Third draft for the public and fifth draft for the Israel Securities Authority and Tel Aviv Stock Exchange Ltd., dated May 10, 2021

Final draft. The offering of securities to the public has not yet received permission from the Israel Securities Authority or approval from the Tel Aviv Stock Exchange Ltd. It is prohibited to purchase or commit to purchasing any securities under this draft prospectus.

Nayax Ltd.

the("Company")

Mr. Yair Nechmad

Mr. Amir Nechmad

Mr. David Ben-Avi

the ("Offerors")

Prospectus for the Listing

of

281,235,612 ordinary shares, registered, par value ILS 0.0001 each, of the Company ("**Ordinary Shares**"), existing in the Company's issued and outstanding share capital and which include the Secondary Offering Shares (as such term is defined below), and 35,424,550 Ordinary Shares of the Company that shall derive from exercising 35,424,550 unregistered options.

Together with a

Prospectus

Initial Public Offering of 44,000,000 shares

and Secondary Offering of 19,500,000 shares

Initial public offering of 44,000,000 Ordinary Shares, registered, par value ILS 0.0001 each, of the Company (the "**Issued Shares**").

Secondary offering of 19,500,000 Ordinary Shares, registered, par value ILS 0.0001 each, of the Company, which are offered under this Prospectus by way of a secondary offering by offerors (the "**Secondary Offering Shares**")

(The Issued Shares and Secondary Offering Shares, together: the "**Offered Shares**" or "**Offered Securities**").

In the framework of the Underwriting Agreement, the Company granted the Lead Underwriter (as defined below) a right, for a period of 30 days after the publication date of the Prospectus, to purchase an additional amount of the Offered Securities in scope not to exceed 15% of the amount offered under the Prospectus (meaning, up to 9,525,000 Ordinary Shares of the Company par value ILS 0.0001 each). For additional details see Section 2.5.3 in Chapter 2 of this Prospectus.

The Offered Shares are offered to institutional investors, as the term "institutional investor" is defined in the Securities (Manner of Offering Securities to the Public) Regulations, 5767-2007 (hereinafter: the "**Institutional Investors**" and "**Offering Regulations**", respectively), which are incorporated in Israel and outside it, by way of a non-uniform offer, as such term is defined in the Offering Regulations, in scope of 63,500,000 Ordinary Shares at a uniform price of ILS 10.5 per share, according to Regulation 11(a)(1) of the Offering Regulations.

The Offered Shares under this Prospectus are offered solely to institutional investors, including institutional investors incorporated outside of Israel (the "**Foreign Institutional Offerees**") which are: (1) in the US, investors that are "Qualified Institutional Buyers" ("**QIB**"), as defined in Rule 144A of the Securities Act of 1933, as amended (the "**Securities Act**"); or (2) outside the US, investors that are a "Qualifying Investor" (as defined below), who participate in an offer outside the US according to Regulation S of the Securities Act ("**Regulation S**").

In addition, the offer to the Foreign Institutional Offerees is limited to investors that also meet one of the conditions set forth below, and any Foreign Institutional Offeree that purchases shares in an issuance outside Israel shall be deemed to have declared, when purchasing the shares in the issuance, that it meets one of the following conditions: (1) The investor is an entity with equity exceeding ILS 50 million or an equivalent amount in a different currency, on the basis of its latest financial statements; or (2) the investor, together with any entity controlling it, in its control, or under the same control as it, (i) manages assets of a total amount exceeding ILS 100 million or an equivalent amount in a different currency, provided that the shares that were purchased in the issuance shall be purchased for the assets that it manages; and/or (ii) owns and invests on a discretionary basis securities of issuers that are not affiliated therewith,

in a cumulative amount exceeding ILS 100 million or an equivalent amount in a different currency.

Qualifying Investor means an investor who is one of the following:

A. An investor listed in subsection (1) under "Categories Of Clients Who Are Considered To Be Professionals" included in Annex II of Directive 2014/65/EU.
B. Investors that are not individuals, and that are "accredited investors" as define in National Instrument 45-106 Prospectus Exemptions or as defined in subsection 73.3(1) of the Securities Act (Ontario), and Qualified Customers as define in National Instrument 31-103 - Registration Requirements, Exemptions and Ongoing Registrant Obligations in Canada.

A Foreign Institutional Investor that purchases shares under this Prospectus shall be deemed to have declared that it fulfills all of the foregoing conditions.

The Prospectus was not submitted to the Securities and Exchange Commission in the US. Subject to the below, the securities offered to the Institutional Offerees under the Prospectus were not and shall not be registered under the Securities Act, as amended from time to time, or under any state law in the US, and the owners of the securities offered under the Prospectus are prohibited from offering, selling, pledging and/or transferring them in any way in the US (subject to trading them on the stock exchange, as set forth below) or to a person that is a U.S. Person (as defined in Regulation S), or on its behalf, unless they are registered under the Securities Act, or if there is an exemption from registering under the Securities Act, and according to US state law.

It is clarified that the Company does not undertake to register the securities offered under the Prospectus in the US under the Securities Act.

The institutional offerees that are outside the US, shall be deemed to have declared: that they meet the following cumulative conditions: (1) They are not purchasing the Offered Securities for a person located in the US or that they engaged in any agreement for transferring the Offered Securities or any other economic right thereto to any person in the US; (2) they are not in the US when submitting the request to purchase the Offered Securities and they shall not be in the US upon their purchase;

According to the foregoing, the Company may offer the institutional offerees the securities offered under the Prospectus, list them on TASE, and the offerees under this Prospectus may trade them on TASE.

A decision to purchase the securities offered under the Prospectus shall only be made based on the information included in this Prospectus (including by way of reference).

Similarly, the Lead Underwriter and distributors of the offering and the secondary offering declared that they shall not offer the Offered Securities to any person located in the US or to any U.S. Person, except in accordance with the exemption from the registration requirements of the Securities Act or in a transaction that is not subject to the registration requirements of the Securities Act.

According to Regulation 11(a)(1) of the Offering Regulations, this non-uniform offer for Institutional Investors is underwritten with respect to 25% of the shares offered under this Prospectus.

For purpose of marketing and distributing the Offered Shares, on May 10, 2021, the Company and Offerors engaged in a purchase agreement for resale and underwriting with Jefferies LLC (the "**Lead Underwriter**"), according to which the Offered Shares shall be offered under this Prospectus to Institutional Investors in Israel, and they shall be sold outside Israel. Similarly, Leader Underwriters (1993) Ltd. ("**Leader**") serves as a distributor for purpose of distributing the Offered Securities in Israel and Oppenheimer & Co. Inc. ("**Oppenheimer**") serves as an international distributor (Lead International Manager) for the purpose of distributing the Offered Securities outside Israel. The consideration of such distributors shall be paid from the Lead Underwriter's consideration. Leader shall be entitled to transfer part of the fee to other Israeli distributors. For more details about the agreement with the Lead Underwriter, including details about the consideration to be paid to the Lead Underwriter and distributors, see Section 2.6 to Chapter 2 of this prospectus.

It is emphasized that completing the offering of securities under this Prospectus and the listing on TASE of the securities offered under this Prospectus and of the other shares existing in the Company's issued share capital prior to the Prospectus date, is contingent upon the value and public holding of the Company's shares after the listing being no less than that set forth in TASE's regulations for a new company of the Company's type, which is listed for the first time on TASE. For additional details, see Section 2.9 in Chapter 2 of this Prospectus.

For details about the Offered Shares, details of the offer, and manner of offering the Offered Shares, see Chapter 2 of the Prospectus.

For details regarding the rights related to the Offered Shares, see Chapter 4 of the Prospectus.

Should the issuance of the Issued Shares and the offering of the Secondary Offering Shares be cancelled for any reason, the Offered Shares shall not be allocated to bidders and shall not be listed on TASE.

The public offering under this Prospectus is an initial offering of the Company's shares to the public.

Shelf Prospectus

This Prospectus also constitutes a prospectus, by virtue of which the Company may issue various types of securities, subject to the provisions of law, including Ordinary Shares of the Company, debentures that cannot be converted into shares (including by way of expanding existing series of Company debentures, if any from time to time), debentures convertible to Company shares (including by way of expanding existing series of debentures of the Company, if any from time to time), warrants exercisable into Company shares, warrants exercisable into Company debentures that are not convertible to Company shares, or warrants that are convertible into Company shares, commercial securities, and any other securities that under law may be issued under a shelf prospectus on the relevant date (the "**Securities Included in the Shelf Prospectus**").

The offering of the Securities under this Shelf Prospectus shall be made according to the provisions of Section 23A of the Securities Law, through shelf offering reports that shall complete all the special details for that offering, including the details and terms of the Offered Securities and the composition of the offered Units, according to the provisions of any law, and in accordance with TASE rules and regulations, as they shall be from time to time.

As the Company was told, the Company may be included in the Tel Aviv Tech-Elite index after its securities are listed, subject to a few conditions, the main ones being: (a) the value of the public holdings at the beginning of the first trading day of the Company's shares on TASE shall be at least ILS 20 million; (b) the rate of the public's holdings at the beginning of the first trading day of the Company's shares shall be no less than 10%; (c) the market value of the Company's shares on the listing date shall be no less than ILS 100 million; (d) the share price

under the Prospectus shall be no less than ILS 0.50; (e) the Company's shares are Israeli shares and are not listed on any additional stock exchange.

Therefore, and considering the nature of the Company and the structure and scope of the issuance, a situation is possible where the Company would be included in the Tel Aviv Tech-Elite index. If and insofar as the issuance shall be paid and the Company shall fulfill such conditions and be included in the Tel Aviv Tech-Elite index, the Company may choose to adopt any of the reliefs set forth in the Securities (Reports of Corporations with Shares Included in the TA Tech-Elite Index) Regulations, 5776-2016 ("**TA Tech-Elite Regulations**"), and reliefs with respect to the reporting format in case of listing on a foreign stock exchange as stated in Section 35AF of the Securities Law.

It is clarified that as of the Prospectus date, the Company is not included and/or did not receive a notice that it shall be included in the Tel Aviv Tech-Elite index, and there is no certainty that it shall fulfill the conditions set forth above. Similarly, the Company has yet to decide whether to adopt any of the reliefs set forth in the TA Tech-Elite Regulations.

For details regarding restrictions on the distribution of dividends, see Section 6.25.2.4.2 in Chapter 6 of this Prospectus.

The risk factors with a large effect on the Company's business are information security risks, noncompliance risks, and regulatory sanctions. For details about such risk factors and additional risk factors that have an effect on the Company's activity, see Section 6.35 in Chapter 6 of this Prospectus.

For details regarding the prices determined in transactions with convertible shares and securities or in private placements of shares made in the year preceding the publication of the Prospectus, which are lower by at least 10% than the effective price or economic value of the offer under this Prospectus, see Section 3.2.2 of Chapter 3 to this Prospectus.

According to the Control of Financial Services (Regulated Financial Services) Law, 5776-2016 (the "**Control Law**"), a person shall not hold more than 10% of a certain type of Means of Control in a company, or more than 5% of a certain type of Means of Control in any of three or more financial services providers, unless pursuant to a permit granted by the Capital Market Commissioner, and no person shall control a company other than under a permit granted by the Capital Market Commissioner. In this respect, "**Means of Control**" and "**Control**", as defined in the Control Law. For additional details see Section 6.28.2.1.2 in Chapter 6 of this Prospectus.

For additional restrictions with respect to acquiring and holding shares of the Company: (a) under the payment institution license granted to a subsidiary of the Company on behalf of the Lithuanian central bank, and according to the license granted to such subsidiary to act as an Electronic Money Institution (EMI) on behalf of the Lithuanian central bank, see Sections 6.28.2.2.1 and 6.28.2.2.2 in Chapter of to this Prospectus; and (b) under a license to act as an Electronic Money Institution (EMI) on behalf of the Financial Conduct Authority in the UK, which a subsidiary of the Company is acting to obtain, see Section 6.28.2.3.3 in Chapter 6 of this Prospectus.

Mr. David Ben-Avi, one of the Company's controlling shareholders, provided personal guarantees in favor of the lessor and sub-lessor under lease and sublease agreements for the Company's offices in Herzliya. The Company intends to act towards releasing Mr. Ben-Avi from such guarantee, subject to the issuance under this Prospectus being completed.

The Company estimates that the total costs of the Company involved in preparing and publishing this Prospectus (including payment for the underwriting and distribution services) shall amount to approximately ILS 31,485720, million, which constitute approximately 6.82% of the Company's proceeds from the offering under this Prospectus. For additional details regarding the costs of the issuance and secondary offering, and their distribution between the Company and the Offerors, see Section 5.1 in Chapter 5 of this Prospectus.

According to the Securities (Reporting in English) Regulations, 5781-2020 (the "**English Reporting Regulations**"), the Company reserves the option to prepare its reports in English only and/or to change the reporting language from time to time, subject to the provisions and required approvals of the English Reporting Regulations.

The full text of the Company's Prospectus can be reviewed on the website of the Israel Securities Authority at: www.magna.isa.gov.il and on the TASE website at www.tase.co.il

Prospectus date: May 11, 2021

Table of Contents

Chapter 1 - Introduction		
1.1	Definitions	A-1
1.2	General	A-1
1.3	Permits and approvals for an initial offering of securities under this Prospectus	A-3
1.4	Permits and approvals pertaining to the Shelf Prospectus	A-4
1.5	Share capital of the company	A-5
Chapter 2 - Details of Offering the Securities		
2.1	The securities of the Company and the offerors	B-1
2.2	Manner of offering the securities	B-4
2.3	Terms of the Offered Securities	B-4
2.4	Conditions Precedent to the Completing the Offering Under this Prospectus	B-5
2.5	Description of the Offering	B-5
2.6	Purchase Agreement for the Purpose of Resale and Underwriting	B-10
2.7	Stabilization Activities in the Company's shares	B-14
2.8	Share Certificates	B-15
2.9	Listing for Trade on TASE	B-16
2.10	Market Maker	B-17
2.11	Avoiding Arrangements Not Specified in the Prospectus	B-19
2.12	Avoiding Capital Dilution	B-20
2.13	Offering of Securities Under the Shelf Prospectus	B-20
2.14	Taxation of the Securities Offered Under the Prospectus	B-20
Chapter 3 - The Company's Share Capital		
3.1	Company's Share Capital	C-1
3.2	Changes to the Company's Share Capital	C-1
3.3	Non-negotiable Options	C-12
3.4	Holdings of Company Securities by Interested Parties and Others	C-28
3.5	Holdings of interested parties and others in the securities of the Company after completing the secondary offering and offering under this Prospectus	C-29
3.6	Company's Controlling Shareholders	C-31
3.7	Lock-Up of Securities	C-38
Chapter 4 - The Primary Rights Attached to the Company's Shares		
4.1	Provisions in the Company's articles of association which relate to the rights accompanying the Company's shares	D-1
4.2	Arrangements in the Company's articles of association in accordance with provisions of the Companies Law	D-10
Chapter 5 - Offering Proceeds and Designation Thereof		

5.1	Proceeds of the issuance and secondary offering	E-1
5.2	Designation of the proceeds	E-2
5.3	The Interim Period	E-3
5.4	Minimum proceeds	E-4

Chapter 6 - Description of the Corporation's Business

Part I – Description of the Company's financial development

6.1	Introduction	F-3
6.2	Definitions	F-3
6.3	The activity of the Company and development of its business	F-3
6.4	Areas of activity	F-11
6.5	Investments in the corporation's equity and transactions in its shares	F-11
6.6	Distribution of dividends	F-14

Part II – Other Information

6.7	Financial information regarding the Company's areas of activity	F-15
6.8	General environment and impact of external factors on the Group's activity	F-15

Part III – Description of the Company's Business According to Areas of Activity

6.9	General information on the area of activity	F-21
6.10	Products and services	F-32
6.11	Segmentation of revenues and products profitability	F-45
6.12	New Products	F-46
6.13	Customers	F-48
6.14	Marketing and Distribution	F-50
6.15	Orders backlog	F-53
6.16	Competition	F-53
6.17	Seasonality	F-55
6.18	Fixed property, real estate and facilities	F-55
6.19	Research and development	F-56
6.20	Intangible Assets	F-62
6.21	Human capital	F-67
6.22	Raw Materials and Vendors	F-71
6.23	Working Capital	F-73
6.24	Investments	F-74
6.25	Financing	F-75
6.26	Taxation	F-89
6.27	Environmental risks and management thereof	F-89
6.28	Limitations and control over the corporation	F-89
6.29	Material agreements	F-103
6.30	Cooperation agreements	F-103
6.31	Legal proceedings	F-103
6.32	Goals and business strategy	F-103

