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ANNUAL REPORT

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ANNUAL REPORT

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NAY a.s. is the largest retailer of consumer electronics with a market share of 19.3 %. It has already been present on the Slovak market for 30 years.

BRIEF OVERVIEW OF THE COMPANY

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

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

ELECTRO WORLD

NAY, a. s. owns a 100 % share in ***Electro World, s. r. o.,*** which is one of the largest multi-channel chains specializing in the sales of consumer electronics, computing and telecommunication technology, domestic electrical appliances including accessories and provision of all related services. The company currently operates 19 stores in the Czech Republic. In 2020/2021, the company's sales reached EUR 151,157,000 (CZK 4,016,250,000) and the value of the registered capital amounted to EUR 2,295,000 (CZK 60,000,000).

NAYTRO LABS

In 2018, NAY a. s. founded ***NAYTROLABS, s. r. o.*** in order to expand business in the area of software application development and software services. The company held a 76 % share in the value of registered capital of NAYTROLABS, s.r.o.. Revenue in the accounting period from April 1, 2020 to February 28, 2021 was EUR 1,002,000 and registered capital amounted to EUR 850,000. On February 28, 2021, NAYTRO-LABS, s.r.o. merged with NAY, a.s. based on a merger agreement that entered into force on March 1, 2021. This fact was entered in the Commercial Register of the District Court Bratislava I on April 7, 2021.

FOTOMAT

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 2020/2021, the registered capital amounted to EUR 24,000.

On January 8, 2021, NAY, a.s. concluded a framework agreement on the transfer of the 100 % share of ***K + B Expert, s. r. o.*** in the Czech Republic. The company currently operates 21 stores in the Czech Republic. In 2020/2021, the company's sales reached EUR 24,469,000 (CZK 650,149,000) and registered capital amounted to EUR 956,000 (CZK 25,000,000). On February 2, 2021, the transfer was approved by the Office for the Protection of Competition in Brno. The agreement on share transfer became effective on April 1, 2021.

COMPANY'S 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.

ORGANIZATIONAL STRUCTURE

MARTIN DERŇAR
Omni-channel Director

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

ZUZANA JURÍKOVÁ
Financial Manager

- 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
- Legal department
- Expansion and rental of real estate
- Compliance Officer

MARTIN DEÁK
IT Director

- Information technologies
- BW
- Databases
- Operation

EMIL HURAJ
Sales Director

- Purchase SK Domestic appliances
- Purchase SK Consumer electronics/IT
- Purchase CZ IT/SDA/MDA/MOBILE/CE
- Marketing
- Customer services
- Online marketing
- Web content administration
- B2B
- Reference store design

VLADISLAV KRASICKÝ
Logistics Director

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

HISTORY

1991

Incorporation of NAY

2008

Central warehouse in Senec

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

2013

Exit of Enterprise Investors

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

2014

Acquisition of Electro World

In 2014, NAY concluded an agreement with Dixons Retail plc on the sale of its Electro World stores in the Czech Republic and 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.

1991 – 1997

The first distributor of global electronics brands in Slovakia

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

1991 – 1997

Franchising

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

1998

Establishment of NAY Elektrodom

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

1998

Internetdom

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

1999

Establishment of NAY Extra Club

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

2005

Accession of Enterprise Investors

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

2005 – 2013

Dynamic expansion

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

2007

Dobrý anjel

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

2016

4 new stores

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

2018

Omni-channel store concept

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

TOP PARTNERS

Obchodník roka 2020

mastercard

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

AWARDS

Superbrands

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

Superbrands 2013

Superbrands 2014

Superbrands 2015

Superbrands 2016

Superbrands 2017

Superbrands 2018

Superbrands 2019

Superbrands 2020

Superbrands 2021

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

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 49 449 449
nay@nay.sk
www.nay.sk
Phone no, email address, website

17 000 000 €
share capital

38
number of stores

316 605 861 €
net revenues

1 157
number of employees

8 283 167 €
net income

1 206 110
number of NAY Extra club members

1991
incorporation of the company

All data are provided as of March 31, 2021

Ing. Peter Zálešák
Chairman of the Board of Directors

Ing. Ján Tomáš
Deputy-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.

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 for the Heart foundation.

BOARD OF DIRECTORS

NAY a.s.

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

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

NAYTROLABS, s.r.o.
Slovak Republic **100 %**

In the financial year of 2020/21 (from 1 April 2020 to 31 March 2021), our consolidated revenue reached EUR 367 million. When compared with the previous year, the revenue declined by 8.9 %. Of this amount, revenue in Slovakia (NAY, excluding intra-group sales) was EUR 221 million and in the Czech Republic (Electro World excluding intra-group sales) was EUR 146 million. The market share in Slovakia was 19.3 % (source: GfK) and in the Czech Republic reached 4.0 % (source: GfK). Thereby we have strengthened our position as a market leader in Slovakia, despite growing competition mainly in the area of on-line retailers.

A mild decline in sales was caused mainly by the forced closure of stores in both countries due to the COVID-19 pandemic. During the year, we had to partially or fully close stores in Slovakia for 132 days and in the Czech Republic for 174 days. The good news is that we managed, to a large extent, to compensate for the lost sales with increased revenue of e-commerce stores (more information in the section devoted to e-commerce and omnichannel).

THE YEAR 2020/2021 AT NAY GROUP

It was also thanks to the increased revenue of e-commerce stores, austerity measures and governmental aid that during the lockdown we achieved almost the same (compared to the previous period) consolidated EBITDA of EUR 29.8 million, which allows us to continue in investments in information systems, new technologies, working environment of our employees and their professional growth.

