ANNUAL REPORT

2021 — 2022

www.nay.sk

ANNUAL REPORT

2021 — 2022

www.nay.sk

TABLE OF CONTENTS

Brief overview of the company 6
Company's values 8
Organizational structure 10
History 12
Top partners 14
Awards 16
Key facts and contacts 18
Board of Directors 20
The year 2021/2022 at NAY group 21
Sales network 22
Objectives and priorities for 2021/2022 24
Market developments in 2021/2022 26
Omni-channel 28
Logistics 30
Services in 2021/2022 32
Marketing communication 34
Financial review of the accounting period 2021/2022 36
Financial performance 38
Financial statements 40
Auditor's report 42

BRIEF OVERVIEW OF THE COMPANY

NAY a.s. is the largest retailer of consumer electronics with a market share of 20.2 %. It has already been present on the Slovak market for 30 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.

NAY GROUP

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 39 stores in the Czech Republic. In 2021/2022, the company's sales reached EUR 201,215,000 (CZK 5,088,721,000) and registered capital amounted to EUR 2,461,000 (CZK 60,000,000).

On November 24, 2021, on the basis of the decision of the sole shareholder of the company Electro World s.r.o., it was decided on returning a part of the funds deposited in other capital funds of the subsidiary company Elektro World, s.r.o. in the amount of CZK 25,000,000 (in EUR: 925,071) and on the payment of the profit share in the total amount of CZK 51,844,286 (in EUR: 2,037,504).

On January 8, 2021, the company entered into a framework agreement on the transfer of a 100 % share in K + B Expert, s.r.o, Klíčany, U expertu 91, district Praha- východ, ZIP code 25069, registration number 406 13 666. On February 2, 2021, the transfer was approved by the Office for the Protection of Competition in Prague. The agreement on share transfer entered into force on April 1, 2021. Subsequently, the name of the company was changed to EWEX Retail s.r.o.. On September 22, 2021, the company decided to merge EWEX Retail s.r.o. with Electro World s.r.o., which became the successor company. The decisive date of the merger was on April 1, 2021. The above fact was entered in the commercial register on October 1, 2021.

On January 17, 2020, NAY, a.s. acquired an 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 of the Slovak Republic on May 30, 2020. In 2021/2022, the registered capital amounted to EUR 24,000 . Based on the decision of the extraordinary general meeting held on March 31, 2022, a deposit was created and paid to other capital funds of the company Fotomat, s.r.o. in the amount of EUR 599,308.

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 our customer leaves with the experience that we keep our word.

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.

ORGANIZATIONAL STRUCTURE

MARTIN DERŇAR
Omni-channel Director

- Omni-channel
- Development of ERP and Integrations
- Projects and processes
- Customer Experience and design

ZUZANA JURÍKOVÁ
Financial Director

- Financial management SK
- Accounting department

MARIÁN HOFBAUER
Sales Director

- Retail
- Shared services and support centre
- Assisted sale

PETER ZÁLEŠÁK
Chairman of the Board of Directors

JÁN TOMÁŠ
Deputy-Chairman of the Board of Directors

Controlling
Consolidation

MARTIN OHRADZANSKÝ
Chief Executive Officer

Human resources

Expansion and rental of real estate

Material-technical resources

Legal department

Compliance Officer

MARTIN DEÁK IT Director	**EMIL HURAJ** Sales Director	**VLADISLAV KRASICKÝ** Logistics Director
Information technologies	Purchase SK Domestic appliances	Reception at CS
BW	Purchase SK Consumer electronics/IT	Expedition from CS and ZO
Databases	Purchase CZ IT/SDA/MDA/ MOBILE/CE	Transportation
Operation	Marketing	Complaints
	Customer services	Inspection
	Online marketing	Inspection of CS
	Web content administration	Recycling fund
	B2B	
	Reference store design	

HISTORY

1991
Incorporation of NAY

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 largeformat 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 online 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.

→ 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 78 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 Slovakia. NAY has 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.

→ 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.

→ 2021

Acquisition of K+B Expert stores

In 2021, Electro World s.r.o., which is a part of the NAY group, acquired 21 K+B Expert stores in the Czech Republic. New stores were integrated under the new brand into the network of Electro World stores.

→ 2021

Redesign of websites and the salesmen Tool

Further comprehensive redesign and technical upgrade and unification of the omni-channel websites www.nay.sk and www.electroworld.cz on a new, modern and modular platform. Launch of the new Tool application for salesmen, which effectively connects all systems for salesmen's work with customers, goods or services in a unified environment.

TOP PARTNERS




























OCENENIA



Obchodník roka 2021

Obchodník s elektronikou

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.

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

MasterCard Business of the Year 2020
in the category of The Electronics Business
WINNER

MasterCard Business of the Year 2021
in the category of The Electronics Business
WINNER

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

Superbrands 2021

Superbrands 2022



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.

Ernst & Young
Podnikateľ roka®

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

KEY FACTS

NAY a.s.
business name

joint stock company
legal form

Tuhovská 15
Bratislava
830 06
registered office

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

+421 2 49 44 94 49
nay@nay.sk
www.nay.sk
Phone no, email address, website

17 000 000 €
share capital

39
number of stores

375 018 166 €
net revenues

1 195
number of employees

9 762 302 €
net income

1 243 259
number of NAY Extra club members

1991
incorporation of the company

All data are provided as of March 31, 2022

BOARD OF DIRECTORS



Ing. Peter Zálešák
Chairman of the Board of Directors

Peter Zálešák, founder of NAY, graduated from the Faculty of Electrical Engineering and Information Technology at the Slovak University of Technology in Bratislava. He had been the CEO since the establishment of NAY, later Chairman of the Board of Directors.

He is a founder and member of the Board of Directors of the Initiative of Slovak Retailers (ISKM) and a member of the Board of Administration of the Dobrý anjel charitable foundation. He is the holder of the E/Y Entrepreneur of the Year award in Slovakia.