6.33	Projected development in coming year	F-106
6.34	Financial information about geographical areas	F-108
6.35	Discussion of risk factors	F-108

Details about the Company's subsidiaries and affiliated companies		**F-118**

Board of directors' report on the state of the corporation's affairs		
1	The board of directors report on the state of the Company's affairs for the year ended December 31, 2020	F-88
1.1	General	F-88
1.2	Dealing with the effects of the Coronavirus spread	F-88
1.3	The financial position	F-88
1.4	Operating results	F-88
1.5	Liquidity	F-88
1.6	Financing sources	F-88
2	Corporate governance aspects	F-89
2.1	The Company's donation policy	F-88
2.2	Directors with accounting and financial expertise	F-89
2.3	Independent directors	F-89
2.4	Disclosure on the Company's internal auditor	F-89
2.5	Disclosure regarding the Company's auditor	F-88
3	Material events after the report date on the financial situation	F-88
4	List of liabilities of the Company according to repayment dates	F-88
5	Material valuations	F-88

Chapter 7 - Directors and Officers of the Company		
7.1	The Company's board of directors	G-1
7.2	Senior Officers	G-5
7.3	Independent authorized signatories	G-8
7.4	Main provisions in the Company's articles of association concerning the Company's board of directors	G-8
7.5	Arrangements in the Company's articles of association under the provisions of the Companies Law	G-13
7.6	Additional details	G-13
7.7	Issuer's obligation	G-14

Chapter 8 - Interested Parties and Senior Officers of the Company		
8.1	Remuneration to interested parties and senior officers	H-1
8.2	Transactions with controlling shareholders or concerning the approval of which controlling shareholders have a personal interest	H-17
8.3	Exemption, indemnity and insurance	H-30
8.4	Options plans	H-33
8.5	Remuneration policy	H-33

8.6	Holdings of interested parties and senior officers in securities of the Company	H-33

Chapter 9 - Financial Statements

9.1	The Company's financial statements included in the Prospectus	I-1
9.2	Letter of consent of the auditing CPA	I-1
9.3	The Company's report on events	I-1

Chapter 10 - Additional details

10.1	Legal opinion	J-1
10.2	Costs in connection with the offering of securities and their issue	J-3
10.3	Brokerage fees in connection with other securities	J-3
10.4	Allocation of securities not for full cash consideration	J-3
10.5	Review of documents	J-4

Chapter 11 - Signatures

Chapter 1 - Introduction

1.1. Definitions

In this Prospectus the following terms shall have the meaning set forth hereunder:

"TASE"	-	The Tel Aviv Stock Exchange Ltd.
"Company"	-	Nayax Ltd.
"Group"	-	The Company and corporations that it holds, directly and indirectly.
"Prospectus"	-	This Prospectus.
"Dually"	-	Dually Ltd., a subsidiary of the Company.
"Companies Law"	-	The Companies Law, 5759-1999.
"Securities Law"	-	The Securities Law, 5728-1968.
"Periodic and Immediate Reports Regulations"	-	Securities (Periodic and Immediate Reports) Regulations, 5730-1970.
"Prospectus Details Regulations"	-	Securities (Prospectus Details and Prospectus Draft - Form and Structure) Regulations, 5729-1969.

1.2. General

The Company was incorporated in Israel on January 16, 2005, as a private company under the name "Sarankot Ltd.". On May 10, 2005, the Company changed its name to its current name. As of the Prospectus date, the Company is engaged in the area of solutions and services for clearing and operation of businesses using a global platform.

In the framework of its activity, the Company, through its platform that combines hardware and software developed by the Company, offers its customers solutions and comprehensive services for unattended points of sale and service ("**Unattended**" or the "**Unattended**

Activity"), and to 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 payment cards, as well as through other alternative payment methods (such as Apple Pay, Google Pay, Ali Pay, Samsung Pay and more). In addition, 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.

It is noted that as of the Prospectus date, the Company's Attended Activity focuses on the Israeli market, but the Company plans to expand to the global market in the next years.

In practice, the Company provides its customers, business owners, with one product that encompasses a series of services and capabilities, which until now were provided to business owners through various products of different companies, which naturally were not synchronized with each other. The Company's services and products allow the customer to manage its business by itself, in all aspects, with maximum efficiency, while engaging with only one entity in the managerial aspect - the Company.

Within the framework of the Company's Attended Activity, which commenced in 2019, the Company offers its customers points of sale and service that provide the customer's business with managerial and operational tools through a wide variety of payment options, accounting, business promotion, logistics, procedures, authorizations, and employee management. The services for Attended points of sale in the framework of the Attended Activity are provided by a range of unique products suitable for various uses in the business such as Smart POS, Mobile Smart POS, Self-Checkout, Self-Order, and Order at the Table.

Upon listing the Company's shares on TASE under this Prospectus, the Company shall become a public company, as such term is defined in the Companies Law, and a reporting corporation, as such term is defined in the Securities Law. The offering under this Prospectus is an initial offering of the Company's securities to the public. For details about the Group's activity, see Chapter 6 of this Prospectus.

1.3. **Permits and approvals for an initial offering of securities under this Prospectus**

1.3.1 The Offerors and the have Company obtained all the permits, approvals, and licenses that are required under any law for offering the securities offered under this Prospectus, for issuing them, for listing them on TASE and for publishing the Prospectus.

1.3.2 **The Israel Securities Authority's permit to publish the Prospectus does not constitute verification of the details presented therein, or approval of their reliability or completeness, and it does not constitute an expression of opinion on the nature of the securities offered under the Prospectus.**

1.3.3 TASE granted its approval for listing the shares offered under this Prospectus, as set forth in Section 2.1.2 in Chapter 2 of this Prospectus, the shares existing in the Company's issued and outstanding share capital prior to the issuance (the "**Existing Shares**"), the shares that shall derive from exercising the non-registered options that were allocated to employees and officers of the Company and of its subsidiaries, and that have not yet been exercised as set forth in Section 3.3 in Chapter 3 of this Prospectus,[1] and of the shares to derive from exercising the non-registered options to be allocated to Mr. Yair Nechmad and Mr. David Ben-Avi on the date of completing the issuance under this Prospectus, and before the shares of the Company are listed on TASE[2] (hereinafter jointly: the "**Shares**").

1.3.4 **TASE's Approval for the Prospectus shall not be deemed approval of the details presented in the Prospectus, to their reliability or integrity, and shall not constitute an expression of opinion with respect to the Company or the**

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[1] For avoidance of doubt, not including options that the Company is required to allocate and that have not yet actually been allocated, as set forth in Section 3.3.8 in Chapter 3 of this Prospectus.

[2] For details see Sections 8.1.5(7) and 8.1.5(8) in Chapter 8 of this Prospectus.

nature of the securities offered under the Prospectus or with respect to the price at which they are offered.

1.3.5 Listing the Shares on TASE is subject to minimal distribution of public holdings of the Company's shares and to there being value and minimum value of the public holdings of the Company's shares, all as required from companies of this type according to TASE rules, as set forth in Section 2.9 in Chapter 2 of this Prospectus.

1.4. **Permits and approvals pertaining to the Shelf Prospectus**

1.4.1 The Company obtained all the permits, approvals, and licenses that are required under any law to publish this Shelf Prospectus. This Prospectus is a shelf prospectus, as defined in Section 23A of the Securities Law, and offering securities thereunder shall be made pursuant to shelf offering reports completing the unique details of such offering ("**Shelf Offering Reports**").

1.4.2 **The Israel Securities Authority's permit to publish the Shelf Prospectus does not constitute verification of the details presented therein, or approval of their reliability or completeness, and it does not constitute an expression of opinion on the nature of the securities to be offered under the Shelf Prospectus.**

1.4.3 The Company obtained TASE's approval in principle referring to the Securities included in this Prospectus ("**TASE's Approval in Principle**") and which shall be offered, if offered, under the Shelf Offering Reports.

1.4.4 Providing TASE's Approval in Principle in connection with the securities included in the Shelf Prospectus, which shall be offered (if offered) under the Shelf Offering Reports, does not constitute approval to list the securities included in the Shelf Prospectus, and their listing shall be subject to obtaining TASE's approval to list the securities under the Shelf Offering Report, which shall be published according to the Securities Law and Securities (Shelf Offering of Securities) Regulations, 5766-2005.

1.4.5 **TASE's Approval in Principle is not to be deemed approval of the details presented in the Prospectus or their reliability or completeness, and it does not constitute an expression of any opinion regarding the Company, or the quality**

of the securities included in the Prospectus or about the price at which they shall be offered in the Shelf Offering Reports.

1.4.6 TASE's Approval in Principle does not constitute an undertaking to approve the listing of the securities included in the Shelf Prospectus under the Shelf Offering Reports. The provisions of TASE rules and the regulations thereunder shall apply to the approval of the request to list the securities under the Shelf Offering Report, as they shall be in effect when submitting the request for listing under the Shelf Offering Report.

1.5. **Share capital of the company**

1.5.1 The Company's registered, issued and outstanding share capital (in number of shares):

Class of shares	Registered share capital	Issued and repaid share capital as of the Prospectus date		Issued and repaid share capital following the issuance[3]	
		In practice (undiluted)	Fully diluted[4]	In practice	Fully diluted[5]

[3] Assuming that all of the securities offered under this Prospectus shall be allocated. For the avoidance of doubt, the calculation does not include the option that the Company grated to the Lead Underwriter in the framework of the Underwriting Agreement, for a duration of 30 days after the publication date of the Prospectus, to purchase an additional amount of the Offered Securities in scope not exceeding 15% of the amount offered under the Prospectus (meaning, up to 9,525,000 Ordinary Shares of the Company par value ILS 0.0001 each) (for additional details see Section 2.5.3 in Chapter 2 of this Prospectus).

[4] Assuming the exercise of all non-marketable options allocated by the Company, and which as of the Prospectus date were not yet exercised or expired. Such calculation does not take into account the Company's obligations to allocate options convertible into Company shares, as set forth in Section 3.3.8 in Chapter 3 of this Prospectus, but does take into account the options to be allocated to Mr. Yair Nechmad and Mr. David Ben-Avi (who are interested parties of the Company) on the completion date of the issuance under this Prospectus and before the Company's shares are listed on TASE (as set forth in Sections 8.1.5(7) and 8.1.5(8) in Chapter 8 of this Prospectus).

[5] Assuming the exercise of all non-marketable options allocated by the Company, which as of the Prospectus date were not yet exercised or expired. Such calculation does not take into account the Company's obligations to allocate options convertible into Company shares, as set forth in Section 3.3.8 in Chapter 3 of this Prospectus, but does take into account the options to be allocated to Mr. Yair Nechmad and Mr. David Ben-Avi (who are interested parties of the Company) on the completion date of the issuance under this Prospectus and before the Company's shares are listed on TASE (as set forth in Sections 8.1.5(7) and 8.1.5(8) in Chapter 8 of this Prospectus.

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Ordinary Shares par value ILS 0.0001	700,000,000	281,235,612	316,660,162	325,235,6 12	360,660,16 2

1.5.2 The Company's share capital as of December 31, 2020, according to its financial statements (in USD thousands):

Premium on shares	16,689
Capital funds	9,238
Balance of loss	(13,433)
Total share capital	12,501

The rights attached to the Company's shares are set forth in Chapter 4 of the Prospectus. For additional details regarding the Company's share capital, including with respect to changes to the share capital as foregoing, see Chapter 3 to this Prospectus.

Chapter 2 - Details of the Securities Offering

2.1. The Securities of the Company and the Offerors

2.1.1 The securities being listed for trade

2.1.1.1. 281,235,612 ordinary shares, registered, par value ILS 0.0001 each, of the Company, that exist in the Company's issued and outstanding share capital and include the Secondary Offering Shares (as this term is defined below), as detailed in Section 2.1.2 below.

2.1.1.2. 35,424,550 ordinary shares, par value ILS 0.0001 each, of the Company, which shall result from the exercise of 35,424,550 non-registered options that exist in the Company's capital.

2.1.2 The Offered Securities

2.1.2.1. Securities offered by the Company

44,000,000 ordinary shares, registered, par value ILS 0.0001 each, of the Company, (the **"Issued Shares"**); as well as

2.1.2.2. Securities offered by the Offerors

19,500,000 ordinary shares, registered, par value ILS 0.0001 each, of the Company, offered by Mr. Yair Nechmad, Mr. Amir Nechmad and Mr. David Ben-Avi (hereinabove and hereinafter in this Chapter 2, the **"Offerors"** and the **"Secondary Offering Shares"**, respectively). The Secondary Offering Shares are offered for sale divided between the Offerors, as set forth in Section 2.1.3 below.

(Hereinabove and hereinafter in this Chapter 2, the 44,000,000 Issued Shares and the 19,500,000 Secondary Offering Shares (together 63,500,000 shares) shall be jointly termed the **"Offered Shares"** or the **"Offered Securities"**).

The Company's capital - As of the date of this Prospectus, the number of shares in the Company's registered capital is 700,000,000 ordinary shares, par value ILS 0.0001 each (**"Ordinary Shares"**). The Company's issued and outstanding

capital, as of the date of this Prospectus, is 281,235,612 ordinary shares, par value ILS 0.0001 each. All of the Company's ordinary shares are fully paid-up.

The Offered Shares shall constitute approximately 22.58% of the Company's issued and outstanding share capital and voting rights therein (in practice) immediately prior to completing the offering pursuant to this Prospectus and 19.52% of the Company's issued and outstanding capital and voting rights therein (in practice) upon the completion of the offering pursuant to this Prospectus, assuming that upon the completion of the offering, all of the shares offered pursuant to this Prospectus shall be sold and allocated.

2.1.3 **Details on the Offerors and the Secondary Offering Shares**

Mr. Yair Nechmad holds, including through Yair Nechmad Ltd., a company fully owned by Mr. Yair Nechmad, immediately prior to the issuance, 91,450,205 Ordinary Shares of the Company, par value ILS 0.0001 each, which constitute 32.52% of the Company's issued and outstanding capital, and offers pursuant to this Prospectus 4,875,000 Secondary Offering Shares, par value ILS 0.0001 each, which constitute approximately 1.73% of the Company's issued and outstanding share capital immediately before the completion of the offering pursuant to this Prospectus. Upon the completion of the offering pursuant to this Prospectus,(*) Mr. Yair Nechmad, including through Yair Nechmad Ltd., shall hold 86,575,205 Ordinary Shares of the Company, par value ILS 0.0001 each, which shall constitute approximately 26.62% of the Company's issued and outstanding share capital after the offering (in practice).

Mr. Amir Nechmad holds, immediately prior to the offering, 99,537,696 Ordinary Shares of the Company, par value ILS 0.0001 each, which constitute 35.39% of the Company's issued and outstanding capital, and offers pursuant to this Prospectus 6,500,000 Secondary Offering Shares, par value ILS 0.0001 each, which constitute approximately 2.31% of the Company's issued and outstanding share capital immediately prior to the completion of the offering under this Prospectus. Upon the completion of the offering pursuant to this Prospectus,(*) Mr. Amir Nechmad shall hold 93,037,696 Ordinary Shares of the Company, par value ILS 0.0001 each, which shall constitute approximately 28.61% of the Company's

issued and outstanding share capital after the offering (in practice).

Mr. David Ben-Avi holds, immediately prior to the offering, 87,735,299 Ordinary Shares of the Company, par value ILS 0.0001 each, which constitute 31.20% of the Company's issued and outstanding capital, and offers pursuant to this Prospectus 8,125,000 Secondary Offering Shares, par value ILS 0.0001 each, which constitute approximately 2.89% of the Company's issued and outstanding share capital, pursuant to this Prospectus. Upon the completion of the offering pursuant to this Prospectus,(*) Mr. David Ben-Avi shall hold 79,610,299 Ordinary Shares of the Company, par value ILS 0.0001 each, which shall constitute approximately 24.48% of the Company's issued and outstanding share capital after the offering (in practice).

