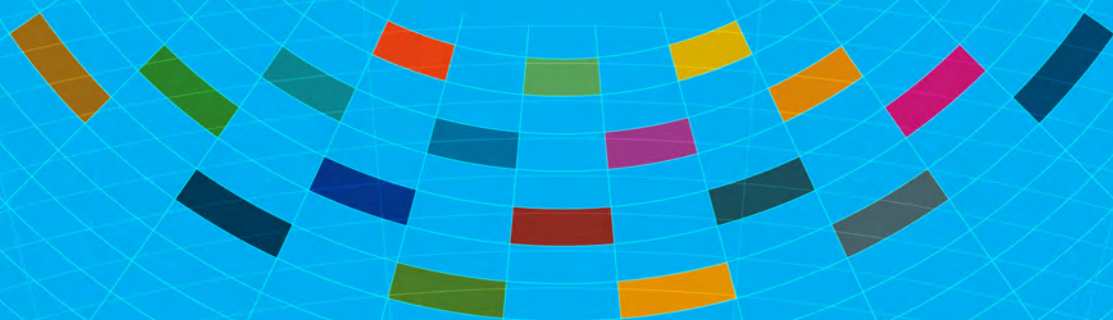


**2018
2019**



NAY

ANNUAL REPORT



NAY
ANNUAL
REPORT
2018
2019





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01

NAY OVERVIEW

NAY a.s. is the largest retailer of consumer electronics with a market share of 25 %, which has already been present on the Slovak market for 28 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 on-line 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

The NAY Group includes NAY a.s.,

Electro World s.r.o. and NAYTROLABS, s.r.o.

On October 23, 2018, the company sold its 69 % share in its subsidiary company Amico Finance a.s.

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 153,539,000 (CZK 3,961,626,000) and the value of the registered capital amounted to EUR 2,325,000 (CZK 60,000,000).

NAYTRO L A B S

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 reached EUR 36,000 in 2018 and registered capital amounted to EUR 10,000.

02

NAY VALUES

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

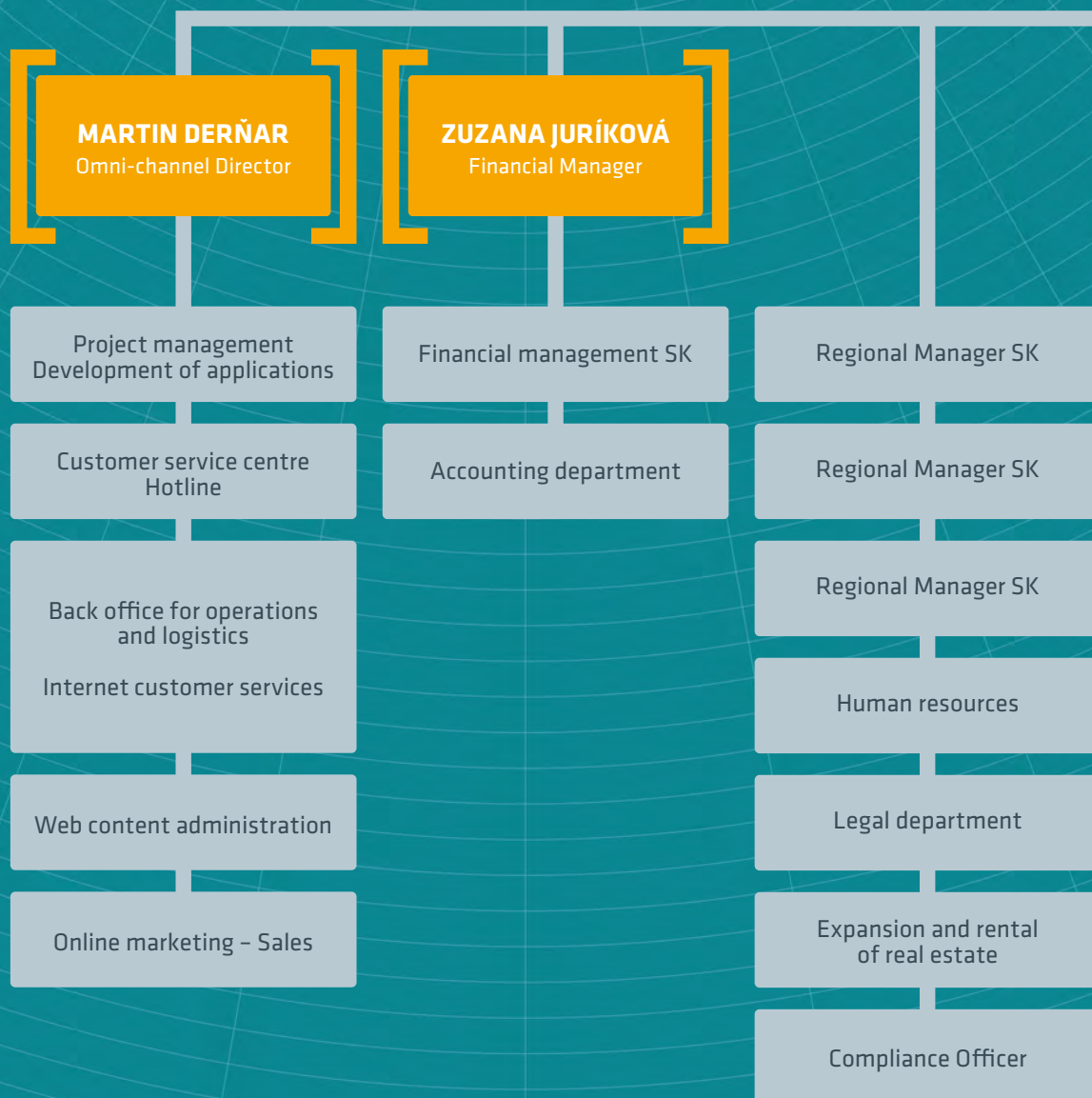
We are inspired by technics. The easier it is to control, the more useful. It does not matter how complex the underlying process is. It is important that everything is as easy as possible to arrange for the customer. It does not matter whether a customer wants to make a reservation for goods, needs a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

