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Vail Resorts Announces Fiscal Fourth Quarter and Fiscal Year 2002 Year End Results

VAIL, Colo. - October 29, 2002 - Vail Resorts, Inc. (NYSE: MTN) announced today financial results for the fourth quarter and fiscal year ended July 31, 2002. The Company also announced that it is reporting its hospitality operations for the first time as a separate reportable business segment, called lodging. The Company has now established three segments, mountain, lodging and real estate. When combined, the mountain and lodging segments equate to the former resort segment. The Company will report earnings before interest, income taxes, depreciation and amortization ("EBITDA") for each of its segments, in addition to reporting the sum of mountain and lodging EBITDA ("Resort EBITDA").

FOURTH QUARTER PERFORMANCE

Mountain revenue (which excludes revenue from both real estate and lodging operations) for the fourth quarter of fiscal 2002 was $31.9 million, an 18.7% increase from $26.8 million for the comparable period last year. Lodging revenue for the fourth quarter increased $7.9 million, or 24.1%, to $40.7 million. Total revenue for the quarter (including revenue from real estate operations) was $82.1 million compared to $62.7 million in the same period in 2001, an increase of 31.0%. Excluding acquisitions made in fiscal 2002, mountain revenue grew 10.6% while same-store lodging revenue grew 5.4% for the quarter. Total revenue excluding acquisitions rose 17.8%.

Mountain EBITDA decreased $8.0 million, or 41.1%, to a loss of $27.4 million. Lodging EBITDA decreased $4.2 million, or 162.6%, to a loss of $1.6 million. Excluding acquisitions made in fiscal 2002, mountain EBITDA decreased 30.9% and lodging EBITDA decreased 46.5%. Total Resort EBITDA, excluding real estate, declined $12.1 million, or 72.2%, to a loss of $29.0 million. Excluding acquisitions, Resort EBITDA decreased $7.2 million, or 42.6%, to a loss of $24.0 million.

Real estate revenue for the fourth quarter rose from $3.0 million to $9.5 million while real estate EBITDA fell $3.8 million to $1.5 million.

Net income for the quarter was a loss of $35.1 million, or $1.00 per diluted share, compared to a loss of $19.1 million, or $0.54 per diluted share, for the comparable period last year. The Company noted that its acquisitions, which have expected seasonal losses in this period, account for over 40% of the decline.

FISCAL YEAR ENDED JULY 31, 2002

Mountain revenue for the fiscal year ended July 31, 2002 was $400.5 million, a 2.4% increase from $391.4 million for the fiscal year 2001. Lodging revenue for the fiscal year increased $26.7 million, up 21.5% to $150.9 million. Total revenue (including revenue from real estate operations) was $615.3 million compared to $543.8 million in the same period in 2001, an increase of 13.1%. Excluding fiscal 2002 acquisitions, mountain revenue grew 1.8% while same-store lodging revenue declined 4.6%. Total revenue, excluding acquisitions made in fiscal 2002, rose 6.8%.

Mountain EBITDA decreased $1.6 million to $93.3 million. Lodging EBITDA increased 0.7% to $13.7 million. Excluding acquisitions, mountain EBITDA increased 0.4% and lodging EBITDA decreased 38.6%. Total Resort EBITDA fell $1.5 million, or 1.4%, to $107.0 million. Excluding acquisitions, Resort EBITDA declined 4.5% to $103.6 million.

Real estate revenue for the year rose $35.7 to $63.9 million while year-over-year real estate EBITDA grew $3.0 million to a record $15.2 million.

Net income for the year was $7.6 million, or $0.21 per diluted share, compared to net income of $13.6 million, or $0.39 per diluted share, for the comparable period last year.

Adam Aron, Chairman and Chief Executive Officer, commented, "Vail Resorts' Resort EBITDA and net income declined in fiscal 2002 because of the terrorist attacks that hit the United States on the 42nd day of our fiscal year and the pre-existing economic situation that only worsened as a result. It is widely known that this was an extraordinarily difficult year for the travel and lodging industries, and we were not immune to the effects of the downturn in consumer and business travel. Our lodging segment was hit especially hard from the events of September 11, and from the ensuing economic pressures. As an offset, our ability to discount the prices of ski area base lodging under our control brought added visitors and bolstered the financial performance of our mountain resorts. The softness experienced by the Company during the year continued into the fourth quarter, which was a particular challenge.

"However, in the aftermath of September 11, we believe our performance was a moral victory. Resort EBITDA declined only 1.4 percent. Additionally, Vail Resorts accomplished several important strategic acquisitions (including RockResorts, the Lodge at Rancho Mirage, the Vail Marriott and Heavenly Ski Resort) and implemented new initiatives (including Breckenridge's Peak 7, Red Sky Ranch and the Ritz-Carlton Bachelor Gulch at Beaver Creek) at our existing resorts that position the company well for the future.