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. He was a co-founder of NAY and since its establishment he has been working as a Sales and Marketing Director.

He is a founder of the Vranov Region civic association and had been part of its management for 20 years.

He is a chairman of the Golfing with Heart foundation.

NAY a.s.

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

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

THE YEAR 2021/2022 AT NAY GROUP

In the financial year 2021/2022 (from April 1, 2021 to March 31, 2022), our consolidated sales reached EUR 443 million. Compared to the previous period, sales increased by more than 20 %. Of this amount, sales in Slovakia amounted to EUR 250 million (NAY excluding intragroup sales) and in the Czech Republic (Electro World excluding intragroup sales) to EUR 193 million. The market share in Slovakia was 20.2 % (source GfK) and the market share in the Czech Republic reached 4.5 % (source GfK). Thereby we have consolidated our position as a market leader in the Slovak Republic, despite the growing competition, especially among online sellers.

The growth in sales is driven mainly by the easing of pandemic restrictions in both countries. We performed best in the IT (growth by 18.64 %) and large domestic appliances (growth by 17.62 %) categories. Although online sales did not reach such a high share as in the previous year, they still accounted for approximately one third of total sales.

Increased sales, savings measures and exchange rate gains all contributed to our achievement of a record-high consolidated EBITDA of EUR 30.6 million, which allows us to continue in investments in information systems, new technologies and working environment of our employees and their professional growth. EBITDA is reported according to IFRS standards and is increased by reclassification of rents (services/depreciation) in the amount of EUR 14.97 million.

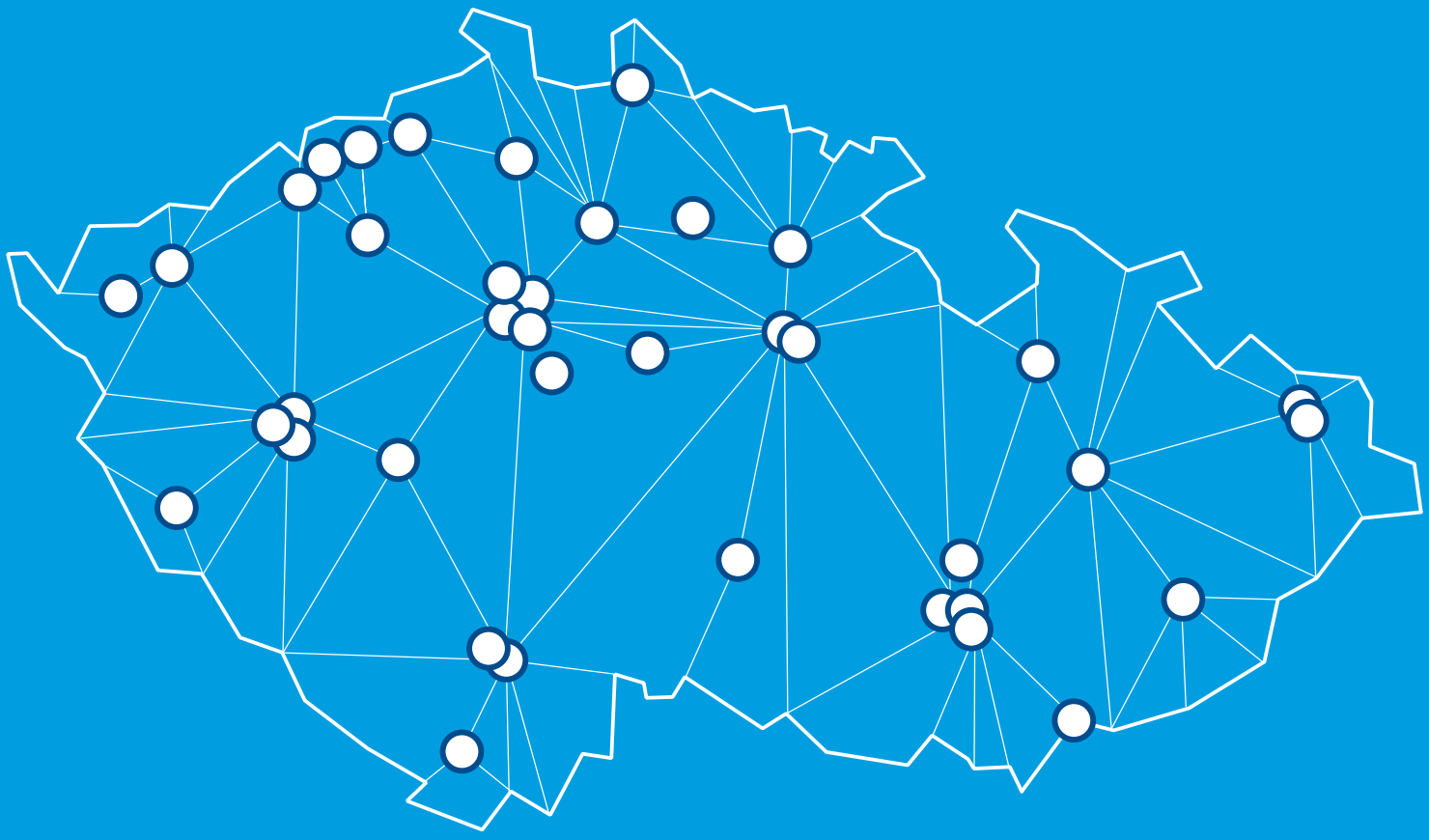
Another strength of the NAY group is its robust balance sheet. At the end of the fiscal year, equity amounted to EUR 37.3 million. We decided to expand our network of stores in the Czech Republic through the acquisition of K+B Expert and thereby increase the number of stores in both countries to 79. The acquisition of K+B Expert took place on April 1, 2021 and the merger of Electro World and K+B Expert became effective on October 1, 2021.

The company Fotomat provides a service of printing photos directly from a smartphone application. At present, Fotomat devices are located at NAY stores, but also at contractual partners (stores, gas stations, cafes and restaurants).

