



March 17, 2022

Nayax Ltd.
(the “Company”)

To:
Israel Securities Authority
22 Kanfei Nesharim Street
Jerusalem 95464

To:
The Tel-Aviv Stock Exchange Ltd.
2 Achuzat Bayit Street
Tel Aviv 6525216

Dear Sirs:

Re: Entry by the Company into a Merger Agreement with On Track Innovations Ltd. (“OTI”)

Further to the immediate report that was published by the Company on January 20, 2022 (the **“Original Immediate Report”**)¹ regarding its entry into binding heads of agreement with OTI in connection with a two-stage transaction under which the Company would advance a loan to OTI, following which the Company would purchase all of the shares of OTI, and also further to the immediate report that was published by the Company on January 30, 2022 regarding the entry by the Company into the loan agreement with OTI, under which the Company would advance a loan to OTI in the total amount of US\$5.5 million,² and further to the actual advancement of the loan in that amount by the Company to OTI, the Company respectfully announces that, having received approval to do so by the board of directors of the Company,³ on March 17, 2022, the Company and an Israeli subsidiary that is wholly-owned by it that was established for the purpose of the Merger Transaction (the **“Target Company”**) entered into a merger agreement with OTI, under which, on the date of the completion of the Merger, a reverse triangular Merger will be effected under which the Target Company will be merged into OTI and will cease to exist, such that OTI will become a private wholly-owned subsidiary of the Company in consideration of a cash payment to the shareholders of OTI, all as set forth in this report below (the **“Merger Agreement,”** the **“Merger”** and the **“Merger Transaction,”** as the case may be).

1. The key particulars of the Merger Agreement:

¹ Reference No. 2022-01-008883.

² Reference No. 2022-01-011415.

³ The approvals of the board of directors of the Target Company and the board of directors of OTI have also been received.

1.1 **The Merger Transaction:**

- 1.1.1 As stated, on the date of the completion of the Merger, the Target Company will be merged into OTI pursuant to the provisions of Section 323 of the Companies Law, 5759-1999 and will cease to exist, such that, after the completion of the Merger, OTI will become a private wholly-owned subsidiary of the Company and the shareholders of OTI⁴ will be entitled to receive cash consideration from the Company in the aggregate amount of US\$4.5 million.
- 1.1.2 Pursuant to the provisions of the Merger Agreement, the completion of the Merger Transaction will occur no later than two business days after the satisfaction of all of the conditions precedent to the completion of the transaction that are included in the Merger Agreement.⁵ The Merger will actually be completed upon receipt of a merger certificate from the Registrar of Companies.

1.2 **Conditions precedent to the completion of the Merger:**

The completion of the Merger is conditional upon the satisfaction of a number of conditions precedent, the principal ones of which are as follows:

- 1.2.1 Conditions precedent of all of the parties to the Merger Agreement: (a) Receipt of approval of the general meeting of the shareholders of OTI to the Merger with the majority required by law; (b) the absence of any legal impediment (arising from legislation, an order, a judgment, the decision of an administrative authority, and the like) to the completion of the transaction; and (c) the passage of a period of at least 50 days from the date of the submission of a merger proposal in connection with the Merger with the Registrar of Companies, and the passage of a period of 30 days from the date of the approval of the Merger by the general meetings of OTI and the Target Company.⁶
- 1.2.2 Conditions precedent of the Company and the Target Company: (a) The representations of OTI that are included in the Merger Agreement will be correct in all material respects as of the date of the signature of the Merger Agreement and the date of the completion of the transaction; (b) OTI will comply with all of its undertakings under the Merger Agreement, the date for compliance for which is before the date of the completion of the transaction; (c) OTI having taken all of the steps required to discontinue the quotation of its shares for over-the-counter (OTC) trading in the United States as soon as possible after the date of the completion of

⁴ On the date of the completion of the Merger, all of the share options that have been allotted by OTI will be cancelled without the holders of the OTI options being entitled to any consideration. In addition, immediately before the date of the completion of the Merger, all of the restricted shares that have been allotted by OTI will be accelerated, such that the holders of such restricted shares will be entitled to the merger consideration like the rest of the OTI shareholders.

⁵ With the exception of conditions whose satisfaction has been waived by the party entitled to demand their satisfaction and with the exception of conditions precedent the date of whose satisfaction is the date of the completion of the Merger Transaction.

⁶ The approval of the general meeting of the Target Company to the Merger Agreement has been received.

the Merger, and to end their registration with the U.S. Securities and Exchange Commission (the SEC).

- 1.2.3 Conditions precedent of OTI: (a) The representations of the Company and the Target Company that are included in the Merger Agreement will be correct in all material respects as of the date of the signature of the Merger Agreement and the date of the completion of the transaction; (b) the Company and the Target Company will comply with all of their undertakings under the Merger Agreement the date for compliance for which is before the date of the completion of the transaction.

1.3 **Additional provisions of the Merger Agreement:**

- 1.3.1 The Merger Agreement includes mutual representations by the parties and an undertaking by OTI to operate in the ordinary course of business during the period from the date of the signature of the Merger Agreement until the date of the completion of the Merger.

1.3.2 **Termination of the Merger Agreement:**

- 1.3.2.1 The Merger Agreement may be terminated until the date of the completion of the Merger: (a) With the agreement of the Company and OTI; (b) by the Company: (1) if the Merger is not completed by July 1, 2022; (2) if there is a final and non-appealable legal impediment to the completion of the Merger Transaction; (3) if the Merger Transaction is not submitted for the approval of a meeting of the shareholders of OTI by May 5, 2022, or if the Merger Transaction is not approved by a meeting of the shareholders of OTI by May 31, 2022; (4) if the board of directors of OTI decides to change its recommendation to the shareholders of the company to vote in favor of approving the Merger Transaction in accordance with the provisions of Section 1.3.2.2 below; and (c) by OTI if the Merger Agreement is not approved by the requisite majority by the general meeting of the shareholders of OTI.