The strength of the NAY Group is also a robust balance sheet. At the end of the financial year, equity amounted to EUR 34 million. We decided to expand our network of stores in the Czech Republic through the acquisition of the company KB Expert, increasing the number of stores in both countries to 78. The acquisition of KB took place on April 1, 2021. After the integration of the stores, the merger of companies will follow and therefore we expect also a significant improvement of EW's results in the following year.

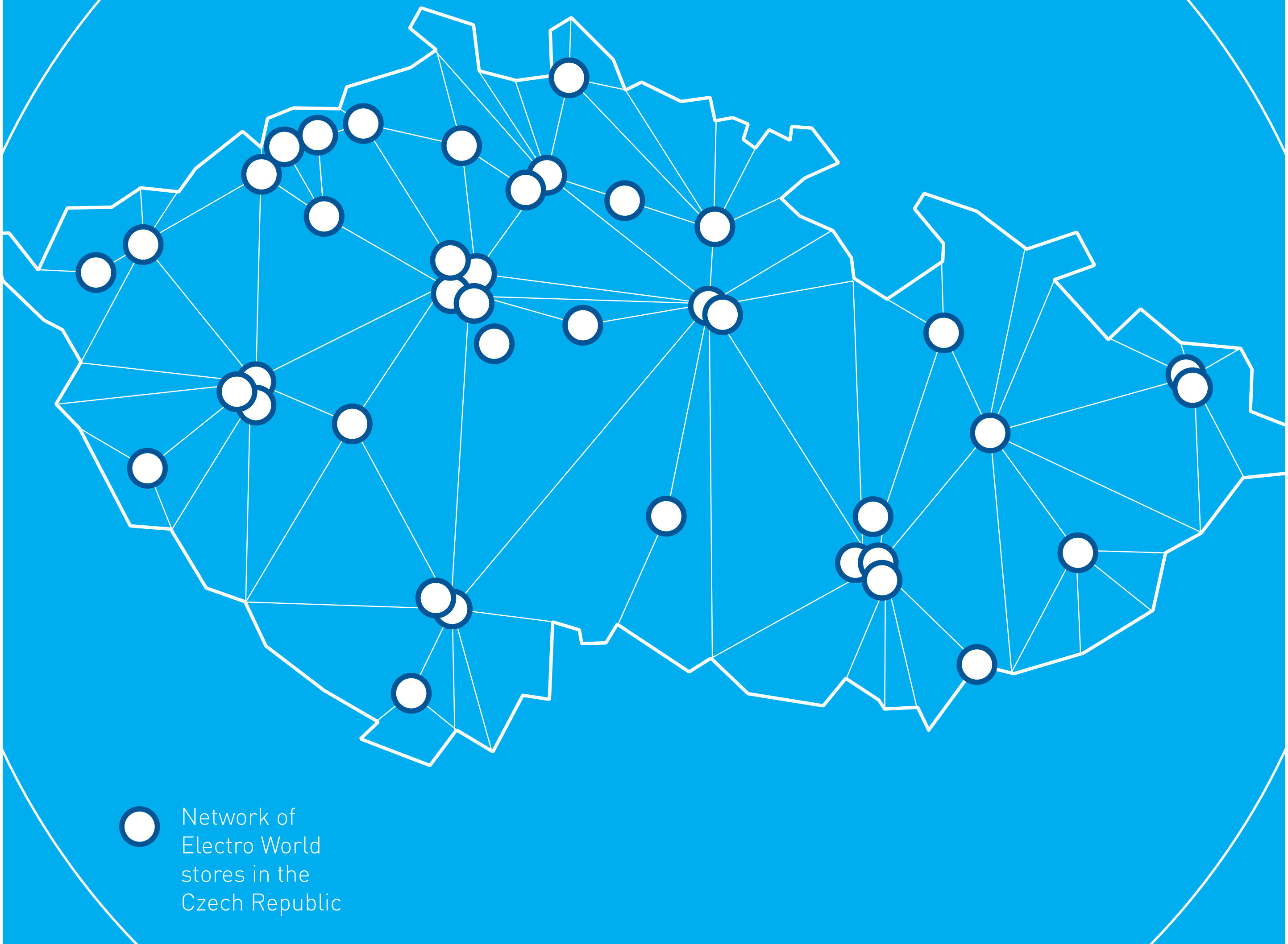
The company Fotomat, s.r.o. has begun with installations of automatic machines for digital photo printing directly from a smartphone application. Fotomap devices are placed at NAY stores, as well as at contractual partners (stores, petrol stations, cafés and restaurants).

With regard to simplification and cost savings, we decided to merge Naytrolabs with the parent company NAY, a.s. and the entire software development, integration and innovation team is now a new department of the parent company.

The COVID pandemic has affected the entire country and has fundamentally changed the behaviour of consumers – our customers. We were, however, well prepared for the pandemic. Thanks to the great work commitment of the entire team, we have emerged victorious. These changes in purchasing behaviour will persist also after the quarantine measures are lifted, and customers will continue to benefit to a larger extent from e-commerce, remote booking of goods, assisted sales over phone and omnichannel approach. We respond to it with innovations, prepare a new website and launch dozens of other projects to improve technology and processes. We want to provide our customers with all benefits of online sales, with the added value of our experts in stores and proximity to customers thanks to a wide network of our stores.