The COVID pandemic affected the entire country and fundamentally changed the behaviour of consumers – our customers. These changes in purchasing behaviour persist even after lifting of quarantine restrictions and customers continue, to a greater extent, making use of the advantages of e-commerce, remote reservation of goods, assisted sales over phone and omni-channel access. We respond to this with innovations, we have launched a new website and are implementing dozens of other projects to improve technologies and processes. We want to offer customers all the advantages of online sales, with the added value of our experts at the stores and proximity to customers thanks to the wide network of our stores. –

Ing. Peter Zálešák
Chairman of the Board at NAY

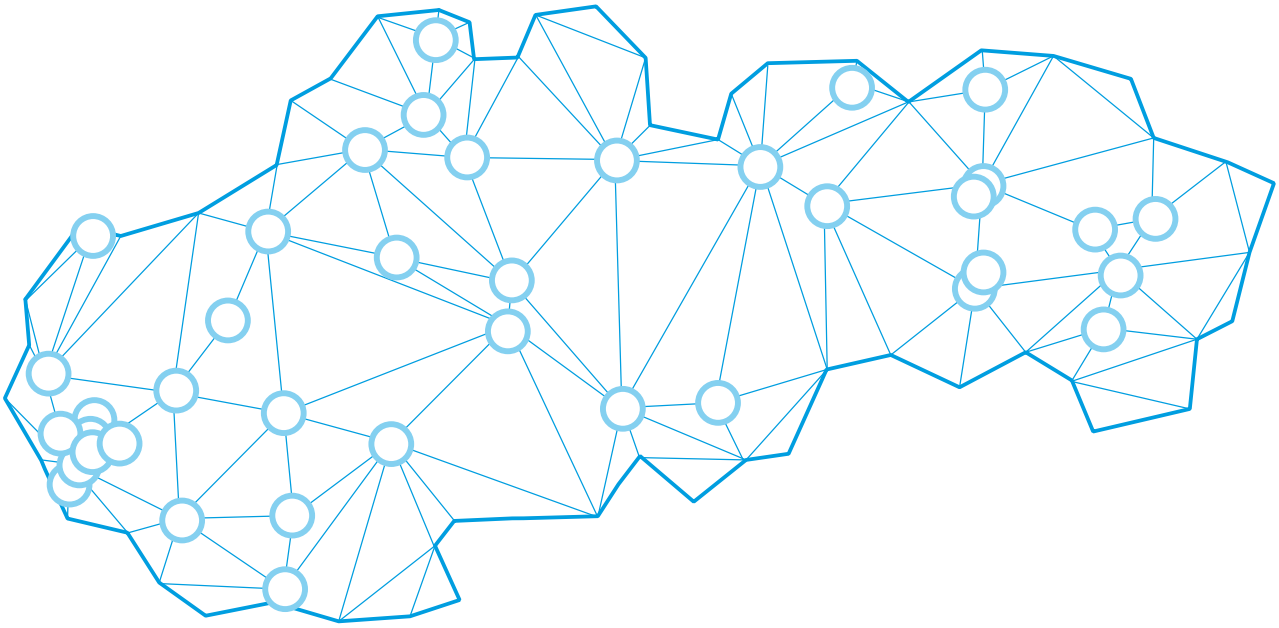
SALES NETWORK



Network of Electro World stores in the Czech Republic

Electro World: Blansko | Brno (3) | Česká Lípa | České Budějovice (2) | Český Krumlov | Hodonín | Hradec Králové | Jičín | Jihlava (2) | Karlovy Vary | Kolín | Liberec | Litvínov | Louny | Meclov | Mladá Boleslav | Olomouc | Ostrava (2) | Pardubice (2) | Plzeň (3) | Praha (5) | Příbram | Sokolov | Šumperk | Teplice | Ústí nad Labem | Zlín

NAY: Banská Bystrica | Bardejov | Bratislava [7] | Čadca | Dunajská Streda | Humenné | Komárno | Košice [2] | Levice | Liptovský Mikuláš | Lučenec | Malacky | Martin | Michalovce | Nitra | Nové Zámky | Piešťany | Poprad | Považská Bystrica | Prešov [2] | Prievidza | Rimavská Sobota | Skalica | Spišská Nová Ves | Stará Ľubovňa | Trebišov | Trenčín | Trnava | Vranov nad Topľou | Zvolen | Žilina



Network of NAY stores in the Slovak Republic

OBJECTIVES AND PRIORITIES FOR THE YEAR 2021/22

Our strategy brings us closer to achieving our vision.

MARTIN OHRADZANSKÝ
Chief Executive Officer



This year we are again facing the biggest crisis in recent times - the COVID19 pandemic. This period is characterized by major changes that have immense dynamics and little predictability. In such difficult time we should hold on to our dream/vision even more, which motivates us to move forward despite all the challenging circumstances.

In our company, we set, in the previous period, a long-term vision of a customer enjoying to shop at our company - to have a perfect shopping experience.

Behavior and expectations of a customer in today's dynamic era influenced by the pandemic and new technologies have been changing significantly. Nowadays, there are many options for ordering a product or service, paying for them and receiving them (in store, by courier, parcel machine, call center etc.). Covering all these ways of selling and delivering goods and services also has its technical term: omni-channel. With constant changes in circumstances initiated mainly by the pandemic in this period, it is even more important to allow a customer to order, pay and receive goods and services in ways other than we were used to.

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 objective, we have set up our strategy that we strive to successfully fulfill. 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 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 directly at a store, compare products and, of course, pay without visiting a cash register, e.g. via Google Pay or Apple Pay service and pick up a product or a service at a pick-up point.

Our employees at the stores use new technologies to serve customers faster and more efficiently. Using a tablet or a mobile phone, they can provide a customer with all the necessary information about the product to facilitate decision-making process of a customer and recommend a suitable service or accessories for the selected product. In addition, they can e.g. order a time slot for delivering a product to the customer's home directly from this tool.