- 1.3.2.2 **Fiduciary Out** – The Merger Agreement includes a provision according to which, as long as the Merger Agreement has not yet been approved by the general meeting of OTI, the board of directors of OTI may, subject to the circumstances and conditions provided in the Merger Agreement, have contact and hold discussions with a party who has submitted an alternative offer to OTI to purchase it (as defined under the Merger Agreement), and to enter into an alternative agreement with the other party if it believes, having consulted with an external legal adviser, that such offer, in light of all of its terms, may turn into an offer that is on better terms for the shareholders of OTI than the

Merger Transaction with the Company and the Target Company (a “**Preferable Agreement**”), and that it is reasonably likely to be completed in accordance with the terms, this being on condition that failure to take the above steps will constitute a breach of its obligations to the Company and being subject to updating the Company, which will be allowed to conduct negotiations with OTI and to file an improved offer to purchase it.

1.3.2.3 If the Merger Agreement is terminated by the Company in accordance with the provisions of Sections 1.3.2.1(b)(1), 1.3.2.1(b)(2) or 1.3.2.1(b)(4) for a reason that is not exclusively related to the Company or the Target Company or in accordance with the provisions of Section 1.3.2.1(c) above, OTI will be required to compensate the Company in the amount of US\$1.5 million in cash.

1.4 Simultaneously with the signature of the Merger Agreement, the controlling shareholder of OTI gave a written undertaking to the Company according to which, on the conditions provided under the letter of undertaking, he will vote all of the shares held by him at the meeting of the shareholders that will be convened by OTI for the purpose of approving the Merger Transaction in favor of approving the Merger Transaction.

2. **Description of the corporation being purchased pursuant to the Fifth Addendum to the Securities Regulations (Periodic and Immediate Reports), 5730-1970**

2.1 **Description of the corporation being purchased, its activity and business environment**

OTI is a public company that is incorporated in Israel whose shares are quoted for over-the-counter trading (OTC)⁷ in the United States. OTI operates in the field of activity of the Company, whereby its principal activity is the development and marketing of smart unattended payment technologies and solutions. *Inter alia*, OTI has developed payment readers and terminals for ATMs (unattended payment), self-service kiosks, automated retail machines and payment points for public transport. In addition, OTI has developed fueling solutions for gas stations and vehicle fleets.

2.2 **Key financial data from the financial statements of OTI**

2.2.1 Key financial data of OTI from its consolidated financial statements (audited or reviewed, as the case may be) for the period of the year ended December 31, 2020 and for the nine-month period ended September 30, 2021 (as published by OTI) are set forth as follows:

2.2.1.1 **Data from the consolidated statements of financial position (in US\$ thousands):**

⁷ Over-the-counter

	As of September 30, 2021 (Reviewed)	As of December 31, 2020 (Audited)
Total Assets	13,658	16,986
Total Liabilities	10,939	14,280
Equity	2,719	2,706

2.2.1.2 Data from the consolidated statements of total profit (in US\$ thousands):

	For the nine-month period ended September 30, 2021 (Reviewed)	For the 12-month period ended December 31, 2020 (Audited)
Revenue	9,465	12,742
Net Profit (Loss)	(7,398)	(6,133)

The financial statements of OTI were prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP) and the data in the tables above are taken from the above-mentioned statements.

2.2.2 It is noted that, in light of the Covid-19 crisis, OTI entered into cash flow difficulties and, on January 10, 2022, it filed a motion with the Nazareth District Court for an order to commence proceedings pursuant to the Insolvency and Economic Rehabilitation Law, 5778-2018, which was withdrawn by OTI upon the entry by the parties into the heads of agreement described in the Original Immediate Report.

2.3 **The financing method for the transaction**

The Company intends to finance the payment of the merger consideration to the shareholders of OTI from its own sources.

2.4 **Tax obligations or levies arising from the purchase**

None.

2.5 **Legal restrictions limiting the ability to use the asset**

To the best of the knowledge of the Company, OTI operates in fields of activity that are similar to, or interface with, those of the Company, and similar legal and regulatory restrictions therefore apply to it as those that apply to the Company in its various fields of activity, as described at length in Chapter A of the periodic report of the Company for 2021.

2.6 **Plans of the Company with respect to the asset being purchased and its intended purpose**

The Company regards the entry into the Merger Agreement as an opportunity to add value to non-organic growth and an opportunity to accelerate its breakthrough into new markets in which the Company has a low foothold. In addition, the Company believes that the quality of human resources of OTI, its customer pipeline and, in particular, its activity in the fueling services automation field are likely to contribute to the Company and its commercial development.

The information that is contained in this section regarding the plans of the Company with respect to the asset being purchased and its intended purpose constitutes forward-looking information, as defined under the Securities Law, 5728-1968, which will not certainly materialize and which may materialize in a materially different way than set forth above due to factors that are outside of the control of the Company, including, inter alia, as a result of the effect of macroeconomic or industry-related factors, or as a result of the risk factors that are set forth in Section 1.35 of the description of the business of the corporation chapter included in the periodic report of the Company for 2021.

It is clarified that, as of the date of this immediate report, there is absolutely no certainty that the conditions precedent necessary for the completion of the transaction will be satisfied.

The Company will report on the transaction again as required by law.

Sincerely,

Nayax Ltd.

Signed by: Mr. Michael Galai

Chief Legal Officer and Secretary of the Company