Ing. Peter Zálešák
Chairman of the Board at NAY

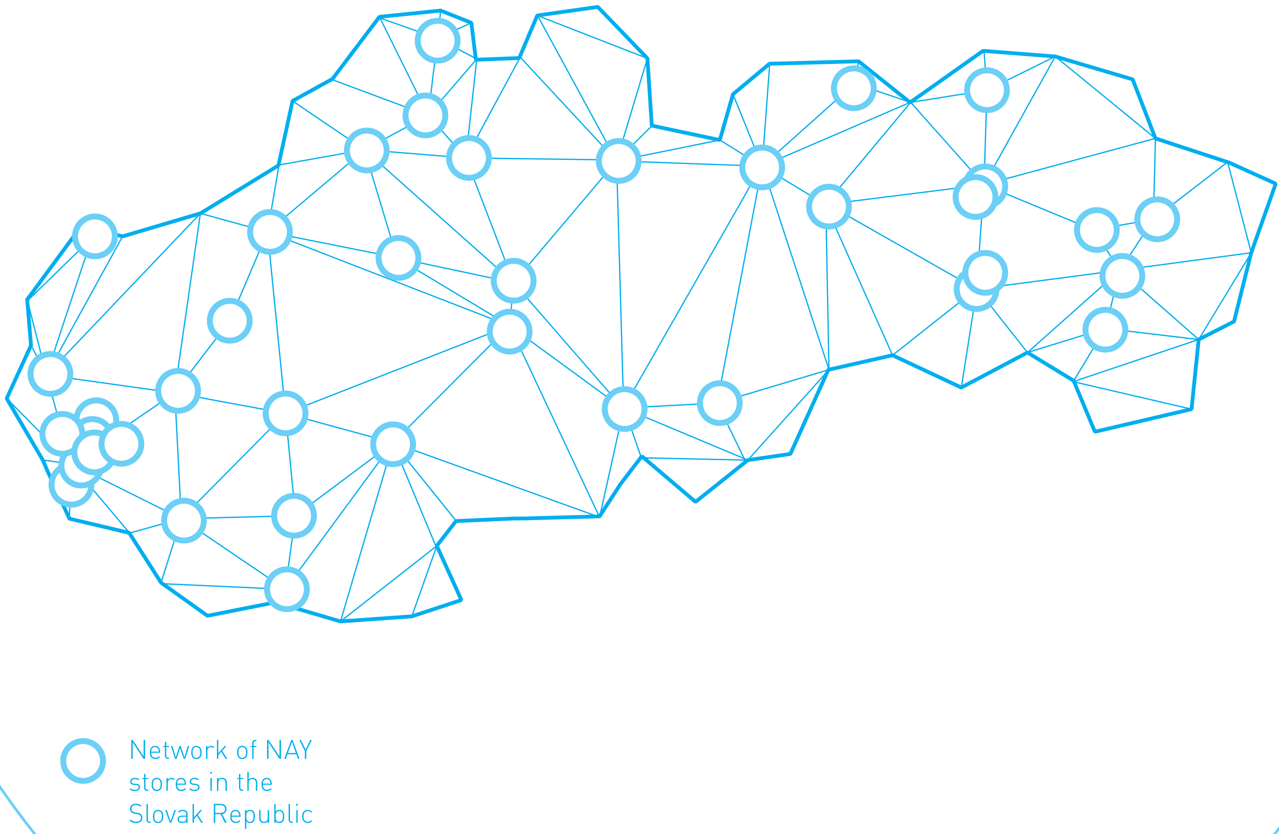
SALES NETWORK



Network of Electro World stores in the Czech Republic

Electro World: Blansko | Brno [3] | Česká Lípa | České Budějovice [2] | Český Krumlov | Čestlice | Hodonín | Hradec Králové | Jičín | Jihlava | Jirkov | Karlovy Vary | Kolín | Liberec | Litvínov | Louny | Meclov | Mladá Boleslav [2] | Olomouc | Ostrava [2] | Pardubice [2] | Plzeň [3] | Praha [4] | 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



MARTIN OHRADZANSKÝ
Chief Executive Officer

OBJECTIVES AND PRIORITIES FOR THE YEAR 2020/2021

The correctness of our strategy was tested by the pandemic and we believe that thanks to this strategy we will be able to achieve also our vision.

We are living truly strange times, when we face major changes with enormous dynamics and little predictability. Therefore, in such challenging times, we should even more adhere to our vision motivating us to move forward, despite all the difficult circumstances.

In our company, we set in the previous period, a long-term vision of customers enjoying shopping here – having a perfect shopping experience.

Behaviour and expectations of customers in today's dynamic era influenced by the pandemic and new technologies have been changing significantly. A customer has many ways to order a product or a service, to purchase it, to pay for it as well as to pick it up. Covering all these ways of selling and delivering goods and services also has its technical term: omnichannel. With constant changes in customer behaviour and expectations accelerated in this period affected by the pandemic, 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 the perfect shopping experience for customers only if we manage to provide comprehensive customer care, regardless of the shopping method selected. In order to achieve this objective, we have set up our strategy that we strive to successfully fulfil. Our strategy aimed at fulfilling our vision is based on three basic pillars:

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

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

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

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 a creative and technological development, good maintenance and reliability. And this is why our 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/Apple Pay service and pick up a product or a service at a pick-up point.

Our further effort will be focused on continuous fulfilment of our strategy to reach, as soon as possible, our vision of perfect goods and service shopping experience by a customer by any method they choose, as well as to simplify, as much as possible, customer service by our employees at NAY.

EMIL HURAJ
Sales Director

MARKET TRENDS IN 2020/2021

The pandemic has changed the way we live, work or study, as well as the way of shopping and has also affected the composition of demand.

Of course, the entire market was in the past year significantly affected by the COVID-19 pandemic and related measures. This could be perceived especially in the first and last quarter of the financial year during the strictest lockdowns in the country.

