



**Nayax Ltd.**

**2021 Periodic Report**

**Chapter A – Description of the Corporation’s Business**

**Chapter B – Board of Directors Report on the Company’s  
State of Affairs**

**Chapter C – Financial Statements as of December 31, 2021**

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## Description of the Corporation's Business

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## **Description of the Corporation's Business**

### **Part One: Description of the General Development of the Company's Business**

#### **1.1. Introduction**

This Chapter shall present a description of the business of Nayax Ltd. and the corporations held by it directly or indirectly, and the development of its businesses in 2021, in accordance with the Securities (Periodic and Immediate Reports) Regulations, 5730-1970, and in accordance with the Securities (Details of Prospectus and Draft Prospectus - Structure and Form) Regulations, 5729-1969.

In general, the data and information appearing in this Report (the “**Report**”) are correct as of December 31, 2021 (the “**Report Date**”). Insofar as details regarding event that occurred after the Report Date are presented in the framework of the Report, this shall be noted explicitly.

#### **1.2. Definitions**

In this Report, the following terms shall have the meanings ascribed to them, unless explicitly stated otherwise:

- |                                    |   |  |
|------------------------------------|---|--|
| <b>“Company”</b>                   | - | Nayax Ltd.;  |
| <b>“Dually”</b>                    | - | Dually Ltd., a subsidiary of the Company;  |
| <b>“Group”</b>                     | - | The Company and the direct and indirect subsidiaries;  |
| <b>“Board of Directors Report”</b> | - | The board of directors report on the Company's state of affairs for the year ended December 31, 2021, which is included in Chapter B to this Report; |
| <b>“Financial Statements”</b>      | - | The Company's consolidated financial statements for the period of the year ended December 31, 2021;  |
| <b>“Prospectus”</b>                | - | The initial public offering prospectus of the Company dated May 11, 2021 (published on   |

May 10, 2021; reference no: 2021-01-082128

- “**Companies Law**” - The Companies Law, 5759-1999;
- “**Securities Law**” - The Securities Law, 5728-1968.

### 1.3. **The activity of the Company and development of its business**

#### 1.3.1. **General**

The Company was incorporated in Israel on January 16, 2005, as a private company named “Sarnakot Ltd.”, and on May 10, 2005, the Company changed its name to its current name.

On May 10, 2021, the Company published an initial public offering prospectus of the Company’s shares (the “**IPO**”), and starting on May 13, 2021, the Company’s shares are traded on the Tel Aviv Stock Exchange Ltd. (“**TASE**”), and the Company became a public company.

On February 4, 2022, the Company submitted a non-public draft to the U.S. Securities and Exchange Commission (SEC) of a document for listing the Company’s shares in the US (Registration Statements on Form F-1), in the framework of examining the possibility of the Company making an initial public offering of the Company’s shares in the US. As of this date, the offering of the Company’s shares in the US subject to the discretion of the competent organs of the Company, is uncertain and depends on a variety of factors, including suitable market conditions and obtaining SEC approval for performing such offer. For more information see the immediate report published by the Company on February 6, 2022 (reference no: 2022-01-013587), which is included in this Report by way of reference.

From its incorporation date and as of the date of this Report, the Company, including through the other Group companies, is engaged in the area of solutions and services for clearing and operation of businesses using a global platform.

Within the framework of its activities, the Company offers its customers, through its platform, which combines proprietary hardware and software, solutions and comprehensive services for unattended points of sale and service (“**Unattended**” or the “**Unattended Activity**”), as well as attended points of sale and service (“**Attended**” or the “**Attended Activity**”).

Within the framework its Unattended Activity, the Company can transform of cash-only Unattended points of sale and service into points of sale that accept cashless payment by credit card, immediate charge card (“**Debit**”), and other prepaid cards, as well as through other alternative payment methods (such as Apple Pay, Google Pay, Ali Pay, Samsung Pay and more). In addition, the Company is replacing competitors in the field that also enable cashless payment, and furthermore, the platform developed by the Company offers operators of points of sale or the Unattended service clearing options and a wide range of tools for remote operation, business promotion, management and control of their business, including monitoring inventory, revenues and malfunctions through a cloud-based system which enables users to create their own reports, warnings and more (“**Telemetry**”). Customers who purchase both the software developed by the Company and the hardware it markets, benefit from a single platform that enables receipt of cashless payment as well as Telemetry services, including remote management, monitoring and control of the Unattended points of sale and service, thus enabling optimization of point of sale management, reducing operating costs and maximizing sales potential.

The platform developed by the Company provides the aforementioned services for different types of Unattended points of sale and service, primarily automatic vending machines of different kinds, including automatic vending machines for snacks and beverages, coffee machines, kiddie rides, massage chairs, laundromats, machines for selling non-prescription drugs, public services, car washes, and office services (such as operating printers and scanners), parking services, tourist services (such as binocular operation and souvenir purchase at major tourist sites), fueling services, ticketing services, and more.

Within the framework of the Company’s Attended Activity, which commenced in 2019, the Company offers its customers Attended points of sale and services

that provide the customer's business with management and operating tools using a wide variety of payment methods, bookkeeping, business promotion, logistic management, procedure setting, as well as employee authorization and management. Services for Attended points of sale in the framework of the Attended Activity are provided through a spectrum of unique products which are suitable for different business uses such as Smart POS, Mobile Smart POS, Self-Checkout, Self-Order and Order at the Table.

In order to penetrate the market and establish its Attended Activity, the Company has acquired two leading companies in the field. In September 2019, the Company acquired the entire share capital of Modularity Technologies Ltd., a company engaged in the development of designated software for retail software, and in March 2020 and May 2021, the Company acquired the entire share capital of Nayax Retail Ltd. (hereinafter: "**Nayax Retail**"), a company specializing in providing universal computerization solutions for retailers, based on SAP Business One.

As of the date of this Report, the Company's Attended Activity focuses on the Israeli and UK market and the Company intends to expand it to the US and Australian markets in the coming year.

*The Company's estimates regarding the expansion of the Attended Activity to the US and Australian markets in the coming year, as described above, is deemed forward-looking information as such term is defined in the Securities Law, the materialization of which is uncertain and is not in the Company's control. It is clarified that there is no certainty that the estimate shall materialize, and it may even materially differ from what was presented above, inter alia due to it depending on external factor that are not under the Company's control, among other things the factors set forth in the framework of the risk factors in the Company's area of activity (as set forth in section 1.35 below).*

In practice, the Company provides its customers, business owners, with a single product that integrates a series of services and capabilities, which until now had been provided to business owners through different services, by different companies, which naturally were not synchronized. The Company's

services and products enable the customer to manage its business, and all aspects thereof, independently with maximum efficiency, while engaging with just one entity for management purposes – the Company.

As of the date of this Report, the Company provides services to approximately 30,000 customers that operate approx. 517,000 Unattended points of sale in over 60 countries throughout the world (including Australia, Italy, the United States, the UK, Germany, Denmark, the Netherlands, Japan, Israel, Mexico, New Zealand, China, Spain, Czech Republic, France, Canada, Sweden and Switzerland). The Company has a significant presence in markets where it has identified a high level of immediate potential, including Australia, USA, UK, Germany, Japan, Israel and Canada. In addition, the platform the Company offers its customers enables payment through over 40 types of currency and provides support in 34 languages. The Company markets its products to diverse customers of various kinds and from different fields, and its products are suitable both for small, local customers with just a few points of sale, as well as large, global customers with hundreds and up to tens of thousands of points of sale.

In order to allow clearing of credit cards, Debit, prepaid cards and additional payment methods at the points of sale and service where its products are installed, the Company has engaged with financial institutions throughout the world, including the largest credit card companies in the world, which allow the Company's customers to receive payments in more than 80 payment types, and it is pursuing a strategy of continuing to expand the circle of financial institutions with which it has agreements, in order to support continued global expansion.

The Company estimates it is one of the leading companies in its field in the world. The Company has approx. 16 years' experience in the field, during which time it has managed to develop a large pool of protocols, enabling the Company to market its platform to many types of Unattended points of sale, which operate in the absence of uniform standards and according to different protocols, by simple "plug and play" installation.

The Company estimates it is one of the only companies in the world that offers its customers a comprehensive solution, end to end, enabling receipt of cashless payments, as well as management and operating services, both to Unattended and Attended points of sale and service.

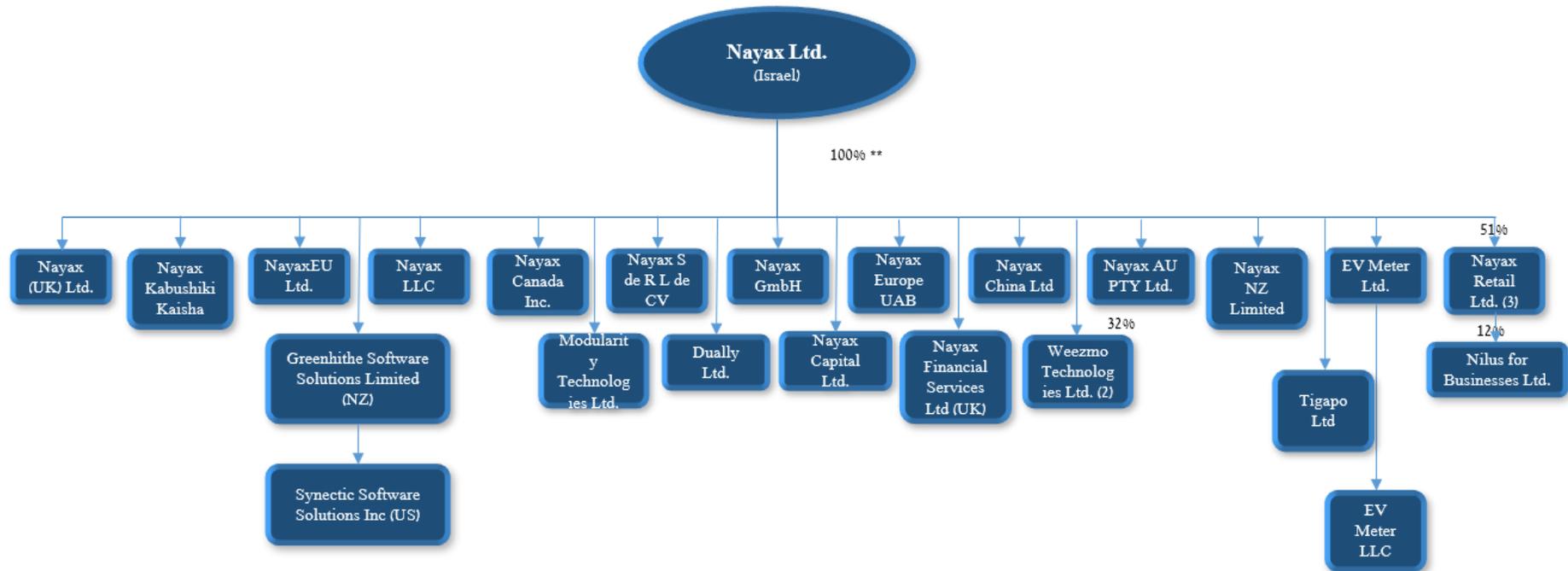
The Company's products are designed to assist its customers in maximizing their sales potential, reduce operating costs, and enabling to optimize management of their business. The Company estimates that installing its products leads to a significant improvement in its customers' sales, due to the wide variety of payment possibilities its products offer consumers, the continuing connection some of the Company's products create between the customer and the consumer, the enhanced pricing capabilities its products provide to the customer, and because its products allow 24/7 monitoring of the point of sale's activities, in a manner that enables the operator of the point of sale to receive a real-time picture of the activities of the point of sale. The Company also estimates that installing its products significantly reduces the operating costs of its customers, primarily due to the ability to reduce manpower employed by the customers, in addition to the management characteristics the Company's products offer its customers.

The solutions offered by the Company are a very significant and integral component of its customers' activities. As proof, the average rate of the Company's net revenues from Returning Customers (as such term is defined in Section 1.13.1 below), between 2020-2021 was approximately 120%. The average rate of losses for Customer Abandonment (as such term is defined in Section 1.13.1 below) between 2020-2021, was only 3.1%. Similarly, the number of Customer customers quadrupled from 2017 to 2021. For additional details about the Company's customers, see Section 1.13 below.

The Company has grown consistently since its establishment in 2005, and in the past few years the Company's growth has even accelerated. For the key metrics by way of which the Company examines its growth, see section 1.2 of the Board of Directors Report.

1.3.2. **Diagram of the Company’s Holdings Structure**

Hereunder is a diagram of the structure of the Company’s holdings, as of the Report date:<sup>1</sup>



\* On January 19, 2022, the Company engaged in a binding memorandum of understanding with On Track Innovations Ltd. (“**Memorandum of Understanding**” or “**OTI**”, respectively), pursuant to which the Company and OTI shall engage in two-stage deal, whereby at the first stage, the Company would provide OTI with a loan, and thereafter the Company would purchase 100% of OTI’s shares by way of a reverse triangular merger or in a different way to be agreed between the parties. As of this date, the parties engaged in a loan agreement, but they have not yet engaged in an agreement for purchasing OTI shares pursuant to the Memorandum of Understanding. For more information, see the Company’s immediate reports as of 20 January, 2022 (reference no: 2022-01-008883) and January 30, 2022 (reference no: 2022-01-011415). It is clarified that as of the date of this Report, there is no complete certainty that the Company and

<sup>1</sup> In addition, the Company owns the entire share capital of OTI Merger Sub Ltd., which as of this date is a company with no activity.

OTI shall engage in a merger agreement or that should they engage therein the conditions precedent for its completion would be met.

#### 1.4. Areas of activity

As of the date of this Report, the Company is active in one area of activity – solutions and services for clearing and operation of businesses using a global platform. For further information see Section 1.3.1 above and the details below.

#### 1.5. Investments in the Company's share capital and transactions in its shares

Hereunder are details of investments in the corporation's share capital made during the last two years, as well as any other material transaction in the Company's shares outside the TASE by interested parties in the Company:

##### 1.5.1. Reorganization of Dually shares

Until April 1, 2021, the controlling shareholders of the Company, Mr. Amir Nehmad, Mr. Yair Nehmad<sup>2</sup> and Mr. David Ben Avi, held shares of Dually. Pursuant to the agreement executed between the controlling shareholders of the Company, the Company and Dually, and pursuant to the taxation ruling in the agreement that was adopted by the Israel Tax Authority, and after obtaining the approval of the Company's board of directors and meeting of the Company's shareholders of April 1, 2021, a structural change was executed on April 1, 2021, which consists of a few stages pursuant to the provisions of sections 104B, 103K and 104C of the Income Tax Ordinance [New Version] ("**Income Tax Ordinance**") the final result of which was that all of Dually's shares were transferred to the Company (so that Dually turned into a subsidiary under the full ownership of the Company) and that 281,202,800 dormant shares (as such term is defined in section 308(a) of the Companies Law) were formed in the Company's share capital. On April 1, 2021, the Company cancelled such dormant shares.

##### 1.5.2. Loan agreement between the controlling shareholders in the Company and an institutional entity

On January 6, 2021, a loan agreement was signed between Mr. Yair Nechmad, Mr. Amir Nechmad and Mr. David Ben Avi, the controlling shareholders in the Company (hereinafter jointly: the "**Borrowers**") on one hand, and an Israeli institutional entity (the "**Lender**") on the other hand (in this Section: the "**Loan Agreement**"). For the avoidance of doubt, the Company is not party to this agreement. According to the Loan Agreement, the Lender provided the Borrowers, severally and not jointly, a loan with a cumulative principal of USD 15,000,000

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<sup>2</sup> Including Yair Nehmad Ltd., a company owned by Mr. Yair Nehmad.

(USD 5,000,000 per borrower), intended mainly for financing the Company's activity through procuring loans from the controlling shareholders. Under the Loan Agreement, the balance of the loan shall bear fixed interest at an annual rate (not linked) of 10%, whereby the interest applicable from the date the loan was provided and until December 31 2021, (the "**First Interest Period**") shall accrue in full at the date the loan was provided and shall be paid on December 29, 2022 (the "**Final Repayment Date**") and the interest for the period from January 1, 2022 and until the Final Repayment Date (the "**Second Interest Period**") shall accrue in full on January 1, 2022 and be paid on the Final Repayment Date.

Under the provisions of the Loan Agreement, the loan shall be repaid by the Borrowers in a single cash payment, on the Final Repayment Date, while in addition to interest for the First Interest Period and the Second Interest Period, the Lender shall be entitled to additional interest, which shall also be paid on the Final Repayment Date by each Borrower, in the amount of USD 875,000. However, the Loan Agreement set forth that should the Company list its shares for trade on the Tel Aviv Stock Exchange Ltd. or any other stock exchange whatsoever outside of Israel (in this section, the "**IPO**"), the Borrowers shall be required to affect early repayment of the loan in full, including all interest that accrued on the principal until the IPO date, in addition to all interest that would have accrued on the principal until the completion of the First Interest Period or until the completion of the Second Interest Period, depending on the IPO date: The agreement set forth that should the IPO occur prior to December 31, 2021 (inclusive), each Borrower shall pay to the Lender, no later than two business days following the date of completion of the IPO, a cash amount of USD 5,500,000, plus costs that apply to it under the Loan Agreement, as well as interest in arrears accrued and unpaid. In addition, the agreement set forth that subject to filing a binding invitation by the Lender to purchase shares of the Company within the framework of the IPO, and subject to paying the consideration for the shares (under the terms of the IPO and according to the actual price of the Company's shares in the IPO), the Borrowers shall act to the best of their ability to ensure that the Lender's aforementioned invitation is accepted in full (with respect to Company shares with a total cash value of up to USD 11,000,000, while such amount is calculated based on the official USD/ILS exchange rate as of the business day on which the Lender issued the invitation to purchase the shares as set forth above), whereby the Lender shall receive negotiable

shares of the Company listed for trade on TASE, in the scope with respect to which the aforementioned invitation was received.

Each of the Borrowers undertook to provide irrevocable instructions to transfer to the Lender in full of the aforementioned amounts, from the account of the TASE member of the Borrower to which the Secondary Offer proceeds shall be credited, which the Borrowers received in the framework of the IPO.

In addition, in accordance with the provisions of the Loan Agreement, each of the Borrowers charged shares of the Company (including all of their related rights) (the “**Security Interest**”) in favor of the Lender, for purpose of securing fulfillment of its obligations under the Loan Agreement, by way of exclusive first ranking fixed charged, unlimited in amount.

Soon after completion of the IPO, the Borrowers repaid the loan in full and the Security Interest was removed

#### 1.5.3. Closing of an initial public offering, secondary offering and listing on TASE

On May 10, 2021, the Company published an initial public offering prospectus of the Company’s shares, in the framework of which it raised a total of USD 141.6 million (gross), and starting on May 13, 2021, the Company’s shares have been traded on TASE, and the Company turned into a public company. The Company’s share price in the framework of the IPO was ILS 10.5 per share. For more information, see the Company’s immediate report on the results of the offering under the initial public offering prospectus and secondary sale dated May 10, 2021 (reference no: 2021-01-082185).

#### 1.5.4. Material transactions executed by an interested party (as such term is defined in section 1 of the Securities Law) of the Company, with Company shares outside of TASE

On November 22, 2021, Mr. Amir Nehmad, a director and interested party of the Company, executed a transaction outside of TASE in the framework of which he sold 2,990,488 ordinary shares of the company at a transaction rate of 1,100 Agorot. For more information, see the Company’s immediate report dated 22 November, 2021 (reference no: 2021-01-100426).

On November 22, 2021, Mr. David Ben Avi, a director and interested party of the Company, executed a transaction outside TASE in the framework of which he sold 2,509,512 ordinary shares of the Company at a transaction rate of 1,100 Agorot.

For more information see the Company's immediate report dated November 22, 2021 (reference no: 2021-01-100429).

1.6. **Distribution of Dividends**

- 1.6.1. The Company has not announced distribution of dividends and did not distribute dividends during the two years preceding the date of this Report.
- 1.6.2. As of December 31, 2021, the Company had no distributable earnings (as defined in Section 302 of the Companies Law).
- 1.6.3. For details regarding restrictions on distribution of dividends applicable to the Company, see Section 1.25.2.4.2 below.
- 1.6.4. As of the date of this Report, the Company has no policy concerning the distribution of dividends.

## **Part Two: Other Information**

### **1.7. Financial information regarding the Company's areas of activity**

1.7.1. Hereunder is financial information regarding the Company's area of activity, from the Company's financial statements for the years 2020 and 2021 (in USD thousands):

		<b>2021</b>	<b>2020</b>
<b>Revenues</b>	Revenues from area of activity	119,134	78,783
	<b>Total</b>	119,134	78,783
<b>Costs</b>	Fixed costs *	9,490	7,442
	Variable costs **	132,126	73,565
	<b>Total</b>	141,616	81,007
<b>Profit from regular activities</b>	Loss from regular activities attributed to the controlling shareholders of the company	(22,476)	(2,395)
	Profit (loss) from regular activities attributed to noncontrolling rights	(6)	171
	<b>Total</b>	(22,482)	(2,224)
<b>Total assets</b>		216,006	92,753
<b>Total obligations</b>		84,330	,80252

\* Costs for rent, office rent, and holdings, as well as depreciation and amortization.

\*\* Costs not included in the fixed costs as set forth above.

For the explanations of the board of directors concerning the Company's financial data as set forth in the Company's financial statements included in this Report, see the board of directors' report attached to this Report.

### **1.8. General environment and impact of external factors on the Group's activity**

Hereunder is a description of the main factors, trends, events and developments in the Company's macro-economic environment, which to the best of the Company's knowledge and in the Company's estimation, have, or are expected to have, a material impact on the business results or development of the Company and/or its area of activity:

#### **1.8.1. Regulatory changes**

The Group's activities, specifically due to the fact that the platform marketed by the Company enables clearing services, are subject to significant regulation in different territories, including regulations with respect to providing payment services, anti-money laundering and provision of credit services. As set forth above, the Group is

active in over 60 countries around the world, but holds regulatory licenses only in some of the countries where it is active. The Group exercises its discretion in the question whether its activity in a certain country is subject to the licensing and regulatory requirements of that country, and the regulators or authorities of that country may, contrary to the Group's position, decide that the Group's activity is subject to regulation in that country. It is noted that insofar as the Group does or shall not meet the regulatory requirements of a certain country, regulatory enforcement actions may be taken against it, which include fines, cancellation of licenses and permits, restrictions on its products and services, and additional regulatory consequences, such as requirements for amending existing licenses and submitting new requests for licenses. These and similar consequences may be significant to the Company and adversely affect it and its results.

In addition, the Group's activities are exposed to regulatory changes in its different areas of activity. Changes in the regulations applicable to the Group's activities in different areas require the Company to invest financial and management resources in making adjustments to the Company's activities as required in order to comply with regulatory requirements and could substantially impact the Company's financial position and results on the one hand, and may on the other hand act as a substantial barrier to entry for potential competitors.

In certain countries the Group relies on agreements with the Clearing Entities (as defined in Section 1.10.2.2 below) that are local clearing license holders, in order to provide clearing services to the customers, and therefore changes to regulation and/or to the provisions of laws applicable with respect to the Clearing Entities, or which may bring to an end the engagement between the Group and the Clearing Entities or lead to changes to its characteristics, in a manner not allowing the Group to continue engaging with them or to engage with other Clearing Entities, it may materially adversely affect the Company's business status, its financial conditions, and its operating results.

For additional details about the Clearing Entities, see Section 1.10.2.2 below.

For additional details on the legislation and regulations applicable to the Group's activities, see Section 1.28 below.

#### 1.8.2. Exchange rate fluctuations

A material part of the Company's expenses is incurred in Israel, in ILS. However, the Group is active in over 60 different countries and therefore receives payment in

a large number of currencies (primarily EUR, USD, AUD and GBP). As a result, the Group is exposed to fluctuations in the different exchange rates opposite ILS. In addition, the Company's financial statements are in USD, and therefore the Company is also exposed to fluctuations in the different exchange rates opposite USD. However, because the payments received by the Group are spread out over a large number of currencies, some of the impact of the fluctuations in different exchange rates opposite ILS and USD are offset and cancel each other out.

1.8.3. The state of the economy and changes in the standards of living and consumption habits

The market in which the Company is active is sensitive, to a certain extent, to changes in household income and the level of global economic activity. A global economic slowdown or recession, and a resultant drop in the standard of living, could lead to a drop in the scope of private consumption, and therefore to reduced use of the points of sale operated by the Company's customers, in a manner which could impact negatively on the Company's revenues from existing customers, and also make it difficult to recruit new customers or expand activities with existing customers. However, as of the date of this Report, most of the Group's customers are operators of automatic vending machines and the products sold using them are mostly basic, inexpensive consumer products, such as soft beverages, coffee, snacks and more. The average transaction price in the aforementioned vending machines is approx. USD 1.8, so naturally, the consumption of this type of product continues, and is not impacted significantly, even during an economic slowdown.

1.8.4. Dealing with the coronavirus, including the global shortage of components

During the first quarter of 2020, the coronavirus (Covid-19) broke out around the world (the "**Coronavirus**"), and on March 11, 2020, the World Health Organization declared the Coronavirus a pandemic. The Coronavirus has led to sharp drops in markets throughout the world and a general slowdown in the world economy.

The general slowdown in the world economy has led, and may lead in the future, to a drop in consumption, and therefore it has had, and may have in the future, a negative impact on the Group's activities and results. *Inter alia*, the impact on the Group's activities is reflected in a reduction in the number of consumer transactions executed with the Company's customers at Unattended and Attended points of sale, particularly during periods when on-site work at non-essential places of

employment was prohibited, or tourist and leisure sites as well as other businesses to which the Group supplies services, were closed. However, as of the end of 2021 and as of the date of this Report, the number of active Attended and Unattended points of sale of the Company's customers as well as the number of consumer transactions performed at the Attended and Unattended points of sale, is significantly higher than what it had been prior to the outbreak of the Coronavirus.

Another trend that has resulted from the outbreak of the Coronavirus is that consumers prefer to choose cashless payment method in order to reduce contact with other human beings and surfaces, within the social distancing rules. This behavior has had a positive impact on the Company, since its platform and products enable different cashless payment methods, including through alternative payment products (such as credit cards and payment applications) and online payment.

In addition, the spread of the Coronavirus around the world caused uncertainty in the global economy and staggering economic damage following the closure of many transactions, a slowdown in production, delay in shipments and partial closure of domestic and international transportation, which together with the slowdown in production, created a global shortage of components required for producing many electronic products.

Said global shortage in the availability of components adversely affected the gross profit margin of the Company from hardware sales during Q3 and Q4 of 2021, due to the price increase of many components that the Company uses when producing its hardware products, some of which were significantly adversely affected. The Company is adopting a strategy of continuing to supply the hardware without raising the sale price, even under these circumstances, since, in the Company's estimate, the hardware constitutes the strategic basis for engaging with new customers and expanding operations with existing customers, and it constitutes one of the cornerstones for the Company's continued growth over time. Hardware sales constituted approximately 40% of the Company's sales in 2021.

Since the outbreak of the Coronavirus spread around the globe, the Company has been taking action in order to cope with issues and events pertaining to the crisis and their potential implications. With the purpose of reducing the effects of the crisis, the Company is among other things taking the following steps:

- (1) Business development – the Company is continuing to examine opportunities for business development and is working towards promoting business opportunities in the Israeli and international markets.
- (2) Marketing activity – in light of the Coronavirus crisis, the Company has accelerated the launch of its marketing and sale activity, including online, so that it shall engage with its customers and execute sale transactions through its websites.
- (3) Cost of components – pursuant to the Company's aforementioned strategy, the sale of hardware components constitutes a significant cornerstone for its continued growth. The Company is working to improve the supply chain in view of the global components crisis, which includes it looking to add a manufacturer of the hardware components, expanding the circle of suppliers from whom the Company purchases components itself and through its subcontractors, and extending the range of equipping itself with components beyond what had in the past been accepted.
- (4) Streamlining programs – the Company in 2020 implemented two streamlining programs, in the framework of which it partially reduced the scope of employment and salary of its employees, and it put a small part of them on unpaid vacation. These streamlining programs ended in January 2021, so that all of the employees who had been put on unpaid vacation returned to work at the Company, and all salary reductions and reduction in scope of employment were revoked.
- (5) State-guaranteed loan – in May 2020, the Company received a long-term loan guaranteed by the State of Israel of ILS 15 million from a banking corporation. The loan bears 1.5% prime interest, which has been paid on a monthly basis since May 2021. The loan principle was repaid in 48 monthly installments starting from May 2021.
- (6) Support from subsidiaries – (a) in 2020 the subsidiaries of Nayax LLC and Greenhithe Software Solutions Ltd. received forgivable loans from the US government, as part of government aid for coping with the Coronavirus, in total of approximately USD 483,000. In 2021, a confirmation of forgiveness for returning such loans of approximately USD 483,000 was obtained, so that they in practice turned into a grant; and (b) in 2020 Nayax AU PTY Ltd., a subsidiary of the Company, received a grant for incentivizing employment

from the Australian government in amount of approximately AUD 222,000 (approximately USD 170,000), which it is not required to return.

In light of the fact that the Coronavirus is an ongoing crisis, which is difficult to know how it will develop in the future, the Company's management cannot at this stage assess the scope of the Coronavirus's future implications on the Company's activity and its results. Notwithstanding the foregoing, the Company estimates that its long-term activity is not expected to be substantially impacted, in light of the Company's existing customer base and the potential for future engagements with existing customers and with potential customers in the markets where it operates and in additional markets. In addition, the Company's management believes that the spread of the Coronavirus will not significantly impact its operations, even the opposite, since the dependence on digital solutions for remote management only increased and the importance of the Group's products for Unattended commerce is only getting stronger.

*The Company's estimates with respect to the possible implications of the spread of the Coronavirus, including the global shortage of components, on the Company's activities, as described above, are deemed forward-looking information as such term is defined in the Securities Law, which is uncertain, as it is affected by many factors outside the Company's control. It should be emphasized that there is no certainty that these estimates shall materialize, in full or in part, and they may even be materially different from those presented above, inter alia due to dependency on external factors outside of the Company's control, such as changes in patterns of the spread of the Coronavirus, decisions of the authorized authorities in Israel and in the world and the impact on the consumption habits of the Group's customers.*

#### 1.8.5. Competition

The Company's area of activity is characterized by relatively low competition. The existence of other players in the Company's area of activity, together with ever-increasing demands to provide technological solutions to make payment and operation functions accessible for Attended and Unattended points of sale, as well as changes in the regulations applicable to the Group's activities, require the Company to permanently engage in research and development activities, in order to maintain its ability to offer its customers effective, comprehensive and complete solutions in its area of activity. Notwithstanding the above, the Company has extensive experience and wide-ranging know-how in its area of activity, as well as

a large research and development team, which enable it to continue to develop the hardware and software it markets, and tailor them to developing technology and regulatory changes in its area of activity. In addition, the Company estimates that it has an advantage over its competitors, since it is the leader in the world in the field because, unlike its competitors, the Company provides its customers an overall solution which it developed itself, end to end, across the entire value chain, namely, development of hardware and software, establishment of communications and cloud transmission mediums, providing payment possibilities, management and Telemetry capabilities, and providing remote operation capabilities and service after purchase. In addition, the Company markets its solutions and services throughout the world, while most of its competitors offer solutions only in specific geographical regions. For further details regarding the impact of competition on the Company's activities, including the Company's competitive advantage in its field of activity, see Section 1.16 in this Report.

*The Company's estimates regarding the trends, events and developments in the macro-economic environment in which the Company is active, and which are expected to impact on its activities and business results, as well as regarding their manner of influence on the Company, its activities and their results, are deemed forward-looking information as such term is defined in the Securities Law, which is uncertain, as it is affected by many factors outside the Company's control, and is impacted, inter alia, by the factors detailed above, and the risk factors in the Company's area of activity (as detailed in Section 1.35 below).*

### **Part Three: Description of Company's Business According to Areas of Activity**

As of the date of this Report, the Company is engaged one area of activity - solutions and services for clearing and operation of businesses using a global platform.

#### **1.9. General information on the area of activity**

##### **1.9.1. Structure of area of activity and applicable changes**

This area of activity is characterized as an international area with great growth potential. As of the date of this Report, the Group is active in over 60 countries around the world, primarily the following countries: USA, UK, Israel, Australia, Poland, Italy, Germany, Denmark, the Netherlands, Japan, Mexico, China, Spain, Czech Republic, France, Canada, Sweden and Switzerland.

Five central growth engines can be identified in the area with respect to points of sale and service:

(A) **An increase in the number and types of products and services supplied by Unattended points of sale and service**

Within global automation processes, many services in all areas of life are becoming automated. For example, already at present the services provided by Unattended points of sale (especially by automatic vending machines) include laundry, gas pumps, sale of food and beverage, coffee machines, sale of non-prescription medications, public transportation services, tourism services (for example: binocular operation and souvenir purchase at major tourist sites), office services (for example: printer and scanner operation) and more. The types of services being automated are ever-increasing, thereby creating growth potential in the Company's area of activity. Following this trend, the Company is expanding its activity to additional types of services such as charging stations for electronic vehicles (see Section 1.10.4.1 below) and payment management for public transportation (see Section 1.12.2 below).

(B) **Switching from cash payment to payment by credit card, Debit, prepaid cards, and to alternative payment methods**

Globalization processes and an increase in the rate of online purchases in the world, accompanied by efforts by many governments in the world to reduce the use of cash within anti-money laundering and counter terrorism, have led to a widespread rise in use of credit cards, Debit, and prepaid cards. In addition, trends of switching to alternative payment methods such as digital wallets,

continue to develop and take center stage alongside traditional payment methods. Payment by credit card, debit card, additional payment methods, and alternative payment methods increases the efficiency of sales processes for products and services, both for the seller (the Company's customer) and for the consumer.

Today many consumers are searching for automated, cashless payment possibilities due to the ever-increasing importance of considerations such as convenience, efficiency, and shorter lines in the purchasing process. As a result, service providers must adapt to the developing trends, which is expected to lead to investments in developing an Unattended commercial environment of a substantial scope.

By way of illustration, and according to a study of Barclays PLC, a global leader from the UK which provides financial services, the rate of cash transactions in the Attended area in 2018 was 42%, and the expectation is that until 2023 such rate shall only be 33%, while the downward trend is expected to continue.

These developments are expected to lead to an increase in the demand for services of the kind offered by the Company, since the Company's customers, owners and operators of Attended and Unattended points of sale and service, shall want to adapt to the worldwide trend of increased credit cards, Debit, prepaid cards, and alternative payment method use, and enable their customers to pay using these methods, thereby increasing the scope of purchases executed at their points of sale and service.

(C) The percentage of Unattended points of sale not supported by providers of solutions and services in the Company's area of activity

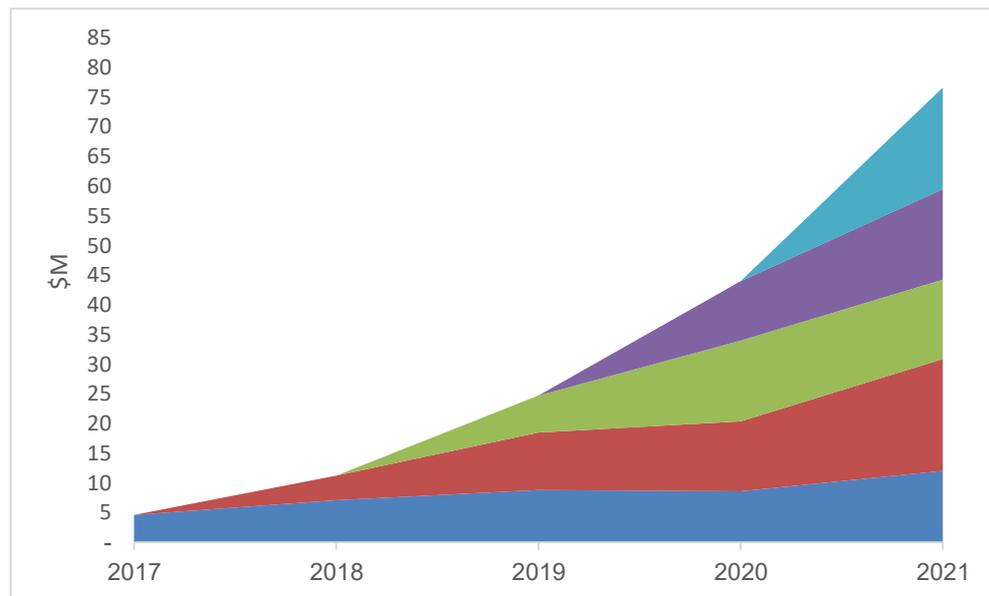
As of the date of this Report, the solutions offered by the Company support approx. 517,000 automatic managed and connected machines in the various territories throughout the world. In the Company's estimate and according to the Market Study that it conducted in 2021, (as defined below), as of May 2021, approx. 44 million Unattended vending and service machines are active, while only approx. 9 million of them are supported and receive services from providers of solutions and services in the Company's area of activity, whether through a partial solution, or a complete solution such as that offered by the Company. In other words, the Company estimates that there are approx. 35 million Unattended vending and service machines which have capability to accept cash payment only, and whose owners do not have the capability to manage them remotely. In

actuality, the owners and operators of approx. 80% of the automatic vending machines in the world are potential customers of the Company's area of activity. These figures point to numerous growth opportunities both for the market and the Company, since it estimates it is among the leading companies in the field in the world at present.

(D) Connecting additional Unattended points of sale for existing customers of the Company

As set forth in Section 1.13 below, as of the date of this Report the Company has approximately 30,000 customers that in the Company's estimate own or operate, in aggregate, over a million Unattended points of sale, while not all the machines owned by those customers are equipped with the Company's products, and not all the machines are supported by the Company's services. This constitutes a growth engine for the Company, since it succeeds in defining a potential demarcated market for the Company, with almost no competitors, with customers who are familiar with and interested in the Company's services and products, as well as with an active and proven business infrastructure.

The Company is growing together with its customers over time. The below graph presents the revenues generated by the Company from its customers in the years following the year they first became Company customers. Every group represents the customers from whom the Company first generated revenues in a certain year, for example: revenues from customers who first purchased the Company's solutions in 2019 grew more than fourfold between 2018 and 2021. We view this growth as a positive indicator for the efficiency of the Company's solutions and the customers' satisfaction.



(E) The revolution of incorporating technology in the Attended world

The Attended market, meaning the world of stores, leisure and commerce, is in the wake of a technological revolution in which even traditional stores shall incorporate technological products for different uses, such as Mobile Smart POS, Self-Checkout, Self-Order, Order at the Table and more. These types of products, and similar products, are penetrating the market and becoming more and more common. Since the Company has had a presence in this market for some time, the Company has established a successful market in Israel with technological depth of services. In addition, the Company estimates it to be one of the only vendors in the world that offers both Attended and Unattended solutions, and the Company estimates that these characteristics place it at the forefront of the technological revolution and shall enable it to have a successful exit into the worldwide Attended market.

In order to establish its growth engines in the Unattended area, the Company in 2021 conducted a comprehensive market study that was performed by one of the largest market research institutes in the world (the “**Market Study**” or “**Study**”). The Study includes a comprehensive review of the market where the Company is currently active, as well as detailed forecasts regarding the short- and mid-term market activity. The Study’s findings show that the number of Unattended points of sale active all over the world is expected to grow from approx. 44 million as of May 2021, to approx. 54 million Unattended points of sale in 2025. The Study’s findings also show that a significant growth in the number of online Unattended points of sale is expected, in one form or another by service providers in the area of activity, out of the total Unattended points of sale, while the rate of such points of

sale is expected to grow from approx. 9 million currently up to approx. 20 million online Unattended points of sale, in 2025. Similarly, according to the Study's findings, the Company estimates that the scope of annual transactions in the market of digital solutions for Unattended points of sale is projected to grow from an estimated rate of approx. 41 billion euros, as of May 2021, up to a scope of approx. 123 billion euros in 2025, while it is estimated that the share of machines for automatic sale of food and beverages shall be approximately 40% of this amount, approximately EUR 52 billion. In addition, the automation market for retail services is itself expected to grow from USD 12.5 billion in 2019 to a market value of USD 24.6 billion in 2025, based on a third party study of Mordor Intelligence.

In the Company's estimation, engagement of a customer which operates Unattended points of sale and service with the Company, and embedding the platform offered by the Company at these points, is projected to materially increase the customer's sales from the points of sale, since the platform the Company offers its customers enables consumers to pay at the Unattended points of sale using diverse payment methods, thereby simplifying the purchasing process at those points of sale. Furthermore, since the platform offered by the Company enables its customers to remotely manage and operate the Unattended points of sale they operate, embedding the platform the Company offers at the customer's Unattended points of sale substantially reduces, in the Company's estimation, the operating costs of the operator of the points of sale (the Company's customer), since it obviates the need for the operator of the Unattended points of sale to physically attend to them frequently, for the purposes of ongoing operation, thereby enabling the operator to reduce manpower employment, and the implementation of the Company's platform in the Unattended points of sale of the customer enables to monitor activity of the point of sale 24/7, in a manner that provides the operator with a picture of real time status of activity at the point of sale. In the Company's estimate, implementing such services provided by the Company is also preferable for the consumers themselves. From a market study conducted by a third party in February 2020,<sup>3</sup> among consumers who use Unattended services (not necessarily from the Company), a picture emerges that 49.4% of the users of such services prefer Unattended services as they are faster, 34.7% of the consumers prefer these services as they shorten lines compared to traditional consumerism, and 33% of the consumers enjoy using

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<sup>3</sup> PYMNTS, The Future of Unattended Retail Report (February 2020)

Unattended services as they do not feel “pressure” in the buying process, compared to a similar process *vis-à-vis* human service providers

The services offered by the Company within its Attended Activity also enable Company customers, business owners who operate Attended points of sale, to increase the efficiency of the point of sale, by replacing the numerous business management software programs and products they have used thus far, with the Company’s product, which provides them with a solution from end to end, and which enables control, monitoring and tracking of all aspects of the business, thereby increasing the profitability of business owners, the Company’s customers.

In the Company’s estimation, these advantages provided by the platform offered by the Company, position the Company among the leading companies in the world in its area of activity today.

*The Company’s estimates regarding projections about and the development of its activities and results, as well as the development and growth of the market in which it is active, are deemed forward-looking information as such term is defined in the Securities Law, which is uncertain, as it is affected by many factors outside the Company’s control. These estimates could not materialize, in full or in part, or could materialize in a manner other than anticipated, due to changes in the economic condition of global markets, in addition to other factors outside the Company’s control and there is no certainty regarding the manner of and date for materialization thereof.*

1.9.2. **Legislative restrictions, standards and special constraints on the Company’s areas of activity**

The Company’s area of activity is subject to significant regulation in its areas of activity, particularly as the platform the Company markets enables clearing services. Changes in the regulation applicable to the Group’s activities could impact its economic condition and results, yet on the other hand may serve as a significant barrier to the entry of potential competitors. For additional details about restrictions and supervision on the Company, see Section 1.28 below.

1.9.3. **Changes in the scope of activity and profitability of the area**

For information on changes in the scope of activity in the area, see Section 1.9.1 above.

1.9.4. **Developments in markets in the area of activities, or changes in the characteristics of its customers**

The solutions the Company offers to its customers in the various territories throughout the world are suitable both for small and medium customers who operate up to a few dozen or hundreds of points of sale, as well as large business customers who operate thousands and tens of thousands of points of sale. Therefore, the Company has been making efforts to attract small and medium customers on the one hand, and to attract customers and strengthen its ability to support large customers and their complex needs, on the other hand. Thus, the Company has a sales system aimed at small and medium customers, and on the other hand the Company's sales system has been bolstered and positions have been introduced thereto such as customer success manager, who is responsible within the sales system for the daily management of large customers, while working with the Company's different departments to meet the expectations of the relevant customer.

The time required to recruit a large customer is significantly greater than the time required to recruit a small customer and naturally, usually the prices paid by a large customer are lower than the prices paid by a small customer. On the other hand, each large customer connects a high number of points of sale to the Company's platform, over time.

1.9.5. **Technological changes that impact materially on the area**

As stated above, within global automation processes, many services in all areas of life are becoming automated, and the types of services becoming automated are ever-increasing. In addition, the Company's area of activity is impacted significantly by technological changes and developments, such as digital wallets and tap on phone technology, a newly developing technology that enables any person to accept credit card, Debit, and prepaid card payment using their smartphone. Significant potential advantages for the Company are inherent in these developments, as they are expected to enable the Company to expand the scope of its activities both in its existing areas of activity as well as in additional areas of activity, based on the Company's existing technological platform. On the other hand, they require the Company to adapt the platform it has developed to the aforementioned developments, and sometimes to develop completely new products.

*The Company's estimates regarding technological developments in the market are deemed forward-looking information as such term is defined in the Securities*

*Law, which is uncertain, as it is affected by many factors outside the Company's control. These estimates could not materialize, in full or in part, or could materialize in a manner other than anticipated, due to changes in the economic condition of global markets, in addition to other factors outside the Company's control and there is no certainty regarding the manner of and date for materialization thereof.*

1.9.6. **The primary success factors in the area of activity and applicable changes**

The Company estimates that primary success factors in its area of activity are as detailed hereunder:

- (A) Recruitment, cultivation and retention of experienced, high-quality human capital with professional skills and flexible thinking. The Company estimates that the fact that it has high-quality, experienced human capital, which has been with the Company for a significant amount of time, contributes substantially to its ability to provide its customers with precise and flexible solutions, quickly and efficiently.
- (B) Investment in research and development – The Company has developed a platform that provides a comprehensive solution to its customers, including cashless payment system, at Attended and Unattended points of sale, and which enables clearing a variety of credit cards, debit cards and other prepaid cards, as well as payment using other alternative payment methods, and payment in many different currencies, and also enables remote management and operation of the Unattended points of sale, and operation and management tools at Attended points of sale. The Company estimates that the solutions offered by its competitors are partial, and provide customers with only part of the services enabled by the platform developed by the Company.
- (C) Ability to provide solutions to a variety of types of points of sale and service, Attended and Unattended, and automatic vending machines with different protocols. For years, the Company has developed its ability to connect the platform it offers its customers to a wide variety of types of machines, including almost all existing types of machines (including old machines still in the market which are no longer manufactured). For details, see Section 1.9.8.1(A) below.
- (D) Wide international distribution and creation of international coverage, while taking significant market shares in each territory. In the Company's estimation,

significant penetration by competitors into the Company's area of activity shall require them to develop global marketing and distribution capabilities.

- (E) Comprehensive integration with dozens of different clearing entities throughout the world, by making significant technological investments and creating legal-commercial ties with all the relevant entities in the area of activity.
- (F) Compliance of activities to many changing regulatory and operational demands, including in order to engage with a long list of clearing entities throughout the world, with the objective of marketing the platform developed by the Company throughout the world.
- (G) The existence of business connections which enable identification and engagement with leading distributors and vendors and strengthening long-term relationships with distributors and vendors as above.
- (H) Investment in and retention of an efficient and advanced technological system, which specializes in various technological fields and is characterized by fast and efficient development, while emphasizing fast response, information security at the higher level, and adaptation to technological changes occurring in the world.
- (I) The Company's proven branding, reputation and performance experience, accumulated over an approx.15-year period, are an important marketing tool for recruiting and retaining customers.

**1.9.7. Changes in the network of vendors and raw materials in the area of activity**

The Company has vendors in two main areas, vendors of hardware and vendors of connectivity. Over the past few years, the Company has acted to expand the number of vendors that manufacture its hardware products. The Company orders its products which are not made of unique raw materials, customized for Unattended Activity, or as "shelf products" for the Attended Activity. This characteristic generally allows it to replace suppliers at no significant cost. Nonetheless, and as foregoing, the Coronavirus crisis led to a slowdown in production, delays in shipments and the partial closure of domestic and international transportation, while on the other hand global demand for various electronic products has significantly increase, which together with the slowdown in production created a global shortage of components required for producing many electronic products, and an increase in the prices of many components that the Company uses for manufacturing its hardware products. For details regarding the effect of the foregoing global shortage in the availability of components on the Company's gross profit margin from the

sale of hardware and the Company's strategy in coping with such shortage and its effect on the Company, see section 1.8.4 above.

With respect to the Company's connectivity vendors, the Company has engaged in agreements with three communications companies, among the leading companies in the market, in order to purchase SIM cards that connect the Company's products to the Internet. Switching a connectivity vendor requires physical access to all of the Company products in which the vendor's SIM cards have been installed and therefore, should the Company be required to switch any of these vendors, it could lead to unplanned costs.

For more details on vendors and raw materials, see Section 1.22 below.

1.9.8. **Main barriers to entry and exit in the areas of activity and applicable changes**

1.9.8.1. Barriers to entry

In the Company's estimation, there are a number of primary barriers to entry to its area of activity:

1.9.8.1.1. Lack of uniformity of protocols for automatic vending machines

– Unattended service and vending machines operate according to hundreds of different protocols. In order to provide service for automatic vending machines, there is a need for technical capability to connect to the machine's specific protocol. For years, the Company has been developing the capability to connect the platform it offers its customers to a wide variety of types of machines and protocols using a unique "electronic handshake" between the automatic vending machine and the Company's equipment, which adapts the specific protocol to the Company's equipment. In the Company's estimation, a new player wishing to enter the area would require hundreds of man-years for development, as well as significant financial resources, in order to enable connection of its product to so many types of machines and protocols. As of the date of this Report, the Company's products are compatible with the vast majority of automatic vending machines, including old machines still in the market which are no longer manufactured.

1.9.8.1.2. Variance between Unattended points of sale – Automatic products and services of many different kinds are supplied

through Unattended points of sale (particularly automatic vending machines): sale of food and beverage, office services (such as printer and scanner operation), tourist services (such as binocular operation and souvenir purchase at major tourist sites), laundry services, gas pumps and more. This wide variety, combined with the fact that many more areas are expected to undergo automation processes in the future, creates hundreds of types of Unattended points of sale, a characteristic which requires adaption of specific hardware and software to each type of machine, in a manner which requires research and development and the investment of substantial economic resources. In this context, it should be noted that although the Company's customers have machines of many kinds, management of the software and hardware the Company offers its customers within the platform is flexible and enables connection and management of the vast majority of types of machines, and appeals to customers of all sizes, from small customers to giant corporations, characteristics which provide the Company with a central advantage in its field.

- 1.9.8.1.3. Ability to clear prepaid cards of different types and accept payment in different types of currencies - A central interest of any owner or operator of an Attended or Unattended point of sale, is the point of sale's capability to accept a wide variety of different payment methods, in order to allow almost every consumer to make a purchase at the point using their preferred payment method. The Company has engagements that enable clearing of all primary types of credit and debit cards in the world, as well as additional payment methods, and clearing of transactions in dozens of different currencies, in addition to the capacity to clear payment using different digital wallets. These capabilities enable the Company to create a highly attractive platform for owners and operators of Attended and Unattended points of sale, as they are interested in expanding the range of payment methods with which services or products can be purchased at the points of sale under their ownership, thereby reaching a larger community of

consumers and increasing the quantity and frequency of purchases executed by each consumer.

- 1.9.8.1.4. Compliance with licensing requirements and regulation - Provision of clearing services with international distribution requires compliance with numerous different regulatory provisions, under different regulators, as well as receipt of licenses and compliance with different standards, including in the fields of provision of service on a financial asset and provision of credit services, anti-money laundering and privacy. Compliance with regulatory requirements as above requires the investment of substantial financial and management resources.
- 1.9.8.1.5. Large scale international distribution – The ability to capture a significant market share in the area of activity necessitates, by the market's very nature, international presence and marketing, distribution and sale capacities in different areas of the world. The Company is currently active in more than 60 countries in the world, through subsidiaries that distribute the Company's products in approx. 10 countries and through engagements with approximately 40 distributors of Company products throughout the world. In addition, the Company has over 950 OEM connections (as defined in Section 1.14.4 below), under which manufacturers of machines and different products in the area of Attended points of sale incorporate the Company's products as components in the products they manufacture, whereby they sell their products after the Company's products have already been incorporated in them. These agreements build an extensive international infrastructure of business connections for the Company, and support the Company's ability to expand its activity, both in areas where it is already active, as well as in additional new target areas.

1.9.8.2. Barriers to exit

The Company estimates that there are no significant barriers to exit from its area of activity, except the fact that the Company has obligations towards large customers (customers with several hundred or thousands of automatic vending machines), which hold approx. 25% of the automatic vending

machines that receive services from the Company, to provide technical support for three years, at most, from the time of the initial engagement.

1.9.9. **Alternatives to products in the Company's areas of activity and applicable changes**

One of the Company's main advantages is the fact that the Company's products constitute an end-to-end platform for owners of Attended and Unattended points of sale. That is to say, the service provided by the Company is a clearing service, a solution that enables the owner or operator of the point of sale to accept different cashless payment methods, as well as a service that enables management and tracking of different aspects of the point of sale such as inventory, sales and regularity, by connecting the machine to the cellular network and the internet. There are indeed alternatives to specific services the Company supplies, such as connection of automatic vending machines to the internet or ability to accept cashless payment, but the Company estimates that, as of the publication date of this Report, there is no alternative product which supplies all the aforementioned services and characteristics, through a single unified platform which supplies the operator of the point of sale with a complete solution from end to end.

1.9.10. **The structure of competition in the area of activity and applicable changes**

For details concerning the structure of competition in the area of activity, see Section 1.16 below.

1.10. **Products and Services**

1.10.1. **General**

The Company develops, produces, and markets a platform that provides an end-to-end solution to its customers, which allows cashless payments and clearing of such payments at Attended and Unattended points of sale and points of service (automatic vending machines in particular), managing and operating points of sale and points of service, including remote management, by the business owner or the point of sale operator, and the platform provides its customers with services for retaining consumers and increasing activity.

In this framework, the Company develops, markets, and manufactures software and hardware products and services that offer the Company's customers – operators of Attended and Unattended points of sale and points of service, the ability to accept and clear cashless payments, and handle operation and management aspects at the

point of sale itself (for Attended points of sale) or remotely (for Unattended points of sale), using IoT (Internet of Things) communication. Such platform serves small customers (with few points of sale) and major customers (major companies with hundreds and thousands of points of sale).

In general, the products developed by the Company are comprised of two primary components: (a) the “brain” that communicates with the Attended and Unattended point of sale where it is installed, with the card reader and with the Company’s servers; and (b) the card reader, that enables multichannel clearing services and supports more than 80 different payment methods. Among others, the card reader enables payments using the EMV security standard, credit cards, and other payment platforms, including mobile phones through NFC (near-field communication). The card reader also helps consumers purchase products using an audiovisual interface and clears payment in the local currency of the country where the purchase is made in.

For more information on the security standards the Group uses with payment system management according to see Section 1.28.3 below.

The Company provides customers with all necessary components for installing the Company’s products at Attended and Unattended points of sale, including software, hardware and connection to the payment systems.

The Company’s products are suitable for a wide variety of businesses, including Unattended points of sale, such as laundromats, car washes, office cafeterias, children’s playgrounds, public bathrooms, tourism services, machines for selling non-prescription drugs, office services, gas stations, and many other automated systems in businesses that wish to introduce cashless payments, and at Attended points of sale in all areas of retail such as restaurants, bars, fashion shops, retail shops, and all types of businesses that wish to introduce cashless payment services and management and operational capabilities at their business.

The Company’s products have easily identifiable branding and a custom-made design, developed to help consumers understand that the point of sale features cashless payment.

Furthermore, as of the date of this Report, the Company is working to extend the variety of uses and product applications and of Company technologies. For more information, see Section 0 below.