(*) Assuming that upon the completion of the offering pursuant to this Prospectus, all of the shares offered pursuant to this Prospectus shall be sold and allocated.

The Secondary Offering Shares offered pursuant to this Prospectus constitute in aggregate approximately 6.93% of the Company's issued and outstanding share capital and voting rights therein prior to the offering pursuant to this Prospectus, and approximately 6% of the Company's issued and outstanding capital and voting rights therein (in practice) after the offering pursuant to this Prospectus and subject to its completion. Insofar as part of the Secondary Offering Shares are sold, the sold part shall be divided among the Offerors relatively to the number of shares offered by each of the Offerors out of the total number of Secondary Offering Shares offered pursuant to the Prospectus, so that Mr. Yair Nechmad, Mr. Amir Nechmad and Mr. David Ben-Avi shall each sell approximately 25%, approximately 33.33% and approximately 41.67% of the sold quantity, respectively.

The Secondary Offering Shares shall be transferred to their buyers when they are free of any debt, charge or any other third party right.

For additional details on the Offerors and the shareholders' agreement that they are party to, see Section 3.6.2 in Chapter 3 of this Prospectus.

2.2. **Manner of Offering the Securities**

Non-uniform offering to institutional investors

The Offered Shares are offered to Institutional Investors, as the term "Institutional Investor" is defined in the Securities (Manner of Offering Securities to the Public) Regulations, 5767-2007 (hereinafter: the "**Institutional Investors**" and the "**Offering Regulations**", respectively), incorporated in or outside of Israel, by way of a non-uniform offering, as such term is defined in the Offering Regulations, in scope of 63,500,000 Ordinary Shares at a uniform price of ILS 10.5 per share, in accordance with Regulation 11(a)(1) of the Offering Regulations.

It is clarified, that insofar as orders are received for the purchase of a number of shares that is lower than the number of shares offered pursuant to this Prospectus, first the Issued Shares shall be sold, followed by the Secondary Offering Shares, so that it is possible that the secondary offering shall not be performed or shall be performed only partially.

The Company and/or the Offerors, as relevant, are allowed to cancel the offering of the Offered Securities (in part or whole) at any time before receiving the offering money from the subscribers, and the subscribers shall not have any claim on this matter. In such event, all subscriptions made to the Company and/or the Offerors, as relevant, shall be deemed void.

On the matter of the existence of an undersigning undertaking with respect to 25% of all Offered Securities, see Section 2.6 below.

2.3. **Terms of the Offered Securities**

The Offered Shares pursuant to this Prospectus are equal in rights to the existing Ordinary Shares in the Company's capital, and shall entitle their holders to equal rights to the receipt of dividends, bonus shares and any other distribution that is declared or distributed by the Company after the Prospectus Date.

For a description of the rights attached to the Company's shares, pursuant to the provisions of the Company's Articles of Association as shall enter in effect on the date of the completion of the public offering pursuant to this Prospectus, and subject thereto, see

Chapter 4 of this Prospectus.

2.4. Conditions Precedent to the Completing the Offering Under this Prospectus

The completion of the offering pursuant to this Prospectus and the listing for trade of the Offered Security on TASE are stipulated on meeting the TASE Bylaws on this matter. For details, see Sections 2.9.2 and 2.9.3 below.

2.5. Description of the Offering

The Offered Shares under this Prospectus are offered only to Institutional Investors, including Institutional Investors incorporated outside of Israel (the **"Foreign Institutional Offerees"**) that are: (1) in the U.S., an investor that is a "Qualified Institutional Buyer" (**"QIB"**), as defined in Rule 144A of the Securities Act of 1933 (the **"Securities Act"**); or (2) outside the U.S., an investor that is a "Qualifying Investor" (as defined below) that participates in the offering outside the U.S. pursuant to Regulation S of the Securities Act (**"Regulation S"**).

In addition, the offering to the Foreign Institutional Offerees is limited to investors who also meet one of the conditions set forth below, and any Foreign Institutional Offeree who purchases shares in an offering outside Israel shall be deemed to have declared, by purchasing the shares in the offering, that one of the following conditions holds true with respect thereto: (1) The investor is an entity with equity exceeding ILS 50 million or an equivalent amount in a different currency, on the basis of its most recent financial statements; or (2) the investor, together with any entity controlling it, under its control, or under the same control as it, which cumulatively (i) manages assets of a total amount exceeding ILS 100 million or an equivalent amount in a different currency, provided that the shares that were purchased in the offering shall be purchased for the assets that it manages; and/or (ii) an owner and investor on a discretionary basis of securities of issuers that are not affiliated therewith, in a cumulative amount exceeding ILS 100 million or an equivalent amount in a different currency.

"Qualifying Investor" shall mean an investor that is one of the following:

A. An investor listed in sub-paragraph (1) under "Categories Of Client Who Are Considered To Be Professionals" included in Annex II of: Directive 2014/65/EU.

B. Investors that are not individuals and are "Accredited Investors" as defined in National Instrument 45-106 Prospectus Exemptions or as defined in Subsection 73.3(1) of the Securities Act (Ontario), and Qualified Clients as defined in National Instrument 31-103 - Registration Requirements, Exemptions and Ongoing Registrant Obligations in Canada.

A Foreign Institutional Offeree who purchases shares pursuant to this Prospectus shall be deemed to have declared that it satisfies all of the foregoing conditions.

The Prospectus was not submitted to the U.S. Securities and Exchange Commission. Subject to the following, the securities offered to the Foreign Institutional Offerees under this Prospectus were not and shall not be registered under the Securities Act or under any state law in the U.S., and the owners of the securities offered under this Prospectus are prohibited from offering, selling, pledging and/or transferring them in any way in the U.S. (subject to trading them on TASE, as set forth below) or to a person that is a U.S. Person (as defined in Regulation S), or on its behalf, unless they are registered under the Securities Act, or pursuant to an exemption from the registration requirements of the Securities Act, and according to U.S. state law.

It is clarified that the Company does not undertake to list the Offered Securities under this Prospectus for trade in the U.S. according to the Securities Act.

Institutional Offerees that are outside the U.S., shall be deemed to have declared that they meet the following cumulative conditions: (1) They are not purchasing the Offered Securities for a person located in the U.S. or they did not engage in any agreement for transferring the offered securities or any other economic right thereto to any person in the US; (2) they are not in the U.S. when submitting the request to purchase the Offered Securities and they shall not be in the U.S. when purchasing them.

Pursuant to the foregoing, the Company shall be allowed to offer to Foreign Institutional Offerees the securities offered under this Prospectus, to list them for trading on TASE, and the offerees under this Prospectus shall be entitled to trade them on TASE.

A decision to purchase the Offered Securities under this Prospectus shall only be made based on the information included (including by way of reference) in this Prospectus.

In addition, the Lead Underwriter and distributors of the offering and secondary offering have declared that they shall not offer the Offered Securities to any person located in the U.S. or to any U.S. Person, except in accordance with an exemption from, or transactions not subject to, the registration requirements of the Securities Act.

2.5.1 **Structure of the Offering**

2.5.1.1. 63,500,000 Ordinary Shares are offered to Institutional Investors in a non-uniform offering, at a uniform price of ILS 10.5 per share.

2.5.1.2. 2.5.1.3. Prior to publishing this Prospectus, a book building process from Institutional Investors through Jefferies LLC (the **"Lead Underwriter"**) was conducted. The allocation of the Offered Shares between the Institutional Investors shall be determined at the discretion of the Lead Underwriter, the Company and the Offerors.

2.5.1.3. Since orders were received on behalf of Foreign Institutional Offerees with respect to a rate exceeding 25% of all the Offered Shares, which pursuant to the terms of the Underwriting Agreement, as set forth in Section 2.6 below, are meant to be acquired by the Lead Underwriter and sold to such offerees, the requirement of Section 11(a) of the Offering Regulations is met, regarding the existence of an underwriting commitment with respect to 25% of all the Offered Securities.

2.5.1.4. In the framework of the allocation, the quantity that shall be allocated to all Institutional Investors included in an underwriter's group for the

offering (whether sold to it by an underwriter included within its group or sold to it by another underwriter or distributor) or a distributor's group or whose investments are managed by its group shall not exceed 5% of the quantity of units sold in the offering. If the value of the assets managed for the public by all Institutional Investors in the underwriter's group, as foregoing, exceeds ILS 10 billion, the quantity issued to them shall not exceed 10% of the quantity of Offered Shares.

"Underwriter's group" or **"distributor's group"**, as applicable, as such terms are defined in the Offering Regulations.

It is clarified that all of the Offered Shares shall be sold to the Institutional Investors at a uniform price of ILS 10.5 per share, without any discount or benefit.

2.5.2 **Allocation of the Offered Securities**

2.5.2.1. The allocation of the Offered Securities under this Prospectus shall be made by sending certificates for the securities allocated to the Nominee Company. Pursuant to the TASE Bylaws, all of the Company's shares shall be registered in the Company's securities register under the name of the Nominee Company of the Tel Aviv Stock Exchange Ltd. (the **"Nominee Company"**).

Similarly, new shares and new registered securities to be issued by the Company in the future, if any, including shares that shall result from conversion of convertible securities into shares, to be issued by the Company, if any, shall be registered in the Company's securities register under the name of the Nominee Company.

2.5.2.2. The offering of the securities pursuant to the Prospectus is partially underwritten. For details on the Underwriting Agreement (including the consideration to be paid to the Lead Underwriter and distributors), see Section 2.6 below.

2.5.2.3. By 6:00 PM on the date of publishing the Prospectus, the Lead Underwriter shall inform the Company on the results of the process of

receiving orders from Institutional Investors whose offers have been accepted. The Company shall report the results of the secondary offering in an immediate report.

2.5.2.4. No later than 12:00 noon on the second trading day after the publication of the Prospectus, all of the investors whose orders have been accepted shall transfer the offering consideration to a designated bank account of the TASE Clearing House. Immediately thereafter, the Company shall allocate the Offered Securities to the Nominee Company, as specified in Section 2.5.2.1 above.

2.5.2.5. It should be noted that insofar as, on the date of allocating the shares in the name of the Nominee Company, the full offering consideration has not yet been transferred to the Company, the Company shall report shortly after the allocation date a report on changes in the issued equity, that shall state that the offering consideration has not yet been received by the Company. Upon the receipt of the full consideration for the Offered Shares on behalf of the Company and the Offerors, or by the Company, the Company shall publish an additional report on changes in equity, stating that the offering consideration was received. It is clarified, that as long as the full offering consideration was not yet received for the Offered Shares, it shall not be possible to list them for trading on TASE.

2.5.3 **Overallotment**

In the framework of the Underwriting Agreement (as defined in Section 2.6.1 below), the Company granted the Lead Underwriter the right (the "**Option**") to purchase from it, for 30 days after the date of the publication of the Prospectus (the "**Option Period**"), an additional quantity of the Offered Securities in a scope that shall not exceed 15% of the quantity offered pursuant to the Prospectus (i.e., up to 9,525,000 ordinary shares of ILS 0.0001 par value each of the Company), at the share price to the underwriter (as defined in Section 2.6.5), in order to sell them at the offering (the **"Additional Securities"**). The Additional Securities shall be allocated by the Lead Underwriter pursuant to the provisions of Section 2.5.2 above, all subject to the provisions of Regulation 11(a)(1)(b) of the Offering

Regulations and the TASE Bylaws.

2.6. **Purchase Agreement for the Purpose of Resale and Underwriting**

2.6.1 For the purpose of the marketing and distribution of the Offered Shares, the Company and the Offerors engaged on May 10, 2021, in a purchase agreement for purpose of resale and underwriting (the **"Underwriting Agreement"**) with the Lead Underwriter, according to which the Offered Shares shall be offered to the public in Israel pursuant to this Prospectus, and shall also be sold outside of Israel: based on the provisions of Rule 144A; and in additional countries around the world (excluding Israel) - based on Regulation S.

2.6.2 According to the Underwriting Agreement, the Company and the Offerors shall sell shares, in the form of acquisition by the Lead Underwriter and resale to the Foreign Institutional Investors (the **"International Shares"**) and to Israeli Institutional Investors. Similarly, the Lead Underwriter shall serve as exclusive underwriter (pursuant to the provisions of the Securities (Underwriting) Regulations, 5767-2007, and the Securities (Manner of Offering Securities to the Public) Regulations, 5767-2007) in connection with the initial public offering, which shall include the offering and sale of shares of International Shares and shares to Israeli Institutional Investors (the **"Israeli Shares"** and jointly with the International Shares: the **"Initial Shares"**).

2.6.3 In addition, the Company offered the Lead Underwriter the possibility of purchasing an additional quantity of shares at the Underwriter Share Price (as defined below), in order to cover the obligations of the Lead Underwriter in case of overallotment, inasmuch as necessary (see Section 2.5.3 above).

2.6.4 The offering of the Israeli Shares is made pursuant to the Prospectus, whereas the offering of the International Shares is made on the basis of a designated international disclosure document, which includes, *inter alia,* a translation into English of the Prospectus (hereinafter, together: the **"International Disclosure Package"**).

2.6.5 The purchase price of the Offered Shares to the Lead Underwriter is ILS 9.87 per share (the **"Underwriter Share Price"**). The difference between the Underwriter

Share Price and the share price to investors (as detailed in Section 2.2 above) shall hereinafter be referred to as the **"Margin"**. The consideration to the Lead Underwriter is the product of multiplication of the Margin by the number of shares to be sold (the **"Total Margin"**). Upon completion of the secondary offering and offering by the Company and the Offerors, subject to the fulfillment of all preconditions for the completion, the Lead Underwriter shall transfer to the Company and the Offerees, through Leader Underwriters (1993) Ltd. (the "**Offering Coordinator**"),[1] the total number of Offered Shares to be sold multiplied by the price per share to investors (as set forth in Section 2.2 above) and less the Total Margin. The consideration to the Offerors shall be transferred by way of a paying agent, subject to presenting approvals regarding withholding tax. Upon completion of the allocation of Additional Securities (all or part thereof; if any), as defined in Section 2.5.3 above, the Lead Underwriter shall transfer to the Company the total number of additional shares purchased by the Lead Underwriter multiplied by the price per share to investors (as set forth in Section 2.2 above) and less the total margin with respect to such shares.

2.6.6 Completing the transaction subject of the Underwriting Agreement is contingent upon obtaining all the approvals required pursuant to law for the publication of the Prospectus and the listing of the Company's shares for trade on TASE, the absence of any material adverse change (as defined in the Underwriting Agreement) and the issue of various documents on behalf of all the parties, mainly legal opinions on behalf of the Company and on behalf of the Offerees, regarding the ability of the parties to engage under the Underwriting Agreement and the adequacy of the disclosure in the Prospectus and in the International Disclosure Package.

2.6.7 The Underwriting Agreement includes representations made by the Company to the Lead Underwriter with respect to the Company, its share capital, compliance with the provisions of law, the Company's business and the results of its activity, and with respect to the adequacy of the disclosure in the Prospectus and in the International Disclosure Package and additional representations. The Underwriting Agreement also includes representations made by the Offerors to the

[1] Contact details of the Offering Coordinator – address: 21 HaArba'a, Tel Aviv-Yafo, 6473921.

Lead Underwriter, mainly relating to details pertaining to them, their ability to sell the shares, and the clean nature of their rights in the Secondary Offering Shares.

2.6.8 In the framework of the Underwriting Agreement, the Company undertook to avoid making transactions with Company shares (such as offering, buyback, or derivative transactions in shares) for a period of 180 days beginning on the publication date of the Prospectus, subject to a list of accepted exclusions ("**Lock-up**"). In addition, the Company's directors (including the Offerors) are subject to the Lock-up restrictions for a period of 90 days from the publication date of the Prospectus. The restrictions that the Company and directors of the Company (including the Offerors) took upon themselves in the framework of the Lock-up, are subject to the blocking restrictions that apply under the TASE bylaws, and not in lieu thereof.

