2019 2020

ANNUAL REPORT

www.nay.sk

2019 / 2020

ANNUAL REPORT

www.nay.sk

TABLE
OF CONTENTS

NAY a.s. is the largest retailer of consumer electronics with a market share of 22 %, which has already been present on the Slovak market for 29 years.

It belongs among the companies that have been forming the retail market in Slovakia with innovations. NAY has introduced global electronics brands, a franchise model, large-format stores, one of the first loyalty programs and a wide range of complementary services to the market and is nowadays one of the pioneers of the omni-channel retail strategy in Slovakia.

Its goal is to provide a positive shopping experience to customers with quality advisory, wide portfolio, fair prices, easy-to-navigate web environment, attractive retail stores and, in particular, full service for a customer as a client thanks to the services provided and the loyalty club.

BRIEF OVERVIEW OF THE COMPANY

NAY GROUP

The NAY Group includes NAY a.s., Electro World, s.r.o., NAYTROLABS, s.r.o. and Fotomat, s.r.o.

ELECTRO WORLD

NAY a.s. owns a 100 % share in ***Electro World, s.r.o.,*** which is one of the largest multi-channel chains specializing in the sales of consumer electronics, computing and telecommunication technology, domestic electrical appliances including accessories and provision of all related services. The company currently operates 19 stores in the Czech Republic. In 2018/19, the company's sales reached EUR 171,032,000 (CZK 4,386,970,000) and the value of the registered capital amounted to EUR 2,197,000 (CZK 60,000,000).

NAYTRO LABS

In 2018, NAY a.s. founded ***NAYTROLABS, s.r.o.*** in order to expand business in the area of software application development and software services. The company currently holds a 76 % share in the value of registered capital of NAYTROLABS, s.r.o. Revenue in the previous shortened accounting period from January 1, 2020 to March 31, 2020 reached EUR 115,587 and registered capital amounted to EUR 10,000. In 2021, NAY a.s. plans to merge with NAYTROLABS, s.r.o.

FOTOMAT

On January 17, 2020, the company acquired ownership share in ***Fotomat, s.r.o.*** in the form of an increase of the registered capital, while it undertook to assume a liability for cash deposit in the amount of EUR 16,800. The deposit was paid up on January 17, 2020. Upon increase of the registered capital in Fotomat, s.r.o., the company's share in the registered capital of the subsidiary represents 70 %. The respective fact was entered in the Commercial Register on May 30, 2020.

FAIRNESS

For us, a customer is a long-term client. A long-term relationship is based on fairness. We are fair in pricing, terms, approach, communication, as well as in openness. We want to achieve that each and every customer leaves with the experience that we keep our word.

COMPANY'S VALUES

SIMPLICITY

We are inspired by technics. The easier it is to control, the more useful. It does not matter how complex the underlying process is. It is important that everything is as easy as possible to arrange for the customer. It does not matter whether a customer wants to make a reservation for goods, needs a financial product or files a complaint. Our goal is to do everything per one click or one action.

PASSION FOR TECHNICS

Technics significantly shifts history forward, transforms the world and surrounds us at every step. Just remember the letterpress machine, refrigerators, the Internet or smartphones. We are constantly following trends, coming up with innovations and studying the details of the latest technology. We believe we will spread our passion to our customers.

MARTIN DERŇAR
Omni-channel Director

Project management

Development of applications

Customer service centre
Hotline

Back office for operations
and logistics

Internet customer services

Web content administration

Online marketing – Sales

ZUZANA JURÍKOVÁ
Financial Manager

Financial management SK

Accounting department

Regional Manager SK

Regional Manager SK

Regional Manager SK

Human resources

Legal department

Expansion and rental of real estate

Compliance Officer

ORGANIZATIONAL STRUCTURE

PETER ZÁLEŠÁK
Chairman of the Board

JÁN TOMÁŠ
Deputy-Chairman of the Board

Controlling / Consolidation

MARTIN OHRADZANSKÝ
Chief Executive Officer

MARTIN DEÁK
IT Director

- Information Technologies

EMIL HURAJ
Sales Director

- Purchase SK Domestic appliances
- Purchase SK Consumer electronics/IT
- Purchase CZ IT/SDA/MDA/MOBILE/CE
- Marketing
- Customer services
- Goods category management

VLADISLAV KRASICKÝ
Logistics Director

- Reception at CS
- Expedition from CS and ZO
- Transportation
- Complaints
- Inspection
- Inspection of CS
- Recycling fund
- Material-technical resources

1991

Incorporation of NAY

2008

Central warehouse in Senec

In 2008, the biggest change to the company's logistics system took place. NAY has opened the central warehouse in Senec, which nowadays supplies 54 stores and 2 e-commerce businesses in total. The change has yielded significant time and financial savings in logistics and increased the frequency of supplying stores as needed up to a daily frequency.

2013

Exit of Enterprise Investors

The private equity fund managed by the Enterprise Investors group decided to exit own investment in NAY and sold its 48 % share to majority owners.

2014

Acquisition of Electro World

In 2014, NAY concluded an agreement with Dixons Retail plc on the sale of its Electro World stores in the Czech Republic and in Slovakia. NAY acquired 4 stores in Slovakia and 22 stores in the Czech Republic. Thanks to this acquisition, NAY has become an undisputed leader among brick-and-mortar retailers of electronics in the Slovak Republic and in the Czech Republic.

2015

Re-design of www.nay.sk

NAY has completely re-designed its website within its own omni-channel strategy. The page has become responsive and new functionalities, full-service on-line sale of services and content, were added.

HISTORY

1991 – 1997

The first distributor of global electronics brands in Slovakia

In those years NAY was an official distributor of the world's largest brands in Slovakia, including Sony, Panasonic, Grundig, Jamo and Yamaha.