#### 1.10.2. **Services**

#### 1.10.2.1. Accepting cashless payments

The Company's products enable cashless payments at various types of Attended and Unattended points of sale. With the Company's products, almost any point of sale can become, without requiring any special adjustment, a point of sale that honors many payment methods, eliminating the need for cash.

The Company created an international payment network with direct connections to over 80 types of payment methods and Clearing Entities (as such term is defined in Section 1.10.2.2 below) that allow its products to accept payment *inter alia* in over 40 currencies. The Company's platform accepts payments using different types of credit cards, including Diners, MasterCard, Visa, American Express, payment using debit cards, payment using closed-circuit prepaid cards such as Sodexo (in Israel: Cebus) and 10Bis, as well as payment using digital wallets on mobile devices, such as Apple Pay, Samsung Pay, Ali Pay, and Google Pay, thus helping the Company's customers maximize conversion and receipt of payments in different countries. The Company's platform enables accepting payment using apps with NFC capabilities and other local apps.

Cashless payment acceptance service is provided by connecting the point of sale to the Internet, whereby each point of sale on which Group's products are installed is transformed from a product without the ability to connect to the Internet into an online product that can transmit and receive information. The Company provides its service using the Company's products worldwide.

#### 1.10.2.2. Clearing services

Within the framework of this service, the Company allows clearing of transactions performed at Unattended points of sale where the Company's products are installed. For such purpose, the Company entered into clearing agreements with different entities holding clearing permits, which connect between the Company and the credit companies, which clear the payments of

consumers who purchase products without using cash at points of sale where Company devices are installed (“**Clearing Entities**”).

The Group engages with Clearing Entities in different jurisdictions for varying periods, whereby these entities provide geographic coverage for all countries in which the Company provides clearing services. The Group provides clearing services to customers in the primary markets in terms of the Company’s activity volume and revenues (all European states in which the Company operates (including the UK), Australia, the US, Israel, Mexico, and Canada). However, some of the Company’s customers do not receive clearing services through the Company but rather through independent engagement with clearing services providers. In this case too, clearing is performed on the infrastructure provided by the Company’s products.

It is noted that the clearing process varies slightly between different countries in which the Company provides clearing services, according to applicable regulation in each territory.

The primary consideration paid by the Company for clearing services is fees to the Clearing Entities. In addition, the fact that the Company connects a large number of clearing entities allows it to offer its customers attractive clearing fees.

The clearing agreements with the Clearing Entities allow the Group to communicate with the largest credit card companies in the world, including Visa, MasterCard, Maestro, American Express, and Diners (the “**Card Issuer**”). These agreements allow the Company’s products to accept payments using the relevant payment methods, thus increasing the number of transactions made on vending machines owned by the Company’s customers.

Under the clearing agreements, the Group has taken steps towards the Clearing Entities to comply with standards of data protection defined by the credit companies, and to use robust data protection and online payment protocols and technologies.

Moreover, the Company is fully responsible for said customers, and bears all risks related to such customers, including performing know your customer procedures (“KYC”) in accordance with local regulation, bearing the cost of chargebacks and fines, and any other charge imposed on it by the credit companies.

For purposes of performing KYC procedures, the Group entered into an agreement for receiving KYC services with MVSI Limited, a company that is incorporated under UK law (“MVSI”). Under the agreement, MVSI provides the Group with background and information checks, KYC services, credit database services and identity management, per the Company’s request.

It is noted that at this stage, the Company does not offer clearing services as part of the services it provides in the framework of its Attended Activity.

To illustrate, this is what the clearing process of a standard transaction in one of the Company’s products looks like, from the beginning of the acquisition activity by the consumer until the product is received:

- ⇓ A consumer pays through swiping a credit card in one of the Company’s products that are installed on a machine whose wares it is interested in buying.
- ⇓ A payment request is transferred from the Company’s product to the Company’s servers.
- ⇓ The Company’s servers transfer the payment request to a Clearing Entity (according to the territory where the transaction is conducted).
- ⇓ The Clearing Entity transfers the payment request to the Card Issuer.
- ⇓ The Card Issuer processes and confirms the payment request.
- ⇓ The Card Issuer transfers the payment request confirmation to the Clearing Entity.

- ⇓ The Clearing Entity transfers payment request confirmation to the Company's servers.
- ⇓ The Company's servers transfer the payment request confirmation to the Company's product.
- ⇓ The Company's product confirms the purchase and the machine provides the requested wares to the consumer.

1.10.2.3. Remote management and operation services for Unattended points of sale

The Company's products allow remote management of Unattended points of sale by the point of sale operator, using an advanced Telemetry communication app that gathers and exchanges information between the Unattended point of sale and a digital management system called Nayaxvend (the "**Digital Management System**"), which is displayed on the computer or management app, known as MoMA, and transforms the management and operation of an Unattended point of sale into smart management and operation. Using the Digital Management System, an operator of an automatic vending machine for example can adjust the prices it displays according to varying needs, thus increasing the scope of sales. The Digital Management System also enables machine monitoring 24/7, year-round, thus allowing vigilance and awareness of potential errors that might affect the system's operation and alerts in the event of an error, whereby the machine operator can obtain real-time status reports on the machine's activity.

Within the framework of such service, the Unattended point of sale operator receives back-office services, and detailed reports on its activity, as well as real-time notifications on inventory, cash register services, error alerts, and recommendations for improving activity metrics. In addition, using the service, the Unattended point of sale operator can control the settings of the machine remotely, thus significantly reducing the need to rely on technical support and ongoing maintenance services. In addition, the management system is characterized by high software capabilities

that enable it to easily interface with third parties (API), and thus increase the interactions and cooperation of the platform with third parties.

The Digital Management System interfaces with vending machines that operate using different types of protocols, such as CCI, JVMA, MDB, and with machines that have no protocols at all. This, when it is burned onto the Company's products installed on the Unattended point of sale, and interfaces with the Company's servers for regular software updates and third-party communication, such as communication with the clearing companies.

1.10.2.4. Management and operation services for Attended points of sale

Within the framework of the Attended Activity, the Company offers a platform to manage and operate Attended points of sale.

The platform combines the software and hardware developed by the Company, which is based on SAP Business One, allowing the customer to convert its Attended point of sale into a point of sale that offers business management and operation tools using a wide variety of options for payment clearing, account management, business promotion, logistic management, procedure setting, authorizations, and employee management, from the business level to the shift and individual employee levels.

The services provided for Attended points of sale as part of the Attended Activity are provided using a range of unique products for different businesses such as Smart POS, Mobile Smart POS, Self-Checkout, Self-Order, Order at the Table, and more.

The wide variety of products and services the Group offers to customers as part of its Attended Activity is relevant to almost every type of business that sells products while engaging with customers, such as restaurants, bars, apparel shops, supermarkets, office-supply shops, convenience stores, homeware stores, and so on, thus increasing the Company's potential target market for this activity. Such use of the Company's products allows customers to

reach the full potential embodied in the business, cut costs and increase revenues, all using user-friendly interfaces.

The platform offered by the Company under this service incorporates the services and capabilities formerly provided to business owners by using different products, from different companies, which naturally did not synchronize with each other. Using this platform, the customer can manage various aspects of its business by itself with great efficiency, using a single device and interacting with only one entity.

1.10.2.5. Remote management of multiple vending machines

The Company offers an information systems solution provided by Synectic Software Solutions Inc., a Subsidiary of the Company that operates under the brand name VendSys (“**VendSys**”), which allows operators of multiple automatic vending machines to collect and concentrate data on all their machines. This feature enables continuous monitoring and effective management that integrates all clearing, inventory, and accounting data for all of the machines of such operator. The VendSys solution is especially suitable for large-scale operators with many vending machines, that wish to monitor all machines they own, including machines not connected to the Internet. Accordingly, the service VendSys offers is also suitable for vending automatic machine owners whose machines not equipped with the Company’s hardware products, because the VendSys solution can not only connect with vending machines that are connected to the Internet, but also with vending machines that are not connected to the Internet, with data collection performed by a service representative of the customer.

As of the date of this Report, the solution offered by the Company is installed on approx. 517,000 machines in points of sale, while approx. 399,000 Unattended points of sale are equipped with the Company’s platform and their operators use the Company’s remote operation and management service, while the operators of the remaining Unattended points of sale (approx. 111,000 automatic vending machines) only use the remote operation and control services provided by VendSys, without purchasing the

Company's hardware. To complete the picture it should be noted that the Company has a further approximately 8,000 connected endpoints as part of the Attended Activity.

1.10.2.6. Consumer retention services, business promotion, and increasing activity

The Company's products allow the Company's customers to retain consumers and even increase activity opposite them (loyalty suite), using features that encourage consumers to purchase from them again. For example, the digital wallet app marketed by the Company and installed on the consumer's mobile phone which enables the consumer to pay using the mobile phone (see Section 1.10.4.2 below). In addition, various characteristics of the platform allow the Company's customers to have an ongoing relationship with the consumer, thus enabling them to promote their business to the consumer using campaigns, special offers, credits for repurchases discounts, gifts and promotions to users at their point of sale, thus the consumer gains the potential to become a repeat customer as opposed to a one-time, casual customer. The Company's products also allow customers to manage multiple simultaneous marketing campaigns.

1.10.3. **Products:**

1.10.3.1. VPOS Touch

The Company's flagship product for Unattended points of sale, that transforms any Unattended point of sale into a point of sale that enables cashless payments, including clearing thereof, and enables remote management and operation for the point of sale operator, using a simple product installation on the customer's point of sale. Using this product, it is possible to forward telemetric data and real-time alerts on all aspects of the point of sale activity, and provide cashless payment and payment clearing services for all payment methods accepted by the Group. This includes clearing credit cards using swipe, contact, and

contactless methods, and accepting payments using mobile phones via NFC. The VPOS Touch allows the end consumer to use the Unattended point of sale through voice interaction and a local language display, and gives the point of sale owner the option to operate by producing automated operational reports. This product is an all-in-one platform of all of the Group's services.

1.10.3.2. Onyx

An essentially similar product to the VPOS Touch, for Unattended points of sale, which features remote management services, cashless payments, and payment clearing, using the receipt of full telemetric data and alerts, and contactless NFC payment clearing through credit cards, Debit, and prepaid cards. Unlike the VPOS Touch, the Onyx is small and elegant, and does not feature card clearing using the swipe and contact method.

1.10.3.3. AMIT 3.0

The AMIT 3.0 is a smart telemetry product that connects the Unattended point of sale to the Internet, thus enabling the user to supervise the point of sale in real time using frequently updated information. Meaning, the point of sale operator can constantly monitor all important aspects of the point of sale, such as inventory, cash monitoring, alerts, and reports, and has the possibility to remotely control the Unattended point of sale.

1.10.3.4. NOVA 156

Smart POS – Handheld Smart POS Terminal. The central product offered by the Company to Attended points of sale and which combines a few products . This product is a platform that provides the customer payment capabilities offered by the Company, along with business management capabilities, including accounting, logistics, and staff management at the employee level and at the enterprise level. The product is Android-based, and it enables clearing payment using swipe, contactless and contact payment methods, along with accepting alternative payment methods such as digital wallets and Tap on Pay. The product features many

communications options as it enables connectivity using Wi-Fi, BT, GPS, Ethernet LAN and USB. NOVA 156 is a combined dual interface product with a printer and a barcode scanner that features an operator interface based on a 15.6 inch touchscreen, and a client interface for clearing credit cards and debit cards with a keypad to type in the payment method owner's PIN, while the terminal can be used as a POS with full functionality for pressure hours and full survivability when working during power or communication failures.

1.10.3.5. NOVA 125

Compact Smart POS. A product constituting a platform that grants the customer the payment capabilities offered by the Company, together with business management capabilities, including accounting, logistics, and staff management at the employee level and at the enterprise level. The product is Android-based, and it enables clearing payment using swipe, contactless and contact payment methods, along with accepting alternative payment methods such as digital wallets and Tap on Pay. The product features many communications options as it enables connectivity using 2G-4G, Wi-Fi, BT, GPS, Ethernet and USB. The NOVA 125 is a combined dual interface product with a printer and a barcode scanner that features an operator interface based on a 12.5 inch touchscreen, and a client interface for clearing credit cards and debit cards with a keypad to type in the payment method owner's PIN.

1.10.3.6. NOVA 55

Handheld Smart POS Terminal for Attended points of sale. The product is Android-based, and enables clearing payments using swipe, contactless and contact payment methods, along with accepting alternative payment methods such as digital wallets and Tap on Pay. The product features many communication options as it enables connectivity using 2G-4G, Wi-Fi, BT, and GPS. The NOVA 55 is a handheld product with a 5.5 inch screen that allows operators to accept payments anywhere in the business and in general. The product also combines a printer, a camera and

barcode scanner, thus eliminating the operator's need to arrive at the "mother point" in order to receive the payment from the consumer.

1.10.3.7. NOVA 45

Handheld Mini Smart Terminal for Attended points of sale. Essentially similar to the NOVA 55, except slightly smaller, with a 4.5 inch touchscreen. The product also features wireless push-to-talk local communication between similar products, enabling regular communication between staff members.

1.10.3.8. NOVA 40

Handheld Mini Smart Terminal for Attended points of sale. Essentially similar to the NOVA 45, except slightly smaller, with a 4 inch touchscreen that does not feature push-to-talk communication.

1.10.4. Other products and services

1.10.4.1. Electric vehicle (EV) charging stations

The Company has developed an electric vehicle charging station, which allows the charging station operator convenient and efficient remote monitoring and management of the electric vehicle charging station. The charging station is based on an AC charger, and it features a cloud-based management system and a built-in telemetry system that provides operators state-of-the-art efficient energy management, data analysis, and reporting features. The station is equipped with one of the Company's products that allows cashless payment in an open environment (credit cards and Debit, digital wallets, or QR scans) or in a closed environment (prepaid cards). The management system allows the consumer and the operator many advanced features that expand on the management possibilities that the Company offers in other areas, including, *inter alia*, reserving a charging station in advance and adjusting the charge to the supply capacity of the electric company. Unlike other areas in which the Company operates, in this area the Company also manufactures the charging station used to charge the electric vehicles, in addition to the

software and hardware. This activity of the Company joins the global wave of electric vehicles increasingly entering use, while the Company estimates, according to the Jeffries Market Study from June 2021, the number of electric vehicles increased by approximately 45% on average per annum around the world, since 2018 and until 2021, while the trend in the next five years is expected to be approximately 37% annual increase. This activity of the Company has been performed since the beginning of Q2 of 2021 by EV Meter Ltd., a subsidiary of the Company that was incorporated in and operates from Israel, while as of the date of the Report, the service is offered in the UK, Israel, Sweden, Italy and Spain. Within the framework of the service, the operator receives a charging pole installed with the Company's hardware that enables paying and clearing, and also receives management software that features information management and electricity supply monitoring.

*The Company's estimates with respect to the foregoing constitute forward looking information as defined in the Securities Law, which is uncertain, since it is influenced by an abundance of factors that are not under the Company's control. All or part of these estimates may not materialize or may materialize differently than expected, following changes to the economic situation in the global market, and additional factors that are not under the Company's control and for which there is no certainty with respect to the manner and date that they materialize.*

#### 1.10.4.2. Monyx Wallet

A digital wallet app installed on the consumer's mobile phone that enables cashless payments using only the mobile phone (the "**Digital Wallet**"), at Attended and Unattended points of sale where the Company's platform is installed. This app enables preloading a budget into the Digital Wallet in advance by individuals or companies for their employees, to use at Attended and Unattended points of sale where the Company's products are installed. Another feature this product offers is that once the app

is installed on the consumer's mobile phone, the operator of the point of sale where the Company's platform is installed can maintain an ongoing relationship with the consumer, which enables the operator to promote its business through campaigns, benefits at the point of sale to app users, and so on, meaning the consumer has the potential to become a repeat customer, and not merely a casual one-time customer. The Company also occasionally offers bonuses to app users such as cashback on using the app and a bonus on charging the Digital Wallet.

## 1.11. Segmentation of revenues and products profitability

### 1.11.1. General

The Company's central revenue model rests on three pillars:

- (a) One-time hardware payment for selling the Company's end units.
- (b) A fixed monthly usage fee derived from the Company's services.
- (c) In the Unattended Activity only - Charging a clearing fee for any transaction made at the point of sale and cleared using the Company's platform. There were 795 million transactions cleared using the Company's products in 2021, averaging approx. USD 1.8 per transaction.

In 2021, approx. 60% of the Company's revenues (compared to 55% in 2020) came from the monthly usage fee and clearing fees (hereinafter: "**Recurring Revenues**"), and approx. 40% of the Company's revenues (compared to approximately 45% in 2020) came from payments for sale of the Company's end-user units. The strategic importance of the sale of the Company's end-user units to its customers, is that the sale of the end positions in fact creates a basis for increasing the Company's Recurring Revenues, and thus generates a powerful business model.

It is noted that the Group provides its customers with clearing services in the main markets in terms of the Company's activity volume and revenues, which include all European states in which the Company operates (including the UK), Australia, the US, Israel, Mexico, and Canada. However, some of the Company's customers do not receive clearing services through the Company. Also, at this stage the Company does not offer clearing services among the services it provides in the framework of the Company's Attended Activity. It is noted that the Company's

customers that do not have a clearing services agreement with the Company engage independently with clearing service providers, and in this case too, clearing is generally performed on the infrastructure provided by the Company's products.

1.11.2. Below is data on revenues and their rate out of the total revenues of the Company, of revenues deriving from each group of similar products or services, which account or accounted for 10% or more of the Company's total revenues (consolidated) in 2020 and 2021:

	2021		2020	
	Revenues (in USD thousands)	Rate of the total income	Revenues (in USD thousands)	Rate of the total income
Recurring Revenues from clearing fees and usage fees of the management software	47,987	60%	43,369	55.0%
Revenues from selling end units	71,147	40%	35,414	45.0%

## 1.12. New Products

### 1.12.1. General

The Company is constantly working on developing new products and integrating new technologies, in order to expand the selection of products and services offered by the Company to new and existing customers. The Company is also continuously developing the servers that host its services.

Below is a description of new products being developed by the Company.

### 1.12.2. Nayax Transit

The Company is developing a cloud-based payment management platform for public transport. The service that the Company provides through this platform simplifies the payment system for the Company's customers and the passengers, and is based on algorithms the Company has developed which can optimize payment for each specific passenger, by weighing the passenger's number of trips and the payments and suggesting the product that offers the passenger the most

value for money in retrospect, with respect to a periodic interval defined by the Company's customer. This way, passengers connect to the platform by creating a passenger account on the app or by way of signing up on the website of the Company customer and thereafter the passenger enters a payment method (without actually being charged). When boarding the public transport vehicle, customers validate their accounts by scanning a QR code or through a manual update on the app. At the end of each periodic interval defined by the customer, such as a month, the customer retroactively pays the optimal amount according to trips made that month. For example, if the customer had few trips that month, it would pay according to the one time trip fee, and if it traveled frequently that month it would pay the monthly pass rate. In addition, the Company is also developing and selling to its customers in this area the validation terminals for public transport themselves, this product is similar to the Company's products under its Unattended Activity, while a few adjustments were made that are unique to the field of public transportation according to current international market standards. Among the Company's customers whom the Company provides the Nayax Transit platform, is Isracard Ltd., which recently launched the ANYWAY service for public transportation.

#### 1.12.3. Interactive receipts

A new service of the Company that enables sending digital receipts directly to the consumer's mobile phone at the end of each transaction. In addition to the transaction details, these receipts also feature business promotion options such as coupons, and facilitate further interactions between the consumer and the business, thus offering optimal customer retention. In order to establish this service, the Company purchased all the shares of Weezmo Technologies Ltd., a leading company in the field of interactive receipts in Israel and the world. For details on the agreement to purchase shares of Weezmo Technologies Ltd., see Note 6B to the financial statements.

#### 1.12.4. The E-commerce website

At the beginning of 2021 the Company launched an e-commerce website for new and existing customers, to integrate all Company services in one place, first in the US and Canada and the Company intends to later launch the website also in additional countries. The website allows new customers that wish to interact with the Company to define the properties of its Unattended point of sale online and according to its needs. The website shall also allow repeat purchases of all of the

Company's products for existing customers,. Thereafter, the website shall allow the OEM (as such term is defined in Section 1.14.4 below), distributors, and consultants in the Unattended area to sell and promote their wares on the Company's website.

*The Company's estimates with respect to the launch of the e-commerce website in additional countries constitute forward looking information as defined in the Securities Law, which is uncertain, and not under the Company's control. It is clarified that there is no certainty that the estimates shall materialize, and they may even materially differ from the foregoing, inter alia due to its dependance on external factors that are not under the Company's, inter alia the factors set forth in the framework of the risk factors in the area of the Company's activity (as set forth in section 1.35 below).*

#### 1.12.5. Management of amusement parks

On February 4 ,2021, the Company engaged in a memorandum of understanding for acquiring control of Tigapo Ltd. (hereinafter: "**Tigapo**"), which develops a smart cloud system for managing amusement parks. In May 2021, the Company purchased Tigapo shares that constitute approximately 33.39% (fully diluted) of the number of shareholders, and in Q3 of 2021, a purchase agreement was executed in the framework of which the Company increased its holding in Tigapo, so that as of the date of this Report, the Company holds Tigapo shares constituting approximately 53.55% of Tigapo's issued share capital (fully diluted). In addition, the Company has options for purchasing the remaining shares of Tigapo. For additional details, see Note 6C to the financial statements.

### 1.13. Customers

#### 1.13.1. General

As of the date of this Report, the Company has approx. 30,000 customers. The Company's customers are characterized mostly by being diverse and decentralized, both in terms of their type of activity and the geographical distribution and in terms of each customer's volume of activity vis-à-vis the Company. Hence, the Company is not dependent on any particular customer and losing any one of its customers shall not have a material effect on the Company's area of activity. To illustrate, as of 2021, the Company's three largest customers only constitute approx. 5% of the Company's Recurring Revenues, and its 50 largest customers only constitute approx. 26% of such revenues.

The geographic distribution of the Company's customers, as of 2021, shows that approximately 44% of the Company's customers are located in Europe, approximately 33% of the Company's customers are located in North America, approximately 11% in Australia and an additional approximately 12% in the rest of the world.

The Company has an effective customers growth rate that is proven by three central pieces of data:

Number of customers – the number of the Company's customers in a given year.

1.13.1.1. The decrease in the revenue churn rate – the decrease in revenues as a result of customers who left the Company in the 12 months preceding such date.

1.13.1.2. The net revenue retention rate of returning customers from Recurring Revenues – the percentage of revenues from returning customers in a given year, which includes the increase in revenues and rate of losses from the customer churn rate.

Data \ Year	2021	2020
Number of customers	~ 30,000	~ 19,000
Decrease in revenues from customer churn rate	2.6%	3.7%
Net revenue from returning customers	137%	102%

The data of the Company's customers attest to the Company's significant growth in recent years and to its future growth potential, as well as to the high confidence that the Company's customers place in the Company itself.

*The Company's estimate with respect to its future growth potential, as described above, constitutes forward-looking information, as defined in the Securities Law, the materialization of which is uncertain and is not under the Company's control. It is clarified that there is no certainty that the estimate shall materialize and it may even materially differ from the foregoing, inter alia, due to its dependance on external factors that are not under the Company's control, inter alia the factors set forth in the framework of the risk factors in the Company's area of activity (as set forth in section 1.35 above).*

However, the Group has three main types of customers:

1.13.1.3. Unattended point of sale owners and operators

The Company's main customers are customers that operate Unattended points of sale, especially automated vending machines. Approx. 75% of the Unattended points of sale for which the Company provides services, are operated by small customers, each operating few points of sale. Approx. 25% of the Unattended points of sale for which the Company provides service, are operated by customers that operate several hundreds to several thousands of such points of sale. The Company's major customers include Primo Water Corporation, a US company that sells drinking water to households and businesses, including at Unattended points of sale, which has installed the Company's products in more than 15,000 of its Unattended points of sale. Another customer of the Company is Cafe+Co, an Austrian company with Unattended points of sale that sell food, beverages, and coffee all over Europe, which has installed the Company's products in over 20,000 of its Unattended points of sale.

1.13.1.4. Attended point of sale owners and operators

As part of the Company's Attended Activity, the Company has customers in Israel that own thousands of Attended points of sale, such as clothing shops, restaurants, various types of recreational retail stores, and so on. Many of the Company's customers in this category own a single point of sale, and some of them are major companies with hundreds of Attended points of sale that use the Company's services in all their points of sale.

1.13.1.5. Resellers, distributors and OEMs

Some of the Company's customers are resellers and distributors, to which the Company sells its end-user units, and they in turn sell them to customers that operate Unattended points of sale (in particular, automated vending machines). In addition, the Company has more than 300 OEM engagements (as such term is defined below in Section 1.14.4), in the framework of which manufacturers of various machines and products in the area of

Unattended points of sale integrate the Company's products as components in the products they manufacture, meaning they sell their products that already feature the Company's products.

#### 1.14. **Marketing and Distribution**

##### 1.14.1. General

The Company sells its products directly, through subsidiaries located in different countries, and through resellers and distributors. The Company also has OEM engagements, under which various machine and product manufacturers integrate the Company's products as components of the products they manufacture and sell. In addition, the Company established an e-commerce website, where new and existing customers of the Company can purchase the Company's products independently, as set forth in Section 1.12.4 above, and it should be noted that as of the date of this Report, the website is only active in the US and Canada. Similarly, the Company operates advertising channels, SEOs, and audience-targeted marketing campaigns for small and medium businesses. The Company is active *inter alia* on social media while engaging with influencers, it conducts webinars and events, and it distributes promotional materials and articles to the target audience. The Company constantly tracks all the interactions on all of its advertising channels. In addition, the Company knows to separately examine its costs for every advertising channel (advertising of Facebook, email campaigns, Google campaigns, etc.) *vis-à-vis* actual revenue from that advertising channel, and thus reach high returns on investment for the Company's various advertising activity.

One of the Company's central advantages are the fast processes of marketing and sales for small businesses. The nature of this type of businesses allows the Company to rapidly "come full circle" *vis-à-vis* these customers, and for this purpose the Company developed an automatic sales protocol for small business, which as of the date of this Report is active in the European and Australian markets, and in the future shall also enter the markets of Israel and the US. Thus, a potential customer with a small business who expresses interest in purchasing the Company's products it was exposed to through various adverts, shall receive a personal online contract and an online KYC process shall be performed thereon, which is rapidly approved, sometimes within only 24 hours. Already upon the approval of the contract and KYC, the new customer's orders and profile are automatically placed on all the

Company's databases. This flash procedure allows the Company to efficiently attract customers which in turn leads to the Company's effective growth.

For purpose of marketing and distributing its products, the Company determined eight key markets: Australia, the US, UK, Germany, Japan, Israel, China and Canada. In these markets the Group distributes its products through subsidiaries that it established in those countries.

In other operating territories and in countries in which the Company does not have a subsidiary, the Company distributes its products through engagements with approximately 40 distributors, including Italy, Denmark, the Netherlands, Mexico, Poland, France, Sweden, and Switzerland. The Company also distributes its products through engagements with resellers and OEMs.

In addition, the Company has a supervised pricing strategy that weighs the geographical area of the engagements, the requested product type, and the scope of the purchase. Thus, the Company offers a final sale price which allows maintaining optimal profit margins in its various areas of activity.

It is further noted that in light of the Company's extensive geographic spread, the Company is not dependent on any single reseller, distributor, or OEM.

#### 1.14.2. Resellers

Group companies, including the Company itself, have engaged under marketing agreements with resellers of the Company's products ("Resellers"), while each Reseller purchases the Company's products and sells them to the customers. The Reseller sells the products, while the duty to pay the consideration for the device to the Company is established when it receives the product from the Company or from the relevant subsidiary. Resellers only sell the Company's products and do not provide the customers with support services. Support services are provided to end-customers by the Company. The Reseller agreements are not exclusive, meaning there might be more than one Reseller in a particular country.

#### 1.14.3. Distributors

The Company is engaged in distribution agreements with approximately 44 distributors of its products and it grants licenses for distributing the Company's products in specific, defined territories, whereby the distributor purchases products from the Company and sells them to customers in its defined territory. With this method of distribution, the distributor purchases the Company's products from the

Company and sells them on. Unlike Resellers, distributors provide basic support to end-customers, defined as Level 1 Support in the local language, and the Company provides end-customers support on more complex issues. It is noted that with respect to some of the distributors, there are exclusivity stipulations in the engagement agreement with them, so that those distributors shall be the only distributors on that defined territory.

#### 1.14.4. OEM

The Company has engagements with over 950 original equipment manufacturers (“OEM”). In these engagements, the Company sells its products as components to machine and product manufacturers in the Unattended point of sale area. In the manufacturing process, the OEM integrates the Company’s products so that they become built-in or bundled in the product it manufactures. For example, the Company has agreements with an OEM that manufactures coffee machines, the Company sells its products to that OEM, and it integrates the Company’s products in the coffee machine. Then, the OEM sells the machine to its customers while the Company’s products are attached to it. This type of engagement enables effective distribution that increases the Company’s potential client base, as customers that purchase products from an OEM could engage with the Company in the future to receive services from the Company, thus becoming customers of the Company.

#### 1.15. Orders backlog

Generally, the Company does not act on the basis of a pre-determined orders backlog, but rather on the basis of orders that are received from time to time by its customers (just in time). With respect to certain large customers, the Company may from time to time receive an orders prognosis, however this prognosis does not bind the customers.

#### 1.16. Competition

Competition in the Company’s area of activity is measured in two axes, the first being global distribution – the number of countries where similar companies operate in the sector. The second is the quality level of the solution offered by similar companies in the area of activity. This axis moves from a solution that provides a single service, for example, a connection to the Internet, to a comprehensive solution that offers multiple services, such as a connection to the Internet, Telemetry capability, clearing services, and operation and management services, like the Company does.

According to the Company’s estimation, with respect to both competition axes - the area of activity is characterized by a low level of competition. As said, it is possible that in a

certain territory, the area of activity would be highly competitive in terms of the quality level of the solution offered by competing companies, however in most instances such companies are competitors only in that territory, and do not compete with the Company in the rest of the world. Alternatively, it is possible that a different company would compete with global distribution and provide services in many countries around the world, however in most instances the solution offered by such companies is limited, and does not offer a comprehensive solution like the Company does.

Therefore, according to the estimation of the Company, its primary competitor in North America is Cantaloupe, Inc. (“**Cantaloupe**”) (formerly USAT). Nevertheless, unlike the Company, Cantaloupe does not have broad global distribution and does not provide a comprehensive solution to its customers. The Company has other competitors, such as the French company Ingenico. That company has a comparatively wide distribution, especially in Europe, however the service it offers is limited compared with the solution offered by the Company. For example, unlike the Company, Ingenico does not offer telemetry services, which enable remote monitoring and management of automated vending machines. Also, while it does provide clearing services, it cannot process credit clearing by itself, on behalf of the business, like the Company can. More so, according to the Company’s estimation, the work processes offered by Ingenico to its customers are not as comprehensive as the Company offers, since the Company offers a service along the entire value chain of the customer, so it does not need to engage with other companies down the chain that provide different services.

Other Company competitors are CPI from the US and OTI from Israel. Both companies have a relatively wide global distribution, but the solution they offer is partial compared with the solution offered by the Company, especially in field of telemetry, customer management, and business management and monitoring. On January 19, 2022, the Company engaged in a binding memorandum of understanding with On Track Innovations Ltd. (“**Memorandum of Understanding**” and “**OTI**”, respectively), pursuant to which the Company and OTI shall engage in two-stage deal, whereby at the first stage, the Company would provide OTI with a loan, and thereafter the Company would purchase 100% of OTI’s shares by way of a reverse triangular merger or in a different way to be agreed between the parties. As of this date, the parties engaged in a loan agreement, but they have not yet engaged in an agreement for purchasing OTI shares pursuant to the Memorandum of Understanding. For more information, see the Company’s immediate reports as of 20 January, 2022 (reference no: 2022-01-008883) and January 30, 2022 (reference no: 2022-01-011415) and see Note 26 to the Financial

Statements. It is clarified that as of the date of this Report, there is no complete certainty that the Company and OTI shall engage in a merger agreement or that should they engage therein the conditions precedent for its completion would be met.

The Company contends with competition in its area of activity by providing its customers, the operators of Attended and Unattended points of sale, a full and comprehensive solution that enables them to add to the points of sale or service they operate the option to receive cashless payments, clearing services, and remote operation and management services. The Company also has extensive experience and knowledge in its area of activity, in light of being in the field for many years. The Company also has a large research and development team that allows it to continue and develop its products' software and adapt it to technological developments and regulatory changes in its area of activity. Furthermore, the very fact that the Company owns all critical components of the products and services that it markets, provides it major advantages in all aspects relating to flexibility in integrating the products with its customers and providing effective technical support and customer service. This is in addition to the fact that the Company's products can work with a wide range of machines and protocols, the wide global distribution of the Company's products, and the wide variety of credit cards, payments and currencies supported by the Company's products. The Company also emphasizes, *inter alia*, fostering a relationship with its customers, based on availability, consulting, and flexibility, fast product sales and simple integration of the Company's products, and post-sale service and support. The Company focuses on customer satisfaction, and consequently, the Company has a proven track record of customer retention and growth, and a low churn rate.

As of the date of this Prospectus, the Company estimates that its market share in the global market is less than 10% of the total market. However, the Company estimates that it has a far larger market share than its competitors in Europe.

1.17. **Seasonality**

Considering the Company's product type, the variety of products that it sells to its customers, both at Attended points of sale and at Unattended points of sale, and in light of its widely distributed global activity, the Company's activity is not affected by seasonality.

## 1.18. **Fixed assets, real estate and facilities**

1.18.1. The Company's material fixed assets are mostly made up of servers and computers, and are mostly used for the Company's technological activity, including its research and development activity. The Group's servers are used for storing and transferring information in the framework of the Company's activity and are located at three main sites – Israel, Germany, and the US, while the servers located in Israel and the US are owned by the Company, whereas the servers located in German are leased by the Company pursuant to a financial lease.

1.18.2. The Company leases the Company's offices, with a total area of 2,620 sqm at 3 Arik Einstein Street, Herzliya. At the Company's offices it performs the Group's primary activity in the area of technical operation, research and development, and management activities. The lease agreement is in effect with respect to 1,838 sqm until July 31, 2026, and until June 28, 2027 for the remaining area.

In June 2021, the Company executed a lease agreement for leasing an additional office space of approximately 848 sqm, balconies with an area of approximately 30 sqm, and a few parking spaces in the building. The lease period is for 72 months starting from June 2021. For more information see Note 25 to the Financial Statements

1.18.3. On July 31, 2021, a lease agreement expired whereby the Company leased offices in Ramat HaChayal, Tel Aviv (the Company's previous offices), with a total area of approximately 1,159 sqm.

1.18.4. The Company's subsidiaries, which are incorporated abroad, lease offices in the locations where they operate. These lease agreements are immaterial.

## 1.19. **Research and development**

### 1.19.1. **Research and development in the area of activity and its results**

The Company developed the software on the platform that it offers to its customers and is developing the hardware products that connect to such platform. The Company is continuously developing a variety of technological hardware and software tools, including continuous development of new versions of its current products and improvements thereto, while adding new functions and mechanisms and new payment receipt capabilities, according to technological changes and the customers' changing needs. The Company's flexible development capabilities

enable it to develop a wide variety of solutions, including in collaboration with its customers. For details on new the Company's products, see Section 0 above.

#### 1.19.2. Development grants

##### 1.19.2.1. The China, India, and Japan program

The Company received grants from the Ministry of Economy and Industry for purpose of developing marketing representatives in China and Japan (in this section: "**Target Countries**"), and adapting the Group's platform to such local markets, and all for a period of three years. The support program is subject to the terms set forth in the letters of approval and in the Company's letters of undertaking and to the instructions of the Director General of the Ministry of Economy and related procedures. According to the terms of the program, grants shall be calculated based on 50% of the expenses recognized within the framework of the program, expended for purpose of developing the marketing representative in the Target Countries, subject to the approved budgets for the Company. Accordingly, as of the Prospectus date, the Company received letters of approval for two marketing programs. For the first program the Company received an approval for a grant in the amount of ILS 1,585,000 (out of an approved budget of ILS 3,170,000) starting November 28, 2013 for the target country China. For the second program, the Company received approval for a grant in the amount of ILS 740,360 (out of an approved budget of ILS 1,480,720) starting from August 20, 2015 for the target country Japan. The total grants actually received by the Company under both programs is ILS 1.22 million. As a condition for receiving the aid, the Company must pay royalties to the program totaling 3% of the growth in the export volume to the Target Countries compared with export in 2013 for the first program (China) and 2015 for the second program (Japan). Royalties shall be paid annually, per request, and beginning in 2019 for a period of 5 years or until full repayment of the grant amount, according to the earlier. In 2021, the Company paid royalties for this program in amount of approximately USD 120,000.

#### 1.19.2.2. The smart money program

The Company receives grants from the Ministry of Economy and Industry in order to increase sales in the US, Japan, and India (in this section: “**Target Markets**”). According to the program terms, grants are calculated on the basis of 50% of the expenses recognized in the framework of the program and expended in the framework of the Company’s marketing activity in the Target Markets, subject to the approved budgets for the Company. The duration of the support program is between 24-36 months (depending on the Target Market) of receiving the letter of approval, with an option to extend it by an additional twelve months. The program is subject to the terms set in the letters of approval and the Company’s letters of undertaking and to the instructions of the Director General of the Ministry of Economy and related procedures. As of the date of this Report, the Company received three letters of approval for target markets in India, Japan, and the US. For the first program the Company received an approval for a grant in the amount of ILS 467,000 (out of an approved budget of ILS 935,000) starting on April 28, 2015 for the US market. For the second program the Company received an approval for a grant in the amount of ILS 350,000 for the second program (out of an approved budget of ILS 701,000) starting on July 8, 2015 for the Japanese market. For the third program the Company received an approval for a grant in the amount of ILS 925,000 (out of an approved budget of ILS 1,850,000) starting on March 30, 2018 for the Indian market. The total grants the Company actually received under these programs is ILS 777 thousand. As a condition for receiving aid, the Company must pay royalties to the program totaling 3% of the growth in the export volume to the Target Markets for which the Company received the grants. Royalties shall be paid for each program annually, starting on the first calendar year in which the Company is not eligible for the grant according to the program,

over a period of 5 years or until the grant amount is repaid, according to the earlier. In 2021, the Company paid royalties for this program totaling approximately ILS 464,000.

1.19.2.3. Employee hiring assistance program

The Company received grants from the Ministry of Economy and Industry, for hiring new employees from sectors with a low participation rate in the Israeli labor force (“**Special Populations**”). According to the terms of the program, grants shall be calculated based on the relative share of the recognized wage expenses in the framework of the program, paid to new employees from Special Populations employed by the Company, subject to the budgets approved for the Company. As of the date of this Report, the total grants the Company actually received under this program sum up to ILS 34,000. The Company is not required to repay these amounts.

1.19.2.4. The pioneer and demonstration project

The Company received grants from the Ministry of Energy in the framework of aid to ventures in the area of energy and alternative fuel. According to the terms of the program, grants shall be calculated based on 50% of the expenses recognized in the framework of the program, expended in the framework of developing the Company’s electric vehicle charging poles (for information, see Section 0 above), subject to the approved budgets for the Company. The total grant the Company actually received under this program as of the date of this Report is ILS 1.5 million. Under the terms for receiving the aid, the Company must pay the Ministry of Energy royalties at the rate of 5% of the Company’s revenues (direct or indirect) from commercializing the products of knowledge and intellectual property developed using grant funds, up to the total grant actually received by the Company, linked to the consumer prices index, plus Accountant General interest, while as of 2021, the Company paid royalties in aggregate of ILS 63,000. In this context, it is noted that based on the sales rate under this project, the Company expects payment to be distributed over several years. In addition, special provisions

regarding the rights and usage of knowledge apply to the Company by virtue of receiving the grant from the Ministry of Energy, including the provision of a right to use the products of knowledge to the country for national needs, and various reporting obligations. Similarly, the process of the Company's IPO requires the approval of the Ministry of Energy. The Company obtained such approval.

It is noted that as of the date of this Report, the Company received a notice (with respect to its subsidiary, EV Meter Ltd.) from the Ministry of Energy about it having won an additional grant under the pioneer and demonstration project, in cooperation with the Israel Electric Corporation. The project is for the management of electrical loads from charging stations from electric vehicles and for developing and demonstrating a system that shall allow regulating energy consumption of electric vehicles during peak demand hours and ease the burden on the electric grid, and the grant is expected to amount to ILS 1 million. As foregoing, the Company received a winning notice, and an agreement was executed between the Ministry of Energy and EV Meter Ltd.

#### 1.19.2.5. Public transport pilot project

The Company is supported by the Israel Innovation Authority (the "**Innovation Authority**" or the "**Authority**") in the framework of the Innovation Authority's Benefits Track No. 2 – Technological Innovation with Government Entities, for a pilot transit program to encourage use of public transport through an innovative product, for purpose of developing ticketing and validation systems for public transport (the "**Development Program**"). The Company has been approved support of up to ILS 1,102,722 (calculated on the basis of 50% of the development expenses recognized in the framework of the program and subject to the budget approved for the Company, ILS 2,205,444. As of the Report date, the total grant that the Company actually received under this program is approximately ILS 441,000, whereas the Company is in the process of closing the project with the Innovation Authority.

The liability amounts recognized in the Company's financial statements for the one year period ended December 31, 2021 for all above-mentioned grants is ILS 2.913 million (approx. USD 937,000).

### 1.19.3. Research and development expenses

The table below concentrates all of the Company's research and development expenses in 2020 and 2021, in USD thousands:

Period	2021		2020	
Research and development expenses	Amounts recognized as expenses in the statements	Amounts recognized as intangible assets in the statements	Amounts recognized as expenses in the statements	Amounts recognized as intangible assets in the statements
	19,040	6,708	9,300	6,613

It is noted that the Company, in the framework of its activity, has regular expenses for research and development and it is expected that in 2022 the scope of these expenses shall be higher than the expenses in 2021, in light of the expansion of the Company's activity. In the Company's estimate, the Company's anticipated investments for research and development in 2022 is a total amount of approximately USD 43 million, of which the amount expected to be capitalized as an intangible asset is approximately USD 18.5 million.

## 1.20. Intangible Assets

### 1.20.1. Patents

1.20.1.1. On September 30, 2020, the agreement between the Company and Wise-Sec Ltd. ("**Wise-Sec**") became effective, in the framework of which the Company purchased from Wise-Sec a portfolio of patents in the US and in additional countries around the world, as well as all of the Bluetooth-based intellectual property rights of Wise-Sec. This patents portfolio grants protection for certain inventions and related technology. Under the Agreement, the Company received title to seven registered patents and a patent application in the US and in other countries (as stated below), covering three inventions the Company owns.

1.20.1.2. Furthermore, the Company owns a sample patent that is registered in the US (see Section 1.20.1.3 below).

Below is information on the above-described patents and the patent application:

1.20.1.3. A cashless payment device for Unattended machines:

No.	Patent No.	Patent title	Filing date	Country	Status
1	865,859	A cashless payment device for Unattended machines	December 3, 2017	United States	Registered

1.20.1.4. Wireless signal generating cards and methods and system for using such cards:

No.	Patent No.	Patent title	Filing date	Country	Status
2	9,621,226	Wireless signal generating cards and methods and system of using such cards	March 5, 2014	United States	Registered

1.20.1.5. A wireless protocol message conversion device and methods of using thereof:

No.	Patent No.	Patent title	Filing date	Country	Status
3	9,865,106	Wireless protocol message conversion device and methods of using thereof	October 12, 2014	United States	Registered
4	6,449,268	Method for wireless protocol message conversion device and method (automated translation)	October 12, 2014	Japan	Registered
5	14853733.5	Wireless protocol message conversion device and methods of using thereof	October 12, 2014	EU	Registration application

1.20.1.6. Proximity detection:

No.	Patent No.	Patent title	Filing date	Country	Status
6	9,661,554	Proximity detection	February 18, 2014	United States	Registered
7	6,469,593	Proximity detection	February 18, 2014	Japan	Registered
8	2014220228	Proximity detection	February 18, 2014	Australia	Registered
9	2959670	Proximity detection	February 18, 2014	EU	Registered

1.20.1.7. In addition, in 2021 and 2022 the Company submitted applications for the registration of four patents in Israel, as set forth below:

No.	Application No.	Patent title	Filing date	Country	Status
1	285030	System, device and methodology for digital payment	July 21, 2021	Israel	Registration application
2	286171	System, device and methodology for digital payment	September 5, 2021	Israel	Registration application
3	289584	System, device and methodology for digital payment	January 3, 2022	Israel	Registration application
4	290829	System, device and methodology for digital payment	February 23, 2022	Israel	Registration application

1.20.1.8. It is noted that notwithstanding there being specific technological inventions that are protected by patents as foregoing, the Company's products and services in general, are not protected by patents.

#### 1.20.2. Trademarks

As of the date of this Report, the Company owns registered trademarks in Israel, the US and Europe for the word mark NAYAX (Registration No. 331526, No. 5535285 and No. 018047197, respectively). In addition, the design mark



(Registration No. 5707162), that is registered in the US, was transferred by the Company to EV Meter Ltd. – a subsidiary of the Company.

Apart from this, there are two trademarks registered in Costa Rica and Hungary, for the word mark NAYAX under the name of the Company’s business partners, which shall be transferred to the Company.

The Company submitted applications for the registration of the NAYAX trademark by way of the Madrid Protocol, based on the Israeli trademark, while the application designates the following countries: Australia, Canada, China, the European Union, Japan, Mexico, New Zealand, the UK and the US.

### 1.20.3. Domain names

As of the Prospectus date, the Company and its subsidiaries own these domain names:

No.	Domain name	Registrar	Comments
1	nayax.com	GoDaddy.com, LLC	Registered under the Company’s name
2	monyx.com		Registered under the Company’s name
3	evmeter.com		Registered under the name of EV Meter Ltd.
4	dually.co.il	LiveDns Ltd	Registered under the name of Dually Ltd.
5	nayax.co.il		Registered under the Company’s name

### 1.20.4. License agreements

Generally, the Company has entered into standard software license agreements with third parties. The Company is not dependent on certain software or components, and the licenses are not material to its activity. The Company is party to two agreements whereby the source codes under those agreements are required to be deposited in escrow, as set forth below:

#### 1.20.4.1. License agreement with Golf

On July 21, 2020, an agreement was executed between the Company and the Golf & Co. Ltd. group (“**Golf**”), under which

the Company grants Golf a license to connect to, operate, and use a computerized cash register system (the “**System**”) to be developed by the Company on Golf’s behalf, and the Company agrees to provide, implementation and maintenance services for the System. After completion of the detailed planning stage, Golf may require the Company to deposit the System’s source code (and any advanced version or modification of the System that was created during the maintenance period) with an escrow agent to be agreed upon by the parties. The source code shall be released by the escrow agent to Golf in cases where the Company materially violates the agreement’s terms (if not cured as set forth in the agreement), upon the occurrence of certain events set forth in the agreement, such as the Company’s liquidation or foreclosure, or if the Company ceases to provide the services to Golf (subject to exceptions set forth in the agreement).

1.20.4.2. The license agreement with Isracard

On July 28, 2020, the Company entered into an agreement with Isracard Ltd. (“**Isracard**”) for the provision of support, operational, development, and adjustment services by the Company for the Isracard systems, subject to Isracard winning a tender to operate a remote service and an application for paying fares and validation on public transportation, as set forth in Section 1.12.2 above. The agreement includes the Company’s provision of providing a license to Isracard to use a designated system for the Isracard application (the “**Software**”), which was developed by the Company, and the Company’s grant to Isracard of exclusivity with respect to operating a remote service and smartphone application for paying fares and validation on public transportation using such Software. Under the agreement, the Company agreed to transfer the software’s source code to an escrow agent, without the user interface, accounting, and payment process components, which are infrastructure components of the Company and which were not developed for Isracard. In addition, the Company agreed to transfer the source code to the escrow agent after making material repairs and/or changes to the

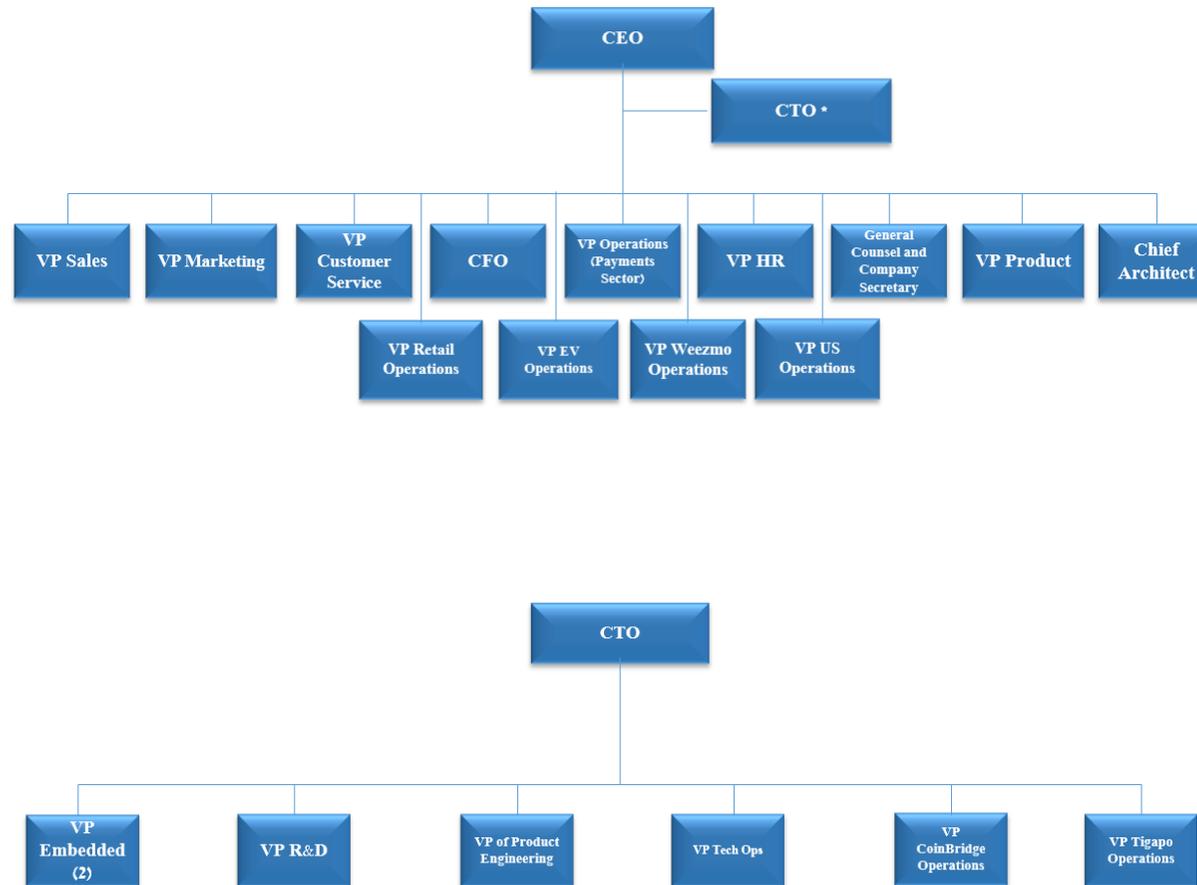
Software and/or upon Isracard's request at any time. These undertakings shall remain in effect throughout the period of the agreement. According to the terms of the agreement, the source code will be released to Isracard if the Company is not willing and/or able to continue providing services for the Software and/or making additional developments at Isracard's request, upon the occurrence of certain events set forth in the agreement, such as the Company's liquidation or foreclosure, or if the Company materially violates the terms of the agreement (if not cured as set forth in the agreement).

1.20.5. Open source

The Company determined a policy regarding its use of the open source components, and it conducts a daily and comprehensive review of the Company's various software products using designated third-party software, in order to locate the open source components, ensure their compliance with the Company's policy, and to remove and replace components that are not in compliance with the policy.

1.21. **Human Capital**

1.21.1. The Company's organizational chart:



### 1.21.2. List of employees

As of December 31, 2021, the Group has 550 employees, approximately 380 of whom are employed in Israel by the Company and approximately 170 are employed by Company subsidiaries worldwide.

Management and headquarters employees (the Group's management, administration, finances and legal), support, marketing and sales, provide services both to the Company and to the subsidiaries. Most of the research and development and product management activities are carried out in Israel.

The Company has a designated development team for the Attended Activity in the Ukraine, and a designated electric vehicle (EV) charging team that operates in Israel. As the Company is entering the Attended Activity, it has increased its development team by approximately 40% in 2021, in order to develop diverse solutions suitable for channels in this area. The Company also established a mobile development team in charge of developing mobile device management and payment solutions.

Presented below is data regarding the list of the Group's employees as of December 31, 2021, and as of December 31, 2020:

<b>Department</b>	<b>As of December 31, 2021</b>	<b>As of December 31, 2020</b>
Management and administration	37	20
Marketing, sales, and support	62	42
Finances	38	24
Research and development	155	13
Engineering and manufacturing	25	14
EV	12	7
Nayax Retail Ltd.	48	34
Analysis of consumer conduct through artificial intelligence (Weezmo)	6	-
<b>Total employees in Israel</b>	<b>383</b>	<b>274</b>
Australia	19	15
China	6	5
Japan	7	6
The UK	12	9
Lithuania	6	1
Ukraine	62	44

United States and Canada	51	38
Germany	4	4
<b>Total outside Israel</b>	<b>167</b>	<b>122</b>
<b>Total</b>	<b>550</b>	<b>396</b>

### 1.21.3. Dependence on employees

Mr. Yair Nechmad, the Company's CEO, founder and a controlling shareholder, and Mr. David Ben Avi, the Company's CTO, founder and a controlling shareholder, are key people of the Company. The Company estimates that should they stop working for the Company such would impact its results and business development. However, the Company estimates that it does not depend on Messrs. Yair Nechmad and David Ben Avi. For information on the remuneration terms of Mr. Yair Nechmad and Mr. David Ben Avi, see regulation 21, sections 1(1) and 1(2) respectively, in Chapter D of this Report.

### 1.21.4. Details regarding the manner of employing the Group's employees

The Group's employees are employed by the Company and its subsidiaries under individual employment agreements or as service providers, according to terms determined following individual negotiations with the relevant employee or service provider, according to their position, skills, professional capabilities, etc. According to the employment agreements, employees are entitled, *inter alia*, to a monthly salary and fringe benefits according to law and their individual agreement. The Company also provides bonuses to sales employees for meeting sales targets.

Starting July 1, 2021, the Company's management first adopted a remuneration program for all Group employees (apart for salespeople). Pursuant to the terms of the program, at the beginning of every calendar year, personal annual targets are determined for every employee, who subject to the fulfillment thereof and to general targets of the Company, shall be entitled to bonuses. The salespeople are entitled to the commissions derived from the scope of sales.

### 1.21.5. Engagements with the officers and members of senior management of the Company

1.21.5.1. Engagements with Company officers and senior executives are made according to the terms set forth in individual agreements, whether by way of providing services against an invoice or by employment as an employee pursuant to individual negotiations.

1.21.5.2. Under Section 267A of the Companies Law, and under Regulation 1 of the Companies (relief on the Duty to set forth a remuneration policy) Regulations, 5773-2013, on May 4, the Company's board of directors and general meeting adopted a policy regarding the terms of service and employment of the Company officers (below, the "**Remuneration Policy**"). The terms of service of all of the officers in the Company comply with the Company's Remuneration Policy.