2.6.9 The Company undertook to indemnify the Lead Underwriter (including corporations affiliated therewith, its officers and employees and anyone on its behalf) for claims, liabilities and losses (hereinafter, together: **"Damage"**), which shall directly or indirectly arise: (a) as the result of a material misstatement or omission in the Prospectus or in the International Disclosure Package, including any act or omission by the Lead Underwriter with respect to the offering, which constitute Damage, insofar as such Damage arises from a matter included in the framework of this subsection (a); or (b) as a result of the violation of laws or regulations of foreign countries (meaning, outside of Israel and the US) where the shares were offered or sold (however, the Company shall be entitled to reimbursement of any amount to be paid to the Lead Underwriter under this subsection (b) in cases where it shall be established in a peremptory ruling that the Damage was directly caused as a result of an act or omission by the Lead Underwriter, performed in gross negligence or deliberately) (the **"Company's Indemnification Undertaking"**). The Company's Indemnification Undertaking shall not apply with respect to a misleading detail based on information provided to the Company by the Lead Underwriter or the Offerors for the purpose of inclusion in the Prospectus or in the International Disclosure Package (the **"Offerors' Data"**). In addition, in the framework of the Underwriting Agreement, the Company agreed that Oppenheimer & Co. Inc. ("**Oppenheimer**"), who serve

as international distributor (Lead International Manager) for purpose of distributing the Offered Securities outside of Israel, may rely on the Company's representations in the Underwriting Agreement, and they shall be entitled to the Company's indemnity, as if Oppenheimer were underwriters themselves.

2.6.10 Notwithstanding the foregoing, pursuant to the provisions of Section 34A of the Securities Law, the amount to be paid under the Company's Indemnification Undertaking due to a misleading detail (including the omission of a material detail) in the Prospectus with respect to the offer of the Israeli Shares (the **"Prospectus Indemnification"**) shall not exceed, in aggregate, the total consideration paid for the Offered Shares (the **"Israeli Maximum Amount"**). In addition, on the date when the amount to be paid under the Prospectus Indemnification reaches, cumulatively, an amount equal to 25% of the Company's equity according to its financial statements, most recently published before the indemnification payment date, and the Company's board of directors determines in writing that an additional payment may adversely affect the Company's ability to fulfill its current and expected obligations on time (the **"Solvency Consideration"**), the Company's obligation to pay the Prospectus Indemnification shall be suspended until the removal of the Solvency Consideration, and upon its removal the Prospectus Indemnification payments shall continue up to the Israeli Maximum Amount. In addition, the Prospectus Indemnification is subject to the provisions of Section 34A(d) of the Securities Law (which establishes certain exceptions for indemnification regarding the good faith of the Lead Underwriter, as well as regarding deliberate or reckless action).

2.6.11 It is noted that in the framework of the discussion on approving the Underwriting Agreement, the Company's board of directors determined that the Israeli Maximum Amount is reasonable under the circumstances, taking into consideration, *inter alia*, customary practice in underwriting agreements in Israel in the past years and the Solvency Consideration, as well as the complexity of the issue and its global reach.

2.6.12 Each Offeror, severally and not jointly, undertook to indemnify the Lead Underwriter (including corporations affiliated therewith, its officers and

employees and any person on its behalf), for claims, liabilities and losses, which shall directly or indirectly arise as a result of a misleading detail (including the omission of a material detail) in the Offerors' Data included in the Prospectus or in the International Disclosure Package, on the basis of information provided by the Offerors, as defined in the Underwriting Agreement, up to a total that shall not exceed the net consideration amount received by each Offeror for its Secondary Offering Shares.

2.6.13 The Underwriting Agreement may be terminated by the Lead Underwriter prior to the completion of the secondary offering and offering in each of the following events: (a) an announcement regarding the suspension of banking liabilities by the competent authorities in the U.S., New York or Israel; (b) an eruption or aggravation of national or international hostilities, a crisis or disaster or change in markets in the U.S., Israel, or in international markets, or changes or developments that entail expected material changes in the political, economic or financial conditions in the international arena, in a manner that according to the Lead Underwriter is material and adverse and renders impossible the marketing of the offering shares; (c) the occurrence of a Material Adverse Change (as defined in the Underwriting Agreement), in the opinion of the Lead Underwriter; (d) a violation of the obligations and/or representations of the Company and/or Offerors; (e) loss to the Company due to a strike, natural disaster, epidemic, accident etc. that are of a nature that, in the opinion of the Lead Underwriter, may materially prejudice the management of the Company's business and its activity. In case of termination of the Underwriting Agreement as foregoing, the Company and the Offerors shall be exempt from any liability except for bearing the Lead Underwriter's costs. However, the Company Indemnification Undertaking and the Offerors' indemnification undertaking shall remain in effect even in case of such cancellation of the Underwriting Agreement.

2.6.14 The Underwriting Agreement is subject to the laws of the State of New York and includes a special jurisdiction clause that grants exclusive jurisdiction to the competent courts in the Borough of Manhattan, New York.

2.7. **Stabilization Activities in the Company's Shares**

2.7.1 Pursuant to the provisions of the Securities (Price Stabilization) Regulations, 5773-2012 (the **"Stabilization Regulations"**), the Lead Underwriter shall be allowed to perform Stabilization Activities (as such term is defined in such regulations). The Stabilization Activities may be performed starting from the date of publication of the Prospectus until no later than 30 days thereafter (the **"Stabilization Period"**).

2.7.2 As part of the Stabilization Activity (to the extent performed by it), the Lead Underwriter shall transfer purchase order(s) to TASE for Company shares for the purpose of preventing or slowing down a drop in their prices, and accordingly this may affect the price of the Company's shares on TASE.

2.7.3 The Stabilization Activity in the Stabilization Period shall be perform (if performed) as decided by the Lead Underwriter at its sole discretion, in such a way, that as part of this, the Lead Underwriter shall be allowed to perform them throughout such period or in parts thereof, and also he shall be allowed to stop and to renew from time to time the stabilization in the Stabilization Period, all at its discretion.

2.7.4 Throughout the Stabilization Period the Lead Underwriter shall report to the Company (which shall accordingly publish immediate reports on this, from time to time) details on all actions that it performed in the Company's shares, both on TASE and off-market (including details of transaction that it made in connection with other securities, wherein the Company's shares are an underlying asset), all pursuant to the provisions of Regulation 3 of the Stabilization Regulations.

2.8. **Share Certificates**

The provisions of this section are subject to the provisions of any law and the TASE Bylaws on the publication date of the Prospectus.

If all the conditions for performing the offering pursuant to this Prospectus have been fulfilled, the Company shall allocate and the Offerors shall transfer to the applicants, the Offered securities the application for purchasing which was granted, by sending certificates for the Offered Securities to the Nominee Company against transfer of the funds deposited in the designated account of the TASE Clearing House, to the Company and the Offerors, provided that the offering shall not become effective prior to the

Offering Coordinator determining that the requirements of TASE Bylaws have been fully satisfied, as provided in Section 2.9 below. The Company and Offerors shall deposit with the Offering Coordinator the Offered Securities for the purpose of their distribution by the Offering Coordinator to the parties accepting the offering, according to their parts, as detailed in Section 2.1.3 above.

Pursuant to the provisions of the TASE Bylaws, all shares existing in the Company's capital, the Offered Shares pursuant to this Prospectus and the shares arising from the exercise of options (not registered) of the Company, shall be registered in the Company's shareholder register in the name of the Nominee Company.

The shares may be transferred, split or forfeited to the benefit of others, subject to completing of a deed of transfer or split or forfeit and delivering it, together with the certificates, to the Company, and subject to payment of all entailed expenses, taxes and charges entailed by the applicant.

2.9. **Listing for Trade on TASE**

2.9.1 The Company has filed with TASE an application for listing for trade the existing shares in the Company's issued and outstanding capital, as well as the shares offered pursuant to the Prospectus, and the shares deriving from the exercise of non-negotiable options in the Company's share capital, and TASE has given its approval.

2.9.2 Pursuant to TASE's guidelines, the listing for trade on TASE of the shares offered pursuant to this Prospectus, and of the other shares existing in the Company's issued and outstanding capital immediately before the Prospectus, is contingent on the minimum distribution and value and ratio of the public's holdings in the Company's shares after listing for trade being no less than what is set forth in TASE's guidelines for a new company of the type of the company listed in TASE.

2.9.3 On April 22, 2021, the Company engaged in an agreement with Meitav Dash Trade Ltd. (the **"Market Maker"**), pursuant to which, the Market Maker shall serve as a market maker for the Company's shares, pursuant to the rules set forth in the TASE Bylaws - Third Part (Chapter I), and the guidelines under it. On April 27, 2021, the Market Maker received TASE's approval to serve as a market maker for

the Company's Ordinary Shares. In light of the foregoing, pursuant to the TASE Bylaws and the guidelines under them, the listing for trade of the Offered Securities is contingent on minimal dispersal, so that the number of holders of the Company's shares shall be no less than thirty five (35) holders, the value of holding of each is at least ILS 16 thousand. In this section, **"holder"** - one holder, the value of whose holdings exceeds the required minimum holding value per holder as foregoing, or holding jointly with others, when the value of their joint holdings exceeds the minimum holding value per holder as foregoing. For details on the Company's engagement with the Market Maker, see Section 2.10 below. In addition, the listing for trade of the securities is subject to the Company notifying, in the framework of its immediate report on the results of the offering, and before listing for trade, of the satisfaction of the conditions set forth in this section above, the number of shares purchased in the offering and the number of shares remaining in the Offerors' possession. All shares remaining in the possession of interested parties in the Company shall be locked up pursuant to the TASE Bylaws, as detailed in Section 3.7 of Chapter 3 of this Prospectus.

2.9.4 After TASE confirms that the conditions set forth in this section above were satisfied, as well as the other provisions set forth in the TASE Bylaws, an approval shall be granted for listing the securities for trade, and following this the securities shall be listed for trade on TASE.

2.9.5 If it is discovered that all of TASE's requirements as detailed in this Section 2.9 above were not satisfied, the offering shall be canceled, the Offered Securities shall not be sold, allocated or listed for trade on TASE, and no monies shall be collected from subscribers.

2.9.6 If the offering is canceled as aforesaid, the Company shall report this in an immediate report to the Securities Authority and TASE (according to the dates set forth in the law), and shall publish an announcement on the matter in two widely circulated daily newspaper, published in Israel and in Hebrew, which shall be published on the first business day after the offering's cancellation as foregoing.

2.10. **Market Maker**

On April 22, 2021, the Company engaged in a market maker agreement for its shares (the **"Market Maker Agreement"**) with Meitav Dash Trade Ltd. (the **"Market Maker"**). On April 27, 2021, the Market Maker received TASE's approval to serve as a market maker for the Company's Ordinary Shares, pursuant to the provisions of the market maker rules set forth in Chapter I of Part Three of the TASE Bylaws and the guidelines under it, and pursuant to TASE's board of directors' resolution on this matter[2] and the provisions of the law. Below are the principal points of the Market maker Agreement:

2.10.1 In consideration for the market making, the Company undertook to pay the Market Maker an amount that is immaterial to the Company.

2.10.2 The period of the Market Maker Agreement is one year starting from the first day of trading in the Company's shares (the **"Initial Agreement Period"**). At the end of the Initial Agreement Period, the Market maker Agreement shall be automatically extended for additional periods of 3 months each (the "**Additional Periods**"). Notwithstanding the foregoing, the parties shall be allowed to terminate the Market Maker Agreement as detailed below: (a) at any time, each party shall be allowed to terminate the Market Maker Agreement with an advance written notice of at least 21 days, both during the Initial Agreement Period (subject to the Company undertaking not to terminating the agreement with the Market Maker before it appoints a different market maker in its stead, which shall receive TASE's approval for such, so that the Company shall have a market maker throughout the Initial Agreement Period) and during the Additional Periods; (b) each party shall be allowed to terminate the Market Maker Agreement immediately in case of any legal prevention; (c) the parties shall be allowed to terminate, with an advance notice of 72 hours (or shorter notice, as necessary), the Market Maker Agreement insofar as the Market Maker ceases from serving as a market maker according to the determination and/or demand and/or notice of TASE and/or any competent authority and/or pursuant to any law. The Market Maker undertakes to

[2] The provisions of the TASE Bylaws determine, *inter alia*, provisions with respect to sale and purchase orders for quantities of shares in price margins that shall not exceed the margins between such purchase orders and such sale orders as foregoing in the security, as determined by the TASE board of directors, this pursuant to the TASE Bylaws and the guidelines under it and the resolutions of the TASE board of directors on this matter.

immediately inform he Company of any instance where TASE shall rescind its approval for the Market Maker to act as a market maker.

2.10.3 Pursuant to the TASE guidelines, in case that the Market Maker ceases from serving as a Market maker or the CEO of TASE rescinds the approval granted to the Market Maker to act as a market maker, the Company shall appoint another market maker within 14 days from the date on which the Market Maker ceased from serving as market maker or from the date on which the CEO of TASE rescinded the approval given to the Market Maker to act as market maker, as applicable, all pursuant to the TASE Bylaws. The Market Maker shall immediately inform the Company in case TASE rescinds its approval to act as a market maker.

2.10.4 Should the provisions of the TASE bylaws and/or the resolutions of the TASE board change and/or determine another arrangement by law, under which the market making shall be performed, the Market Maker shall act in accordance with the new provisions and/or new arrangement, insofar as this is required by law.

2.11. **Avoiding Arrangements Not Specified in the Prospectus**

2.11.1 The Offerors, the Company, the Company's directors and the Lead Underwriter undertake by signing this Prospectus to avoid entering arrangements that are not specified in the Prospectus, in connection with the offering of the securities, their public distribution and dispersion, and undertake to abstain from granting rights to the Buyers of the securities under the Prospectus to sell the purchased securities beyond what is set forth in the Prospectus.

2.11.2 The Offerors, the Company, the Company's directors and the Lead Underwriter undertake by signing the Prospectus to refrain from engaging any third party that, to the best of their knowledge, made arrangements in violation of Section 2.11.1 above.

2.11.3 The Offerors, the Company, the Company's directors and the Lead Underwriter undertake by signing this Prospectus, to inform the Israel Securities Authority of any arrangement known to them with any third party in connection with the offering of the Offered Securities pursuant to this Prospectus and their public distribution and dispersion, in violation of the undertaking as provided in Section

2.11.1 above.

2.11.4 The Offerors, the Company, the Company's directors and the Lead Underwriter undertake by signing this Prospectus, that they shall not accept subscriptions for securities from this public offering, from a distributor that did not undertake in writing to act pursuant to the provisions of this section.

2.12. **Avoiding Capital Dilution**

In the period starting from the publication date of the Prospectus and until the completion of the offering of the Offered Securities pursuant to this Prospectus, the Company shall not take any action, except for the sale to the public pursuant to the Prospectus, that constitutes "capital dilution" as this term is defined in the Prospectus Details Regulations.

2.13. **Offering of Securities Under the Shelf Prospectus**

2.13.1 This Prospectus also constitutes a shelf prospectus.

2.13.2 Under the Shelf Prospectus, the public may be offered different types of Securities pursuant to the provisions of law - Ordinary Shares of the Company, debentures not convertible into shares (including by way of expanding the Company's existing debenture series, if any, from time to time), debentures convertible into Company shares (including by way of expanding the Company's existing debenture series, if any, from time to time), warrants exercisable into Company shares, warrants exercisable into debentures or debentures convertible into Company shares, commercial securities and any other security that by law may be issued under a shelf prospectus on the relevant date.

2.13.3 The securities offering under the Shelf Prospectus shall be performed pursuant to the provisions of Section 23A of the Securities Law, through shelf offering reports which shall complete all unique details of such offer, including the details and terms of the Offered Securities, pursuant to the provisions of any law and in accordance with the TASE Bylaws, as these may be at such time.

2.14. **Taxation of the Securities Offered Under the Prospectus**

As customary when making decisions on the investment of funds, the investor must consider the tax implications relating to the investment in the Offered Securities.

The provisions included in this Prospectus regarding taxation of the securities do not purport to be an authorized and/or full interpretation and/or a complete description of the tax provisions relating to the securities included in this Prospectus, and do not replace professional legal advice on this matter, which should be received according to the specific parameters circumstances of each investor. In addition, the provisions of law detailed in the Prospectus are presented as of the Prospectus date and may change by the date of the offering in practice of such securities under this Prospectus.