Our further effort will be focused on continuous fulfillment 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 a customer (omni-channel), as well as to simplify, as much as possible, customer service by our employees at NAY. –

MARKET DEVELOPMENTS IN 2021/2022

Overall, the year 2021/2022 was excellent, as sales of goods increased by more than 18 %

EMIL HURAJ
Sales Director



The fiscal year 2021/2022 was right from the start positively affected by deferred purchases from the more than four-month-long period of closed stores.

Return to stores

People who did not have the opportunity to visit brick-and-mortar stores and consult with a salesman in person for several months, increased their demand, especially for large domestic appliances and televisions, during the first months of the fiscal year. Predictions or concerns that customers would have no reason to return to stores after getting used to on-line shopping, have not turned out to be true. Customers returned to stores almost immediately after lifting the pandemic measures and visit rates have essentially returned to pre-pandemic values.

Every third TV is from NAY

Overall, the year 2021/2022 was excellent, as sales of goods increased by more than 18 %. The IT category was particularly successful, growing by more than 34 % annually and NAY has surpassed the 10 % market share level for the first time in this category.

The second fastest growing category was large domestic appliances, which grew by more than 20 % and achieved a market share of 24 %. The category of small domestic appliances also performed very well, adding 15 % and reaching a market share of 23 %. The consumer electronics category also increased, growing by more than 10 %. In this category we confirmed our long-term dominant position on the market with market share of more than 31 %. Simply put, every third TV in Slovakia is from NAY.

Although the mobile phone category did not record a year-on-year growth, we defended our 20 % market share. The new categories, which have a relatively short history at NAY, also did very well. For example, the DIY category, in particular tools and garden, grew by more than 13 %. However, the biggest increase was recorded in the sports category, with growth exceeding 70 %. High demand in this category is mainly for electric scooters and electric bicycles, which enjoyed great popularity during the pandemic. We consider urban mobility and cycling extraordinarily perspective categories for the future as well.

If we take a closer look at individual categories from the key categories, with the largest shares in turnover, the greatest increase was achieved in the following: notebooks and computers +34 %, refrigerators +29 %, washing machines and dryers +15 %, television technology +10 %. These categories grew in value by more than EUR 13 million in total. Accessories also performed well, especially accessories for mobile phones, which achieved annual growth of almost 40 %.

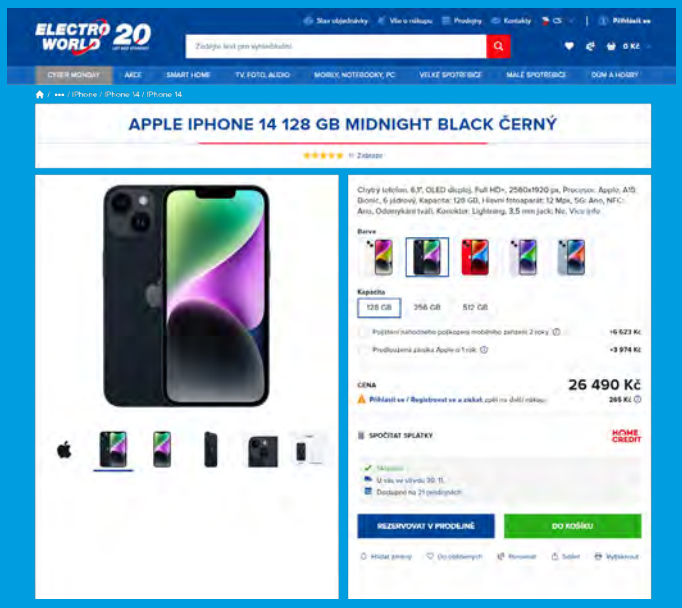
Online share development

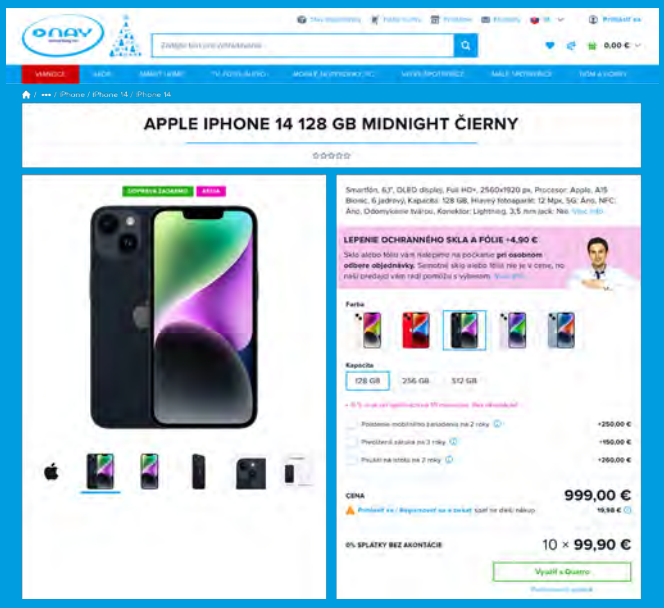
The share of on-line sales both decreased and increased. The share of on-line sales in the fiscal year reached 31 %.

This share is, of course, lower compared to the previous fiscal year, since the stores were closed for more than 5 months and during those months it logically represented 100 %. On the other hand, compared to the pre-Covid period, the share grew almost threefold.

Customers have clearly shown that they want to see, 'touch' and try out large domestic appliances, whether free-standing or built-in, in person at a brick-and-mortar store, discuss the options with expert staff and only then make a decision. –

OMNI-CHANNEL







MARTIN DERŇAR
Omni-channel Director

The financial year 2021/22 started off very hectically again. Just like the year before, with closed stores for ongoing anti-pandemic measures, the so-called 'lock-down'. In the same period, our subsidiary ElectroWorld opened 20 new stores acquired from K+B. Opening new stores during period of their forced closure was an unusual challenge. It was necessary for us to make omni-channel sales available through reservations, personal pick-ups and dispatch of shipments from the warehouses of new stores basically from the first day of operation under the Electro World brand. It was successful and the acquired stores were able to not only retain customers, but also find new ones and record a significant growth in sales.