1991 – 1997

Franchising

The first retail business model of the company was a model of franchising stores under the NAY brand in Slovakia and Moravia. The company managed, thanks to exclusive wholesale contracts, to deliver top electronics and it entered into contracts with entrepreneurs who operated 12 stores in city centres under the NAY brand and with NAY goods.

1998

Establishment of NAY Elektrodom

In 1998, the NAY Elektrodom brand was launched, as the label for the new large-format store concept – the first of its kind in Slovakia. The first store under the brand of the new concept was the store in Zlaté piesky in Bratislava.

1998

Internetdom

In the very year as the revolutionary concept of Elektrodom, its on-line version – the Internetdom – was established. What used to be originally an on-line product catalogue is now the most visited 'store' of the company.

1999

Establishment of NAY Extra Club

Establishment of one of the first and most successful loyalty clubs in Slovakia. The turnover of its members represents more than 50 % of the company's turnover.

2005

Accession of Enterprise Investors

The American-Polish private equity company Enterprise Investors invested in the company. Enterprise Investors, which is the largest private equity company in the Central and Eastern Europe, has become the owner of 48 % of shares. The original founders of the company Peter Zálešák and Ján Tomáš owned a majority share even after the investor's accession.

2005 – 2013

Dynamic expansion

The investor's capital and know-how have brought an increased dynamics to the company's expansion. Over a few years the network has expanded from 12 to 31 large-format stores.

2007

Dobrý anjel

In 2007, the collaboration with Dobrý Anjel began. It is a foundation assisting families in financial distress and with unprovided children, where someone suffers from a malicious disease. NAY has been helping families with appliances from the beginning. Later on, other forms of financial assistance were added.

2016

4 new stores

NAY has expanded its network with new stores, in particular, in Eastern Slovakia. On July 1, the stores were opened in Trebišov, Vranov nad Topľou, Humenné as well as in Rimavská Sobota. The network in Slovakia has therefore expanded to 36 NAY stores.

2018

Omni-channel store concept

NAY has, symbolically after 20 years, reconstructed its first NAY Elektrodom store in Zlaté Piesky and announced a new omni-channel store concept.

TOP PARTNERS

acer		ASUS
beko	BOSCH	Canon
DēLonghi	Electrolux	gorenje
Hoover	hp	HUAWEI
iRobot	jura	KÄRCHER
KRUPS	Lenovo	LG
logitech	Microsoft	Miele
NESPRESSO	Nikon	Panasonic
PHILIPS	Rowenta	SAMSUNG
SONY	TCL	Tefal
Whirlpool	mi	

MasterCard Business of the year

MasterCard Business of the year is an award for the best retail businesses in various retail categories. It has been awarded in Slovakia since 2013.

Obchodník roka 2019

Obchodník s elektronikou

MasterCard Business of the Year 2013
in the category of The Electronics Business
WINNER

MasterCard Business of the Year 2013
in the category of The Overall Winner
2nd PLACE

MasterCard Business of the Year 2014
in the category of The Electronics Business
WINNER

MasterCard Business of the Year 2014
in the category of the Electronics Business – E-commerce
WINNER

MasterCard Business of the Year 2014
in the category of The Overall Winner
3rd PLACE

MasterCard Business of the Year 2015
in the category of The Electronics Business
WINNER

MasterCard Business of the Year 2016
in the category of The Electronics Business
WINNER

MasterCard Business of the Year 2017
in the category of The Electronics Business
WINNER

MasterCard Business of the Year 2018
in the category of The Electronics Business
WINNER

MasterCard Business of the Year 2019
in the category of The Electronics Business
WINNER

AWARDS

Superbrands

Superbrands is the most reputable independent global authority in the assessment and honouring of trademarks. Superbrands title is a sign of a special status and acknowledgement of the brand's superior position on the local market.
Only the brands with extraordinary reputation can gain the Superbrands seal – customers always associate important values with them and have personal relation to such brands. The award originated in the Great Britain and Superbrands Award annually honours the best brands in almost 90 countries within 5 continents.

Superbrands 2013

Superbrands 2014

Superbrands 2015

Superbrands 2016

Superbrands 2017

Superbrands 2018

Superbrands 2019

Superbrands 2020

Entrepreneur of the Year by Ernst & Young

Entrepreneur of the Year by Ernst & Young is the very first and the only truly global competition of its kind, founded by Ernst & Young in 1986 in the U.S. It awards the entrepreneurs who have managed to develop successful and dynamically growing businesses.

Entrepreneur of the Year in Slovakia 2008
Ing. Peter Zálešák - winner

NAY a.s.
business name

Tuhovská 15
Bratislava
830 06
registered office

+421 2 49 449 449
nay@nay.sk
www.nay.sk
Phone number,
email address, web

joint stock company
legal form

Registered in the Commercial Register of the District Court Bratislava I, Sec. Sa, File no. 1640/B
registration

KEY FACTS

€ 17,000,000
share capital

36
number of stores

€ 344,678,373
net revenue

1 111
number of employees

€ 6,678,909
net income

1 144 685
number of loyalty club members

1991
incorporation of the company

All data are provided as of March 31, 2020 NAY a.s.

Ing. Peter Zálešák

Chairman of the Board of Directors

Peter Zálešák graduated from the Faculty of Electrical Engineering and Information Technology at the Slovak University of Technology in Bratislava. He was the CEO since the establishment of NAY. Today, he is a Deputy-President of the Slovak Association of Commerce and a member of executive council at Dobrý Anjel Foundation. He is an honouree of the Ernst & Young Award for the Entrepreneur of the Year in Slovakia in 2008.

Ing. Ján Tomáš

Deputy-Chairman of the Board of Directors

Ján Tomáš graduated from the Faculty of Chemical and Food Technology at the Slovak University of Technology in Bratislava in 1987. Together with Mr. Peter Zálešák they founded NAY, where he was a Director of Sales Department.