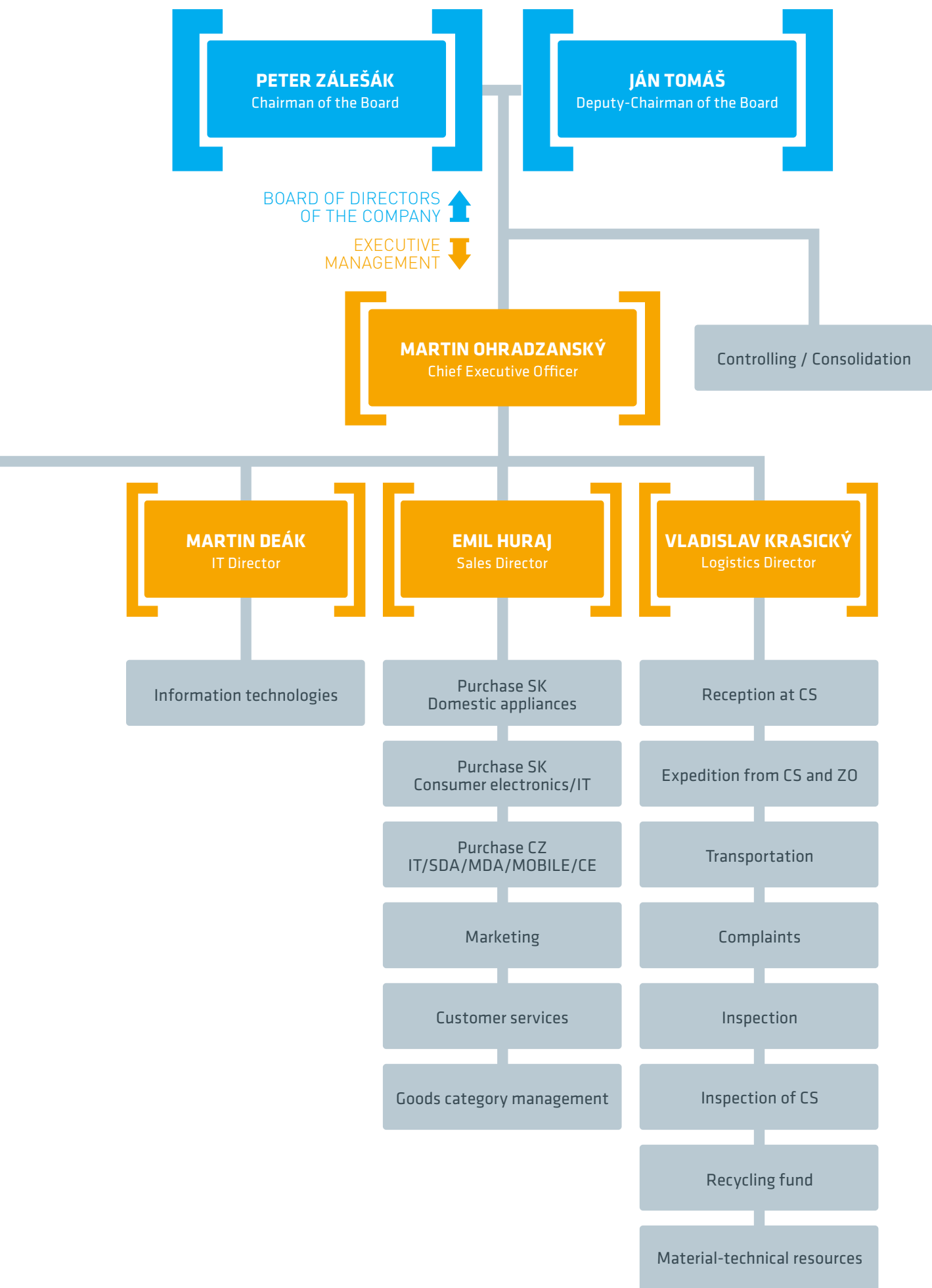
PASSION FOR TECHNICS

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.

03

ORGANIZATIONAL STRUCTURE





04

NAY HISTORY

1991

Incorporation of NAY

2007

Dobry Anjel

In 2007, the collaboration with Dobry 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.

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.

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.

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.

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.

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.

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.

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.

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.

05

TOP
PARTNERS

acer



ASUS®



Canon



gorenje



Panasonic

PHILIPS

SAMSUNG

SONY



06

AWARDS

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 Electronics Businesses – 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 2014 – 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 2016 – winner

MasterCard Business of the Year 2017

in the category of The Electronics Business 2017 – winner

MasterCard Business of the Year 2018

in the category of The Electronics Business 2018 – 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



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

07

NAY KEY FACTS

NAY a.s.

business name

joint stock company

legal form

**Tuhovská 15
Bratislava
830 06**

registered office

+421 2 49 449 449

nay@nay.sk

www.nay.sk

phone number, e-mail, web

**Registered in
the Commercial
Register
of District Court
Bratislava I,
in sec. Sa,
File No. 1640/B**

registration

17 000 000 €

share capital

36

number of stores

319 754 515 €

net revenue

1 145

number of employees

4 865 066 €

net income

1 060 380

number of loyalty club members

1991

incorporation of the company

All data are provided as of March 31, 2019.

08

BOARD OF DIRECTORS



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 had been 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 Slovak University of Technology in Bratislava in 1987. Together with Mr. Peter Zálešák they founded NAY, where he was a Director of Sales Department.



Map of NAY stores

THE YEAR 2018/2019 AT NAY GROUP

“The year reviewed is a turning point also because we were profitable for the first time in the Czech Republic as well.”

In the financial year of 2018/19 (from April 1, 2018 to March 31, 2019), our consolidated revenue reached EUR 372 million. When compared to the previous year, the revenue increased by 13.3 %. Out of the total revenue, the sales in Slovakia (NAY, excluding intragroup sales) represented EUR 219 million and reached EUR 144 million the Czech Republic (Electro World, excluding intragroup sales). The market share in Slovakia increased to around 23 % (source: GfK) and in the Czech Republic to around 5 % (source: GfK). Thereby, we have enhanced our position as a market leader in Slovakia (in the Czech Republic, we are in Top 5), in spite of growing competition mainly in the area of on-line retailers.