New on-line platform

The main event was undoubtedly the launch of the redesigned omni-channel website nay.sk on the new on-line platform. The result is a top customer website that supports quick product searching and has barrier-free access to purchase. We start and finish the purchasing process at any NAY touchpoint - allowing the customer to move smoothly between the on-line and off-line environments. At the same time, the new nay.sk is absolutely transparent, as it informs about the price, delivery times, availability and has a modernly designed after-sale experience thanks to on-line complaints.

New application for salesmen

A new modern and modular platform has become the basis for the seller's new website. We have prepared it exactly tailored for our sales consultants who use it to advise and serve thousands of customers every day. It allows our salesmen to get to know the customer by scanning their loyalty card and shows them hints of top recommendations for even better customer care. A typical example is a notification of the upcoming expiration of loyalty points or additional purchase of an extended warranty. It speeds up the purchasing process thanks to a single-page order and an integrated module for installment purchases and ordering NAY Transport. It includes performance and fulfillment of the seller's individual plan updated on a daily basis.

We were very pleasantly surprised by the results. In the very first month after the redesign, sales generated by the salesman application at NAY increased by more than 40 % and at Electro World even by 90 %.

Black Friday in lock-down

Less than 2 months after its launch, the new website experienced an unprecedented load test. The ongoing COVID19 pandemic prepared an unpleasant surprise for us in the form of another lock-down, which was announced just 2 days before the biggest event of the year, the expected 'Black Friday'. Further closure of stores and shift of all purchases on-line meant a significant, over 6-fold increase of orders received in a single day. Despite minimum preparation time, we experienced no outage or slowdown and managed to serve every customer while stocks lasted.

The new normal

Over the last two years, retail has changed irreversibly. The trend towards on-line shopping is permanent, we need to reach the customer where they are. They expect the standard of food delivery also for delivery of on-line purchases. The function and concept of stores is changing. In the digital transformation of omni-channel stores, it is not enough to focus only on the product and purchase experience. The omni-channel store nowadays must simultaneously handle the functions of a logistics center and function as an efficient 'Micro-Fulfillment Hub'.

Rapid increase in energy prices brings new challenge and opportunities for NAY. The challenge to improve the energy efficiency of stores and the opportunity to participate in the expansion of energy-saving appliances in households. We believe that we will take advantage of these opportunities and that the result will be further strengthening of NAY's market position.. –

LOGISTICS

After two years of pandemic, we can state that we passed the stress test and came out of it with more modern, flexible logistics and great confidence.

VLADISLAV KRASICKÝ
Logistics Director



The financial year 2021/22 once again tested the readiness of our logistics and accelerated its development. Closed stores, changes in customer behavior, expansion of the network, assortment, but also a lack of staff - we had to deal with all of this in the past year. However, after two years of pandemic, we can state that we passed the stress test and came out of it with more modern, flexible logistics and great confidence to face similar situations also in the future.

Blockdown Friday

Traditionally, the biggest load for logistics is the beginning of the Christmas season, which, for several years also in Slovakia, starts with Black Friday at the end of November. This year, a few days before Black Friday, all stores were closed again, adding to the already expected sharp increase in e-commerce orders. Such a change in the most hectic period will cause a domino effect. Stocks are, to a greater extent than usual, prepared in the stores' warehouses, logistics is shifted from pallets almost exclusively to packages, it is necessary to double the staff, however, they are not available, since the entire market faces a similar problem, and of course, the capacities of partner courier companies get overloaded. In retrospect, we can state that it was a record-high pressure on the company's logistics, which we eventually managed with minimum delays in delivering orders to customers.

Expansion in all directions

At the beginning of the year, the network of ElectroWorld stores in the Czech Republic expanded by 20 new stores, which meant an increase in serviced stores by 25 %.

During the year, we expanded the warehouse by 5,600 sqm, which represents an expansion of 15 %.

The expansion of warehouse area was necessary due to an increase in the number of items, which rose by 33 %, in the course of the year.

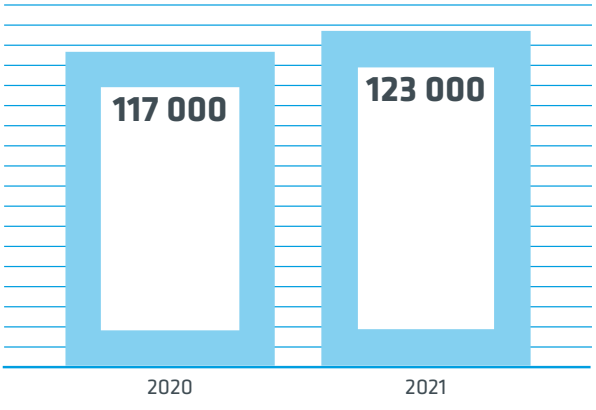
We have expanded the number of partner courier companies. At Electro World, we implemented new logistics partner, spreading the delivery volume from the existing two partners to three.

Investments

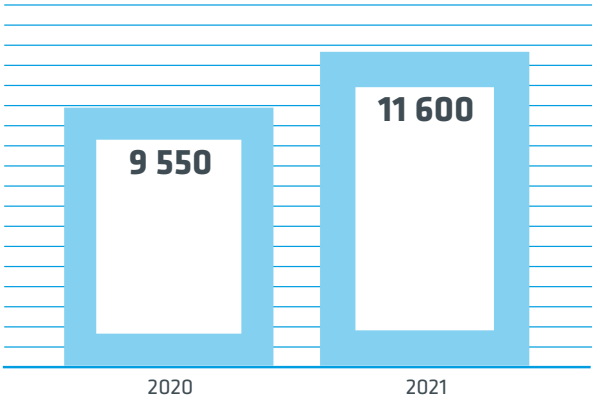
The biggest change for our customers will be the ongoing implementation of the new planning software, thanks to which the customer will see in real time the location of their order (delivery vehicle) on the map, the estimated delivery time as well as the number of customers in queue ahead of them. In addition, new planning software allows easy change of the delivery date, the possibility of contacting the courier or rescheduling the delivery. We believe that thanks to this software, the customer will have even better experience with delivery services and a perfect overview and control over the entire process.