Availability issues

The global pandemic has caused closure of factories all over the world and issues in global logistics, which resulted in a decline of production and reduced availability of many categories. Moreover, this was also amplified by a sudden growth in demand for selected categories.

In addition, the situation in the last months of the financial year was complicated also due to the lack of chips and display control units, which was caused mainly by the lack of semiconductor components.

Restricted mobility and life at home

The pandemic has changed the way we live, work or study as well as the way of shopping and has also affected the composition of demand. Restricted mobility, a lockdown and closed stores have shifted focus of consumers and increased demand for products related to home office and remote learning such as notebooks, peripheral devices and other office equipment.

However, in spite of increased demand for these products, there were no efforts to invest into increasing the production capacity, since it would not be profitable in the long term. Therefore, they concentrated their resources, which were, moreover, limited, on more expensive equipment with higher profit, which led to an average increase of prices of products in these categories.

In addition to IT technology, there was a higher demand for household equipment, as consumers were spending significantly more time at home, they were completing or replacing household equipment.

The fastest growing categories on the Slovak market were therefore the IT category with 21 % growth, followed by small domestic appliances with 20.6 % and telecommunications with 9.6 % (source GFK).

Despite closed stores at the beginning and at the end of the financial year, NAY managed to grow in the IT category by 20.7 % and in small domestic appliances by 8.5 % (source NAY). Specifically, in IT at NAY, the fastest growth was recorded for computers by 60 %, monitors by 50 % and printers by 45 %. In the category of small domestic appliances, the largest growth was achieved in robotic vacuum cleaners by 32 %, food processors by 25 %, dental hygiene by 20 % and fully automatic coffee machines (+13 %).

There was a significant demand for medical equipment (non-contact thermometers and oximeters), sewing machines and hair clippers, but the increased demand was limited by poor availability of some categories or goods for all manufacturers.

E-commerce versus stores

Closed stores during 5 months of the accounting year, including the days just before Christmas with the largest daily turnovers of the year (apart from Black Friday), affected the ratio of on-line sales and retail channel in favour of on-line orders. In the first months, when the stores were closed, the number of on-line orders increased fivefold. In Slovakia, the share of on-line sales reached a record-high of 52.2 % in 2020.

Some categories, especially large domestic appliances, where customers traditionally prefer visiting a store, recorded a decline. Key categories such as washing machines and dryers fell by 8 % and refrigerators by 11 %. On the other hand, we managed to grow in freezers by 10 %, stoves, ovens and hobs by 6.6 % and dishwashers by 5 %. Given the closed stores for almost half of the accounting period we perceive this as success.

52,2 %

RECORD-HIGH SHARE OF ON-LINE SALES

MARTIN DERŇAR
Omni-channel Director

OMNI-CHANNEL

The past financial year has thoroughly tested NAY's readiness for digitization and omni-channel processes.

April, the first month of our fiscal year, was the first full month that we had to manage in the so-called 'lockdown' mode of the closed stores. After the anti-pandemic measures were lifted and stores were opened in May we had to deal with another closure of stores in the main business season from December 2020 to March 2021.

The finished financial year has eventually brought some good news too. Our company was able to respond flexibly to the initial shock of closing the stores and we managed to capitalize on several years of investing in our digital platform. As a result, we managed to scale NAY Eshop and Omni-channel processes to a fivefold annual increase of orders in January 2021 and achieve full-year sales and profit comparable to the exceptionally successful year of 2019-20.

Change of customer behaviour

Even the first lockdown in April accelerated long-term trends in customer behaviour. Many tried out their first on-line purchase on their smartphone in front of a NAY store with operation limited to pick-up of on-line orders with the help of our staff. Then they paid at the self-service kiosk and picked up the order at the pick-up point. If interested, they chose delivery by NAY Transport, all under strict hygienic measures. It turned out that our customers did not forget the newly acquired digital skills and after the measures were tightened again in December they were able to adapt to the old-new situation almost immediately.

New services

The first on-line digital experience was simplified for our customers by the new services of Assisted Sales, delivery of orders by our own vehicles instead of overloaded couriers and Apple Pay and Google Pay on-line payments that we introduced among the first on the market. We were pleasantly surprised by the response to the pilot version of 'Yan', our SmartApp chatbot. Push notifications in SmartApp have become a major information channel for loyal customers, amid constantly changing anti-pandemic measures and conditions for purchasing.

Digital transformation

The events of the past year have had several impacts on our business and operational model. New digital skills, the real possibility of restricting purchases in stores during anti-pandemic measures redefine the role of our stores in the future. In addition to the standard functions of purchasing goods and providing customer services, the so-called 'fulfilment hub' function will be strengthened. This means the need for better and more simple logistics processes directly at store. Not only when completing and delivering orders to be picked up, but also for delivering from store warehouses to customers anywhere in Slovakia.

On-line sales of services represent a big challenge. The first steps in the form of Assisted Sales have shown us the potential for the future, while currently the personal contact between the seller and the customer is still irreplaceable.

In the digital marketing area, we need to prepare for the termination of support of third party cookies by Google and for strengthening the role of the so-called 'first party data'. Our long-established NAY Extra loyalty club and the technology platform from Bloomreach will help us in this significantly. The pandemic has also revealed to us the considerable potential of NAY SmartApp intended primarily for loyal customers. More than tenfold annual increase in orders received via the application shows its position also in times of a well-tuned responsive website designed according to the mobile-first principle.

The new normal

The first weeks after the end of anti-pandemic measures are marked by high visit rate of the e-shop as well as stores. During the next Christmas, we will see to what extent it is an effect of deferred purchases or a sign of a post-pandemic 'new normal'. We can predict with great certainty that only a perfectly functioning and scalable NAY Omnichannel concept will ensure a long-term successful future for the company.