The year reviewed is a turning point also because we were profitable for the first time in the Czech Republic as well. The results of Electro World (EBITDA of EUR 2.1 million and net income of EUR 1.3 million) have contributed to achieving a record-high consolidated EBITDA of EUR 12.9 million, which allows us to invest even more into information systems, working environment of our employees and their professional growth, and, last but not least, in their bonuses.

The consolidation of Electro World took us 5 years (we acquired a 100 % share in the company from Dixons in 2014), but in the end we have managed, thanks to scaling down a store format, central purchasing and centralized logistics,

to stabilize the company and, more or less, separate from NAY management. The position of Country Manager for the Czech Republic was filled by Roman Kocourek, who previously worked as CFO at NAY and thus, was perfectly familiar with our business model and culture. Michal Navrátil, previously leading the Purchasing Department, became the Sales Director. We continue to make use of all meaningful synergies within the group, managing certain departments and activities centrally for both countries.

In October of 2018, we sold the subsidiary Amico Finance a.s., which was ensuring financial services for the end customers (instalment sale, insurance and extended warranty) for the NAY Group. The reason for selling the company was an increasingly complex regulation of these services and difficult legislation. Nowadays, the provision of consumer loans required such a demanding administration and control that this type of business only makes sense for banks, which are able to make use of synergies. For this reason, the company was acquired by a commercial bank (Poštová banka, a.s.), with which we agreed on the sale of 100 % of shares. Before the sale, we performed a spin-off of the part of the company that was responsible for insurance and extended warranty. These activities were adopted directly by NAY and Electro World. We continue to cooperate with Amico Finance a.s. as one of the providers of consumer loans and our customers

were not affected by this change. As a result of the sale of this division, the debt burden of NAY Group has also significantly decreased to just EUR 4.3 million at the end of the fiscal year, while cash on bank accounts amounted to EUR 4.8 million.

Changes also took place in the subsidiary company Naytrolabs. It is a company within the NAY Group, and its mission is to research and implement innovations mainly in the area of information system and retail automation. Michal Dugáček, who as a project manager previously led large IT projects at NAY and Electro World (implementation of SAP, cash register systems, etc.), has become a new CEO of the company. A young team of developers and a start-up culture that we aim to foster should come up with new approaches and a completely new user interface for customers of our website and mobile application within two years.

The objective 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

09

OBJECTIVES AND PRIORITIES FOR THE YEAR 2019

The world is changing rapidly and so is the behaviour and expectations of customers. Nowadays, a customer has many ways to order a product or a service, to purchase it, to pay for it as well as to pick up a product or a service (at store, by courier, using a pick-up machine, call centre, etc.).

Covering all ways of selling and delivering goods and services also has its technical term: omni-channel.

Ing. Martin Ohradzanský
CEO NAY a.s.



A comprehensive customer care and their perfect shopping experience is our strategic objective, regardless of the way a customer chooses. In order to achieve this objective, we have also set up our strategy based on three pillars:



Omnichannel

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



Services

To sell goods with an added value to customers and ensure they leave with 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 NAY invested in NAYTROLABS, where 23 IT experts work on implementing comprehensive customer care using modern technology.

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 service and pick up the product or service at a pick-up point.

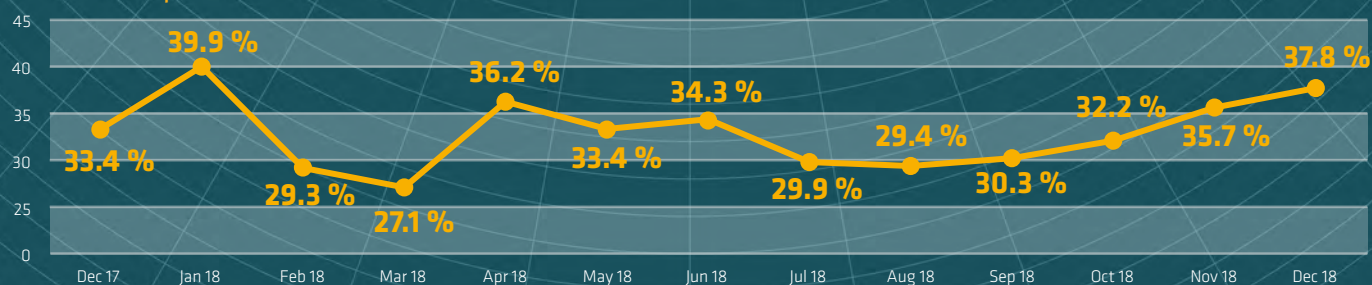
Last year we reconstructed our oldest store on Tuhovská, introducing new technologies, such as electronic price tags, sale of smart products with exhibition of their real use at home, pick-up machine with a non-stop pick-up of products available, self-service desk to select a mobile phone cover, as well as self-service payment kiosks and many other features.

Our further effort will be focused, in line with our strategy, on simplification and automation of processes in brick-and-mortar stores and on-line sales. In 2019, we will continue to develop applications and use modern technologies in order to maximize the convenience for a customer while purchasing products and services by any method selected by a customer (omni-channel), as well as to simplify, as much as possible, customer service by our employees using modern technologies. ■

10

MARKET DEVELOPMENTS IN 2018

Development of NAY's share in TV sales on the Slovak market in 2018



Emil Huraj
Sales Director



“2019 was the year of televisions. Every third TV was purchased by customers at NAY”

The Slovak consumer electronics market in 2018 once again recorded an increase by more than 8 % compared to the previous year.

The market was growing thanks to several macroeconomic factors such as expanding gross domestic product and rising average wage, decreasing inflation and historically lowest unemployment rate. The fastest growing category on the Slovak market were mobile phones with 31 % growth, followed by small domestic appliances rising by 12.6 % and major domestic appliances rising by 10.1 %.