"And although some in the travel industry may head into the next year with trepidation, Vail Resorts does so with high expectations that, barring a prolonged war and other such uncontrollable events, our team will work to deftly manage our business to achieve the growth expected and deserved by our shareholders."

COST REDUCTION PLAN

The Company also announced today that, as a counterbalance to the possibility of slower performance in the nationwide leisure travel and lodging market in the coming year, it has implemented a cost reduction plan of approximately $10 million in actual year-over-year cost reductions. The Company is also tightly managing all its planned expenses, attempting to contain the impact of inflation and rigorously manage other discretionary expenditures.

These actual year-over-year cost reductions include the elimination of approximately 100 positions, or less than 1% of the total employee force, across all locations, through a combination of approximately 50 layoffs and the elimination of approximately 50 vacant positions. The cost reduction plan also includes changes designed to improve operational effectiveness, such as optimizing snowmaking expenditures, modifying lift operating times during off-peak periods, converting certain year round positions to seasonal, managing employee housing levels more smartly, reducing back-of -the house administrative expenses, as well as other measures.

Examples of cost containment that do not result in year-over-year reductions but nonetheless will help lower the Company's ongoing cost structure include: holding sales and marketing expenditures at the Company's Colorado resorts flat, despite an expected growth in those resorts' revenues; granting a 2% company-wide salary increase on October 1, which still recognizes the importance of our employees but was necessarily lower than that of prior years; and eliminating a number of budgeted increased positions throughout the company.

With the cost reduction plan, the Company continues to find ways to operate its businesses more efficiently, while continuing to provide guests with world class vacation experiences, as the cost reductions are targeted at areas that are not expected to affect the level of guest service and top quality reputation of the Company's resorts.

The Company estimates that related severance expenses from the workforce reduction will result in a fiscal 2003 pre-tax charge of approximately $2.5 million.

MANAGEMENT REORGANIZATION

The Company also announced a management reorganization, which will streamline operations and contribute further to the cost reduction plan.

Andy Daly, president of Vail Resorts, will leave the Company October 31 to allow for the concentration of management responsibility across the five mountain resorts and to achieve a more cost efficient management structure required in today's competitive market.

Roger McCarthy, currently the chief operating officer of the Breckenridge ski resort, will take over the duties as chief operating officer of both the Keystone and Breckenridge ski resorts. John Rutter, currently chief operating officer of the Keystone resort, will assume other duties outside of Colorado.

John Garnsey, chief operating officer of Beaver Creek Resort, and Blaise Carrig, newly appointed chief operating officer of Heavenly Ski Resort, the Company's most recent ski resort acquisition, will remain in their positions with full authority. However, both will report to Bill Jensen, current chief operating officer of Vail mountain, who will also continue to have day-to-day responsibility for Vail.

Therefore, the Company will now have four senior operating executives for its five mountain resorts (Carrig, Garnsey, Jensen, McCarthy), rather than six last year (including Daly and Rutter).

Porter Wharton, III, senior vice president of public affairs, will also be leaving the company effective today. The elimination of this senior position will further streamline the Company's management organization and reduce its cost structure.

Clay James, who has managed the operations of GTLC successfully for nearly thirty years, has been named president of GTLC effective immediately as part of an orderly three-year transition. James has announced that he will retire at the end of 2005. James' primary immediate focus will be the upcoming competitive renewal for Vail Resorts of the National Park Service concession contract for the in-park operations of GTLC at Grand Teton National Park. John Rutter will assume the chief operating officer position at Grand Teton Lodge Company ("GTLC") in Jackson Hole, Wyoming, taking over primary responsibility for all day-to-day operations.

Jensen and McCarthy will now report directly to the Chairman and CEO. The executive management of the Grand Teton Lodge Company will report to the president of the Vail Resorts lodging division, Ed Mace. There are no organizational changes at the executive level in Vail Resorts Development Company, the Company's real estate subsidiary.

"In response to what continues to be a difficult external environment, both economically and on the world stage," said Mr. Aron, "we know it is prudent to proactively restructure the management and costs of the Company. We have reviewed every position from the top of the organization to the line level, and we have identified countless areas in which we believe we can operate more efficiently yet still be true to our world class reputation. This is not a new effort, as our cost cutting began in earnest a year and a half ago. However, now more than ever, it is wise to hope for the best but plan for the worst.

"At this time, we are aware that reservations activity is encouraging and there is already snow on our mountains. We are optimistic that growth can be achieved in our mountain and lodging segments in fiscal 2003, both from the acquisitions we made in fiscal 2002 as well as from same-store growth. We expect mountain EBITDA for fiscal 2003 to range from $117 million to $127 million and lodging EBITDA to range from $13 to $17 million, and total Resort EBITDA to be between $132 and $142 million, all pre-severance. We also anticipate another strong year in our real estate operations and are comfortable giving guidance of $15 to $17 million for real estate EBITDA in fiscal 2003."

CONFERENCE CALL

For further discussion of the contents of this press release, please listen to our live webcast today at 11:00 am ET, available on www/vailresorts.com.