1.21.5.3. As of the date of this Report, the Company has two equity incentive programs under which options convertible into ordinary shares of the Company have been allocated to employees, officers, and consultants of the Company and its subsidiaries. For more information on the Company's equity incentive programs, see Section 3.3 in Chapter 3 of the Prospectus.

#### 1.21.6. Investments in training, instruction and human capital development

1.21.6.1. The Company occasionally performs internal training for Company employees, often using e-learning platforms as well as frontal courses.

1.21.6.2. In addition, as of the date of this Report, the Company is continuously operating training programs, according to the requirements of the Company's management and for developing professional and managerial skills of Company employees.

### 1.22. Raw Materials and Vendors

#### 1.22.1. General

In the Attended Activity, the Company purchases its products from a vendor, based on occasional orders. In terms of hardware, the products purchased by the Company are standard shelf products that do not require changes or modification on the Company's part, except for external branding changes made to order. The software used in the Attended Activity products is an Android operating system that provides the Company with flexibility, as the Company integrates the software it develops into the system by itself. While the Company primarily conducts itself opposite a single vendor, because the products it orders are standard shelf products sold by many dozens of other vendors, the Company has the ability to change vendors as necessary, without incurring substantial costs.

For the Unattended Activity, the Company itself develops the hardware products it sells to its customers and the software installed on its products. Manufacture of the Company's hardware is carried out through the Company's subcontractors. The Company engages with two primary Israeli subcontractors that supply the hardware as a finished product and are responsible for manufacturing and assembling the products, and for purchasing all of the components necessary for manufacturing and operating the hardware, except for three components: monitors, cellular modems, and SIM cards that provide connectivity of the Company's products to the Internet, which the Company purchases independently and provides them to the hardware vendors, for them to integrate them in the hardware they sell to the Company as a finished product.

The subcontractors that supply the Company with hardware, assemble and test the finished product (the device) before supplying it to the Company. The Company does not have written agreements with the two subcontractors that supply it with hardware, and it conducts itself opposite them based on occasional orders, while order volumes are determined according to the Company's needs, based on orders it receives from the Company's customers. The Company is not dependent on these subcontractors, as it develops the products by itself, which allows it to replace the subcontractors for manufacturing hardware without substantial costs.

The Company also has agreements with other third parties that provided it with clearing services and KYC services.

Notwithstanding the fact that most of the components necessary for manufacturing the Company's products are manufactured by a large number of manufacturers, certain key components are acquired from exclusive or few suppliers. In addition, the Company deals with many additional companies in the areas of computing, telephony and other electronic products, with the general components. Therefore, the Company is exposed to risks of shortages, price increases, changes to tariffs and delays in the supply of the key components and general components, which may adversely affect the Company's financial results. The global spread of the Coronavirus caused uncertainty in the global economy and staggering economic damage following the closure of many businesses, a slowdown in production, delays in shipping and a partial closure of domestic and international transportation, while conversely global demand for various electronic products significantly increased, which together with the slowdown in production, created a global shortage of the components required for producing many electronic products. For

details about the effect of the components shortage on the Company's operational results and about the Company coping with such shortage, see section 1.8.4 above and section 1.3 in the Board of Directors Report.

#### 1.22.2. Monitors

The Company buys the monitors installed in its products from two vendors, an Israeli vendor and a Chinese vendor, with which the Company does not have a written agreement, but rather, it works opposite them based on occasional orders. The Company is not dependent on the monitor vendors because these are standard monitors, a feature that allows the Company to replace these vendors without incurring substantial costs.

#### 1.22.3. SIM cards

The Company purchases the SIM cards that enable connectivity of the Company's products to the Internet from three communications vendors: Telit Communications PLC, AT&T Inc. and Cello Partnership (known as Verizon wireless) (the "**Communication Vendors**"). The Company occasionally enters into agreements with the Communication Vendors to buy SIM cards and communication services that enable the Company to connect the Company's products to the Internet using IoT communication (Internet of things). The Company pays the Communication Vendors a monthly fee based on usage or a fee based on full operational capacity, at the Company's choice, for the products and services the Communication Vendors provide to the Company, according to the type of product or service the Company purchases. The agreements are made for different periods depending on the Company's request. The Company estimates that it is somewhat dependent on the Communication Vendors, because replacing the SIM cards in the Company's devices requires physical access to each device, which might impose costs on the Company.

#### 1.22.4. Cellular modems

The Company purchases the cellular modems it needs to assemble in its products and which constitute an additional component enabling connectivity if the Company to the Internet, from two vendors. The Company occasionally engages with these vendors according to its needs. The nature of the relationship and the fact that cellular modems are relatively common allow the Company to replace these vendors as necessary, without incurring substantial costs.

#### 1.22.5. Clearing services

The Company engages with Clearing Entities that perform the clearing services for transactions made on Company devices installed with customers. For details on the agreements with Clearing Entities, see Section 1.10.2.2 above.

#### 1.22.6. KYC services

For purpose of engaging with the Clearing Entities, as stated above, the Company has an agreement with MVSI, L which provides the Company with KYC services for the Company's customers, in the territories where the Company needs such services. For more information on the KYC services agreement, see Section 1.10.2.2 above.

### 1.23. **Working Capital**

#### 1.23.1. General

As of the date of this Report, the Company's working capital includes:

- (a) Current asset that primarily include: Cash and cash equivalents, cash restricted for transfer to the customers for clearing activity (see Section 1.23.2 below), debtors for clearing activity (see Section 1.23.2 below), customers, institutions, and inventory.
- (b) Current liabilities that primarily include: Short-term credit from banking corporations, current maturities of loans and other long-term obligations, creditors for clearing activity (see Section 1.23.2 below), vendors, employees, and institutions for pay.

#### 1.23.2. Clearing activity

As stated in Section 1.23.2 above, the Company provides clearing services for its customers. The working capital includes the following sections that derive from providing services in the area of clearing as set forth hereunder:

- 1.23.2.1. Cash restricted for transfer to customers for clearing activity – represents the customers' financial balance held in a segregated account prior to their transfer to the customers. The funds are held by UAB Nayax Europe, a subsidiary of the Company, that owns a payment institution license from the Bank of Lithuania, which was established for purpose of safeguarding and transferring the

funds to the Company's customers all over Europe (payment institution license) in the framework of the Group's clearing activity in Europe. It is clarified that some of the customers' funds that are not restricted are included in the cash and cash equivalent section in the balance sheet.

1.23.2.2. Debtors for clearing activity – represents debt balances of international clearing companies for transferring clearing funds of the Group's customers (mostly after offsetting the clearing fee of these companies).

1.23.2.3. Creditors for clearing activity – represents the Company's balance of debt to the Group's customers for the customers' funds that were cleared by the Group and that are designated for transfer to the Group's customers (mostly after offsetting the Group's revenues from the clearing activity).

### 1.23.3. Composition of the working capital

The composition of the working capital as of December 31, 2021, in USD thousands, is as follows:

	December 31, 2021	December 31, 2020
Current assets	156,048	54,518
Current liabilities	70,188	62,251
<b>Working capital deficit</b>	85,860	(7,733)

The increase in the working capital mainly derives from an initial public offering, and on the other hand, from the repayment of a short-term credit from a banking corporation. The Company intends to use the working capital balance for expanding the Company's operations, developing new products and additional M&A transactions.

### 1.24. Investments

As of the date of the Report, the Company does not have material investments in investee companies, partnerships, and ventures that are not subsidiary.

### 1.25. Financing

#### 1.25.1. General

Following the initial public offering of the Company's shares on TASE, the Group currently finances its activity mostly using its independent sources, loans procured from a banking corporation and from one of the Clearing Entities with which it has engaged, and credit facilities provided to it from a banking corporation. In addition, following the Coronavirus crisis, subsidiaries of the Group received assistance from the government of their countries of incorporation. In 2021, the Group also financed its activity through loans from its controlling shareholder, which as of the date of the Report have been repaid in full, all as described in this section below.

1.25.2. The initial public offering of the Company's shares on May 10, 2021, was published by the Company in an initial public offering prospectus of the Company's shares, in the framework of which it raised USD 141.6 million (gross) before issuance costs and a net total of approximately USD 132.5 million.

1.25.3. Loans from a controlling shareholder of the Company – in 2021, Mr. Amir Nehmad, one of the Company's controlling shareholders, through Ofer RG Ltd., a company under its full ownership, provided the Company with shareholders loans, which bore a 6% interest, in aggregate amount of USD 7.6 million (approximately ILS 25.5 million), and a credit facility of USD 2 million, with an annual interest rate of 6%, of which the Company realized an amount of USD 1.3 million. During the Report period, the Company repaid the entire amount of the shareholders loans and of the credit that it had been provided by Mr. Amir Nehmad, through the IPO proceeds.

#### 1.25.4. Financing agreement with a Banking Corporation

1.25.4.1. On June 18, 2018, the Company engaged with a banking corporation (the "**Banking Corporation**") for procuring a short-term credit facility totaling ILS 25 million. Under the terms of the credit facility, for daily credit requests repayable upon demand out of the credit facility, the Company shall pay variable annual interest at the rate of prime plus a margin of 2%. The Company shall also pay a credit allotment fee at an annual rate of 0.85%, on the entire credit facility allotted to the Company, as stated above.

On May 29, 2019, the Company engaged with the Banking Corporation to increase the short-term credit facility, as stated above, by a total of ILS 10 million, for a total amount of ILS 35 million.

On October 25, 2020, the Company engaged with the Banking Corporation to increase the short-term credit facility for a period of 3 months by a total of ILS 7,500,000, to a total credit facility of ILS 42.5 million.

On May 13, 2021, the Company repaid a short-term bank credit that it had been provided, in total amount of approximately USD 12 million (ILS 39.2 million) from the foregoing short-term credit facility, through the IPO proceeds.

The entire credit facility, in total amount of ILS 42.5 million, can still be utilized by the Company.

1.25.4.2. On June 18, 2018, the Company engaged with the Banking Corporation to obtain a long-term loan in the amount of ILS 15 million. The principal of the loan bears annual variable interest at the rate of prime plus a margin of 3.45%, and it is repaid in 48 monthly installments of principal and interest from December 20, 2018 and until November 20, 2022. On January 26, 2021, the Company repaid the loan balance (a total amount of ILS 3.5 million) by way of early redemption.

1.25.4.3. In May 2022, the Company received a State-guaranteed long-term loan totaling ILS 15 million from the Banking Corporation. The loan bears interest at a rate of prime + 1.5% payable on a monthly basis from May 2021. The principal of the loan is repaid in 48 monthly installments starting May 2021.

1.25.4.4. Restrictions under the Financing Agreements with the Banking Corporation

Under the Financing Agreements with the Banking Corporation, the Company and Dually (as guarantor for the Company's obligations under the Financing Agreements) have undertaken to comply with financial covenants and additional undertakings, as stated below:

1.25.4.4.1. Financial covenants: - during some of 2021, the Company and Dually were required to comply with various financial covenants (customer debt to short-term credit ratio, long-term credit to EBITDA ratio,

and tangible equity to the tangible balance sheet ratio). For more information, see section 6.25.2.4.1 of the Prospectus. During the Report Period, the undertakings of the Company and Dually to comply with financial covenants under the financing agreements with the banking corporation were cancelled.

1.25.4.4.2. Restrictions on distribution of dividends and payment to shareholders of the Company

The Company agreed not to pay or make distribution (as such term is defined in the Companies Law) and not to undertake to pay in any way or form, directly or indirectly, any amount out of its earnings or capital or out of any source whatsoever, including dividends (as such term is defined in the Companies Law), or interest, or management fees, or compensation fees, or indemnification fees, or consulting fees, or cash or cash equivalents, in any manner of form to the shareholders of the Company, directly or indirectly and/or corporations under their control, relatives of any of them, corporations under their control and/or any other party to take their place, as they shall be from time to time (“**Owners**”). The aforementioned does not apply with respect to repaying shareholders’ loans and providing loans and/or guarantees to the Owners, unless a letter of subordination is signed to the satisfaction of the bank. Notwithstanding the foregoing, the Company shall be entitled to make a distribution and to pay amounts to the Owners, subject to the fulfillment of certain terms set forth in the agreement.

1.25.4.4.3. Restrictions on financing purchase of the Company’s shares

The Company undertakes not to purchase, not to finance the purchase of, and not to undertake to finance the purchase of the Company's shares in any way, including by providing guarantees, directly or indirectly, by the Company or by a subsidiary thereof or by another corporation controlled by them without obtaining the prior written consent of the Banking Corporation.

1.25.4.4.4. Negative pledge

The Company and Dually have undertaken to use all means of control available to them to make sure that the subsidiaries held by them, directly or indirectly, do not charge or pledge, and shall not undertake to charge or pledge any asset or part thereof in favor of any third party, except creating a first ranking fixed charge on a fixed asset the purchase of which is financed in practice by such third party, in the favor of which the charge shall be registered, and provided that the debenture under which such charge is created shall include an explicit clause stating that the charge shall be canceled immediately after the financing party in favor of which the charge is created confirms that the financing provided for purchasing the charged asset has been repaid.

1.25.4.4.5. Agreement not to provide guarantees or procure credit

The Company and Dually have undertaken to exercise all means of control in their possession so that the subsidiaries do not procure any credit and do not sign guarantees in favor of third parties, except for credit and guarantees with an aggregate amount of up to USD 1.5 million, without the prior written consent of the Banking Corporation.

1.25.4.4.6. Change of control of the Company

The Company has undertaken towards the Banking Corporation that the control of the Company shall not change without the Banking Corporation's prior written consent (for this purpose, "**control**" – as defined in the Securities Law).

#### 1.25.5. Loan agreements with the Clearing Entity

Below is information regarding engagements of the Group's companies under loan agreements with one of the Company's Clearing Entities (in this section: the "**Loan Agreements**"):

- 1.25.5.1. On December 1, 2016, NayaxEU Limited, a subsidiary of the Company ("**NayaxEU**"), engaged with one of the Company's Clearing Entities, which is a banking corporation established in Malta (the "**Clearing Entity**"), under a loan agreement, as part of the agreement for receiving clearing services from that Clearing Entity (the "**Clearing Agreement**" and "**First Loan Agreement**", as applicable). Under the First Loan Agreement, the Clearing Entity undertook to lend an amount of up to USD 5 million NayaxEU on account of payment due to the Clearing Entity ("**Total Liability Amount**"), while extending the loan in practice shall be made only by utilisation request of NayaxEU to the Clearing Entity ("**Utilisation Request**"), the Utilisation Request can be made for the Total Liability Amount or part thereof, depending on the quantity and volume of transactions made under the Clearing Agreement, in the three months preceding the Utilisation Request. Such agreement creates a kind of loan facility for USD 5 million provided by the Clearing Entity to NayaxEU. Should Utilisation Requests be received from NayaxEU, the loan made under such Utilisation Request shall bear annual interest at the rate of 4.15% on the amount requested in the Utilisation Request, and shall be repaid over a period and under conditions to be determined according to the approval of each Utilisation Request, but no more than 36 monthly installments from the day of payment of the specific amount according to the Utilisation Request.

On November 14, 2016, April 10, 2017, and May 3, 2017, NayaxEU received loans of USD 1 million,, USD 500,000, and USD 1 million, respectively, according to the relevant Utilization Requests. The loans were provided according to the First Loan Agreement, as stated above, whereby the total loan NayaxEU received under the First Loan Agreement is USD 2.5 million. In 2020, these loans were repaid in full.

- 1.25.5.2. On April 1, 2019, NayaxEU engaged with the Clearing Entity under another loan agreement, similar in terms to the First Loan Agreement, for a total liability amount of USD 2.5 million (the “**Second Loan Agreement**”). A loan provided under a Utilisation Request for such agreement, bears annual interest at the rate of 4.5% on the amount requested in the Utilisation Request, and shall be repaid over a period and under conditions to be determined according to the approval of each Utilisation Request, but no more than 36 monthly installments from the day of payment of the specific amount according to the Utilisation Request.

On April 4, 2019, NayaxEU received a loan of USD 2.5 million, according to the relevant Utilization Request. The loan was provided according to the terms of the Second Loan Agreement as foregoing, so that the total loan received by NayaxEU under the Second Loan Agreement is USD 2.5 million.

On April 3, 2019, the Company engaged with NayaxEU under an assignment of rights agreement, whereby NayaxEU assigned its rights and obligations under the Second Loan Agreement to the Company.

On March 18, 2020, and as a result of the Coronavirus crisis, Nayax EU obtained permission to defer the loan payments under the Second Loan Agreement by half a year, so that the Company is required to repay it in 2022.

- 1.25.5.3. On February 13, 2020, NayaxEU and Nayax Europe UAB, a subsidiary of the Company (both, for the purpose of this section only: the “**Subsidiaries**”) entered into another loan agreement

with the Clearing Entity, for a total liability amount of EUR 3.5 million (the “**Third Loan Agreement**”). The loan to be made under a Utilisation Request in this agreement shall bear annual interest at the rate of 4.5% on the amount requested in the Utilisation Request, and shall be repaid over a period and under conditions to be determined according to the approval of each Utilisation Request, but no more than 36 monthly installments from the day of paying the specific amount under the relevant Utilisation Request.

On February 14, 2020, NayaxEU received a loan of 3.5 million euros, according to the relevant Utilization Request. The loan was provided under the terms of the Third Loan Agreement, as stated above, so that the total loan amount received by NayaxEU under the Second Loan Agreement is 3.5 million euros.

On March 31, 2021, and as a result of the Coronavirus crisis, NayaxEU obtained a permit for delaying the repayments of the loan under the Third Loan Agreement by half a year, so that Nayax EU is required to repay it in 2023.

1.25.5.4. Limitations under the loan agreements with the Clearing Entity:

In the framework of the loan agreements with the Clearing Entity, the Company undertook to meet a requirement for clearing a minimum transaction volume with the Clearing Entity. Failure to meet the transaction volume like failure to fulfill the Clearing Agreement itself constitute cause for demanding immediate repayments according to the loan agreements with the Clearing Entity.

As of the date of this Report, the Company is in compliance with the limitations under the loan agreements with the Clearing Entity.

1.25.6. US government PPP loan

In 2020, the subsidiaries Nayax LLC and Greenhithe Software Solutions Ltd. (“Vendsys”) received forgivable loans in aggregate amount of USD 483,000 from the US government under the Paycheck Protection Program (“**PPP**”), as part of governmental assistance for dealing with the Coronavirus under the Coronavirus

Aid, Relief, and Economic Security Act (the “**CARES Act**”). In 2021, approval was obtained for forgiving such loans, so that they became a *de facto* grant.

#### 1.25.7. Charges

For details about the charges that the Company created, see Note 25 to the Company’s financial statements for 2021 that are attached to this Report.

#### 1.25.8. The average and effective interest rates

Below is a breakdown of the average and effective interest rates on loans Group companies borrowed currently in effect, or on loans that were in effect in 2021, separating short-term and long-term loans, and differentiating bank credit and off-bank credit:

Bank credit	2021	
	Average interest	Effective interest
Short-term credit and loans	3.87%	4.31%
Long-term credit and loans	3.58%*	3.61%*

\* Due to the effect of a state-guaranteed loan, the interest of which for the first year is paid by the state.

Off-bank credit	2021	
	Average interest	Effective interest
Short-term credit and loans	-	-
Long-term credit and loans	4.5%	4.74%

#### 1.25.9. The Company’s estimate of the need to raise additional sources

As of the date of this Report, the Company estimates that in the forthcoming year, it shall not be required to raise additional sources to cover its current business operations.

#### 1.26. Taxation

For information on the tax laws that applies to the Group and the Group’s tax assessments, see Note 16 to the Financial Statements.

## 1.27. **Environmental risks and management thereof**

As of the date of this Report, the Company is unaware of any environmental risks that have or that could have a material impact on the Company or of the provisions of the law in the area of environmental risk that have a material impact on the Group and its activity. As of the date of this Report, to the best of the Company's knowledge, the Company and its officers are not party to legal or administrative proceedings in connection with environmental protection. Furthermore, as of the date of this Report, the Group does not need to make material investments in order to comply with environmental protection rules.

## 1.28. **Limitations and control over the corporation**

### 1.28.1. General

The Group's activity, and in particular, the internationally distributed clearing services activity, must comply with many different regulatory requirements, under different regulators, as well as obtaining different licenses and meeting different standards, including in the area of providing services in financial assets and providing credit services, payment services, money laundering, and privacy. Accordingly, restrictions and regulation of the corporation apply in two planes:

1.28.1.1. Territorial regulation – This is binding territorial regulation that applies to the companies of the Group in territories around the world where the Group offers its services. Such regulation is determined by the relevant legislator or regulator in each territory (a territory can be a country or an entity with binding legislative powers that incorporates several states, such as the European Union). Such regulation mostly concerns granting licenses for services in financial assets, providing payment services, credit services legislation, prohibition of money laundering law, privacy protection law, and so on.

1.28.1.2. Commercial standardization – Standardization that must be complied with as a condition for engaging with credit and clearing companies worldwide, with which the Company has engaged. Such standardization mostly consists of data protection standards, payment system management standards, and more. It is set mostly by credit card companies, and its objective is to increase control

of credit data and reduce the risk of credit card fraud as a result of uncontrolled exposure to data.

## 1.28.2. Territorial regulation

### 1.28.2.1. Israel

#### 1.28.2.1.1. General

The Group provides clearing services to customers in Israel through Dually. Dually operates as an aggregator, as such term is defined in the Banking (Customer Service) Law, 5741-1981 (a corporation that concentrates vendor charges and credits through charge cards), and thus constitutes a service provider in a financial asset according to the Control of Financial Services (Regulated Financial Services) Law, 5776-2016, and it must have a license to provide services in financial assets and a license to provide credit from the Capital Market, Insurance and Savings Authority, as set forth below.

Dually is entitled to provide service in a financial asset as a “senior dealer”, as such term is defined in Section 115(a) of the Control of Financial Services (Regulated Financial Services) Law, 5776-2016.

Similarly, Dually holds for a license to provide service in a financial asset (extended) and holds a license for providing credit services (basic) in accordance with the Control of Financial Services (Regulated Financial Services) Law, 5776-2016.

#### 1.28.2.1.2. Control of Financial Services (Regulated Financial Services) Law, 5776-2016 (“Control Law”)

The Control Law sets forth the licensing requirements for those engaged in providing service in a financial asset and limitations on

managing businesses in that area. Under the Control Law, and for purpose of implementing its provisions, the Commissioner of the Capital Market, Insurance, and Savings at the Capital Market Division was appointed as the supervisor of financial service providers (the “**Supervisor**”). The Control Law gives the Supervisor regulatory powers, including, *inter alia*, extensive powers to keep a register of parties licensed to provide financial services, supervise, enforce, and conduct administrative inquiries, including the power to impose monetary sanctions.

Under the Control Law, no person may control or be an interested party in a corporation that provides financial services without a permit from the Supervisor.

For this purpose, the Control Law defines “**control**” as (1) holding half or more of a particular type of means of control in a corporation; and (2) the ability to prevent a corporation from making business decisions, except decisions on the sale or liquidation of most of the corporation’s businesses, or a material change thereto;

The Control Law also defines an “**interested party**” as any of the following:

- (1) Anyone holding 10% or more of a certain type of means of control of the financial services provider;
- (2) A party holding means of control of three or more financial service providers provided its holding in each of the financial service providers is more than 5% of a particular type of the means of control.

In light of the fact that Dually is a financial services provider, and in light of the fact the Company has control of Dually, every interested party in the Company, as defined above, or any person who controls the Company, by virtue of its status as an interested party in or an indirect controller of Dually, is required obtain a permit from the Supervisor. As of the date of this Report, Messrs. Yair Nechmad, Amir Nechmad, and David Ben-Avi hold a control permit from the Supervisor according to the Control Law.

Furthermore, anyone holding 5% or more of a certain type of means of control (as such term is defined in the Control Law) in Dually, or in the Company by virtue of its holdings in Dually, is required to present to Dually, on April 1 of each year and on other dates as ordered by the Supervisor, discovery regarding holding means of control and other details as the Supervisor may order.

1.28.2.1.3. The Prohibition of Prohibition of Money Laundering Law, 5760-2000 (the “**Prohibition of Money Laundering Law**”)

The Prohibition of Money Laundering Law and the orders issued thereunder impose an active role on entities in the private sector (banks, credit card companies, financial service providers, insurers, investment firms, TASE members, gem traders, and more) in preventing money laundering. As Dually is a financial services provider, it has two main duties under the Prohibition of Money Laundering Law:

- (1) **Know your customer, identification, verification, reporting, and keeping a record**

**of transactions** – Dually is subject to various reporting duties regarding transactions and various duties related to the manner of knowing the customers, customer identification, data verification, and document storage.

- (2) **Person in charge of fulfilling the corporation's duties under Section 8 of the Prohibition of Money Laundering Law ("Prohibition of Money Laundering Officer")** – Under the Prohibition of Money Laundering Law, Dually has a Prohibition of Money Laundering Officer, who is responsible for fulfilling Dually's duties under the Prohibition of Money Laundering Law and the orders issued thereunder, instructing Dually employees and managers on fulfilling these duties and integrating the requirements according to the rules, orders, and regulations into Dually's work procedures.

In addition, the Prohibition of Money Laundering (Credit Service Providers, Identification, Reporting, and Recordkeeping Duties for Preventing Money Laundering and Terrorism Financing) Order, 5778-2018 ("**Order**"), extends the duties under the Prohibition of Money Laundering Law, including adding the duty to identify customers and verify their details and to report transfers of funds by customers in some conditions. Among other duties, the Order sets a duty to perform a "know your customer" procedure if the customer obtains credit for over ILS 50,000 in aggregate over six months, a face-to-face identification duty before providing credit for the first time, the duty to obtain a beneficiary and controller statement, the duty to regularly monitor the service recipient's activities, and

examining the service recipient's information against the list of declared terrorist organizations and terrorism activists.

It is noted that the Company considers compliance with the Prohibition of Money Laundering Law to be of the utmost importance. Hence, the Company makes sure to update the relevant procedures from time to time based on regulation and the instructions of the Prohibition of Money Laundering and Terrorism Financing Authority, and to have them ratified by the Company's management and Dually's management.

1.28.2.1.4. Protection of Privacy Law, 5741-1981

The Company's activity is affected by the provisions of the Protection of Privacy Law and its regulations on managing and keeping databases and protecting the data they contain.

1.28.2.1.5. The Protection of Privacy (Data Protection) Regulations, 5777-2017

Impose various duties on database owners, including the duty to set procedures and carry out risk assessments on data protection, and to use state-of-the-art data protection measures. The Company registered the databases it keeps in the database register.

1.28.2.2. Europe

1.28.2.2.1. Payment institution license

The Group provides clearing services in the states of the European Economic Area Zone through Nayax Europe UAB ("Nayax Europe") a subsidiary of the Company that was incorporated in Lithuania, according to a payment institution license from the Bank of Lithuania held by Nayax

Europe, which is required as part of the Payment Services Directive 2. According to this license, the Group is entitled to operate in all European Union states on a cross-border basis through the Passporting regimen that allows companies registered in the European Economic Area (EEA) to do business in any other EEA state with no need for an additional license in each country.

1.28.2.2.2. Electronic money institution license

Since May 3, 2021, Nayax Europe has been holding a license from the Bank of Lithuania, to operate as an Electronic Money Institution (EMI) in European Union states. Under the EMI license, the Company is able to provide services to its business customers and end-users that combine charging and managing monetary values online, while the monetary value can be used to make purchases or transfer money or charge money into a prepaid card or a digital wallet.

The Nayax Europe license to operate as an Electronic Money Institution (EMI) in European Union states from the Bank of Lithuania, such license replaced the Payment Institution license granted to it (as stated above in Section 1.28.2.2.1).

1.28.2.2.3. Nayax Europe is subject to these limitations under the terms of the payment institution license, under the EMI license:

- (a) A person or the persons acting in concert (in this section, a “**Buyer**”) who have taken a decision to directly or indirectly acquire 10% of the share capital or voting powers of Nayax Europe (“**Qualifying Holdings**”), or who have taken a decision to increase its Qualifying Holdings, directly or indirectly,

whereby the holdings of such Buyer constitutes at least 20%, 30%, or 50% of Nayax Europe's share capital and/or voting powers therein ("**Licensed Qualifying Holdings**"), or whereby the payment institution would become controlled by Nayax Europe, must give advanced written notice thereof to the Bank of Lithuania and request it not to oppose the proposed acquisition.

Upon receiving notice, as stated above in Subsection (a), the Bank of Lithuania has 60 business days to assess the Buyer and the transaction in question, and it may also extend this period.

- (b) A person that wishes to transfer Qualifying Holdings in the share capital and/or voting powers in Nayax Europe or reduce its holdings so that they constitute less than 20%, 30%, or 50% of the share capital and/or voting powers of Nayax Europe, or so that it is no longer a controlling shareholder of Nayax Europe, must give the Bank of Lithuania prior notice.
- (c) Failure to comply with the requirement to obtain the decision of the Bank of Lithuania not to oppose the proposed acquisition of Licensed Qualifying Holding shall not invalidate the transaction, however where a Licensed Qualifying Holding has been acquired or increased without giving a notice thereof to the Bank of Lithuania or in the event of the opposition of the Bank of Lithuania to the proposed acquisition, the relevant acquirer shall lose its voting rights in Nayax Europe, and the fact that a person acquired Licensed

Qualifying Holding in Nayax Europe without prior approval from the Bank of Lithuania may be taken into account when assessing such Buyer's reputation or eligibility in the future.

- (d) In addition, according to the Law on the Protection of the Objects of National Security Importance of the Republic of Lithuania, investors that intend to acquire  $\frac{1}{4}$  or more of the voting rights in the general meeting of Nayax Europe are required to: (a) obtain the prior approval of the Commission for Coordination of Security of Objects Important to the National Security of Lithuania; and (b) to be determined to be in compliance with all the relevant requirements relating to national security interests.
- (e) As the above limitations also apply to indirect purchases of the share capital of Nayax Europe, they effectively apply to buying shares in the Company itself.

1.28.2.2.4. General Data Protection Regulation (the "GDPR")

The GDPR (and relevant national implementing legislation) applies to gathering, processing, protecting, storing, and transferring personal data.

The GDPR applies directly to the activities of Group's entities established in the European Union and indirectly to the Group's non-EU entities to the extent that such entities process personal data collected from EU data subjects through the offering of goods and services or monitoring of data subjects in the European Union. The Group has taken significant steps to ensure material compliance with the GDPR.

The Group generally processes personal data as a ‘data processor’ on behalf of its customers but is a ‘data controller’ of employee data for its entities established in the European Union.

The Group is subject to EU rules with respect to cross-border transfers of personal data. Recent legal developments have created uncertainty regarding transfers of personal data from the EEA to countries outside the EEA. The Group has taken steps to mitigate its risks in respect of data transfers by retaining all personal data belonging to EU data subjects within the EU and Israel (pursuant to the latter’s adequacy status). However, as supervisory authorities issue further guidance on personal data export mechanisms, the Group may be required to review and amend such mitigation.

The Group is subject to the supervision of EEA data protection authorities. Fines for certain breaches of the GDPR are significant e.g., up to the greater of 20 million Euros or 4 % of total global annual turnover. In addition to the foregoing, a breach of the GDPR could result in regulatory investigations, reputational damage, orders to cease/ change processing of data, enforcement notices, and assessment notices (for a compulsory audit). The Group may also face civil claims including representative actions and other class action type litigation (where individuals have suffered harm), potentially amounting to significant compensation or damages liabilities, as well as associated costs, diversion of internal resources, and reputational harm.

#### 1.28.2.3. The UK

1.28.2.3.1. Through Nayax Europe, the Group submitted an application to the Financial Conduct Authority (“FCA”), a financial regulator in the UK that supervises companies that provide various types of financial services, to fall under the temporary permission regime (TPR), and on April 11, 2019, it obtained such permission. This authorization regimen allows companies that previously operated in the UK under the EEA Passporting regimen (that allows member countries of the EEA to do business in any other EEA country with no need for another license from each country) to continue to operate in the UK post-Brexit throughout the temporary permission period, i.e., three years starting from January 1, 2021, without the need for further authorization. At the same time, the Company must act to obtain a license to keep operating in the UK after the temporary permission regime expires, as stated below in Section 1.28.2.3.2.

1.28.2.3.2. Electronic money institution license

As of the date of this Report, the Group, through Nayax Financial Services Ltd. (“Nayax UK”), is working to obtain a license to act as an Electronic Money Institution (EMI) from the FCA in the UK. Under the EMI license, the Company would be entitled to provide its customers and end-users in the UK services that combine charging and managing monetary values online, and the monetary value may be used to make purchases, transfer money, or charge money into a prepaid card or a digital wallet. The Company estimates that as a result of the UK leaving the European Union, there is a large number of applications from

the FCA, and therefore, it shall obtain this license in 2022.

*The Company's estimate with respect to the date the license from the EMI is to be obtained in 2022, as described above, is considered forward-looking information, as defined in the Securities Law, the materialization of which is uncertain and is not under the Company's control. It is clarified that there is no certainty that the estimate shall materialize, and it may even materially differ from the foregoing, inter alia due to its dependence on external factors that are not under the Company's control.*

1.28.2.3.3. The following limitations apply and shall apply (as applicable) to (direct or indirect) holders of Nayax UK under the EMI license in the UK:

(a) Restrictions related to obtaining the license:

As part of the application for an EMI license in the UK, anyone that has Qualifying Holdings (as such term is defined below) in the applicant must complete and submit EMD Qualifying Holdings Forms to the regulator, according to the FCA's requirements.

(b) Restrictions under the license (that shall apply after it is granted):

Anyone that wishes to acquire a Qualifying Holding in Nayax UK would need to obtain the FCA's prior permission. Furthermore, anyone wishing to acquire a direct or indirect holding of 10% or more, 20% or more, 30% or more, or 50% or more of the share capital or voting rights in Nayax UK or in its parent company, may be required to obtain the FCA's prior approval.

For the purpose of this section 1.28.2.3.3, a “**Qualifying Holdings Holder**” or “**Qualifying Holding**” – anyone directly or indirectly holding 10% or more of the share capital or voting rights in Nayax UK, or in its parent company, or any (direct or indirect) holdings in Nayax UK or in its parent company that grants the holder significant influence over the management of Nayax UK. Nayax UK also must report to the FCA of changes in the holdings therein.

(c) In light of the fact that the above-described restrictions also apply with respect to indirectly purchasing shares of Nayax UK, they in practice also apply with respect to purchasing shares of the Company itself.

#### 1.28.2.3.4. Data Protection Act 2018

Following the withdrawal of the United Kingdom (“UK”) from the European Union, the GDPR has been retained in UK law, as the UK General Data Protection Regulation (“**UK GDPR**”). The UK’s data protection regime primarily consists of the UK GDPR and the UK Data Protection Act 2018 (the “**UK DP Laws**”). Though the EU and UK data privacy regimes broadly mirror each other, the relationship between certain aspects of both frameworks remain unclear – these divergences are likely to increase over time as the UK DP Laws continue to develop independently.

The UK GDPR applies directly to the activities of Nayax UK Ltd and indirectly to the Group’s non-UK entities to the extent that they process personal data collected from UK data subjects through the offering of goods and services or monitoring of data subjects in the UK. The Group has taken

significant steps to ensure material compliance with the UK GDPR.

In light of the current synergies between the UK DP Laws and GDPR and the similarity in possible fines (the UK GDPR mirrors the fines under the GDPR, i.e. fines up to the greater of £17.5 million or 4% of global annual turnover for certain breaches), the abovementioned risk factors are also applicable here.

1.28.2.4. The US and Australia

1.28.2.4.1. General

The Company's activity in the US and Australia relies on the clearing licenses held by financial entities with whom it has agreements. In these countries, the Company is a merchant of record that has many secondary customers, and so, on this basis the Company determined that the Group is not required to obtain any license to manage its businesses in these countries.

1.28.2.4.2. California Consumer Privacy Act (CCPA)

On January 1, 2020, the California Consumer Privacy Act went into effect. The CCPA protects the personal information of California Consumers and governs a businesses' collection, use, and sale of that personal information. The CCPA also establishes rules and restrictions on the use and disclosure of personal information by Service Providers, who receive and process personal information on behalf of a business.

The CCPA applies directly to the activities of the Group's entities in the United States, to the extent that such entities act as Service Providers to businesses that collect and disclose the personal information of California Consumers. The Group

generally acts as a Service Provider to businesses that collect or disclose the personal information of California Consumers.

The CCPA also grants consumers certain rights, including the right to request that a business not sell their personal information, to obtain a copy of their information, or to order that a business delete their personal information. As a Service Provider, the Group is not directly subject to provide these rights to California consumers.

#### 1.28.2.5. Asia

The Company estimates that it complies with protection of privacy requirements in different Asian countries, as it complies with the CCPA and the GDPR, as described above, which are stricter than any territorial regulation on protection of privacy in different Asian countries. It is noted that the Company's activity in Asian countries does not include clearing by the Company, and on this basis the Company has determined that the Group is not subject to any territorial regulation on providing credit services, providing financial asset services, providing payment services, anti-money laundering regulations, and so on.

#### 1.28.2.6. Anti-corruption laws

The Group is subject to anti-corruption, anti-bribery, and other similar laws, including but not limited to the U.S. Foreign Corrupt Practices Act of 1977, as amended (the "FCPA"), the U.K. Bribery Act 2010, the Israeli Penal Law, 1977, the Israeli Prohibition on Money Laundering Law–2000, and other similar laws in countries in which the Group operates or in countries where third parties are acting on their behalf. These and similar laws prohibit companies and their officers, directors, employees, business partners and agents, including other third parties acting on their behalf, from offering, giving, promising, or providing anything of value to a foreign official for the purposes of influencing his official decisions in any way in order to obtain

favorable treatment from such foreign official. The FCPA further requires the corporations to keep and maintain books and records that accurately reflect a corporation's transactions, and to maintain a system of internal accounting controls. The UK Bribery Act 2010 also prohibits "commercial bribery" not involving any foreign officials, and requires companies to implement adequate procedures to prevent bribery.

### 1.28.3. Commercial standardization

The Company complies with the following standards:

#### 1.28.3.1. EMV Standard

An international security standard that relies on smarter, safer clearing technologies. Smart cards are identified in terminals using a smart chip, and the charge is performed by typing in the PIN (Chip&PIN) or without the PIN (Contactless Chip). The use of smart cards reduces the potential for fraud in the credit card industry because the chip enables encoding each transaction individually, as opposed to the fixed encoding when the charge is made using the magnetic card.

#### 1.28.3.2. The PCI-DSS Standard

The Company and its subsidiaries are subject to the Payment Card Industry Data Security Standard. This standard is designed to ensure protection of credit card data wherever they are stored, transferred, or processed. The standard includes various requirements to implement data protection controls, to implement protection in organizations that handle credit card information using means such as a cash register, digital wallets, websites, vending machines, and automatic teller machines.

#### 1.28.3.3. Credit Card Schemes

The credit card scheme allows cardholders to make payments through third parties that are not the issuer. To that end, the scheme defines the transaction performance rules for its participants (in particular, technological and business

arrangements, settlement of account rules, and a division of liability for damages).

1.28.3.4. 3-D Secure

A data protection protocol intended to connect the monetary authorization process with online verification in online transactions. This protocol was developed by Visa, among others, and it is accepted by MasterCard, JCB, American Express, and Discover.

1.28.3.5. The ISO/IEC 27001 Standard

An international data protection management standard intended to guarantee that organizational data are stored and managed properly. The standard sets requirements for establishing, implementing, maintaining, and constantly improving the data protection management system (ISMS), intended to help organizations make their data assets safer.

1.29. Material agreements

As of the date of this Report, the Company's material agreement is the Financing Agreement as set forth in Section 1.25.4 above.

1.30. Cooperation agreements

On December 10, 2020, Nayax Retail Ltd. ("**Nayax Retail**"), a subsidiary of the Company, engaged with some of Israel's largest distribution companies, including Bar Marketing and Distribution Holdings Ltd., Diplomat Distributors (1968) Ltd., and Guri A.A.O. Ltd., in a cooperation agreement, by way of a shareholders agreement for establishing a company referred to as Niloos Business Ltd. ("**Niloos**"). The purpose of the venture is to establish a digital platform that shall allow manufacturers and vendors, including the partners in the venture, to provide goods and services to retailers, including small and remote retailers, who due to their size or geographical location encounter operational issues with respect to supplying their stores with goods, and to provide logistical services in connection with such supply. Nayax Retail holds 12% of Niloos' issued and outstanding share capital. The total expected investment of Nayax Retail shall be *pari-passu* according to the holdings in Niloos, and in any event it is not material to Nayax Retail or the Company.

### 1.31. **Legal proceedings**

For details regarding material legal proceedings to which the Company is a party, see comment 25 to the Financial Statements.

### 1.32. **Goals and business strategy**

#### 1.32.1. **General**

In the Company's estimation, the Company is among the only companies in the world that offers its customers a comprehensive solution, end to end, enabling receipt of cashless payments, as well as management and operation, both for Unattended points of sale and service, within its Unattended Activity, and Attended points of sale and service, within its Attended Activity. All of the services and products the Company offers its customers are intended to supply the customer, a business owner, with a single product that consolidates all services needed to operate their business in a tailored manner, thereby constituting a one stop shop for the Company's customers throughout the world.

Throughout its years of activity, the Company has operated according to a vision that Unattended points of sale are expected to constitute a central component of worldwide retail services. The Company's long-term commitment has created a culture advocating the best results for its customers. Accordingly, the Company invests in relationships with its existing customers, and acts to expand its customer base and engage with new customers.

The Company's "Go to Market" strategy is focused on small and medium businesses while efficiently dealing with their unique needs on the one hand, and with large customers and their complex needs on the other hand. Through the Company's digital sales channels, concurrently with the activities of its distributors and marketing professionals, the Company is able to reach a large number of small and medium businesses, which generate a material share of its revenues. The Company views its small and medium customers as a foundation for its growth and for it becoming an international brand, due to its successful experience with this customer sector in the past. In addition, the Company invests resources and efforts in strengthening its capabilities to support large customers which are active in various fields and markets to which the Company grants tailored and unique services, and it intends to recruit additional large customers.

The Company acts continuously to improve its products and services, in order to provide its customers with a greater variety of services and a better user experience,

as well as with the aim of initiating growth and prosperity in the Company's activities and improving its results. The Company intends to expand its activities and the number of points of sale and service connected to the solutions it offers, both by increasing sales to existing customers and engaging with new customers. In addition, the Company is examining an option of leasing its products in the future to customers, in addition to selling them.

Since 2019, the Company has also been engaging with customers within its Attended Activity, activities which substantially increase the target audience to which the Company's products and services are directed. The Company intends to continue to establish its Unattended Activity in Israel, as well as to act to expand these activities throughout the world.

In order to expand its activities, the Company has begun operating e-commerce sites, as detailed in Section 1.12.4 above. These sites shall enable the Company to increase its customer recruitment capacity, to appeal to markets that do not necessarily require a physical presence, as well as to supply service and support to its customers at the highest level, while also constituting a multi-channel platform that consolidates all the Company's services in a single place.

The Company estimates that in Latin America and Eastern Europe there are opportunities and market potential to generate substantial sales.

The Company's management intends to continue to act to maintain the Company's positioning as a leading player in its area of activity, and to maintain its unique competitive advantages, *inter alia*, by acquiring companies with expertise in their fields which can integrate into the Group's activities (such as acquisition of Modularity Technologies Ltd. and UPITec Software Ltd. (now Nayax Retail Ltd.)), all while focusing on technological advancement and providing a comprehensive response for customers.

#### 1.32.2. Financial targets

In order to fulfill its vision, targets, and business strategy as foregoing, the Company sets itself measurable key financial medium to long-term targets, which are based on past experience, rate of development, and the Company's performance.

##### 1.32.2.1. Revenues

Through its organic growth, as well as the growth through merger and acquisition transactions of other companies, the Company

aims for an annual revenue target of approximately USD 200 million in the medium term. The Company is targeting an increase of approximately 30% in its annual organic growth, which is expected to be driven by growth in the Company's customer base, entering new markets, expanding the platform's abilities, and cultivation of and investment in its go to market strategy, as stated in Section 1.32.1 above.

1.32.2.2. Gross profit

The Company is targeting an increase in its long-term gross profits through an option to lease products, and mainly through an increase in the share of Recurring Revenue from software and services out of the Company's total revenues. The Company is targeting approximately 50% and more gross profit in the long term.

1.32.2.3. EBITDA

Generally, the Company prioritizes revenues and medium-term growth and relies on historical profitability foundations. The Company is targeting an EBITDA margin of approximately 30% in the long term.

1.32.2.4. Capital expenditure

The Company anticipates that its capital expenditure (CAPEX) shall ~~be remain stable and be in a~~ the range of USD ~~8-10~~ 16-18 million per annum, while it continues to invest in the development and innovation of its platform. Such investment is expected to ~~assist~~ support the Company to grow considerably, and thus expected to differentiate itself from its competitors.

*The Company's estimates regarding goals and expected business strategy, as well as with respect to the financial targets set forth above, its activities and results, are deemed forward-looking information as such term is defined in the Securities Law, which is uncertain, as it is affected by many factors outside the Company's control, and is impacted, inter alia, by the factors detailed above, and the risk factors in the Company's area of activity (as detailed in Section 1.35 above).*

### 1.33. **Projected development in coming year**

#### 1.33.1. Expansion of the Unattended Activity

As set forth above, in light of the Company's growth engines, and in light of the fact that the Unattended Activity is the Company's main activity and the central cornerstone for fulfilling its vision, the Company intends to continue developing this activity. The development plan of the Unattended Activity is based on three components: Investment in research and development, increasing revenue from existing customers by connecting Unattended points of sale of existing customers that do not receive services by the Company, and adding customers that are small and medium business owners as new customers of the Company, mainly through focused marketing to this target audience and a designated joining and purchase procedure for this target audience. The development plan for the Unattended Activity was planned based on the Company's key metrics as set forth in Section 1.3.1 above, the growth engines as set forth in Section 1.9.1 above, and the marketing and sale plan for small and medium businesses as set forth in Section 1.14.1 above. Thus, the plan is tailored to the Company's performance up to this point and constitutes a new target that fits into the Company's development graph since its incorporation.

#### 1.33.2. Expansion of Attended Activity

As detailed above, since 2019 the Company is active in Attended Activity and through its platform, enables its customers in this area to transform Attended points of sale into points that provide the customer's business with management and operating tools using a wide variety of payment clearing methods, bookkeeping, business promotion, logistic management, procedure setting, as well as employee authorization and management. As of the date of this Report, the Company's Attended Activity focuses on the Israeli market. The Company intends to continue to establish its Attended Activity in Israel, as well as acting in the forthcoming years to expand its Attended Activity to the global market. For this purpose, the Company has established a designated unit active in Israel which comprises, *inter alia*, teams for management, marketing, sales and more. The unit is supported by a development group comprised of employees located in Ukraine. The expansion of activity to additional countries in the world will be carried out, *inter alia*, by marketing to existing customers, as well as using e-commerce sites for: customer

recruitment, sales, providing services and more, while continuing to provide a comprehensive solution for all customer needs.

### 1.33.3. Development in the area of Electric Vehicle (EV) charging

As detailed above, the Company is active, through EV Meter Ltd., a subsidiary of the Company, in the field of electric vehicle charging. Within this activity, the Company has developed charging stations for electric vehicles which enable charging by credit card payment based on the technology offered by the Company, as well as information management and monitor of electricity supply. Unlike the few charging stations that currently exist in public areas, most of which are electrical sockets with capability to feed the electric vehicle's battery and charge the vehicle owner for electricity costs, the Company provides a product with added value, by creating a direct communication channel between drivers of electric vehicles and charging station operators, and enabling the operator to manage the charging station remotely. The Company is acting to create a new generation of charging stations suitable for all types of electric vehicles, thereby creating a convenient user experience. For this purpose, the Company has established a designated unit active in Israel, for charging station manufacture and software development.

*The Company's estimates regarding projected development in the forthcoming year, its activities and results, are deemed forward-looking information as such term is defined in the Securities Law, which is uncertain, as it is affected by many factors outside the Company's control, and is impacted, inter alia, by the factors detailed above, and the risk factors in the Company's area of activity (as detailed in Section 1.35 above).*

### 1.34. Financial information about geographical areas

For financial information regarding geographical areas, see comment 5 to the Financial Statements.

### 1.35. Discussion of risk factors

#### 1.35.1. Macro risks

1.35.1.1. The socio-economic status of the economy and changes in the standards of living and consumption habits, including impact of the Coronavirus

The market in which the Company is active is sensitive, to a certain extent, to changes in household income and the level of global economic activity. A global economic slowdown or recession, and a resultant drop in the standard of living, could lead to a drop in the scope of private consumption, and therefore to reduced use of the points of sale operated by the Company's customers, in a manner which could impact negatively on the Company's revenues from existing customers, and also make it difficult for the Company to recruit new customers or expand activities with existing customers. However, as of the date of this Report, most of the Group's customers are operators of Unattended points of sale and service, particularly automatic vending machines. The products and services sold using most of the automatic vending machines connected to the Company's platform are, in most cases, basic inexpensive consumer products, so naturally, the consumption of this type of product continues, and is not impacted significantly, even during an economic slowdown. Therefore, it would appear that changes in the economic status of the economy will not have a substantial impact on the Company's activities and revenues.

The Coronavirus has led to sharp drops in markets throughout the world and a general slowdown in the world economy. The general slowdown in the world economy has led, and may lead in the future, to a drop in consumption, and therefore it has had, and may have in the future, a negative impact on the Group's activities and results. For more information, see section 1.8.4 above.

#### 1.35.1.2. Regional security in Israel

Regional security in Israel, due to the continuing conflict with the Palestinian Authority and some of Israel's neighboring states, dictate a political reality that could adversely affect the Company's business. Potential harm to the Company, due to this risk, would be reflected primarily by difficulty in exporting and marketing the company's products throughout the world, or in engaging with certain subcontractors, since the Company is an Israeli company based in Israel with Israeli management, such that it is subject to the possible impact of boycotts by entities associated with BDS (Boycott, Divestment and Sanctions).

#### 1.35.1.3. Exchange rate fluctuations

A substantive part of the Company's expenses is carried out in Israel, in ILS. However, the Group is active in more than 60 different countries and therefore receives payment in a large number of currencies (primarily EUR, USD, AUD and GBP). As a result, the Group is exposed to fluctuations in the different exchange rates opposite ILS. In addition, the Company's financial statements are in USD, and therefore the Company is also exposed to fluctuations in the different exchange rates opposite USD, which could impact on the results of the Company's activities. However, because the payments received by the Group are spread out over a large number of currencies, some of the impact of the fluctuations in different exchange rates opposite ILS and USD are offset and cancel each other out.

#### 1.35.1.4. Shortage of components required for manufacturing the Company's products

Notwithstanding the fact that most of the components necessary for manufacturing the Company's products are manufactured by a large number of manufacturers, certain key components are acquired from exclusive or few suppliers. In addition, the Company deals with many additional companies in the areas of computing, telephony and other electronic products, with the general components. Therefore, the Company is exposed to risks of shortages, price increases, changes to tariffs and delays in the supply of the key components and general components, which may adversely affect the Company's financial results. For details about the effect of the components shortage on the Company's operational results and about the Company coping with such shortage, see section 1.8.4 above and section 1.3 in the Board of Directors Report.

### 1.35.2. Industry risks

#### 1.35.2.1. Activity in a competitive market

Activity in the business clearing and operation market is characterized by low competition on the global level. However,

additional major players are active in some of the Company's areas of activity, which increase competition in the specific area of activity in which they are active. The existence of additional players in the Company's area of activity, together with ever-increasing demands to provide technological solutions to make payment and operation functions accessible for Attended and Unattended points of sale, as well as changes in the regulations applicable to the Group's activities, require the Group to respond quickly and constantly update its services in order to maintain its ability to offer its customers complete, comprehensive solutions for business management. Notwithstanding the above, the Company has extensive experience and wide-ranging know-how in its area of activity, as well as a large research and development team, which enable it to continue to develop the hardware and software it markets, and tailor them to developing technology and regulatory changes in its area of activity. In addition, the Company estimates that it has an advantage over its competitors, since it is the only entity in the world that provides its customers with an overall solution, end to end, enabling both receipt of cashless payments and remote management and operation of Attended and Unattended points of sale. Furthermore, the Company markets its solutions and services throughout the world, while most of its competitors offer solutions only in specific geographical regions.

For further details regarding how the Company addresses competition in its field of activity, see Section 1.16 above.

#### 1.35.2.2. Regulatory changes

The Group's activity, particularly in light of the fact that the platform the Company markets enables clearing services, is subject to substantial regulation in different areas, according to the Company's different areas of activity, and is also subject to commercial standards, as detailed in Section 1.28 above.

As noted above, the Group provides services in over 50 countries but only holds licenses in a subset of these countries. The Group

exercises its judgement as to whether its activities are subject to licensing requirements or otherwise regulated in the countries in which it operates, and it is possible that regulators or other governmental or judicial bodies in such countries may disagree with the Group's conclusions in this regard. To the extent that the Group does not comply (or has not in the past complied) with applicable licensing requirements or other applicable regulation it could face regulatory enforcement action including fines, penalties, revocation of licenses or authorizations, limitations on its products and services and other regulatory consequences (such as being required or requested to amend existing licenses or apply for new licenses), each of which may be significant and could have an adverse effect on its business, financial condition or results of operations.

In addition, regulatory changes, or changes in commercial regulations in the Group's different areas of activity, require the Group to make necessary adaptations in its products in order to meet different requirements, including through investment of financial and managerial resources. Changes in the regulations or commercial standards applicable to the Group's activity could substantially impact its financial position and results, while on the other hand could act as a substantial barrier to entry for potential competitors.

Similarly, in certain countries the Group relies on agreements with the Clearing Entities that hold local clearing licenses in order to grant clearing services to customers, and therefore changes to regulation and/or to the provisions of the laws applicable with respect to the Clearing Entities, or which may bring an end to the engagement between the Group and the Clearing Entities or changes to its characteristics, in a manner not allowing the Group to continue engaging with them or engaging with other Clearing Entities, may materially adversely affect the Company's business status, its financial condition, and its operating results.

#### 1.35.2.3. Operational risks in a developing market

The core of the Company's activity is providing technological services. As a result, and in light of the continuous, rapid development of the area of activity, as well as expansion of the services required by the Company's customers, the Company is exposed to operational risks, including risks in the ongoing operation of the technological systems, information security risks and the durability of the Company's servers and data transfer infrastructure. In addition, in order to constitute a significant player in the market for clearing and operation solutions for businesses, the Company must demonstrate technological flexibility and advanced technical capability, in order to enable effective development that meets market demands, which can maintain the innovativeness and uniqueness of the services and products the Company offers its customers. These characteristics, together with expansion of the Company's services and an increase in its customer base, require the Company to continuously maintain and expand its existing technological capabilities for data transfer between the points of operation and the servers. Operational failures, including within data transfer, could harm the Company's reputation, its ability to retain customers and recruit new customers, as well as its business results. Furthermore, should the Company's business continue to grow and thrive, the Company will need to invest additional resources to improve its operational infrastructure, in order to maintain its performance level under a heavy operational load.

1.35.2.4. Information security risks

As a company that supplies credit clearing and management and operation services, information security failures and leaking of financial data of the Group's customers or their consumers, as well as passage of information between different territories in violation of privacy protection laws, could impact on the Company's results and reputation. Within the Company's services, sensitive credit provider information and other financial data are transferred, within execution of transactions or within remote management services the Company offers its customers.