NAY managed to grow in the consumer electronics category by 19.3 % despite the fact that this category recorded a decline by 1 % in 2018 on the entire market. We also outpaced the market in the mobile phones and major domestic appliances categories. On the contrary, we did not grow as fast as the market in the small domestic appliances category.

CONSUMER ELECTRONICS

Unchanged from the previous year, consumer electronics was dominated by TVs with 55"+ screens with 4K technology, with significant increases mainly in the 60"- 69" (37 % gain) and 70"+ (94 % gain) categories. Also, the TVs with 8K technology were launched, the more significant distribution of which is expected in the near future. NAY was successful in particular in the 55"+ category, where it reached a market share of 40 % in 2018.

IT ELECTRONICS

In the IT category we experienced a decline in notebook sales in the last

quarter, in spite of many supporting actions, such as instalments with 0 % interest. Tablet sales also continually decline. The only category within IT that increased was the mobile phones category, mainly due to the introduction of new model high-end series by Apple and Samsung.

DOMESTIC APPLIANCES

In the SDA (small domestic appliances) category, a large increase was recorded in dental care (43 %), air conditioning (40 %) and coffee machines (31 %) categories. In MDA (major domestic appliances), the traditionally fastest growing category were dryers with over 26 % annual growth. Thanks to the new warehouse allowing greater storage capacity, we managed in the last quarter to increase sales of built-in domestic appliances. A customer has goods readily available and does not have to wait several weeks as with the most competitors.

PRODUCT RANGE

In 2018, we managed once again to expand our product range and thanks to the new central warehouse also the stock availability of all products, which represents a significant competitive advantage. After 20 years we have reconstructed our first large-format store in Zlaté Piesky, where we have – in addition to reconstruction and enlargement of a sale space – invested in the latest technologies such as electronic price tags, payment kiosks or pick-up machine. A separate category is the

new exhibition of smart products in the form of model apartment where a customer can test products in real environment. Even though the smart category is still in its infancy, NAY is definitely one of the pioneers of this category and believes in its future.

COMPETITIVE ENVIRONMENT

In the past year, the share of on-line sales increased again in all reviewed categories. Slovakia's share is currently 36 %. The highest on-line share is in the IT category, while the lowest share is in small domestic appliances and consumer electronics.

EXPECTATIONS FOR 2019

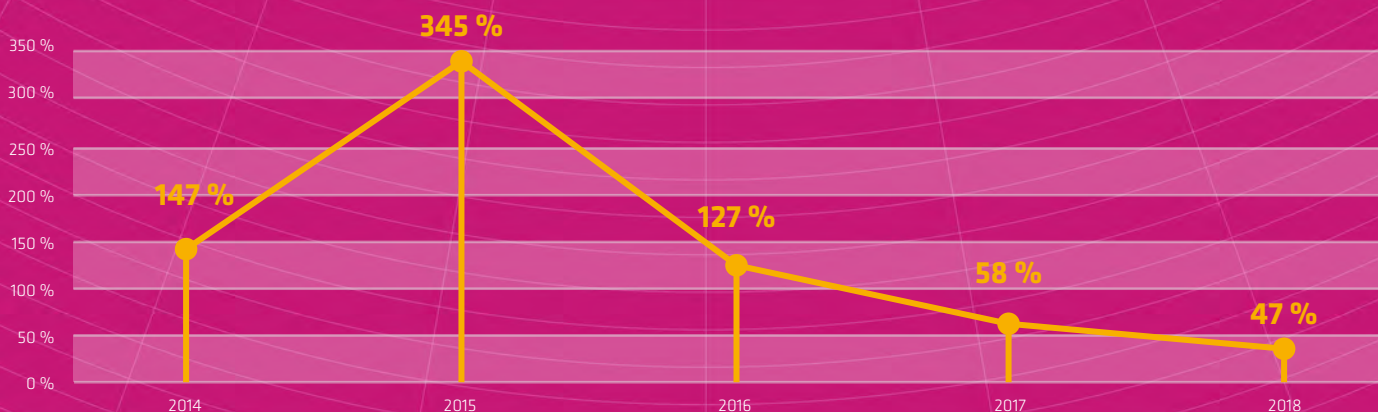
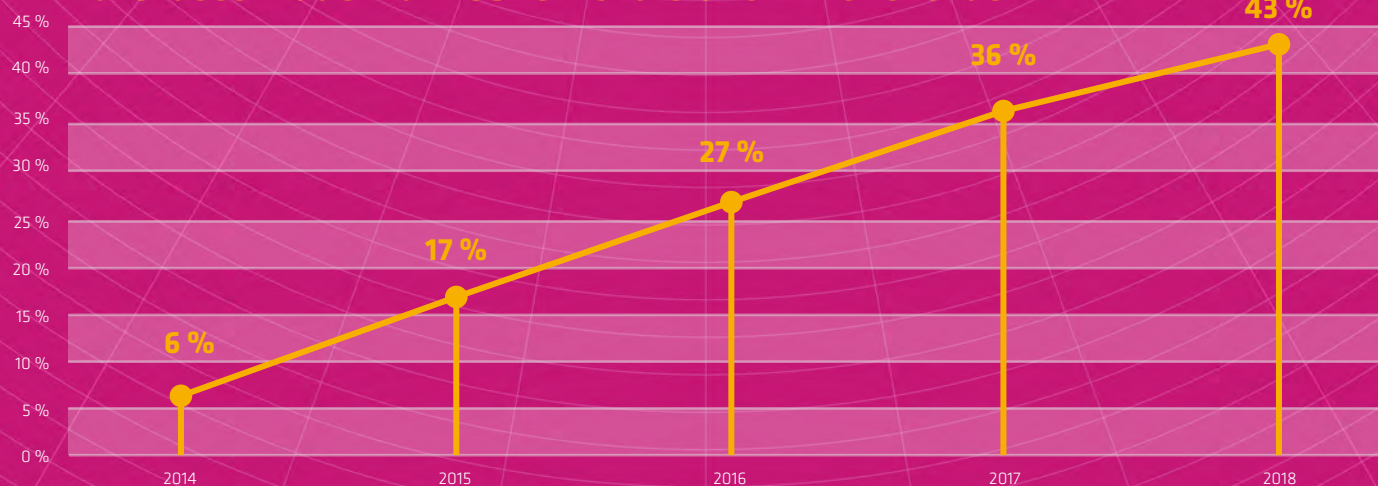
We expect a continued growth in sales of televisions with larger diagonal and gradual establishment of 8K technology in an increasingly wide range of models, as well as growth of gaming and electric mobility category that includes electric scooters, bicycles or hoverboards. We also expect growth in the mentioned smart home category or smart category in general. ■

11

E-COMMERCE AND OMNI-CHANNEL

A positive growth trend of all key indicators of nay.sk continued in 2018 again. The visit rate of nay.sk increased annually by 11 % to more than 18.6 million visits. The conversion ratio improved as well, resulting in 26 % growth in orders and bookings at stores.