NAY a.s.

Fotomat, s.r.o.
Slovak Republic **70 %**

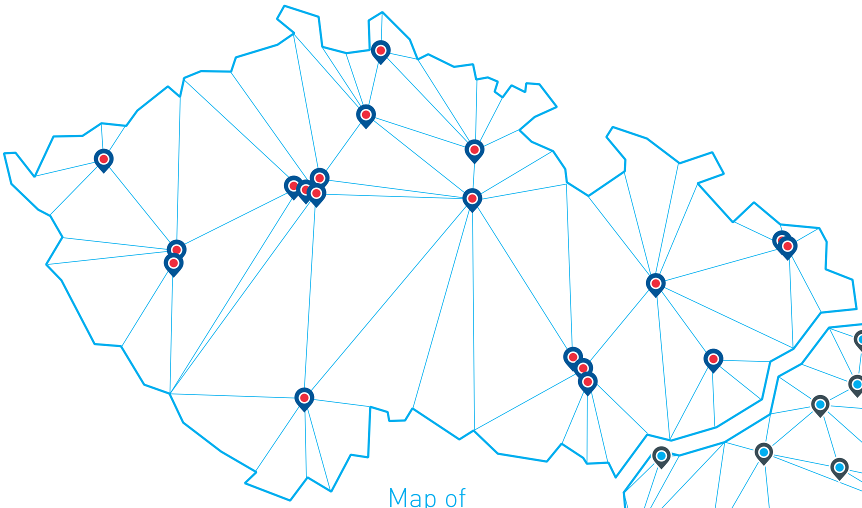
Electro World, s.r.o.
Czech Republic **100 %**

NAYTROLABS, s.r.o.
Slovak Republic **76 %**

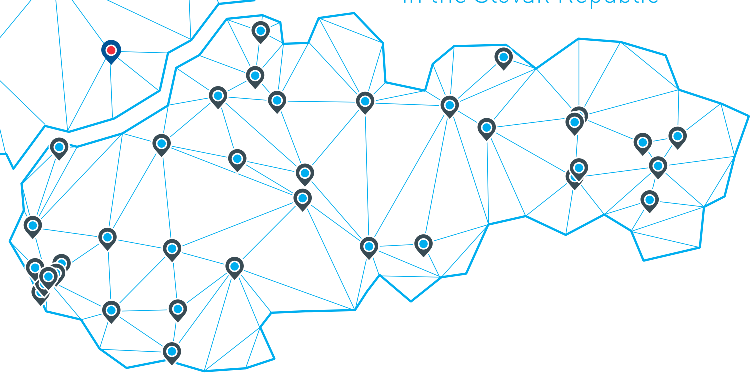
BOARD OF DIRECTORS

THE YEAR 2019/2020 AT NAY GROUP

In the financial year of 2019/20 (from April 1, 2019 to March 31, 2020), our consolidated revenue reached EUR 387 million. When compared with the previous year, the revenue increased by 6.5 %. Out of the total revenue, the sales in Slovakia (NAY, excluding intragroup sales) were EUR 227 million and in the Czech Republic (Electro World, excluding intragroup sales) reached EUR 160 million. The market share in Slovakia was around 22 % (source: GfK) and in the Czech Republic increased to 4.8 % (source: GfK). Thereby we have strengthened our position as a market leader in Slovakia (in the Czech Republic, we are in Top 5), despite growing competition mainly in the area of on-line retailers.



Map of Electro World stores in the Czech Republic



Map of NAY stores in the Slovak Republic

The results of Electro World (EBITDA of EUR 3.9 million and net income of EUR 3 million) have contributed to achieving a record-high consolidated EBITDA of EUR 15.8 million, which allows us to invest even more in information systems, new technologies, working environment of our employees and their professional growth.

The strength of the NAY Group is also its robust balance sheet. At the end of the financial year, free net cash (after deducting the bank overdraft) on bank accounts totalled EUR 12.1 million and equity amounted to EUR 28.1 million. This prepares the group for possible acquisitions that make sense in particular in the Czech Republic.

We continue to use all meaningful synergies within the group and certain departments and activities are managed centrally for both countries.

The new company in the group is Fotomat, s.r.o., which develops a self-service automated machine for printing digital photos directly from a smartphone application. In the future, Fotomap devices will be placed at NAY stores, as well as at contractual partners (stores, petrol stations, cafés and restaurants).

The NayTroLabs company has developed and deployed its own and original CMR order management system. A new customer notification system, as well as other smaller projects necessary for the built Omni-channel system used in the entire network within the Slovak Republic and the Czech Republic are being developed and partially deployed.

The goal for the upcoming years is to improve services, to catch up with competitors in an e-commerce market, i.e. to become a retailer offering all benefits of selling on-line to customers, with an added value of our experts at stores and proximity to a customer thanks to a wide network of our branches. This goal can be achieved only with innovation, i.e. we need to become a technological leader too and transform from a traditional retailer to a real omni-channel company.

Ing. Peter Zálešák
Chairman of the Board at NAY

MARTIN OHRADZANSKÝ
Chief Executive Officer

GOALS AND PRIORITIES FOR 2019/2020

"We continue to successfully fulfil our strategy to achieve our vision."

Everyone should have their dream or vision that motivates them to further development. In our company, we have set our vision to be a joy of a customer to shop at our company. Boldly said: to have a perfect shopping experience.

Behaviour and expectations of a customer in today's dynamic era influenced by new technologies have been changing significantly. Nowadays, a customer has many ways to order a product or service, to purchase it, to pay for it as well as to pick up a product or service - at store, by courier, using a pick-up machine, etc. Covering all ways of selling and delivering goods and services also has its technical term: omni-channel.

