableness and feasibility of the plans for future actions in order to alleviate the effects of the outbreak, by reference to the preceding procedure as well as by performing the following:<ul style="list-style-type: none">- Challenging the key assumptions used in the determination of the forecast financial information under various scenarios. This primarily included challenging the assumed lockdown period, forecast sales and capital expenditure, based on our understanding of the Group's activities and by reference to publicly available industry/market reports;



The management concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Note 2b) further explains how the judgment was formed.

The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of the consolidated financial statements its effects are subject to significant levels of uncertainty. The Group's use of the going concern basis of accounting is a key audit matter due to the associated extent of uncertainty, and consequently, high level of judgment required in evaluating the management's plans for future actions and their financial impact.

- Performing an analysis of the going concern conclusion's sensitivity to changes in the aforementioned key assumptions adopted in the going concern assessment, and considering whether there were any indicators of management bias in the assessment;
- Assessing the availability of banking and other financing facilities and arrangements, by inspecting underlying documentation, such as banking facility agreements signed and prospectus approved by regulators related to issue of bonds before and after the reporting period end, and assessing the impact of any covenants and other restrictive terms therein;
- Considering whether any additional relevant facts or information have become available since the date on which the Group made its assessment;
- Evaluating the appropriateness of Group's disclosures in respect of the going concern assessment, subsequent events and any related uncertainties in the consolidated financial statements against the requirements of the financial reporting standards.



Impact of adopting International Financial Reporting Standard (IFRS) 16 Leases

As at 31 October 2020, the Group had recognized right of use assets in amount of EUR 69,310 thousand and lease liabilities in amount of EUR 62,688 thousand.

Refer to Notes 2e), 2f) and 2g) (Summary of significant accounting policies) and Note 16 (Right of use assets) and Note 29 (Lease liabilities) of the consolidated financial statements.

Key audit matter:

The Group adopted IFRS 16 Leases from 1 November 2019. The standard introduces a new lease accounting model, where lessees are required to recognize a right-of-use (ROU) asset and a lease liability arising from a lease in their statement of financial position.

As discussed in Note 2e) of the consolidated financial statements, the Group applied IFRS 16 initially using the modified retrospective approach. Therefore, the cumulative effects of adopting the Standard have been recognized as an adjustment to the opening balance of retained earnings at 1 November 2019, with no restatement of comparative information, and with certain exemptions and practical expedients applied (such as those in respect of: (i) short-term and low-value leases and (ii) applying a single discount rate to a portfolio of leases with similar characteristics). As also indicated in Note 2e), the Group chose not to apply IFRS 16 to contracts previously identified as not containing leases in accordance with the legacy lease standards and interpretations.

As a result, as at 1 November 2019, the Group recognized ROU asset of EUR 60,185 thousand and lease liabilities of EUR 52,900.

Our response:

Our audit procedures in the area included, among other things, the following:

At transition date and for subsequent accounting:

- Through inquiries of relevant finance personnel and reading of the Group's internally prepared accounting memoranda and policies, obtaining an understanding of the Group's process for identifying leases and evaluating design and implementation of key related controls.
- Assessing whether leases have been appropriately identified by the Group, by reference to our audit documentation for prior year, through inquiries of relevant finance personnel and by inspecting relevant documentation. The procedure also involved examining the operating expenses, prepayments or accruals and evaluating whether they might be representative of a payment for the right to use of the identified asset.
- For the recognition exemptions and practical expedients applied, assessing, as appropriate and by reference to the relevant documents (including underlying lease contracts), that the Standard's conditions and requirements for the application of the exemptions and practical expedients were met.



Significant judgement is required in identifying lease arrangements and in making assumptions and estimates in order to determine the ROU asset and the lease liability, in particular in relation to the assessment of the lease term, lease payments and discount rates, or characteristics of leases accounted for on a portfolio basis. Evaluating lease modifications introduces another element of complexity in the accounting for leases under the new Standard.

Due to the above factors, accounting for leases, including the transition adjustments arising from applying IFRS 16, is inherently complex, and requires management to exercise significant judgment regarding material amounts in the consolidated financial statements. It therefore required our increased attention in the audit and as such was considered by us to be a key audit matter.