Besides the new planning software, it is worth mentioning the investment in two semi-automatic package wrappers in the central warehouse, which will speed up the packaging of orders and reduce the error rate. –

DISPATCHED PALLETS



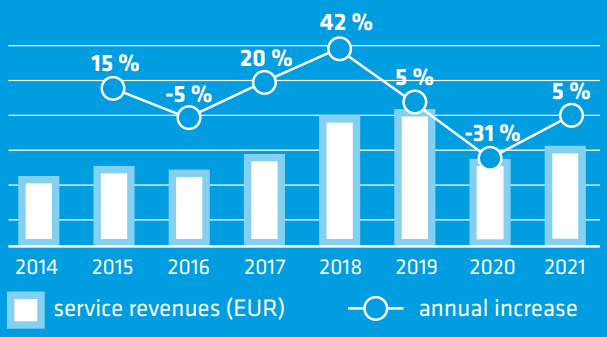
NUMBER OF TRANSPORTS TO STORES



SERVICES

Revenues from extended warranties again represented the highest share of total service revenues

REVENUES FROM SERVICES





MICHAL HALÁS
Coordinator of the
Customer Service Department

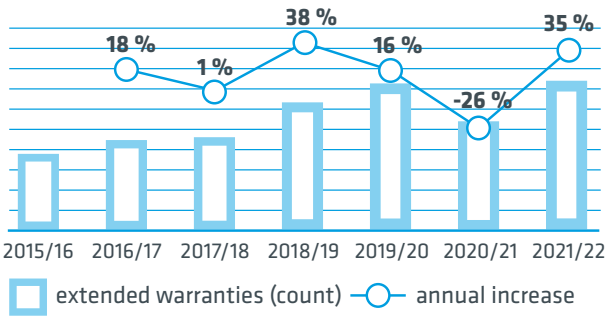
In the second pandemic year, services performed better

At first glance, 2021 was better from the service sales point of view thanks to the lower number of days, when stores had to be closed due to the lockdown (30 vs. 132 days). It resulted in an increase in sold services such as extended warranties, insurance, TV calibrations. On the other hand, just like the entire market, we have seen a decline in installment sales. Service results were also significantly affected by the creation of provisions to cover repairs of goods with an extended warranty. This need arose due to the increase in prices of service interventions as well as due to the unavailability of some spare parts. Overall, however, revenues from services grew by 10 % compared to the previous year.

Extended warranties and insurance of goods with significant growth

Revenues from extended warranties again represented the highest share of total service revenues, even after taking into account the increase in provisions for future repairs. With 73,000 contracts, we grew by 35 % compared to the previous year.

NUMBER OF EXTENDED WARRANTIES



We also recorded an increase in insurance sales. We insured more than 21,000 devices, up by 24 % from the preceding year. We also attribute the growth in sales to the changes we made to insurance products, such as extension of insurance coverage to include theft for the camera and notebook categories, as well as insurance of smartphones of a lower price range starting from EUR 69.

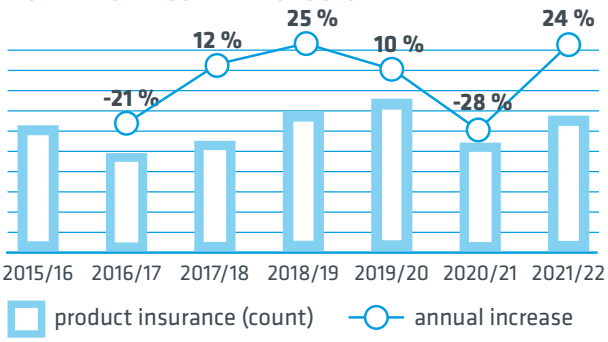
Purchases on installments declined again

Sales of goods on installments fell also this year. The effects from last year, such as a lower share of approved loans due to legislative restrictions and reluctance to take on debt by clients, continued to be felt. At the end of the fiscal year, this was aggravated by negative effects associated with the war in Ukraine. Lower installment sales were partly influenced by the fact that in the first half of the year we only cooperated with one installment company. In the second half of the fiscal year, we also started cooperation with the second business partner Home Credit in all stores as well as in the on-line store, which had a positive effect on the total share of installments in the second half of the year, especially in the on-line store. In the last quarter, we supplemented the standard installment sales with the possibility of providing the so-called 'Peer To Peer loans' in cooperation with the Zinc €o company. The result of all negative effects was a decrease in the share of installment loans in the total turnover by 15 %. The good news is that the launch of cooperation with new lending partners at the end of the fiscal year helped us prevent further decline and stabilize the situation for the following period.

The number of calibrated TVs and mounting of protective glasses attacked record highs

After replacing the calibration probes in all stores, we managed to calibrate 19 % more TVs compared to the previous year. We achieved the increase despite a drop in TV sales during Black Friday, when stores were closed due to the lockdown. In the service of mounting glasses on smartphones we recorded an annual growth of 36 %.

NUMBER OF INSURED PRODUCTS



New service Immediate complaint replacement

In August, we launched the sale of the Immediate product replacement service in the event of a complaint. Until then, the service was available free of charge only to members of the NAY Extra loyalty club for products of value up to EUR 30. Since August, we have introduced this service as an additional charge also for selected products of value up to EUR 200. By the end of the fiscal year, the service was purchased by almost 8,000 customers. –

MARKETING

The pandemic moved life on-line and marketing communication immediately adapted to it.

FRANTIŠEK VÁMOŠI
Marketing Manager



What a wonderful on-line world

The pandemic moved life on-line and marketing communication immediately adapted to it. The second pandemic year was not affected by lockdowns to the same extent as the first one was, but digital communication continued on the path taken in the first year of the pandemic.