The Company operates under strict information security requirements and uses some of the most advanced security technologies in the world. Despite this, information transferred can be exposed to technological failures, ever-increasing cyber-attacks and fraud. In order to prevent failures and attacks of this kind, the Company acts at all times to improve the security services of its servers, as well as those provided to customers and third parties using the Company's products. *Inter alia*, the Company possesses three cloud environments for saving information, as well as a sterile cloud environment. In addition, the Company has offline backup for information, as well as a support team active seven days a week and external teams for identification of attacks, infiltration and more. Beyond the risk posed to the Company's image and financial position by loss of user financial data, the Company could be exposed to regulatory inquiries, litigation, sanctions and fines in the case of an information leak. Such an event could even impact its ability to engage with clearing entities, banks and credit companies, since under the terms of agreements with these entities, non-compliance with security requirements could lead to termination of the commercial engagement.

1.35.2.5. Technical failure and damage to infrastructure

The Company's activities and the services and products it offers its customers are based on electronic systems and advanced technology. Therefore, the Company, its customers and consumers of customers, could be exposed to risks related to the stability of the Company's information systems and servers and their capacity to sustain the scope of activity. These risks include technical malfunctions, overload of system servers and cyber-attacks which could lead to failure and even shutdown of the Company's computer systems and servers. A technical failure or attack on the Company's computer infrastructure, and an inability on the Company's part to restore its systems to proper functioning within a reasonable timeframe, or a lack of technical capability to meet customer needs and demands, could harm the Company's

reputation and business results. In order to minimize the above risks, the Company invests multiple resources to maintain its technical soundness, *inter alia*, through maintenance of broad technological infrastructure comprised of three cloud environments in different sites for saving information, in addition to a sterile cloud environment that enables automatic transfer of all technological activity from site to site and a high level of technological recovery for the Company's systems.

1.35.2.6. Payment transfer system dependent on multiple entities

The Company's activity providing payment clearing services is dependent on a payment transfer system that operates through a chain of different entities (the Company, Clearing Entity, bank, credit card companies and more). A disruption caused by one of the above entities active within the payment transfer system, failure of one of the entities to fulfill their obligations *vis-à-vis* the Company, prohibited activity of one of the entities, or termination of the commercial relationship with one of the entities, could impact on the precise transfer of payments and as a direct result cause a violation of the Company's obligations *vis-à-vis* its customers, impact the Company's activities, reputation and results. In order to minimize the existing risk, the Company engages with "Tier 1" entities along the entire payment transfer chain. In addition, the Company conducts ongoing monitoring of its areas of responsibility and spreads the services it receives over many entities, to the extent possible, in order to minimize its dependency on different vendors.

1.35.2.7. Risks of violating anti-corruption laws

The Group is subject to anti-corruption, anti-bribery, and other similar laws, in countries the Group is active in or in countries where third parties act on their behalf. These and similar laws prohibit corporations and any officers, directors, employees, business partners and agents of such corporations, as well as any third parties of them acting on their behalf, to offer, give, promise or provide anything of value to a foreign official, in order to

influence his official decisions in any way, in order to obtain favorable treatment from such foreign official. For more information see section 1.28.2.6 above.

The Group currently does business with government entities around the world, interactions which expose us to potential risks under anti-corruption and anti-bribery laws. As we increase our international sales and business, our risks under these laws may increase. In addition, we use third parties to sell access to our products and services abroad. These third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities, and we can be held liable for the corrupt or other illegal activities of such third-party intermediaries, and our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities.

The Group cannot provide assurance that our internal controls and compliance systems will always prevent acts committed by employees, agents, or business partners of ours (or of businesses we acquire or partner with) that would violate U.S. and/or non-U.S. laws, including the laws governing payments to government officials, bribery, fraud, kickbacks, and other related laws. Noncompliance with these laws could subject us to investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, adverse media coverage, and other consequences. Any investigations, actions or sanctions could harm our business, results of operations, reputation and financial condition.

1.35.2.8. Non-compliance risks and regulatory sanctions

The Company's global operations expose it to risks under economic and trade sanctions laws and regulations. The Company's business must be conducted in compliance with applicable economic and trade sanctions laws and regulations, such as those administered and enforced, *inter alia*, by the Israel

Securities Authority, the Tax Authority, the Capital Market Authority, Insurance and Savings, the Competition Authority, and any other authority authorized to conduct an investigation or proceeding, as well as by the U.S. Department of Treasury's Office of Foreign Assets Control, the U.S. Department of State, the U.S. Department of Commerce, the United Nations Security Council, and other relevant sanctions authorities. A failure by the Company to comply with these laws and regulations may expose it to reputational harm as well as significant penalties, including investigations, arrangements, fines, prosecution, enforcement actions, criminal and civil punishment etc. Despite the Company's compliance efforts and activities, it cannot assure compliance by its customers, employees, or anyone on its behalf, and therefore such liability may be imposed on the Group. Any such non-compliance or violation may significantly harm the Group, its business, its reputation, and its financial condition.

### 1.35.3. **Risks unique to the Company**

#### 1.35.3.1. **Protecting the Company's intellectual property and technological know-how**

Protecting the Company's existing intellectual property and technological know-how is a matter of great importance. The Company's ability to continue to lead in the provision of its services to its customers is dependent, inter alia, on the Company's ability to protect the intellectual property upon which the Company's products are based, as well as trade secrets. A failure by the Company to suitably protect its technology could lead to increased competition from its competitors, and even loss of customers. Furthermore, competitors may reverse engineer the Company's technology and develop products and services similar to those of the Company. The Company also might not be able to detect unauthorized use of, or take appropriate and timely steps to enforce, its intellectual property rights and technology.

In addition, third parties may assert that the Company has infringed, misappropriated or otherwise violated a patent, copyright, trademark or other intellectual property right belonging to them. Any infringement claim, even one without merit, could result in the expenditure of significant financial and managerial resources to defend against the claim. Moreover, a successful claim of product infringement against the Company or a settlement could require the Company to pay substantial amounts or obtain a license to continue to use the technology that is the subject of the claim, or otherwise restrict or prohibit the Company's use of the technology. The Company may also not be able to obtain a license to use satisfactory alternative technology that would allow it to continue selling its product or service.

However, the Company acts to protect its intellectual property, and as of the date of this Report, the Company has registered patent and trademark rights, as detailed in Section 1.20 above.

1.35.3.2. Risk of using third party software

The Company uses open source software in connection with its proprietary software and expects to continue to use open source software in the future. Some open-source licenses require licensors to provide source code to licensees upon request, or prohibit licensors from charging a fee to licensees. While the Company tries to insulate its proprietary code from the effects of such open-source license provisions, the Company cannot guarantee it will be successful. Accordingly, the Company may face claims from others claiming ownership of, or seeking to enforce the license terms applicable to, such open source software, including by demanding release of the open source software, derivative works or the Company's proprietary source code that was developed or distributed with such software. These claims could also result in litigation, imposing costs on the Company for legal hearings or requiring the Company to purchase a costly license or require it to devote additional research and development resources to change its software. In addition, if the license terms for the open source code change, the Company may

be forced to re-engineer its software or incur additional costs. The Company cannot guarantee that it has not incorporated open source software into its proprietary software in a manner that may subject its proprietary software to an open source license that requires disclosure, to customers or the public, of the source code to such proprietary software. Any such disclosure would have a negative effect on the Company's business and the value of its proprietary software.

1.35.3.3. Termination of commercial relationships with vendors from the communications field

As the Company's activities are grounded in its data transfer capability, termination of business relationships with vendors from the communications field, such as vendors of infrastructure and internet servers, could have a negative impact on the Group's activity. The operation of communications enabling the Company's activity is dependent on the reliability and capacity of services supplied to the Group by communications vendors. Termination of business ties with vendors from this field could force the Company to invest additional resources in order to adapt its products to a new vendor.

1.35.3.4. Reliance on key figures

Mr. Yair Nechmad, CEO, founder and controlling shareholder in the Company, and well as Mr. David Ben Avi, the Company's CTO, founder and controlling shareholder, are key figures in the Company. In the Company's estimation, although it is not dependent on key figures, should these figures cease their employment with the Company, the Company's results and development could be harmed.

1.35.3.5. Lack of profitability

The Company has recorded net losses in significant amounts in every year since its establishment (including net losses of USD 6.1 million and USD 24.8 million in 2020 and 2021, respectively). In addition, the Company may not reach profitability or maintain profitability in the future. Since the market of the Company's

platform, features, integrations, abilities and improvements that the Company offers, develop at high speeds, the Company can only with difficulty predict the Company's future operational results or the Company's future market abilities. Whereas the Company experienced significant growth in revenues in recent periods, the Company cannot estimate whether or when the Company shall have sufficient revenues in order to enable its growth, reach profitability or maintain profitability also in the future. In addition, the Company expects its operational results to grow significantly over the next years, due to the employment of additional manpower at the Company, expanding the Company's customers base, operations and infrastructure, the continued improvement of the Company's brand, the development and expansion of the features of the Company's platform, integrations, capabilities and improvements, the expansion and improvement of the attached and managed units and the SaaS solutions of the Company, and an increase of the Company's expenses on sales and marketing. These expenses may actually be higher than the Company currently predicts, and the Company may not succeed in increasing its revenues in a manner that would set off such expenses. Similarly, the Company's revenues may not increase according to the Company's expectations for a few potential reasons, including a slowdown in demand for the Company's products or increased competition in markets that the Company is active in.

1.35.3.6. Lack of success in increasing the number of customer and revenues from customers

In order to increase the Company's revenues, reach profitability and maintain it, the Company must increase its customer base through various methods, including but not limited to, the sale and distribution of more attached and managed units, both in the Attended and Unattended Activity, increase or maintain the retention rate of customers and expanding the use of end-to-end solutions of the Company by current customers. Even though the Company experienced significant growth in the number of

attached and managed units, the Company may not reach similar growth rates in the future. Sales efforts designed for larger organizations usually involve higher costs, longer sale cycles, more competition and less predictability with respect to the closing of some of the Company's sales. These sale opportunities may require the Company to dedicate more resources in sales, research, development and customer support, which would involve an increase in costs and a slowdown in sales turnover. Should the Company's efforts to sell to large organizations fail, or should no additional revenues be generated, this may have adverse implications on the Company's results. Moreover, the Company's revenues model is based on a non-recurring payment for the sale of the Company's end units, the payment of a monthly use fee for the Company's service package and in the Unattended Activity only – collecting a clearing fee from any transaction executed in the sales point, and which is cleared through the Company's platform. Customers who purchase and use the Company's units are not required to use the telemetry solutions or the clearing capabilities of the Company's platform, and those who do use these features, may reduce or cease use thereof. In addition, it is difficult for the Company to predict the churn rates considering the Company's diverse customers base, which consists of large organizations and of small and medium size businesses, which may grow or change. Should the Company not succeed in expanding its customer base or its customers' use of the variety of solutions that the Company offers, the Company's revenues may decrease or grow slower than expected, which may impact the Company's business, the results of its activity and its financial condition.

#### 1.35.4. **Risk Factor Table**

The table hereunder presents the risk factors described above, based on qualities, ranked by the Group's management, according to their impact on the Company's overall business:

Type of risk	Risk factors	Extent of impact on Group's business		
		Major impact	Moderate impact	Minor impact
<b>Macro risks</b>	The socio-economic status of the economy and changes in the standards of living and consumption habits, including impact of the Coronavirus			X
	Regional security in Israel			X
	Exchange rate fluctuations		X	
	Shortage of components required for manufacturing the Company's products	X		
<b>Industry risks</b>	Activity in a competitive market			X
	Regulatory changes		X	
	Operational risks in a developing market			X
	Information security risks	X		
	Technical failure and damage to infrastructure		X	
	Payment transfer system dependent on multiple entities			X
	Risks of violating anti-corruption laws			X
	Risks of non-compliance and regulatory sanctions	X		
<b>Risks unique to the Group</b>	Protecting intellectual property and technological know-how of the Company			X
	Risks of using third party software			X
	Termination of commercial relationships with vendors from the communications field		X	
	Reliance on key figures			X
	Lack of success in increasing the number of customers and revenues from customers		X	
	Lack of profitability		X	

*The Company's estimates regarding the aforementioned risk factors, including the extent of impact of the risk factor on the Company's activity, is deemed forward-looking information as such term is defined in the Securities Law, based on Company information as of the date of this Prospectus, and also including Company estimations and analysis. The impact of the realization of any given risk factor could be different from the Company's estimations, inter alia due to factors that are not necessarily under the Company's control. In addition, the Group may be exposed in the future to additional risk factors, and the impact of each risk factor, if realized, may be different from the Company's estimation.*

# **Board of Directors' Report on the State of the Company's Affairs for year ended 31 December 2021**

The Company's board of directors hereby respectfully submits the board of directors' report on the state of the corporation's affair for the one-year period ended 31 December 2021 (the "**Report Period**" and "**Board of Directors Report**", as applicable), according to the Securities (Periodic and Immediate Reports) Regulations, 5730-1970.

## **1. Explanations of the board of directors on the state of the Company's affairs and its operational results**

### **1.1. General**

The Company was incorporated in Israel on 16 January 2005, as a private company with the name "Sarankot Ltd.". On 10 May 2005, the Company changed its name to its current name. On 10 May 2021, the Company published an initial public offering prospectus, secondary sale prospectus and shelf prospectus (reference no: 2021-01-082128) (the "**Company Prospectus**"), whereby Company shares were offered to the public, and as a result the Company turned into a public company. Starting 13 May 2021, the Company's shares have been traded on the Tel Aviv Stock Exchange Ltd. ("**TASE**"). As of the report date, the Company, including through corporations that it directly and indirectly owns (hereinafter: the "**Group**"), is engaged in the area of solutions and services for processing and operation of businesses through a global platform.

In the framework of its activity, the Company offers its customers, through its platform, which combines proprietary hardware and software developed by the Company, comprehensive solutions and services to unattended points of sale and service ("**Unattended**" or the "**Unattended Activity**"), and to attended points of sale and service ("**Attended**" or the "**Attended Activity**"). **As of the report date, the Company's Attended Activity focuses on the Israeli and UK markets, but the Company plans to expand to the global market in the next years.**

### **1.2. Growth and key metrics**

The Company has been growing consistently since its incorporation, and in recent years the Company's growth has even accelerated. The Company is examining its growth

through four key metrics: the number of connected and managed points of sale that the Company provides services to, the number of customers and the number of transactions executed at the points of sale, and their financial value.

Presented below is data regarding these four key metrics with respect to 2021 and 2020:

Year / Key metric	2021	2020
Connected and managed points of sale (thousands)	517 (*)	371 (**)

\* Of which approximately 118,000 through the Vendsys's solution and the remaining are end points as part of the Attended Activity (for details see section 1.10.2.5 in Chapter A of this Report).

\*\* Of which approximately 90,000 through the Vendsys's solution and the remaining are end points as part of the Attended Activity (for details see section 1.10.2.5 in Chapter A of this Report).

Year / Key metric	2021	2020
Number of customers	Approximately 30,000	Approximately 19,000

Year / Key metric	2021	2020
Number of transactions (in millions)	795	470
The financial value of the transactions (in USD millions)	1,425	772

Presented below is data regarding the four key metrics, divided by quarters, in 2021:

<b>Key metric</b>	<b>As of 31 March 2021</b>	<b>As of 30 June 2021</b>	<b>As of 30 September 2021</b>	<b>As of 31 December 2021</b>
<b>Connected and managed points of sale (thousands)</b>	402 (*)	432 (**)	461 (***)	517 (****)

\* Of which approximately 100,000 through Vendsys's solution, and the remaining are end points as part of the Attended Activity.

\*\* Of which approximately 90,000 through Vendsys's solution, and the remaining are end points as part of the Attended Activity.

\*\*\* Of which approximately 90,000 through Vendsys's solution, and the remaining are end points as part of the Attended Activity.

\*\*\*\* Of which approximately 118,000 through Vendsys's solution, and the remaining are end points as part of the Attended Activity.

<b>Key metric</b>	<b>As of 31 March 2021</b>	<b>As of 30 June 2021</b>	<b>As of 30 September 2021</b>	<b>As of 31 December 2021</b>
<b>Number of customers</b>	Approximately 20,000	Approximately 24,000	Approximately 27,000	Approximately 30,000

<b>Key metric</b>	<b>For the three-month period ended</b>			
	<b>31 March 2021</b>	<b>30 June 2021</b>	<b>30 September 2021</b>	<b>31 December 2021</b>
<b>Number of transactions (millions)</b>	144	186	218	247
<b>The financial value of the transactions (in USD millions)</b>	246	344	407	428

### **1.3. Dealing with the effects of the Covid-19 pandemic including the global shortage of components**

During Q1 of 2020 the coronavirus (“Covid-19”) began to spread globally, and on 11 March 2020, the World Health Organization declared Covid-19 a global pandemic. Covid-19 led to sharp declines on stock markets all over the world, and to a global economic slowdown. The global economic slowdown led, and may in the future lead, to a decrease in consumption, and thus it had, and may also in the future have, a negative effect on the Group’s activity and its results.

The effect of Covid-19 on the Group was in 2020 mainly noticeable through a reduction in the number of Unattended points of sale of the Group’s customers and in the number of consumer transactions executed with the Group’s customers in Attended and Unattended points of sale. Nevertheless, as of the end of 2021 and as of the publication date of this Report, the number of active Attended and Unattended points of sale of the Group’s customers, as well as the number of consumer transactions executed in the Attended and Unattended points of sale, is significantly higher than what it was before the Covid-19 pandemic.

An additional trend that can be pointed to is that due to the Covid-19 pandemic, consumers prefer cashless payment methods in order to limit interactions with other people and surfaces, in the framework of social distancing rules. Such behavior has a positive effect on the Company.

Similarly, the global outbreak of Covid-19 caused uncertainty in the global economy and staggering economic damage due to the closure of many businesses, slowdown in manufacture, delay in deliveries and partial shutdown of national and international transportation, while on the other hand global demand for various electronic products significantly increased. The global shortage of components required for manufacturing the Company’s hardware products led to an increase in prices (including some significant increases), and as a result adversely affected the Company’s gross profit rate from the sale of hardware in Q3 and Q4 of 2021. The Company’s strategy is to continue the supply of hardware to its customers without increasing the sale prices even under such circumstances, since according to the Company’s management, the sale of the hardware to customers constitutes the strategic foundation for engaging with new

customers and expanding the activity of existing customers, and therefore is one of the cornerstones for the Company's continued growth over time. In 2021, hardware sales accounted for approximately 40% of the Company's sales.

In light of the fact that the Covid-19 crisis is an ongoing crisis, and it is difficult to know how it will develop in the future, the Company's management cannot at this stage estimate the scope of the future implications of Covid-19 on the Company's operations and its results. Notwithstanding the foregoing, the Company estimates that its long-term activity is not expected to materially suffer, in light of the Company's current customer base and potential of future engagements with current and potential customers in markets where it is active, as well as in additional markets. Similarly, the Company's management believes that the Covid-19 pandemic will not significantly impair its activity, and even the opposite, as the dependence on digital solutions for remote management only increased and the importance of the Group's products for managing Unattended commerce is only becoming stronger.

For more information about the effects of Covid-19 on the Group's activity and ways the Company is coping, see section 1.8.4 in Chapter A of this Report.

***The Company's estimates with respect to the potential implications of Covid-19 on the Group's activity, as described above, constitute forward looking information, as defined in the Securities Law, the materialization of which is uncertain and is not in the Company's control. This information is mainly based on the Company's estimates, which are inter alia based on the information that is known on the publication date of this Report. It is clarified that there is no certainty whatsoever that the all or part of the estimates shall materialize, and they may even be materially different than those presented above, inter alia due to their dependence on external factors that are not in the Company's control, such as changes and trends in Covid-19 spread.***

#### 1.4. Financial position

A summary of data on the financial position is presented below (in USD thousands):

Item	As of 31 December		Board of directors' explanation
	2021	2020	
<b>Current assets</b>	156,048	54,518	The increase in current assets as of 31 December 2021, compared to the current assets as of 31 December 2020, mainly derived from an increase in cash and cash equivalents as a result of an initial public offering of the Company's shares on the Tel Aviv Stock Exchange Ltd., and from an increase in the balance of trade receivables, restricted cash transferable to customers and receivables in respect of processing activity, as a result of an increase in the Company's scope of activity. In addition, there was an increase in the Company's inventory balance as a result of an increase of the components' price.
<b>Non-current assets</b>	59,958	38,235	The increase in non-current assets as of 31 December 2021, compared to the non-current assets as of 31 December 2020, mainly derived from an increase in the balance of goodwill and intangible assets (primarily in light of the acquisition of Weezmo Technologies Ltd. (" <b>Weezmo</b> ") and due to development costs that were capitalized), an investment in an investee company following the acquisition of shares from Tigapo Ltd. (" <b>Tigapo</b> "), an investment in Nilus Ltd. (" <b>Nilus</b> ") (see Note 6 to the consolidated financial statements), as well as an increase of right-of-use assets and leasehold improvements in light of the Company's engagement in June 2021 in a lease agreement for leasing additional office space (for details see section 1.18.2 in Chapter A of this Report).

<b>Current liabilities</b>	70,188	62,251	The increase in current liabilities as of 31 December 2021, compared to the current liabilities as of 31 December 2020, mainly derived from an increase in Payables in respect of processing activity as a result of an increase in the scope of the Company's activity and an increase in salary and bonus balances for employees in light of an increase in the number of employees and the implementation of a bonus program in 2021. Conversely, there is a reduction in short-term credit from banking corporations in light of repayment of a short-term credit.
<b>Non-current liabilities</b>	14,142	18,001	The decrease in non-current liabilities as of 31 December 2021, compared to non-current liabilities as of 31 December 2020, mostly derived from a decrease in loans from banking and other corporations. An additional decrease derives from the repayment of other long-term obligations for the acquisition of Nayax Retail Ltd. (see Note 6 to the consolidated financial statements). On the other hand, there was an increase in liabilities for leases in light of the Company's engagement in June 2021 when it executed a lease agreement for leasing additional office space (for details see section 1.18.2 in Chapter A of this Report) and the purchase of Tigapo shares.
<b>Equity</b>	131,676	12,501	The increase in equity as of 31 December 2021, compared to the equity as of 31 December 2020, mainly derived from an initial public offering of the Company's shares on TASE, and on the other hand, an offsetting effect of the equity decrease as a result of the Company's losses in 2021.

### 1.5. Activity results

Data about the activity results is presented below (in USD thousands):

Item	Year ended 31 December		2021				Board of directors' explanation
	2021	2020	Q1	Q2	Q3	Q4	
<b>Revenues</b>	119,134	78,783	22,774	31,001	30,926	34,433	<p>The increase in revenues in 2021 compared to 2020 derived from the following factors:</p> <ol style="list-style-type: none"> <li>1. A significant increase in revenues from the sale of end units and other units in light of an increase in the scope of sold units. In 2021 the total revenues from selling end units and other units are approximately USD 48 million, compared to approximately USD 35 million in 2020, which constitutes an increase of approximately 36%.</li> <li>2. An increase in recurring revenues in light of growth in the number of active paying units and an increase in the scope of processing activity and transactions of the Company's trade receivables. In 2021 the total recurring revenues (services and processing) is approximately USD 71 million compared to approximately USD 43 million in 2020, which constitutes an increase of approximately 64%. The recurring revenues consist of monthly usage fees for using the management software, which are collected as a fixed monthly payment, and from</li> </ol>

							<p>processing fees, which are usually collected as a percentage of the scope of processing performed with the Company's trade receivables. The increase in revenues was supported by a high rate of customer retention compared to a low rate of leaving customers.</p> <p>In 2021, approximately 40% of the Company's revenues derived from revenues from the sale of end units and approximately 60% from recurring revenues (services and processing). On the other hand, in 2020, approximately 45% of the Company's revenues derived from revenues from the sale of end units and approximately 55% from recurring revenues (services and processing).</p>
<b>Cost of revenues</b>	70,970	41,603	12,273	17,680	18,580	22,437	<p>Most of the increase in the cost of revenues in 2021 compared to 2020, derived from the growth of the Company's revenues as foregoing (a significant part of the cost of revenues is directly derived from the revenues). In addition, the prices for the raw materials used for the Company's products increased, deriving from the global shortage of the components (for details see section 1.22 in Chapter A of this Report).</p>

Item	Year ended 31 December		2021				Board of directors' explanation
	2021	2020	Q1	Q2	Q3	Q4	
<b>Gross profit</b>	48,164	37,180	10,501	13,321	12,346	11,996	The total gross profit rate throughout the years that are presented were: In 2021 - 40%, and in 2020 - 47%. The gross profit rate for the sale of end units and other units in 2021 is 16% compared to 30% in 2020. The gross profit rate for recurring revenues in 2021 is 57% compared to 61% in 2020. The gross profit rate in 2021 compared to last year decreased mainly due to an increase in the price of the raw materials, which derived from the global shortage of the components, and on the other hand the prices for the Company's customers not being raised, pursuant to the Company's strategy that the sale of hardware units constitutes a significant cornerstone for its continued growth.
<b>Research and development expenses</b>	19,040	9,300	3,300	4,722	5,265	5,753	The increase in research costs in 2021 compared to 2020 mainly derived from an increase in the scope of salary costs and affiliated costs for the research and development department as a result of an increase in the number of employees, the salary costs, the adoption of a bonus program for the Group's employees (except for salespeople and relatives of the controlling shareholders) and from an increase in the development costs of subcontractors.
<b>Sale,</b>	45,379	26,545	8,316	10,303	12,271	14,489	The increase in sale, administrative, and general costs in 2021 compared

<b>administrative, and general expenses</b>							<p>to 2020 mainly derived from an increase in costs for professional and regulatory services and from an increase in the scope of salary costs and affiliated costs, as a result of an increase in the number of employees, salary costs, and the adoption of a bonus program for the Group's employees (except for salespeople and relatives of the controlling shareholders). In addition, an increase in costs for share-based payment, mainly in light of the options granted in the report period to Mr. Yair Nechmad and Mr. David Ben-Avi, among the Company's controlling shareholders (for details see regulation 21 in Chapter D of this Report).</p>
<b>Depreciation and amortization in respect of technology and capitalized development costs</b>	3,810	3,559	878	820	1,073	1,039	<p>The increase in the depreciation and amortization costs in 2021 compared to 2020, derived from an increase in capitalized development and technology acquisition costs, as part of the business combinations in 2020-2021. The investment focuses on opening new markets, new integrations, and developing new products, in order to increase the Group's revenues.</p>

Item	Year ended 31 December		2021				Board of directors' explanation
	2021	2020	Q1	Q2	Q3	Q4	
<b>Other expenses</b>	1,879	-	161	1,545	96	77	The other costs in 2021 are attributed to costs deriving from the initial public offering of the Company's shares on TASE, but that do not constitute "issue costs" that were deducted from the equity upon the actual IPO. The costs mainly include fees for professional services, listing fees and non-recurring bonuses for employees and service providers.
<b>Share in the losses of included companies</b>	538	-	-	57	67	414	During May 2021 and further to Q3 2021, the Company executed agreements for the acquisition of Tigapo shares, the investment is treated according to the book-value methodology (see Note 6 to the consolidated financial statements). During that year, the Company recognized its share in the Tigapo losses.
<b>Operating loss</b>	22,482	2,224	2,154	4,126	6,426	9,776	The increase in operating loss mainly derives from an increase in operating costs as set forth above.
<b>Net financing expenses (revenues)</b>	1,655	3,874	84	1,626	347	(402)	The decrease in net financing costs in 2021 compared to 2020, mainly derived from an increase in financing revenues as a result of exchange rate differentials and on the other hand a revaluation of an obligation for an options arrangement, and an obligation to the seller plus businesses that were for the first time recognized during such year (following the

							acquisition of Weezmo).
<b>Adjusted EBITDA *</b>	(4,017)	6,649	52	1,372	(1,643)	(3,798)	See calculation below.
<b>Capital investments (CapEx)</b>	8,696	7,856	2,254	1,366	2,100	2,976	The increase in capital investments in 2021 compared to 2020 derived from cash investments in researching and developing new products, new integrations, and entering new territories around the world (most of the capitalization is salary costs, suppliers and subcontractors) and an investment in fixed assets in light of the expansion of the Company's head offices in Herzliya.

\* **Adjusted EBITDA** - A metric that is not calculated pursuant to accepted accounting principles, which the Company uses for measuring its results from ongoing activity. This metric is calculated as follows - net loss plus net finance expenses, tax expenses (benefits), depreciation and amortization, share-based payment expenses, other expenses included in the profit or loss statement as set forth above, and the Company's share in the losses of the included company, as set forth below:

Item	Year ended 31 December (in USD thousands)	
	2021	2020
Net loss	(24,769)	(6,083)

<b>Net finance expenses</b>	1,655	3,874
<b>Tax expenses (benefit)</b>	632	(15)
<b>Depreciation and amortization</b>	7,198	5,908
<b>EBITDA</b>	<b>15,284</b>	<b>3,684</b>
<b>Share-based payment expenses</b>	8,850	2,965
<b>Other expenses</b>	1,879	-
<b>Share in the losses of included companies</b>	538	-
<b>Adjusted EBITDA</b>	<b>(4,017)<sup>(1)</sup></b>	<b>6,649</b>

(1) The adjusted EBITDA for 2021 amounted to approximately USD 1 million, insofar as we neutralize from the adjusted EBITDA events that occurred in Q3 of 2021. These events include bonus costs for the first-time adoption by the Company of a bonus program for the Group's employees (except for salespeople and relatives of controlling shareholders) and the effect of the increased raw materials price in light of the global component shortage.

### 1.6. Liquidity

Data about the liquidity is presented below (in USD thousands):

Item	Year ended 31 December		Board of directors' explanation
	2021	2020	
<b>Cash flow from operating activity</b>	(12,806)	6,488	The decrease in cash flow arising from current activity in 2021 compared to 2020 mainly derived from investments in the Company's growth, which is manifested in the increase of the salary costs and the hiring of new employees, and from rising prices of the raw materials inventory deriving from the global component shortage.
<b>Cash flow from investing activity</b>	(22,639)	(8,572)	The increase in cash flow used for investing activity in 2021 compared to 2020 mainly derived from investments in Weezmo, Tigapo and Nilus (see Note 6 to the Consolidated Financial Statements).
<b>Cash flow from financing activity</b>	114,140	6,046	The increase in cash flow arising from financing activity in 2021 compared to 2020 year mainly derived from an initial public offering that was partially offset following the repayment of loans and credit from a banking corporation and others in 2021, compared to receiving loans from a banking corporation and others in 2020.
<b>Balance of cash and cash equivalents as of</b>	87,332	8,195	--

<b>the end of the period</b>			
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As of 31 December 2021, the Company has a positive working capital of approximately USD 85,860,000, and as of 31 December 2020, the Company has a negative working capital of approximately USD 7,733,000. The increase in working capital mainly derives from an initial public offering, and conversely, from the repayment of a short-term credit from a banking corporation.

## 1.7. Financing sources

- 1.7.1. The Group finances its activity primarily from independent sources, a loan that it took from a banking corporation, from one of the processing entities with whom it engaged, and credit facilities that were made available to it by a banking corporation. Similarly, following the Covid-19 pandemic crisis, subsidiaries of the Group were supported by governments of their countries of incorporation. In 2021, the Group financed its activity also by way of loans from one of its controlling shareholders, which as of the report date were repaid in full, all as set forth in this section below and in section 1.25 in Chapter A of this Report.
- 1.7.2. On 10 May 2021, the Company published a prospectus for the initial public offering of the Company's shares, in the framework of which it raised a total of USD 141.6 million (gross, prior to issue costs) and a total of approximately USD 132.5 million (the "**Issue Proceeds**"). For more information about the Issue Proceeds, see the Company's prospectus.
- 1.7.3. During the report period, the Company repaid the entirety of the shareholders' loans and credit provided by Mr. Amir Nechmad (for details see section 1.25.3 in Chapter A of this Report), through the Issue Proceeds.
- 1.7.4. On 13 May 2021, the Company repaid a short-term bank credit that had been made available to it, in total amount of approximately USD 11.7 million (From the credit frame described in section 1.25.4.1 in Chapter A of this Report), through the Issue Proceeds. The Company may still utilize the entirety of the credit frame (in the amount of ILS 42.5 million).
- 1.7.5. On 26 January 2022, the Company made an early repayment of the long-term loan balance of approximately ILS 3.5 million (USD 1.1 million) which it had received from a banking corporation. For details see section 1.25.4.2 in Chapter A of this Report.
- 1.7.6. Further to section 1.25.4.4.1 in Chapter A of this Report, the Company's financial covenants that the Company was required to meet were cancelled.
- 1.7.7. The Company has two capital remuneration programs, under which options convertible into Company shares were allocated to officers and employees of the Company and of its subsidiaries (for details about the Company's capital remuneration programs, see section 3.3 in Chapter 3 of the Company's

prospectus). In 2021, (non-negotiable) options of the Company were exercised into 2,319,620 ordinary shares of the Company, against payment to the Company of a total exercise price of approximately USD 1,097,000. Starting from 1 January 2022, and until a date close to the publication date of this Report, (non-negotiable) options of the Company were exercised into 51,024 ordinary shares of the Company, against payment to the Company of a total exercise price of approximately USD 34,000.

1.7.8. The average scope of the Company's long-term loans in 2021 was approximately USD 10.7 million, compared to approximately USD 12.8 million in 2020. The decrease in long-term loans mainly derived from loan repayments from a banking corporation and from others.

1.7.9. The average scope of the Company's short-term credit in 2021 was approximately USD 5.1 million, compared to approximately USD 10 million in 2020. As set forth in section 1.7.5 above, the Company repaid the short-term bank credit in 2021.

1.7.10. The average credit from suppliers in 2021 was approximately USD 10.1 million, compared to approximately USD 8.5 million in 2020.

The average credit provided to trade receivables in 2021 was approximately USD 16.6 million, compared to approximately USD 10.6 million in 2020.

The scope of payment-based transactions in 2021 increased compared to a certain change to the payment terms to suppliers, which became more pressing due to the global shortage of components required for manufacturing the Company's hardware products.

## 2. **Corporate governance aspects**

### 2.1. **The Company's donation policy**

The Company has not determined a policy with respect to donations. The Company has not made any donations during the report period.

### 2.2. **Directors with accounting and financial expertise**

The minimum number of directors with accounting and financial expertise appropriate for the Company, as determined by the Company's board of directors under section

92(a)(12) of the Companies Law, 5759-1999 (the “**Companies Law**”), is two (2) directors, considering the Company type, the nature of accounting issues and accounting control issues that emerge when preparing the Company’s financial statements, the Company’s areas of activity, the Company’s size and the scope and complexity of its activity. Currently there are three directors in the Company’s board of directors who have accounting and financial expertise, as follows: Ms. Rina Shafir (external director), Ms. Vered Raz Avayo (external director) and Mr. Elon Shalev (independent director). For additional details with respect to these directors, see regulation 26 in Chapter D of this Report.

2.3. **Independent directors**

As of the report date, the Company in its articles of association did not adopt a provision regarding the number of independent directors according to the provisions of Schedule One to the Companies Law.

2.4. **Disclosure on the Company’s internal auditor**

On 22 August 2021, the Company’s board of directors approved, pursuant to the recommendation of the audit committee, the appointment of Mr. Yossi Ginossar from Fahn Kanne as the Company’s internal auditor:

<b>Name</b>	Yossi Ginossar
<b>Commencement date of tenure</b>	23 August 2021
<b>The internal auditor’s compliance with the provisions of law</b>	To the best of the Company management’s knowledge, in accordance with the internal auditor’s declaration, the internal auditor is in compliance with the requirements of section 146(b) of the Companies Law, 5759-1999, and with the provisions of sections 3(a) and 8 of the Internal Audit Law, 5752-1992. Similarly, to the best of the Company’s knowledge, the internal auditor is not an interested party of the Company, is not a family member of an interested party or officer of the Company and is not serving as the auditor of the Company or anyone on its

	behalf.
<b>Material business relationship/other material relationship of the internal auditor with the Company or with an entity related to the Company and the manner of engagement with the internal auditor</b>	<p>The internal auditor is not a Company employee, but rather grants the Company internal auditing services on behalf of Fahn Kanne as an external factor. His activity does not create a conflict of interests with his role as the Company's internal auditor. The internal auditor does not fulfill any other function in the Company. The internal auditor serves as internal auditor in a few additional public companies.</p> <p>Similarly, the internal auditor and Fahn Kanne on whose behalf he is acting do not own securities of the Company or of an entity related thereto, and they have no business relationship or other material relationship with the Company or with an entity related thereto.</p>
<b>Manner of appointing the internal auditor</b>	<p>On 22 August 2021, the Company's board of directors appointed Mr. Yossi Ginossar as the Company's internal auditor, after he was recommended by the audit committee in question on 19 August 2021, following an examination of his experience and after meetings conducted with him and an immediate impression of him by the Company's management, the Company's audit committee, and the Company's board of directors. Mr. Ginossar was found suitable to serve as the Company's internal auditor, <i>inter alia</i> when considering the scope and complexity of the Company's activity.</p>
<b>The organizational entity supervising the internal auditor</b>	<p>The organizational entity supervising the Company's internal auditor is the chairman of the Company's board of directors.</p>
<b>Work plan</b>	<p>As of this date, the internal auditor's work plan has not yet been determined. The internal auditor's work plan shall be determined on an annual basis with the approval of the</p>

	audit committee.
<b>Audit abroad or of investee companies</b>	Audit abroad or of investee companies shall be scheduled with the approval of the audit committee, considering, <i>inter alia</i> , the nature and scope of the Company's activity.
<b>Scope of employment</b>	The internal auditor's scope of work shall be determined on an annual basis with the approval of the audit committee, considering, <i>inter alia</i> , the nature and scope of the Company's activity.
<b>Professional standards pursuant to which the internal auditor shall conduct the audit</b>	As the internal auditor informed the Company, the auditor is acting in accordance with the accepted professional standards as set forth in section 4(b) of the Internal Audit Law, 5752-1992, and pursuant to professional standards and guidelines determined by the Institute of Internal Auditors in Israel (IIA Israel). The board of directors relies on the internal auditor's reports regarding his compliance with the requirement of the professional standards, whereby he is conducting the audit.
<b>Access to information</b>	For purpose of fulfilling his role, the internal auditor has free, continuous, and immediate access, as stated in section 9 of the Internal Audit Law, 5752-1992, to the information systems of the Company and of investee companies, including financial data, documents, and the Company's operational sites in Israel.
<b>Report of the internal auditor</b>	As of the date of signing these Reports, the internal auditor has not yet submitted audit reports.
<b>The board of directors' assessment of the internal auditor's activity</b>	As of the date of signing these Reports, the internal auditor has not yet submitted audit reports.
<b>Remuneration:</b>	Remuneration to the internal auditor is comprised of

	payment that does not vary according to the audit results, and therefore does not affect the audit results. In the opinion of the board of directors, the internal auditor's remuneration does not affect his professional discretion.
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## 2.5. Disclosure regarding the Company's auditor

### 2.5.1. Identity of the auditor

The Company's auditors are Kesselman & Kesselman, Accountants (PwC Israel) (the "Auditing CPA").

### 2.5.2. Salary of the Auditing CPA

Following is data regarding the fee to be paid to the auditors for the auditing services, services related to auditing including tax services related to audit and other services in 2020 and 2021:

Services	Fee for 2021 (ILS thousands) (*)	Fee for 2020 (ILS thousands)
Auditing services	1,400	400
Services related to auditing including tax services related to audit	205	164
Other services	-	-

(\*) The amount includes auditing services and taxes accompanying the Company's initial public offering.

The fee for the Company's Auditing CPA was determined in negotiations between the Auditing CPA and the Company's management, based on an estimate of the number of working hours required by the Auditing CPA, and based on the scope of the audited activity and its complexity. The Auditing CPA's fees are determined by the Company's board of directors.

## 3. Material events after the report date on the financial situation

For details see Note 26 to the Company's consolidated financial statements as of 31 December 2021.

4. **Material valuations**

4.1. Below are details about material valuations, according to regulation 8B(i) to the Report Regulations:

4.1.1. **Valuation of an ordinary share (409A) for the financial statements**

<b>Identity of the valuation's subject:</b>	Valuation of an ordinary share
<b>Timing of the valuation:</b>	31 March 2021
<b>Value of the valuation's subject immediately prior to the valuation date if the accepted accounting rules, including depreciation and amortization, would not require its change in value according to the valuation:</b>	Not relevant
<b>Value of the valuation's subject that was determined according to the valuation:</b>	Ordinary share USD 1.95
<b>Details about the appraiser:</b>	Raphael Meyara - Head of the Financial Department - Raphael has a lot of experience in the area of valuations, Raphael is one of the founders of AlgoValue, a CT and valuations management system. Raphael worked as a supervisor at PWC for 3 years, where his activity included valuations of private and public companies in various segments. Raphael advised and advises CEOs and owners of startup companies, funds, and investors.

	<p>Raphael has an MBA in finance and strategic management from the Paris Dauphine University and a post-MBA from Tel Aviv University.</p> <p>Elior Zeitlani, CPA - Elior has experience in valuation and financial modeling, in the past he worked in valuations at the financial department of EY. Elior has a lot of experience in financial consulting, measuring financial instruments, and company valuations, as well as in accompanying merger and acquisition transactions.</p> <p>Elior has an MBA in financing and financial management from Bar Ilan University and a BA in Business Administration and Accounting from the Ono Academic College.</p>
<p><b>Is there an indemnification agreement with the appraiser?</b></p>	<p>No</p>
<p><b>The valuation model under which the appraiser acted:</b></p>	<p>2 scenarios were conducted:</p> <p>First, the Company was valued by using the multiplier method, thereafter, in order to determine the value of the Company's different shares, the OPM model was used, with the help of which the equity value can be divided between the various instruments.</p> <p>A second model assumed an IPO and completely flattening the equity according to the IPO value.</p>
<p><b>The assumptions under which the appraiser made the valuation, according to the valuation model:</b></p>	<p>Main multiplier assumptions - Use was made of the Company's actual revenues and of a multiplier of comparable listed companies of 5.45.</p> <p>OPM - The model assumed a liquidation event that would occur in approximately six months, a USD risk-free interest of 0.14% and a fluctuation rate based on comparable companies of 60.34%. The discount rate for an ordinary share that was taken into account is 17.276%</p> <p>Main assumptions IPO scenario:</p>

	Value at IPO - USD 900 million, in approximately six months, capitalization rate of 16%, and 7.82% discount on ordinary shares.
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4.1.2. **Valuation of the acquisition proceeds and of the allocation of the purchase cost for acquiring Weezmo**

<b>Identity of the valuation's subject:</b>	Valuating the acquisition proceeds of the Weezmo transaction, purchase price allocation (PPA) and revaluation of the deferred consideration and liability for the options arrangement as of 31 March 2021.
<b>Timing of the valuation:</b>	7 January 2021, and 31 March 2021
<b>Value of the valuation's subject immediately prior to the valuation date if the accepted accounting rules, including depreciation and amortization, would not require its change in value according to the valuation:</b>	Not relevant
<b>Value of the valuation's subject that was determined according to the valuation:</b>	Approximately USD 5.3 million as of 7 January 2021 and approximately USD 5.8 million as of 31 March 2021.
<b>Details about the appraiser:</b>	<p>Gil Finkelstein, Ph.D., founding partner of ClearStructure Ltd.</p> <p>Gil is an appraiser and quantitative analyst specializing in valuation of business and companies, as well as valuation and risk assessment for a broad range of financial derivatives and complex securities.</p> <p>Over the last 15 years Gil has conducted a wide range of valuations, including business activities and shares of companies, employee stock options, complex group</p>

	<p>securities, credit derivatives, interest derivatives etc., for private and public companies, investment and commercial banks from Israel, the US, Canada, Australia, New Zealand and Germany.</p> <p>Gil has a bachelor's degree in industrial engineering from Tel Aviv University, an MBA from the Hebrew University in Jerusalem, and a Ph.D. in corporate finance, also from the Hebrew University.</p>
<b>Is there an indemnification agreement with the appraiser?</b>	Indemnity agreement over three times the professional fee that was paid.
<b>The valuation model under which the appraiser acted:</b>	<p>Acquisition proceeds according to the consideration scenarios defined in the acquisition agreement.</p> <p>Customer relationships MPEEM</p> <p>Royalties model technology</p>
<b>The assumptions under which the appraiser made the valuation, according to the valuation model:</b>	<p>Equity price of 19%</p> <p>Royalty rate 5%</p> <p>Technology lifespan 7 years</p> <p>Customer relationship lifespan 10 years.</p>

8 March 2022

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**Mr. Yair Nechmad**  
**CEO of the Company and**  
**Chairman of the Board**

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**Mr. David Ben-Avo**  
  
**Director**

**NAYAX LTD.**  
Consolidated Financial Statements  
2021 annual report

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**Auditor's Report**  
to the Shareholders of  
**Nayax Ltd.**

We have audited the accompanying consolidated statements of financial position of Nayax Ltd. ("the Company") as of December 31, 2021 and 2020, and the consolidated statements of profit or loss, comprehensive income (loss), changes in equity and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2021 and 2020, and the results of their operations, changes in equity and their cash flows for each of the years then ended in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Securities Regulations (Annual Financial Statements), 2010.

Tel-Aviv,  
March 8, 2022

Kesselman & Kesselman  
Certified Public Accountants (Isr.)  
A member firm of PricewaterhouseCoopers International Limited

**NAYAX LTD.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<u>Note</u>	<b>December 31</b>	
		<b>2021</b>	<b>2020</b>
		<b>(Audited)</b>	
		<b>U.S. dollars in thousands</b>	
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	7	87,332	8,195
Restricted cash transferable to customers for processing activity	8	23,695	18,166
Short-term bank deposits		48	87
Receivables in respect of processing activity		14,395	7,213
Trade receivable, net	9	19,338	13,840
Inventory		7,691	5,041
Other current assets		3,549	1,976
<b>Total current assets</b>		<b>156,048</b>	<b>54,518</b>
<b>NON-CURRENT ASSETS:</b>			
Long-term bank deposits		1,033	798
Other long-term assets		1,252	-
Investment in associate	6c	8,372	-
Right-of-use assets, net	10	5,275	4,761
Property and equipment, net	11	6,225	5,047
Goodwill and intangible assets, net	12	37,801	27,388
Deferred income tax	16	-	241
<b>Total non-current assets</b>		<b>59,958</b>	<b>38,235</b>
<b>TOTAL ASSETS</b>		<b>216,006</b>	<b>92,753</b>

**The accompanying notes are an integral part of these financial statements.**

**NAYAX LTD.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	December 31	
		2021	2020
		(Audited)	
		U.S. dollars in thousands	
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Short-term bank credit	13	-	11,589
Current maturities of long-term bank loans	13	2,406	1,938
Current maturities of loans from others and other long-term liabilities	14, 15	3,600	3,727
Current maturities of lease liabilities	10	1,502	1,320
Payables in respect of processing activity		42,826	27,181
Trade payables		9,136	10,998
Other payables		10,718	5,498
<b>Total current liabilities</b>		<b>70,188</b>	<b>62,251</b>
<b>NON-CURRENT LIABILITIES:</b>			
Long-term bank loans	13	2,760	5,391
Long-term loans from others and other long-term liabilities	14, 15	4,299	6,036
Post-employment benefit obligations, net		602	894
Lease liabilities	10	5,393	5,154
Deferred income taxes	16	1,088	526
<b>Total non-current liabilities</b>		<b>14,142</b>	<b>18,001</b>
<b>TOTAL LIABILITIES</b>		<b>84,330</b>	<b>80,252</b>
<b>EQUITY:</b>			
Equity attributed to parent company's shareholders:	17		
Share capital		8	7
Additional paid in capital		150,366	16,689
Capital reserves		9,999	9,238
Accumulated deficit		(28,697)	(13,433)
<b>TOTAL EQUITY</b>		<b>131,676</b>	<b>12,501</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>216,006</b>	<b>92,753</b>

\_\_\_\_\_  
**Yair Nechmad**  
**CEO**

\_\_\_\_\_  
**David Ben Avi**  
**Director**

\_\_\_\_\_  
**Sagit Manor**  
**CFO**

Date of approval of the financial statements: March 8, 2022.

**The accompanying notes are an integral part of these financial statements.**

**NAYAX LTD.**  
**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

	<b>Note</b>	<b>Year ended December 31</b>	
		<b>2021</b>	<b>2020</b>
		<b>(Audited)</b>	
		<b>U.S. dollars in thousands</b>	
		<b>(Excluding loss per share data)</b>	
Revenues	18	119,134	78,783
Cost of revenues	19	<u>(70,970)</u>	<u>(41,603)</u>
<b>Gross Profit</b>		48,164	37,180
Research and development expenses	20	(19,040)	(9,300)
Selling, general and administrative expenses	21	(45,379)	(26,545)
Depreciation and amortization in respect of technology and capitalized development costs	12	(3,810)	(3,559)
Other expenses	1a	(1,879)	-
Equity method investee	6c	<u>(538)</u>	<u>-</u>
<b>Loss from ordinary operations</b>		(22,482)	(2,224)
Finance expenses, net	22	<u>(1,655)</u>	<u>(3,874)</u>
<b>Loss before taxes on income</b>		(24,137)	(6,098)
Tax benefit (expense)	16	<u>(632)</u>	<u>15</u>
<b>Loss for the year</b>		<u>(24,769)</u>	<u>(6,083)</u>
<b>Attribution of income (loss) for the year:</b>			
To shareholders of the Company		(24,763)	(6,254)
To non-controlling interests		<u>(6)</u>	<u>171</u>
<b>Total</b>		<u>(24,769)</u>	<u>(6,083)</u>
<b>Loss per share attributed to shareholders of the Company:</b>			
Basic and diluted loss per share	23	<u>(0.0820)</u>	<u>(0.0252)</u>

**The accompanying notes are an integral part of these financial statements.**

**NAYAX LTD.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

	<b>Year ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Audited)</b>	
	<b>U.S. dollars in thousands</b>	
<b>Loss for the year</b>	(24,769)	(6,083)
 <b>Other comprehensive income (loss) for the year:</b>		
<b>Items that will not be recycled to profit or loss:</b>		
Gain (loss) from remeasurement of liabilities (net) in respect of post-employment benefit obligations	431	(126)
<b>Items that may be recycled to profit or loss:</b>		
Gain from translation of financial statements of foreign activities	87	243
<b>Total comprehensive loss for the year</b>	<b>(24,251)</b>	<b>(5,966)</b>
 <b>Attribution of total comprehensive income (loss) for the year:</b>		
To shareholders of the Company	(24,181)	(6,137)
To non-controlling interests	(70)	171
<b>Total comprehensive loss for the year</b>	<b>(24,251)</b>	<b>(5,966)</b>

**The accompanying notes are an integral part of these financial statements.**

**NAYAX LTD.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

Equity attributed to shareholders of the Company										
	Share capital	Additional paid in capital	Remeasurement of post-employment benefit obligations	Other capital reserves	Call option to purchase shares of subsidiary	Foreign currency translation reserve	Accumulated deficit	Total equity attributed to shareholders of the Company	Non-controlling interests	Total equity
U.S. dollars in thousands										
<b>Balance at January 1, 2020</b>	7	16,689	(203)	9,680	(493)	-	(11,026)	14,654	1,015	15,669
<b>Changes during the year;</b>										
Income (loss) for the year	-	-	-	-	-	-	(6,254)	(6,254)	171	(6,083)
Other comprehensive income (loss) for the year	-	-	(126)	-	-	243	-	117	-	117
Transactions with non-controlling interests	-	-	-	(356)	493	-	-	137	(1,186)	(1,049)
Share-based payment	-	-	-	-	-	-	3,847	3,847	-	3,847
<b>Balance at December 31, 2020 (audited)</b>	<u>7</u>	<u>16,689</u>	<u>(329)</u>	<u>9,324</u>	<u>-</u>	<u>243</u>	<u>(13,433)</u>	<u>12,501</u>	<u>-</u>	<u>12,501</u>
<b>Changes during the year;</b>										
Loss for the year	-	-	-	-	-	-	(24,763)	(24,763)	(6)	(24,769)
Other comprehensive income (loss) for the year	-	-	431	-	-	151	-	582	(64)	518
Non-controlling interests from business combination (See note 6b)	-	-	-	-	-	-	-	-	1,530	1,530
IPO (See note 1)	1	132,559	-	-	-	-	-	132,560	-	132,560
Transactions with non-controlling interests (See note 6b)	-	-	-	205	-	-	-	205	(1,460)	(1,255)
Business combination under common control (see note 6e)	-	-	-	(26)	-	-	-	(26)	-	(26)
Employee options exercised	(*)	1,118	-	-	-	-	-	1,118	-	1,118
Share-based payment	-	-	-	-	-	-	9,499	9,499	-	9,499
<b>Balance at December 31, 2021 (audited)</b>	<u>8</u>	<u>150,366</u>	<u>102</u>	<u>9,503</u>	<u>-</u>	<u>394</u>	<u>(28,697)</u>	<u>131,676</u>	<u>-</u>	<u>131,676</u>

(\*) Represents an amount lower than \$1 thousand.

**The accompanying notes are an integral part of these financial statements.**

**NAYAX LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Year ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Audited)</b>	
	<b>U.S. dollars in thousands</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss for the year	(24,769)	(6,083)
Adjustments required to reflect the cash flow from operating activities (see Appendix A)	11,963	12,571
<b>Net cash provided by (used in) operating activities</b>	<b>(12,806)</b>	<b>6,488</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capitalized development costs	(6,059)	(5,731)
Acquisition of property and equipment	(2,637)	(2,125)
Loans extended to others	-	(141)
Investments in associates	(6,449)	-
Loans repaid by shareholders	61	786
Increase in bank deposits	(352)	(411)
Payments for acquisitions of subsidiaries, net of cash acquired	418	(686)
Payment of deferred consideration with respect to business combinations	(7,335)	(580)
Interest received	2	14
Investments in financial assets	(446)	-
Proceeds from sub-lessee	158	302
<b>Net cash used in investing activities</b>	<b>(22,639)</b>	<b>(8,572)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Initial public offering (IPO)	132,560	-
Interest paid	(630)	(1,065)
Changes in short-term bank credit	(11,393)	2,976
Support received (royalties paid) in respect to government assistance plans	(199)	16
Transactions with non-controlling interests	(1,069)	(1,049)
Receipt of long-term bank loans	-	4,734
Repayment of long-term bank loans	(1,971)	(1,003)
Receipt of long-term loans from others	-	3,804
Repayment of long-term loans from others	(2,175)	(920)
Receipt of loans from shareholders	8,900	-
Repayment of loans from shareholders	(8,900)	-
Decrease in other long-term liabilities	(295)	(280)
Employee options exercised	718	-
Principal lease payments	(1,406)	(1,167)
<b>Net cash provided by financing activities</b>	<b>114,140</b>	<b>6,046</b>
<b>Increase in cash and cash equivalents</b>	<b>78,695</b>	<b>3,962</b>
<b>Balance of cash and cash equivalents at beginning of year</b>	<b>8,195</b>	<b>4,412</b>
<b>Gains (losses) from exchange differences on cash and cash equivalents</b>	<b>626</b>	<b>(222)</b>
<b>Gains (losses) from translation of cash and cash equivalents of foreign activity</b>	<b>(184)</b>	<b>43</b>
<b>Balance of cash and cash equivalents at end of year</b>	<b>87,332</b>	<b>8,195</b>

**The accompanying notes are an integral part of these financial statements.**

**NAYAX LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Year ended December 31**  
**2021**      **2020**  
**(Audited)**  
**U.S. dollars in thousands**

**Appendix A – adjustments required to reflect the cash flows from operating activities:**

Adjustments in respect of:

Depreciation and amortization	7,198	5,908
Post-employment benefit obligations, net	139	106
Deferred taxes	25	(230)
Finance expenses, net	269	3,428
Expenses in respect of long-term employee benefits	193	5
Share in losses of associate company	538	-
Long-term deferred income	(26)	-
Expenses in respect of share-based payment	8,850	2,965
Total adjustments	<u>17,186</u>	<u>12,182</u>

Changes in operating asset and liability items:

Increase in restricted cash transferable to customers for processing activity	(5,529)	(11,930)
Decrease (increase) in receivables from processing activity	(5,429)	5,003
Increase in trade receivables	(5,136)	(3,894)
Increase in other current assets	(1,352)	(389)
Increase in inventory	(2,631)	(511)
Increase in payables in respect of processing activity	13,832	7,203
Increase (decrease) in trade payables	(3,775)	3,154
Increase in other payables	4,797	1,753
Total changes in operating asset and liability items	<u>(5,223)</u>	<u>389</u>
Total adjustments required to reflect the cash flow from operating activities	<u>11,963</u>	<u>12,571</u>

**Appendix B – Information regarding investing and financing activities not involving cash flows:**

Purchase of property and equipment on credit	<u>118</u>	<u>575</u>
Acquisition of patents against derecognition of loan	<u>-</u>	<u>806</u>
Acquisition of right-of-use assets through lease liabilities	<u>1,428</u>	<u>1,235</u>
Share based payments costs attributed to development activities, capitalized as intangible assets	<u>649</u>	<u>883</u>
Exercised options against other receivables	<u>400</u>	<u>-</u>

**The accompanying notes are an integral part of these financial statements.**

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – GENERAL**

- a.** Nayax Ltd. (hereafter – the “Company”) was incorporated in January 2005. The Company provides processing and software as a service (SaaS) business operations solutions and services via a global platform. The Company is marketing its POS devices and SaaS solutions it developed in more than 60 countries worldwide (including Israel) through subsidiaries (the Company and the subsidiaries, hereafter – the “Group”) and through local distributors.