- Identifying leases for which a portfolio approach has been applied. For selected portfolios, challenging the appropriateness of applying the portfolio approach through (i) inquires of relevant finance personnel, (ii) inspecting the Group's qualitative assessment and examining whether the leases have similar characteristics.
- Obtaining the Group's transition-date measurement of the ROU asset and lease liabilities as well as detailed schedules reconciling these opening amounts to the closing amounts at the year-end ("roll-forward schedules").
- Selecting a sample of leases at transition date and a sample of new lease contracts entered into during the year, assessing key terms and conditions (including lease term, lease payments (fixed and variable), any obligation to dismantle and restore leased asset) by reference to the underlying lease contracts, and also challenging the calculation of the discount rates applied.

For the leases selected in the preceding procedure, by reference to the contract terms and discount rates assessed in the preceding procedure:

- Developing an estimate of the lease liability to evaluate the Group's estimate, and examining whether the estimates are consistent with the Group's estimate;
- Re-performing the determination of the cost of the ROU asset, including, where relevant, examining whether the initial measurement of the lease liability used in the calculation of the ROU asset agrees to the lease liability recorded at lease commencement and tracing prepaid lease payments, lease incentives and initial direct costs to relevant documentation;



- Inquiring of relevant finance personnel as to the reasons for any inconsistencies with the Group's estimates.

For leases which required remeasurement of the related liability during the year:

- Making inquiries of relevant finance personnel regarding presence of conditions requiring reassessment of lease liabilities and evaluating whether the triggering events were identified in the correct period.
 - Inspecting board minutes and correspondence with lessors for evidence of adjustments.
 - Assessing whether re-measurement should have been recorded related to the new triggering events and if so, developing an independent estimate of the remeasured lease liability and, where applicable, the ROU asset, reflecting the revised lease terms.
- Challenging the appropriateness of the Group's assessment of the ROU assets for impairment, with particular attention paid to the identification of impairment indicators, grouping within appropriate cash-generating units and determination of the discount rates.
 - Examining whether the Group's disclosures in the consolidated financial statements, as the lessee, appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.



Impairment of property, plant and equipment and intangible assets

Carrying amount of property, plant and equipment and intangible assets as at 31 October 2020: EUR 399,078 thousand (31 October 2019: EUR 423,405); Impairment allowance of assets as at 31 October 2020: EUR 10,881 thousand (31 October 2019: EUR 3,865 thousand)

Refer to Notes 2o) and 2p) (Summary of significant accounting policies), Note 3d) (Assets impairment testing), Note 15 (Property, plant and equipment) and Note 17 (Goodwill and intangible assets) of the consolidated financial statements.

Key audit matter:

As described in Note 3d) of the consolidated financial statements, in the current year, the Group identified impairment indicators in respect of its property, plant and equipment and intangible assets, including ones related to business disruption and loss incurred during the year as a result of the COVID-19 pandemic.

In the wake of the above factors, as at 31 October 2020, the Group tested property, plant and equipment and intangible assets for impairment, as part of the impairment test performed for the cash generating unit („CGU”) polish ski resort Szczyrk of daughter company Szczyrkowski Ośrodek Narciarski S.A. and CGU amusement park Legandia of daughter company Śląskie Wesołe Miasteczko Sp. z o. o. The Group determined recoverable amount for both above mentioned CGU's based on its value in use estimated under the discounted cash flow method.

Our response:

Our audit procedures in the area included, among others:

- Evaluating against the requirements of the relevant financial reporting standards the Group's accounting policy for identification of impairment, and measurement and recognition of any impairment losses in respect of property, plant and equipment and intangible assets;
- Assessing internal controls relating to the identification of impairment indicators and to the process of impairment testing;
- Evaluating the quality of the Group's forecasting by comparing historical projections with actual outcomes;
- Assessing the appropriateness of asset grouping into CGUs, based on our understanding of the Group's operations and business units;
- Inquiring of the management of the Group regarding the impact of the COVID-19 pandemic and of related government response programs on the Group and its results in the current year and going forward.