According to the Unimedia agency, the advertising market in 2021 grew by 10.7 %, although it is an estimate of net spending on advertising, as only gross spending is available. Of this, on-line added 21 %, followed by TV, which increased by 7.8 % and radio with growth of 1.6 %. Other media types recorded a decline. Market growth was therefore mainly driven by investments in on-line.

According to IAB Slovakia, the annual increase in investments in on-line advertising reached 32 %, with the largest part going to banner advertising, search and video advertising.

These trends were largely reflected in Nay's investments. While off-line media types remained at a comparable year-on-year level, investments in search grew by 30 % and in banner advertising by as much as 80 %. Due to the nature of our business, search is still dominant, the growth of banner advertising and video is extraordinarily dynamic, as it begins, to a growing extent, to replace standard off-line media types, since consumers consume more and more content on the Internet.

Next year, we expect further significant growth in banner and on-line advertising, as we are awaiting the integration of extensively used search and PLA performance formats of Google into a single Performance max product, which will, in addition to the above formats, integrate banners and video too.

Social life

According to the representative Go4insight survey from March 2022, up to 85 % of Slovakia's citizens aged 15-79 years use some social network and as many as 63 % use it daily. Facebook is dominant, followed by Youtube, Instagram and fourth place belongs to TikTok already, while in recent years, the last two mentioned have been growing in particular.

Nay has one of the strongest Facebook accounts in our market. At the beginning of the financial year, we launched an Instagram account and at the end of the financial year also a pilot account on TikTok. Both new accounts immediately found their audience and have been growing dynamically. Due to their popularity, social networks are not only proving to be a very powerful brand building tool, but in recent years they have started to offer more sophisticated advertising tools and are proving to be a great conversion channel in which we want to expand further.

New website

Perhaps the biggest effort in the past year was directed to our own medium - to the redesign of the on-line store or rather the omni-channel platform nay.sk (and electroworld.cz). Although the graphic language of the website has hardly changed, which is the best accolade to the design created 7 years ago, perhaps every page of nay.sk has been rebuilt anew for the better, faster and easier customer experience. In addition to the better shopping layout, we have significantly improved the amount and the way of presentation as well as the range of information about products and marketing campaigns. We have also expanded the space for marketing communication of our business partners.

Challenges for the new year

The financial year 2022/23 promises a whole range of challenges in the field of marketing and communication. As of February 1, 2022, the rules for collecting cookies when visiting websites have changed, making it more difficult to analyze on-line store visits. In 2022, a directive of the European Parliament and the Council will also enter into force regulating and unifying the rules for listing the so-called previous price of the product, from which the current discount of the product is calculated. These rules will prevent short-term artificial price increases to create seemingly attractive discounts, which is a good step towards consumer protection. On the other hand, these rules are difficult to apply to off-line formats without being confusing.

In addition to these changes required by the legislation, a lot of effort will go into further development of UX, design and functionalities of the new on-line store, whether for consumers or business partners. A number of planned functionalities remained in the 'cutting room' due to lack of time during development, so we expect a big shift in this area.

In the coming year, we also plan to create a new communication concept and strengthen brand communication in above-the-line media as well as on-line, especially with an emphasis on services. –

FINANCIAL REVIEW OF THE ACCOUNTING PERIOD 2021/22

PhDr. ZUZANA JURÍKOVÁ
Financial Director



NAY a.s. evaluates the year 2021/22 as a very successful one with regard to the achieved economic result. This positive result was facilitated by continual investments of the company in adapting its business model to the situation. The company continued to invest dynamically in order to develop new technologies and strengthen the position of the omni-channel sales channel.

The company's revenues from the sales of goods in the respective period increased by almost 18.21 %. The company has a positive outlook on the future for the position of retail stores within the omni-channel sales channel and for this reason it modernized its retail stores in Bratislava Avion and Banská Bystrica, opened a new store in Bratislava Nivy - already the seventh store in Bratislava. The company has made progress in automation of internal processes and continues the trend of using the latest technologies in order to provide a new shopping experience to its customers.

After the effects of the pandemic situation and related store closures faded, there was a significant increase in services by EUR 4.2 million, which had a significant positive impact on the company's financial situation.

In order to maintain jobs, the company implemented several measures in personnel policy, resulting in the stabilization of the number of its employees and their slight increase. In financial terms, this fact represented an increase in personnel costs by approximately EUR 2.8 million. The largest share of these costs was represented by the costs of wages for employees in the company's retail stores.

Net income in the respective period amounted to EUR 9.8 million, positively affected by dividends from the subsidiary company in the amount of EUR 2.04 million and foreign exchange gains (net) in the amount of EUR 1.99 million. Net income adjusted for these items amounts to EUR 5.77 million. In the comparative financial year 2020/2021, the company's net income reached EUR 8.28 million. The comparative net income (adjusted for the above items) in this comparative period amounted to EUR 6.11 million.

In order to secure the funding of its operational needs, the company cooperates with the banking house Tatrabanka, a.s. . For its operational purposes, the company has a credit line provided in the form of an overdraft loan in the total amount of EUR 30 million, while at the end of the reporting financial year, it used funds in the amount of EUR 3.27 million. In order to improve its financial situation, the company entered into an agreement on April 1, 2020 on funding its operational needs in the total amount of EUR 5 million - the loan for operational needs amounted to EUR 3.05 million at the end of the reporting period.

In the financial year 2021/22, the company paid out dividends to its shareholders in the total amount of EUR 3 million. –

FINANCIAL PERFORMANCE

Share capital

The share capital of the company in the accounting period 2021/2022 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 amounts to EUR 9,762,000 . The General Assembly of the company decided to transfer the net income for the accounting period 2021/2022 in the amount of EUR 9,762,000 to the retained earnings account.

Total assets

Total assets of the company at the end of the reporting accounting period reached EUR 106,287,000 . The highest share of it is represented by inventories with a net value of EUR 49,696,000 . Correction of utility value of inventories was reflected in the creation of an adjustment, which amounted to EUR 1,275,000 at the end of the accounting period .