On May 13, 2021, the Company completed an initial public offering (IPO) on the Tel Aviv stock exchange in which it sold 44 million ordinary shares of NIS 0.0001 par value each for a gross amount, before issuance costs, of \$141.6 million and \$132.5 million net of issuance costs.

Additionally, as part of the IPO, 19.5 million ordinary shares of the Company were sold by Mr. Yair Nechmad, Mr. Amir Nechmad and Mr. David Ben-Avi for \$62 million.

The IPO was a non-uniform offering, as this term is defined by Israeli Securities Regulations (Manner of Offering Securities to the Public), 2007, to institutional investors in Israel and outside of Israel.

The IPO expenses in the profit or loss report were \$1,879 thousand, which include bonuses in respect of the IPO to a number of its employees for a total of \$979 thousand.

**b. Impact of COVID-19**

a) General

In December 2019, the COVID-19 pandemic broke out in China, which quickly spread worldwide in early 2020, causing global economic uncertainty and distress due to mandatory shut-downs of many businesses, slower manufacturing and disruption of national and international shipments and travel (hereinafter: "COVID"), while on the other hand, significantly increased global demand for different electronic products. This trend coupled with the slowdown in manufacturing, created a global shortage for the components required to make many electronic products.

As part of the efforts to cope with COVID, most countries worldwide imposed certain restrictions on their populations, including limits on movement, gathering in the public space; caps on the numbers of employees allowed in workplaces and more. Those restrictions have had a direct impact on many industries, with some of them experiencing complete halt.

Such global shortage in the availability of components started to adversely affect the gross profit rate from selling the hardware since third quarter of 2021, due to an increase in the price of many components used by the Company for manufacturing its hardware products, some of them significantly.

b) Efficiency plans

In response to the COVID crisis in Israel and worldwide, the Company implemented two efficiency plans for coping with the situation. The first plan started shortly after the outbreak in March 2020. This plan mostly involved a 15%-20% reduction in monthly hours of employees and sent 10% of its staff in Israel on unpaid leave. This plan ended in July 2020.

The second efficiency plan implemented by the Company began in October 2020. The plan mostly involved a reduction of up to 10% of Israeli-based employees' salaries. This plan ended in January 2021. For the avoidance of doubt, all employees sent on unpaid leave returned to normal work, and all payroll reductions and/or hour cuts were eliminated.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – GENERAL** (continued):

**b. Effect of COVID-19** (continued):

c) Government support

- Government guarantee loans

In May 2020, the Company received from an Israeli bank a 15 million NIS (\$4.25 million) long-term loan that is backed by a government guarantee, as part of the government assistance plan due to COVID. For more information on the terms of the loan, see note 13(b)(2).  
For list of liens to secure the loan, see note 25(a)(3).

- Additionally, support was received from governments in the domicile of a number of subsidiaries:

- The Australian government – an employment encouragement grant of AU\$222 thousand (US\$170 thousand).
- The US government - Forgivable loans totaling \$483 thousand were received and forgiven. Accordingly, these loans were derecognized against a decrease in the payroll expenses in respect of which the loans were received.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

**a. Basis of presentation:**

The financial statements of the Group as of December 31, 2021 and 2020 and for the two years ended December 31, 2021, are in compliance with International Financial Reporting Standard (hereafter – “IFRS”), as issued by the International Accounting Standards Board (hereafter – “IASB”) and include the additional disclosure required under the Israel Securities Regulations (Preparation of Annual Financial Statements), 2010 and Israel Securities Regulations (Financial Statements for corporation whose shares are included in Tel Aviv Tech Elite index), 2016.

In connection with the presentation of these financial statements, the following is stated:

- 1) The principal accounting policies set out below have been consistently applied to all periods presented, unless otherwise stated.
- 2) The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Group’s management to exercise its judgment in the process of applying the Group’s accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3. Actual results may differ materially from estimates and assumptions used by the Group's management.
- 3) The Group's operating cycle is 12 months.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

**b. Consolidated financial statements**

1) Subsidiaries and business combinations

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company. They are deconsolidated from the date that control ceases.

When assessing control, the Company considers its potential voting rights, as well as such rights held by other parties to determine whether it has power over an investee. Potential voting rights are rights to obtain voting rights of an investee, such as those arising from convertible instruments or options, including forward contracts. Those potential voting rights are considered only if the rights are substantive.

Business combinations are accounted for using the acquisition method. The cost of acquisition is measured at the fair value of the consideration transferred on acquisition date plus non-controlling interests in the acquired entity. In each business combination, the Group determines whether to recognize non-controlling interests in the acquired entity at fair value on acquisition date or proportionally to the share of non-controlling interests at the fair value of net identifiable assets of the acquired entity.

Goodwill represents the excess of the acquisition consideration and the amount of non-controlling interests and acquisition-date fair value of any previous equity interest in the acquired entity over the net identifiable assets acquired and liabilities assumed. If the resulting amount is negative, the acquirer recognizes the resulting gain on the acquisition date.

Intra-group transactions and balances, including revenues, expenses and dividends in respect of transactions between Group entities were eliminated. Gains and losses on intra-group transactions that are recognized as assets (such as inventory and property and equipment) are also eliminated.

Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2) Transactions with non-controlling interests' owners which do not result in loss of control

Transactions with non-controlling interests owners which do not result in loss of control are accounted for as transactions with shareholders. In such transactions, the difference between the fair value of any consideration paid or received and the amount in which the non-controlling interests are adjusted to reflect the changes in their proportional interest in a subsidiary are recognized directly in equity and attributed to the owners of the Company.

3) Associates

An associate is an entity over which the Group exercises significant influence, but not control. The investment in an associate is accounted for by the equity method.

4) The equity method

According to the equity method of accounting, the investment is initially recognized at cost and its carrying amount varies such that the Group recognizes its share of the associate's earnings or losses from acquisition date.

Goodwill relating to associates and joint ventures is included in the investment's carrying amount and tested for impairment as part of the entire investment.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

**b. Consolidated financial statements** (continued):

4) The equity method (continued):

The Group's share of post-acquisition profit or loss is recognized in the statements of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equal or exceeds its interest in the associate (including any other unsecured receivables), the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there are any indications that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment (the higher of the value in use and the fair value less costs to sell) and its carrying amount and recognizes the impairment amount in the income statement.

**c. Translation of foreign currency balances and transactions:**

1) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (hereafter - the "Functional Currency"). When determining the functional currency of Group companies and whether their functional currency is identical to that of the Company, the materiality of the foreign operations as an extension of the reporting entity was taken into account.

The consolidated financial statements are presented in US Dollars which is the functional and presentation currency of the Company and Group entities, except Nayax Retail and Weezmo, whose functional currency is the NIS.

Set forth below are the exchange rates of the US Dollar against the NIS, Euro, Pound Sterling and Australian Dollar as of December 31, 2021 and 2020:

	Exchange rate of the US Dollar against the NIS	Exchange rate of the US Dollar against the Euro	Exchange rate of the US Dollar against the Pound Sterling	Exchange rate of the US Dollar against the Australian Dollar
December 31, 2021	3.11	0.884	0.74	1.376
December 31, 2020	3.215	0.814	0.736	1.305

2) Transactions and balances

Transactions made in a currency which is different from the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or revaluation, if the items are revalued. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the end-of-year exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

Gains and losses from changes in exchange rates are presented in the statement of profit or loss among "finance expenses, net".

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

**c. Translation of foreign currency balances and transactions** (continued):

3) Translation of financial statements of Group entities:

The results and financial position of Group entities, whose functional currency is different than the presentation currency, are translated into the presentation currency as follows:

- (a) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- (b) Income and expenses for each statement of profit or loss are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations whose functional currency is different than that of the Company are recognized in other comprehensive income. When a foreign operation is fully disposed of, exchange differences that were recorded in other comprehensive income are recognized in the statement of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from acquisition of foreign operations, are accounted for as assets and liabilities of the foreign operations and translated at closing rate. Exchange differences arising from the translation as aforesaid are carried to other comprehensive income.

**d. Cash and cash equivalents**

Cash and cash equivalents include cash on hand and short-term bank deposits, which are not restricted by liens, with original maturities of three months or less. For additional information about the restricted cash, see note 8 below.

**e. Inventory**

Finished goods inventories purchased by the Company are stated at the lower of cost and net realizable value. Cost is determined on a moving average basis. The cost of inventory includes all acquisition costs, conversion costs and other direct costs incurred in bringing the inventory to its current location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The Group periodically reviews the condition and age of the inventory, and where necessary makes impairment provisions.

**f. Property and equipment**

Property, plant and equipment items are initially recognized at acquisition cost. Subsequent costs are included as incurred in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When a part of a property, plant and equipment item is replaced, its value is derecognized. All other repair and maintenance costs are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to depreciate their cost to their residual value over their estimated useful lives, as follows:

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

**f. Property and equipment** (continued):

	%
Computers and peripheral equipment	33
Rental of POS devices	20
Machinery and equipment	10

Leasehold improvements are depreciated by the straight-line method over the earlier of the term of the lease or the estimated useful life of the improvements.

The assets' residual values, their useful lives and the depreciation method are reviewed and adjusted, if appropriate, at least once a year.

**g. Intangible assets:**

1) Research and development

Intangible assets arising from development projects or from internally-developed new products, development of internally-used operational systems and integration of external systems with the Group's existing systems, are recognized as intangible assets, subject to the following conditions being met:

- a) The technical feasibility of completing the intangible asset so that it will be available for use exists;
- b) Management intends to complete the intangible asset and use or sell it;
- c) There is an ability to use or sell the intangible asset;
- d) The way the intangible asset will generate probable future economic benefits is demonstrable;
- e) The technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- f) The expenditure attributable to the intangible asset during its development can be reliably measured.

The Group monitors all its development projects to identify costs for recognition as an expense in profit or loss and costs for capitalization as an asset in the statement of financial position by making a distinction between:

- (1) Investments in new products (hardware and software), as opposed to expenses aimed at maintaining normal functionality;
- (2) Investment in integrations and opening markets; and
- (3) Investment in software for own use.

The Group reviews, in relation to each investment, whether it is designed to substantially enhance the functionality in a way that would increase the economic benefit flowing to the Group (i.e. higher revenue and/or cost savings).

Investments designed to enhance functionality in a way that would increase the economic benefit flowing to the Group are capitalized as an asset and presented within "goodwill and intangible assets, net" in the statement of financial position (subject to satisfying the six terms listed above).

The main types of costs that are capitalized as an intangible asset as of December 31, 2021 and 2020 are:

- (1) Payroll costs and related expenses (including costs of share-based payment plans), which are attributed by the Group to the different projects that meet the conditions for capitalization;
- (2) Cost of subcontractors, which are specifically identified to projects that meet the conditions for capitalization.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

**g. Intangible assets** (continued):

1) Research and development (continued):

Research costs are expensed as incurred to the "research and development expenses" item in the statement of profit or loss. Research costs of the Group in the reported periods are immaterial to its financial statements.

Development costs designed to maintain normal functionality or insignificantly enhance functionality, as well as development costs that are not identified with a project that can be capitalized, are expensed as incurred to "research and development expenses" in profit or loss.

Research and development expenses that were previously expensed to profit and loss are not recognized as intangible assets in subsequent reporting periods.

Development costs presented as intangible assets are amortized from the point in time in which the asset is available for use, on a straight-line basis, over their useful lives (5 years).

Development assets which have not yet reached the point in which the asset is available for use are tested for impairment every year.

2) Distribution rights

Distribution rights purchased as part of a business combination are recognized at fair value on the acquisition date. Separately purchased distribution rights are recognized at cost, plus directly attributable acquisition costs. The distribution rights have a definite useful life (20 years), and they are presented net of accumulated amortization on a straight-line basis.

3) Customer relationships

Customer relationships purchased as part of a business combination are recognized at fair value on the acquisition date. Separately purchased customer relationships are recognized at cost, plus directly attributable acquisition costs. The customer relationships have a definite useful life (10 years), and they are presented net of accumulated amortization on a straight-line basis.

4) Technology

Technology purchased as part of a business combination is recognized at fair value on the acquisition date. Technology has a definite useful life (5-7 years) and is presented net of accumulated amortization on a straight-line basis.

5) Goodwill

Goodwill arising from the acquisition of a subsidiary represents the overall excess of: (1) the consideration transferred; (2) the amount of any non-controlling interests in the acquiree; (3) in a business combination achieved in stages, also the existing fair value as of the acquisition date of the Group's previously held equity interest in the acquiree, over the net amount as of the acquisition date, of the identifiable assets acquired and the acquiree's liabilities and contingent liabilities assumed.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated, as from the acquisition date to each of the cash generating units or groups of cash generating units of the Group that are expected to benefit from the synergies of the combination.

Impairment testing of a cash generating unit to which goodwill was allocated is undertaken annually and whenever there is any indication of impairment of the cash generating unit, by comparing the carrying amount of the cash generating unit, including the goodwill, to its recoverable amount, which is the higher of its value in use and the fair value less costs to sell.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

**g. Intangible assets** (continued):

5) Goodwill (continued):

Any impairment loss is first allocated to write-down the carrying amount of any goodwill allocated to the cash generating unit, and afterwards to the remaining assets of the cash generating unit, on a proportionate basis using the carrying amounts of each asset of the cash generating unit.

Any impairment loss on goodwill is recognized immediately in profit or loss and is not subsequently reversed.

**h. Impairment of non-financial assets**

Assets that have an indefinite useful life, such as goodwill, as well as intangible assets that are not yet available for use, are not amortized and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that such assets might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling costs and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels of identifiable cash flows (cash-generating units). Non-monetary assets, other than goodwill, that were impaired are reviewed for possible reversal of the impairment recognized in respect thereof at each statement of financial position date.

**i. Leases:**

The Group accounts for a contract as a lease contract if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

1) The Group as a lessee:

In transactions in which the Group acts as lessee, the Group recognizes a right-of-use asset against a lease liability on the commencement date of the lease contract, except in the case of lease transactions with a lease term of up to 12 months and lease transactions for which the underlying asset is of low value; in those cases, the Group recognizes the lease payments on a straight-line basis as an operating cost over the lease period.

As part of the measurement of the lease liability, the Group does not separate between lease and non-lease components, such as: management services, maintenance services and more, which are included in the relevant transaction.

The lease liability on the commencement date includes outstanding lease payments discounted by the interest rate implicit in the lease, if that rate can be readily determined, or by the lessee's incremental borrowing rate. The Group used the incremental borrowing rate, which is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Subsequent to the commencement date, the Company measures the lease liability using the effective interest method.

The right-of-use asset on the commencement date is measured based on the lease liability plus lease payments paid on or before inception date plus initial direct costs and less lease incentives received. The right-of-use asset is measured using the cost model and depreciated over the shorter of its useful life and the lease period. When there are indications for impairment, the Group tests the right-of-use asset for impairment in accordance with the provisions of IAS 36.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

**i. Leases** (continued):

2) The Group as a lessor:

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognizing an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortized cost (i.e. after a deduction of the loss allowance).

3) Subleases

In transactions where the Group leases an underlying asset (a head lease) and sub-leases that underlying asset to a third party (sublease), the Group checks whether the risks and rewards relevant to the right-of-use asset were transferred by, among other things, checking the sub-lease period in reference to the useful life of the right-of-use asset arising from the head lease.

When substantially all the risks and rewards incidental to ownership of the right-of-use asset were transferred, the Group accounts for the sub-lease as a finance lease. At sublease commencement date, the leased asset is derecognized and a "receivable in respect of finance lease" is recognized in an amount equal to the present value of the lease proceeds discounted by the lease's implicit interest rate. Any difference between the balance of the leased asset prior to derecognition and the receivable balance in respect of the lease is recognized in profit and loss.

**j. Government grants**

Government grants are recognized at fair value when there is reasonable assurance that the grant will be received and that the Group will meet all the terms attached thereto. A forgivable loan from a government is treated as a government grant when there is reasonable assurance that the Group will meet the terms for forgiveness of the loan.

Government grants relating to costs are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants received as participation in research and development carried out by the Group fall into the scope of "forgivable loans" as defined in IAS 20 – "Accounting for Government Grants and Disclosure of Government Assistance".

In cases where on the date on which the entitlement to receive the grant is established (hereafter – the "entitlement date") the Group's management concludes that there is no reasonable assurance that the grant to which the Group is entitled will not be repaid, the Group recognizes, on that date, a financial liability accounted for in accordance with the provisions applicable under IFRS 9 to financial liabilities measured using the effective interest method.

In cases where the Group's management concludes that there is reasonable assurance that the grant received will not be repaid, or if it is not expected that the Company will be required to pay royalties in respect thereof, the grant is carried, at that date, to profit or loss as a reduction of research and development expenses.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

**j. Government grants** (continued):

If in subsequent periods the Group's management concludes for the first time that the grant will be repaid or that royalties will be paid by the Group in respect thereof, the Group recognizes a financial liability on that date, against profit or loss as an increase in research and development expenses. This liability will be measured at amortized cost in accordance with the provisions of IFRS 9 using the effective interest method. Amounts payable on account of repayment of the grant or as royalties are recognized as the settlement of the liability.

**k. Financial instruments:**

Classification of financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss and financial assets at amortized cost. The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows in respect thereof.

Financial assets at amortized cost are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss are financial assets not classified into one of the categories of financial assets at amortized cost or financial assets at fair value through other comprehensive income.

These assets are classified as current assets, except if they are expected to be settled within more than 12 months after the statement of financial position date, in which case they are classified as non-current assets. The Group's financial assets at amortized cost are included in the following items: "receivables in respect of processing activity", "trade receivable", "other current assets", "cash and cash equivalents", "short-term bank deposits", "restricted cash transferable to customers in respect of processing activity", "long-term receivables" and "long-term bank deposits" in the statement of financial position.

Recognition and measurement

Ordinary course purchase and sales of financial assets are recorded in the Group's books of accounts on the date on which the asset is delivered to the Group or by the Group.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership associated with these assets. Financial assets at fair value through profit or loss are presented in subsequent periods at fair value. In subsequent periods, financial assets at amortized cost are measured based on the effective interest method.

Financial assets measured at fair value through profit or loss are initially recognized at fair value and transaction costs are carried to income or loss. Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in income or loss under "finance expenses, net", in the period in which they are incurred.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

**k. Financial instruments** (continued):

Impairment of financial assets measured at amortized cost

The Group recognizes a provision for loss in respect of expected credit losses on debt instruments measured at amortized cost, lease receivables and assets in respect of contracts with customers that arise from transactions within the scope of IFRS 15.

At each statement of financial position date, the Group assesses whether the credit risk of the financial asset has increased significantly since it was initially recognized, whether assessed on an individual or collective basis. For that purpose, the Group compares the risk of default at the reporting date with the risk of default on the initial recognition date, taking into account all reasonable and supportable information that is available, including forward-looking information.

For financial assets that experience a significant increase in their credit risk since initial recognition, the Group measures the impairment for loss at the amount of expected credit losses over the entire life of the instrument. Otherwise, the provision for loss is measured at the expected credit loss in a 12-month period.

However, the Group measures the provision for loss at an amount equal to expected credit losses over the instrument's life for trade receivables or assets in respect of contract with customers arising from transactions within the scope of IFRS 15, and for receivables in respect of lease, stemming from transactions within the scope of IFRS 16.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position, only when there is an immediate legally enforceable right (which is not conditional upon the occurrence of a future event) to offset the recognized amounts under all of the following circumstances: in the ordinary course of business, in the event credit default, insolvency or bankruptcy of the entity and of all counterparties, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Financial liabilities

Upon initial recognition, the Group measures the financial liabilities at fair value net of transaction costs. In subsequent periods loans are measured at amortized cost. Any differences between the consideration (net of transaction costs) and the redemption value are recognized in the statement of profit or loss over the term of the loan, in accordance with the effective interest method. Financial liabilities are classified as measured at amortized cost or at fair value through profit or loss.

Fees paid in respect of receipt of a credit facility are recognized as transaction costs attributed to the relevant loan, to the extent that it is probable that a portion or all of the credit facility amount shall be utilized. In such a case, the recognition of fees is deferred until the funds are actually withdrawn as part of the loan. If there is no evidence that a portion or all of the credit facility will be utilized, the fee is capitalized as a prepaid payment in respect of financing services and amortized over the term of the relevant credit facility.

Loans are classified as current liabilities, unless if the Group has an unconditional right to defer the settlement of the loans by at least 12 months after the end of the reporting period, in which case they are classified as non-current liabilities.

**l. Trade receivables**

Trade receivables are amounts due from customers for sales of POS devices or services performed in the ordinary course of business.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

**m. Trade payables**

Trade payables are the Group's obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business.

**n. Income taxes**

Income tax expense or benefits for the reported years include current and deferred taxes. Taxes are recognized in profit or loss, except for taxes arising from business combination and taxes relating to items carried to other comprehensive income or directly to equity, which are also recognized in other comprehensive income or equity, respectively, together with the item in respect of which they were created.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted in the countries in which Group companies operate and generate taxable income at the statement of financial position date. The Group periodically evaluates the tax aspects applicable to its taxable income based on the relevant tax laws and makes provisions in accordance with the amounts expected to be paid to the tax authorities.

The Group recognizes deferred income tax using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The amount of deferred taxes is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized for all temporary differences that are tax deductible, up to the amount of the differences that are expected to be utilized in the future, against taxable income. Deferred tax assets are recognized in respect of unused carryforward losses, if it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

The Group does not recognize deferred taxes on temporary differences arising on investments in subsidiaries, since the timing of the reversal of the temporary differences is controlled by the Group and it is probable that these temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are set off only if:

- An enforceable legal right exists to set off current tax assets against current tax liabilities; and
- Deferred tax assets and liabilities relate to income tax imposed by the same tax authority on the same entity or on different entities that intend to settle the balances on a net basis.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

**o. Employee benefits:**

1) Post-employment benefits:

a. Defined contribution plans

For most of its employees in Israel, the Company operates various pension and severance pay schemes which were approved in accordance with Section 14 to the Severance Pay Law. The schemes are generally funded through payments to insurance companies or trustee-administered funds. These plans constitute defined contribution plans since the Company pays fixed contributions into separate and independent entities. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognized as an expense for employee benefits when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

b. Defined benefit plans

Labor laws and agreements in Israel, and the practice of the Group, require it to pay retirement benefits to employees dismissed or retiring in certain other circumstances. The amounts of benefits that such employees are entitled to receive upon retirement is based on the number of years of employment and the employee's last monthly salary, subject to the conditions set in the agreements. These liabilities are accounted for as defined benefit plans.

Total retirement benefit obligation as recognized in the statements of financial position is the present value of the defined benefit obligation at the statement of financial position date, less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

The present value of the obligation is determined by discounting the estimated future cash outflows (after taking into account the expected rate of salary increases) using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability.

The Company recognizes remeasurements of the net defined benefit obligations in other comprehensive income in the period in which they are incurred. Those remeasurements are created as a result of experience adjustments and changes in actuarial assumptions and differences between plan assets return and the amounts included in net interest on net defined benefit obligations.

Past and current service costs are recognized immediately in profit or loss under the payroll line items, while interest expenses on the net liabilities are recognized in expense on a current basis under the finance expenses line item.

"Plan assets", as defined in IAS 19, are measured at fair value, and they are deducted from the balance of the defined benefit obligation for statement of financial position presentation.

2) Other long-term benefits

Other long-term employee benefits are employee benefits that are not short term, post-employment and termination benefits, as defined in IAS 19. The liability for other long-term employee benefits is measured in the same way of measuring the obligation for defined benefit plans (see (1) above). However, remeasurements of other long-term employee benefits are not recognized in other comprehensive income, but to profit or loss.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

**o. Employee benefits** (continued):

3) Vacation and recreation benefits

Under labor laws in Israel every employee is legally entitled to vacation and recreation benefits, both computed on an annual basis. This entitlement is based on the term of employment. The Group charges a liability and expense due to vacation and recreation pay, based on the benefits that have been accumulated for each employee.

Where the Group expects that the liability in respect of the vacation pay benefit will be settled within 12 months from the end of the annual reporting period during which the employees provided the relating services, the liability in respect of this benefit is measured in accordance with the additional amount, which the Group expects to pay in respect of the unutilized benefit accrued as of the end of the reporting period. If the Group does not expect that the liability in respect of the vacation pay benefit will be settled in full within that period, the liability for this benefit is measured as a liability for other long-term employee benefits (see (2) above).

**p. Revenue recognition**

The Group has revenues from sales of Point of Sales (POS) devices, software as a service (SaaS) and payment processing fees.

1) Revenue measurement

The revenue of the Group is measured at the amount of the consideration to which the Group expects to be entitled in exchange for transferring promised terminals or services to a customer, excluding amounts collected on behalf of third parties, such as certain selling taxes. Revenue is presented net of VAT and after elimination of intra-group revenue.

2) Timing of revenue recognition

The Group recognizes revenue when the customer obtains control of the promised goods or service under the contract with the customer. For each performance obligation, the Group determines, when entering into a contract, if it satisfies the performance obligation over time or at a point in time.

An entity satisfies a performance obligation over time if one of the following criteria is met: (1) the customer is receiving and consuming the benefits of the Group's performance as the Group performs; (2) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (3) the Group's performance does not create an asset with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to that date.

3) Types of revenues of the Group

Revenue from sales of POS devices

The Group sells POS devices to customers.

Pursuant to IFRS 15, goods or services promised to a customer are distinct if the customer can benefit from the good or service supplied (either on its own or together with other resources that are readily available); and the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

The POS devices sold to the Group's customers enable multiple functionalities. The sale of the POS device does not oblige the customer to purchase a full solution or to make a further purchase of the Group's services. Accordingly, the POS devices constitute a performance obligation that is separate from the service component, and the Group recognizes revenues from sales of POS devices at a point in time, when control of the POS devices is transferred to its customers.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

**p. Revenue recognition** (continued):

3) Types of revenues of the Group (continued):

SaaS revenue and payment processing fees (hereafter – "Recurring revenue")

The Group provides management services and payment processing services. The consideration for the management services includes monthly fees in respect of each POS device. The consideration for the payment processing fees includes processing services, which are mostly calculated as a percentage of the transaction's value and/or a defined fee for each processed transaction. Payment is made per the normal payment terms of the Company, which are generally 15 to 60 days from the date of the invoice. The revenue from those services is recognized in the period the services are rendered.

The Group recognizes the payment processing fees collected from its customers on a gross basis, since the Group is the entity which is primarily responsible to the completion of the processing services for the customer. The fees paid to the processing companies are recognized as expenses under cost of revenue.

**q. Share-based payments**

From time to time, the Group's Board of Directors approves plans for the award of options to the Group's employees and suppliers, whereby the Group receives services from its employees and/or suppliers in consideration for equity instruments (options) of the Group.

The amount recognized for share-based payments to employees is determined in reference to the fair value of the options granted on the grant date. Non-market vesting terms are included among the assumptions used to estimate the number of options expected to vest, such that the expense is recognized during the vesting period, which is the period in which the employee is required to complete the set service period. As to other service providers, the cost of the transactions is measured in accordance with the fair value of the goods or services received in return for the equity instruments that were granted. Where it is not possible to measure reliably the fair value of the goods or services received in consideration for equity instruments, they are measured at the fair value of the granted equity instruments.

At each statement of financial position date, the Group revises its estimates as to the number of options expected to vest, based on the non-market vesting and service conditions, and recognizes the impact of the change compared to the original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

**r. Earnings (Loss) per share**

The computation of basic earnings (loss) per share is based on the profit (loss) attributable to holders of ordinary shares, divided by the weighted average number of ordinary shares in issue during the period, excluding treasury shares. When calculating the diluted earnings (loss) per share, the Group adds to the average number of ordinary shares outstanding, that was used to calculate the basic earnings per share, the weighted average of the number of shares to be issued assuming that all shares that have a potentially dilutive effect would be converted into shares. Said potential shares are only taken into account in cases where their effect is dilutive (reducing the earnings per share or increasing the loss per share).

**s. Provisions**

Provisions are recorded in the books of accounts when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the cash flows expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):

**s. Provisions** (continued):

Bonus plan: During the Report Period, the Company's management for the first time adopted a remuneration program for all of the Group's employees (apart from salespeople and apart from employees that are relatives of the Company's controlling shareholders) in effect from 1 July 2021. According to the terms of the program, at the beginning of every calendar year (and in the current year at the beginning of the second half of 2021) personal annual targets shall be set for each employee, and pursuant to their fulfillment and to the Company's general targets, the employees shall be entitled to bonuses.

**t. New International Financial Reporting Standards, amendments to standards and new interpretations:**

Amendment to existing standards that is not yet effective and that the Group did not elect its early adoption

1. Amendment to IAS 1 "Presentation of Financial Statements" (hereafter –Amendment to IAS 1).

The Amendment to IAS 1 clarifies the guidance on classification of liabilities as current liabilities and non-current liabilities in the statement of financial position. The amendment clarifies, among other things, that:

- a) A liability is classified as a non-current liability if the entity has a substantive right to defer the liability settlement for at least 12 months after reporting period. Additionally, the amendment clarifies that the entity's intentions as to exercise of such right is irrelevant to the classification of the liability and cancels the reference to the existence of an unconditional right.
- b) Substantive right as above exists only to the extent that the entity meets the relevant terms on the statement of financial position date.
- c) "Settlement" of the liability includes settlement through cash payment, other economic resources or equity instruments of the entity. However, conversion right in relation to convertible instrument classified to equity has no impact on classification of the liability in respect of the instrument.

Amendment to IAS 1 shall be implemented retrospectively for annual periods beginning on or after January 1, 2023. According to guidance in the amendment, early adoption is permitted. The first-time application of the Amendment to IAS 1 is not expected to have material impact on the Group's consolidated financial statements.

2. Amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (hereinafter: "Amendment to IAS 8")

The amendments to IAS 8 clarify how entities should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events, and also to present events and present transactions.

The Amendments to IAS 8 will be applied retrospectively for annual periods beginning on or after January 1, 2023. According to provisions of the Amendments, early adoption is permitted. Initial application of Amendments to IAS 8 is not expected to have material impact on the Group's consolidated financial statements.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

As part of the financial reporting process, the Group's management is required to make certain assumptions and estimates that affect the value of assets, liabilities, income, expenses and some of the disclosures provided in the Group's consolidated financial statements. By their nature these estimates may be subjective and complex and may therefore differ from actual results.

The accounting estimates and judgments used in the preparation of the financial statements are continually reviewed and are based on historical experience and other factors, including expectations as to future events that are believed to be reasonable under the current circumstances.

Set forth below is a description of the material accounting estimates and judgments used in the preparation of financial statements, at the formulation of which the Group was required to make assumptions as to circumstances and events involving significant uncertainty. The Group takes into account, as applicable, the relevant facts, historical experience, impact of external factors and reasonable assumptions in accordance with the circumstances.

1) Development assets

The Group capitalizes development costs and recognizes them as intangible assets in accordance with the accounting policy listed in note 2(g). In accordance with this policy, costs incurred in respect of development projects are recognized as development assets only when a number of conditions listed in that note are met, whereas other development expenses, that do not meet these terms, are recognized as an expense in profit or loss as incurred.

The Group's management exercises judgment as to the fulfillment of the conditions allowing capitalization of development costs for each of the development projects it implements; in cases where management determines that those conditions are, indeed, met, development assets are recognized at the amount of the development costs invested in the project.

The Group's management also determines the relating estimated useful life and amortization expenses of the said development assets. The estimate is based on the projected period for the marketing of the products to be developed on the basis of the said development assets. These estimates may change significantly as a result of technological innovations and the activity of the Group's competitors, in response to extreme cyclical changes in the sector.

The Group's management shall increase the amortization expenses when the estimated useful life will decrease compared to previous estimates, or, alternatively, it shall recognize impairment or write-off development assets that have become technologically obsolete.

2) Distribution rights, customer relationship and technology

Distribution rights, customers relationship and technology recognized as a result of business combinations carried out by the Group are amortized on an ongoing basis on a straight-line basis in accordance with expected useful life. The Company assesses the need to change the intangible assets' useful lives on an ongoing basis.

3) Determining the lease terms and the discount rate in respect thereof

The Group applies IFRS 16 to account for leases. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Based on historical experience and its business plans, the Company assesses whether it is expected that the extension options included in the lease agreements it entered into shall be exercised or not.

The Group's management reassesses if there is reasonable certainty that an extension option will be exercised, or a termination option will not be exercised if a significant event or a significant change in

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS** (continued):

3) Determining the lease terms and the discount rate in respect thereof (continued):

circumstances occurs, which affects this assessment, and that is within the control of the Group, if it is reasonably certain that the Group will exercise an option that was not previously included in the determination of the lease period, or shall not exercise an option that was previously included in determining the lease period.

4) Fair value of share-based payments

The fair value of the Group's equity instruments that were granted to its employees and consultants is determined using valuation methods. The Group exercises judgment in selecting the different valuation methods and for making assumptions, mostly based on market conditions and comparable benchmark companies in each grant to employees and consultants.

5) Deferred tax assets

Deferred tax assets are recognized in respect of carryforward losses and unused deductible temporary differences, if it is probable that future taxable income will exist against which they can be utilized. A management estimate is required to determine the amount of the deferred tax asset that can be recognized based on the timing, amount of expected taxable income, its origin and tax planning strategy.

**NOTE 4 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

**Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's risk management plan focuses on the uncertainty of the financial markets seeking to minimize potential negative impacts on the Group's financial performances.

Group's risk management is carried out under policies approved by senior management. This policy relates to management of foreign exchange risks, market risks and cash management risks.

1) Market risks:

a) Foreign exchange risks

The Group operates internationally and is exposed to fluctuations in exchange rates of various currencies, primarily with respect to the exchange rates of the NIS, Euro, GBP and AUD against the US Dollar.

Foreign exchange risks arise from commercial transactions, assets or liabilities, or net investments in foreign operations which are denominated in a currency which is not the entity's functional currency.

Foreign exchange risks arise when future commercial transactions or recognized assets and liabilities are denominated in a currency which is not the entity's functional currency.

The following table presents a sensitivity test as of December 31, 2021 and 2020 to reasonably possible changes in the exchange rates, when all other variables remain unchanged. The impact on pre-tax income of the Group is due to changes in financial assets and liabilities.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued):**

1) Market risks (continued):

a) Foreign exchange risks (continued):

Foreign currency	Years	Sensitivity test for changes in exchange rate	
		Income (loss) from change	
		10% increase in exchange rate	10% decrease in exchange rate
USD in thousands			
NIS	2021	1,408	(1,408)
	2020	(2,777)	2,777
EUR	2021	788	(788)
	2020	126	(126)
GPB	2021	824	(824)
	2020	167	(167)
AUD	2021	184	(184)
	2020	89	(89)

b) Risk in respect of interest rate change

Risks related to interest rates stem from changes in interest rates, which may have an adverse effect on the Group's net income or cash flows. Changes in interest rates trigger changes in the Group's interest income and expenses in respect of interest-bearing assets and liabilities.

The Company does not have material assets or liabilities bearing variable interest, as it has only loans from an Israeli bank which have the Prime interest's impact, which the effect of possible changes in Prime rate with that respect is immaterial. Therefore, the Group's revenues and operating cash flows are not materially impacted from changes in market interest rates.

2) Credit risks

Credit risk is managed on a Group level. Credit risks arise mainly from cash and cash equivalents, bank deposits and credit exposures to receivables. The Group carries out a risk assessment by assessing the credit quality of each customer, taking into account the customer's financial position, past experience and other factors. The Group settles the processing fee before remitting funds to the customers.

Based on the above, the loss balance for trade receivables as of December 31, 2021 and 2020 was determined as follows:

December 31, 2021	Not overdue	Over 30 days overdue	Over 60 days overdue	Over 120 days overdue	Total
US Dollar in thousands					
Gross carrying amount – trade receivables	10,399	3,259	1,025	6,013	20,696
Less: provision for credit losses of trade receivable	-	-	-	(1,549)	(1,549)
Checks collectible	191	-	-	-	191
Trade receivable	<u>10,590</u>	<u>3,259</u>	<u>1,025</u>	<u>4,464</u>	<u>19,338</u>

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT** (continued):

2) Credit risks (continued):

<b>December 31, 2020</b>	<b>Not overdue</b>	<b>Over 30 days overdue</b>	<b>Over 60 days overdue</b>	<b>Over 120 days overdue</b>	<b>Total</b>
<b>US Dollar in thousands</b>					
Gross carrying amount – trade receivables	8,905	679	857	2,856	13,297
Less: provision for credit losses of trade receivable	-	-	-	(910)	(910)
Checks collectible	205	-	-	-	205
Dually Ltd. - related company	1,248	-	-	-	1,248
Trade receivable	<u>10,358</u>	<u>679</u>	<u>857</u>	<u>1,946</u>	<u>13,840</u>

Most of the Group's cash and cash equivalents as of December 31, 2021 and 2020 were deposited with Israeli, European and American banks.

In the opinion of the Group, the credit risk arising from those balances with banks is low.

In respect of the processing activity, the Group has a restricted cash balance for transfer to customers and is also entitled to receive proceeds from international processing companies. In the opinion of the Group, the credit risk arising from the balances with those processing companies is low.

3) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and credit facilities to fund operations. In view of the dynamic nature of its business activity, the Group maintains financing flexibility through maintaining the availability of credit facilities from banks, loans from shareholders and investments in share capital.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts presented in the table represent undiscounted cash flows.

	<b>Less than one year</b>	<b>Between 1 and 2 years</b>	<b>Between 3 and 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>US Dollars in thousands</b>					
<b>December 31, 2021:</b>					
Long-term bank loans	2,547	1,286	1,714	-	5,547
Long-term loans from others	3,069	231	-	-	3,300
Liability in respect of purchase of servers	322	218	193	-	733
Lease liabilities	1,924	1,525	4,024	293	7,766
Payables in respect of processing activity	42,826	-	-	-	42,826
Trade payables	9,136	-	-	-	9,136
Other payables	10,718	-	-	-	10,718
<b>Total</b>	<u>70,542</u>	<u>3,260</u>	<u>5,931</u>	<u>293</u>	<u>80,026</u>

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT** (continued):

3) Liquidity risk (continued):

	<b>Less than one year</b>	<b>Between 1 and 2 years</b>	<b>Between 3 and 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>US Dollars in thousands</b>					
<b>December 31, 2020:</b>					
Short-term bank credits	11,589	-	-	-	11,589
Long-term bank loans	2,120	3,017	2,487	415	8,039
Long-term loans from others	3,241	2,541	187	-	5,969
Liability in respect of purchase of servers	311	311	322	83	1,027
Lease liabilities	1,603	1,446	2,298	1,957	7,304
Payables in respect of processing activity	27,181	-	-	-	27,181
Trade payables	10,998	-	-	-	10,998
Other payables	5,498	-	-	-	5,498
<b>Total</b>	<u>62,341</u>	<u>7,315</u>	<u>5,294</u>	<u>2,455</u>	<u>77,605</u>

Group Management periodically reviews the ratio between future cash flows that will arise from maturities of its liabilities and the future cash flows that will arise from maturities of its financial assets; where necessary, the Group changes its liability mix and the timing of their maturity.

4) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stockholders and to maintain an optimal capital structure to reduce the cost of capital.

From time to time the Group assesses, as applicable, the need to raise funds from external investors.

Changes in financial liabilities, the cash flows in respect of which are classified as cash flows from financing activities:

	<b>Short-term credit</b>	<b>Long- term bank loans</b>	<b>Loans from others</b>	<b>Lease liabilities</b>	<b>Other liabilities</b>	<b>Total</b>
<b>US Dollars in thousands</b>						
<b>Balance at January 1 2021</b>	11,589	7,329	5,703	6,474	994	32,089
<b>Changes in 2021:</b>						
Liabilities added in respect of new leases	-	-	-	1,428	-	1,428
Cash flows paid	(11,393)	(1,971)	(2,175)	(1,406)	(295)	(17,240)
Amounts recognized in profit or loss and other changes	(196)	(192)	(308)	399	23	(274)
<b>Balance at December 31 2021:</b>	<u>-</u>	<u>5,166</u>	<u>3,220</u>	<u>6,895</u>	<u>722</u>	<u>16,003</u>

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT** (continued):

4) Capital risk (continued):

	<b>Short-term credit</b>	<b>Long-term bank loans</b>	<b>Loans from others</b>	<b>Lease liabilities</b>	<b>Other liabilities</b>	<b>Total</b>
	<b>US Dollars in thousands</b>					
<b>Balance at January 1 2020</b>	8,030	3,253	2,328	5,905	632	20,148
<b>Changes in 2020:</b>						
Liabilities added in respect of new leases	-	-	-	1,235	-	1,235
Other liabilities added in respect of suppliers of property, plant and equipment	-	-	-	-	575	575
Cash flows received	2,976	4,734	3,804	-	-	11,514
Cash flows paid	-	(1,003)	(920)	(1,498)	(280)	(3,370)
Amounts recognized in profit or loss	583	345	491	832	67	1,987
<b>Balance at December 31 2020:</b>	<u>11,589</u>	<u>7,329</u>	<u>5,703</u>	<u>6,474</u>	<u>994</u>	<u>32,089</u>

**NOTE 5 – SEGMENT REPORTING**

The Group operates in a single reportable segment; the center of its activities is in Israel, and most of its sales are carried out in Israel, Europe, USA, Australia and the rest of the world.

Set forth below is a breakdown of revenues from external parties by geographic regions:

	<b>For the year ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>US Dollars in thousands</b>	
Israel	10,764	5,826
Europe	53,052	37,393
USA	36,887	23,676
Australia	12,672	7,975
Rest of the world	5,759	3,913
	<u>119,134</u>	<u>78,783</u>

Set forth below is a breakdown of the non-current assets, excluding deferred tax assets and financial assets, by geographic regions:

	<b>For the year ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>US Dollars in thousands</b>	
Israel	52,415	31,104
USA	4,799	5,614
Rest of the world	459	478
	<u>57,673</u>	<u>37,196</u>

In 2021 and 2020, the Group did not have any single customer representing 10% or more of its sales.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 - BUSINESS COMBINATIONS AND EQUITY METHOD INVESTEEES**

**a. Nayax Retail Ltd. (formerly: UPITec Software Ltd.)**

In March 2020 (hereinafter – "closing date"), the Company entered into an agreement for the acquisition of the shares of UPITec Software Ltd, which was later renamed Nayax Retail Ltd. (hereinafter - "Nayax Retail"). Nayax Retail specializes in providing universal computing solutions for retailers on the basis of the SAP Business One information system. Under the terms and conditions of the agreement, the Company acquired a 51% equity interest in Nayax Retail upon deal closing, for NIS 5.1 million (approx. \$1.43 million) which are payable as follows:

1. NIS 3 million (\$0.85 million) in cash on Closing date.
2. NIS 2.1 million (\$0.58 million) payable in four equal monthly installments, beginning on the first month after Closing date.

The remaining shares represent a 49% interest, were supposed to be acquired by the Company over five years, for an aggregate consideration of NIS 4.9 million (approx. \$1.5 million), payable in five equal installments (hereinafter: the "Additional Consideration").

Additionally, in the event of a qualifying transaction (as defined in the agreement), the additional acquisitions would be accelerated, and performed within 14 business days from the date of the qualifying transaction. Accordingly, and given the completion of the initial public offering by the Company (see note 1), the entire additional consideration, as above, was paid at the end of May 2021 against the transfer of all Nayax Retail's shares to the Company.

The Company performed a purchase price allocation study (PPA). As part of the PPA, the assets and liabilities were measured and presented at fair value, including technology and customer relationships that were included in intangible assets.

Additionally, due to the fact that the Company and the sellers engaged in a forward contract for the acquisition of the remaining 49% interest in Nayax Retail, the Group accounted for this as an acquisition of the entire share capital of Nayax Retail with a correspondent liability for the forward contract.

The following table presents the consideration in respect of the acquisition of Nayax Retail, the amounts recognized in respect of the assets purchased and the liabilities assumed on purchase date, at fair value:

	<u>USD in thousands</u>
Cash paid	855
Deferred consideration	580
Liability for forward contract for acquisition of subsidiary	1,348
<b>Total consideration</b>	<u>2,783</u>
<b>Amounts recognized in respect of identifiable assets purchased and liabilities assumed:</b>	
Cash and cash equivalents	169
Trade and other receivables	218
Property, plant and equipment	7
Accounts payable	(236)
Post-employment obligation	(47)
Technology	632
Customer relationships	414
Deferred tax liabilities	(241)
Total identifiable assets, net	<u>916</u>
Goodwill	1,867
<b>Total consideration</b>	<u>2,783</u>

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 - BUSINESS COMBINATIONS AND EQUITY METHOD INVESTEEES** (continued):

**a. Nayax Retail Ltd (formerly: UPITec Software Ltd.)** (continued):

	<b>USD in thousands</b>
<b>Cash flows in respect of the purchase included in cash flows from investing activities</b>	
Cash paid	855
Cash and cash equivalents of the subsidiary	(169)
<b>Purchase of subsidiary, net of purchased cash, as presented in cash flows from investing activities</b>	<b>686</b>

The following is information about revenue and losses of the Group under the assumption that the Nayax Retail transaction was completed on January 1, 2020:

1. The Group's revenues in 2020 would have been \$79,045 thousand compared to \$78,783 thousand as reported.
2. The 2020 loss would have been \$6,163 thousand compared to a loss of \$6,083 thousand as reported.

Nayax Retail's revenue and net loss as reported in the consolidated financial statements since acquisition date and through the end of the reporting period in the year of acquisition was \$2,011 thousand and \$872 thousand, respectively.

**b. Agreement to acquire Weezmo Technologies Ltd**

On January 7, 2021 (hereinafter: the "Acquisition Date"), the Company entered into an agreement with Weezmo Technologies Ltd. ("Weezmo"), which is active in the interactive receipts business in Israel and worldwide, and with seven of Weezmo shareholders and five option holders, according to which the Company acquired preferred shares from three Weezmo shareholders (hereinafter: the "Sellers"), representing 36.13% (31.59% on a fully-diluted basis) of Weezmo's issued share capital. According to the agreement, the consideration to two of the Sellers will be a total of \$300 thousand in cash, such that on Acquisition Date, the Company paid \$100 thousand and three months after Acquisition Date it paid an additional amount of \$200 thousand (hereinafter: the "Cash to Two of the Sellers") in exchange for 5.78% (5.06% fully diluted) of Weezmo's issued share capital.

The consideration to the third Seller (hereinafter: the "Third Seller") is \$3.2 million in cash or alternatively through issue of 1,909,716 ordinary shares of the Company to the Third Seller (hereinafter: the "Liability to the Third Seller"), at the discretion of the Company, with the number of shares issued under that alternative being subject to adjustments, as described in the agreement.

In addition, each of Weezmo's additional shareholders (including option holders) with whom the Company entered into the agreement (hereinafter: the "Joining Shareholders") granted the Company a call option to purchase all the ordinary shares of Weezmo or the options held by them (representing a 43.73% stake, or 41.68% on a fully-diluted basis) (hereinafter: the "Call Options"). The Call Options can be exercised by the Company during the thirty-six-month period starting on Acquisition Date. In general, the consideration to all Joining Shareholders for an exercise of the Call Options will be a cash amount of \$2.6 million, or alternatively, through an issue of 1,706,213 ordinary shares of the Company to the Joining Shareholders, at the Company's discretion, with the number of shares issued under this alternative being subject to adjustments, as described in the agreement. However, in certain circumstances as stipulated by the agreement, the Joining Shareholders had the right to require the Company to pay some of the consideration in cash.

In addition, the Company granted each of the Joining Shareholders a put option to sell to the Company all shares of Weezmo they hold (hereinafter: the "Put Options"). The Put Options can be exercised by each of the Joining Shareholders starting from the Acquisition Date until the earlier of: (a) 36 months after Acquisition Date (or until another date to be agreed in writing between the Company and any Joining Shareholder); and (b) closing of an initial public offering of the Company's shares (hereinafter: "IPO"); and (c) the closing of the sale of all or substantially all shares of the Company to a third party ("Exit").

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 - BUSINESS COMBINATIONS AND EQUITY METHOD INVESTEES** (continued):

**b. Agreement to acquire Weezmo Technologies Ltd** (continued):

The consideration to all Joining Shareholders for the exercise of the Put Options will be \$2.6 million in cash or alternatively an allotment of 1,455,301 ordinary shares of the Company to the Joining Shareholders, at the discretion of the Company, with the number of shares issued under that alternative being subject to adjustments, as described in the agreement.

Notwithstanding the above, to the extent that the Put Options are exercised before and subject to closing an IPO or an Exit by Nayax, the number of shares the Company would allot to the Joining Shareholders is a total 1,580,758 ordinary shares. Even in this case, under certain circumstances that are detailed in the agreement, the Joining Shareholders may demand that the Company pay some of the consideration in cash.

Note that the election of the Company to pay in cash to Put and Call Option holders is limited to a period of six months, from Acquisition Date.

On Acquisition Date, the Company received all voting rights of the Sellers and the Joining Shareholders, and also received and exercised the right to appoint all directors on the board of Weezmo. Accordingly, beginning on Acquisition Date, the Company controls Weezmo and includes it in the consolidated financial statements.

The portion of Weezmo's income attributed to owners of the Company also includes the portion of non-controlling interest to whom the Company issued the Put Options and from whom it received the Call Options. Accordingly, the rate of non-controlling interests reflected in the Company's consolidated financial statements of Acquisition Date is approximately 20%.

The consideration for the business combination comprises a number of elements, as follows:

- The Cash to Two of the Sellers, as defined above;
- The Liability to the Third Seller, as defined above; and
- The liability for the arrangement that includes the Put Options and Call Options, as defined above.

The Company recognized financial liabilities for the Liability to the Third Seller and its liability for the arrangement that includes the Put Options and the Call Options. The Company elected to allocate the entire Put and Call Options instrument as financial liability measured at fair value through profit or loss, as permitted by IFRS 9 to account for a financial liability with an embedded derivative.

Eventually, the Company opted to pay in cash the entire consideration for Weezmo's shares.

The fair value of the liability to the Third Seller and the liability to the overall put and call options arrangement as of the Acquisition Date and close to the date of actual payment was \$5.3 million and \$5.8 million, respectively. The difference, at \$0.5 million, was recognized in the "finance expenses, net" item in the income statement.

The Company engaged with an external valuer for measuring the fair value of acquisition consideration and its allocation to the assets acquired and liabilities assumed in the acquisition.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 - BUSINESS COMBINATIONS AND EQUITY METHOD INVESTEEES** (continued):

**b. Agreement to acquire Weezmo Technologies Ltd** (continued):

The following table presents the consideration for the acquisition of Weezmo, the non-controlling interests and the amounts recognized for assets acquired and liabilities assumed on acquisition date, at fair value:

	<b>USD in thousands</b>
The Cash to Two of the Sellers	300
The Liability to the Third Seller	2,937
The liability for the arrangement that includes the Put Options and Call Options	2,386
<b>Total consideration</b>	<b>5,623</b>
 <b>Amounts recognized on acquisition date:</b>	
Cash and cash equivalents	202
Trade and other receivables	98
Property, plant and equipment	3
Trade payables	(25)
Other Payables	(240)
Technology	769
Customer relations	2,478
Deferred tax liability	(747)
<b>Total identifiable assets, net</b>	<b>2,538</b>
Goodwill (*)	4,615
Less non-controlling interests (**)	(1,530)
<b>Total Consideration</b>	<b>5,623</b>
 <b>Cash flows in respect of the acquisition, as presented in cash flows from investing activities</b>	
Cash paid	(100)
Cash and cash equivalents of subsidiary included in consolidated for the first time	202
<b>Acquisition of subsidiary, less cash acquired, as presented in cash flows from investing activity</b>	<b>102</b>

(\*) Goodwill is not deductible for tax purposes and arises mainly from projected synergies with activities of the Group and from workforce that does not qualify for recognition as a separate asset.

(\*\*) Non-controlling interests were measured at fair value on acquisition date.

During the reported period, Put Options representing 43.73% of Weezmo's share capital (41.68% on a fully diluted basis) were exercised in exchange for \$2.6 million in cash, and the consideration to the Third Seller totaling \$3.2 million was paid.

In May 2021, an agreement was signed with all holders of non-controlling interests whereby the Company acquired their entire interest in Weezmo for \$1.25 million, payable in nine cash installments. Through December 31, 2021, an amount of \$1,069 thousand was paid. Consequently, the Company's interest in Weezmo increased to 100%.

The additional revenue included in the consolidated income statement since Acquisition Date resulting from consolidating Weezmo's results was \$534 thousand during the year. Additionally, the consolidation of Weezmo resulted in an increase of \$576 thousand in the loss for the year.

## NAYAX LTD

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### NOTE 6 - BUSINESS COMBINATIONS AND EQUITY METHOD INVESTEEES (continued):

##### c. Agreements for the acquisition of the shares of Tigapo Ltd.

On February 4, 2021, the Company entered into a memorandum of understanding (hereinafter: "the First Memorandum of Principles") with Tigapo Ltd. (hereinafter: "Tigapo"), which is developing a smart, cloud-based system for management of gaming arcades.

According to the First Memorandum of Principles, the Company invested \$300 thousand in Tigapo under a Simple Agreement for Future Equity (SAFE) against a right for allotments of shares in a future investment event in Tigapo at an amount that may not be less than \$1.5 million.

In May 2021, the Company acquired Tigapo shares constituting 33.39% (fully diluted) of its capital from a number of shareholders in consideration for a cash payment of \$2.1 million (hereinafter: the "Existing Shares").