Determination of the recoverable amount requires making a number of assumptions and judgments, in particular those relating to grouping of assets into CGUs, discount rates used and future cash flows, with key assumptions made about prices for services provided, costs, and expected levels of sales, output and operating costs.

Due to the above factors, coupled with the significantly higher estimation uncertainty stemming from the business disruption impact of the COVID-19 global pandemic, assessment of property, plant and equipment and intangible assets for impairment required our significant judgment and increased attention in the course of our audit. As a consequence, we consider the area to be our key audit matter.

- Assisted by our own valuation specialists, challenging the reasonableness of the Group's key assumptions and judgments used in estimating the recoverable amount, including:
 - Assessing the Group's discounted cash flow model against the relevant financial reporting standards and market practice,
 - Challenging reasonableness of the key macroeconomic assumptions used, such as those in respect of discount rates by reference to publicly available external sources, and
 - Using our knowledge of the Group, its past performance, business, and our industry experience, and also our understanding of the effects of the COVID-19 pandemic, assessing reasonableness of the assumptions relating to future prices of services provided, as well as those in respect of expected sales, output and operating costs, by reference to publicly available reports, market reports and the Group's internal documents;
- Assessing susceptibility of the impairment model and the resulting impairment conclusion to management bias, by challenging the Group's analysis of the model's sensitivity to changes in key underlying assumptions;
- Evaluating the appropriateness and completeness of impairment-related disclosures in the consolidated financial statements against the requirements of the financial reporting standards.



Responsibilities of the Statutory Body and Those Charged with Governance for the Consolidated Financial Statements

The statutory body is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the statutory body is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body..



- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

Reporting on other information in the Consolidated Annual Report

The statutory body is responsible for the other information. The other information comprises the information included in the Consolidated Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended (“the Act on Accounting”) but does not include the consolidated financial statements and our auditors’ report thereon. Our opinion on the consolidated financial statements does not cover the other information in the Consolidated Annual Report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the Consolidated Annual Report that we have obtained prior to the date of the auditors’ report on the audit of the consolidated financial statements, and, in doing so, consider whether the other information is materially inconsistent with the audited consolidated financial statements or our knowledge obtained in the audit of the consolidated financial statements, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With respect to the Consolidated Annual Report, we are required by the Act on Accounting to express an opinion on whether the other information given in the Consolidated Annual Report is consistent with the consolidated financial statements prepared for the same financial year, and whether it contains information required by the Act on Accounting.

Based on the work undertaken in the course of the audit of the consolidated financial statements, in our opinion, in all material respects:

- the other information given in the Consolidated Annual Report for the year ended 31 October 2020 is consistent with the consolidated financial statements prepared for the same financial year; and
- the Consolidated Annual Report contains information required by the Act on Accounting.

In addition to this, in light of the knowledge of the Group and its environment obtained in the course of the audit of the consolidated financial statements, we are required by the Act on Accounting to report if we have identified material misstatements in the other information in the Consolidated Annual Report. We have nothing to report in this respect.



Additional requirements on the content of the auditors' report according to Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities

Appointment and approval of an auditor

We have been appointed as a statutory auditor by the statutory body of Tatry mountain resorts, a.s. on 15 November 2019 on the basis of approval by the General Meeting of Tatry mountain resorts, a.s. on 29 April 2020. The period of our total uninterrupted engagement, including previous renewals (extensions of the period for which we were originally appointed) and reappointments as statutory auditors, is twelve years.

Consistency with the additional report to the audit committee

Our audit opinion as expressed in this report is consistent with the additional report to the supervisory board of the Group, which was issued on the same date as the date of this report.

Non-audit services

No prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities were provided and we remained independent of the Group in conducting the audit.

In addition to the statutory audit services and services disclosed in the consolidated financial statements of the Group, we did not provide any other services to the Group.

1 April 2021
Bratislava, Slovak Republic

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



Responsible auditor:
Martin Kršjak
License UDVA No. 990

This is a translation of the original Slovak Auditors' Report into English language. The consolidated statement of financial position as at 31 October 2020, consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to consolidated financial statements, including a summary of significant accounting policies have not been translated. For a full understanding of the information stated in the Auditors' Report, the Report should be read in conjunction with the full set of consolidated financial statements prepared in Slovak.