2.14.1 Taxation of income pursuant to the laws of the State of Israel

On July 25, 2005, the Knesset passed the Amendment to the Income Tax Ordinance (No. 147) Law, 5765-2005. The amendment significantly changed the provisions of the Income Tax Ordinance (New Version), 5721-1961 (the **"Ordinance"**), relating to taxation of securities listed on TASE. As of the publication date of this Prospectus, the new regulations that are expected to be published following the amendment have not yet been published in their entirety. In addition, there still is no accepted practice regarding some of the provisions of the amendment, and there is no case law that interprets the new tax provisions in the amendment. In addition, on January 2009, Amendment 169 to the Ordinance (**"Amendment 169"**) entered into effect, which caused additional changes with regard to taxation of securities.

On August 13, 2012, the Reduction of the Deficit and Change of the Tax Burden (Legislative Amendments) Law, 5772-2012, was published in the official gazette, which included Amendment 195 to the Ordinance (**"Amendment 195"**); in the framework of Amendment 195, Section 121B was added. This Section was updated in the framework of the Economic Efficiency (Legislative Amendments to Achieve Budgetary Objectives for the 2017 and 2018 Budgetary Years) Law, 5777-2016 (the **"Arrangements Law for 2017 and 2018"**), which was published in the official gazette on December 29, 2016, which determines that an individual whose taxable income in any tax year exceeds the limit set forth on this matter in the Ordinance (which is updated annually according to the increase of the consumer price index) (the limit for 2021 is ILS 647,640) shall owe additional tax

on the part of his taxable income exceeding such amount, at a rate of 3% in addition to the foregoing (**"Surtax"**). The provisions of this section apply to all types of income, including income from capital gains and land betterment, excluding an inflationary amount as defined in Section 88 of the Ordinance and in Section 47 of the Land Taxation (Betterment and Purchase) Law, 5723-1963.

It is clarified that the foregoing refers to the manner of taxation of investors that are residents of Israel, which are not a "first-time resident of Israel" or "senior returning resident" as defined in the Ordinance. It should be noted that an individual that is a "first-time resident of Israel" or a "senior returning resident", as defined in the Ordnance, may be subject to different tax implications than those described above, and it is recommended for such residents to seek individual advice for the purpose of examining their entitlement to tax benefits in Israel. In addition, it should be noted that with respect to investors that are deemed "controlling shareholders"[3] or "substantial shareholders",[4] as defined in the Ordinance, further tax implications may apply in addition to those described above.

In addition, the reference as presented below to the matter of taxation of a body corporate that is a foreign resident, is excluded in case that residents of Israel are the controlling shareholders therein, or the beneficiaries or parties entitled to 25% or more of the revenues or profits of the foreign resident, directly or indirectly, pursuant to the provisions of Section 68A of the Ordinance.

Pursuant to current law, the tax arrangements succinctly described below apply to the Offered Securities under this Prospectus.

2.14.2 Capital gains from selling the Offered Securities

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[3] As this term is defined in Section 3(I) of the Ordinance - **"a person who holds or is entitled to acquire, directly or indirectly, alone or together with his relative, one of these: (1) at least 5% of the issued share capital; (2) at least 5% of the voting power in the company; (3) the right to receive at least 5% of the company 's profits or of its assets upon dissolution; (4) the right to appoint a director."**

[4] As this term is defined in Section 88 of the Ordinance - **"a person who holds, directly or indirectly, alone or together with another, at least 10% in one or more types of means of control in a body corporate."**

2.14.2.1. Pursuant to Section 91(b)(1) of the Ordinance, real capital gains[5] from the sale of securities by an individual who is a resident of Israel, whose income from selling securities does not constitute income from a "business" or "occupation" and who did not claim a deduction of real interest expenses and linkage differentials, is taxable at the individual's marginal tax rate pursuant to Section 121 of the Ordinance, provided it does not exceed a rate of 25%, and the capital gains shall be deemed the highest level in its taxable income ladder. This, except with respect to the sale of securities by an individual who is a "substantial shareholder" in the company - meaning, who directly or indirectly, alone or together with others[6], holds at least 10% of one or more of the means of control[7] in the Company - on the date of the securities' sale or on any date in the 12 months preceding such sale, for which the tax rate applicable to its real capital gains shall be at a rate no greater than 30% (in this section: **"Substantial Shareholder"**). The foregoing tax rates are on the real capital gains, which are capital gains that neutralize the linkage component embodied in the capital gains.

2.14.2.2. Until provisions and conditions are set forth for deduction of real interest expenses and linkage differentials pursuant to Section 101A(a)(9) and 101A(b) of the Ordinance, for an individual who claimed a deduction of real interest expenses and linkage differentials for the securities, the capital gains from selling the securities shall be taxed at a rate of 30%.

2.14.2.3. Such reduced tax rate shall not apply to an individual whose income from selling the securities is considered income from a "business" or "occupation", according to the provisions of Section 2(1) of the Ordinance. Such an individual shall be charged with tax according to the marginal tax rate, pursuant to Section 121 of the Ordinance (up to 47% in 2021).

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[5] As such term is defined in Section 88 of the Ordinance.

[6] As such term is defined in Section 88 of the Ordinance.

[7] As such term is defined in Section 88 of the Ordinance.

2.14.2.4. In addition to all of the foregoing in the individual's case, Surtax shall be imposed at the rate of an additional 3% on the part of the taxable income amount in excess of ILS 647,640 (see Section 2.14.1 above).

2.14.2.5. A body corporate shall be taxable for real capital gains from selling securities at the corporate tax rate set forth in Section 126(a) of the Ordinance (in 2021 - 23%).

2.14.2.6. According to the provisions of Section 94B of the Ordinance, upon the sale of shares listed on TASE by a seller who is a "substantial shareholder" on the sale date or during the 12 months preceding the sale, the real capital gains amount arising from the sale shall be deducted by an amount equal to the part of distributable profits in a company whose shares are sold, pro rata to the seller's part in the right to the company's profits, which were accumulated from January 1, 2006, or from the end of the tax year preceding the purchase date, the latter thereof, and until the end of the tax year preceding its purchase year. The tax rate on the part of the real capital gains equivalent to the part of the distributable profits, as a ratio between the seller's portion in the right to the company's profits according to the shares and all the rights to the company's profits, shall be the tax rate that would have applied to them if dividends were received immediately before the sale. Exempt mutual funds and provident funds and entities that are exempt from tax under Section 9(2) of the Ordinance, are exempt from tax on capital gains for the sale of such securities, pursuant and subject to the conditions of that section.

2.14.2.7. Pursuant to the provisions of Section 129C(a)(2) of the Ordnance, the income of a taxable mutual fund from sale of securities shall be subject to the tax rate applicable to the income of an individual whose income does not constitute income from a "business" or "occupation", unless it was explicitly otherwise set forth by law. If no special rate was determined for income, the income shall be taxed at the maximum rate set forth in Section 121 of the Ordinance.

2.14.2.8. The offering consideration in the individual offering shall be attributed to

the shares that were issued in the unit, according to their value to be determined at the end of the first trading day on TASE of each of the Offered Securities, and subject to tax laws. The foregoing shall also apply with respect to the original price of the Offered Securities.

2.14.2.9. In general, a foreign resident (individual or body corporate) is exempt from tax on capital gains when selling securities that are traded on TASE in Israel, if the capital gains are not at its permanent enterprise in Israel, and subject to the provisions of Section 97(b2) of the Ordinance. If the purchase date of the security is before the date of its listing for trade on TASE, and the foreign resident would not have been entitled to an exemption in its sale as detailed in Section 97(b3) of the Ordinance, that part of the capital gains that would have resulted had the security been sold before the date of its listing for trade on TASE, shall be taxed pursuant to the conditions detailed in Section 97(b2) of the Ordinance. The foregoing shall not apply with respect to a body corporate that is a foreign resident, if residents of Israel are the controlling shareholders therein,[8] or the beneficiaries or parties entitled to 25% or more of the revenues or profits of the body corporate that is a foreign resident, directly or indirectly, as provided in Section 68A of the Ordinance. In the event such exemption does not apply, in general, the provisions of the tax treaty (if any) between Israel and the foreign resident's country of residence may apply, all pursuant to the provisions of the treaty.

2.14.2.10. With respect to deduction of tax at source on real capital gains from selling the Offered Securities, pursuant to the Income Tax (Deduction from Consideration, Payment or Capital Gains in the Sale of a Security, Sale of a Mutual Fund Unit or Future Transaction) Regulations, 5763-2002 (hereinafter: the **"Capital Gains Deduction Regulations"**), a taxpayer (as such term is defined in the Capital Gains Deduction Regulations) who pays a seller that is an individual a

[8] "Controlling Shareholders" – Shareholders holding, directly or indirectly, alone, jointly with others, or jointly with other Israeli residents, one or more of the means of control at a rate exceeding 25%.

consideration in the sale of securities, shall deduct tax at a rate of 25% from the real capital gains. A taxpayer who pays a seller that is a body corporate a consideration in the sale of securities shall deduct tax at the corporate tax rate pursuant to Section 126(a) (23% in 2021) of the Ordnance, from the real capital gains or payment, as applicable. This, subject to approvals of exemption (or reduced rate) from deduction of tax at source issued by the Tax Authority and subject to offset of losses that the party deducting tax at source is entitled to perform under certain conditions pursuant to Regulation 9 of the Capital Gains Deduction Regulations, as foregoing.

The provisions of the Capital Gains Deduction Regulations shall not apply to a taxpayer who is a banking corporation or member of TASE who pays a foreign-resident seller a consideration or other payment due to exempt capital gains, if the foreign resident submitted to the financial institution, within 14 days from the date the account was opened, and once every 3 years, when he or his counsel are in Israel, a Form 2402 declaration on being a foreign resident and on his right to an exemption.

In addition, no tax shall be deducted at source for provident funds, mutual funds, and additional entities that are exempt from deduction of tax at source by law, after they produce the appropriate approvals.

If the full tax amount was not deducted at source from the real capital gains on the date of sale, the provisions of Section 91(d) of the Ordinance shall apply, as well as the provisions thereunder regarding reporting and advance payment by the seller for such sale on July 31 and on January 31 of every tax year, due to a sale of securities during the six months preceding the month when the reporting day falls.

In general, insofar as the Offered Securities under this Shelf Prospectus are delisted from TASE, the tax rate deducted at source upon their sale (after delisting) shall be 30% of the consideration, so long as no approval from the assessment officer is produced, ordering a different tax rate for deduction at source (including an exemption from deduction at source).

2.14.3 Tax rate applicable to income from dividends for the Company's shares

2.14.3.1. Dividends originating in the Company's shares, as long as they are not dividends originating from an approved enterprise or beneficiary enterprise or preferred enterprise as defined in the Encouragement of Capital Investments Law, 5719-1959 (the **"Encouragement of Investments Law"**) shall generally be taxable in the hands of Israeli resident individuals at a rate of 25%, except with respect to an individual who is a Substantial Shareholder of the Company on the date of receiving the dividends or on any date in the preceding 12 months, for whom the tax rate shall be, pursuant to Section 125B(2) of the Ordinance, 30%. In addition to the foregoing, Surtax shall be imposed at the rate of 3% on the part of the taxable income amount in excess of ILS 647,640 (see Section 2.14.1 above).

In general, pursuant to Section 126(b) of the Ordinance, the calculation of taxable income shall not include income from the distribution of profits or from dividends originating from revenues produced or accrued in Israel that were received directly or indirectly from another body corporate taxable with corporate tax as well as revenues for which a special tax rate was determined.

With respect to dividends received by an individual or foreign resident (individual/company) originating from preferred taxable income and preferred technological taxable income, less the tax applicable om them as such terms are defined in the Encouragement of Investments Law, a tax rate of 20% shall apply (subject to additional details as detailed in Section 51Z of the Encouragement of Investments Law).

Dividends distributed by the Company, provided such are not dividends originating from a Preferred Enterprise to a foreign resident (individual or body corporate) that is not a Substantial Shareholder shall be taxable at a rate of 25%, dividends in the hands of an individual or body corporate that is a foreign resident which is a Substantial Shareholder shall be taxed at a rate of 30%.

In addition to the foregoing, a Surtax of 3% is imposed on a foreign resident individual on the part of the taxable income amount exceeding ILS 647,640 (see Section 2.14.1 above), all subject to the tax treaty (if any) to which the State of Israel is a signatory and subject to presenting in advance a suitable approval from the Tax Authority for an exemption for withholding tax from source or withholding tax from source at a reduced rate.

2.14.3.2. Dividends received by a taxable mutual fund shall be taxed pursuant to the tax rates applicable to the individual, for which the income is not income from a business or occupation, unless explicitly stated otherwise. If no special tax rate was determined for the income, the income shall be taxed at the maximum rate set forth in Section 121 of the Ordinance.

2.14.3.3. Exempt mutual funds and provident funds and other entities that are exempt from tax according to Section 9(2) of the Ordinance, shall be exempt from tax for such dividends provided such income does not constitute income from a "business" or "occupation" in their hands, unless explicitly determined otherwise.

2.14.3.4. Pursuant to the Income Tax (Deduction from Interest, Dividends, and Certain Profits) Regulations, 5766-2005 (hereinafter: "**Dividends and Interest Deduction Regulation**"), the rate of tax to be deducted at source from dividends to an individual that is a resident of Israel and to a foreign resident (individual or body corporate) for the Company's shares, including in a distribution to such shareholder who is a Substantial Shareholder of the Company, on the date of receiving the dividends or on any date in the 12 months preceding it, whose shares are registered and held by the Nominee Company, shall be at a rate of 25%.

2.14.3.5. It is clarified that deduction of tax at source for the foreign resident shall be subject to the provisions of the treaty for preventing double taxation (if any) executed between the State of Israel and his country of residence, subject to an appropriate approval from the Tax Authority.

2.14.3.6. No tax shall be deducted at source for provident funds, mutual funds and

additional entities that are exempt from deduction of tax at source by law.

2.14.3.7. In addition, insofar as with respect to the dividends a tax rate was set forth that is limited by law, tax shall be deducted at source according to the rate that was set forth.

2.14.3.8. The deduction of tax at source from dividends paid by a body corporate that is a resident of Israel and whose shares are listed for trade on TASE, for shares held by a nominee company, shall be through a financial institution.

2.14.4 Offset of capital losses from the sale of the Offered Securities

2.14.4.1. In general, capital losses in the tax year deriving from the sale of the Offered Securities, that would have been taxable for their recipient (individual or body corporate) had there been capital gains, may be offset against real capital gains and real land betterment deriving from the sale of any asset, pursuant to the principles set forth in Section 92 of the Ordinance, whether the profits were created from an asset (including a negotiable security) in Israel or outside of Israel (excluding a taxable inflationary amount that shall be offset at a ratio of 1 to 3.5).

2.14.4.2. It shall be possible to offset such capital losses created in the tax year also against interest or dividends paid for such security and/or against interest or dividends paid for other securities in such tax year (under the condition that the tax rate applicable to such interest or dividend shall not exceed the rate set forth in Section 126(a) of the Ordinance (which is 23% from 2018 and thereafter) with respect to a body corporate, and with respect to an individual, as long as it does not exceed the rate set forth in Sections 125B(1) or 125C(b) of the Ordinance (which is 25%)).

2.14.4.3. It shall be possible to offset capital loss from the sale of securities that cannot be offset in a certain tax year, all or part thereof, in the coming tax years, only against real capital gains and real land betterment in the tax years following one after another, after the year the loss was created and provided a report was submitted to the assessment officer, from the tax year when the loss occurred.

2.14.4.4. Pursuant to Section 94C of the Ordinance, when a body corporate sells a share, dividends received for the share in the 24 months preceding the sale shall be deducted from the capital loss created from selling the share, except for dividends for which tax was paid (except for tax paid outside Israel) at a rate of 15% or more, but no more than the loss amount.

2.14.4.5. Pursuant to the Capital Gains Deduction Regulations, when calculating the capital gains for purpose of deduction of tax at source from the sale of traded securities, mutual fund units and future transactions (hereinafter, jointly: "**Negotiable Securities**"), the taxpayer (as such term is defined in the Capital Gains Deduction Regulations) shall deduct at source the capital loss created from the sale of the Negotiable Securities that were under its management, provided that the gains were created in the same tax year that the loss was created, whether before the date that the loss was created or after such date.