We can assure perfect shopping experience for a customer only if we manage to provide comprehensive customer care, regardless of the way of shopping chosen by a customer. In order to achieve this goal, we have also set up our strategy that we strive to successfully fulfil. Our strategy aimed at fulfilling our vision is based on three basic pillars:

Omni-channel

To deliver goods or services to a customer in a way that is most preferred by them.

Services

To sell goods with an added value to a customer and ensure they leave with a positive experience.

Process automation

To enhance convenience of our customers while purchasing and of our employees while serving customers using modern technologies.

It may sound simple, but these three pillars are backed up by an extensive and complex process mechanism that needs to be perfectly organized and coordinated. Such a complex mechanism requires creative and technological development, good maintenance and reliability. And this is why the company continues to invest in new technologies to ensure comprehensive customer care.

Nowadays, our customers can use a smartphone application, through which they can locate the nearest NAY store and find the best route to it, see all available parameters of a product, compare products and, of course, pay without visiting a cash register, e.g. via Google Pay/Apple Pay service and pick up the product or service at pick-up point.

Our further effort will be focused on continuous fulfilment of our strategy to reach, as soon as possible, our vision of perfect experience of purchasing goods and services by a customer by any method chosen by them (omni-channel), as well as to simplify, as much as possible, customer service by our employees at NAY.

The consumer electronics market in Slovakia continued to grow, although the end of the financial year was significantly affected by the pandemic.

EMIL HURAJ
Sales Director

MARKET DEVELOPMENTS IN 2019/2020

The market was growing thanks to macroeconomic parameters such as expanding gross domestic product, rising average wage and historically lowest unemployment rate.

The fastest growing category on the Slovak market was small domestic appliances with 13 %[1] growth, followed by mobile phones rising by 10.9 %[1] and major domestic appliances adding 7.5%[1].

In spite of closed stores at the end of the financial year due to the COVID-19 epidemic, NAY managed to grow in the category of small domestic appliances by 7.8 % and major domestic appliances by 5.1 %[2]. In the consumer electronics category, we recorded a year-on-year growth of only 0.63 %[2], but it is still a good result considering the market in this category declined by - 5.1 %[1].

Consumer electronics

Unchanged from the previous year, consumer electronics was dominated by TVs – with most significant growth in categories 75" and larger, by +33 % and 60"- 69", by +19 %[1]. NAY was also successful in the category 55" and larger, when its market share reached 32 %[1].

IT electronics

In the IT category, the situation at the end of the financial year related to COVID-19 was reflected mainly in the mobile phone and notebook categories, which ended with the same share as in the previous year. Some categories (e.g. tablets) declined by as much as - 10 %[1]. On the other hand, the Smart wearables category (smart watches, fitness bracelets, in-ear headphones, etc.) performed better, growing by +100 %[1].

Domestic appliances

In the MDA category (major domestic appliances), the largest growth was recorded in dryers (+16 %[2]), dishwashers

(+6.9 %[2]) and cooking (+6.3 %[2]) categories. In the SDA category (small domestic appliances) we achieved growth in most categories, with the largest increase in the rod vacuum cleaners (+26.5 %[2]), shaving (+14.7 %[2]), food processors (+10.6 %[2]) and fully automatic coffee machines (+7.1 %[2]). Online sales of SDA have almost doubled and currently account for 12.7% of NAY's total retail sales.

Competitive environment

The trend of growth in online sales continued throughout Europe as well as in Slovakia, which recorded a share on total sales of 39.8 %[1], while the largest share of online sales is in the IT category and the smallest in the consumer electronics category[1].

Expectations for 2020/2021

We expect an increase in share of sales in smart categories thanks to the continuously expanding portfolio of products on the market. We expect further growth in sales of TVs with diagonal of 70"+ and gradual establishment of technologies such as QLED, Nanocell and OLED with 8 K resolution in an expanding model portfolio.

[1]source GFK; [2]source NAY

39,8 %

SHARE OF ONLINE SALES IN SLOVAKIA

The world of e-commerce, in which this annual report is released, is much different from the world of 2019, which it describes. Events of the last 2 weeks of March 2020 have significantly accelerated several trends in customer behaviour in shopping, communication and overall perception of the online world. The past financial year 2019-20 was successful in all aspects. Traffic at nay.sk increased annually by 19 % to over 22 million visits, while an improved conversion rate resulted in a 35 % increase in orders and in-store reservations.

MARTIN DERŇAR
Omni-channel Director

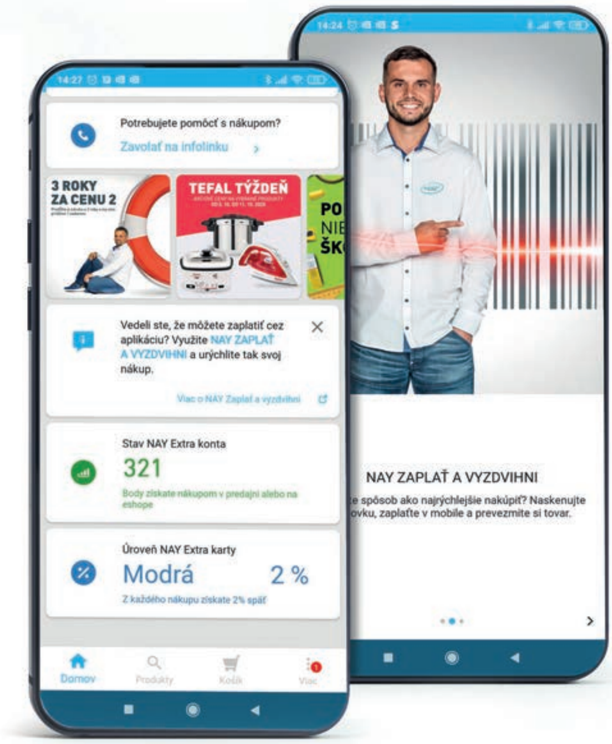
E-COMMERCE AND OMNI-CHANNEL

"Our customers remained loyal even after closure of the stores, they adapted to the new situation and virtually immediately shifted their shopping online."