The second largest asset item is current receivables in the gross amount of EUR 28,919,000, consisting of trade receivables in the amount of EUR 28,579,000 . 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.

PhDr. ZUZANA JURÍKOVÁ
Financial Director



Financial accounts

Financial accounts as of March 31, 2022 amounted to EUR 926,000 . The company had concluded a credit contract for an overdraft loan in the amount of up to EUR 30,000,000 . At the end of the accounting period, the company was drawing an overdraft loan in the amount of EUR 3,266,000. The company had concluded a credit contract for funding operational needs - the loan for operational needs amounted to EUR 3,051,000 .

Investments

Investments of the company, the accounting value (gross) of which is EUR 5,478,000, were used on software, technical and interior furnishing of stores and financial investments. Of the above amount, EUR 1,860,000 was invested in software equipment and EUR 3,618,000 was invested in tangible assets .

On November 24, 2021, the decision of the sole shareholder of the company Electro World s.r.o., was made to return a part of the funds deposited in other capital funds of the subsidiary company Elektro World, s.r.o. in the amount of CZK 25,000,000 (in EUR: 925,071) and on the payment of the profit share in the total amount of CZK 51,844,286 (in EUR: 2,037,504).

On January 8, 2021, the company entered into a framework agreement on the transfer of a 100 % share in K + B Expert, s.r.o, Klíčany, U expertu 91, district Praha-východ, ZIP code 25069, registration number 406 13 666. On February 2, 2021, the transfer was approved by the Office for the Protection of Competition in Prague. The agreement on share transfer became effective on April 1, 2021. Subsequently, the name of the company was changed to EWEX Retail s.r.o.. On September 22, 2021, the company decided to merge EWEX Retail s.r.o. with Electro World s.r.o., which became the successor company. The decisive date of the merger was on April 1, 2021. The above fact was entered in the commercial register on October 1.

Based on the decision of the extraordinary general meeting dated March 31, 2022, a deposit was created and paid to other capital funds of the subsidiary company Fotomat, s.r.o. in the amount of EUR 599,308.

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 2021/2022.

Miscellaneous

The company does not have any organizational entity abroad.

The company did not acquire any own shares during the accounting period 2021/2022.

The company's activities do not negatively affect environment.

Events that occurred after the date of financial statements

On April 8, 2022, upon the decision of the general assembly, the company paid out a part of the retained profit in the amount of EUR 3,000,000 to its shareholders as follows: EUR 711,325 of the retained earnings for the financial year ending on March 31, 2019 and EUR 2,288,675 of the retained earnings for the financial year ending on March 31, 2020.

Financial risks

In the accounting period from April 1, 2022 to March 31, 2023, NAY, a.s. expects a stabilization of situation in retail sales and achieving 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 in 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. –

FINANCIAL STATEMENTS

PROFIT AND LOSS STATEMENT	31/03/2022	31/03/2021
Revenues	374 055 701	315 978 315
Costs of goods sold	302 249 928	256 078 704
Trade margin	71 805 773	59 899 611
Production consumption (consumption of materials, energy and services)	31 341 757	24 976 084
Personnel costs	27 609 174	24 808 493
Other operating costs/revenues - net	1 016 080	-1 732 782
EBITDA	11 838 762	11 847 816
Depreciation/amortization	3 347 388	3 031 560
EBIT	8 491 374	8 816 256
Financial revenues	4 900 288	3 009 721
Financial costs	1 440 469	1 543 654
Profit/loss before tax	11 951 193	10 282 323
Tax	2 188 891	1 999 156
Net profit/loss for the accounting period after tax	**9 762 302**	**8 283 167**

Balance Sheet	31/03/2022	31/03/2021
Assets total	**106 287 116**	**96 947 659**
Non-current assets	25 108 994	22 964 647
Non-current intangible assets	4 687 831	4 450 453
Non-current tangible assets	8 167 179	6 273 795
Non-current financial assets	12 253 984	12 240 399
Current assets	80 774 442	73 654 019
Inventories	49 695 958	44 740 403
Non-current receivables	1 342 743	1 023 749
Current receivables	28 809 386	19 784 590
Financial accounts	926 355	8 105 277
Other assets	403 680	328 993
Equities and liabilities - total	**106 287 116**	**96 947 659**
Equity	44 676 708	37 914 407
Net income	9 762 302	8 283 167
Liabilities	60 688 003	57 998 229
Provisions	5 802 801	4 538 338
Non-current liabilities	219 689	184 398
Current liabilities	48 349 113	35 954 284
Current liabilities Trade liabilities	44 950 512	33 453 868
Other liabilities	922 405	1 035 023

FINANCIAL STATEMENTS AS OF 31 MARCH 2022 AND INDEPENDENT AUDITOR'S REPORT JUNE 2022

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 2022, and the Company's financial performance for the year then ended in accordance with the 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 2022;
- the income statement for the year then ended; and
- 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Act No. 423/2015 on Statutory Audit and on the amendments and supplements to the 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 IESBA Code and the ethical requirements of the 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.

Translation

PricewaterhouseCoopers Slovensko, s.r.o., Karadžičova 2, 815 32 Bratislava, Slovak Republic
T: +421 259 350 111, www.pwc.com/sk/en

The firm's ID No.: 35 739 347. The firm is registered in the Commercial Register of Bratislava I District Court, Ref. No.: 16611/B, Section: Sro.
IČO spoločnosti je 35 739 347. Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava I, pod Vložkou č.: 16611/B, Oddiel: Sro.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, 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.

Responsibilities of management 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 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.

Translation

- 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.
SKAU licence No. 161

Ing. Peter Mrnka, FCCA
UDVA licence No. 975

20 June 2022, except for *Reporting on other information in the Annual Report* section of our report, for which the date of our report is 22 March 2023.

Bratislava, Slovak Republic

Translation Note:

This version of our report is a translation from the original, which was prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Translation


www.nay.sk