Purchases made via mobile – share of on-line revenue



Purchases made via mobile – annual growth

Martin Derňar
Director of Omni-channel



“NAY SmartApp was the first merchant application in Slovakia to integrate Google Pay service directly.”

A significant increase in traffic and revenue is a result of high prevalence of smartphones and mobile Internet in Slovakia. Over 20 % increase in mobile traffic yielded over 50 % increase of revenue due to constantly improving conversion rate.

In February 2019, we reached an interesting milestone – for the first time, our customers created more orders via mobiles than via desktop devices.

PERSONAL DATA PROTECTION

The second quarter of 2018 was associated with the implementation of the new directive on personal data protection, known in short as GDPR. The topic has earned a justified attention of media and general public. At NAY, we have perceived new rules as an opportunity. We have already in advance aligned our internal procedures and processes so that they, in the first place, observe customers' rights to access and transfer of their personal data, restriction of their processing and deletion as specifically requested.

Beyond legal obligations, we have developed a simple and intuitive interface for loyalty, registered and unregistered customers. We have enriched necessary legal instruction and typically related information obligations with easily comprehensible explanations. Requests for accessing the information are processed in real time despite a 30-day period allowed by the law.

TAILORED COMMUNICATION AND NEW ON-LINE SERVICES

New GDPR rules mean at the same time new opportunities for us. Already

in 2017, we tested automation of a targeted 1:1 marketing communication. The NAY Extra loyalty club has a long tradition and our customers rightfully expect tailored products and services in real time for their loyalty. The significance of targeted and well-timed communication is demonstrated by figures. In 2018, we created 6 long-term and over 30 ad-hoc targeted campaigns, while the best of them reached 69 % click-rate. In times of intensifying competition for customer attention it is an extraordinary result that gives us energy to continue in the trend set.

New personalization tools have allowed us to prepare further on-line services. Customers especially appreciated the timely and repeated notifications of loyalty points' expiration, weekend delivery in a selected time slot and extended warranty purchase service available at any time until the end of the 2-year statutory warranty.

NAY SMARTAPP

In April 2018, we released the first version of Android application for our loyalty customers. In the first version, it helped our customers save a loyalty card and all receipts on a mobile, locate our stores and compare features of products by a simple scan of a price tag at a store.

The announced launch of modern payment methods – Google Pay and Apple Pay – brought us to an idea of how to make in-store purchases more pleasant and simple. On the occasion of opening a new omni-channel store concept in Bratislava, Zlaté Piesky, we released a new version of the application. It allowed loyalty customers not only to scan and compare exhibited goods, but also to pay for it directly in the app. They will then pick up the already pre-

pared and paid goods at a pick-up point. In November 2018, it was the first merchant app in Slovakia to integrate Google Pay service directly. From June 26, 2019, with the launch of Apple Pay in Slovakia, the option to pay also via Apple Pay has been added to NAY SmartApp.

SMART CATEGORIES AND CONCLUSION

The above mentioned omni-channel NAY store concept also brought a new approach to the presentation and sale of smart electronics, a model apartment furnished with smart appliances. A growing interest of customers has prompted us to significantly expand our product range by 2,000 new smart products in 16 new categories. We can see that smart electronics does not appeal only to technology enthusiasts. Smart domestic appliances can make cooking or home care more enjoyable and diverse, thereby attracting the attention of an upcoming millennials generation who seek to furnish their new households.

A gradual launch of 5G networks and voice control will again expand the functional options of electronics. It will make it more fun and friendly, probably recreating the way we use it every day. We believe it will bring NAY not only new business opportunities, but will also strengthen our position as a leader in retail innovations on the Slovak market. ■

12

LOGISTICS

After having moved to the new central warehouse, which increased the capacity by 25 %, the year 2018 was mainly about process optimization and expansion of logistics services.

Vladislav Krasický
Director of Logistics



At the end of the day, the fundamental role of logistics in retail process is to effectively supply the stores and customers, especially from the central warehouse. Therefore, our optimization efforts were directed here as well.

OCCUPANCY OF VEHICLES

Compared to 2017, we have increased the number of pallets transported to NAY stores by 20 %. This increase was, indeed, caused mainly by turnover growth. However, by optimizing occupancy of vehicles we have managed this increase with a number of transports rising by just 6 % annually. For the company it means significantly lower costs on each pallet transported thanks to better occupancy of vehicles.

year, the biggest load test is on days during when the number of customers' orders – overnight – blows up multiple times. A typical example is Black Friday and Christmas season.

For this reason we have invested significantly this year in logistical information systems to handle the increasing load from the previous years also in these days, while observing all logistical promises we give to customers on a regular day.