VLADISLAV KRASICKÝ
Logistics Director

LOGISTICS

The pandemic has also largely affected logistics processes. The change of customer behaviour, shift of purchases on-line and an increased volume of home deliveries required a lot of changes on our part and in a very short time.

Goods ceased to arrive in usual quantities overnight and it was necessary to make use of human resources usually allocated for receipt of goods in a different way. As the number of on-line orders doubled due to the lockdown and closed stores, we redirected all our staff to their processing.

With an increase of orders, we had to expand the capacity of our on-line department to handle greater customer demand. This is also associated with the purchase of a new packaging equipment, with which we equipped our warehouses.

We also expanded the logistics centre by another 4,000 sqm, which helped us significantly to use the space effectively.

Due to the situation, there was a natural significant increase in the number of home deliveries. We have dedicated another company vehicle for many of our stores, so that we could deliver goods to customers more efficiently.

We were the first to start and to this day we have been constantly disinfecting all our packages that leave our central warehouse.

At the end of the fiscal year, with the second pandemic wave coming to an end, we can say that our logistics processes are flexible enough and we can respond as dynamically as necessary even to such extreme changes in a short time and our customers were not affected by any disruption to the normal operation of our logistics services.

For this year we are planning a further expansion of the Central Warehouse and we are preparing a new Logistics Centre in the Czech Republic. We are implementing services of new contractual carriers in order to further diversify the logistics pressure on existing transport partners.

We are preparing to launch a new service of a simple on-line goods complaint, where a customer will be able to manage the entire complaint from the comfort of their home, without need to visit the store, even if the goods will be serviced. Furthermore, we are expanding the NAY transport service with a VIP version, which will give a customer an opportunity to benefit from the assistance of our skilled technicians.

MICHAL HALÁS
Coordinator of the Customer Service Department

SERVICES

The past year has shown us that although many customers can move their purchases on-line, in case of services, personal contact with a customer is still irreplaceable.

Tough battle of services on the on-line front

In a standard year, the conversion of sales of services to the goods in on-line purchases tends to be approximately 7 times lower than in traditional sales. The reason behind that is the fact that when meeting in person, the sales person has significantly better opportunities to present the service to a customer, to respond to their additional questions and thus convince them of its usefulness.

During the time of closed stores, which was for almost half a year, we needed to replace the missing personal contact or find new opportunities to sell services. We tried the sales of services when picking up the on-line orders in sales, follow-up sales of services after the purchase through the call centre, as well as the sales of services in the process of on-line ordering, when a customer contacted us. Changes in the sales processes also required technical adjustment of the e-store. Some of the changes and adjustments worked well and others almost not at all. In any case, given the situation, we can consider the 31 % decline of revenue from the sales of services a success.

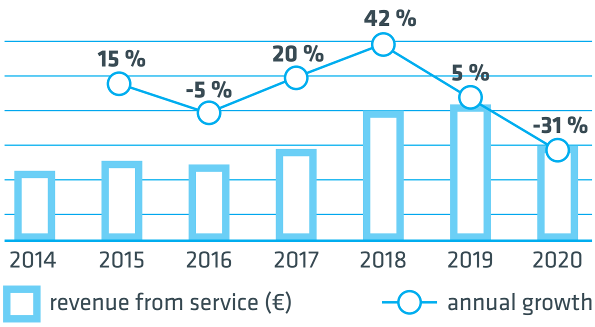
instalments without overpay to a greater extent than in the previous years. At the same time, the decline had a negative side effect on the sales of other services, since the conversion of the sales of services is significantly higher when purchasing in instalments.

Extended warranties helped mitigate the effects of the pandemic

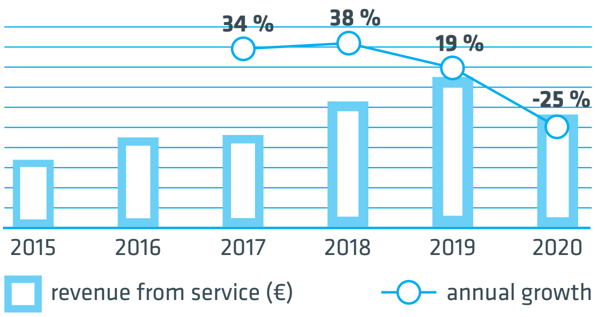
The revenues from the sales of extended warranties contributed the most to the overall result of services. They accounted for up to 37 % of the total revenues from the sales of services. Thanks to the good sales in times of open stores as well as adaptation of the sales processes during the lockdown we were able to compensate, as much as possible, for the lost sales.

With a 31 % decline of revenues from all services, we saw only a 25 % decline in extended warranties. We continued to develop this type of service. We have extended the possibility to extend warranty also for legal entities. We have launched a successful monthly promotion 'warranty extended by 3 years for the price of 2'. We also made adjustments in creating the provisions in pricing

REVENUE FROM SERVICES



NUMBER OF EXTENDED WARRANTIES



Instalment purchases suffered the most

Already in April, when during the lockdown it was possible to sell on instalments only on-line, we recorded a significant decrease in sales in instalments despite the launch of the promotion product without overpay.

Stricter legislative conditions of the last year were supported by the growing uncertainty of customers regarding further development of the pandemic and their reduced willingness to borrow. At the same time, repayment companies began to take risky jobs of customers in the sectors most affected by the pandemic into account, such as tourism and restaurant services, when approving the loans. Also, the customers who exercised the statutory option to defer instalments, had a limited access to new loans.

All these effects resulted in a decline of instalment sales by 26 %, even after taking into account promotion

to take the real risk for categories of goods into consideration. Moreover, we have automated the goods complaint process, which helps us to reduce the duration of processing the repairs.