In the third quarter of 2021, an additional acquisition agreement was signed in which the Company increased its interest in Tigapo for a \$6.8 million consideration, composed of a number of elements, as indicated below:

- \$4 million in cash (hereinafter: the "Additional Investment Amount");
- Conversion of the investment in SAFE, as indicated above;
- Obligation to provide future consulting services by the Company to Tigapo in the Company's areas of expertise over 3 years, as well as granting a license to use the Nayax brand name;
- The Company issued to Tigapo a put option enabling an additional investment of up to \$1 million under the same terms applied to the Additional Investment Amount (hereinafter: the "Liability for Put Option"). The put option is a liability financial instrument measured at fair value through profit or loss.
- A put option granted by the Company to the remaining shareholders for the sale of the remaining shares of Tigapo and a call option that the remaining shareholders of Tigapo granted the Company to acquire the remaining shares of Tigapo (hereinafter: the "Liability for overall arrangement of put option and call option"). The options are accounted for as a financial liability and a financial asset, respectively, both measured at fair value through profit or loss. The Company presents an asset and a liability for the overall arrangement of the put and call options, which are presented as a net item in the financial statements.

After entering into the agreement discussed above, the Company holds shares of Tigapo, representing 53.55% of its issued share capital (fully diluted). The other shareholders of Tigapo have substantial rights in relation to relevant activities of the investee, which prevents the Company from gaining control over Tigapo. Therefore, the investment is accounted for as an investment in an associate using the equity method.

The Company engaged with an external valuer for calculating the fair value of acquisition consideration and its allocation to the assets acquired and liabilities assumed under the acquisition. The following table presents the increase in the overall investment in the third quarter of 2021:

	<b>U.S. dollars in thousands</b>
Cash for the Additional Investment Amount	4,000
Investment in SAFE	300
Obligation to provide Services to Tigapo	312
Liability for Put Option	372
Liability for overall arrangement of put option and call option	1,777
Total consideration	<u>6,761</u>

The financial instruments are measured at fair value and included under level 3. The valuation is performed once quarterly by an external valuer. During the report period, the Company recognized expense of \$93 thousand for the options valuation in the "finance expenses, net" item in the income statement.

The share of the Company in losses of associates accounted for by the equity method amounted to \$538 thousand during the year. Tigapo is a private company and its shares do not have a quoted market price.

## NAYAX LTD

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### NOTE 6 - BUSINESS COMBINATIONS AND EQUITY METHOD INVESTEEES (continued):

##### **d. A cooperation agreement for the creation of Nilus Ltd.**

On December 10, 2020, Nayax Retail Ltd (hereinafter: "Nayax Retail"), a subsidiary of the Company, engaged with some of the largest distribution companies in the Israeli economy, in a cooperation agreement by way of a shareholders' agreement for the incorporation of a new company called Nilus for Businesses Ltd. (hereinafter: "Nilus"), with Nayax Retail holding 12% of Nilus's issued and paid-up capital.

In May and August 2021, the shareholders extended a shareholders' loan to Nilus at the total amount of NIS 12 million (approximately \$3.7 million), with Nayax Retail's share in the loan amounting to NIS 1,440 thousand (approximately \$446 thousand) (hereinafter: the "Shareholders' Loan").

The amount of the Shareholders' Loan bears annual interest at the maximum rate set in Section 3(j) to the Income Tax Ordinance. The loan (principal and interest) is repayable in one installment within 36 months from the date of signing the Loan Agreement. Nevertheless, Nilus is entitled to extend the term of the loan for additional periods at its discretion.

The amount paid is presented under "other long-term assets" in the statement of financial position as of December 31, 2021.

##### **e. Restructuring of the Company and Dually Ltd.**

According to an agreement signed between the controlling shareholders of the Company, the Company and Dually, according to an in-agreement tax ruling that was received from the Israel Tax Authority, and after receiving an approval from the Company's board of directors and the shareholders meeting dated April 1, 2021, a three-part restructuring process was performed on April 1, 2021 (which is tax exempt under the provisions of Sections 104B, 103T and 104C to the Income Tax Ordinance [New Version] (the "Ordinance"), the end result of which was that all shares of Dually were transferred to the Company (such that Dually became a wholly owned subsidiary of the Company), and 281,202,800 dormant shares (as this term is defined by Section 308(a) of the Companies Law) were created. On April 1, 2021, the Company eliminated all said dormant shares.

Following the above, the Company consolidates Dually's financial statements as from April 1, 2021.

The restructuring is accounted for in the Company's financial statements as a business combination under common control with initial recognition based on book value amounts of Dually. As a result of the first-time consolidation, a total of \$316 thousand was recognized in cash and cash equivalents.

The net identifiable assets that were recognized on acquisition date were recognized against the equity attributed to Company's shareholders.

The additional income included in the consolidated statement of income or loss from Acquisition Date as a result of the consolidation of Dually's results amounted to \$1,167 thousand through December 31, 2021 (after elimination of the intercompany revenue). Furthermore, the consolidation of Dually's results caused a \$195 thousand decrease in loss during period, from April 1, 2021 through December 31, 2021.

**NAYAX LTD**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 7 - CASH AND CASH EQUIVALENTS:**

Below is the composition of cash by US Dollar and other currencies:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>US Dollars in thousands</b>	
US Dollar	32,196	3,544
New Israeli Shekel	28,687	382
Euro	13,834	676
British pound sterling	8,020	781
Australian Dollar	1,045	982
Other currencies	3,550	1,830
	<b>87,332</b>	<b>8,195</b>

**NOTE 8 – RESTRICTED CASH TO BE TRANSFERRED TO CUSTOMERS IN RESPECT OF PROCESSING ACTIVITY**

Nayax Europe, a subsidiary of the Group, holds a Payment Institution License from the central bank of Lithuania and is licensed to hold and transfer funds to the Group's customers across Europe for the purpose of the Group processing activity in Europe. In accordance with the requirements of the central bank of Lithuania, the funds of Nayax Europe's customers are held in a segregated account before being transferred to customers. As of December 31, 2021 and 2020 \$23,695 thousand and \$18,166 thousand, respectively, were held in segregated accounts for the Group's customers.

**NOTE 9 - TRADE RECEIVABLES**

**a. Composed as follows:**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>US Dollars in thousands</b>	
Open accounts	20,696	13,297
Dually Ltd. ("Dually")– related company	-	1,248
Checks collectible	191	205
Less – provision for credit losses	(1,549)	(910)
Trade receivables - net	<b>19,338</b>	<b>13,840</b>

For information about receivable aging and calculating the impairment of accounts receivables in 2020 and 2021, see note 4(2).

**b. Changes in provision for credit losses:**

	<b>US Dollars in thousands</b>
<b>Balance as of January 1, 2020</b>	722
Amounts provided against profit or loss in respect of receivables for which the provision for loss is measured over the entire life of the receivable balance	188
<b>Balance as of December 31, 2020</b>	910
Amounts provided against profit or loss in respect of receivables for which the provision for loss is measured over the entire life of the receivable balance	639
<b>Balance as of December 31, 2021</b>	<b>1,549</b>

Note that the carrying amount of trade receivables represent a reasonable approximation of their fair value, as the impact of discounting is immaterial.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 10 –LEASES**

**a. General**

As of December 31, 2021, the Group had right of use assets related to leased buildings used as the Group's offices and related to leases of technological equipment used for the Group's operating activities. Set forth below are the right-of-use asset years of depreciation and the capitalization rates used to discount the lease payments:

	Years of depreciation	Capitalization interest
Buildings	2-4	5%
Technological equipment	3-5	3.88%

**b. Composition and movement of right-of-use assets:**

The following is the composition of right-of-use asset balances as of December 31, 2021:

	<b>Buildings</b>	<b>Technological equipment</b>	<b>Total</b>
	<b>US Dollars in thousands</b>		
<b>Cost:</b>			
Balance as of January 1, 2021	5,752	331	6,083
Additions during the year	1,428	-	1,428
Other changes	202	-	202
<b>Balance as of December 31, 2021</b>	<b>7,382</b>	<b>331</b>	<b>7,713</b>
<b>Depreciation and amortization:</b>			
Balance as of January 1, 2021	1,136	186	1,322
Depreciation during the year	1,050	66	1,116
<b>Balance as of December 31, 2021</b>	<b>2,186</b>	<b>252</b>	<b>2,438</b>
<b>Right-of-use assets - net</b>	<b>5,196</b>	<b>79</b>	<b>5,275</b>

The following is the composition of right-of-use asset balances as of December 31, 2020:

	<b>Buildings</b>	<b>Technological equipment</b>	<b>Total</b>
	<b>US Dollars in thousands</b>		
<b>Cost:</b>			
Balance as of January 1, 2020	4,517	331	4,848
Additions during the year	1,235	-	1,235
<b>Balance as of December 31, 2020</b>	<b>5,752</b>	<b>331</b>	<b>6,083</b>
<b>Depreciation and amortization:</b>			
Balance as of January 1, 2020	399	120	519
Depreciation during the year	737	66	803
<b>Balance as of December 31, 2020</b>	<b>1,136</b>	<b>186</b>	<b>1,322</b>
<b>Right-of-use assets - net</b>	<b>4,616</b>	<b>145</b>	<b>4,761</b>

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 10 –LEASES** (continued):

**c. Composition and changes in lease liabilities**

The following table summarizes the composition of lease liability balances as of December 31, 2021:

	<b>Buildings</b>	<b>Technological equipment</b>	<b>Total</b>
	<b>US Dollars in thousands</b>		
Balance as of January 1, 2021	6,245	229	6,474
Additions during the year	1,428	-	1,428
Interest expenses	207	7	214
Lease payments	(1,506)	(114)	(1,620)
Other changes	395	4	399
<b>Balance as of December 31, 2021</b>	<u>6,769</u>	<u>126</u>	<u>6,895</u>
Current maturities of lease liabilities	1,387	115	1,502
Long-term lease liabilities	<u>5,382</u>	<u>11</u>	<u>5,393</u>
<b>Balance as of December 31, 2021</b>	<u>6,769</u>	<u>126</u>	<u>6,895</u>

The following table summarizes the composition of lease liability balances as of December 31, 2020:

	<b>Buildings</b>	<b>Technological equipment</b>	<b>Total</b>
	<b>US Dollars in thousands</b>		
Balance as of January 1, 2020	5,595	310	5,905
Additions during the year	1,235	-	1,235
Interest expenses	321	10	331
Lease payments	(1,390)	(108)	(1,498)
Other changes	484	17	501
<b>Balance as of December 31, 2020</b>	<u>6,245</u>	<u>229</u>	<u>6,474</u>
Current maturities of lease liabilities	1,212	108	1,320
Long-term lease liabilities	<u>5,033</u>	<u>121</u>	<u>5,154</u>
<b>Balance as of December 31, 2020</b>	<u>6,245</u>	<u>229</u>	<u>6,474</u>

**d.** The Group incurred expenses in the amounts of \$168 thousand and \$244 thousand in 2021 and 2020, respectively, related to short-term leases, which were included in research and development expenses and selling, general and administrative expenses.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 11 – PROPERTY AND EQUIPMENT**

Composition of property and equipment and accumulated depreciation thereon, grouped by major classifications, and changes therein in 2021, are as follows:

	<u>Leasehold improvements</u>	<u>Computers and peripheral equipment</u>	<u>Rented POS devices</u>	<u>Machines and equipment</u>	<u>Total</u>
	<u>US Dollars in thousands</u>				
<b>Cost:</b>					
Balance as of January 1, 2021	2,452	4,889	407	450	8,198
Additions	1,186	1,372	100	97	2,755
Acquired through business combinations		3	-	-	3
Disposals	-	(26)	-	-	(26)
Translation differences	-	7	16	-	23
Balance as of December 31, 2021	<u>3,638</u>	<u>6,245</u>	<u>523</u>	<u>547</u>	<u>10,953</u>
<b>Accumulated depreciation:</b>					
Balance as of January 1, 2021	289	2,646	154	62	3,151
Depreciation	222	1,148	61	168	1,599
Disposals	-	(26)	-	-	(26)
Translation differences	-	4	-	-	4
Balance as of December 31, 2021	<u>511</u>	<u>3,772</u>	<u>215</u>	<u>230</u>	<u>4,728</u>
<b>Net book value:</b>					
As of December 31, 2021	<u><u>3,127</u></u>	<u><u>2,473</u></u>	<u><u>308</u></u>	<u><u>317</u></u>	<u><u>6,225</u></u>

Composition of property and equipment and accumulated depreciation thereon, grouped by major classifications, and changes therein in 2020, are as follows:

	<u>Leasehold improvements</u>	<u>Computers and peripheral equipment</u>	<u>Rented POS devices</u>	<u>Machines and equipment</u>	<u>Total</u>
	<u>US Dollars in thousands</u>				
<b>Cost:</b>					
Balance as of January 1, 2020	1,436	3,567	145	344	5,492
Additions	1,016	1,315	262	106	2,699
Acquired through business combinations	-	7	-	-	7
Balance as of December 31, 2020	<u>2,452</u>	<u>4,889</u>	<u>407</u>	<u>450</u>	<u>8,198</u>
<b>Accumulated depreciation:</b>					
Balance as of January 1, 2020	63	1,844	110	27	2,044
Depreciation	226	802	44	35	1,107
Balance as of December 31, 2020	<u>289</u>	<u>2,646</u>	<u>154</u>	<u>62</u>	<u>3,151</u>
<b>Net book value:</b>					
As of December 31, 2020	<u><u>2,163</u></u>	<u><u>2,243</u></u>	<u><u>253</u></u>	<u><u>388</u></u>	<u><u>5,047</u></u>

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 12 – GOODWILL AND INTANGIBLE ASSETS**

Composition of intangible assets and accumulated amortization thereon, grouped by major classifications, and changes therein in 2021 are as follows:

	<u>Development costs **</u>	<u>Distribution rights *</u>	<u>Customer relationships purchased *</u>	<u>Technology **</u>	<u>Goodwill (a)</u>	<u>Patents **</u>	<u>Total</u>
<u>US Dollars in thousands</u>							
<b>Cost:</b>							
Balance as of January 1, 2021	27,477	5,292	1,636	2,111	3,478	806	40,800
Additions	6,708	-	-	-	-	-	6,708
Acquired through business combinations	-	-	2,478	769	4,615	-	7,862
Disposals	(30)	-	-	-	-	-	(30)
Translation differences	54	-	74	41	178	-	347
Balance as of December 31, 2021	<u>34,209</u>	<u>5,292</u>	<u>4,188</u>	<u>2,921</u>	<u>8,271</u>	<u>806</u>	<u>55,687</u>
<b>Accumulated depreciation:</b>							
Balance as of January 1, 2021	10,244	1,730	423	1,015	-	-	13,412
Amortization	3,240	266	407	523	-	47	4,483
Disposals	(30)	-	-	-	-	-	(30)
Translation differences	-	-	13	8	-	-	21
Balance as of December 31, 2021	<u>13,454</u>	<u>1,996</u>	<u>843</u>	<u>1,546</u>	<u>-</u>	<u>47</u>	<u>17,886</u>
<b>Net book value:</b>							
As of December 31, 2021	<u>20,755</u>	<u>3,296</u>	<u>3,345</u>	<u>1,375</u>	<u>8,271</u>	<u>759</u>	<u>37,801</u>

Composition of intangible assets and accumulated amortization thereon, grouped by major classifications, and changes therein in 2020 are as follows:

	<u>Development costs **</u>	<u>Distribution rights *</u>	<u>Customer relationships purchased *</u>	<u>Technology **</u>	<u>Goodwill (a)</u>	<u>Patents **</u>	<u>Total</u>
<u>US Dollars in thousands</u>							
<b>Cost:</b>							
Balance as of January 1, 2020	20,864	5,292	1,178	1,411	1,394	-	30,139
Additions	6,613	-	-	-	-	806	7,419
Acquired through business combinations	-	-	414	632	1,867	-	2,913
Translation gains or losses	-	-	44	68	217	-	329
Balance as of December 31, 2020	<u>27,477</u>	<u>5,292</u>	<u>1,636</u>	<u>2,111</u>	<u>3,478</u>	<u>806</u>	<u>40,800</u>
<b>Accumulated depreciation:</b>							
Balance as of January 1, 2020	7,067	1,466	246	623	-	-	9,402
Amortization	3,177	264	172	382	-	-	3,995
Translation differences	-	-	5	10	-	-	15
Balance as of December 31, 2020	<u>10,244</u>	<u>1,730</u>	<u>423</u>	<u>1,015</u>	<u>-</u>	<u>-</u>	<u>13,412</u>
<b>Depreciated cost:</b>							
As of December 31, 2020	<u>17,233</u>	<u>3,562</u>	<u>1,213</u>	<u>1,096</u>	<u>3,478</u>	<u>806</u>	<u>27,388</u>

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 12 – GOODWILL AND INTANGIBLE ASSETS** (continued):

- \* Amortization of customer relationship and distribution rights are included under the selling, general and administrative expenses.
- \*\* Amortization of technology and development costs are included in the “depreciation and amortization in respect of technology and capitalized development costs”.

**(a) Goodwill**

The group tests whether goodwill has suffered any impairment on an annual basis. For the 2021 and 2020 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management. The discount rate was a post-tax measure using a rate of return that reflects the relative risk of the investment, as well as the time value of money. Five years of cash flows were included in the discounted cash flow model. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

1. VendSys - As part of the business combination for the purchase of Greenhithe Software Solutions Ltd (hereinafter – "VendSys") the Company recognized goodwill in the total amount of \$891 thousand. The following key assumptions were used to determine the value in use of the CGU as at December 31, 2020:

	<u>VendSys</u>
Growth rate	2%
Discount rate	12%

The recoverable amount as of December 31, 2020 was greater than the carrying amount, and no impairment of goodwill was required.

The detailed calculation of the recoverable amount of the cash-generating unit to which goodwill has been allocated made as of December 31, 2020 was used in the impairment test of the unit as of December 31, 2021 since all of the following criteria were met:

- A. The assets and liabilities making up the unit have not changed significantly since the most recent recoverable amount calculation.
  - B. The most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the unit by a substantial margin; and
  - C. Based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the unit is remote.
2. Modularity and Nayax Retail- As part of the business combination for the purchase of Modularity Technologies Ltd. (hereinafter – "Modularity") the Company recognized intangible assets (goodwill) in the total amount of \$503 thousand. As part of the business combination related to the acquisition of Nayax Retail (see note 6a), the Company recognized intangible assets (goodwill) in the total amount of \$1,867 thousand.

The following key assumptions were used to determine the value in use of the CGUs as at December 31, 2020:

	<u>Retail</u> <u>(Nayax Retail and Modularity)</u>
Growth rate	1.5%
Discount rate	18.4%

The detailed calculation of the recoverable amount of the cash-generating unit to which goodwill has been allocated made as of December 31, 2020 was used in the impairment test of the unit as of December 31, 2021 since all of the following criteria were met, as mentioned above.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 12 – GOODWILL AND INTANGIBLE ASSETS** (continued):

**(a) Goodwill** (continued):

3. Weezmo - As part of the business combination related to the acquisition of Weezmo (see note 6b), intangible assets of goodwill at \$4,615 thousand were recognized. The following key assumptions were used to determine the value in use of the CGUs as at December 31, 2021:

	<u><b>Weezmo</b></u>
Growth rate	3%
Discount rate	18.9%

The recoverable amount is greater than the carrying amount, and no impairment of goodwill was required.

**NOTE 13 – CREDIT AND LOANS FROM BANKS**

**a. Short-term bank credit**

On June 2018, the Company received a short-term credit facility of NIS 25 million (\$6.9 million) from an Israeli bank (hereafter – the “Bank”) bearing variable interest of Prime + 2%. On May 19, 2019 and in October 2020, the Company signed agreements to increase the short-term credit facility, such that as of December 31, 2021 the amount of the short-term credit facility is NIS 42.5 million (\$13.2 million).

**b. Long-term bank loans**

	<u><b>December 31,</b></u>	
	<u><b>2021</b></u>	<u><b>2020</b></u>
	<u><b>US Dollars in thousands</b></u>	
Long-term bank loans	5,166	7,329
Less - current maturities	<u>(2,406)</u>	<u>(1,938)</u>
	<u>2,760</u>	<u>5,391</u>

1. On June 2018, the Company received a long-term bank loan in the amount of NIS 15 million (\$4.14 million) from the Bank; the loan bears interest at the rate of Prime + 3.45% paid monthly. The principal of the loan is repayable in 48 monthly installments as from December 2018. The loan was fully prepaid in February 2022.
2. On May 2020, the Company received a long-term loan from the Bank, backed by a government guarantee, in the amount of NIS 15 million (\$4.25 million). The loan bears interest of Prime + 1.5%, payable monthly beginning in May 2021. The loan's principal will be returned in 48 monthly installments beginning in May 2021.

The carrying amount of the credit and loans from banks reasonably approximate their fair value.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 13 – CREDIT AND LOANS FROM BANKS** (continued):

**c. Financial covenants**

Under the financing agreement in connection with the short-term borrowings and long-term loans, the Company was required to meet financial covenants (hereafter – the “Financial Covenants”) based on the combined financial statements of the Group and Dually Ltd., a related company (hereafter – the “Combined Financial Statements”). As of the December 31, 2020 financial statements, those covenants were as follows:

1. The ratio between trade receivables and short-term credit net of cash shall not be less than 125%.  
It was agreed that if the aforesaid ratio may decline down to no less than 115%, the said decrease shall not be deemed a breach, provided that in the following financial statements the ratio will not be less than 125%.
2. Long-term credit to EBITDA ratio may not exceed 2.
3. The Group’s tangible equity may not constitute less than 16% of the Group’s total tangible statement of financial position in 2020, 18% in 2021 and 20% as from 2022 and thereafter.
4. The ratio between trade receivables plus inventory, net of trade payables and short-term borrowing may not be less than 100%.

The financing agreement also stipulated that if the Group shall not meet one or more of the aforesaid financial covenants, it shall have the right to rectify the financial covenants by a shareholders’ loan.

Based on the combined December 31, 2020 financial statements, the Company did not comply with the financial covenant indicated in item 3 above as of December 31, 2020.

The Group exceeded its maximum tangible equity to total statement of financial position threshold as at December 31, 2020. However, management obtained a waiver letter from the bank during 2020, stating that the Company was not required to comply with the financial covenants as of December 31, 2020, but will have to comply as of December 31, 2021. Accordingly, the loan was not payable on demand on December 31, 2020.

During 2021 and after the IPO, the Company’s financial covenants were cancelled in respect to short-term borrowings and long-term loans.

**NOTE 14 – LONG-TERM LOANS FROM OTHERS**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>US Dollars in thousands</b>	
Long-term loans from others *	3,219	5,703
Less – current maturities	(2,989)	(3,041)
	230	2,662

\* The balance is composed of loans received from an acquirer of the Group.

Below is the composition of the loans:

- On April 2019, the Group received a loan in the amount of \$2.5 million. The loan bears effective annual interest of 4.74% and is being returned in 36 monthly instalments beginning in April 2019. On March 18, 2020, following the COVID crisis, the Group signed an agreement whereunder it will not pay the principal of the loan for a six-month period from March 2020 to August 2020.
- On February 2020, the Group received a loan in the amount of Euro 3.5 million (\$3.8 million). The loan bears effective annual interest of 4.74% and is being returned in 24 equal monthly instalments beginning in February 2021.  
On March 2021, following the COVID crisis, the Company received an approval to defer repayment of the said loan by six months.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 15 – OTHER LONG-TERM LIABILITIES**

**Composition of other long-term liabilities, net of current maturities**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>US Dollars in thousands</b>	
Liability in respect of purchase of servers (a)	411	698
Liability in respect of royalties to government institutions (b)	660	773
Liability for contingent payment due to employee benefit (c)	760	555
Liability for forward contract for acquisitions, see note 6	2,238	1,348
	<u>4,069</u>	<u>3,374</u>

- (a) The balance, of \$307 thousand, is paid in 48 monthly installments from July 2019. The balance, at \$416 thousand, is paid in 58 monthly installments from July 2020. The implied interest rate in the transaction is 1.78%. Current maturities as of December 31, 2021 and 2020 were \$312 thousand and \$296 thousand, respectively.
- (b) The liability in respect of royalties to government institutions was initially recognized at fair value based on the applicable discount rate. The Group capitalized the royalty liability using a discount rate of 14%. Current maturities as of December 31, 2021 and 2020 were \$277 thousand and \$236 thousand, respectively.

As of December 31, 2021, the Company received grants in the amount of NIS 3.93 million (\$1.07 million) from the below support schemes and recognized a liability in respect of these grants in the amount of \$773 thousands. Below is information about the support programs:

- 1) The “Smart Money” program and the “India, China, Japan” program – between 2014-2019, the Israeli Ministry of Economy issued the Company with approvals of eligibility to grants totaling NIS 4.1 million (\$1.08 million) to be used as support in increasing the scope of sales in the USA, Japan, China and India. The accumulated amount of grants received through December 31, 2021 is NIS 2 million (\$526 thousand).
  - 2) The Halutz and Hadgama project – in November 2017, the Israeli Ministry of Energy issued the Company with an approval of eligibility for a grant of up to NIS 1.5 million (\$413 thousand) out of an approved budget of up to NIS 3 million (\$826 thousand) as part of the Halutz and Hadgama project for the development of a charging system for electric cars. As of December 31, 2021, the Company received the full grant amount from the Ministry of Energy – NIS 1.5 million (\$413 thousand).
  - 3) Public transportation pilot – in May 2019, the Israeli Innovation Authority issued the Company with an approval for eligibility for a grant of up to NIS 1.1 million (\$314 thousand) out of an approved budget of up to NIS 2.2 million (\$628 thousand) as part of the development of ticketing and validation systems for public transport. As of December 31, 2021, the amount of grants received by the Company is NIS 441 thousand (\$127 thousand).
- (c) The balance includes liabilities for contingent payments recognized as a separate transaction which is not included in the application of the acquisition method.

As of December 31, 2021 and 2020, the liability for contingent payment in respect of long-term employee benefit, which was not included in the application of the purchase method to the acquisition of VendSys is estimated at \$760 thousand and \$555 thousand, respectively.

As of December 31, 2021 and 2020, the liability has a current maturity to contingent payments in respect of long-term employee benefit that was not included in the application of the purchase method to the acquisition of Modularity is estimated at \$22 thousand and \$154 thousand, respectively.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 16 – INCOME TAXES**

**a. Taxation of the Company in Israel**

1) Tax rates:

The Company's income in Israel (except for income qualifying for reduced tax rates under Israel encouragement law, see paragraph 2 below) is taxed at regular rates.

The Israeli corporate tax rate in 2018 and thereafter is 23%.

Capital gains of the Company in Israel are subject to tax at the regular corporate tax rate applicable during the tax year.

2) In December 2020, the Company received an in-agreement tax ruling, indicating that the enterprise of the Company meets the definition of a Technological Preferred Enterprise, and that the income of the Company from selling POS devices, provision of processing services and services are deemed "technology income" as defined by Section 51 to the Encouragement of Capital Investment Law, 1959 (hereinafter - "the Law"), which are subject to 12% tax, while income attributed to production are "preferred income", as this term is defined by Section 51 to the Law, which are subject to 16% or 7.5% tax (depending on the production activity place). This tax ruling applies to the Company beginning in the 2020 tax year through 2024.

3) In February 7, 2021, the Company received an in-agreement tax ruling, indicating that the restructuring that the Company intended to perform, of holding the entire (100%) share capital of Dually, is tax exempt. See note 6e.

**b. Taxation of subsidiaries outside of Israel**

Subsidiaries that are incorporated outside Israel are assessed for tax under the tax laws applicable in their countries of residence.

The principal tax rates applicable in 2021 to subsidiaries outside Israel are as follows:

Companies incorporated in the USA – tax rate of 34.7% (including federal, state and branch profits tax).

Company incorporated in the UK – tax rate of 19% (for the financial year beginning April 1<sup>st</sup>, 2021).

Company incorporated in Australia – tax rate of 30%.

Company incorporated in Lithuania – corporate tax rate of 15%.

Generally, inter-company transactions between the Company and subsidiaries outside Israel are subject to the provisions and reporting requirements set out in the Income Tax Regulations (Determination of Market Terms), 2006.

**c. Carry forward losses**

Deferred tax assets on carryforward losses are recognized if the exercise of the relevant tax benefit is expected in the foreseeable future against a taxable income.

As of December 31, 2021 and 2020, the expected carryforward tax losses stemming from the Company in Israel amounted to NIS 86,944 thousand (\$27,956 thousand) and NIS 26,122 thousand (\$8,399 thousand), respectively.

As of December 31, 2021, carryforward tax losses, arising from the wholly owned disregarded US entity, are in the amount \$788 thousand. These carryforward losses will be fully utilized as of December 31, 2021.

In respect of business losses of a US subsidiary, as of December 31, 2020, the Group recognized in the financial statements deferred tax assets of \$241 thousand.

The Group recognize deferred taxes in respect of carryforward losses stemming from the Group only up to the amount of the liability for deferred tax, since the utilization of those losses is not expected in the foreseeable future. Carryforward tax losses accrued in Israel may be offset over an unlimited time.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 16 - INCOME TAXES** (continued):

**d. Tax assessments**

The limitation period in Israel of tax assessments filed by taxpayers in respect of tax year 2013 and thereafter is 4 years from the end of the tax year in which a tax return was filed.

Accordingly, the Company's tax assessments through tax year 2015 are considered to be final.

**e. Theoretical tax rate:**

The amount of theoretical tax benefit that would have applied had all revenue, expenses, income and losses recognized in profit or loss would have been liable to the normal corporate tax rate in 2021 and 2020 is \$5,552 thousand and \$1,403 thousand, respectively.

The tax amount that was recognized in the consolidated statement of profit or loss in 2021 and 2020 was an expense of \$632 thousand and a benefit of \$15 thousand, respectively.

This difference is mainly because the Group recognized deferred tax assets in respect to losses for tax purposes arising from the Company in Israel, but only up to the amount of liability for deferred tax of the Company, since utilization of those losses is not expected in the foreseeable future.

**f. Deferred income tax:**

The composition of deferred taxes as of statement of financial position dates and the change thereof in those years is:

	<u>Intangible assets</u>	<u>Provisions for employee rights</u>	<u>Other</u>	<u>Losses for tax purposes</u>	<u>Total</u>
	<b>US Dollars in thousands</b>				
<b>Balance at January 1, 2021</b>	(998)	208	91	414	(285)
<b>Change in 2021:</b>					
Recognized in income statement	665	(208)	(91)	(391)	(25)
Deferred taxes created in acquisition of subsidiary	(747)	-	-	-	(747)
Recognized in translation currency difference reserve	(31)	-	-	-	(31)
<b>Balance at December 31, 2021</b>	<u>(1,111)</u>	<u>-</u>	<u>-</u>	<u>23</u>	<u>(1,088)</u>
	<u>Intangible assets</u>	<u>Provisions for employee rights</u>	<u>Other</u>	<u>Losses for tax purposes</u>	<u>Total</u>
	<b>US Dollars in thousands</b>				
<b>Balance at January 1, 2020</b>	(935)	129	87	473	(246)
<b>Change in 2020:</b>					
Recognized in income statement	206	79	4	(59)	230
Deferred taxes created in acquisition of subsidiary	(241)	-	-	-	(241)
Recognized in translation currency difference reserve	(28)	-	-	-	(28)
<b>Balance at December 31, 2020</b>	<u>(998)</u>	<u>208</u>	<u>91</u>	<u>414</u>	<u>(285)</u>

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 16 - INCOME TAXES** (continued):

**f. Deferred income tax** (continued):

Deferred taxes are presented in the statement of financial position as follows:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>US Dollars in thousands</b>	
Non-current assets	-	241
Non-current liabilities	(1,088)	(526)
	(1,088)	(285)

**g. Taxes on income included in profit or loss:**

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>US Dollars in thousands</b>	
Current tax expenses	(607)	(215)
Deferred tax income (expenses)	(25)	230
	(632)	15

**NOTE 17 – CAPITAL AND RESERVES**

**a. Composition:**

The share capital as of December 31, 2020, is composed of Ordinary shares, Ordinary shares A and Ordinary shares B, all having NIS 0.0001 par value, as follows:

	<b>Number of shares</b>		<b>In thousands</b>	
	<b>Authorized</b>	<b>Issued and paid</b>	<b>Authorized</b>	<b>Issued and paid</b>
	<b>December 31, 2020</b>		<b>December 31, 2020</b>	
Ordinary shares	337,433,400	248,421,000	337,433	248,421
Ordinary shares A	16,066,600	15,304,800	16,067	15,305
Ordinary shares B	26,500,000	17,477,000	26,500	17,477
	380,000,000	281,202,800	380,000	281,203

The share capital as of December 31, 2021, is composed of Ordinary shares, all having ILS 0.0001 par value, as follows:

	<b>Number of shares</b>		<b>In thousands</b>	
	<b>Authorized</b>	<b>Issued and paid</b>	<b>Authorized</b>	<b>Issued and paid</b>
	<b>December 31, 2021</b>		<b>December 31, 2021</b>	
Ordinary shares	700,000,000	327,522,420	700,000	327,522

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 17 – CAPITAL AND RESERVES** (continued):

The ordinary shares confer to their holders voting rights and the right to participate in shareholders' meetings, the right to receive profits and the right to participate in excess of assets upon liquidation of the company. Ordinary shares A and B conferred to their holders the rights attached to the ordinary shares and also the right to receive information and liquidation preference right. In a situation where the value of all assets or profits distributed or distributable to the Company's shareholders (whether paid by the Company or by a third party (hereafter - the "Distributable Profits") is lower than US \$100,000,000 in a sale of the Group or US \$94,500,000 in a sale of the Group on a standalone basis, holders of ordinary shares A and ordinary shares B shall recover the amount they invested in the shares (but not more than that amount), and any remaining amount shall be distributed among holders of ordinary shares.

On April 2021, the Company increased the registered share capital by 320,000,000 Ordinary shares par value NIS 0.0001 each.

On April 2021, all ordinary A shares of NIS 0.0001 par value and all ordinary B shares of NIS 0.0001 par value – both issued shares and shares included in the Company's authorized capital – were converted into ordinary shares of NIS 0.0001 par value each based on a 1:1 ratio, such that subsequent to the conversion, the Company's capital comprises only ordinary shares.

On May 2021, the Company completed an IPO. For additional information, see note 1a above.

**b. Share-based payment:**

As of December 31, 2021, the Company has two equity-settled compensation plans to employees and service providers of the Company and its subsidiaries, under which options were allotted: (1) the option plan approved by the Company's Board of Directors in February 2013 (hereafter – the "2013 Plan"); and (2) global equity-settled incentive plan adopted by the Company's Board of Directors in December 2018 (hereafter – the "2018 Plan"), as follows:

Under the 2013 Plan, employees of Group companies may be awarded options (hereafter – the "2013 Options"). A 2013 Option may be exercised into one ordinary share against payment of an exercise price set by the Board of Directors on the grant date.

Under the 2018 Plan, employees of Group companies may be awarded options (hereafter – the "2018 Options"). A 2018 Option is exercisable into one ordinary share against the payment of exercise price set by the Board of Directors on grant date.

1. **2020 awards:** In 2020, the Company granted 7,780,000 options under the 2018 Plan to employees and service providers of the Company and its subsidiaries (in addition, 2,460,000 options were granted as part of an option replacement, as detailed below). The vesting period of the 2018 options granted in 2020 was 4 years, with 25% of the options vesting on the first anniversary of inception date and later an additional tranche representing 6.25% of option will vest on the last day of each subsequent calendar quarter. Options not exercised within 5 years of inception date will expire.
2. **Replacement of options allotted under the 2013 Plan by options under the 2018 Plan:** On October 15, 2020, the Company's Board of Directors resolved to offer holders of options offered under the 2013 Plan in the capital gains track with a trustee under Section 102(b)(2) to the Israel Income Tax Ordinance [New Version] ("2013 Employee Options" and the "Offerees") to replace the 2013 Employee Options in their possession with new options under the 2018 Plan, with terms that differ from those of the 2013 Employee Options (including a change of exercise price, change of number of options and change of vesting and expiration dates of the options), and with the new options under the 2018 Plan to be Allotted under the capital gains track with trustee under Section 102 to the Ordinance (the "Change of Terms"). According to a tax ruling received from the Israel Tax Authority (ITA) on November 10, 2020, the Company's Board of Directors approved on that day, in relation to interested Offerees, to cancel 2,493,400 of 2013 Employee Options allocated to them and replace those with 2,460,000 options that were allotted on November 10, 2020 to those same Offerees under the 2018 Plan. The new allotments, as above, are governed by the provisions of the capital gains track with trustee under Sections 102(b)(2) and 102(b)(3) to the Ordinance, as applicable.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 17 – CAPITAL AND RESERVES** (continued):

**b. Share-based payment** (continued):

The Company recognized an expense of \$221 thousand in accordance with the 2013 Options' original vesting period prior to their replacement by the 2018 Options.

The Company recognized an expense of \$509 thousand in respect of the 2013 Options benefit balance, which were not replaced by 2018 Options, and whose vesting was conditional upon the occurrence of an IPO.

3. **January 2021 award:** On January 7, 2021, the Company allotted to two employees of the Company 400,000 options each (a total of 800,000 options) under the 2018 Plan.  
The vesting period of the options is four years, where 25% of the options vest on the first anniversary of grant date, and after that, additional 6.25% of the options vest on the last day of each subsequent calendar quarter. Options not vested by the fifth anniversary of grant date will expire.  
The 400,000 options have an exercise price of \$0.67 (hereinafter: "Part A Options") and 400,000 options have an exercise price of the par value of the shares (NIS 0.0001) and also include accelerated vesting in the event of an IPO or at the termination of the employee's service, meaning that they vested upon completion of the IPO of the Company (hereinafter: "Part B Options") (see note 1 below).
4. **March 2021 award:** On March 24, 2021, the Company allotted 2,825,000 options to employees of the Company and subsidiaries under the 2018 Plan. The exercise price of 2,530,000 options is \$0.67 each (hereinafter: "Part C Options") and the exercise price of 295,000 options that were allotted to employees of subsidiaries in the US is \$1.95 each (hereinafter: "Part D Options").  
The vesting period of the options is five years, with 20% of the options vest on the first anniversary of grant date, and after that, additional 5% of the options vest on the last day of each subsequent calendar quarter. Options not vested by the end of the quarter following the end of vesting period will expire.
5. **May 2021 award:** On May 13, 2021, the Company allotted Mr. Yair Nechmad and Mr. David Ben Avi 7,250,000 options each, which are convertible into ordinary Company shares. The options shall vest over a five-year period (through 2025), subject to attaining the following targets:
  - a. To the extent that revenue growth of the Company in any given calendar year over the preceding calendar year (beginning in 2021, relative to 2020) is at least 30%, and subject to a gross profit rate of not less than 40% in that calendar year, 750,000 options will vest and be exercisable into ordinary shares of the Company over a five-year period.
  - b. Additionally to the options vested in accordance with paragraph a. above, for revenue growth of the Company in any given calendar year over the preceding calendar year (beginning in 2021, relative to 2020) of at least 30% and up to 45%, and subject to a gross profit rate of not less than 40% in that calendar year, up to 700,000 additional options will vest and be exercisable into ordinary shares of the Company over a five-year period, with the number of options vesting under this paragraph calculated linearly, based on the revenue growth rate of between 30% and 45% over the previous year.

Should the Company fail to meet the targets set out above in a certain calendar year, the options attributed to that calendar year will expire.  
The exercise price of the said options will be the price set for the Company's share as part of the IPO (see note 1). The total expense recognized in respect of this award during 2021 is \$4,413 thousand based on the expected targets above.
6. **August 2021 award:** On August 22, 2021, the Company's board of directors approved an allotment to employees of the Company and subsidiaries and to service providers of 1,967,500 options under the 2018 Plan and of 500,000 restricted share units (RSUs). The vesting period of the options and RSUs is the same as March 2021 award.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 17 – CAPITAL AND RESERVES** (continued):

**b. Share-based payment** (continued):

7. **November 2021 award:** On November 11, 2021, the Company's board of directors approved an allotment to employees of the Company and subsidiaries of 1,675,000 options under the 2018 Plan. The vesting period of 1,275,000 options is the same as March 2021 award and the vesting period of 400,000 options is three years, with 25% of the options vest on the grant date, and after that, additional 6.25% of the options vest on the last day of each subsequent calendar quarter. Options not vested by the end of the quarter following the end of vesting period will expire.

The Company used the Black and Scholes option pricing model to measure the fair value of the share options on award dates. The key assumptions used by the Company in this model and the fair value of each option are as follows:

<u>Allotment date</u>	<u>Share price</u>	<u>Exercise price</u>	<u>Expected term</u>	<u>Risk-free interest rate</u>	<u>Average standard deviation</u>	<u>Option fair value</u>
May 20, 2020	0.97	\$0.67	5	0.33%	56%	0.55
October 29, 2020	0.97	\$0.67	5	0.38%	52%	0.53
November 10, 2020	0.97	\$0.67/ NIS 0.0001	5	0.38%/0.46%	52%	0.53/0.97
December 3, 2020	0.97	\$0.67	5	0.39%	52%	0.53
January 7, 2021 – Part A Options	0.97	\$0.67	5	0.46%	51.22%	0.53
January 7, 2021 – Part B Options	0.97	NIS 0.0001	5	0.46%	51.22%	0.97
March 24, 2021 – Part C Options	1.95	\$0.67	5.25	0.88%	50.30%	1.41
March 24, 2021 – Part D Options	1.95	\$1.95	5.25	0.88%	50.30%	0.87
May 13, 2021	3.19	\$3.19	5.88-9.88	1.05%-1.65%	53.1%-54.67%	1.62-2.01
August 22, 2021 – Options	3.17	\$3.06	5.25	0.83%	54.54%	1.55
August 22, 2021 – RSUs	3.17	-	-	-	-	3.17
November 11, 2021	3.9	\$0.67/\$3.88	5.25	1.21%	54.80%	1.9/3.32

All allotments to employees and offices in Israel carried out as part of the plan are subject to the terms set out in Section 102 of the Income Tax Ordinance. The allotments to Israelis who are not employees are subject to Section 3(i) to the Income Tax Ordinance. Foreign employees and service providers are subject to the tax law in the relevant countries.

Below is a breakdown of the options allotted, exercised and expired during the reported period:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Number of options and RSU outstanding at beginning of year	18,306,950	14,706,300
Options and RSU granted (1)	22,267,500	10,240,000
Options exercised	(2,319,620)	-
Options cancelled or expired (1)	(1,917,054)	(6,639,350)
Options and RSU outstanding at end of year	<u>36,337,776</u>	<u>18,306,950</u>

- (1) In 2020, includes 2,460,000 options that were replaced against waiver of 2,493,400 options under the 2013 Plan, as indicated above.

The amount of expenses relating to options is \$8,850 thousand and \$2,965 thousand during 2021 and 2020, respectively. The amount of expenses recognized in capitalized development costs and included as intangible assets is \$649 thousand and \$883 thousand during 2021 and 2020, respectively.

The balance of unrecognized benefit as of December 31, 2021, assuming that all conditions set were met, is \$16,704 thousand.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 18 – REVENUES**

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>US Dollars in thousands</b>	
Revenue from the sale of integrated POS devices	47,987	35,414
Recurring revenue:		
SaaS revenue	34,641	25,127
Payment processing fee	36,506	18,242
	<u>71,147</u>	<u>43,369</u>
	<u>119,134</u>	<u>78,783</u>

**NOTE 19 – COST OF REVENUES**

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>US Dollars in thousands</b>	
Cost of integrated POS devices sales	40,165	24,825
Cost of recurring revenue	30,805	16,778
	<u>70,970</u>	<u>41,603</u>

Cost of revenue includes payroll and related expenses of \$4,058 thousand and \$2,135 thousand in 2021 and 2020, respectively.

**NOTE 20 – RESEARCH AND DEVELOPMENT EXPENSES**

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>US Dollars in thousands</b>	
Payroll and related expenses	12,970	6,189
Suppliers and subcontractors	2,557	976
Office and maintenance	539	259
Share-based payment	1,846	1,133
Depreciation and amortization	1,128	743
	<u>19,040</u>	<u>9,300</u>

**NOTE 21 – SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>US Dollars in thousands</b>	
Payroll and related expenses	24,141	15,951
Share-based payment	7,004	1,831
Office and maintenance	1,814	1,274
Advertising and sales promotion	1,612	990
Depreciation and amortization	2,199	1,563
Computers and IT systems maintenance	2,396	1,286
Professional fees	2,718	1,775
Provision for credit losses and bad debts	1,019	636
Other expenses	2,476	1,239
	<u>45,379</u>	<u>26,545</u>

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 22 – FINANCE EXPENSES**

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>US Dollars in thousands</b>	
Interest on bank loans and bank fees	964	821
Change in fair value options	414	-
Finance expenses in respect of loans from others	217	248
Finance expenses in respect of shareholders and related companies	136	27
Finance expenses in respect of other liabilities	202	302
Finance expenses in respect of leases liabilities	214	379
Financing income in respect of finance sub-lease	(2)	(14)
Benefit in respect of government guarantee loans	-	(389)
Exchange rate differences	(490)	2,500
	<u>1,655</u>	<u>3,874</u>

**NOTE 23 - LOSS PER SHARE**

**a. Basic**

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue.

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Loss for the year attributed to holders of ordinary shares (US Dollars in thousands)	(24,763)	(6,254)
Weighted average of number of ordinary shares in issue (in thousands)	301,915	248,421
Basic loss per ordinary share (in dollars)	<u>(0.0820)</u>	<u>(0.0252)</u>

**b. Diluted**

Instruments that can potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share, as their impact was anti-dilutive:

	<b>Thousands of shares</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Ordinary shares A	-	15,305
Ordinary shares B	-	17,477
Options and RSU issued as part of share-based payment	36,338	18,307
	<u>36,338</u>	<u>51,089</u>

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 24 – RELATED PARTIES**

Below are the details of transactions, balances and engagements of “interested parties” – as this term is defined in the Securities Regulations (Annual Financial Statements) 2010, and of “related parties” as this term is defined in IAS 24 – “Related Party Disclosures”.

**a. Transactions with related parties:**

	<b>For the year ended</b>	
	<b>December 31, 2020</b>	
	<b>2021</b>	<b>2020</b>
	<b>US Dollars in thousands</b>	
Payroll, options and payments to related parties employed by the Company (see (1) (2) and (3) in note 24c below)	6,512	1,519
Number of interested parties to which the benefits relate	8	8
Payroll to directors	25	-
Number of directors	4	
Dually (related company) – revenues from sales and provision of services *	900	3,520
Shareholders – interest expenses, net	141	27

\*Until and Restructuring date see note 6e above.

**b. Balances with related parties:**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>US Dollars in thousands</b>	
Trade receivables – Dually	-	1,248
Other receivables – shareholders	-	61
Loans to related parties	-	44
Trade payables – related companies and parties	81	27
Other payables – related companies and parties	64	-

**c. Related parties' employment terms:**

- 1) Employment terms of controlling shareholder and director – Mr. Yair Nechmad – for his service as the Company's CEO:

Payment of management and consulting fee to Mr. Yair Nechmad for serving as CEO are performed under a November 2016 agreement (in this paragraph (1), the "Agreement"). Under the Agreement, the services are provided by Mr. Nechmad through Yair Nechmad Ltd., which is fully controlled by Mr. Yair Nechmad, in consideration for a management fee at a monthly cost of NIS 50 thousand (\$14.5 thousand), and reimbursement of various expenses. In 2020, a one-time NIS 190 thousand (\$55 thousand) payment was made to Mr. Nechmad for management fee differentials in respect to a previous period.

On March 10, 2021, the Board of Directors and the general meeting of the shareholders of the Company approved a revision to the terms of engagement between the Company and Mr. Yair Nechmad, effective January 1, 2021, as follows: The management fee of Mr. Yair Nechmad, CEO of the Company, through Yair Nechmad Ltd, was changed to a monthly cost of NIS 150 thousand (\$46 thousand), instead of NIS 50 thousand (\$15 thousand).

On May 4, 2021, the Board of Directors and general meeting of the Company approved engagement in revised service agreements with Mr. Yair Nechmad, in which the monthly management fee of each of

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 24 – RELATED PARTIES** (continued):

**c. Related parties' employment terms** (continued):

- 1) Employment terms of controlling shareholder and director – Mr. Yair Nechmad – for his service as the Company's CEO (continued):

them was revised to NIS 140 thousand (\$43 thousand), beginning on the date completing the IPO on the Tel Aviv Stock Exchange, i.e. May 13, 2021. This amount is to increase each calendar year by 2.5%.

For information about the share-based payment to Mr. Yair Nechmad, see note 17b5 above.

The total expenses related to the son of Mr. Nechmad, Mr. Arnon Nechmad, who is employed in 2021 and 2020 by the subsidiary Nayax Retail Ltd, was \$42 thousand and \$14 thousand, respectively.

- 2) The employment terms of controlling shareholder and director, Mr. David Ben Avi, for his service as the Company's CTO:

Payment of management and consulting fee to Mr. David Ben Avi for serving as the Company's CTO is under a November 2016 agreement (in this paragraph (2), the "Agreement"). Under the Agreement, services are provided by Mr. Ben Aviv through David Ben Avi Holdings Ltd., which is fully controlled by Mr. Ben Avi, in consideration for a monthly management fee at the cost of NIS 50 thousand (\$14.5 thousand), and reimbursement of various expenses. In 2020, a one-time NIS 190 thousand (\$55 thousand) a payment was made to Mr. David Ben Avi for management fee differentials in respect to previous period.

On March 10, 2021, the Board of Directors and the general meeting of the shareholders of the Company approved a revision to the terms of engagement between the Company and Mr. David Ben-Avi, effective January 1, 2021, as follows: The management fee of Mr. David Ben Avi, CTO of the Company, through David Ben Avi Holdings Ltd, was changed to a monthly cost of NIS 150 thousand (\$46 thousand), instead of NIS 50 thousand (\$15 thousand).

On May 4, 2021, the Board of Directors and general meeting of the Company approved engagement in revised service agreements with Mr. David Ben Avi, in which the monthly management fee was revised to NIS 140 thousand (\$43 thousand), beginning on the date completing the IPO on the Tel Aviv Stock Exchange, i.e. May 13, 2021. This amount is to increase each calendar year by 2.5%.

For information about the share-based payment to Mr. David Ben-Avi, see note 17b5 above.

The total expenses related to Mr. Ben Avi's spouse, Ms. Gilat Gordon, who is employed in the Company's Finance Department in 2021 and 2020 was \$57 thousand and \$60 thousand, respectively.

The total expenses related to Mr. Ben Avi's brother, Shai Ben Avi, who is employed by the Company as chief architect, and to a company wholly-owned by Mr. Ben Avi's brother in 2021 and 2020 was \$382 thousand and \$256 thousand, respectively. During 2020, the Company allotted 300,000 options to Shai Ben Avi.

The total expenses related to Oded Frenkel, Mr. Ben Avi's brother-in-law, who is employed by the Company as Chief Customer Officer in 2021 and 2020 was \$259 thousand and \$135 thousand, respectively. During 2021 and 2020, the Company allotted 25,000 options each year to Oded Frenkel.

The total expenses related to Reuven Amar, Mr. Ben Avi's brother-in-law, who is employed by the Company as Engineering Lab Manager in 2021 and 2020 was \$193 thousand and \$107 thousand, respectively. During 2021 and 2020, the Company allotted 25,000 options each year to Reuven Amar.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 24 – RELATED PARTIES** (continued):

3) Payments to Mr. Amir Nechmad – controlling shareholder and director

In 2021 and 2020, the amount paid by the Company to Mr. Amir Nechmad for services rendered to the Company by companies under his control including directors' fees amounted to \$96 thousand and \$187 thousand, respectively.

Mr. Amir Nechmad, through Ofer R.G Ltd. (a company wholly owned by Mr. Amir Nechmad), provided shareholders' loans to the Company in the Reporting Period that carried an annual interest of 6%, and with an aggregate amount of \$7.6 million. According to the terms of the loan agreements, Ofer R.G Ltd. had a right to call the loans at any time, but provided that the Company received a ten business days' advance notice. In May 2021, the Company fully repaid the above shareholders' loans.

In April 2021, Mr. Amir Nechmad, through Ofer R.G Ltd., provided the Company a \$2 million credit line, from which the Company was able to draw at any time. Amounts drawn by the Company, as above, carried annual interest of 6%.

According to the terms of the credit line, Ofer R.G. Ltd had a right to call loans taken at any time, but provided that the Company is provided a ten business days' advance notice.

In June 2021, the Company repaid the full amount it utilized out of the credit line totaling \$1.3 million.

4) Wise-Sec Ltd.:

In May 2018, the Company and its shareholders entered into an agreement with Wise-Sec Ltd. ("Wise-Sec") and its shareholders, where after a six-month period from the signing date on the agreement, the Company and/or its shareholders will acquire the shares of Wise-Sec under the terms set in the agreement. Additionally, under the agreement, the Company extended a loan to Wise-Sec as part of a business collaboration between the parties, including providing the Company the ability to use technologies developed by Wise-Sec.

In January 2019, Mr. Yair Nechmad, Mr. David Ben Avi and Mr. Amir Nechmad, controlling shareholders of the Company, entered into an agreement to acquire the entire share capital of Wise-Sec.

Additionally, in 2020 the Company entered with Wise-Sec into an agreement for the acquisition of Wise-Sec's patents and intellectual property for NIS 2,676 thousand (\$806 thousand).

5) Directors insurance:

The Company has a directors and office holders insurance policy covering risk of NIS 24 million (\$6.95 million) per insurance period, and NIS 12 million (\$3.47 million) per claim.

6) On March 9, 2021, the Company's controlling shareholders – Mr. Amir Nechmad, Mr. Yair Nechmad, Yair Nechmad Ltd (for the purpose of the shareholders agreement, Yair Nechmad and Yair Nechmad Ltd are considered as a single shareholder) and Mr. David Ben Avi ("the Controlling Shareholders") – entered into a shareholders' agreement ("the Shareholders' Agreement"). The agreement formalizes the issue of their voting on different matters, including the appointment of directors, and sets certain limitations on the transfer of Company shares, including a first right to offer in relation to the sale of shares on and off a stock exchange, a tag along right and liens on shares. The effective date of the Shareholders' Agreement is September 30, 2020.

7) Mr. David Ben Avi, a controlling shareholder of the Company, provided personal guarantees to the lessor and sub-lessor in connection with the lease and sublease agreement of the Company's offices in Herzliya.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 25 – LIENS, GUARANTEES AND COMMITMENTS**

**a. Liens**

As of December 31, 2021, the following liens are in place in respect of the Company:

- 1) To secure the loan received from an Israeli bank, the Company placed the following liens in favor of the Bank:
  - a. Fixed charge on the Company's goodwill.
  - b. Fixed charge on all intellectual property rights of the Company.
  - c. Fixed charge on all of the Company's rights to receive funds from subsidiaries and distributors.
  - d. Fixed charge on documents, securities, and notes that the Company delivered and will deliver to the Bank.
  - e. Fixed charge on the Company's rights in the bank account, including all Company's rights in funds, assets, deposits, interest and revenues.

Furthermore, to secure the loan, Dually signed a guarantee in respect of the debt and placed liens in favor of the Bank. In addition, Nayax LLC (the group's US subsidiary) signed a negative pledge undertaking.