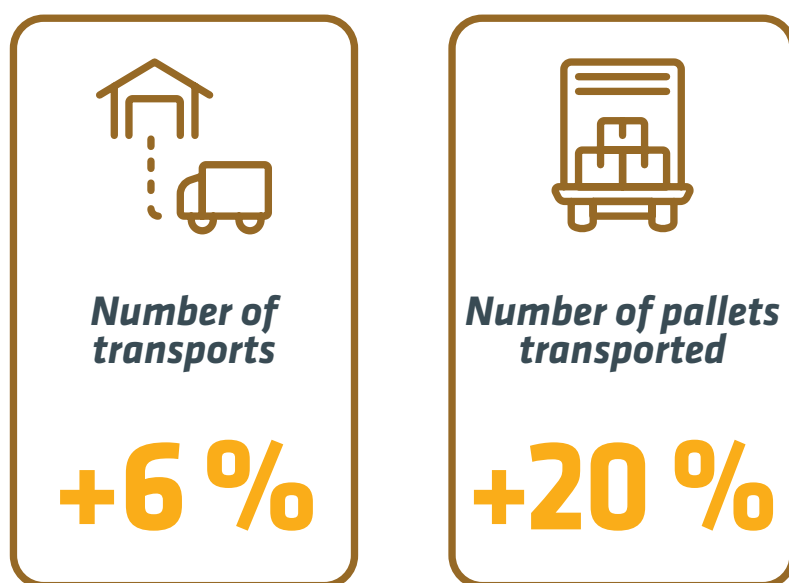
for the Convenient transport (Kornfortná doprava) between 17:00 and 20:00, so that customers can order goods to have it delivered home in the evening as well and do not need to take a leave from work in order to pick it up. We have expanded the delivery options also by weekends. Finally, we have extended the Convenient transport option to parcels up to 30 kg. ■

NEW SERVICES

EXTREME SALES DAYS

Regardless of how well the logistics process is set up during most of the

However, it was not only about optimization processes. In 2018, we successfully expanded transport services for customers by three new options. We have opened a new time window



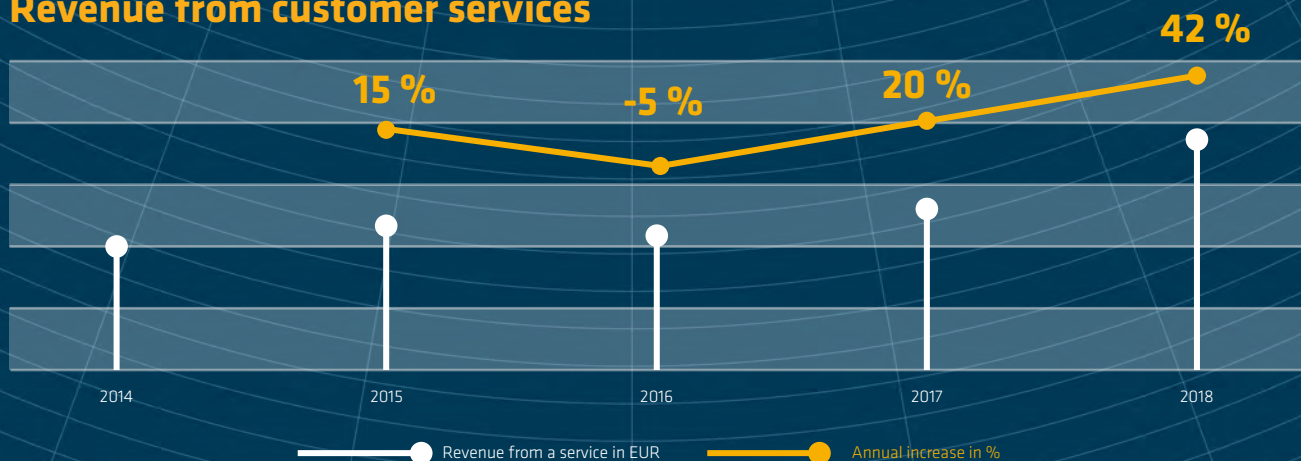
Comparison between **2018** and **2017**

13

SERVICES IN 2018/2019

In 2018, services experienced a record increase, when turnover of services increased by 27 %. On the one hand, sales of services were supported by increased sales of goods, on the other hand by the changes started in the previous year when we expanded well-proven services, fine-tuned processes, supported them in terms of communication and increased motivation for stores.

Revenue from customer services



Michal Halás
Customer Service Department Coordinator



63,000 GOODS WITH EXTENDED WARRANTY

The sales of extended warranties contributed most to the successful year. Customers have now extended warranty on 63,000 products, which is more by 17,000 compared to the previous year. We started providing the Extended warranty service this year under our own brand, which has opened us more opportunities to develop this type of service. For example, we provided customers with an option to extend warranty at any time, even on the last day of legal warranty. We also made several adjustments to the Guaranteed Flat Rate (Paušál na istotu), which in addition to extending the warranty, provides customers with additional benefits. The new Guaranteed flat rate on vacuum cleaners (Paušál na istotu pre vysávače) proved very successful, immediately becoming the best-selling flat rate for domestic appliances.

CHANGES TO INSTALMENT PURCHASES

The year 2018 was influenced by the sale of our subsidiary company

Amico Finance to Poštová banka. However, the changes that we had to make in relation to this process in cooperation with the new owner went smoothly, without any negative impact. Despite the constant tightening of legislative conditions of granting loans as well as thanks to a strong three-month campaign of VUB in the season, we have managed to achieve a comparable volume of loans with VUB as in the previous year.