Development of service and installation services

At the end of this year, we managed to further expand the number of stores with an available service of installation of gas or electrical appliances to 36 and in cooperation with another external partner we also launched installation of split air conditioners throughout Slovakia.

In case of some new services, such as installation of smartphones, expansion of kiosks for instant repairs of mobiles or immediate replacement of a complaint, we decided to suspend their launch due to a longer period with closed stores. We expect to launch them next year, but this will depend on whether the stores remain open.

FRANTIŠEK VÁMOŠI
Marketing Manager

MARKETING

We started and ended the accounting period 2020/2021 with closed stores. Customers were forced to shift their purchases on-line and communication followed them. The pandemic did not bring a fundamental change of media strategies, but it underlined and accelerated changes that took place in the previous years.

A different crisis

Unlike the financial crisis in 2009, which previously shook the market in a similar way, the pandemic brought a different type of crisis. While in 2009 it was rather a crisis of demand, the pandemic brought closed stores, issues with production and availability as a result, although demand was present, at least in consumer electronics.

This was reflected also in the behaviour of market participants in communication. While in 2009 many attenuated communication, the past year brought an increase in investments that manifested in on-line communication.

Mediamix

Even though monitored investments of the 8 largest subjects on the retail market decreased slightly by 9 % annually, we are talking about an above-the-line communication, i.e. on television, in print, radio and out of home. However, the monitored figures do not include investments in on-line communication, which clearly increased.

In above-the-line communication, we also attenuated radio, print and outdoor, which are consumed mainly when performing a profession out of home – during commute to work or at work.

Home office and on-line purchases have multiplied on-line communication in particular. At NAY, investments in on-line communication increased by record-high figures. Investments in performance on-line channels (search, product listing ads and rtb) increased by 64 % and in display formats by 35 % annually. Total investments in digital advertising outperformed investments in leaflets and television combined, while just a few years ago a leaflet was a format with most investments.

A new campaign every day

Our partners also shifted their focus to shorter on-line campaigns and increased their segmentation. This resulted in a higher number of campaigns with narrower offer to smaller target groups compared to wide campaigns distributed over several weeks. The number of weekly and weekend campaigns increased. During the time of closed stores, we exceeded the average of one new campaign a day on a quarterly basis.

Tactics at the expense of the brand

Due to the non-standard situation, the work with the message and offer in communication was developing mainly in two directions.

The first few weeks showed that momentum of customers in perceiving NAY primarily as a retailer is high. The first campaigns were therefore focused on strong support of nay.sk as the point of sale and NAY stores as pick-up points, combined with building trust in safe shopping – security measures, disinfection also in case of home delivery and pick-up of goods at the pick-up point. These campaigns proved to be effective and already in April the number of on-line orders gradually increased fivefold compared to the previous year. Although customers returned very quickly to visiting stores in person after their re-opening, on-line orders did not decline to the original values, but remained at approximately double the volume also between lockdowns.

At the same time, tactical campaigns focused on discounts represented a significant majority of communication. In the previous year, we launched a new type of campaigns in the form of coupon discounts or code discounts, which became greatly popular among both customers and our partners. We have introduced a quarterly recurring promotion Discount Super-Weekend/Super-Week (Zľavový supervíkend/supertýždeň), in which we offered a discount on 30 to 40 categories at once through codes, yielding a result comparable to Black Friday promotions. Thanks to this promotion in January, we managed to compensate for the shortfall caused by weak sellout, which showed that stores are still difficult to be replaced in sellouts.

Outlook for the next year

We expect that the new normal will settle somewhere between the digitally exposed past year and pre-pandemic times. Many customers have gone through a crash course of on-line shopping and will include it in their common equipment for at least part of their purchases. For this reason, the volume of digital communication will remain high, but we expect more brand communication. After the pandemic, the stores will also remain a bit more pick-up points, which, however, does not mean at all that their role will be reduced to only this aspect. E-store as a store and communication channel will become, more than before, fundamental for successful marketing and in the following year the greatest effort will be made to improve ux of the website.

PhDr. ZUZANA JURÍKOVÁ
Financial Manager

FINANCIAL REVIEW OF THE ACCOUNTING PERIOD 2020/2021

NAY, a. s. evaluates the year 2020/21 as very successful in terms of the achieved net income, despite the fact that its retail stores were repeatedly closed due to the COVID pandemic situation. This positive result was facilitated by constant 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 Omnichannel sales channel.

The Comapany's revenues from the sales of goods in the respective period declined by almost 7.4 %. The company sees a positive future for the position of retail stores within the Omnichannel sales channel and based on this it has modernized its retail store in Trnava, opened a new store in Prešov (already a second store in the city) and a store in Piešťany. 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.

Extraordinary efforts of employees in retail stores and in the purchase department were reflected in the fact that, despite the pandemic situation, the dynamics of sales margin decline did not correlate with the dynamics of sales decline. This decline was less than 2 %.

The greatest impact of the pandemic situation and the related closure of stores was reflected in the decline in services by almost EUR 4.2 million (compared to the previous year), which had a significant impact on the Company's financial situation.

In order to maintain jobs and prevent negative effects of the pandemic situation on its employees, the Company has been very active in the human resources area. This policy also included the use of support in the area of state aid schemes to maintain employment in the total amount of EUR 1.6 million, representing around 6.5 % of the total personnel costs.

In the respective period, the Company also benefited from state aid schemes in the area of rent subsidies in the total amount of EUR 0.8 million.