Mobile application

In 2019, we managed to launch a new version of the customer SmartApp in Android and iOS versions, which brought the first integration of Apple Pay payments in Slovakia. The customer feedback on the application is extraordinarily positive and customer satisfaction with our applications oscillates at around 4.7 points out of 5 possible with a customer base exceeding 80,000 users in the last 12 months.

When building the user base of our mobile application, we focused primarily on our experts at stores, who were able to successfully explain its benefits to potential users. This strategy was more successful than expected and thanks to personal contact at store we have gained over 60 % of users, while the rest was brought by a targeted online campaign.



Online services

During the summer of 2019 we introduced a new way of online purchase on installments in cooperation with the installment company Ahoj. In the process, we have utilized valuable experience from the implementation of a new-generation online installment sales in our affiliated company Electro World in the Czech Republic in 2018.

The installment calculator and loan application form was created with a 'mobile-first' approach and coded in the responsive NAY design. Completing a loan application by a customer does not require duplicate entry of personal data that we already have. The volume of installment sales at NAY has increased by 48 % thanks to the inline calculator and a well usable loan form with signature via SMS token.

Digitization of stores

The last 2 weeks of March were marked by closed stores as a result of adopted anti-epidemiological measures. Nevertheless, our customers remained loyal to us, adapted to the new situation and almost immediately shifted own shopping online.

We are convinced that only a well-managed NAY omni-channel sales concept will bring us more and loyal satisfied customers. Digitizing stores as quickly as possible will be crucial to defend our position in the changing market. We need to accelerate the expansion of self-service payment kiosks, which are required by an increasing number of customers during the period of strict pandemic measures. Also, the expansion of customer care through the popular NAY SmartApp mobile application. In times of uncertainty and rapidly changing situation, it becomes an effective information channel. With potentially restricted stores, it at least partially replaces the lack of personal approach of our sellers. The conversational automation and assisted sales technologies can help us significantly in the near future.

Year by year, with growing revenue, the demands on logistics are greater and the past year was no exception. The central warehouse expanded and the number of expedited pallets and transports increased.

VLADISLAV KRASICKÝ
Logistics Director

LOGISTICS

Increasing volumes

Despite moving to a larger central warehouse in 2018, we already approached warehouse limits in the 2019 season. We have therefore expanded the area of the central warehouse by further 3,000 m^2 to 29,000 m^2, which means an increase by more than 10 %.

At the same time, we have increased our capacities on receipt by extending receipt windows by 2,5 hours. Also, the number of expedited pallets increased by 7 % and number of transports to NAY stores grew by 2 %. For Electro World stores, which are served by the same central warehouse, the number of pallets rose by as much as 16 % and the number of transports to stores increased by 11 %.

However, the capacity was not higher only towards stores. We managed to increase the capacity of the online channel by as much as EUR 200.

In addition to the horizontal growth, we managed to introduce new services in convenient transport and we are preparing also the online complaints project.

Further growth supported also by automation

Logistics has always been a cornerstone of retail. Goods that is not in stock or at store, or that we cannot deliver to the customer is unnecessary. Nowadays, due to the growing demands of customers, the speed and accuracy of logistics prove to be a key factor that decides on whether the retail will be successful or not.

The growth of online orders and, in particular, the pandemic, have shown that modern logistics must be flexible, scalable and automated. The month of March, when we had to unexpectedly close all stores overnight and online sales grew by 400 %, clearly showed the necessity of quality logistics system. The good news for NAY is that we have managed to go through this period without major restrictions that would have an impact on customers. However, in the next year, we will develop logistics further:

- In 2020 we are opening negotiations with selected European suppliers of automation technology.
- In the next year, we plan to modernize transport terminals and renew the vehicle fleet.
- We plan investments in expanding the dedicated online logistics department.
- We also plan to start cooperation with the Slovak Post and use their network of Balikomat machines.
- We are renewing a part of handling equipment and investing in the new packaging equipment from the Slovak manufacturer.

Number of expedited pallets NAY	
2018 - 2019	81 542
2019 - 2020	86 946

Number of transports to OD NAY	
2018 - 2019	6 601
2019 - 2020	6 721

Number of expedited pallets EW	
2018 - 2019	33 362
2019 - 2020	38 803

Number of transports to OD EW	
2018 - 2019	2 242
2019 - 2020	2 491

Number of expedited pallets NAY+EW	
2018 - 2019	114 904
2019 - 2020	125 749

Number of transports to OD NAY+EW	
2018 - 2019	8 843
2019 - 2020	9 212

With regard to the record-high 42 % increase of revenue from services in the past year, we faced a difficult task of confirming the growth trend in services. Ultimately, we achieved an annual growth of revenue by 5 %.

MICHAL HALÁS
Coordinator of the Customer Service Department

SERVICES IN 2019/2020

Legislation and the epidemics affected the results

This growth was achieved despite the expected stricter legislative conditions in the area of installment sales and despite the fact that during part of the last month of the financial year we had all our stores closed. We achieved a favourable result mainly thanks to the increase in sales of extended warranties, which grew annually by 19 %.

75,000 extended warranties

The largest share on the successful year had again the sale of extended warranties. Customers extended warranties on 75,000 items, which was more by 12,000 compared to the previous year. This year, we have continued to expand this type of service. We also introduced the option to extend warranty on cheaper goods from EUR 30 and added the possibility to extend warranty also on Apple goods. We launched the sale of 'Paušál na istotu' product for printers. Furthermore, we have accelerated the process of selling extended warranties at stores.