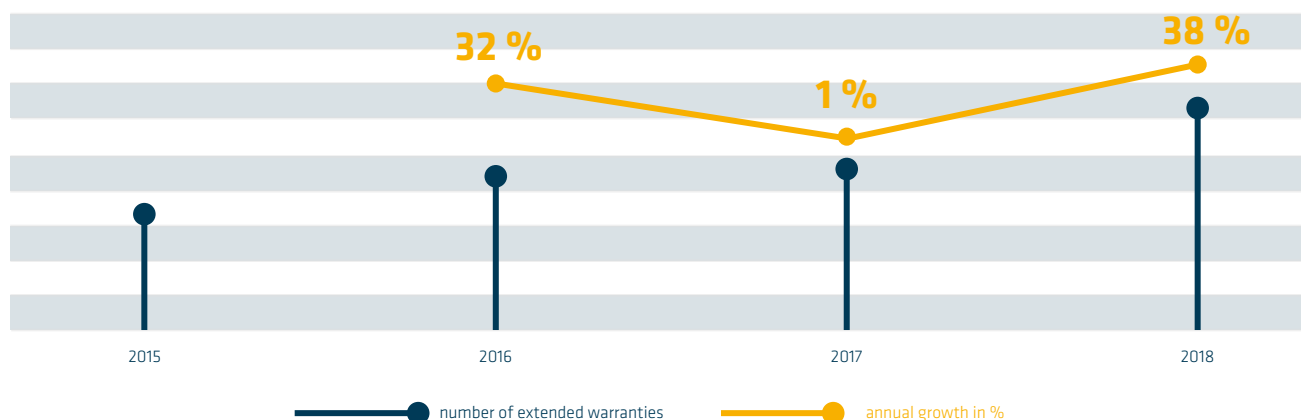
TRANSPORT SERVICES EXTENDED BY EVENING AND WEEKEND DELIVERY

We have improved a convenient delivery of goods all over Slovakia with an option to order delivery of goods during the weekend or in the evening during week days. Customers responded well to these options and over 20 % of them actually use them. Customers were more interested in weekend delivery, in particular in satellite towns and with customers who probably commute to work for more than an hour. In such towns, weekend delivery with Convenient transport is selected by 20 % to 30 % of customers, in some towns even up to 50 %.

18,000 TV'S CALIBRATED

An excellent year of TV sales was also a great year of TV calibration sales. This year we have calibrated 50 % more televisions for customers compared to the previous year. Good results were supported by new calibration probes which also the latest television models are adapted to, as well as by a system of pre-calibrated televisions during peak sales, such as Black Friday and Christmas sale. Pre-calibration has shortened purchase waiting time, since the calibration itself takes around 30 minutes. ■

Number of extended warranties



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MARKETING COMMUNICATION

Trends in communication of NAY did not change significantly in 2018, they were just accentuated. Communication of new services, more on-line investments and more personalized communication.

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ŽIJEME TECHNIKOU

František Vámoši
Marketing Manager



EXPANDED COMMUNICATION OF SERVICES

While in 2017 we focused on media plan optimization and reinforcement of communication, in 2018 we added new services, expanding NAY's strategic communication portfolio. The main product and primary competitive advantage of NAY are services that form the basis of above-the-line communication. In 2018, the range of services was expanded with three services that further enhance the image of NAY as a brand that offers the highest quality service added value for a customer.

1. The option of extending the warranty at any time during the warranty period

2. Convenient delivery during weekends

3. Convenient delivery during evenings

The extended warranty is a unique service on the market and we have launched it with a full-fledged campaign that involved all types of media including a TV campaign. Along with the above-the-line campaign, a targeted e-mail campaign was started, reaching customers whose products are nearing warranty expiration, with an offer of its extension.

SHORTER AND MORE INTENSE TACTICAL CAMPAIGNS

A lower flexibility in preparation and timing of above-the-line campaigns, combined with minimum time response of the market to price changes caused significant modifications in the form of tactical campaigns. Large tactical campaigns that last a month are becoming less effective and the market is starting to be dictated by short, but intense price offers communicated on-line.

Already in 2017, we introduced a new format of tactical campaigns „A week with the brand“ or even shorter „A weekend with the brand“, where in cooperation with suppliers we are able to offer best

prices on the market on a key portfolio and at the same time to communicate them very quickly and at minimum cost to our customers.

In 2018, there were 15 „Weeks with the brand“, generating a growth in sales of discounted products in hundreds of percent, while being communicated exclusively on-line.

MESSAGE VS. MEDIA COSTS

It does not matter how strong the communication is, if its message is not relevant for the customer. NAY's strategy in 2018 to focus in communication more and more on services, combined with attractive short tactical offers, has yielded results.

The turnover of services increased by 27 %, while sales turnover growth reached 9 % and gross investments in above-the-line communication decreased by 1.5 %, even though the investments of top 8 consumer electronics retailers (including NAY) in the same indicator increased by as much as 38 %. ■

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FINANCIAL REVIEW OF THE ACCOUNTING PERIOD 2018/19

NAY a.s. evaluates the year 2018/19 as a very successful one in terms of net income achieved, despite the divestiture of its subsidiary company Amico Finance a.s., which had a one-off negative effect on net income in the total amount of EUR 950,000. The company continued to invest dynamically in the subsidiary NAYTROLABS, s.r.o. in order to develop new technologies to reinforce the omni-channel sales concept.

PhDr. Zuzana Juríková
Financial Manager



REVENUES

The company experienced a strong growth in revenues. Retail sales increased by 9 %, while total sales gained 14 %, achieved also thanks to the distribution of goods for the subsidiary Electro World, s.r.o. in the Czech Republic. In the period reviewed, the company continued to expand – we opened a new store in Bardejov. The Tuhovská store in Zlaté Piesky in Bratislava was completely modernized on the 20th anniversary of its opening, where we have created a new concept through which we present the use of latest technologies, bringing a new shopping experience for our customers.

MARGIN

The company's sales margin increased by nearly EUR 3 million, to a large extent due to higher goods purchases.

SERVICES

In customer services, the company recorded a growth of over 42 %. The main driver and a very popular product has become an extended warranty. Services in the area of convenient transport have doubled their perfor-

mance compared to the previous year, confirming a continued high interest of our customers in using the option to select their own delivery time.

PERSONNEL COSTS

The company's personnel costs have increased by 14% on an annual basis, mainly due to legislative changes in compensation for work on weekends and public holidays. Another reason for increase in labour cost is the fact that the company's remuneration system motivates the employees to be financially involved in a continuous and strong growth in sales of goods and services.

LOGISTICS

The share of goods distributed from the company's central warehouse for the subsidiary company Electro World, s.r.o. has increased from 50 % in the previous accounting period to the current around 60 %.

NET INCOME

The company's EBIT improved by almost EUR 1.5 million, without taking

the one-off negative effect of the sale of the subsidiary company Amico Finance a.s. into consideration. The total net income of the company has, despite the above facts, remained on a level comparable to the previous accounting period in the amount of EUR 4.865 million, compared to EUR 5.090 million in the period 2017/2018.

The company owns a 76 % share in the subsidiary NAYTROLABS, s.r.o., expecting its significant contribution to maintaining leadership on the consumer electronics market and to on-line sales growth.