Due to the material changes that took place in capital market taxation in recent years, the appropriate practice for implementing the above provisions has not yet been formulated, and also several interpretations regarding the manner of their implementation are possible. Moreover, additional changes beyond the changes made thus far in the provisions are possible. Naturally, the contents or effect of such changes cannot be foreseen.

Chapter 3 – The Share Capital of the Company

3.1. Company's Share Capital

3.1.1 The Company's registered share capital and outstanding share capital as of the Prospectus date

Type of Security	Number of Shares in the Registered Capital	Number of Shares in the Issued and Paid-Up Capital
Ordinary shares par value ILS 0.0001 each	700,000,000	281,235,612

3.2. Changes to the Company's Share Capital

3.2.1 Changes to the Company's registered share capital in the three years preceding the Prospectus date

In the three years before the Prospectus date, there were no changes to the registered share capital of the Company, other than as set forth below:

Date	Nature of the Change	Total Registered Capital Following the Change
Balance as of February 1, 2018		3,639,334 ordinary shares par value ILS 0.01 each
		160,666 Class A ordinary shares par value ILS 0.01 each
February 11, 2018	Conversion of 265,000 ordinary shares par value ILS 0.01 each into 265,000 Class B ordinary shares par value ILS 0.01 each	3,374,334 ordinary shares par value ILS 0.01 each
		160,666 Class A ordinary shares par value ILS 0.01 each
		265,000 Class B ordinary shares par value ILS 0.01 each
March 21, 2019	Split of each ordinary share par value ILS 0.01, each Class	337,433,400 ordinary shares par value ILS 0.0001 each

	A ordinary share par value ILS 0.01, and each Class B ordinary share par value ILS 0.01, into 100 shares of the same class par value ILS 0.0001 each	16,066,600 Class A ordinary shares par value ILS 0.0001 each 26,500,000 Class B ordinary shares par value ILS 0.0001 each
April 1, 2021	Increasing the registered share capital by 320,000,000 ordinary shares par value ILS 0.0001 each	657,433,400 ordinary shares par value ILS 0.0001 each 16,066,600 Class A ordinary shares par value ILS 0.0001 each 26,500,000 Class B ordinary shares par value ILS 0.0001 each
April 26, 2021	Conversion of 16,066,600 Class A ordinary shares par value ILS 0.0001 into 16,066,600 ordinary shares par value 0.0001 each and 26,500,000 Class B ordinary shares par value ILS 0.0001 into 26,500,000 ordinary shares par value 0.0001 each	700,000,000 ordinary shares par value ILS 0.0001 each
Balance as of the Prospectus date		**700,000,000 ordinary shares par value ILS 0.0001 each**

3.2.2 Changes to the Company's issued and paid-up share capital in the three years preceding the Prospectus date

In the three years preceding the Prospectus date, there were no changes to the issued and paid-up share capital of the Company, other than as set forth below:

Date	Nature of the Change	Total Issued and Paid-up Share Capital After the Change			Total Non-negotiable Options After the Change	Total Consideration Received
		Ordinary Shares	Class A Ordinary Shares	Class B Ordinary Shares		

Balance as of February 1, 2018		2,484,210	119,594	-	151,526	-
February 15, 2018	Allocation of 174,770 Class B ordinary shares par value ILS 0.01 each to SafeCharge Bulgaria EOOD	2,484,210	119,594	174,770	151,526	USD 17,484,390 (reflects a Company pre-money valuation of USD 264,600,000 (*See* Section 8.2.6.2 of Chapter 8 to this Prospectus)
March 31, 2018	Expiration of 4,915 non-negotiable options	2,484,210	119,594	174,770	146,611	-
October 23, 2018	Allocation of 33,454 Class A ordinary shares par value ILS 0.01 each to SafeCharge Bulgaria EOOD	2,484,210	153,048	174,770	146,611	Reflects a Company pre-money valuation of USD 91,575,000 (a value that was determined in a transaction that occurred at the end of 2016) (*See* Section 8.2.6.1 of Chapter 8 to this Prospectus)
October 23, 2018	Expiration of 3,665 non-	2,484,210	153,048	174,770	142,946	-

	negotiable options					
October 24 to December 31, 2018	Expiration of 55,906 non-negotiable options	2,484,210	153,048	174,770	87,040	-
March 21, 2019	Split of each ordinary share par value ILS 0.01 each, each ordinary Class A share par value ILS 0.01 each, and each ordinary Class B share par value ILS 0.01 each, into 100 shares of the same class par value ILS 0.0001 each, and the split of each non-negotiable option into 100 non-negotiable options	248,421,000	15,304,800	17,477,000	8,704,000	-
March 31, 2019	Expiration of 100,000 non-negotiable options	248,421,000	15,304,800	17,477,000	8,604,000	-
July 19, 2019	Allocation of 6,215,000 options	248,421,000	15,304,800	17,477,000	14,819,000	-

	convertible into 6,215,000 ordinary shares of the Company of the Company to officers and employees of the Company and subsidiaries					
July 16, 2019	Expiration of 5,000 non-negotiable options	248,421,000	15,304,800	17,477,000	14,814,000	-
August 1, 2019	Allocation of 105,000 options convertible into 105,000 ordinary shares of the Company to officers and employees of a subsidiary	248,421,000	15,304,800	17,477,000	14,919,000	-
From August 1, 2019, to October 15, 2019	Expiration of 120,900 non-negotiable options	248,421,000	15,304,800	17,477,000	14,798,100	-
October 15, 2019	Allocation of 275,000 options convertible into 275,000	248,421,000	15,304,800	17,477,000	15,073,100	-

	ordinary shares of the Company to officers and employees of the Company					
From October 16, 2019, to May 20, 2020	Expiration of 1,103,026 non-negotiable options	248,421,000	15,304,800	17,477,000	13,970,074	-
May 20, 2020	Allocation of 1,990,000 options convertible into 1,990,000 ordinary shares of the Company to officers and employees of the Company and subsidiaries	248,421,000	15,304,800	17,477,000	15,960,074	-
May 21 to October 28, 2020	Expiration of 3,106,499 non-negotiable options	248,421,000	15,304,800	17,477,000	12,853,575	-
October 29, 2020	Allocation of 4,885,000 options convertible into 4,885,000 ordinary shares of the	248,421,000	15,304,800	17,477,000	17,738,575	-

	Company to officers and employees of the Company and subsidiaries					
October 29 to November 10, 2020	Expiration of 15,000 non-negotiable options	248,421,000	15,304,800	17,477,000	17,723,575	-
November 10, 2020	Allocation of 490,000 convertible shares into 490,000 ordinary shares of the Company to employees of the Company and subsidiaries; Revocation of 2,493,400 employee options 2013 (as defined below) and their replacement with (allocation) 2,460,000 options convertible into 2,460,000 ordinary	248,421,000	15,304,800	17,477,000	18,180,175	-

	shares of the Company to employees of the Company according to the 2018 Global Equity Incentive Plan[1]					
November 10 to December 3, 2020	Expiration of 30,500 non-negotiable options	248,421,000	15,304,800	17,477,000	18,149,675	-
December 3, 2020	Allocation of 190,000 options convertible into 190,000 ordinary shares of the Company to Company employees	248,421,000	15,304,800	17,477,000	18,339,675	-
December 3, 2020 to January 7, 2021	Expiration of 84,913 non-negotiable options	248,421,000	15,304,800	17,477,000	18,254,762	-
January 7, 2021	Allocation of 800,000 options convertible into 800,000 ordinary shares of the	248,421,000	15,304,800	17,477,000	19,054,762	-

[1]The revocation of options allocated according to the 2013 Plan (as defined below in Section 3.3.1), and their replacement with the allocated options under the 2018 Global Capital Incentive Plan (as defined below in Section 3.3.2)–for information, *See* Section 3.3.1.10 below.

	Company to Company employees					
January 8 to March 23, 2021	Expiration of 550,838 non-negotiable options	248,421,000	15,304,800	17,477,000	18,503,924	
March 24, 2021	Allocation of 2,825,000 options convertible into 2,825,000 ordinary shares of the Company to the employees of the Company and subsidiaries	248,421,000	15,304,800	17,477,000	21,328,924	
March 25, 2021, until April 1, 2021	Expiration of 55,312 non-negotiable options	248,421,000	15,304,800	17,477,000	21,273,612	
April 1, 2021	Conversion of 15,304,800 Class A ordinary shares par value ILS 0.0001 each to 15,304,800 ordinary shares par value ILS 0.0001 each and conversion of	281,202,800	-	-	21,273,612	-

	17,477,000 Class B ordinary shares par value ILS 0.0001 each to 17,477,000 ordinary shares par value 0.0001 each					
April 1, 2021	Allocation of 281,202,800 ordinary shares par value ILS 0.0001 each to Amir Nechmad, Yair Nechmad, Yair Nechmad Ltd. and David Ben-Avi (as part of a reorganization resulting in Dually Ltd. becoming a subsidiary)	562,405,600	-	-	21,273,612	See Section 8.2.7 in Chapter 8 of this Prospectus
April 1, 2021	Transfer of 281,202,800 ordinary shares of the Company par value ILS 0.0001 each	562,405,600 (out of which 281,202,800 are dormant)	-	-	21,273,612	See Section 8.2.7 in Chapter 8 of this Prospectus

	that were held by Dually for the Company, and turning them into dormant shares (as part of a reorganization resulting in Dully Ltd. becoming a subsidiary)					
April 1, 2021	Cancellation of 281,202,800 dormant shares in the Company's share capital	281,202,800	-	-	21,273,612	See Section 8.2.7 in Chapter 8 of this Prospectus
April 1, 2021, until April 18, 2021	Allocation of 32,812 ordinary shares of the Company par value ILS 0.0001 each to two former employees of the Company against the exercise of 32,812 non-negotiable options	281,235,612	-	-	1,240,800	USD 21,984.04
April 1, 2021, until May 3, 2021	Expiration of 316,250 non-	281,235,612	-	-	20,924,550	-

	negotiable options					
On the completion date of the offering under this Prospectus and before the listing on TASE of the Company's shares	Allocation of 14,500,000 non-negotiable options to the Company's CEO and CTO	281,235,612	-	-	35,424,550	See Sections 8.1.5(7) and 8.1.5(8) in Chapter 8 of this Prospectus
Balance as of the Prospectus date		**281,235,612 ordinary shares par value ILS 0.0001 each and 35,424,550 (non-negotiable) options that can be converted into 35,424,550 ordinary shares par value ILS 0.0001 each.**				

3.2.3 Allocation of shares to SafeCharge Bulgaria EOOD

For more information, see Section 8.2.6 of Chapter 8 to this Prospectus.

3.3. **Non-negotiable Options**

As of the Prospectus date, the Company has two equity compensation plans, under which options were allocated: (1) the option plan adopted by the Company's board of directors in February 2013 (below also, the "**2013 Plan**"); and (2) the global equity incentive plan adopted by the Company's board of directors on December 17, 2018 (below also, the "**2018 Global Equity Incentive Plan**"), under which the Company has allocated, as of the Prospectus date, 35,424,550 options exercisable into shares of the Company[2] (for additional details see Section 3.3.3 below) as set forth below:

3.3.1 The 2013 Plan

3.3.1.1. On February 20, 2013, the Company's board of directors adopted the 2013 Plan (in this Section 3.3.1, the "**Option Plan**" and the "**Start Date**"). According to and subject to the Option Plan, the Company's board of

[2] Less options that were allocated and expired, and options that were exercised into shares of the Company.

directors was entitled to allocate non-negotiable options, exercisable into ordinary shares of the Company par value 0.0001 each (in this Section 3.3.2, "**Ordinary Shares**") (below in this Section 3.3.2, the "**Options**") employees, directors, and officers of the Company its subsidiaries (the "**Offerees**"), all subject to the provisions of applicable law and lawfully required approvals. On May 4, 2021, the Company's board of directors approved an amendment to the Option Plan, subject to completing the offering under this Prospectus, for adjusting its terms to a public company.[3]

3.3.1.2. According to the provisions of the Option Plan, the exercise price of the Options shall be determined by the board of directors upon granting the Options, at its sole discretion, in accordance with applicable law and subject to compliance with the TASE Rules and Regulations.

3.3.1.3. According to the provisions of the Option Plan, the Option Plan shall be administered by the Company's board of directors or by one of its committees, which the Company's board of directors shall authorize for purpose of implementing the plan (in this Section, the "**Board of Directors**"). The Board of Directors shall determine, *inter alia*, the identity of the Offerees, the date of grant, and the number of Options to be granted, the exercise price, vesting and expiration schedules of the Options, and any other matter as necessary for administering the Option Plan, and it may interpret the plan and modify its provisions and/or allocation terms thereunder.

3.3.1.4. The Option Plan sets forth, *inter alia*, as follows:

3.3.1.4.1. Options that have vested may be exercised into Company shares if all these conditions are met: (i) the existence of an initial public offering (IPO) and/or merger/acquisition transaction for the Company; (ii) the Offeree is employed by

[3] It is clarified that the Company may not allocate new options under the 2013 Plan and its provisions apply only to the options allocated thereunder in the past.

the Company and/or by an affiliated party at the time of completing the IPO and/or merger/acquisition of the Company; and (iii) the option has not expired according to the conditions of the Option Plan ("**Exercise Conditions**").

For the purpose of this Section 3.3.1, a "**sale/acquisition transaction**" – any of the following events: (1) an initial public offering (IPO) of shares of the Company; (2) sale, transfer, or any other disposition of all of the Company's assets for cash (except in the event of liquidation or dissolution of the Company); (3) sale or exchange of all the shares of the Company for cash and/or other securities; (4) a similar transaction of the Company with a similar outcome in the opinion of the Company's board of directors.

3.3.1.4.2. Exercise of Options granted under the Option Plan shall be made by providing an exercise notice to the Company on a designated form. Options shall be exercised once the Company receives the exercise notice and the required exercise price is paid.

3.3.1.4.3. The exercise price shall be paid in cash or by check at the time of exercise, or in any other way determined by the board of directors, including by way of cashless exercise, or net exercise according to which the Offeree has a right to receive from the Company a number of ordinary shares of the Company in exchange for exercising the options, reflecting the financial benefit embodied in the exercised options, while the exercise price is not paid by the Offeree, but rather this price is only used to calculate the benefit component. In this context it is clarified that all the shares deriving from exercise of the options under the Option Plan shall be fully paid-up.

3.3.1.5. The Option Plan was in effect for five (5) years from the Start Date for purpose of making allocations. As of February 20, 2018, Options can no

longer be allocated under the Option Plan. However, expiration of the Option Plan does not affect the powers of the Board of Directors under the Option Plan, for Options granted before the Option Plan expired. Options granted according to the Option Plan that have not yet been exercised shall expire upon the lapse of five (5) years from being granted and upon the lapse of ten (10) years from being granted to employees in the US, unless the Board of Directors extends them.

3.3.1.6. Adjustments upon the occurrence of certain events:

3.3.1.6.1. **Capital change** – In case of circumstance whereby the Company increases or decreases its issued share capital as result of a share split, reverse share split, share consolidation, share reclassification, or any other event of increasing or decreasing the Company's issued share capital without the Company receiving any consideration, the number of shares created from exercising options granted under the plan (the "**Exercise Shares**") and the exercise price shall be adjusted proportionally.

3.3.1.6.2. **Distribution of bonus shares** – Should the Company distribute bonus shares, the rights of the Offerees shall be maintained so that the number of Exercise Shares an eligible Offeree is entitled to receive upon exercising the Options shall increase by the number of shares of the same class that the Offeree would have been entitled to had it exercised the options on the last trading day prior to the record date for distributing the bonus shares. The exercise price of each option shall not change as a result of adding such Exercise Shares.

3.3.1.6.3. **Issuance of rights** – Should the Company offer its securities to its shareholders by way of rights, the number of Exercise Shares shall be adjusted to reflect the benefit component of the issuance of rights, as expressed in the ratio of the Company's closing price on TASE on the last trading day before the ex-date and the base price of the share "ex-rights".

3.3.1.6.4. **Distribution of dividends** – If cash dividends are distributed, the exercise price of the Options shall be reduced by the amount of dividends paid. Notwithstanding, in any event the exercise price shall not fall under the par value of shares of the Company. Implementing the adjustment shall be subject to obtaining an appropriate pre-ruling from the Israel Tax Authority.