Installment purchases were slowed down by legislative changes

From January 1, 2020, the conditions for the provision of consumer loans were tightened, resulting in the decrease of approval rate of installment loans by 10 %. This was also reflected in the share of installments on revenue during the last three months of the financial year. Nevertheless, we managed to achieve the same share of installments annually as in the previous year. The repeated strong Christmas campaign of VÚB and the expansion of the provision of installments with Amico Finance via the e-commerce store both contributed to this result. We expect a more significant impact on installment sales in the next financial year. In addition to the effect of a stricter legislation, we expect banks to take into account also the current development of the pandemic, which will cause deterioration of creditworthiness of customers and consequently also reduction of approved loans.

We mounted 45,000 protective glasses and calibrated 20,000 TVs

Once again, we were successful in the sale of installation services, provided by our employees directly at the sale, where we achieved an annual increase of 10 %. Our employees managed to calibrate 2,000 TVs more than in the previous year, with the same number of TVs sold. They were similarly successful in mounting protective glasses on smartphones and in the service of setting up a new smartphone or notebook.

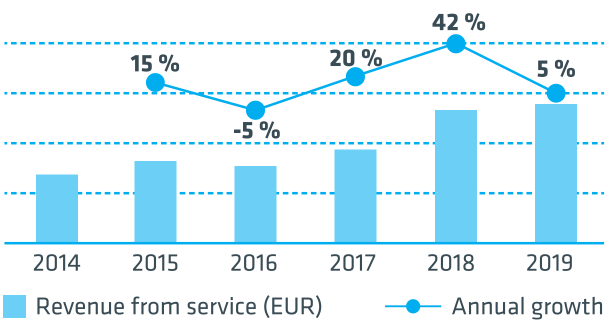
Development of service and installation services

This year, we have expanded the number of stores with an available service of installation of gas and electrical appliances to 24. During the year we had installed 1,000 appliances, up by 33 % from the preceding year. We have also developed services of installation and service of mobile devices. At the end of the financial year we began preparing a new smartphone installation service in cooperation with our external partner. At the same time, we opened two new service kiosks for instant repairs of mobile devices in Prievidza and Nové Zámky.

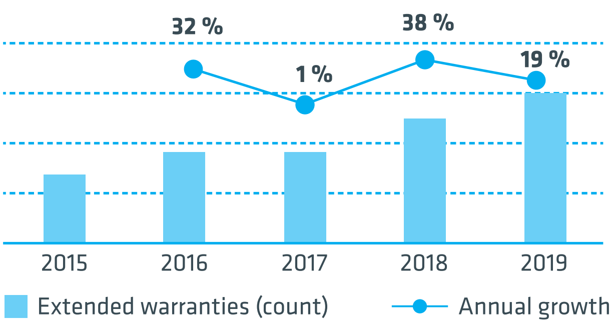
Printed photos are still in demand

Although customers are used to storing photos on a hard drive or cloud and sharing them on social networks or sending them by email, many customers are still interested in printed photos or, in recent years, the popular photo books. Over the last two years, we have seen an increase in sales of photos and photo books by as much as 30 %, resulting in orders of 2,600 photo books and 5,900 photos.

REVENUE FROM SERVICES



NUMBER OF EXTENDED WARRANTIES



While the financial year started in April 2019 with a hectic preparation for the top Slovak sporting event of the year - World Ice Hockey Championship, it ended in March 2020 with waiting for news on cancellation of all major sporting events of the year. One of the most successful years of the company ended in the midst of the pandemic, which has accelerated long-term trends on the market.

FRANTIŠEK VÁMOŠI
Marketing Manager

MARKETING COMMUNICATION

Communication investments in 2019

The total monitored investments of TOP 8 retailers on the Slovak consumer electronics market in the above-the-line communication grew by 17 %. Investments of NAY increased by 44 %, share of spend (SOS) increased from 15 % to 18% and NAY maintained its third place in the ranking. However, the order and distribution of forces has changed significantly. A significant growth was recorded mainly by online sellers (Alza, Mall, Hej). Among brick-and-mortar retailers, only NAY managed to grow in SOS, thanks to its transformation into an omni-channel seller. While in 2018 the joint share of online retailers on communication was 44 %, in 2019 it increased to 64 %. Since the year ended with closure of brick-and-mortar stores, this pressure of online retailers will continue in 2020.

Outbound communication

Since we wrote at this place last year that the market was beginning to be dominated by short, intense online communication campaigns, the year 2019 only underlined this trend and we can repeat it again. Currently, 2 or 3 exclusive campaigns start each week at NAY, usually lasting a week or less. On one hand, this granulation allows reaching communication diversity, more attractive events and is relatively effective in returning investments in communication, on the other hand, it is very demanding on capacities and in the long run can narrow down the target group, on which too much communication is aimed. Currently, we perceive mainly positive consequences of these campaigns, but we already need to work to minimize the negatives. This is why we will, towards 2020, work with the possibility of transforming these campaigns also into above-the-line communication, which has less flexibility, but also significantly higher hit rate.

Inbound communication

The main topic of the following years in the marketing communication of NAY will be the emphasis on inbound marketing communication. Simply put, we want to ensure that customers, who seek answers to their questions, naturally end up with us, regardless of in which moment of the purchasing process these questions are raised. Ideally they should get an answer just before they raise a particular question. There can be many of these questions. From trivial ones such as 'When will I get the product' through just seemingly simple ones such as 'Which product is right for me' to complex ones such as 'How best to finance the purchase'.