Net income in the respective period amounted to EUR 8.28 million, positively affected by dividends from the subsidiary company in the amount of EUR 0.91 million and foreign exchange gains (net) in the amount of EUR 1.26 million. Net income adjusted for these items amounts to EUR 6.11 million. In the comparative financial year 2019/2020, the Company's net income reached EUR 6.68 million. The comparative net income (adjusted for the above items) in this comparative period amounted to EUR 7.12 million. This means that despite extraordinary efforts, the Company failed to achieve the results of the previous financial year.

Based on the decision of the extraordinary general assembly of the Company, the shares from the partners of the subsidiary company NAYTROLABS, s.r.o. were purchased, followed by its merge with the parent company. The merger had a negative impact on net income of the Company in the amount of EUR 113 thousand. The determining day of the merger was on 1 March 2021.

On 8 January 2021, the Company entered into a framework agreement on the transfer of the 100 % share in K + B Expert, s.r.o.. The Office for the Protection of Competition in Brno issued an affirmative decision on the transfer. As of 31 March 2021, the Company was not aware of the final purchase price of the business share.

In terms of securing funding for its operational needs, the company cooperates with the bank Tatrabanka, a.s. For its operational purposes, the company has been provided a credit line in the form of an overdraft in the total amount of EUR 20 million, while at the end of the reported financial year it was drawing funds in the amount of EUR 13.25 million. In order to improve its financial situation, the Company concluded on 1 April 2020 an agreement for financing operational needs in the total amount of EUR 5 million – the loan for operational needs at the end of the reporting period amounted to EUR 4.07 million.

In the financial year 2020/21, the company paid out dividends to its shareholders in the total amount of EUR 3 million.

PhDr. ZUZANA JURÍKOVÁ
Financial Manager

FINANCIAL PERFORMANCE

Share capital

The share capital of the company in the accounting period 2020/2021 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 8,283,000. The General Assembly of the company decided to settle the net income for the accounting period of 2020/2021 in the amount of EUR 8,283,000 as follows: part of the net income after tax in the amount of EUR 492,000 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 7,791,000 was transferred to the retained earnings account.

Total assets

Total assets of the company at the end of the reporting accounting period reached EUR 96,948,000. The highest share of it is represented by inventories with a net value of EUR 44,740,000. Correction of utility value of inventories was addressed by reversal of an adjustment in the amount of EUR 307,000, making the adjustment amount 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 19,894,000, consisting of trade receivables in the amount of EUR 18,007,000. 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 31 March 2021 amounted to EUR 8,105,000. 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 an overdraft loan in the amount of EUR 13,253,000. The company had concluded a credit contract for financing of operational needs - the loan for operational needs amounted to EUR 4,067,000.

Investments

Investments of the company, the accounting value (gross) of which is EUR 9,865,000, were used on financial investments, technical equipment, interior furnishing of stores and software. Of the above amount, EUR 2,489,000 was invested in software equipment and EUR 1,915,000 was invested in tangible assets. By the decision of the sole shareholder of Electro World, s.r.o. as of 25 August 2020, it was decided to return part of the invested funds to other capital funds of the subsidiary company Electro World, s.r.o. in the amount of EUR 3,190,000.

On 10 December 2020, by the decision of the extraordinary general assembly of the company, it was decided to purchase shares from the shareholders of the subsidiary company NAYTRO- LABS, s.r.o. in the amount of EUR 112,000. On 10 December 2020, the General Assembly of the Company as a sole shareholder decided to increase the share capital of the subsidiary company NAYTRO- LABS, s.r.o. by EUR 840,000. On 28 February 2021, NAYTROLABS, s.r.o. merged with NAY, a.s. based on a merger agreement that entered into force on 1 March 2021. On 8 January 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, identification number 406 13 666. As of 31 March 2021, the Company was not aware of the final purchase price of the business share.

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 2020/2021.

Other

The company does not have any organizational entity abroad. The company did not acquire any own shares during the accounting period 2020/2021. The company's activities do not negatively affect environment.

Events that occurred after the date of financial statements

The agreement on share transfer of the company K + B Expert, s.r.o. entered into force on 1 April 2021.

The merger of NAYTROLABS, s.r.o. with NAY, a.s. was entered in the Commercial Register of the District Court Bratislava I on 7 April 2021.

Financial risks

The company considers the outbreak of the COVID-19 pandemic a significant event and therefore took into account all relevant effects of the pandemic in the financial statements for the period ending on 31 March 2021, in particular the adequate amount of provisions and adjustments to assets.

In the accounting period from 1 April 2021 to 31 March 2022, 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 preparation for 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	31/03/2021	31/03/2020
Revenues	315 978 315	343 879 070
Costs of goods sold	256 078 704	279 204 979
Trade margin	59 899 611	64 674 091
Production consumption (consumption of materials, energy and services)	24 976 084	25 993 160
Personnel costs	24 808 493	24 473 304
Other operating costs/revenues - net	-1 732 782	1 828 794
EBITDA	11 847 816	12 378 833
Depreciation/amortization	3 031 560	2 712 351
EBIT	8 816 256	9 666 482
Financial revenues	3 009 721	752 151
Financial costs	1 543 654	1 658 344
Profit/loss before tax	10 282 323	8 760 289
Tax	1 999 156	2 081 380
Net profit/loss for the accounting period after tax	**8 283 167**	**6 678 909**