- 2) The Company has a frame bank guarantee provided by Bank Mizrahi Tefahot of NIS 5,600,000 (\$1,800 thousand) and used the bank guarantees below:
  - a) In respect of a bank guarantee provided by Bank Mizrahi Tefahot for a lessor, the Company provided a NIS 1,000,000 (\$322 thousand) deposit, which is under a charge to secure the guarantee.
  - b) In respect of a bank guarantee provided by Bank Mizrahi Tefahot for a lessor, the Company provided a NIS 1,114,000, (\$356 thousand) deposit, which is under a charge to secure the guarantee.
  - c) In respect of a bank guarantee provided by Bank Mizrahi Tefahot for a costumer, the Company provided a NIS 345,000 (\$112 thousand) deposit, which is under a charge to secure the guarantee.
- 3) In respect of a government-backed loan provided by Bank Mizrahi Tefahot Ltd, the Company registered a NIS 751 thousand (\$242 thousand) deposit, which in under a charge to secure the guarantee.
- 4) In respect of the non-controlling Weezmo transaction (see note 6b above), the Company has lien of \$550 thousand to the previous holders of non-controlling interests for 315,333 Weezmo ordinary shares acquisition.

**b. Contingent liability**

On June 2020, Had Ness South Marketing 2015 Ltd (hereinafter - "the plaintiff") filed lawsuit and a motion to certify a class action against Nayax Retail and two other respondents. The motion is estimated at NIS 3 million (\$933 thousand) for a class that is undetermined.

In June 2021, the Plaintiff filed a motion to withdraw in accordance with the Court's recommendation. Accordingly, in July 2021, the Court approved the motion to withdraw and ruled that the proceedings will be terminated by withdrawal in accordance with the provisions of Section 16 to the Class Action Law. As of the approval date of these financial statements, there are no lawsuits pending against the Group.

**c. Commitments**

1. As part of an agreement with a European processing agency for the provision of loans, the Group has undertaken in 2020 to reach a minimum processing turnover of 3.5 million transactions per month, including at least 55% through Visa credit cards. The agreement stipulates that in the event that the Group fails to meet the minimum threshold, the event shall constitute a breach event (as defined in the agreement), which will establish a contractual right for the acquirer to demand immediate repayment of the outstanding balance of the loans. As of December 31, 2020 and 2021, the Group was in compliance with the terms of the agreement.

**NAYAX LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 25 – LIENS, GUARANTEES AND COMMITMENTS** (continued):

**c. Commitments** (continued):

2. In November 2016 and February 2018, the Company and the processing agency entered into a processing agreement where under the Group undertakes to reach a minimum processing turnover in Europe. Furthermore, under the agreement a minimum fee will be paid out of the processing funds that are cleared using the processing agency's services. In 2020, the Company signed an agreement to extend the terms of minimum processing turnover until December 31, 2025.
3. Lease agreement: In June 2021, the Company entered into an agreement for the lease of additional 848 sq. m. of office space, 30 sq. m. of balconies, and a number of parking spaces in the building. The lease period is 72 months starting in June 2021. The monthly lease payment are incremental in respect of each square meter of the office space, plus inflation linkage as follows: no lease will be paid for the first 10 months of the lease period, other than a NIS 94 thousand (\$29 thousand) advance payment upon signing the agreement; the monthly lease for the following two months will be NIS 74 thousand (\$23 thousand); the monthly lease for the second to fifth years will be NIS 77 thousand (\$24 thousand); and NIS 79 thousand (\$24 thousand) for the sixth year.

**NOTE 26 –SUBSEQUENT EVENTS**

**Loan and merger agreement with On Track Innovation Ltd.**

On January 19, 2022 the Company entered into a binding term sheet with On Track Innovations Ltd. (hereinafter - "OTI"), according to which the parties shall engage in a two-phase transaction, where in the first phase the Company shall provide a loan to OTI (hereinafter - "Loan") and thereafter the Company shall acquire 100% of OTI's shares by way of reverse triangular merger (hereinafter - "Merger").

On January 27, 2022, the Company executed the Loan agreement with OTI, according to which the Company extended a Loan to OTI totaling \$5.5 million to repay its outstanding debts. The Loan will be repaid in two years, bearing a 10% annual interest rate. The loan shall be secured by a floating charge over OTI's assets.

The Company may, in its sole discretion, extend the Loan with additional amounts, in order to pay to any creditor of OTI from the date of the Loan agreement and until the closing of the Merger in order to allow OTI to continue to operate in the ordinary course (hereinafter – "Additional Amounts"). Additional Amounts, if any, will be deemed to be as part of a Loan and the terms of the Loan will apply to them in full.

In addition, further to the Company's undertaking to use its commercially reasonable efforts to guarantee OTI a credit line in an amount of up to \$2 million to support OTI's working capital, the Company provided a guaranty to a bank in the sum of \$2.35 million. In addition, the Company provided guarantees to several of OTI's suppliers, to maintain continued supply of components and finished goods. The Company estimates, based on data provided by OTI, that the value of the purchase that the guarantees cover up to \$3 million as of the date of signing these financial statements.

In the next phase, the Company and OTI are expected to enter into the Merger agreement under which OTI will be fully merged into the Company in consideration equals to the higher of: (a) \$10 million less the Loan amount or (b) \$4.5 million.

If the Merger agreement will not be put to the vote of the shareholders of OTI or if it will not be approved by the shareholders of OTI by the dates in the term sheet, for a reason that is not directly and exclusively related to the Company, then (a) the Company shall have the right to either demand the immediate repayment of the Loan from OTI only, or convert it into OTI's equity based on the determined price in the term sheet (b) if the Company elected not to demand the immediate repayment or conversion, the interest on the Loan shall be increased to the mentioned interest rate in the term sheet, and (c) OTI shall pay, upon demand by the Company, to the Company an agreed amount in the term sheet.

**NAYAX LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Consolidated companies' appendix as of report's publication date:**

<b>Company's name</b>	<b>ID number</b>	<b>Country of incorporation</b>	<b>Relationship with Company</b>	<b>Area of activities</b>	<b>Description of business relationship</b>
Nayax (UK) Ltd	7939558	UK	Subsidiary	Distribution activity	Distributing Company's products
Nayax LLC	15-0107001502002212	USA	Subsidiary	Distribution activity	Distributing Company's products
Nayax Canada Inc	676838	Canada	Subsidiary	Distribution activity	Distributing Company's products
Nayax S de RL de CV	15080271770	Mexico	Subsidiary	Processing activity	Processing funds of end users
Nayax GmbH	121/5750/5230	Germany	Subsidiary	Distribution activity	Distributing Company's products
Nayax Au Pty Ltd	CAN 615 300 402	Australia	Subsidiary	Distribution activity	Distributing Company's products
Nayax Nz Ltd	6264000	New-Zealand	Subsidiary	Distribution activity	Distributing Company's products
Nayax Europe	304891914	Lithuania	Subsidiary	Processing activity (holding financial institution license)	Processing funds of end users in Europe
Nayax KK	02-0651970	Japan	Subsidiary	Distribution activity	Distributing Company's products
Nayax China Ltd	X31022932169738	China	Subsidiary	Distribution activity	Distributing Company's products
Nayax (EU) Ltd	HE 280566	Cyprus	Subsidiary	Processing activity	Processing funds of end users
Monyx Wallet Ltd	9212180	UK	Subsidiary	-	Under voluntary liquidation
Nayax S.R.L	03925240248	Italy	Subsidiary	-	Under voluntary liquidation
EV Meter LLC Greenhithe Software Solutions Ltd.	2202591	USA New-Zealand	Second-tier company Subsidiary	- Holds Synectic Solutions Ltd. (incorporated in the USA) engaged in software solutions to the field of vending machines management	Liquidated in 2020 No material business relationship between the parties
Modularity Technologies Ltd.	515017739	Israel	Subsidiary	Development, sale and provision of EMV solutions (technology for smart debit cards which have a chip)	Provision of EMV-based payment solutions to Company's customers

Nayax Retails Ltd.	514364579	Israel	Subsidiary	incorporated to enhance security and prevent fraud) Developing technology and providing software solutions in the field of retail	Provision of retails services to Company's customers
EV Meter Ltd.	516263332	Israel	Subsidiary	Charging system for electric cars	Providing services to customers of the charging system
EV Meter LLC		USA	Second-tier company	Distribution activity	Has not yet commenced operations
Nayax Capital Ltd.	516269933	Israel	Subsidiary	Expected to concentrate Nayax Group's future credit activity	Has not yet commenced operations
Nayax Financial Services Ltd.	1301087	UK	Subsidiary	Concentration of the processing activity in the UK	Has not yet commenced operations
Weezmo Technologies Ltd	515333185	Israel	As of May 2021, the Company holds 100% of the shares of the related company	Issue of interactive invoices and marketing	Expansion of the solutions platform provided to retail customers.
Dually	513558726	Israel	Subsidiary	Distribution activity	Distributing Company's products

**NAYAX LTD.**

**Separate Financial Information Disclosed in accordance with Regulation 9c to the Securities  
Regulations (Periodic and Immediate Reports), 1970  
December 31, 2021**

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To  
The Shareholders of  
Nayax Ltd  
Tel Aviv

Dears Sirs and Madams,

**Re: Auditors' report on separate financial information in accordance with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports) – 1970**

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We have audited the separate financial information disclosed in accordance with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970 of Nayax Ltd. (hereafter - "the Company") as of December 31, 2021 and 2020, and for each of the years then ended. This separate financial information is the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on this separate financial information based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial information. An audit also includes assessing the accounting principles used in preparing the separate financial information and significant estimates made by the Company's board of directors and management, as well as evaluating the overall separate financial information presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the separate financial information is prepared, in all material respects, in conformity with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports) - 1970.

Tel-Aviv,  
March 8, 2022

Kesselman & Kesselman  
Certified Public Accountants (Isr.)  
A member firm of PricewaterhouseCoopers International Limited

**NAYAX LTD.**

**Separate Financial Information Disclosed in accordance with Regulation 9c to the Securities Regulations (Periodic and Immediate Reports), 1970**

**Assets and liabilities information included in the consolidated financial statements, attributed separately to the Company as parent**

	<u>Note</u>	<b>December 31</b>	
		<b>2021</b>	<b>2020</b>
		<b>(Audited)</b>	
		<b>U.S. dollars in thousands</b>	
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	3	72,310	1,095
Short-term bank deposits		-	62
Investee companies		27,874	16,971
Related parties		-	1,247
Trade receivable, net		2,908	3,430
Inventory		6,429	2,179
Other current assets		3,214	1,789
<b>Total current assets</b>		112,735	26,773
<b>NON-CURRENT ASSETS:</b>			
Long-term bank deposits		1,033	798
Right-of-use assets, net		5,082	4,396
Property and equipment, net		5,428	4,696
Intangible assets, net		18,501	17,653
Net amount attributed to total assets of the parent net of total liabilities, presented in the consolidated financial statements in respect of investee companies, including goodwill		24,064	7,554
<b>Total non-current assets</b>		54,108	35,097
<b>TOTAL ASSETS</b>		166,843	61,870

**The accompanying notes are an integral part of these financial statements.**

NAYAX LTD.

**Separate Financial Information Disclosed in accordance with Regulation 9c to the Securities Regulations (Periodic and Immediate Reports), 1970**

**Assets and liabilities information included in the consolidated financial statements, attributed separately to the Company as parent**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Audited)</b>	
	<b>U.S. dollars in thousands</b>	
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Short-term bank credit	-	11,589
Current maturities of long-term bank loans	2,406	1,938
Current maturities of loans from others and other long-term liabilities	3,445	3,727
Current maturities of leases liabilities	1,310	1,133
Payables in respect of processing activity	689	563
Trade payables	7,520	10,338
Other payables	7,013	3,306
<b>Total current liabilities</b>	<b>22,383</b>	<b>32,594</b>
<b>NON-CURRENT LIABILITIES:</b>		
Long-term bank loans	2,760	4,908
Long-term loans from others and other long-term liabilities	4,051	6,036
Post-employment benefit obligations, net	602	894
Lease liabilities	5,371	4,937
<b>Total non-current liabilities</b>	<b>12,784</b>	<b>16,775</b>
<b>TOTAL LIABILITIES</b>	<b>35,167</b>	<b>49,369</b>
<b>Total equity attributed to shareholders of the Company</b>	<b>131,676</b>	<b>12,501</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>166,843</b>	<b>61,870</b>

Yair Nechmad  
CEO

David Ben Avi  
Director

Sagit Manor  
CFO

Date of approval of financial statements: March 8, 2022.

**The accompanying notes are an integral part of these financial statements.**

NAYAX LTD.

**Separate Financial Information Disclosed in accordance with Regulation 9c to the Securities Regulations (Periodic and Immediate Reports), 1970**

**Comprehensive income information included in the consolidated financial statements, attributed separately to the Company as parent**

	<b>Note</b>	<b>Year ended December 31</b>	
		<b>2021</b>	<b>2020</b>
		<b>(Audited)</b>	
		<b>U.S. dollars in thousands</b>	
Revenues	5	68,489	52,467
Cost of revenues		(40,726)	(27,757)
<b>Gross Profit</b>		27,763	24,710
Research and development expenses		(17,199)	(8,803)
Selling, general and administrative expenses		(26,712)	(14,743)
Depreciation and amortization in respect of technology and capitalized development costs		(2,931)	(3,158)
Other expenses		(1,798)	-
<b>Loss from ordinary operations</b>		(20,877)	(1,994)
Finance expense, net		(1,124)	(3,700)
<b>Loss after finance expense, net</b>		(22,001)	(5,694)
Net amount, attributed to owners of the parent, of total revenue less total expenses, presented in the consolidated financial statements in respect of investee companies		(2,762)	(560)
<b>Loss for the year</b>		(24,763)	(6,254)
 <b>Other Comprehensive income (loss):</b>			
<b>Items that will not be recycled to profit or loss:</b>			
Gain (loss) from remeasurement of liabilities (net) for retirement benefit obligations		431	(126)
 <b>Items that may be recycled to profit or loss:</b>			
Other Comprehensive income in respect of investee companies		151	243
<b>Total comprehensive loss for the year</b>		(24,181)	(6,137)

**The accompanying notes are an integral part of these financial statements.**

NAYAX LTD.

**Separate Financial Information Disclosed in accordance with Regulation 9c to the Securities Regulations (Periodic and Immediate Reports), 1970**

**Cash flow information included in the consolidated financial statements, attributed separately to the Company as parent**

	<b>Year ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Audited)</b>	
	<b>U.S. dollars in thousands</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss for the year	(24,763)	(6,254)
Adjustments required to reflect the cash flow from operating activities (see Appendix A)	796	8,368
<b>Net cash provided by (used in) operating activities</b>	<b>(23,967)</b>	<b>2,114</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capitalized development costs	(4,532)	(5,408)
Acquisition of property and equipment	(2,316)	(1,815)
Loans extended to others	-	(141)
Investments in associates	(15,252)	(2,901)
Loans repaid by shareholders	61	786
Increase in bank deposits	(352)	(412)
Interest received	2	14
Proceeds from sub-lessee	158	302
<b>Net cash used in investing activities</b>	<b>(22,231)</b>	<b>(9,575)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Initial public offering (IPO)	132,560	-
Interest paid	(613)	(733)
Changes in short-term bank credit	(11,393)	3,560
Support received (royalties paid) in respect to government assistance plans	(199)	16
Receipt of long-term bank loans	-	4,252
Repayment of long-term bank loans	(1,488)	(1,003)
Receipt of long-term loans from others	-	3,804
Repayment of long-term loans from others	(2,175)	(920)
Receipt of loans from shareholders	8,900	-
Repayment of loans from shareholders	(8,900)	-
Decrease in other long-term liabilities	(295)	(74)
Employee options exercised	718	-
Principal lease payments	(1,145)	(1,004)
<b>Net cash provided by financing activities</b>	<b>115,970</b>	<b>7,898</b>
<b>Increase in cash and cash equivalents</b>	69,772	437
<b>Balance of cash and cash equivalents at Beginning of year</b>	1,095	649
<b>Gains from exchange differences on cash and cash equivalents</b>	1,443	9
<b>Balance of cash and cash equivalents at end of year</b>	<b>72,310</b>	<b>1,095</b>

**The accompanying notes are an integral part of these financial statements**

**NAYAX LTD.**

**Separate Financial Information Disclosed in accordance with Regulation 9c to the Securities Regulations (Periodic and Immediate Reports), 1970**

**Cash flow information included in the consolidated financial statements, attributed separately to the Company as parent**

	<b>Year ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Audited)</b>	
	<b>U.S. dollars in thousands</b>	
<b>Appendix A – adjustments required to reflect the cash flows from operating activities:</b>		
<u>Adjustments in respect of:</u>		
Losses in respect of associate company	2,762	560
Depreciation and amortization	5,315	4,828
Post-employment benefit obligations, net	139	152
Finance expenses, net	(1,026)	2,064
Expenses in respect of long-term employee benefits	193	5
Long-term deferred income	(26)	-
Expenses in respect of share-based payment	7,462	2,965
Total adjustments	14,819	10,574
<u>Changes in operating asset and liability items:</u>		
Decrease in trade receivable	522	738
Increase in balance of investee companies	(10,903)	(6,481)
Decrease (increase) in related parties	1,247	(272)
Increase in other current assets	(1,247)	(402)
Decrease (increase) in inventory	(4,250)	131
Increase in payables in respect of processing activity	126	256
Increase (decrease) in trade payables	(2,936)	2,808
Increase in other payables	3,418	1,016
Total changes in operating asset and liability items	(14,023)	(2,206)
Total adjustments required to reflect the cash flow from operating activities	796	8,368
<b>Appendix B – Information regarding investing and financing activities not involving cash flows:</b>		
Purchase of property and equipment on credit	118	575
Acquisition of patents against offset of loan	-	806
Recognition of right-of-use asset in respect of lease of buildings against a lease liability	1,428	1,235
Capitalized development costs	649	883
Investment in Investee companies against deferred consideration	-	1,348
Exercised options against other receivables	400	-

**The accompanying notes are an integral part of these financial statements.**

## NAYAX LTD.

### **Notes and Additional Information to the Separate Financial Information Disclosed in accordance with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970**

#### **NOTE 1 – GENERAL**

##### **a. Definitions**

"The Company" – Nayax Ltd

"The separate financial information" - separate financial information disclosed in accordance with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

Unless otherwise stated, all the terms used within the scope of the separate financial information shall have the same meaning assigned to them in the Company's consolidated financial statements for the year 2018 (hereafter - "the consolidated financial statements").

"Investee" – subsidiary or an associate

"Consolidated company" – a subsidiary or a jointly controlled associate treated by the proportional consolidation method.

"Intercompany transactions" – transactions of the Company with its subsidiaries

"Intercompany balances", "intercompany income and expenses", "intercompany cash flows" - balances, income or expenses and cash flows, as the case may be, resulting from intercompany transactions that have been eliminated in the consolidated financial statements.

##### **b. Incorporation and activity**

The Company was incorporated in January 2005. The Company provides processing and software as a service (SaaS) business operations solutions and services via a global platform. The Company is marketing its POS devices and SaaS solutions it developed in more than 60 countries worldwide (including Israel) through subsidiaries (the Company and the subsidiaries, hereafter – the "Group") and through local distributors.

##### **c. Covid-19 Crisis**

During the first quarter of 2020 COVID-19 (hereafter - "COVID") started to spread worldwide, and on March 11, 2020, the World Health Organization announced COVID as a global pandemic. COVID caused sharp declines in stock markets around the world and a global economic slowdown. As part of the efforts by nations to deal with the virus and the attempts to curb its spread, many governments took unprecedented steps, with many and frequent shifts of policy. In that context, among other things, severe measures have been applied in areas where the Group is operating, such as lockdowns, restrictions of movement and gatherings in the public space, limits on commerce, leisure and entertainment activity, and more.

As regards the impact of COVID on the Company and subsidiaries, see Note 1b to the consolidated financial statements.

## NAYAX LTD.

### **Notes and Additional Information to the Separate Financial Information Disclosed in accordance with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970**

#### **NOTE 2 – BASIS OF PREPARATION OF SEPARATE FINANCIAL INFORMATION DISCLOSED IN ACCORDANCE WITH REGULATION 9C TO THE ISRAELI SECURITIES REGULATIONS (PERIODIC AND IMMEDIATE REPORTS), 1970**

The separate financial information has been prepared in conformity with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 (hereafter - "Regulation 9c") including all the particulars specified in the Tenth Addendum to the said Regulations (hereafter - "the Addendum"), and subject to the clarifications specified in "Clarification Regarding the Corporation's Separate Financial Statements", which was published on the website of the Israeli Securities Authority on January 24, 2010 and which addresses the manner of application of the said Regulation and Addendum (hereafter - "the ISA Staff Clarification").

The separate financial information does not constitute financial statements, including separate financial statements, which are prepared and presented in conformity with International Financial Reporting Standards (hereafter - "IFRS") in general, and the provisions of International Accounting Standard 27 - "Consolidated and Separate Financial Statements" in particular. Nevertheless, the accounting policy specified in note 2 to the consolidated financial statements regarding the significant accounting policies and the method by which the financial data were classified in the consolidated financial statements, were applied for the purpose of presenting the separate financial information, with the required changes as stated below.

The notes presented below also include disclosure regarding additional material information, in conformity with the disclosure requirements specified in Regulation 9c and as specified in the Addendum and subject to the ISA Staff Clarification, to the extent that such information was not included in the consolidated financial statements in a way explicitly referring to the Company itself as a parent.

#### **1) Assets and liabilities included in the consolidated financial statements attributed to the Company itself as the parent**

The amounts of the assets and liabilities included in the consolidated statements of financial position are presented - after reversal of the elimination of intercompany balances that were eliminated in the consolidated financial statements – which are attributed to the Company itself as a parent and classified according to types of assets and liabilities. The classification of these data is consistent with their classification in the consolidated statements of financial position. The said amounts of assets and liabilities reflect the assets and liabilities included in the consolidated statements of financial position, with the exception of amounts of assets and liabilities in respect of investees, and with the addition or deduction, as the case may be, of intercompany balances that were eliminated in the consolidated financial statements.

In addition, a net amount is presented, based on the consolidated statements of financial position, which is attributed to equity holders of the parent, of total assets less total liabilities, which present financial information regarding investees (including goodwill) in the consolidated statements of financial position.

Such presentation results with the equity attributed to equity holders of the parent on the basis of the consolidated financial statements being identical to the Company's equity as derived from the separate financial information.

#### **2) Income and expenses included in the consolidated financial statements attributed to the Company itself as the parent**

The amounts of income and expenses, which are included in the consolidated financial statements, are categorized in the separate financial information to income or to other comprehensive income - after reversal of the elimination of intercompany income and expenses that were eliminated in the consolidated financial statements, which are attributed to the Company itself as a parent and categorized according to the type of income or expense.

**NAYAX LTD.**

**Notes and Additional Information to the Separate Financial Information Disclosed in accordance with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 (Continued)**

**NOTE 2 – BASIS OF PREPARATION OF SEPARATE FINANCIAL INFORMATION DISCLOSED IN ACCORDANCE WITH REGULATION 9C TO THE ISRAELI SECURITIES REGULATIONS (PERIODIC AND IMMEDIATE REPORTS), 1970 (continued):**

**2) Income and expenses included in the consolidated financial statements attributed to the Company itself as the parent (continued):**

The classification of these data is consistent with the classification in the consolidated statements of income and the consolidated statements of comprehensive income. The said amounts of income and expenses reflect the income and expenses included in the consolidated statements of income and the consolidated statements of comprehensive income, with the exception of amounts representing income and expenses in respect of investees, and with the addition or deduction, as applicable, of intercompany income and expenses that were eliminated in the consolidated financial statements.

The separate financial information also includes – based on the consolidated financial statements - the net amount attributed to equity holders of the parent, of total income net of total expenses that reflect the operating results of investees in the consolidated financial statements, including impairment of goodwill or reversal thereof. These data are categorized to income or to other comprehensive income.

Such presentation results with the total income for the year attributed to equity holders of the parent and the total comprehensive income for the year attributed to holders of the parent, on the basis of the consolidated financial statements, being identical to total income for the year attributed to equity holders of the parent and total comprehensive income for the year attributed to equity holders of the parent as derived from the separate financial information.

**3) Cash flows included in the consolidated financial statements attributed to the Company itself as the parent**

Cash flow amounts included in the consolidated financial statements attributed to the Company itself as a parent are derived from the consolidated statements of cash flows (i.e., the balances of the amounts after eliminating intercompany cash flows in the consolidated financial statements); classified as cash flow amounts from operating activities, investing activities and financing activities, and their composition is also disclosed. In addition, net intercompany cash flow for each of the said activities is presented separately in the separate financial information.

The classification of these data is consistent with the classification in the consolidated financial statements. The said amounts reflect the cash flows included in the consolidated financial statements, with the exception of cash flows in respect of investees.

**NAYAX LTD.**

**Notes and Additional Information to the Separate Financial Information Disclosed in accordance with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970**

**NOTE 3 – CASH AND CASH EQUIVALENTS INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS ATTRIBUTED TO THE COMPANY ITSELF AS THE PARENT**

Composition of cash and cash equivalents:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>US Dollars in thousands</b>	
US Dollar	24,911	455
New Israeli Shekel	27,562	314
Euro	12,791	245
British pound sterling	6,954	18
Other currencies	92	63
	<b>72,310</b>	<b>1,095</b>

**NOTE 4 – DISCLOSURE OF THE LIQUIDITY OF THE RISK ARISING FROM THE FINANCIAL LIABILITIES ATTRIBUTED OF THE COMPANY ITSELF AS THE PARENT**

Cash flow projections are prepared by the finance department of the Company. The finance department reviews current forecasts of the Company's cash needs to make sure that sufficient cash is available for operational needs, while making sure that at all times sufficient unutilized credit lines exist, so that the Company will not have to exceed its credit facilities. These projections take into account several factors, such as the Company's plans to use debt in order to finance its operations.

The table below analyzes the Company's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts presented in the table represent undiscounted cash flows.

	<b>Less than one year</b>	<b>Between 1 and 2 years</b>	<b>Between 3 and 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<b>US Dollars in thousands</b>				
<b>December 31, 2021:</b>					
Lease liabilities	1,658	1,503	4,024	293	7,478
Trade payables	7,520	-	-	-	7,520
Loans, other payables and liabilities	13,640	1,735	1,915	-	17,290
<b>Total</b>	<b>22,818</b>	<b>3,238</b>	<b>5,939</b>	<b>293</b>	<b>32,288</b>
	<b>Less than one year</b>	<b>Between 1 and 2 years</b>	<b>Between 3 and 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<b>US Dollars in thousands</b>				
<b>December 31, 2020:</b>					
Lease liabilities	1,286	1,129	2,267	1,957	6,639
Trade payables	10,338	-	-	-	10,338
Loans, other payables and liabilities	25,973	2,967	519	-	29,459
<b>Total</b>	<b>37,597</b>	<b>4,096</b>	<b>2,786</b>	<b>1,957</b>	<b>46,436</b>

Group Management periodically reviews the ratio between future cash flows that will arise from maturities of its liabilities and the future cash flows that will arise from maturities of its financial assets; where necessary, the Group changes its liability mix and the timing of their maturity.

**NAYAX LTD.**

**Notes and Additional Information to the Separate Financial Information Disclosed in accordance with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970**

**NOTE 5 – REVENUES AND COST OF REVENUES**

**A. Revenues**

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>US Dollars in thousands</b>	
Revenue from the sale of integrated POS devices	42,108	32,944
Recurring revenue	26,381	19,523
	<u>68,489</u>	<u>52,467</u>

**B. Cost of revenues**

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>US Dollars in thousands</b>	
Cost of integrated POS devices sales	36,585	24,535
Cost of processing and services	4,141	3,222
	<u>40,726</u>	<u>27,757</u>

**NOTE 6 - TAXES ON INCOME**

**a. Taxation of the Company in Israel, tax rates, incentive laws applicable to the Company and its tax assessments**

Regarding the details of the measurement of the Company's results in Israel for tax purposes and the tax rates applicable to its revenues and the incentive laws that apply to it, as well as the Company's tax assessments, see Note 20 to the consolidated financial statements.

**b. Carry forward losses**

Deferred tax assets on carryforward losses are recognized if the exercise of the relevant tax benefit is expected in the foreseeable future against a taxable income.

As of December 31, 2021 and 2020, carryforward tax losses stemming from the Company in Israel amounted to NIS 86,944 thousand (\$27,956 thousand) and NIS 26,122 thousand (\$8,399 thousand), respectively.

The Group recognize deferred taxes in respect of carryforward losses stemming from the parent company only up to the amount of the liability for deferred tax, since the utilization of those losses is not expected in the foreseeable future.

Carryforward tax losses accrued in Israel may be offset over an unlimited time.

**NAYAX LTD.**

**Notes and Additional Information to the Separate Financial Information Disclosed in accordance with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970**

**NOTE 6 - TAXES ON INCOME** (continued):

**c. Deferred income tax:**

The composition of deferred taxes included in the consolidated statements attributed to the company itself as a parent company in those years is:

	<u>Intangible assets</u>	<u>Provisions for employee rights</u>	<u>Other</u>	<u>Losses for tax purposes</u>	<u>Total</u>
<b>US Dollars in thousands</b>					
<b>Balance at January 1, 2021</b>	(472)	208	91	173	-
<b>Change in 2021:</b>					
Recognized in income statement	449	(208)	(91)	(150)	-
<b>Balance at December 31, 2021</b>	(23)	-	-	23	-
	<u>Intangible assets</u>	<u>Provisions for employee rights</u>	<u>Other</u>	<u>Losses for tax purposes</u>	<u>Total</u>
<b>US Dollars in thousands</b>					
<b>Balance January 1, 2020</b>	(553)	129	87	337	-
<b>Change in 2020:</b>					
Recognized in income statement	81	79	4	(164)	-
<b>Balance at December 31, 2020</b>	(472)	208	91	173	-

**NOTE 7 - ADDITIONAL INFORMATION REGARDING THE CONSOLIDATED CASH FLOW STATEMENTS RELATING TO THE COMPANY ITSELF**

Changes in financial liabilities, the cash flows in respect of which are classified as cash flows from financing activities:

	<u>Short-term credit</u>	<u>Long-term bank loans</u>	<u>Loans from others</u>	<u>Lease liabilities</u>	<u>Other liabilities</u>	<u>Total</u>
<b>US Dollars in thousands</b>						
<b>Balance at January 1 2021</b>	11,589	6,846	5,703	6,070	994	31,202
<b>Changes in 2021:</b>						
Liabilities added in respect of new leases	-	-	-	1,428	-	1,428
Cash flows paid	(11,393)	(1,488)	(2,175)	(1,145)	(295)	(16,496)
Amounts recognized in profit or loss and other changes	(196)	(192)	(308)	328	23	(345)
<b>Balance at December 31 2021:</b>	-	5,166	3,220	6,681	722	15,789

**NAYAX LTD.**

**Notes and Additional Information to the Separate Financial Information Disclosed in accordance with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970**

**NOTE 7 - ADDITIONAL INFORMATION REGARDING THE CONSOLIDATED CASH FLOW STATEMENTS RELATING TO THE COMPANY ITSELF (continued):**

	<u>Short-term credit</u>	<u>Long-term bank loans</u>	<u>Loans from others</u>	<u>Lease liabilities</u>	<u>Other liabilities</u>	<u>Total</u>
	<u>US Dollars in thousands</u>					
<b>Balance at January 1 2020</b>	8,030	3,253	2,328	5,347	632	19,590
<b>Changes in 2020:</b>						
Liabilities added in respect of new leases	-	-	-	1,235	-	1,235
Cash flows received	3,559	4,251	3,804	-	-	11,614
Cash flows paid	-	(1,003)	(920)	(1,004)	(280)	(3,207)
Other liabilities added in respect of suppliers of property and equipment	-	-	-	-	575	575
Amounts recognized in profit or loss	-	345	491	492	67	1,395
<b>Balance at December 31, 2020:</b>	<u>11,589</u>	<u>6,846</u>	<u>5,703</u>	<u>6,070</u>	<u>994</u>	<u>31,202</u>

**NOTE 8- CONTACTS, ENGAGEMENTS, LOANS, INVESTMENTS AND MATERIAL TRANSACTIONS BETWEEN THE COMPANY AND ITS INVESTEE COMPANIES**

A. Additional information about the set of contacts engagements, loans, investments and material transactions between the company and its investee companies

1. Subsidiaries

For details about the percentage of ownership in subsidiaries, business relationships and additional details, see the subsidiaries exhibit in the consolidated financial statements.

2. Transactions with subsidiaries

In the reported years the Company engaged in purchase and sale transaction in the ordinary course of business as well as charges that made/received from its subsidiaries, at market prices.

**Chapter D**

**Additional Details on the  
Corporation**

**December 31, 2021**

**Regulation 10A: Summary of statements of comprehensive income for each quarter of 2021**

See Section 1.5 of the board report.

**Regulation 10C: Use of the securities proceeds**

On May 10, 2021, the Company published a Prospectus for the initial public offering of the Company's shares, in the framework of which it raised a total of ILS 462 million (about ILS 430.51 million net) (USD 141.6 million (gross) (USD 132.5 million net)) (the "**Issue Proceeds**"). Section 5.2 of the prospectus states that the Issue Proceeds under the Prospectus will be used by the Company to finance and expand the Group's business activities, in accordance with the resolutions of the Company's Board of Directors and taking into account the Company's business strategy, as in effect from time to time, and that in particular, the Issue Proceeds may be used to expand the Group's operations (including entering additional geographical areas and adapting products in the various territories), developing new products, repaying owner loans and conducting mergers and acquisitions as part of the Company's strategy to acquire companies that specialize in their field, in order to integrate them into the Group's activities. Also, it is noted in the Prospectus that the Company's Board of Directors may change the designations of using the proceeds set forth above, and the amounts to be used for each purpose, at its discretion.

The following are the amounts from the Issue Proceeds that in the Company's estimates shall be used for such purposes and the use that the Company actually made of the Issue Proceeds:

<b>Anticipated use of Issue Proceeds as in Company Prospectus</b>	<b>Amounts from Issue Proceeds Company estimated in Prospectus shall be used for anticipated uses</b>	<b>Actual use of Issue Proceeds</b>
Expanding Group activity (1)	approx. ILS 180 million	ILS 33.5 million
Developing new products (2)	approx. ILS 105 million	ILS 2.1 million
Repaying shareholder loans (3)	approx. ILS 25.5 million*	ILS 25.5 million
Activities M&A transactions (4)	approx. ILS 120 million	ILS 65 million

\* The Prospectus states that this amount does not include amounts that the Company shall utilize from a credit facility provided to it by a controlling shareholder in the Company (as specified in Section 8.2.4 of Chapter 8 of the Prospectus and as specified in Regulation 22C(1) below).

- (1) Expanding the Group's activity - As of the date of the IPO, the Company used an amount of ILS 33.5 million of the Issue Proceeds to finance the Group's operating expenses, which

increased between the first half of 2021 and the second half of 2021 in the amount of ILS 17.5 million, of which ILS 10.9 million was used for expenses related to the increase in the Company's workforce, which is the basis for expanding the Group's operations in the coming years. Also, the increase in the Group's operating expenses was due to an increase in the price of many components used by the Company in the manufacture of its hardware products, some of them significant, due to the global shortage of components. The effect of this increase in the Company's operating expenses amounted to ILS 16 million in the second half of 2021. For additional details see Section 1.8.4 in Chapter A of this Report.

- (2) Developing new products - As of the date of the issue, ILS 2.1 million of the Issue Proceeds were used to increase research-and-development salary expenses as well as to increase the expenses of subcontractors belonging to this activity.
- (3) Repaying shareholder loans - After the issue, the Company repaid a loan provided to it by a controlling shareholder in the Company, in the amount of ILS 25.5 million. For details, see Regulation 22C(1) below.
- (4) Activities M&A transactions - An amount of ILS 65 million from the Issue Proceeds was used to purchase the shares of the following companies: Weezmo Technologies Ltd., Tigapo Ltd., Nayax Retail Ltd. and Niloos Ltd. For details, see Note 26 to the Financial Statements. This amount was also used to provide a loan of ILS 5.5 million to On Track Innovations Ltd (for details see Regulation 12(4) below).

### **Regulation 11(1) and 11(2) - List of investments in material subsidiaries and investee companies**

Below are details about the Company's material subsidiaries and investee companies<sup>1</sup> as of the Report date on the financial situation:

Company name	Share no. on TASE	Class of share	Number of shares held by the Company	Number of convertible securities held by the Company	Value in Company's separate financial statement (USD millions)	Rate of Company holdings in practice		
						In equity	In voting rights	In authority to appoint directors
Nayax LLC	Not traded	Participation units	1,000	-	5,276	100%	100%	100%

<sup>1</sup>A material subsidiary or investee company is a company whose revenue constitutes 10% or more of the Company's revenues according to the consolidated financial statements for the year ended December 31, 2021.

Nayax Europe UAB	Not traded	Ordinary	153,000	-	1,186	100%	100%	100%
Nayax AU PTY Ltd.	Not traded	Ordinary	70,800	-	453	100%	100%	100%
Nayax (UK) Limited	Not traded	Ordinary	100,000	-	690	100%	100%	100%

**Regulation 11(3) - Remaining debentures and loans granted and received by the Company to subsidiaries and investee companies as of the date of the statement on financial position**

Name of company extending the loan	Name of company receiving the loan	Loan balance as of December 31, 2021 (USD thousands)	Main terms of loans
The Company	Nayax Europe UAB	24	The loan was extended to the company in 2019 with the establishment of the subsidiary for a period of 5 years. The loan carries interest at a rate of 5% per annum. The loan is not linked.

**Regulation 12 - Change to investments in material subsidiaries and investee companies during the report period**

1. On February 4, 2021, the Company engaged in a term sheet for acquiring control in Tigapo Ltd. (hereinafter: “**Tigapo**”). During May 2021, the Company acquired Tigapo shares, which constitute approximately 33.39% (on a fully diluted basis) of Tigapo’s shareholders, and during the third quarter of 2021, a purchase agreement was signed in which the Company increased its holding in Tigapo, so that as of this date the Company holds shares of Tigapo, which constitutes approximately 53.55% of Tigapo’s issued capital (on a fully diluted basis). The Company also has options to purchase the remaining Tigapo shares. For further details, see Note 6C to the Financial Statements.
2. In March and May 2021, the Company acquired the full share capital of Nayax Retail Ltd. For further details, see Note 6A to the Financial Statements.
3. On January 7, 2021, the Company engaged in an agreement with Weezmo Technologies Ltd. (hereinafter: “**Weezmo**”) with shareholders and with option holders of Weezmo, according to

which the Company acquired preferred shares of Weezmo from three of Weezmo’s shareholders, which as of the purchase date constituted approximately 36.13% (31.59% fully diluted) of Weezmo’s issued share capital. In addition, the Company granted all of Weezmo’s additional shareholders (including holders of options) a put option to sell to the Company all of their Weezmo shares, which was exercised in Q2 of 2021 in total scope of approximately 43.73% of Weezmo’s issued share capital (41.68% fully diluted). During May 2021, the Company signed an agreement with all non-controlling right holders in Weezmo, under which the Company acquired their full holdings in Weezmo, so as of the date of this report, the Company holds the full share capital of Weezmo, in practice and on a fully diluted basis. For further details, see Note 6C to the Financial Statements.

4. On January 19, 2022, the Company entered into a binding term sheet with On Track Innovations Ltd. (“OTI”), pursuant to which they will enter into a two-stage transaction, whereby in the first stage, the Company will provide a loan to OTI, after which the Company will acquire 100% shares of OTI by way of reverse triangular merger or in another way to be agreed between the parties. As of the date of this Report, the parties have not yet entered into an agreement to purchase OTI shares. For additional details, see the Company’s immediate report dated January 20, 2022 (reference no: 2022-01-008883)
5. For additional details about turning Dually into a fully owned subsidiary of the Company, see Section 1.5.1 in Chapter A of this Report.

**Regulation 13: Revenues of material subsidiaries and investee companies and the Company’s revenues therefrom**

The table below sets forth the total profit (loss) of material subsidiaries and investee companies<sup>1</sup> of the Company and the Company’s revenue therefrom that was received until the date of the statement of financial position, for 2021 and for the period after the balance sheet date (in USD thousands):

Company name	Comprehensive income (loss) in 2021:	Other comprehensive income (loss) in 2021:	Management fees (received until December 31, 2021)		Interest and linkage differentials (received until December 31, 2021)		Dividends (received until December 31, 2021)	
			For 2021	For period after balance sheet date	For 2021	For period after balance sheet date	For 2021	For period after balance sheet date
Nayax LLC	29	29	-	-	-	-	-	-

Nayax Europe UAB	501	501	-	-	3	1	-	-
Nayax AU PTY Ltd.	227	227	-	-	-	-	-	-
Nayax (UK) Limited	240	240	-	-	-	-	-	-

**Regulation 20: Securities listed for trading**

1. As part of the IPO of the Company's shares (including secondary offering to the public of the Company's shares), 325,235,612 ordinary shares of the Company, registered, par value ILS 0.0001 each, were listed on TASE.
2. In the period after the IPO of the Company's shares and until the end of 2021, the Company allocated 2,286,808 ordinary shares of the Company, which were listed for trading on the stock exchange, as a result of the exercise of the Company's non-tradable options.

**Regulation 21 - Remuneration to interested parties and senior officers in 2021**

1. Below is a description of the remuneration in 2021, as declared in the Financial Statements of the Company for 2021, to each of the five highest paid senior officers of the Company or corporations controlled by it, in connection with their service to the Company or corporations controlled by it, in terms of cost to the Company, in USD thousands:

Details of remuneration recipient				Remuneration for services							Other remuneration			Total
Name	Position	Scope of employment	Rate in equity holding	Salary	Bonus	Share-based payment	Management fees	Consulting fees	Commission	Other <sup>2</sup>	Interest	Rent	Other	
Yair Nechmad	CEO and Chairman of Board	100%	26.43%	-	-	2,206	534	-	-	-	-	-	-	2,740
David Ben-Avi	CTO of Company	100%	23.54%	-	-	2,206	534	-	-	-	-	-	-	2,740
Sagit Manor	CFO	100%	-	186	26	420	-	-	-	-	-	-	-	632
Sammy Yahiaou	Chief Revenue Officer	100%	-	-	68	32	-	265	51	-	-	-	28	444
Keren Sharir	Chief Marketing Officer	100%	-	188	117	50	-	-	42	-	-	-	-	397

<sup>2</sup>Expense reimbursements.

(1) Mr. Yair Nechmad - Mr. Yair Nechmad has served as CEO and director of the Company since 2005. On November 22, 2016, the Company and Yair Nechmad Ltd., a company wholly owned by Mr. Yair Nechmad (the “**Service Provider**”), entered into a services agreement, according to which the Service Provider will provide the company with management, consulting and development services, as well as additional services from time to time. On March 10, 2021, the Company’s Board of Directors and General Meeting approved that as of January 1, 2021, the Service Provider’s salary will be a monthly cost of ILS 150,000. In addition, the Service Provider was entitled up to the date of the IPO completion to reimbursement of gas expenses they paid in practice, up to the amount of ILS 1,000 per month, for payment in respect of meals in the amount of ILS 1,000 per month, as well as reimbursement for other expenses incurred in practice by the Service Provider in connection with the provision of management services, including expenses for mobile phone use plus VAT. The total payments as aforesaid to the Service Provider in respect of management services, including related expenses up to the completion date of the IPO of the Company (in this chapter the “**IPO**”) amounted to ILS 603 thousand plus VAT.

On May 4, 2021, the Company's Board of Directors and General Meeting approved the Company’s contractual engagement with the Service Provider in a new service agreement (in this section: the “**Services Agreement**”), which entered into force upon completion of the IPO and replaced the Services Agreement signed with it on November 22, 2016. In accordance with the Services Agreement, the Service Provider will provide the Company with consulting and management services as the Company’s CEO, amounting to 180 hours per month, through Mr. Yair Nechmad. In accordance with the Services Agreement, the Service Provider will be entitled to a monthly management fee of ILS 140,000 plus VAT. The amount of the management fee will increase at the beginning of each calendar year by 2.5%.

Also, at the time of completion of the IPO, and after the payment of an annual bonus, the Service Provider was allocated 7,250,000 conversion options for the Company’s shares. The options will mature over five years, subject to meeting the targets, as detailed below: (a) as long as the growth in the Company’s revenue in any calendar year relative to the calendar year preceding it (starting in 2021 relative to the increase in relation to 2020) is at least 30%, and subject to the gross profit of the Company in that calendar year not being less than 40%, 750,000 options of the options to the Service

Provider will mature (and will be convertible into ordinary shares of the Company); (b) in addition to the options matured under paragraph (a), in respect of growth exceeding 30% in the Company's revenues in any calendar year in relation to the preceding year (from 2021 relative to the increase in relation to 2020) to a growth rate in revenues of 45%, and subject to the Company's gross profit rate in that calendar year not being less than 40%, up to 700,000 options out of the options to the Service Provider will mature (and be convertible into ordinary shares of the Company), where the number of options that matured in practice according to this subsection (b) will be calculated on a straight-line basis, depending on the revenue growth rate between 30%-45% relative to the previous calendar year (for the avoidance of doubt, the maturity of options in accordance with subsection (b) will be in addition to the maturity of 750,000 options under subsection (a) above). The growth rate of the Company's revenue and the Company's gross profit rate will be calculated in accordance with the Company's consolidated and audited annual financial statements for each relevant calendar year (as of 2021). The eligibility of the Service Provider for such a bonus will be in relation to the calendar years 2021-2025 (inclusive). The exercise price of the aforesaid options will be the price determined for the Company's share in the IPO (ILS 10.5). The options for each portion that will be matured will be exercisable from the date of maturity until the end of five (5) years from the maturity date. At the date of approval of the Company's consolidated financial statements for any calendar year, as applicable, the options to the Service Provider will expire in relation to the calendar year in respect of which the financial statements were approved, which they did not mature due to not meeting such targets. The aforementioned options were allocated in accordance with the Company's Global Capital Incentives Program 2018 (for details, see Section 3.3.2 of Chapter 3 of the Prospectus). According to the Company's consolidated and audited financial statements for 2021, in 2021 the Company's revenues grew by 51% relative to the Company's revenues in 2020, and the Company's gross profit margin was 40%. As a result, 1,450,000 of the aforesaid options have matured.

In addition, the Service Provider will be entitled to reimbursement of fuel expenses and/or ongoing maintenance of an electric vehicle in a monthly amount of up to ILS 1,500 plus VAT. The Company will make a mobile phone available to the Service Provider and will bear all expenses for the use of a mobile phone. Company will bear costs for toll roads as well as a subscription for a financial newspaper. The Service Provider was entitled to reimbursement of expenses incurred in connection with the provision of the services, in return for presenting appropriate documentation for the

aforesaid expenses to the Company, in accordance with Company protocols, as will be updated from time to time with the approval of the audit committee. The Service Provider was entitled to reimbursement of meal expenses in the monthly amount of ILS 2,500. The Company will provide the Service Provider with office services and the right to reserved parking in the Company's office parking lot for the entire period of providing the services. In addition, the Service Provider will be entitled to 28 days of vacation per year for which the management fee will be paid without him actually providing services. Both the Company and the Service Provider will have the option of terminating the Service Agreement with six (6) months' prior notice. The Service Provider will be entitled during the period of prior notice to consideration under the agreement, provided that during the period of prior notice the Service Provider will provide the Company, at the request of the Company, with the services under the agreement.

In addition, in accordance with the provisions of the Services Agreement, the Service Provider will provide the Company, through Mr. Yair Nechmad, with the services of the Company's chairman of the board and director services for subsidiaries, without any additional consideration. Mr. Nechmad is entitled to D&O liability insurance, indemnification, and exemption, as customary with respect to the Company's officers.

The total payments to the Service Provider in respect of the management services in 2021 from the IPO completion date until the end of 2021 amounted to ILS 1,120 thousands plus VAT. The total payments to the Service Provider in respect of the management services including ancillary expenses from the IPO completion date until the end of 2021 amounted to ILS 1,135 thousands plus VAT.

- (2) Mr. David Ben Avi - Mr. David Ben Avi has served as Chief Technology Officer (CTO) and as a director of the Company since 2006. On November 22, 2016, the Company and Ben Avi Holdings Ltd., a company wholly owned by Mr. David Ben Avi (the "**Service Provider**"), entered into a services agreement, according to which the Service Provider will provide the company with management, consulting and development services, as well as additional services from time to time. On March 10, 2021, the Company's Board of Directors and General Meeting approved that as of January 1, 2021, the Service Provider's salary will be a monthly cost of ILS 150,000. The total payments to the Service Provider in respect of the management services and in respect of the management services provided by the Service Provider to Dually in 2021 until the IPO completion date amounted to ILS 600,000 plus VAT. In addition, the Service Provider was entitled up to the date of the IPO completion to reimbursement of gas expenses they

paid in practice, up to the amount of ILS 1,000 per month, for payment in respect of meals in the amount of ILS 1,000 per month, as well as reimbursement for other expenses incurred in practice by the Service Provider in connection with the provision of services, including expenses for mobile phone use plus VAT. The total payments as aforesaid to the Service Provider in respect of management services, including related expenses up to the completion date of the IPO amounted to ILS 613 thousand.

On May 4, 2021, the Company's Board of Directors and General Meeting approved the Company's contractual engagement with the Service Provider in a new service agreement, which entered into force upon completion of the IPO and replaced the Services Agreement signed with it on November 22, 2016. In accordance with the Services Agreement, the Service Provider will provide the Company with consulting and management services as the Company's CTO, amounting to 180 hours per month, through Mr. David Ben-Avi. In accordance with the Services Agreement, the Service Provider will be entitled to a monthly management fee of ILS 140,000 plus VAT. The amount of the management fee will increase at the beginning of each calendar year by 2.5%.

Also, at the IPO completion date, and after the payment of an annual bonus, the Service Provider was allocated 7,250,000 conversion options for the Company's shares. The options will mature over five years, subject to meeting the targets, as detailed below: (a) as long as the growth in the Company's revenue in any calendar year relative to the calendar year preceding it (starting in 2021 relative to the increase in relation to 2020) is at least 30%, and subject to the gross profit of the Company in that calendar year not being less than 40%, 750,000 options of the options to the Service Provider will mature (and will be convertible into ordinary shares of the Company); (b) in addition to the options matured under paragraph (a), in respect of growth exceeding 30% in the Company's revenues in any calendar year in relation to the preceding year (from 2021 relative to the increase in relation to 2020) to a growth rate in revenues of 45%, and subject to the Company's gross profit rate in that calendar year not being less than 40%, up to 700,000 options out of the options to the Service Provider will mature (and be convertible into ordinary shares of the Company), where the number of options that matured in practice according to this subsection (b) will be calculated on a straight-line basis, depending on the revenue growth rate between 30%-45% relative to the previous calendar year (for the avoidance of doubt, the maturity of options in accordance with subsection (b) will be in addition to the maturity of 750,000 options under paragraph (a) above). The growth rate of the Company's revenue and the Company's gross profit rate

will be calculated in accordance with the Company's consolidated and audited annual financial statements for each relevant calendar year (as of 2021). The eligibility of the Service Provider for such a bonus will be in relation to the calendar years 2021-2025 (inclusive). The exercise price of the aforesaid options will be the price determined for the Company's share in the IPO (ILS 10.5). The options for each portion that will be matured will be exercisable from the date of maturity until the end of five (5) years from the maturity date. At the date of approval of the Company's consolidated financial statements for any calendar year, as applicable, the options to the Service Provider will expire in relation to the calendar year in respect of which the financial statements were approved, which they did not mature due to not meeting such targets. The options to the Service Provider were allocated in accordance with the Company's Global Capital Incentives Program 2018 (for details, see Section 3.3.2 of Chapter 3 of the Prospectus). According to the Company's consolidated and audited financial statements for 2021, in 2021 the Company's revenues grew by 51% relative to the Company's revenues in 2020, and the Company's gross profit margin was 40%. As a result, 1,450,000 of the aforesaid options have matured.

In addition, the Service Provider will be entitled to reimbursement of fuel expenses and/or ongoing maintenance of an electric vehicle in a monthly amount of up to ILS 1,500 plus VAT. The Company will make a mobile phone available to the Service Provider and will bear all expenses for the use of a mobile phone. Company will bear costs for toll roads as well as a subscription for a financial newspaper. The Service Provider was entitled to reimbursement of expenses incurred in connection with the provision of the services, in return for presenting appropriate documentation for the aforesaid expenses to the Company, in accordance with Company protocols, as will be updated from time to time with the approval of the audit committee. The Service Provider was entitled to reimbursement of meal expenses in the monthly amount of ILS 2,500. The Company will provide the Service Provider with office services and the right to reserved parking in the Company's office parking lot for the entire period of providing the services. In addition, the Service Provider will be entitled to 28 days of vacation per year for which the management fee will be paid without him actually providing services. Both the Company and the Service Provider will have the option of terminating the Service Agreement with six (6) months' prior notice. The Service Provider will be entitled during the period of prior notice to consideration under the agreement, provided that during the period of prior notice the Service Provider will provide the Company, at the request of the Company, with the services under the agreement.

In addition, in accordance with the provisions of the Services Agreement, the Service Provider will provide the Company, through Mr. David Ben-Avi, with director services (at the Company and its subsidiaries), without any additional consideration. Mr. Ben Avi is entitled to D&O liability insurance, indemnification, and exemption, as customary with respect to the Company's officers.

The total payments to the Service Provider in respect of the management services in 2021 from the IPO completion date until the end of 2021 amounted to ILS 1,120 thousands plus VAT. These total payments to the Service Provider in respect of the management services including ancillary expenses from the IPO completion date until the end of 2021 amounted to ILS 1,139 thousands.

- (3) Ms. Sagit Manor - Ms. Sagit Manor serves as the Group's CFO, full time (100%), as of June 21, 2021. On August 5, 2021, the Company's Remuneration Committee and Board of Directors approved and confirmed the contractual engagement of Nayax LLC., a subsidiary of the Company (in this section the "**Subsidiary**") in the employment agreement with Ms. Manor, under which Ms. Manor shall serve as the Group's full-time CFO. Ms. Sagit Manor's annual salary is USD 300,000 (gross). Ms. Sagit Manor is entitled to benefits, including social rights as customary in the Subsidiary, pursuant to the Company's remuneration policy. In addition, Ms. Manor is entitled to reimbursement for reasonable business expenses actually incurred in connection with her role, including mobile phone expenses, internet, travel and lodging expenses, in accordance with the Company's business expense reimbursement policy and the Company's remuneration policy. In addition, Ms. Manor is entitled to 24 days of vacation a year and D&O liability insurance, indemnification and exculpation, as customary with respect to the Company's officers. Ms. Sagit Manor is entitled to a target-based annual bonus of 35% of the annual salary, subject to meeting targets to be defined for her with respect to each year of work. In addition, Ms. Manor may be entitled to a discretionary bonus, not to exceed a total of three monthly salaries, in accordance with the Company's remuneration policy. On March 6, 2022 and March 8, 2022, the Remuneration Committee and the Company's Board of Directors (respectively) approved the grant of a discretionary bonus to Ms. Manor for 2021 in the amount of USD 26,250 (no bonus was paid to Ms. Manor for meeting the goals for 2021). Said bonus complies with the provisions of the Company's remuneration policy. Ms. Sagit Manor or the Subsidiary may terminate the employment agreement with three (3) months' prior notice. Notwithstanding the foregoing, either party may, at any time,

terminate the employment in the event of a “cause”, as set forth in the employment agreement.