In terms of securing funding of own operational needs, the company cooperates with Tatrabanka, a.s. bank. The company has been provided a credit line for its own operational purposes in the total amount of EUR 20 million, of which the company at the end of the reviewed accounting period was drawing EUR 4.263 million.

In the accounting period 2018/19, the company paid out dividends to its shareholders in the total amount of EUR 2 million. ■

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FINANCIAL PERFORMANCE

SHARE CAPITAL

The share capital of the company in the accounting period 2018/2019 reached EUR 17 million (consisting of 1,700 shares in the nominal value of EUR 10,000 per share). **Net income for this accounting period amounts to EUR 4,865,000.** The General Assembly of the company decided to settle the net income for the accounting period of 2018/2018 in the amount of EUR 4,865,000 as follows: part of the net income after tax in the amount of EUR 486,000 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 4,379,000 was transferred to the retained earnings account.

TOTAL ASSETS

Total assets of the company at the end of the reviewed accounting period reached EUR 80,982,000. The highest share of it is represented by inventories with a net value of EUR 36,742,000. 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 1,489,000 at the end of the accounting period.

The second largest asset item are current receivables in the gross amount of EUR 19,989,000 consisting of trade receivables in the amount of EUR 19,056,000. Even though our predominant activity is retail sales, the above receivables arise towards subsidiary companies, instalment companies when purchasing on instalments 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, 2019 amounted to EUR 3,688,000. 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 4,263,000.

INVESTMENTS

Investments of the company with the accounting value (gross) is EUR 3,428,000, were used mainly on technical equipment, interior furnishing of stores and software. Of the above amount, EUR 1,231,000 was invested in software equipment and EUR 2,194,000 was invested in tangible assets.

On October 23, 2018 the company concluded the agreement on the sale of the 69 % share in its subsidiary company Amico Finance a.s.. The sale was subject to approval by the domestic financial market regulator. The transaction was executed with a negative effect on the accounting net income of the company in the amount of EUR 925,000.

On March 12, 2019 the company concluded the agreement on transfer of the 10 % share in its subsidiary company NAYTROLABS, s.r.o.. The transaction was executed without affecting the company's net income. The company's share on the registered capital of the subsidiary company NAYTROLABS, s.r.o. after selling the part of the share represents 76 %.

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 2018/2019.

OTHER

The company does not have any organizational entity abroad.

The company did not acquire any own shares during the accounting period 2018/2019.

The company's activities do not negatively affect environment.

EVENTS THAT OCCURRED AFTER THE DATE OF FINANCIAL STATEMENTS

No events that would be required to be disclosed and reported in the financial statements occurred after the date of financial statements.

FINANCIAL RISKS

Management used all available information in the assessment of reductions in value of individual property 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. ■

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FINANCIAL STATEMENTS

Profit and Loss Statement in EUR

March 31,
2019

March 31,
2018

Revenues	319 049 794	279 320 698
Costs of goods sold	256 808 539	223 675 463
Trade margin	62 241 255	55 645 235
Production costs (consumption of material, energy, services)	24 598 997	22 763 622
Personnel costs	25 232 847	22 115 307
Other operating costs/revenues - net	1 103 907	1 129 184
EBITDA	11 305 504	9 637 122
Depreciation/amortization	2 739 319	2 475 465
EBIT	8 566 185	7 161 657
Financial revenues	907 567	653 529
Financial costs	2 681 014	1 139 348
Profit/loss before tax	6 792 737	6 675 838
Tax	1 927 671	1 585 072
Net profit/loss for the accounting period after tax	4 865 066	5 090 767

Balance Sheet in EUR	March 31, 2019	March 31, 2018
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Assets total	80 981 867	83 515 945
Non-current assets	19 305 984	22 084 687
Non-current intangible assets	2 737 946	2 975 634
Non-current tangible assets	5 575 069	4 684 685
Non-current financial assets	10 992 969	14 424 369
Current assets	61 398 458	61 239 084
Inventories	36 741 884	38 396 580
Long-term receivables	1 101 827	709 267
Short-term receivables	19 867 142	21 490 797
Financial accounts	3 687 605	642 440
Other assets	277 425	192 174
Equity and liabilities – total	80 981 867	83 515 945
Equity	29 718 499	26 821 661
Net income	4 865 066	5 090 767
Liabilities	50 140 017	55 932 457
Provisions	5 088 840	1 806 763
Long-term liabilities	308 545	95 336
Short-term liabilities	44 742 632	54 030 359
Trade liabilities	35 975 974	36 865 745
Other liabilities	1 123 351	761 826

NAY a.s.

INDEPENDENT AUDITOR'S REPORT JUNE 2019

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 2019, and its 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 2019;
- 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. 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 issued by the International Federation of Accountants ("Code of Ethics") and other requirements of legislation that are relevant to our audit of the financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Reporting on other information in the annual report

Management is responsible for the annual report prepared in accordance with the Accounting Act. The annual report comprises (a) the financial statements and (b) other information.

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

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The company's ID (IČO) No. 35739347.

Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ) 2020270021.

VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH) SK2020270021.

Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava 1, pod vložkou č. 16611/B, oddiel: Sro.

The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/B, Section: Sro.

In connection with our audit of the financial statements, our responsibility is to read the annual report 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 year ended 31 March 2019 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 respect.

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 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

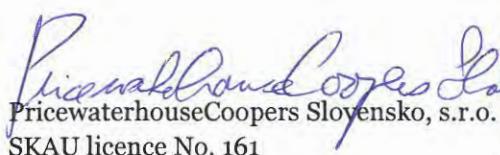
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

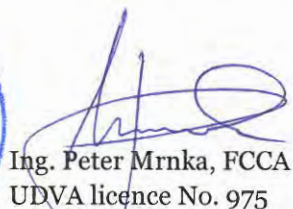
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.
SKAU licence No. 161




Ing. Peter Mrnka, FCCA
UDVA licence No. 975

Bratislava, 20 June 2019, except for Reporting on other information in the annual report, for which the date of our report is 18 November 2019.