Last year, we developed many projects in this area, from complex revision of e-mail and SMS communication with customers, through the smart application project to significant expansion of the number of reviews in cooperation with suppliers. However, it is still only a tip of an iceberg that will affect mutual communication with a customer in the following years, from the moment when they become interested in a product to the moment, when they will need to find a receipt or a manual to the product a few years later.

Two top moments as a conclusion

Even though these events of 2020 seem a distant past already, they were extraordinary communication events of 2020 for our company. We were the official partner of the IIHF World Ice Hockey Championship that took place in Slovakia. We also were the official main partner of the new project of the IXPO technology festival in Bratislava. The festival has become, already with its first edition, thanks to a unique concept in a giant tent on the Danube embankment, the best similar project in Central Europe, attracting 15,000 visitors.

PhDr. ZUZANA JURÍKOVÁ
Financial Manager

FINANCIAL REVIEW OF THE ACCOUNTING PERIOD 2019/2020

NAY, a.s. evaluates the year 2019/20 as very successful in terms of the achieved net income, despite the fact that it was forced to close all its retail stores from March 16, 2020 due to the COVID pandemic situation. The company continued to invest dynamically in the subsidiary company Naytrolabs, s.r.o. for the purpose of developing new technologies to strengthen the position of the Omni-channel sales channel.

The company recorded an increase in revenues. Retail revenues increased by 1.2 %, while the overall growth of revenues was 6.3 % and was achieved also thanks to the distribution of goods for the subsidiary company Electro World, s.r.o. in the Czech Republic. In the reported period, the company continued to strengthen its position on the consumer electronics market. In order to increase the comfort of satisfying the needs of own customers, the company has modernized its retail stores in Michalovce, Nitra and in the Centrál shopping centre in Bratislava. The company continued to implement the latest technology: in the sales area it included the expansion of the use of the electronic price tag technology, while in the Omni-channel sales channel an increase of number of individual pick-up points. The company continues in the trend of using the latest technology in order to provide new shopping experience for its customers.

Despite the negative effect of the COVID pandemic situation in March 2020, the margin of the goods sold slightly exceeded the value of the previous financial year by nearly EUR 0.5 million, which was largely caused by increased purchases of goods.

In the area of services, the company recorded an increase by over 5 %. The extended warranty remains the main driver and a very popular product. In the area of convenient transport, the company achieved performance equal to the previous financial year, which only confirms the continuing interest of customers in using the option of selecting their own goods delivery date.

There was no major change in the area of the company's personnel costs compared with the previous financial year. In order to adjust them to the current economic situation, the provisions created in the previous financial years were dissolved. The company's remuneration system is set up so that it motivates employees by financially engaging them in a continued and strong growth in the area of sale of goods and services.

The share of goods distributed from the central warehouse of the company for the subsidiary company Electro World remained at 60 %, which corresponds to the level of the previous financial year.

The total net income of the company improved by more than EUR 1.8 million despite the above mentioned pandemic situation, reaching EUR 6.679 million. In the comparative financial year 2018/2019, the company achieved the net income in the amount of EUR 4.865 million, while it was negatively affected also by the sale of shares of the subsidiary company Amico Finance, a.s.

The company owns a 76 % share in the subsidiary company Naytrolabs, s.r.o., while it expects its significant contribution in order to maintain leadership on the consumer electronics market and in the growth of online sales.

The company decided to expand its portfolio in the area of providing services to customers through the acquisition of 70 % ownership share in the company Fotomat, s.r.o. The company Fotomat, s.r.o. develops personalized solutions in the digital printing area.

In terms of securing funding for its operational needs, the company cooperates with the bank Tatrabanka, a.s. For its operational purposes, the company has been provided a credit line in the total amount of EUR 20 million, while at the end of the reported financial year it was drawing funds in the amount of EUR 1.127 million.

In the financial year 2019/20, the company paid out dividends to its shareholders in the total amount of EUR 3 million.

PhDr. ZUZANA JURÍKOVÁ
Financial Manager

FINANCIAL PERFORMANCE

Share capital

The share capital of the company in the accounting period 2019/2020 amounted to EUR 17,000,000 (consists of 1,700 shares in the nominal value of EUR 10,000). The net income for this accounting period amounted to EUR 6,679,000. The General Assembly of the company decided to settle the net income for the accounting period of 2019/2020 in the amount of EUR 6,679,000 as follows: part of the net income after tax in the amount of EUR 668,000 was used to supplement the statutory reserve fund of the company and the remaining part of the net income after tax in the total amount of EUR 6,011,000 was transferred to the retained earnings account.

Total assets

Total assets of the company at the end of the reported accounting period reached EUR 88,593,000. The highest share of it is represented by inventories with a net value of EUR 44,540,000. Decrease in utility value of inventories was addressed by the creation of an adjustment in the amount of EUR 131,000, making the adjustment amount to EUR 1,582,000 at the end of the accounting period. The second largest asset item is current receivables in the gross amount of EUR 18,197,000, consisting of trade receivables in the amount of EUR 16,950. Even though our predominant activity is retail sales, the above receivables arise towards subsidiary companies, installment companies when purchasing on installments and towards banks in case of payment with payment cards. An adjustment was made in full amount in the previous years for all difficult-to-recover receivables.

Financial accounts

Financial accounts as of March 31, 2020 amounted to EUR 4,268,000. The company had concluded a credit contract for an overdraft loan in the amount of up to EUR 20,000,000. At the end of the accounting period, the company was drawing credit in the amount of EUR 1,127,000.

Investments

Investments of the company, the accounting value (gross) of which is EUR 3,235,000, were used mainly on technical equipment, interior furnishing of stores and software. Of the above amount, EUR 1,478,000 was invested in software equipment and EUR 1,757,000 was invested in tangible assets.