Balance Sheet	31/03/2021	31/03/2020
Assets total	**96 947 659**	**88 593 022**
Non-current assets	22 964 647	20 314 807
Non-current intangible assets	4 450 453	3 401 739
Non-current tangible assets	6 273 795	5 889 014
Non-current financial assets	12 240 399	11 024 054
Current assets	73 654 019	67 941 268
Inventories	44 740 403	44 540 118
Non-current receivables	1 023 749	1 047 800
Current receivables	19 784 590	18 085 264
Financial accounts	8 105 277	4 268 086
Other assets	328 993	336 947
Equities and liabilities - total	**96 947 659**	**88 593 022**
Equity	37 914 407	33 397 407
Net income	8 283 167	6 678 909
Liabilities	57 998 229	54 093 028
Provisions	4 538 338	4 177 085
Non-current liabilities	184 398	121 395
Current liabilities	35 954 284	48 667 732
Current liabilities Trade liabilities	33 453 868	46 415 562
Other liabilities	1 035 023	1 102 587

FINANCIAL STATEMENTS AS OF 31 MARCH 2021 AND INDEPENDENT AUDITOR'S REPORT NOVEMBER 2021

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 2021, and the Company's financial performance for the year then ended in accordance with the Slovak Act on Accounting No. 431/2002, as amended (the "Accounting Act").

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 March 2021;
- the income statement for the year then ended;
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Reporting on other information including the Annual Report

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

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

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

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

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

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

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers Slovensko, s.r.o.
Licence SKAU No. 161

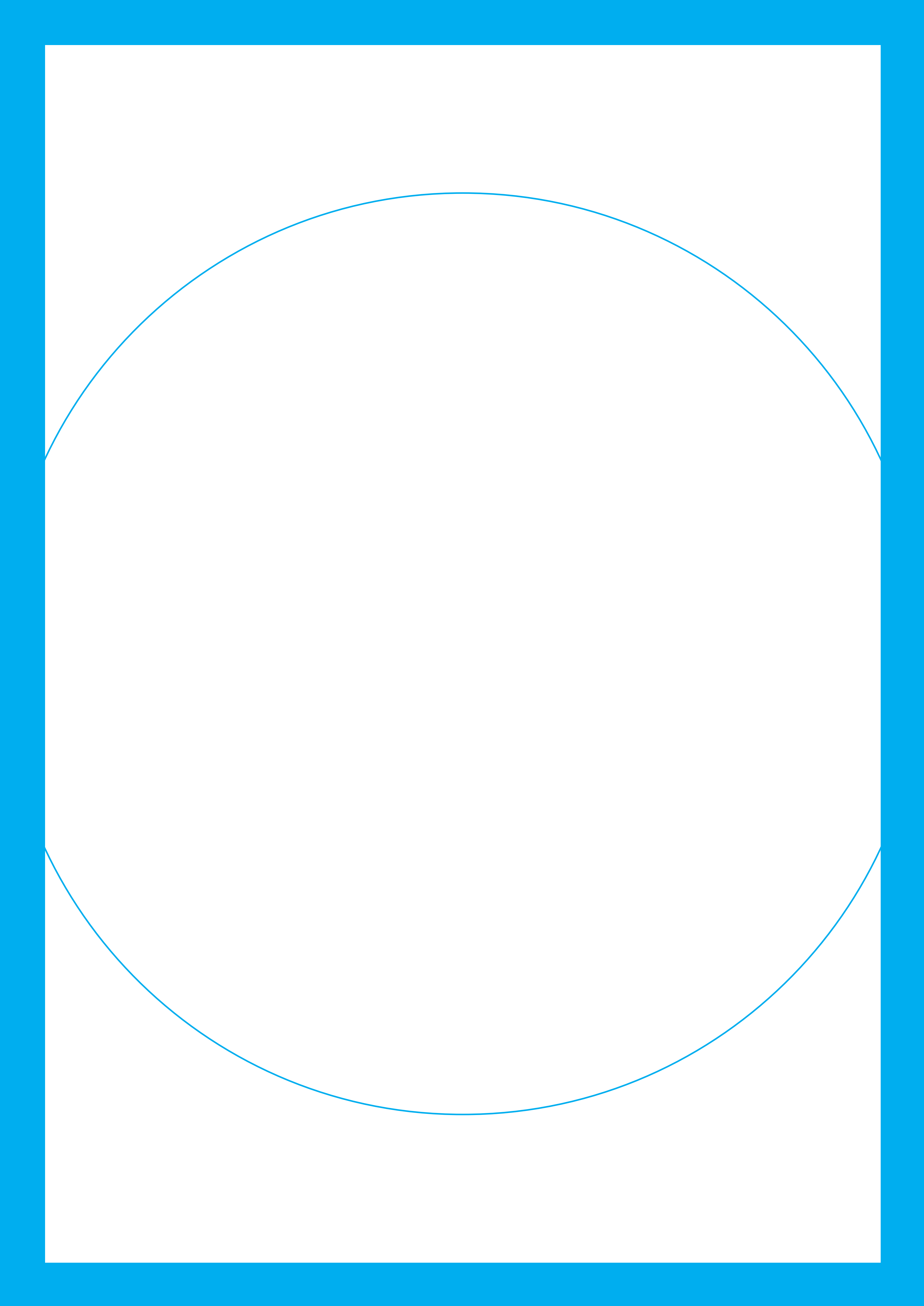
Ing. Peter Mrnka, FCCA
Licence UDVA No. 975

15 June 2021, except for Reporting on other information in the Annual Report, for which the date of our report is 19 November 2021.

Bratislava, Slovak Republic

Note

Our report has been prepared in Slovak and in English. In all matters of interpretation of information, views or opinions, the Slovak language version of our report takes precedence over the English language version. The financial statements and the Annual Report have not been translated into English. For a full understanding of the information stated in the Auditor´s Report, the Auditor´s Report should be read in conjunction with the attached full set of financial statements and the Annual Report in the Slovak language.



www.nay.sk