Following the approval of the Remuneration Committee and the Company’s Board of Directors on August 19, 2021 and August 22, 2021, respectively, Ms. Manor was allocated, free of charge, 500,000 restricted stock units (“**RSUs**”), which will be automatically converted upon maturity into 500,000 ordinary shares of the Company. For details, including regarding the vesting period of the restricted stock units, see the immediate report published by the Company on October 13, 2021 (reference no: 2021-01-087586).

- (4) Mr. Sammy Yahiaou - Mr. Yahiaou serves as the Company’s Chief Revenue Officer, full time, as of May 1, 2019. On January 22, 2019, the Company entered into a Services Agreement with YB&T Solutions B.V., a company wholly owned by Mr. Yahiaou (in this section the “**Service Provider**”). In accordance with the Services Agreement, the Service Provider will provide the Company chief revenue officer services, as specified in the agreement, full time. In consideration for providing such services, the Service Provider is entitled to EUR 18,960 per month as well as an annual commission of up to EUR 50,000 for meeting sales targets. In addition, the Service Provider is entitled to reimbursement for travel expenses actually incurred by the Service Provider in connection with the provision of his services, pursuant to the Company’s travel expenses reimbursement policy, as well as reimbursement for other expenses incurred in practice by the Service Provider in connection with the provision of services, provided that these expenses are approved in advance by the Company and that the Service Provider provides the Company with invoices and receipts in connection with them. Both the Company and the Service Provider may terminate the Agreement at any time, subject to three (3) months prior written notice. In addition, Mr. Yahiaou is entitled to D&O liability insurance, indemnification, and exemption, as customary with respect to the Company’s officers. On November 15 and 17, 2021, the Remuneration Committee and the Company’s Board of Directors (respectively) approved a bonus to Mr. Yahiaou in the amount of EUR 40,000, for his contribution to the IPO process of the Company. On March 6, 2022 and March 8, 2022, the Remuneration Committee and the Company’s Board of Directors (respectively) approved a discretionary bonus to Mr. Yahiaou for 2021 in the amount of EUR 18,000. Said bonus complies with the provisions of the Company’s remuneration policy. Said bonuses meet the provisions of the Company’s remuneration policy.

On June 19, 2019, Mr. Yahiaou was granted 500,000 non-tradable options, exercisable, against payment of an exercise price of USD 0.67 per share, into 500,000 ordinary shares, each of ILS 0.0001 par value, of the Company, under the Company's 2018 Incentive Program and in accordance with the conditions set forth therein (for details see Section 3.3.2 of Chapter 3 of the Prospectus).

- (5) Ms. Keren Sharir - Ms. Sharir has served as the Company's Chief Marketing Officer, full time, since 2013. Pursuant to her employment agreement with the Company (as amended from time to time), Ms. Sharir is entitled to a gross monthly salary of ILS 28,700, plus a global overtime pay of ILS 12,300 (in this section: "**Salary**"). In addition, Ms. Sharir is entitled to social provisions as well as a provision to an advanced study fund at the usual rates, for the full Salary. In addition, Ms. Sharir is entitled to reimbursement of travel expenses in the amount of a monthly public transportation pass (which will be updated in accordance with changes in the economy) and to a cell phone on behalf of the company, with a usage limit of ILS 200 per month. Both the Company and Ms. Sharir may terminate the employment agreement with the Company at any time, subject to three months prior written notice. In addition, Ms. Sharir is entitled to a commission derived from a net increase in the number of connected units (1.4 ILS per unit), which totaled in 2021 the amount of ILS 135,416, and to D&O liability insurance, indemnification, and exemption, as customary with respect to the Company's officers. On November 15 and 17, 2021, the Remuneration Committee and the Company's Board of Directors (respectively) approved a bonus to Ms. Sharir in the amount of ILS 300,000, for her contribution to the IPO process of the Company. In addition, on March 6, 2022 and March 8, 2022, the Remuneration Committee and the Company's Board of Directors (respectively) approved the grant of a discretionary grant to Ms. Sharir for 2021 in the amount of ILS 75,000. The grants meet the provisions of the Company's remuneration policy.

On October 29, 2020, Ms. Sharir was granted 350,000 non-tradable options, exercisable, against payment of an exercise price of USD 0.67 per share, to 350,000 ordinary shares, each of ILS 0.0001 par value, of the Company, under the Company's 2018 Incentive Program and in accordance with the conditions set forth therein (for details see Section 3.3.2 of Chapter 3 of the Prospectus). On June 19, 2019, Ms. Sharir was granted 50,000 non-tradable options, exercisable, against payment of an exercise price of USD 0.67 per share, to 50,000 ordinary shares, each of ILS 0.0001 par value, of the Company, under the Company's 2018 Incentive Program and in accordance with the conditions set forth therein (for details see Section 3.3.2 of Chapter 3 of the Prospectus).

**Remuneration to interested parties:**

- (1) Mr. Amir Nechmad - Mr. Yair Nechmad's brother, and one of the controlling shareholders in the Company. Mr. Amir Nechmad has been a director of the Company since 2005. On November 22, 2016, the Company and Dankron Ltd., a company which Mr. Nechmad holds 50% in ("**Dankron**"), entered into a services agreement, according to which **Dankron** will provide the Company with management, consulting and development services, as well as additional services from time to time. In practice, the management and consulting services were provided by the company Ofer RG until the IPO completion date, a company wholly owned by Mr. Amir Nechmad (in this section, "**Service Provider**"). In addition, the Service Provider was entitled up to the date of the IPO completion to reimbursement of gas expenses he paid in practice, up to the amount of ILS 1,000 per month, for payment in respect of meals in the amount of ILS 1,000 per month, as well as reimbursement for other expenses incurred in practice by the Service Provider in connection with the provision of management services, including expenses for mobile phone use plus VAT, while providing invoices and receipts in connection with these expenses. The total payments as aforesaid to the Service Provider up to the IPO completion date totaled ILS 285 thousand plus VAT. Also, payment to Mr. Nechmad for April to June 2020 in the amount of ILS 158,000 plus VAT was paid in 2021. The Services Agreement ended upon completion of the IPO. On May 4, 2021, the Company's Board of Directors and General Meeting approved that from the IPO completion date, Mr. Amir Nechmad will be entitled, in respect of his tenure as a director of the Company, to directors remuneration as paid to the other directors (see section (2) below). In addition, Mr. Amir Nechmad is entitled to D&O liability insurance, indemnification, and exemption, as customary with respect to the Company's officers.
- (2) Remuneration of directors - The directors in service of the Company, other than Yair Nechmad and David Ben Avi, are entitled to the payment of participation and annual remuneration in the amounts set forth in the Second and Third Schedules to the Companies Regulations (Rules regarding Remuneration and Expenditure for External Directors), 5760-2000 ("**Remuneration Regulations**") to be updated from time to time, depending on the ranking the Company will be classified under at the relevant date as well as for reimbursement of expenses in connection with their participation in meetings, as specified in the Remuneration Regulations. In addition, the directors in service of the Company are entitled to D&O liability insurance, indemnification, and exemption, as customary with respect to the Company's officers.

(3) On May 4, 2021 Mr. Michael Galai was appointed as a director in the Company and on August 3, 2021 ended his tenure as director of the Company. For details regarding the terms of employment of Mr. Galai as the Company's Chief Legal Officer, see section 8.1.5(5) of Chapter 8 of the Prospectus. On November 15 and 17, 2021, the Remuneration Committee and the Company's Board of Directors (respectively) approved a bonus to Mr. Galai in the amount of ILS 300,000, for his contribution to the IPO process of the Company. In addition, on March 6, March, 2022 and March 8, 2022, the Remuneration Committee and the Company's Board of Directors (respectively) approved the grant of a discretionary grant to Mr. Galai for 2021 in the amount of ILS 75,000. The grants meet the provisions of the Company's remuneration policy.

### **Regulation 21A - The controlling shareholders**

As of the date of the report, the controlling shareholders in the Company are Messrs. Amir Nechmad, Yair Nechmad<sup>3</sup> and David Ben Avi, who hold a cumulative 77.46% of the actual issued and outstanding share capital of the Company. To the best of the Company's knowledge, on March 9, 2021, the controlling shareholders of the Company entered into a shareholders' agreement. For details about the shareholders' agreement see Section 3.6.2 in Chapter 3 of the Prospectus.

### **Regulation 22 - Transactions with a controlling shareholder**

Below are details, to the Company's best knowledge, regarding any transaction with the controlling shareholder or which the controlling shareholder has a personal interest in approving, where the Company (or companies under its control) contractually engaged in the reporting year or on a date following the end of the reporting year and until the filing date of the report or which is still in effect as of the report date:

#### **a. Transactions Listed in Section 270(4) of the Companies Law:**

1. **Engagement of the Company in a services agreement with Mr. Yair Nechmad, one of the controlling shareholders of the Company, as CEO of the Company, Chairman of the Board of the Company and a director of a subsidiary of the Company** - for details regarding the Company's engagement in a services agreement with a company owned by Mr. Yair Nechmad, see Regulation 21 above.

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<sup>3</sup>Mr. Yair Nechmad also holds shares in the Company through Yair Nechmad Ltd., a company wholly owned by Mr. Yair Nechmad.

2. **Engagement of the Company in a services agreement with Mr. David Ben-Avi, one of the controlling shareholders of the Company, as CTO of the Company, Chairman of the Board of the Company and a director of a subsidiary of the Company** - for details regarding the Company's engagement in a services agreement with a company owned by Mr. David Ben-Avi, see Regulation 21 above.
3. **Eligibility of Mr. Amir Nechmad to remuneration for his tenure as a director of the Company** - For details regarding the eligibility of Mr. Amir Nechmad to remuneration for his tenure as a director of the Company, see Regulation 21 (Remuneration for Interested Parties) above.
4. **The employment of Mr. Arnon Nechmad, son of Yair Nechmad, CEO of the Company, chairman of the board and a controlling shareholder of the Company, as an employee of the Company** - on August 31, 2020, Nayax Retail Ltd., a subsidiary of the company ("Nayax Retail") and Mr. Arnon Nechmad, son of Mr. Yair Nechmad (in this section: "Arnon"), in the employment agreement, according to which Arnon will be employed as a sales representative on an hourly basis, for a minimum of 40 hours per month, starting September 1, 2020. As consideration for his employment, Nayax Retail paid Arnon a base salary of NIS 45 gross for each hour of actual work. Arnon was also entitled to an additional wage for overtime work that would be approved in advance, in accordance with the Hours of Work and Rest Law, 5711-1951, to reimburse travel expenses in the amount of a monthly public transportation pass, and received a cell phone from Nayax Retail, which has a ceiling on its use of ILS 100 per month. In addition, Arnon was entitled to commissions for sales he actually made, provided that the amount of annual commissions to which Mr. Nechmad would be entitled would not exceed 60% of the annual fixed component cost to which Mr. Nechmad was entitled. Arnon was employed as a sales representative by Nayax Retail until October 17, 2021.

On November 15 and 17, and December 27, 2021, the Audit Committee, the Company's Board of Directors and the General Meeting of the Company, respectively, approved the update of the terms of employment of Mr. Arnon Nechmad, effective from October 17, 2021, due in part to a change in his position as customer manager at EV Meter Ltd., a wholly owned subsidiary of the company ("EV Meter").

For his aforesaid position, EV Meter will pay Mr. Arnon Nechmad a monthly salary (gross) in the amount of ILS 10,500 as well as a global payment for overtime in a

monthly amount (gross) of ILS 4,500 (the monthly salary together with the global payment - “**Salary**”). Mr. Nechmad will be entitled to social security contributions at acceptable rates in relation to the two amounts as aforesaid cumulatively. The Audit Committee and the Company’s Board of Directors will be entitled, on the recommendation of Mr. Nechmad’s personal manager, to increase Mr. Arnon Nechmad’s salary, once a calendar year, by 10%, provided that in a period of three years from October 17, 2021, Mr. Nechmad’s salary will not be increased by more than 15% cumulatively. Also, Mr. Nechmad is entitled to 15 days of paid vacation per year, and will be allowed to accrue a maximum of 30 days of vacation, as well as sick days. In addition, Mr. Nechmad will be entitled to a fee and monthly deposits for executive insurance or a pension fund, at Mr. Nechmad’s choice, at acceptable rates. In the event of termination of his employment, Mr. Nechmad will be entitled to compensation in accordance with section 14 of the Dismissal Compensation Law, 5733-1963. The Company shall deposit to the benefit of Mr. Nechmad 7.5% of the monthly salary, to the advanced study fund of his choice, and will deduct from his monthly salary an amount equal to 2.5% of his monthly salary which will be deposited in the advanced study fund as the share of the employee. Mr. Nechmad will be entitled to reimbursement of travel expenses in the amount of a monthly public transportation pass, and not less than provided in the extension order for the employer’s share in reimbursement of travel expenses. In addition, he will receive a cell phone for his use, whose ceiling of use will be limited to the amount of ILS 100 per month and he will be entitled once every three years to a one-time refund for the mobile phone in the amount of ILS 800. Mr. Nechmad will be entitled to reimbursement of expenses shared in meals in the amount of up to ILS 750 per month. In addition, EV Meter will finance disability insurance for Mr. Nechmad. Mr. Nechmad is entitled to an annual grant, which will be based on measurable targets to be set by the Audit Committee and the Company’s Board of Directors in respect of each calendar year, in advance, provided that the amount of the grant in respect of any calendar year does not exceed three monthly salaries of Mr. Nechmad. In addition, the Audit Committee and the Company’s Board of Directors will be authorized to approve the granting of (non-tradable) options of the Company or other equity instruments of the Company, once a calendar year, to Mr. Arnon Nechmad, provided that each of the aforesaid annual grants meets several conditions. For details of these terms and conditions and for further details regarding the employment agreement of Mr. Arnon Nechmad, see the

Company's immediate report dated November 21, 2021 (reference number: 2021-01-168927), which is included in this report by way of reference.

On October 29, 2020, the Company's Board of Directors approved the allocation of 25,000 non-tradable options, exercisable into 25,000 ordinary shares of ILS 0.0001 par value each of the Company, against payment of an exercise price of USD 0.67 per share, to Mr. Arnon Nechmad. All the aforementioned options were granted in accordance with the Company's Global Capital Incentives Program 2018 (for details, see Section 3.3.2 of Chapter 3 of the Prospectus) and pursuant to the terms set forth therein.

The total payments for salaries and commissions to Mr. Arnon Nechmad in 2021 amounted to approximately ILS 120,000.

- 5. The employment of Mr. Shai Ben Avi, the brother of David Ben Avi, one of the controlling shareholders in the company, director and officer, as Chief Software Architect in the Company** - Mr. Shai Ben Avi has been employed by the Company since 2016. Mr. Shai Ben Avi serves at the company as a full-time Chief Software Architect. Pursuant to his employment agreement with the Company (as amended from time to time), up to May 31, 2021 Mr. Ben Avi was entitled to a gross monthly salary of ILS 15,400, plus a global overtime pay of ILS 6,600 (in this section: "Salary"). In addition, Mr. Ben Avi is entitled to social provisions as well as a provision to an advanced study fund at the usual rates, for the full Salary. In addition, Mr. Ben Avi is entitled to reimbursement of travel expenses in the amount of monthly public transportation pass (which will be updated according to changes in the economy), to a cell phone on behalf of the Company, whose usage limit is ILS 200 per month and payments for meals (limited to usual Company participation in relation to all Company employees, which as of the date of the Prospectus is up to ILS 30 per day). Both the Company and Mr. Ben Avi may terminate the employment agreement with the Company at any time, subject to 30 days prior written notice. In addition, the Company entered into a services agreement with Shai Ben Avi Holdings Ltd., a company wholly owned by Mr. Shai Ben Avi (in this section: the "Service Provider"), according to which the Service Provider will provide the Company with consulting and development services for the Company's projects, as shall be sent to him from time to time, amounting to 174 hours per month. In exchange for the provision of such services, the Service Provider is entitled to ILS 40,000 per month

plus VAT. Both the Company and the Service Provider may terminate the agreement at any time, subject to thirty (30) days prior written notice.

In addition, Mr. Ben Avi is entitled to an annual performance grant, according to targets set annually in advance, provided that the amount of the grant in relation to any year does not exceed 30% of the annual fixed component of Mr. Ben Avi (according to the two agreements mentioned above together), and where each such target shall not exceed 50% of the total weight of the targets that will be used to examine eligibility for the grant. In 2021, Mr. Ben Avi was not paid a bonus for meeting the targets.

On November 15 and 17, and December 27, 2021, the Audit Committee, the Company's Board of Directors and the General Meeting of the Company approved, respectively, the update of the terms of employment of Mr. Shai Ben Avi, for a period of three years from the date of the Company's IPO (May 10, 2021), so that: (a) the Audit Committee and the Company's Board of Directors may, on the recommendation of Mr. Shai Ben Avi's personal manager, increase Mr. Shai Ben Avi's monthly salary (according to the two cumulative agreements mentioned above), once a calendar year, up to 10%, provided that in a period of three years as stated, Mr. Shai Ben Avi's salary will not be increased by more than 25% in the aggregate. Accordingly, on December 29, 2021, the Audit Committee and the Company's Board of Directors approved the increase of Mr. Shai Ben Avi's fixed remuneration according to the two aforesaid agreements together by 10% (for a total amount, according to the two aforesaid agreements, of ILS 68,200), effective June 1, 2021; (b) the Audit Committee and the Company's Board of Directors will be authorized to approve the granting of (non-tradable) options of the Company or other equity instruments of the Company, once a calendar year, to Mr. Ben Avi, provided that each of the aforesaid annual grants meets several conditions. For details of these terms, see the Company's immediate report dated November 21, 2021 (reference number: 2021-01-168927), which is included in this report by way of reference; and (c) effective from the IPO date of the Company, Mr. Ben Avi shall be entitled to 18 days of paid vacation per year (and shall be entitled to accrue up to 36 vacation days), which shall be redeemable only upon closing of account, and sick days according to Company protocols. In addition, Mr. Ben Avi will be entitled to a convalescence allowance. In addition, the Company shall deposit to the benefit of Mr. Ben Avi 7.5% of his salary, to the advanced study fund of his choice, and will deduct from his monthly salary an amount equal to 2.5% of his monthly salary which will be deposited in the advanced

study fund as the share of the employee. In addition, the Company will finance disability insurance for Mr. Ben Avi. For additional details, see the Company's immediate report dated November 21, 2021 (reference no: 2021-01-168927), which is included in this report by way of reference.

The total payments for salaries and management fees to Mr. Ben Avi in 2021 amounted to approximately ILS 980,000.

On November 15 and 17, and December 27, 2021, the Audit Committee, the Company's Board of Directors and the Company's General Meeting approved, respectively, a bonus to Mr. Shai Ben Avi, in the amount of ILS 260,000, inter alia, for his contribution to the Company, including the Company's IPO process which was completed in May 2021. For additional details, see the Company's immediate report dated November 21, 2021 (reference no: 2021-01-168927), which is included in this report by way of reference.

On August 24, 2016, Mr. Shai Ben Avi was granted 200,000 non-tradable options, exercisable, against payment of an exercise price of ILS 0.0001 per share, to 200,000 ordinary shares, each of ILS 0.0001 par value, of the Company, under the Company's 2013 Incentive Program 3.3.1 (for details see Section 3.3.1 of Chapter 3 of the Prospectus). The aforesaid options were exercised by Mr. Shai Ben Avi during 2021. On November 10, 2020, Mr. Shai Ben Avi was granted 300,000 non-tradable options, exercisable, against an exercise price of ILS 0.0001 per share, to 300,000 ordinary shares, each of ILS 0.0001 par value, of the Company, under the Company's 2018 Global Capital Incentive Program and pursuant to the conditions set forth therein (for details see Section 3.3.2 of Chapter 3 of the Prospectus).

In addition, the Company provided a loan to Mr. Ben Avi, the balance of which as of December 31, 2020 was approximately ILS 126,000, which incurred interest in accordance with income tax rules. The balance of the loan as of December 31, 2021, amounted to ILS 66,000. In accordance with the approval of the Audit Committee and the Company's Board of Directors, dated March 8, 2021, in accordance with Regulation 1(1) of the Companies Regulations (Reliefs in Transactions with Interested Parties), 5770-2000, regarding the postponement of the loan repayment date, the balance of the loan will be repaid in full during 2022.

6. **Employment of Mr. Oded Frenkel, brother-in-law of David Ben Avi, one of the controlling shareholders in the company, director and officer of the company, as service manager and customer support in the Company** - On May 25, 2015, the

Company and Mr. Oded Frenkel, brother-in-law of Mr. David Ben Avi, entered into the employment agreement (as amended from time to time), according to which Mr. Frenkel shall be employed full-time in the position of Quality Control and Assurance Officer at the Company, as of July 5, 2015, when as of the date of the report, Mr. Frenkel serves as Service Manager and Customer Support. Mr. Frenkel is entitled to a gross monthly salary of ILS 21,518, plus a global overtime pay of ILS 9,222 (in this section: “**Salary**”). Mr. Frenkel is entitled to social provisions as well as a provision to an advanced study fund at the usual rates, for the full Salary. In addition, Mr. Frenkel is entitled to an annual performance grant, according to targets set annually in advance, provided that the amount of the grant in relation to any year does not exceed 30% of the annual fixed component Mr. Frenkel is entitled to (according to the two aforementioned agreements together), and where each such target shall not exceed 50% of the total weight of the targets that will be used to examine eligibility for the grant. In 2021, Mr. Frenkel was not paid a bonus for meeting the targets. Mr. Frenkel is also entitled to sales commissions calculated at ILS 1 for each increase in the number of active units each month, to reimbursement of travel expenses in the amount of a monthly public transportation pass (which will be updated in accordance with changes in the economy) and to a cell phone on behalf of the company, with a usage limit of ILS 200 per month. The total payments as stated to Mr. Frenkel in 2021 amounted to approximately ILS 666 thousand. Both the Company and the employee may terminate the employment agreement with the Company at any time, subject to 30 days prior written notice.

On November 15 and 17, and December 27, 2021, the Audit Committee, the Company’s Board of Directors and the General Meeting of the Company approved, respectively, the update of the terms of employment of Mr. Oded Frenkel, for a period of three years from the IPO completion date of the Company (May 10, 2021), so that: (a) the Audit Committee and the Company’s Board of Directors may, on the recommendation of Mr. Frenkel’s personal manager, increase Mr. Frenkel’s monthly salary, once a calendar year, up to 10%, provided that in a period of three years (from the IPO completion date of the Company (May 10, 2021)), Mr. Frenkel’s salary will not be increased by more than 15% in the aggregate; (b) the Audit Committee and the Company’s Board of Directors will be authorized to approve the granting of (non-tradable) options of the Company or other equity instruments of the Company, once a calendar year, to Mr. Frenkel, provided that each of the annual grants meets a number of conditions. For details of these terms, see the Company’s immediate report

dated November 21, 2021 (reference number: 2021-01-168927), which is included in this report by way of reference; and (c) effective from the IPO date of the Company, Mr. Frenkel shall be entitled to 20 days of paid vacation per year (and shall be entitled to accrue up to 40 vacation days), which shall be redeemable only upon closing of account, and sick days according to the provisions of law. In addition, Mr. Frenkel will be entitled to a cost-of-living allowance, as is customary for all workers in the economy, by virtue of extension orders, and to the payment of convalescence allowance. In addition, the Company will also set aside up to 2.5% of Mr. Frenkel's salary for the purpose of subsisting on disability insurance. For additional details, see the Company's immediate report dated November 21, 2021 (reference no: 2021-01-168927), which is included in this report by way of reference.

On June 19, 2019, the Company's Board of Directors approved the allocation of 20,000 non-tradable options, exercisable to 20,000 ordinary shares of ILS 0.0001 par value each of the Company, against payment of an exercise price of USD 0.67 per share, to Mr. Oded Frenkel. All the aforementioned options were granted in accordance with the Company's Global Capital Incentives and the conditions set forth therein (for details, see section 3.3.2 of Chapter 3 of the Prospectus), of which 10,000 options were exercised by Mr. Frenkel during 2021. Also, on September 10, 2017, Mr. Oded Frenkel was granted 100,000 non-tradable options, under the Company's 2013 Capital Incentives Program (for details see Chapter 3 of the Prospectus), which were replaced on November 10, 2020 by 180,000 non-tradable options, exercisable to 180,000 ordinary shares of the Company of ILS 0.0001 par value each, against payment of an exercise price of USD 0.67 per share, under the Company's 2018 Global Capital Incentives Program and in accordance with the terms set forth therein. In addition, on the same date, Mr. Oded Frenkel was granted 25,000 non-tradable options, exercisable to 25,000 ordinary shares of the Company of ILS 0.0001 par value each, against payment of an exercise price of USD 0.67 per share under the 2018 incentives program. On March 24, 2021, Mr. Frenkel was granted 25,000 non-tradable options, exercisable, against payment of an exercise price of USD 0.67 per share, to 25,000 ordinary shares of the Company of ILS 0.0001 par value each, under the Company's 2018 Incentive Program.

In addition, the Company provided a loan to Mr. Frenkel, the balance of which as of December 31, 2020 is ILS 15 thousand. The loan incurred interest at the minimum rate in accordance with income tax rules and was repaid in full during 2021.

The Company has an obligation to allocate to Mr. Frenkel 50,000 options convertible to Company shares at future dates, subject to him being an employee of the Company at the time of grant.

7. **The employment of Mr. Reuven Amar, brother-in-law of David Ben Avi, one of the controlling shareholders in the company, director and officer in the company, as director of laboratory and logistics and systems maintenance in Dually**

On July 24, 2011, the Company and Mr. Reuven Amar, Mr. David Ben Avi's brother-in-law, entered into the employment agreement (as amended from time to time). Mr. Amar was employed as of December 1, 2008, under Dually, and on November 1, 2010, the employment was transferred to the Company so that the employment continuance is maintained. Pursuant to the agreement, Mr. Amar will be employed as a full-time laboratory and logistics and systems maintenance manager. Mr. Amar is entitled to a monthly base salary of ILS 16,100 gross plus global overtime in the amount of ILS 6,900. In addition, Mr. Amar is entitled to sales commissions calculated at ILS 1 for each increase in the number of active units each month. Mr. Amar is entitled to social contributions as well as a provision to a study fund at the usual rates, in the total amount of ILS 22,000. Mr. Amar is entitled to reimbursement of travel expenses in the amount of a monthly public transportation pass which will be updated in accordance with changes in the economy and received a cell phone for use on behalf of the Company, with a usage limit of ILS 200 per month.

On November 15 and 17, and December 27, 2021, the Audit Committee, the Company's Board of Directors and the General Meeting of the Company approved, respectively, the update of the terms of employment of Mr. Reuven Amar, for a period of three years from the IPO completion date of the Company (May 10, 2021), so that: (a) the Audit Committee and the Company's Board of Directors may, on the recommendation of Mr. Amar's personal manager, increase Mr. Amar's monthly salary, once a calendar year, up to 10%, provided that in a period of three years (from the IPO completion date of the Company (May 10, 2021)), Mr. Amar's salary will not be increased by more than 15% in the aggregate; (b) Mr. Amar will be entitled to an annual grant, which will be based on measurable targets to be set by the Audit Committee and the Company's Board of Directors in respect of each calendar year, in advance, provided that the amount of the grant in respect of any calendar year does not exceed three monthly salaries of Mr. Amar; (c) the Audit Committee and the

Company's Board of Directors will be authorized to approve the granting of (non-tradable) options of the Company or other equity instruments of the Company, once a calendar year, to Mr. Amar, provided that each of the annual grants meets a number of conditions. For details of these terms, see the Company's immediate report dated November 21, 2021 (reference number: 2021-01-168927), which is included in this report by way of reference; and (d) effective from the IPO date of the Company, Mr. Amar shall be entitled to 24 days of paid vacation per year (and shall be entitled to accrue up to 48 vacation days), which shall be redeemable only upon closing of account, and sick days according to the provisions of law. In addition, Mr. Amar will be entitled to a cost-of-living allowance, as is customary for all workers in the economy, by virtue of extension orders, and to the payment of convalescence allowance. For additional details, see the Company's immediate report dated November 21, 2021 (reference no: 2021-01-168927), which is included in this report by way of reference.

On June 19, 2019, the Company's Board of Directors approved the allocation of 200,000 non-tradable options, exercisable to 200,000 ordinary shares of the Company of ILS 0.0001 par value each, at an exercise price of USD 0.67 per share, to Mr. Reuven Amar. All the warrants were granted in accordance with the Company's Capital Incentives Program 2018 and pursuant to the terms set forth therein. On November 10, 2020, the Company's Board of Directors approved the allocation of 25,000 non-tradable options, exercisable to 25,000 ordinary shares of ILS 0.0001 par value each of the Company, at an exercise price of USD 0.67 per share, under the Company's 2018 Capital Incentives Program and in accordance with the terms set forth therein, to Mr. Reuven Amar. On March 24, 2021, Mr. Amar was granted 25,000 non-tradable options, exercisable, against payment of an exercise price of USD 0.67 per share, to 25,000 ordinary shares of the Company of ILS 0.0001 par value each, under the Company's 2018 Incentive Program.

The Company has an obligation to allocate to Mr. Reuven Amar 50,000 options convertible to Company shares at future dates, subject to him being an employee of the Company at the time of grant. The terms of the options' maturity, the exercise price and the other terms of the options have not yet been determined as of the date of the report.

The total payments to Mr. Amar in 2021 amounted to ILS 522 thousand.

8. **The employment of Ms. Gilat Mizrachi, the spouse of David Ben Avi, one of the Company's controlling shareholders, director and officer of the company, as responsible for Israel activity**

On January 9, 2018, the Company and Ms. Gilat Mizrachi, Mr. David Ben Avi's spouse, entered into the employment agreement (as amended from time to time). In accordance with the agreement, Ms. Mizrachi is employed by the Company in a position responsible for Israel activity, part-time, amounting to 70% of the position. Ms. Mizrachi is entitled to a gross monthly salary of ILS 13,400. In addition, Ms. Mizrachi is entitled to reimbursement of travel expenses in the amount of ILS 500 (which will be updated in accordance with changes in the place of residence), and received a cell phone for use on behalf of the Company, with a usage limit of 200 ILS per month. Both the Company and Ms. Mizrachi may terminate the employment agreement with the Company at any time, subject to 60 days prior written notice.

On June 19, 2019, the Company's Board of Directors approved the allocation of 50,000 non-tradable options, exercisable to 50,000 ordinary shares of the Company of ILS 0.0001 par value each, against payment of an exercise price of USD 0.67 per share, to Ms. Gilat Mizrachi. All the aforesaid options were granted in accordance with the Company's Capital Incentives Program 2018 and pursuant to the terms set forth therein.

The total payments to Ms. Mizrachi in 2021 amounted to ILS 187 thousand.

9. **Underwriting agreement** - On May 10, 2021, the Company, Mr. Yair Nechmad, Mr. Amir Nechmad, Mr. David Ben Avi and the pricing underwriter in the IPO entered into a purchase agreement for resale and underwriting. For additional details see Sections 2.5.3 and 2.6 in Chapter 2 of the Prospectus.

10. **Agreement regarding registration requirements** - On May 4, 2021, and taking into account market acceptability in international IPOs, the Board of Directors and the General Meeting of the Company approved the Company's agreement with the controlling shareholders of the Company (Mr. Yair Nechmad, Yair Nechmad Ltd., Mr. David Ben Avi and Mr. Amir Nechmad), whereby in the event that the controlling shareholders (in whole or in part) notify the Company of their desire to make an offer of sale of the Company's shares (in whole or in part) held by them ("**Registration Requirement**"), the Company will cooperate and make reasonable efforts to assist in making the offer, including by assisting in the preparation of the IPO documents, providing reasonable presentations, ensuring the availability of the Company's

management for the IPO, paying reasonable expenses in connection with the IPO, and - to the extent required by the offerors - indemnifying the underwriters under acceptable market conditions. The Company shall not be required to comply with (a) more than one Registration Requirement per year, (b) a Registration Requirement presented to the Company after the expiration of three years from the date of the agreement, (c) a Registration Requirement from a shareholder holding less than 10 (10%) percent of the Company's issued capital, or (d) a Registration Requirement where the selling shareholders together hold less than 45 percent of the issued capital of the Company.

11. **Insurance, indemnification and exemption of officers** - For details regarding the Company's contractual engagement with the liability policies of directors and officers and regarding the granting of indemnity and exemption notices to the officers of the Company, including in relation to the controlling shareholders of the Company, see Regulation 29A below.

**b. Transactions not set forth in Section 270(4) of the Companies Law**

**c. Transactions that occurred in 2021 and ended or are no longer transactions with controlling shareholders**

1. Mr. Amir Nechmad, one of the controlling shareholders in the company, through Ofer R.G. Ltd., a wholly owned company, provided the Company with owner loans, which incurred interest at an annual rate of 6%, the cumulative balance of which (principal and interest), as of the date of the Prospectus, was ILS 25.5 million (approximately USD 7.8 million). In addition, Mr. Amir Nechmad set up for the Company, through Ofer R.G. Ltd., a credit facility in the amount of USD 2 million, from which the Company withdrew in 2021 a cumulative amount of USD 1.3 million, which incurred interest at an annual rate of 6%. Immediately after receiving the Issue Proceeds in the Company, the Company repaid the aforesaid loans and the amounts of credit that the Company withdrew from the credit facility, through the Issue Proceeds.
2. For agreements regarding the acquisition of the Company's shares and shares of Dually Ltd. by SafeCharge Bulgaria EOOD, see section 8.2.6 in Chapter 8 of the Company's Prospectus. Continuing with section 8.2.6.5 in Chapter 8 of the Company's Prospectus, shortly after the IPO completion, the controlling shareholders of the Company (Mr. Amir Nechmad, Mr. Yair Nechmad (including through a wholly owned company) and Mr. David Ben-Avi) paid Globe Invest USD 500,000 and the full consideration for the

put option (as this term is defined in Section 8.2.6.3 in Chapter 8 of the Company Prospectus).

3. Until April 1, 2021, the controlling shareholders of the Company were Mr. Amir Nechmad, Mr. Yair Nechmad (including through Yair Nechmad Ltd.) and Mr. David Ben Avi in the shares of Dually. In accordance with the agreement signed between the controlling shareholders of the Company, the Company and Dually, and in accordance with the taxation decision in the agreement (ruling) made by the Israel Tax Authority, and after receiving the approval of the Company board and the shareholders' meeting of April 1, 2021, a structure change consisting of several stages was made on April 1, 2021 in accordance with the provisions of sections 104B, 103C and 104C of the Income Tax Ordinance [new version] whose final result was that all Dually shares were transferred to the Company (so Dually became a wholly owned subsidiary of the Company) and that 281,202,800 dormant shares were created in the Company's capital (as defined in section 308(a) of the Companies Law). On April 1, 2021, the Company canceled the dormant shares as aforesaid.
4. Dually (which until April 1, 2021 was held by the controlling shareholders of the Company, as specified in section 4 above) serves as a distributor of the Company's products in Israel. In addition, Dually provides clearing services to the Company's customers in Israel. On September 30, 2020, the Company and Dually entered into an agreement, according to which the Company provides Dually with management and loan services, operations services and software services. Dually's consideration to the Company under this agreement and under the license agreement set forth in Section 6 below in 2021 through April 1, 2021 was USD 900,000. This agreement is still in effect, but as of April 1, 2021, Dually is a wholly-owned subsidiary of the Company and is no longer held by the controlling shareholders of the Company.
5. On November 29, 2011, a license agreement was signed between the Company and Dually (which until April 1, 2021 was held by the Company's controlling shareholders, as set forth in Section 4 above) (as amended from time to time) (the "**License Agreement**") under which the Company granted Dually a license to use technology and equipment owned by the Company, which enable payment and remote control via credit cards and through cellular communication systems. The license is exclusive to the field of activity stipulated in the agreement and to the areas of the State of Israel. The License Agreement is effective from January 1, 2012, and will be automatically renewed for additional periods of 12 months each, unless one of the parties notifies the

other of its wish to terminate the agreement 60 days before the end of the relevant agreement period. This agreement is still in effect, but as of April 1, 2021, Dually is a wholly-owned subsidiary of the Company and is no longer held by the controlling shareholders of the Company.

6. As part of financing agreements between the Company and a banking corporation, Dually (which until April 1, 2021 was held by the controlling shareholders in the Company, as specified in Section 4 above) undertook various liabilities and also worked in favor of the banking corporation to secure various liabilities. For details, see Section 1.25.4 Chapter A. These undertakings by Dually are still in effect, but as of April 1, 2021, Dually is a wholly-owned subsidiary of the Company and is no longer held by the controlling shareholders of the Company.
7. Mr. David Ben-Avi, one of the Company's controlling shareholders, provided personal guarantees in favor of the lessor and sub-lessor under a lease and sublease agreement of the Company's offices in Herzliya. Following completion of the IPO, the Company released Mr. Ben Avi from said guarantee.

#### **Regulation 24 - Holdings of interested parties and senior officers of the corporation**

For details regarding holdings of interested parties and senior officers, see the Company's immediate report dated January 5, 2022 (reference number: 2022-01-002727), which is included in this report by way of reference.

#### **Regulation 24A - Registered share capital, issued share capital, and convertible securities**

For details regarding the registered share capital and the issued and outstanding share capital of the Company, see Note 17 to the Financial Statements. At a time close to the report date, the Company allocated 35,413,311 (non-tradable)<sup>4</sup> options that are convertible into the Company's shares, as well as 500,000 restricted stock units (RSUs).

#### **Regulation 24B - Shareholders registry**

For details regarding the Company's shareholders registry, see the Company's immediate report dated March 3, 2022 (reference no. 2022-01-021954), which is included in this report by way of reference.

#### **Regulation 25A - Registered address, telephone, fax, and email**

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<sup>4</sup> which have not yet been exercised or expired.

The registered address of the corporation: 3 Arik Einstein, Herzliya 4659071.

Telephone number: 03-7694380

Fax: 03-8644201

Email: michaelg@nayax.com

### **Regulation 26 - The directors of the corporation**

For details regarding the directors serving in the Company as of the publication date of the report, see **Schedule A**, attached to this Report.

### **Regulation 26A - Senior officers**

For details regarding the Company's senior officers that are not members of the board of directors, see **Schedule B**, attached to this Report.

### **Regulation 26B - Independent authorized signatories**

As of the report date, the Company has no independent authorized signatories, as such term is defined in Section 37(d) of the Securities Law.

### **Regulation 27 - The corporation's auditing CPA**

Kesselman and Kesselman, PwC, 146 Menachem Begin Road, Tel Aviv.

### **Regulation 28 - Changes in the articles of association**

On May 4, 2021, the Company's general meeting approved the replacement of the Company's articles of association, which existed at the time with new articles of association suited to a public company. The new articles of association became effective upon the closing of the IPO pursuant to the Prospectus.

### **Regulation 29 - Directors' recommendations and resolutions**

(A) The following are details regarding the Board of Directors' recommendations to the General Meeting and the decisions of the Board of Directors that do not require the approval of the General Meeting on the matters listed below:

- (2) **Change in the registered or issued capital of the Company** - For changes in the registered capital and issued capital of the Company in 2021 until the date of completion of the IPO, see sections 3.2.1 and 3.2.2 in Chapter 3 of the Prospectus, respectively. Following the IPO completion date, the Company has not made any changes to its issued and outstanding capital, other than the allocation of options and restricted stock units (RSUs).
- (3) **Amendment Company articles of association** - see Regulation 28 above.

(C) The following are resolutions of special general meetings held by the Company as of the date of completion of the IPO:

- On August 3, 2021, the Company's General Meeting approved the following resolutions: (1) the appointment of Ms. Rina Shafir as an external director; (2) the appointment of Ms. Vered Raz Aviv as an external director; (3) the appointment of Mr. Alon Shalev as an independent director; (4) the appointment of Mr. Reuven Ben Menachem as a director.
- On December 27, 2021, the General Meeting of the Company approved the following resolutions: (1) updating the terms of employment of Mr. Arnon Nechmad, son of Yair Nechmad, one of the controlling shareholders in the Company, (2) granting a bonus to Mr. Shai Ben Avi, David Ben Avi's brother, one of the controlling shareholders of the Company, (3) updating the terms of employment of Mr. Shai Ben Avi, brother of David Ben Avi, one of the controlling shareholders of the Company, (4) updating the terms of employment of Mr. Oded Frenkel, brother-in-law of David Ben Avi, one of the controlling shareholders of the Company, (5) updating the terms of employment of Mr. Reuven Amar, brother-in-law of David Ben Avi, one of the controlling shareholders in the Company and (6) approving and ratifying the appointment of the auditors and authorization of the Company's Board of Directors to set its wage.

### **Regulation 29A - Company resolutions**

**Exculpation, insurance, or indemnity undertaking, for an officers (Regulation 29A(4)):**

a. **Exculpation and Indemnity**

On May 4, 2021 and June 1, 2021, the Company's board of directors and general shareholders meeting approved granting letters of exculpation and indemnity in favor of the Company's directors and officers currently or from time to time serving, and in favor of officers currently or in the future service and currently or from time to time employed, on behalf of the Company in other corporations in which the Company holds any securities, directly and/or indirectly ("**Different Corporation**"). In the framework of the letters of indemnity and exculpation, the Company undertook to indemnify the foregoing for any liability or expense and/or reasonable litigation expenses, as set forth in the letter of indemnity, which shall be imposed thereon due to their actions, by virtue of their being officers in the Company and/or officers or employees on behalf of the Company in a Different Corporation, provided the maximum indemnity amount for financial liabilities to be imposed on the foregoing following a judgement (including a

judgement given in a settlement or arbitral ruling that was approved by the court) shall not exceed (cumulatively for all the officers, in a single case and cumulatively for all cases) an amount equal to 25% of the Company's fixed equity (the "**Maximum Indemnity Amount**"). In this respect, the "**Company's Determining Equity**" means the Company's equity amount pursuant to the Company's most recent audited or reviewed (as applicable) consolidated financial statements, as they shall be on the date the indemnifiable event occurred. It is clarified that the indemnity shall apply beyond the amount to be paid (if any) in the framework of the D&O liability insurance that the Company purchased or shall purchase from time to time.

In addition, in the framework of the letters of indemnity and exculpation, the Company released the foregoing from any liability towards it (to the extent that this is permitted under law), with respect to any damage that it shall sustain by the foregoing, through their actions by virtue of their being officers in the Company and/or officers or employees on behalf of the Company in a Different Corporation, following a violation of the duty of care (except for damage due to a violation of the duty of care in distribution (as defined in the Companies Law) except for additional damage set forth in the letter of indemnity). The letter of exculpation shall not apply with respect to a decision or transaction in which the Company's controlling shareholder or any officer of the Company has a personal interest.

b. D&O liability insurance

On January 27, 2020, the Company entered into an agreement with Ayalon Insurance Company Ltd. in the liability insurance policy for directors and officers, which applies in relation to directors and officers who serve and/or will serve in the Company and corporations under its control from time to time, including Dually, from January 27, 2020, until June 26, 2021, with liability limits of up to ILS 12,000 thousand per event and ILS 24,000 thousand for the insurance period. The annual premium is ILS 26,082. The Company's deductible in the insurance policy for claims against officers is ILS 40,000 per claim and ILS 100,000 per claim in North America. It should be noted that upon completion of the IPO, the coverage in said policy became run off coverage until the end of the insurance period (June 26, 2021).

On May 4, 2021, the Company's Board of Directors and the General Meeting of the Company's shareholders approved and confirmed the Company's contractual engagement with a number of insurers abroad in the D&O liability insurance policy (without coverage in relation to the publication of the Prospectus), which shall apply in

relation to directors and officers who serve and/or will serve in the Company (and corporations under its control) from time to time, including in relation to the CEO and in relation to directors and officers who are controlling shareholders in the Company, for a period beginning on April 29, 2021, with a liability limit of USD 6 million for an event and annual insurance period. The annual premium is USD 65,000. The Company's deductible in the insurance policy for claims against officers is USD 75,000 for a claim and USD 200,000 for a securities claim. The terms of the insurance policy are the same in relation to all the directors and officers of the Company (and the corporations under its control), including in relation to the CEO of the Company and in relation to the directors and officers who are the controlling shareholders of the Company.

In addition, on May 4, 2021 and June 1, 2021, the Company's board of directors and general meeting of the Company's shareholders approved and confirmed the Company's contractual engagement in a designated insurance policy for publication of the Prospectus and initial public offering of the Company Shares thereunder (POSI - Public Offering of Securities Insurance), for a seven-year period starting on April 29, 2021 (in this paragraph: the "**POSI Policy**"). The limits of liability of the POSI Policy are USD 6 million per event and for the insurance period (of seven years). The premium for the insurance period (7 years) is USD 113,500. The deductible for the Company in respect of a claim under the POSI Policy is USD 200,000. The terms of the insurance policy are the same in relation to all the directors and officers of the Company (and the corporations under its control), including in relation to the CEO of the Company and in relation to the directors and officers who are the controlling shareholders of the Company.

Also, on May 24, 2021, the Company's Board of Directors approved the addition of an additional policy to D&O liability insurance (without coverage in relation to the publication of the Prospectus and the IPO pursuant thereto) (in this paragraph: the "**Insurance Policy**") and the supplement of an additional insurance policy designated for the publication of the Prospectus and the IPO pursuant thereto (POSI - Public Offering of Securities Insurance) (in this paragraph: the "**POSI Policy**"), in accordance with the Company's remuneration policy and in accordance with the Companies Regulations (Reliefs in Transactions with Interested Parties), 5760-2000 ("**Relief Regulations**"). The following are the main terms of the Insurance Policy: The insurance period - a period of one year from April 29, 2021. As a result of the Insurance Policy, the limit of liability under the policy will increase by USD 4 million to the amount of

USD 10 million per event and for the insurance period. The annual premium for the insurance period in respect of the supplement is USD 35,400. The Company's deductible for claims under the policy is USD 75,000 for a claim and USD 200,000 for a securities claim. The terms of the insurance policy are the same in relation to all the officers and directors of the Company (including in relation to the CEO of the Company and in relation to the directors and officers who are the controlling shareholders of the Company). The following are the main terms of the POSI Policy: The insurance period - seven years starting from April 29, 2021. As a result of the Insurance Policy, the limit of liability under the policy will increase by USD 4 million to the amount of USD 10 million per event and for the insurance period. The annual premium for the insurance period in respect of the supplement is US USD 68,000. The Company's deductible for claims under the policy will remain at a total of USD 200,000. The terms of the POSI Policy are the same with respect to all the Company's officers and directors (including in relation to the Company's CEO and with respect to the directors and officers who are the controlling shareholders in the company).

### Schedule A - Details Regarding Directors of the Corporation (Under Regulation 26)

Name of director	Amir Nechmad	Yair Nechmad	David Ben-Avi	Rina Shafir	Vered Raz Aviv	Alon Shalev	Reuven Ben Menachem
<b>ID number</b>	055273981	057243263	025068925	011647377	024810103	050705276	056623879
<b>Date of birth</b>	27 Jul 1958	13 Aug 1961	4 Aug 1973	20 Sep 1963	22 Jan 1970	26 Jul 1951	4 Nov 1960
<b>Address for service of judicial documents</b>	10 Ehud, Tel Aviv	3A Nissan Cohen, Tel Aviv	30 Levona, Ramat Hasharon	34 Aluf Kalman Magen, Tel Aviv	12 Steimatzky, Tel Aviv	70 Yehoshua Ben Nun, Tel Aviv	32 Avner, Tel Aviv
<b>Citizenship</b>	Israel	Israel	Israel	Israel	Israel	Israel	Israel
<b>Board committee memberships</b>	No	No	No	Yes (audit committee, remuneration committee, balance sheet committee)	Yes (audit committee, remuneration committee, balance sheet committee)	Yes (audit committee, remuneration committee, balance sheet committee)	No
<b>External or independent director?</b>	No	No	No	Yes (external)	Yes (external)	Yes (independent)	No
<b>Commencement of director's term</b>	7 Apr 2005	7 Apr 2005	17 Feb 2009	3 Aug 2021	3 Aug 2021	3 Aug 2021	3 Aug 2021
<b>Re: External or independent director - Expertise in financial accounting or professional qualifications?</b>	-	-	-	Yes	Yes	Yes	-
<b>Education</b>	LLB, Tel Aviv University	BA, Political Science, Tel Aviv University	BA, Business Administration, Derby University and Certificate Studies - Real Estate Appraisal, College of Management Academic Studies	BA, Economics, Tel Aviv University and MBA, financing and accounting, Tel Aviv University	BA, Business Administration, major accounting and minor finance, College of Management Academic Studies; MA, film and television, screenwriting, Tel Aviv University.	BA, Political Science, Tel Aviv University	---
<b>Employment in past 5 years</b>	Active in real estate and investments	CEO of the Company	CTO of the Company	CEO (controlling shareholder) of Rontal Technologies, Software and Trade Ltd.; external director of Shir Shlomo Real Estate Ltd.; external director of Sunflower Renewable Investments Ltd.; external director of Alameda Ventures Limited Partnership; external director of IBI Investment House; external	CFO of Save Foods Inc.; member of EMS Analysts Investment Committee. Mutual Fund Management 1986 Ltd.; independent director of Naaman Group (N.W.) Ltd.; external director in Africa Residence Ltd.; external director at Apollo Power Ltd.; director of Foresight Autonomous Holdings Ltd.; director of Save Foods Ltd.	Director of Shahal Telemedicine Ltd.; Deputy Chairman of the Board of Directors of Partner Communications Ltd.	Chairman of Kissterra Capital Ltd.; Chairman of Anagog Ltd.; Chairman of EZbob Ltd.; Chairman of Earnix Ltd.; Chairman of Modelity Technologies Ltd.; Chairman of Otoma Limited.

				director of Analyst Provident Funds Ltd.			
<b>Additional corporations where he/she serves as director</b>	Director of most of the Company's subsidiaries; Dankron Ltd.; Dankron Schneller Ltd.; Ofer R.G. Ltd.; Wise-Sec Ltd.; DRK Group	Director of all subsidiaries of the Company; Yair Nechmad Ltd.; Wise-Sec Ltd.	Director of most of the Company's subsidiaries; David Ben-Avi Holdings Ltd.; Wise-Sec Ltd.	Biolight Life Sciences Ltd., Shir Shlomo Real Estate Ltd., Sunflower Renewable Investments Ltd., Alameda Ventures Limited Partnership, IBI Investment House.	Apollo Power Ltd. and Foresight Autonomous Holdings Ltd.		---
<b>Is he/she an employee of the Company, of a subsidiary, or of a company affiliated therewith, or of an interested party therein, and the roles that he/she fulfills as foregoing</b>	Director of most of the Company's subsidiaries	CEO of the Company; CEO of Dually Ltd.; director of all subsidiaries of the Company	Chief Technology Officer at the Company; Chief Technology Officer at Dually Ltd.; director of most of the Company's subsidiaries	No	No	No	No
<b>Is he/she a family member of an interest party in the Company</b>	Yes (brother of Mr. Yair Nechmad)	Yes (brother of Mr. Amir Nechmad)	No	No	No	No	No
<b>Does the Company consider him/her an expert in accounting and finance for purpose of meeting the minimum number determined by the board of directors under Section 92(a)(12) of the Companies Law</b>	No	No	No	Yes	Yes	Yes	No

**Schedule B - Details Regarding the Corporation's Senior Officers who are not Directors (Under Regulation 26A)**

Name of officer	Ela Shechtman	Boaz Ben David	Gal Omer	Yossi Ginossar	Yinon Halperin	Michael Galai	Moshe Orenstein	Sammy Yahiaou	Oded Frenkel	Keren Sharir	Sagit Manor	Tami Tzuri Erel
<b>ID number</b>	016793267	036152676	061677753	055377071	033832429	069840791	033351859	171701902 (Netherlands ID number)	040151029	031171044	029331766	038364410
<b>Date of birth</b>	24 Jun 1970	12 Jan 1980	18 Oct 1982	13 Nov 1958	6 May 1977	3 Oct 1966	24 Jan 1977	11 Sep 1973	16 Jul 1980	13 Nov 1979	1 May 1972	22 Nov 1975
<b>Commencement date of tenure</b>	15 Dec 2019	10 Oct 2021	13 Jun 2021	23 Aug 2021	27 Jun 2021	6 Jan 2019	7 Oct 2018	1 Apr 2019	1 Jan 2022	13 Jul 2014	21 Jun 2021	6 Sep 2015
<b>Role in the Company</b>	VP Human Resources	VP Finance (Accountant)	Chief Compliance Officer	Internal Auditor	Head of Finance Department	Chief Legal Officer and Company Secretary <sup>5</sup>	Chief Product Officer	Chief Revenue Officer	Chief Customer Officer	Chief Marketing Officer	CFO	Chief Business Operation Officer (Payments)
<b>Position fulfilled in a subsidiary or interested party of the Company</b>	-	VP Finance (accountant) of all Group companies	-	-	-	Chief Legal Officer in all Group companies	Director in Niloos, director in Tigapo	Chief Revenue Officer of all Group companies	-	Chief Marketing Officer for all Group companies, marketing and sales process management	-	Chief Business Operation Officer (Payments) of all Group companies
<b>Is he/she a family member of a senior officer in the Company or of an interested party in the Company</b>	No	No	No	No	No	No	No	No	Mr. Frenkel is the brother-in-law of David Ben Avi (one of the controlling shareholders in the Company,	-	No	No

<sup>5</sup> On May 4, 2021 Mr. Michael Galai was appointed as a director in the Company and on August 3, 2021 ended his tenure as director of the Company.

									director and officer in the Company)			
<b>Education</b>	BA, Political Science, York University in Toronto, Canada and MA, Labor Studies, Tel Aviv University	BA, Economics and Accounting, University of Haifa	LLB, The Hebrew University; BA, Philosophy	BA, Economics and Business Administration, Accountant, CIA, CFE	MBA, Finance, The Hebrew University	LLB, Tel Aviv University; MBA, Finance, Ono Academic College	Information Systems Engineer, Beer Sheva University MBA, Tel Aviv University	Studies at the Saxon University of Applied Sciences (1999) MBA, International business management for senior management From IMD Business School	Practical Engineer Degree, Sapir College	BSc, Mathematics and Computer Science, University of Haifa	BBA, College of Management Academic Studies	BA, Economics and Management, College of Management Academic Studies and LLM, Bar-Ilan University
<b>Employment in last five years</b>	Company's VP of Human Resources; Human Resources Manager at Fresenius; Human Resources Manager at Sanofi	Assistant CEO at the First International Bank of Israel Director, KPNG Somekh Chaikin	Attorney, Amit Pollak Matalon & Co.; Partner, Amit Pollak Matalon & Co.	CEO Grant Thornton Israel	Head of Finance Department of Noble Energy Inc Israel	Chief legal officer of the Company; independent director, chairman of Audit Committee and member of Investment Committee at Analyst Provident Funds Ltd.; member of Audit Committee (pro bono) of Access Israel (RA); Chief counsel at Telit Communications Plc (AIM: TCM); external director, chairman of Audit Committee and member of Remuneration	Chief Product Officer at Company, director of Company's Business Development Department, Director of Advanced Payments at Isracard	March 2014 - April 2019: Senior VP of IoT Services at Telit Communications Plc	Chief Customer Officer at the Company	Chief Marketing Officer of the Company	CEO and CFO of Nyotron Information Security LTD; VP Finance, Product, R&D & Operation CFO at Verifone Inc.	Chief Business Operation at Company

						Committee at Analyst Investment Management Services Ltd.; independent director, member of Audit Committee and member of Remuneration Committee at Kalanit Carmon Software Services Ltd.						
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