3.3.1.6.5. **Delisting the shares of the Company from TASE –** If the shares of the Company are delisted from TASE, the Company's board of directors shall be authorized, as its discretion, to determine the appropriate adjustments to be made in connection with the Options, in accordance with the provisions of the Option Plan.

3.3.1.6.6. **Applicable provisions in the event of a merger/acquisition transaction** – In the event of a merger/sale transaction:

(a) Each Offeree shall be required to sell or replace, as applicable, any share issued under the Option Plan, according to the instructions of the board of directors.

(b) The board of directors shall be entitled, at its exclusive discretion, to determine that upon or before completing the merger/sale transaction: (1) The terms of the Option Plan shall be modified and/or amended; and/or (2) the terms of the Options shall be modified, amended or revoked, according to the discretion of the board of directors; and/or (3) the Options or shares allocated thereunder shall confer the right to purchase or receive any security or asset, or any combination thereof.

(c) The board of directors is entitled, according to its exclusive discretion, to decide on a different manner of handling the Options and/or shares to be issued by virtue of the Options, in the event of a merger/acquisition

and/or in the event of an IPO of the shares of the Company.

3.3.1.7. According to the Option Plan:

3.3.1.7.1. In the event of termination of the Offeree's employment or service (as applicable) with the Company or an affiliate ("**Termination of Employment**") under circumstances that are not considered "for cause" (as defined in the Option Plan) ("**Cause**"), Options granted to the Offeree that have vested by the Termination of Employment date shall be exercisable by the Offeree for a period of three (3) months of the Termination of Employment date, or on another date determined by the board of directors, so long as the Exercise Conditions (as defined above) are fulfilled during that period.

3.3.1.7.2. In the event of Termination of Employment for Cause, all Options granted to the Offeree, whether or not vested, shall expire on the Termination of Employment date, unless the board of directors determines otherwise.

3.3.1.8. Under the terms of the Option Plan, Options may not be sold, transferred, assigned, charged etc., except by will or inheritance.

3.3.1.9. It is clarified that according to the TASE Rules and Regulations and the guidelines thereunder, Options allocated according to that Plan shall not be exercised on the record date for distribution of bonus shares, for allocation by way of rights, for distribution of dividends, for capital consolidation, capital split, or capital reduction (each of the above, a "**Corporate Event**"). If the ex-date of a Corporate Event occurs prior to the record date of a Corporate Event, no exercise shall be performed on such ex-date.

3.3.1.10. Replacement of options allocated according to the 2013 Plan with options according to the 2018 Global Equity Incentive Plan – The Company has allocated options under the option plan to employees of the Company who

are not controlling shareholder by way of the capital gains trustee track under Section 102(b)(2) of the Income Tax Ordinance [New Version] ("**2013 Employee Options**" and the "**Ordinance**"). In hindsight, the Company discovered that because exercising the Options according to the Option Plan is subject to an initial public offering (IPO) and/or a sale/merger transaction, the Income Tax Authority is of the opinion that (as reflected in Income Tax Circular No. 18/2018 on equity-based compensation with performance-dependent vesting) that they do not comply with the provisions of Section 102 of the Ordinance. Subsequently, on October 15, 2020, the Company's board of directors decided to offer the holders of 2013 Employee Options (in this Section 3.3.1.10, the "**Offerees**") to replace the 2013 Employee Options they hold with new options under the 2018 Global Equity Incentive Plan (as described below in Section 3.3.2), at different terms than those of the 2013 Employee Options (including a different exercise price, a different number of options, and a different vesting and expiration schedules), and the new options under the 2018 Global Equity Incentive Plan shall be in the capital gains trustee track under Section 102 of the Ordinance ("**Change to the Terms**"). According to a consensual pre-ruling received from the Israel Tax Authority on November 10, 2020, the Company's board of directors approved on such date the revocation of 2,493,400 2013 Employee Options allocated to Offerees that were interested, and their replacement with 2,460,000 options that were allocated to them on November 10, 2020, under the 2018 Global Equity Incentive Plan. The new allocations are governed by the capital gains trustee track under Sections 102(b)(2) and 102(b)(3) of the Ordinance, as applicable.

3.3.2 <u>2018 Global Equity Incentive Program</u>

3.3.2.1. On December 17, 2018, the Company's board of directors adopted a global equity incentive plan (in this Section 3.3.2, the "**Option Plan**" and the "**Start Date**"). Under the Option Plan and subject thereto, the Company's board of directors is entitled to allocate non-negotiable options, exercisable into ordinary shares of the Company par value ILS 0.0001 each

(in this Section 3.3.2, "**Ordinary Shares**") or ordinary shares of the Company or a different type of equity compensation (below in this Section 3.3.2, the "**Options**") to employees, directors, officers, and advisors, or to any other person or entity that provide services to the Company or its affiliates, or to any other person or entity at the discretion of the board of directors (the "**Offerees**"), all subject to the provisions of applicable law and lawfully required approvals. On May 4, 2021, the Company's board of directors passed an amendment to the Option Plan, subject to completing the offering under this Prospectus, for adjusting its terms to a public company.[4]

3.3.2.2. In accordance with the provisions of the Option Plan, the exercise price of each Option shall be determined by the board of directors, at the exclusive discretion, provided that the exercise price is no lower than the par value each share, subject to the provisions of applicable law and subject to compliance with the TASE Rules and Regulations and the guidelines thereunder, and so long as the exercise price is no lower than the minimum price set forth in the TASE Rules and Regulations and the guidelines thereunder, as in effect at such time.

3.3.2.3. In accordance with the provisions of the Option Plan, the Option Plan shall be administered by the Company's board of directors or by one of its committees, which the Company's board of directors shall authorize for implementing the plan (in this Section, the "**Board of Directors**"). The Board of Directors shall determine, *inter alia*, the identity of the Offerees, the type of equity compensation to be granted to each Offeree, the grant date and the number of Options to be granted, their exercise price, vesting schedules (subject to the Company's officer remuneration policy), and any other matter necessary for administering the Option Plan, and shall also be entitled to interpret the Option Plan.

[4] It is clarified that each allocation of securities of the Company shall be subject to obtaining the approval of TASE and complying with the provisions of the TASE Rules and Regulations and the guidelines thereunder, as in effect at the time of allocation.

3.3.2.4. The Option Plan sets forth, *inter alia*, as follows:

3.3.2.4.1. The grant of Options in accordance with the Option Plan shall be performed through a grant agreement, which shall set forth the terms of the grant, including the type of equity compensation granted, the number of Options granted, vesting schedule and other terms, subject to the provisions of the Option Plan and the discretion of the board of directors.

3.3.2.4.2. Options granted under the Option Plan shall be exercised by delivering an exercise notice to the Company using the designated form. Exercise of the Options shall be made after the Company receives the exercise notice.

3.3.2.4.3. Options granted according to the Option Plan shall be exercised by allocating shares in consideration for the payment of the exercise price by the Offeree, or in other ways, as determined by the board of directors, including a net exercise mechanism, whereby the Offeree shall be entitled to receive from the Company, in exchange for exercising the Options, a number of ordinary shares of the Company from reflecting the financial benefit embodied in the exercised Options, while the exercise price is not paid by the Offeree, but rather is used only to calculate the benefit component. In this context it is clarified that all the shares deriving from the exercise of the options under the Option Plan shall be fully paid-up.

3.3.2.5. Adjustments at the occurrence of certain events:

3.3.2.5.1. **Capital change** – In case of circumstance whereby the Company increases or decreases its issued share capital as result of a share split, reverse share split, share consolidation, share reclassification, or any other event of increasing or decreasing the Company's issued share capital without the Company receiving any consideration, the number of shares created from

exercising options granted under the plan (the "**Exercise Shares**") and the exercise price shall be adjusted proportionally.

3.3.2.5.2. **Distribution of bonus shares** – Should the Company distribute bonus shares, the rights of the Offerees shall be maintained so that the number of Exercise Shares an eligible Offeree is entitled to receive upon exercising the Options shall increase by the number of shares of the same class that the Offeree would have been entitled to had it exercised the options on the last trading day prior to the record date for distributing the bonus shares. The exercise price of each option shall not change as a result of adding such Exercise Shares.

3.3.2.5.3. **Issuance of rights** – Should the Company offer its securities to its shareholders by way of rights, the number of Exercise Shares shall be adjusted to reflect the benefit component of the issuance of rights, as expressed in the ratio of the Company's closing price on TASE on the last trading day before the ex-date and the base price of the share "ex-rights".

3.3.2.5.4. **Distribution of dividends** – If cash dividends are distributed, the exercise price of the Options shall be reduced by the amount of dividends paid. Notwithstanding, in any event the exercise price shall not fall under the par value of shares of the Company. Implementing the adjustment shall be subject to obtaining an appropriate pre-ruling from the Israel Tax Authority.

3.3.2.5.5. **Transaction** – In the event off a transaction,[5] the Options granted to Offerees according to the Option Plan that have not

[5] For this purpose, "**transaction**" – (1) merger, restructuring, or consolidation of the Company with or into a different entity, or an acquisition of the shares of the Company by another person or entity in a single transaction or in a series of related transactions (not including an investment in the Company in good faith or an acquisition, merger, restructuring, or consolidation within which the allocated shares of the Company immediately prior to such transaction continue to represent, or converted into, or replaced with, shares that constitute, immediately following such transaction, at least a majority of the voting rights of the share capital of the surviving or acquiring

been exercise (whether or not vested) shall be replaced with another equity remuneration or with the right to receive consideration (as defined in the Option Plan) from the acquiring entity or the surviving entity of the transaction or an affiliate thereof, as determined by that entity and/or the Company's board of directors, subject to and in accordance with the provisions of the Option Plan. If the acquiring or surviving entity does not do so, the Company's board of directors shall determine the implications of the Transaction on any unexercised options, at its discretion, subject to and in accordance with the conditions of the Option Plan.

3.3.2.5.6. **Company liquidation or dissolution** – The Company's board of directors has sole and exclusive discretion to determine the effect of the Company's liquidation or dissolution on the Options granted according to the plan that have not yet vested or exercised, including accelerating or canceling all or some of them.

The Company's board of directors shall be entitled, at its discretion, in the event of a transaction (as defined above in Section 3.3.2.5.5) or in the event of the Company's liquidation (as set forth in Section 3.3.2.5.6 above) in which the equity compensation granted to an Offeree has no financial value, to determine that the Offeree is not entitled to any consideration in the framework of the transaction or liquidation, and revoke the equity compensation granted to the Offeree as of the date of

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corporation, as applicable; or (2) sale or any other disposition of all or nearly all of the Company's shares or assets (including granting a license, transferring, selling, or disposing of all or nearly all of the Company's intellectual property rights, in a way that is similar from an economic aspect to selling all or nearly all of the Company's intellectual property rights), in a single transaction or in a series of related transactions; or (3) any other transaction or set of circumstances that the board of directors considers, at its discretion, to be a transaction with a similar effect. Subject to the specific approval of the board of directors, the definition could also include any acquisition by an existing shareholder of the Company (directly or indirectly) of the Company's entire share capital that is not owned by such shareholder or its affiliate (as defined in the Option Plan) immediately prior to the acquisition.

completing the transaction or liquidation. The board of directors may also revoke an equity compensation, without consideration to the Offeree, in the event of a transaction or liquidation, if its exercise price is higher than the fair market value (as that term is defined in the Option Plan) of the Company's shares on the date of the transaction or liquidation.

3.3.2.6. **Delisting shares of the Company from TASE –** If the shares of the Company are delisted from TASE, the Company's board of directors shall be entitled to determine the adjustments to be made in connection with the Options, as set forth in the Option Plan.

3.3.2.7. The Option Plan shall be in effect for seven (7) years of the Start Date (for the avoidance of doubt, the Option Plan's expiration shall not derogate from the effect of options granted prior to expiration of the Option Olan). Subject to the provisions of the option grant agreement, Options granted in accordance with the Option Plan that have not yet been exercised, shall be exercisable, in whole or in part, for seven (7) years of being granted.

3.3.2.8. Under the Option Plan and subject to the relevant grant agreement with each Offeree:

3.3.2.8.1. On the date of terminating the employment or service or engagement (as applicable) of the Offeree with the Company or an affiliate (as applicable) ("**Termination of Employment**" and **"Termination of Employment Date**", as applicable), all Options granted to the Offeree that have not yet vested by the Termination of Employment Date shall expire on the Termination of Employment Date.

3.3.2.8.2. In the event of Termination of Employment under circumstances other than death or disability (as defined in the Option Plan) or for "cause" (as defined in the Option Plan) ("**Cause**"), the Options that were granted to the Offeree and have vested by the Termination of Employment Date, shall be

exercisable for 45 days of the Termination of Employment Date or until the expiration of such Options, according to the earlier.[6]

3.3.2.8.3. In the event of Termination of Employment of an Offeree as result of disability (as such term is defined in the Option Plan), the Offeree shall be entitled to exercise the Options granted to it and have vested by the Termination of Employment Date for 90 days of the Termination of Employment Date or until the Options expire, according to the earlier.

3.3.2.8.4. In the event of Termination of Employment of an Offeree due to the passing of the Offeree, the Options granted to the Offeree that have vested by the Employment Termination Date, shall be exercisable by the heirs of the Offeree for 12 months starting on the Employment Termination Date, or until these Options expire, according to the earlier.

3.3.2.8.5. In the event of Termination of Employment for Cause, all Options granted to the Offeree that have not yet vested shall expire on the Employment Termination Date, and the Company shall be entitled to purchase all shares allocated to the Offeree for Options the Offeree exercised, according to the provisions of the Option Plan.

3.3.2.9. According to the conditions of the Option Plan, the Options may not be sold, transferred, assigned, charged etc., except by way of a will or inheritance, or as required under the provisions of applicable law.

3.3.2.10. The Company's board of directors may alter or amend the terms of the Option Plan and/or the terms of grants made under it, including after the fact, as long as, except for correcting clerical errors or making the required amendments under the law, and except for the amendments the Option

[6] As of the Prospectus date, the grant agreements made with Offerees to whom Options were allocated under the Option Plan set forth that in such instance, Options that were granted and have vested by the Termination of Employment Date shall be exercisable for 90 days of the Termination of Employment Date or until the options expire, according to the earlier.

Plan permits expressly, such a change or amendment may not prejudice any Offeree's rights in options that have become vested, unless the Offeree accepts the amendment. It is clarified that any amendment or change of the Option Plan shall be subject to fulfillment of the provisions of the TASE rules and regulations thereunder, as in effect from time to time.

3.3.2.11. If the options allocated under the Option Plan are forfeited, waived, or otherwise expire (according to the Option Plan), such options shall be returned and added to the Option Pool (as defined below), so that new options may be allocated thereunder in the same number of options that expired, according to the terms of the Option Plan. It is clarified that the allocation of new options as foregoing shall be subject to obtaining approval to list the shares deriving from exercise of the options, according to the provisions of the TASE rules and regulations, as in effect from time to time.

3.3.2.12. The Option Plan includes a schedule that addresses allocation to Israeli Offerees under the plan ("**Schedule**"). According to the provisions of the Schedule, options allocated to officers and employees of the Company or its affiliates (excluding employees or officers who are Controlling Shareholders (as such term is defined in the Income Tax Ordinance [New Version] (the "**Ordinance**")) (in this Section, "**Employees**") shall be allocated in accordance with the provisions of Section 102 of the Ordinance, and options allocated to non-employees shall be allocated under the provisions of Section 3(I) of the Ordinance. The Company may allocate options to Israeli Employees under Section 102(b) of the Ordinance or under Section 102(c) of the Ordinance. The Company submitted the Option Plan for approval of the Tax Assessor under the capital gains track using a trustee in accordance with Section 102(b)(2) and Section 102(b)(3) of the Ordinance, and the shares that derive from exercising such Options shall be deposited with a trustee when issued, to be held by the trustee in trust for the benefit of the Offeree under Section 102 of the Ordinance. Options allocated to an Offeree under Section 102(b)(2) and Section 102(b)(3) of the Ordinance, and shares that derive

from exercising such Options, shall be held by the trustee in trust until the Offeree pays all tax liabilities in connection with such Options and shares.