On January 17, 2020 the company acquired an ownership share in the company Fotomat, s.r.o. in the form of an increase of the registered capital, while it undertook to assume a liability for cash deposit. Upon increase of the registered capital in Fotomat, s.r.o., the company's share in the registered capital of the subsidiary represents 70 %.

Research and development

Since the company's main activity is retail sales, it again did not spend anything on research and development in the accounting period 2019/2020.

Other

The company does not have any organizational entity abroad.

The company did not acquire any own shares during the accounting period 2019/2020.

The company's activities do not negatively affect environment.

Events that occurred after the date of financial statements

On April 1, 2020 NAY, a.s. received a long-term bank loan in the amount of EUR 5 million to finance its investment needs.

In February 2021 NAY, a.s. acquired a 100 % share in the K+B Expert, s.r.o. stores network in the Czech Republic. The sale was approved by the Office for the Protection of Competition in the Czech Republic.

In the accounting period from April 1, 2020 to March 31, 2021 NAY, a.s. expects a stabilization of the situation in retail sales and achievement of revenue on the level of the previous accounting period, with operation of all stores.

Financial risks

In view of the situation, which arose in Slovakia in connection with the spread of COVID 19 disease by decision of the Public Health Authority of the Slovak Republic no. OLP/2595/2020 as of March 12, 2020 and in the context of the Government's decision to declare an emergency situation in the territory of the Slovak Republic no. 111 as of March 11, 2020 and no. 113 as of March 13, 2020 and COVID-19 pandemic declared on March 11, 2020 by the Director General of the World Health Organization in accordance with the Resolution of the Government of the Slovak Republic no. 113 as of March 15, 2020 the Health Authority of the Slovak Republic adopted a measure in the event of threat to public health, pursuant to which, with effect from March 16, 2020 until May 20, 2020, all retail stores and all establishments providing services were closed. On the basis of this extraordinary situation, NAY, a.s. recorded a decline in sales revenue in the period from March to May 2020.

The company considers the outbreak of COVID-19 disease to be a significant event and therefore took into account all relevant effects of the pandemic in the financial statements for the period ending on March 31, 2020, in particular an adequate level of provisions and adjustments to assets.

In the accounting period from April 1, 2020 to March 31, 2021, NAY, a.s. expects a stabilization of situation in retail sales and achievement of revenues at the level of the previous accounting period, with continued operation of all stores.

Management used all available information in the assessment of devaluation of individual asset items. The company's management is unable to predict developments on financial markets that could have impact on wider economy and subsequently to determine what effect, if any, such developments would have on the future financial situation of the company. However, the management believes that it has adopted all necessary measures to promote sustainability and growth of the company's activities in current conditions, while no asset items show signs of impairment that would need to be considered in the financial statements.

PROFIT AND LOSS STATEMENT	MARCH 31, 2020	MARCH 31, 2019
Revenues	343,879,070	319,049,794
Costs of goods sold	279,204,979	256,808,539
Trade margin	64,674,091	62,241,255
Production consumption (consumption of materials, energy and services)	25,993,160	24,598,997
Personnel costs	24,473,304	25,232,847
Other operating costs/revenues - net	1,828,794	1,103,907
EBITDA	12,378,833	11,305,504
Depreciation/amortization	2,712,351	2,739,319
EBIT	9,666,482	8,566,185
Financial revenues	752,151	907,567
Financial costs	1,658,344	2,681,014
Profit/loss before tax	8,760,289	6,792,737
Tax	2,081,380	1,927,671
Net profit/loss for the accounting period after tax	**6,678,909**	**4,865,066**

FINANCIAL STATEMENTS

Balance Sheet	March 31, 2020	March 31, 2019
Assets total	**88,593,022**	**80,981,867**
Non-current assets	20,314,807	19,305,984
Non-current intangible assets	3,401,739	2,737,946
Non-current tangible assets	5,889,014	5,575,069
Non-current financial assets	11,024,054	10,992,969
Current assets	67,941,268	61,398,458
Inventories	44,540,118	36,741,884
Non-current receivables	1,047,800	1,101,827
Current receivables	18,085,264	19,867,142
Financial accounts	4,268,086	3,687,605
Other assets	336,947	277,425
Equities and liabilities - total	**88,593,022**	**80,981,867**
Equity	33,397,407	29,718,499
Net income	6,678,909	4,865,066
Liabilities	54,093,028	50,140,017
Provisions	4,177,092	5,088,840
Non-current liabilities	121,395	308,545
Current liabilities	48,667,732	44,742,632
Current liabilities Trade liabilities	46,415,562	35,975,974
Other liabilities	1,102,587	1,123,351

Independent Auditor's Report

To the Shareholders, Supervisory Board, and Board of Directors of NAY a.s.:

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NAY a.s. (the "Company") as at 31 March 2020, and the Company's financial performance for the year then ended in accordance with the Slovak Act on Accounting No. 431/2002, as amended (the "Accounting Act").

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 March 2020;
- the income statement for the year then ended;
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Code of Ethics) and the ethical requirements of the Slovak Act on Statutory Audit No. 423/2015 and on amendments and supplements to Slovak Act on Accounting No. 431/2002, as amended (hereafter the "Act on Statutory audit") that are relevant to our audit of the financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with the Code of Ethics and the ethical requirements of Act on Statutory audit.

Reporting on other information including the Annual Report

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, to consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Annual Report, we considered whether it includes the disclosures required by the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Annual Report has been prepared in accordance with the Accounting Act.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Annual Report. We have nothing to report in this regard.

Management's responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Act, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management 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.

PricewaterhouseCoopers Slovensko, s.r.o.	Ing. Peter Mrnka, FCCA
Licence SKAU No. 161	Licence UDVA No. 975

22 June 2020, except for Reporting on other information in the Annual Report, for which the date of our report is 12 March 2021.
Bratislava, Slovak Republic

www.nay.sk