3.3.3 According to the resolutions of the Company's board of directors dated December 12, 2016, and May 4, 2021, the Company's board of directors may allocate in accordance with the 2013 Plan and the 2018 Global Equity Incentive Plan (and as of the Prospectus date, following the expiration of the 2013 Plan, only under the 2018 Global Equity Incentive Plan) options (non-negotiable) exercisable into up to 50,000,000 ordinary shares of the Company par value ILS 0.001 each (the "**Option Pool**"). Out of such amount, the Company has allocated 35,457,362 options since adopting the Option Plans and as of the Prospectus date,[7] out of which 32,812 options were exercised into 32,812 ordinary shares of the Company, and 35,424,550 options remain, which were allocated[8] and are exercisable into 35,424,550 shares of the Company par value ILS 0.0001 each.

3.3.4 As of the Prospectus date, the Company allocated 2,315,800 options under the 2013 Plan, that have not yet expired or replaced with options under the 2018 Global Equity Incentive Plan (as stated above in Section 3.3.1.10) to employees, officers, and advisors of the Company its subsidiaries, exercisable into 2,315,800 ordinary shares of the Company par value ILS 0.0001 each, out of which 2,290,700 options have vested as of the Prospectus date. As of the Prospectus date, the 2013 Plan has expired, and the Company shall not allocate additional options thereunder.

3.3.5 As of the Prospectus date, the Company has allocated 33,141,562 options that have not yet expired[9] under the 2018 Global Equity Incentive Plan (including options that replace options allocated under the 2013 Option Plan, as stated above in Section

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[7] Less Options that were allocated and expired, thus reverting back to the Option Pool, but including 7,250,000 options convertible into shares of the Company that shall be allocated on the completion date of the offering under this Prospectus and before the listing on TASE of the Company's shares, to each of Mr. Yair Nechmad, CEO of the Company, and Mr. David Ben-Avi, CTO of the Company, under the Company's 2018 Global Equity Incentive Plan (see Section 3.3.2 above), which shall vest subject to meeting the targets. For additional details see Sections 8.1.5(7) and 8.1.5(8) in Chapter 8 of this Prospectus (the "**CEO and CTO Options**").

[8] Less Options that were allocated and expired, thus reverting back to the Option Pool, but including the CEO and CTO Options).

[9] Including the CEO and CTO Options.

3.3.1.10) to employees, officers, and advisors of the Company and its subsidiaries, out of which 32,812 options were exercised into 32,812 ordinary shares of the Company, and 33,108,750 options remain, which were allocated[10] and are exercisable into 33,108,750 ordinary shares of the Company par value ILS 0.0001 each, out of which 5,613,427 options have vested (and have not yet been exercised) as of the Prospectus date.

3.3.6 As of the Prospectus date, options allocated under the 2013 Option Plan have not been exercised, and 32,812 options and under the 2018 Global Equity Incentive Plan have been exercised. All the shares deriving from exercise of the options that were allocated under the 2013 Option Plan and under the 2018 Global Equity Incentive Plan, and all the shares deriving from rights to shares, shall be registered in the Company's securities registry to the Nominee Company's name.

3.3.7 The exercise price of all the options allocated during the 12 months preceding the offering date under this Prospectus is higher than the minimum exercise price set forth in the TASE rules and regulations thereunder for a new company, which as of the date of this Prospectus is ILS 1, except for the exercise price of options (which is equal to its par value of ILS 0.0001) that were allocated to a few Offerees who are employees of the Company, and who are not as of the date of this Prospectus, and shall not be immediately after the offering, interested parties of the Company under this Prospectus, including on a fully diluted basis.

3.3.8 The Company has an undertaking to allocate 800,000 non-negotiable options, exercisable into 800,000 ordinary shares of the Company par value ILS 0.0001 each, out of the Option Pool (as defined above), to employees and officers of the Company and its subsidiaries (who as of the Prospectus date are not interested parties of the Company and who shall not become interested parties immediately after the offering under this Prospectus, including assuming full dilution), under the 2018 Global Equity Incentive Plan (see Section 3.3.2 above). As of the Prospectus date, these options have not been allocated in practice.

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[10] Less Options that were allocated and expired, thus reverting back to the Option Pool, but including the CEO and CTO Options.

3.3.9 It is clarified that any allocation of Company options shall be subject to obtaining approval for listing the shares deriving from exercising the options, according to the provisions of the TASE rules and regulations, as in effect from time to time, including with respect to the exercise price or minimum share price.

3.3.10 It is clarified that according to the TASE Rules and Regulations and the guidelines thereunder, options allocated according to said plans may not be exercised on the record date for distribution of bonus shares, issue by way of rights, distribution of dividends, capital consolidation, capital split, or capital reduction (each of the above, a "**Corporate Event**"). If the ex-date of a Corporate Event occurs before the record date of a Corporate Event, no exercise may be performed on that ex-date.

3.4. **Holdings of Company Securities by Interested Parties and Others**

3.4.1. Holdings of interested parties and others in the securities of the Company immediately prior to the Prospectus date (before the initial public offering and the secondary offering under this Prospectus, but under the assumption that the options were allocated to Mr. Yair Nechmad and Mr. David Ben-Avi on the completion date of the offering under this Prospectus and before the Company's shares were listed on TASE (as set forth in Sections 8.1.5(7) and 8.1.5(8) in Chapter 8 of this Prospectus)):

Name of Interested Party	Ordinary Shares	Non-negotiable Options	Holding Rate in Capital and Voting	Holding Rate in Capital and Voting Fully Diluted[11]
Amir Nechmad	99,537,696[12]	-	35.39%	31.43%

[11] Calculating the rights of interested parties in share capital and voting on a fully diluted basis was assuming the exercise of all non-negotiable options the Company has allocated that have not yet been exercised or that have not yet expired as of the Prospectus date. This calculation does not include the Company's undertaking to allocate options convertible into shares of the Company, as described above in Section 3.3.8.

[12] 44,224,500 of such shares are charged in favor of Globe Invest (for details, see Section 3.2.3 above) and 16,872,168 of such shares are charged in favor of an Israeli institutional investor (for details, see Section 6.5.3 of Chapter 6 to this Prospectus). Realizing the charge shall be subject to TASE's lock-up provisions, as set forth in Section 3.7 in this chapter.

Yair Nechmad[13]	91,450,205[14]	7,250,000	32.52%	31.17%
David Ben-Avi	87,735,299[15]	7,250,000	31.20%	30.00%
Employees[16]	-	20,755,800	-	6.55%
Other non-interested party holders[17]	2,512,412	168,750	0.89%	0.85%
Total	**281,235,612**	**35,424,550**	**100%**	**100%**

3.5. **Holdings of interested parties and others in the securities of the Company after completing the secondary offering and offering under this Prospectus**

[13] Including through Yair Nechmad Ltd., a company wholly owned by Mr. Yair Nechmad.

[14] 38,375,500 of these shares are charged in favor of Globe Invest (for details, see Section 3.2.3 above) and 16,872,168 are charged in favor of an Israeli institutional investor (for details, see Section 6.5.3 of Chapter 6 to this Prospectus). Realizing the charge shall be subject to TASE's lock-up provisions, as set forth in Section 3.7 in this chapter.

[15] 35,400,000 of these shares are charged in favor of Globe Invest (for details, see Section 3.2.3 above) and 16,872,168 are charged in favor of an Israeli institutional investor (for details, see Section 6.5.3 of Chapter 6 to this Prospectus). Realizing the charge shall be subject to TASE's lock-up provisions, as set forth in Section 3.7 in this chapter.

[16] Held by employees of the Company, who as of the Prospectus date are not interested parties and who shall not be such immediately after the offering under this Prospectus, including assuming full dilution.

[17] The other holders are two former employees of the Company, who exercised options during the 12 months preceding the offering date under this Prospectus, and therefore the securities allocated to them are subject to the lock-up under Section 3.7.2 below, former employees holding 168,750 non-negotiable options of the Company that are subject to the lock-up rules under Section 3.7.2 below, and Mr. Tamir Nechmad ("**Tamir**"), the brother of Mr. Amir Nechmad. Until April 21, 2021 (the "**Trust Period**"), all Company shares held by Tamir (2,479,600 shares), allocated to him on a date more than 12 months before the date of the offering under this Prospectus, were held by Mr. Amir Nechmad in trust for Tamir. According to the trust agreement, during the entire Trust Period, any right deriving from such shares belonged to Tamir only, and any obligation deriving therefrom applied only to Tamir, Tamir had all the rights available to shareholders of the Company, and all the obligations that apply to shareholders of the Company applied to him. Similarly, according to the trust agreement Mr. Amir Nechmad could have taken action with such shares only according to instructions received from Tamir, and Tamir was permitted to terminate the trust agreement and receive the shares under his name at any time, at his sole discretion. In light of the foregoing, Tamir's shares are not subject to the lock-up restrictions according to the provisions of the TASE Rules.

To the best of the Company's knowledge, after completing the public offering and secondary offering under this Prospectus, assuming full allocation of all securities offered to the public under this Prospectus,[18] and assuming full acceptance of the secondary offering under this Prospectus, and assuming that the options were allocated to Mr. Yair Nechmad and Mr. David Ben-Avi on the completion date of the offering under this Prospectus and before the Company's shares were listed on TASE (as set forth in Sections 8.1.5(7) and 8.1.5(8) in Chapter 8 of this Prospectus), the interested parties holding Company securities shall be as follows:

Name of Interested Party	**Ordinary Shares**	**Non-negotiable Options**	**Holding Rate in Equity and Voting**	**Holding Rate in Equity and Voting Fully Diluted[19]**
Amir Nechmad	93,037,696[20]	-	28.61%	25.80%
Yair Nechmad[21]	86,575,205[22]	7,250,000	26.62%	26.01%
David Ben-Avi	79,610,299[23]	7,250,000	24.48%	24.08%
Employees[24]	-	20,755,800	-	5.75%

[18] For the avoidance of doubt, the calculation does not include the option that the Company granted to the Lead Underwriter in the framework of the Underwriting Agreement, for a period of 30 days after the publication date of the Prospectus, to purchase an additional amount of the Offered Shares in scope not to exceed 15% of the amount offered under the Prospectus (meaning, up to 9,525,000 Ordinary Shares of the Company par value ILS 0.0001 each) (for additional details see Section 2.5.3 in Chapter 2 of this Prospectus).

[19] The interested parties' capital rights and voting powers on a fully diluted basis were calculated assuming the exercise of all non-negotiable options the Company allocated that have not been exercised yet or that have not yet expired as of the Prospectus date. This calculation does not include the Company's undertaking to allocate options convertible into shares of the Company, as described above in Section 3.3.8.

[20] See footnote 12 above.

[21] See footnote 13 above.

[22] See footnote 14 above.

[23] See footnote 15 above.

[24] See footnote 16 above.

Other non-interested party holders[25]	32,812	168,750	0.01%	0.06%
Public[26]	65,979,600	-	20.29%	18.29%
Total	325,235,612	35,462,050	**100%**	**100%**

3.6. **Company's Controlling Shareholders**

3.6.1 As of the Prospectus date, the controlling shareholders of the Company are Mr. Amir Nechmad, Mr. Yair Nechmad,[27] and Mr. David Ben-Avi (the "**Controlling Shareholders**"). As of the Prospectus date (before the offering and secondary offering under this Prospectus), the Controlling Shareholders hold 99.11% of the Company's actual issued and paid-up share capital, and 92.60% of the Company's issued and paid-up share capital on a fully diluted basis.[28]

3.6.2 The Shareholders' Agreement

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 a single shareholder) and Mr. David Ben-Avi (for the purpose of Section 3.6.2, each of the above, a "**Controlling Shareholder**", and jointly, the "**Controlling**

[25] The other holders are two former employees of the Company, who exercised options during the 12 months preceding the offering date under this Prospectus, and former employees who hold 168,750 non-negotiable options of the Company, and therefore the securities that they were offered are subject to the lock-up rules under Section 3.7.2 below.

[26] Public shares include Tamir's shares, as detailed in footnote 17 above.

[27] Including through Yair Nechmad Ltd.'s holdings of Company shares; Yair Nechmad Ltd. is wholly owned by Mr. Yair Nechmad.

[28] Calculating the fully dilution basis was made assuming the exercise of all non-negotiable options the Company has allocated, which have not yet been exercised or that have not yet expired as of the Prospectus date. This calculation does not include the Company's undertaking to allocate options convertible into shares of the Company, as described above in Section 3.3.8, but does include the options to be allocated to Mr. Yair Nechmad and Mr. David Ben-Avi (who are interested parties of the Company) on the completion date of the offering under this Prospectus and before the Company's shares are listed on TASE (as set forth in Sections 8.1.5(7) and 8.1.5(8) in Chapter 8 of this Prospectus.

Shareholders") entered into a shareholders' agreement (the "**Shareholders' Agreement**"). Hereunder are the principle points of the Shareholders' Agreement:

3.6.2.1. Appointment of Directors

3.6.2.1.1. Each of the Controlling Shareholders shall exercise their entire voting powers and influence in their capacity as a Company shareholder, including voting all shares of the Company they hold at the general meetings of the Company, to ensure that (1) the Company's articles of association set forth that appointment of directors to the Company shall be subject to the exclusive authority of the general meeting, that the Company's board of directors be comprised of up to seven (7) directors, and that the directors shall elect one of them as chairperson; and (2) that appointment of directors to the Company shall be as follows:

(a) Each of the Controlling Shareholders holding at least 15% of the Company's issued and paid-up share capital may recommend the identity of one director;

(b) The identity of up to two (2) directors shall be recommended by the Controlling Shareholders as set forth in Section 3.6.2.1 below, provided one of these directors fulfills the conditions for being classified as an independent director (as such term is defined in the Companies Law);

(c) The Controlling Shareholders shall recommend the identity of the external directors, as set forth in Section 3.6.2.1.2 below. According to the provisions of the Companies Law as in effect on the date of executing the agreement, the Company's board of directors shall have at least two external directors.

3.6.2.1.2. The identity of the directors recommended by the Controlling Shareholders under Sections 3.6.2.1.1(b) and (c) above shall be determined by unanimous consent of all Controlling

Shareholders. Nevertheless, if one of the Controlling Shareholders (in this Section 3.6.2.1, the "**Minority Shareholder**") holds less than two-thirds (2/3) of the number of shares held by each of the other two Controlling Shareholders (in this Section 3.6.2.1, the "**Majority Shareholders**"), and the Controlling Shareholders cannot reach a unanimous decision on the identity of such directors, the identity of such directors shall be determined by the unanimous decision of the Majority Shareholders.

If the Controlling Shareholders cannot reach a unanimous decision regarding the identity of such directors, then, to the extent possible in accordance with the provisions of law, the Controlling Shareholders shall vote to reappoint the Company's incumbent directors, appointed under Section 3.6.2.1.1(b) and Section 3.6.2.1.1(c) above.

3.6.2.1.3. The Controlling Shareholders undertake to vote all of their shares at the general meeting of the Company for appointing the candidates to the board of directors of the Company whose identity was determined under the provisions of this Section 3.6.2.1, and against the appointment of candidates to the board of directors of the Company whose identity was not determined according to this Section 3.6.2.1.

3.6.2.2. Preliminary Meetings

3.6.2.2.1. All of the Controlling Shareholders shall hold a preliminary meeting before each general meeting of the Company ("**Preliminary Meeting**"), in the framework of which they shall discuss all items on the agenda of the general meeting (not including the appointment of directors, which respect to which the provisions of Section 3.6.2.1 above shall apply), and shall seek to reach a consensus on how all of the Controlling Shareholders shall vote all of the shares of the Company they hold at the upcoming general meeting.

3.6.2.2.2. Should the Controlling Shareholders be able reach a unanimous decision at the Preliminary Meeting on how they shall vote on a particular resolution on the agenda of the general meeting, all of the Controlling Shareholders shall vote according to the decision reached in this way at the general meeting. If no Preliminary Meeting is conducted on a specific resolution on the agenda of the general meeting, or if no unanimous decision is reached on the outcome of the vote at the Preliminary Meeting, all of the Controlling Shareholders shall vote for the status quo in the Company with respect to such resolution at the general meeting.

3.6.2.2.3. Notwithstanding the aforementioned in Section 3.6.2.2.2, if one of the Controlling Shareholders (in this Section 3.6.2.2, a "**Minority Shareholder**") holds less than two-thirds (2/3) of the shares of the Company held by each of the other Controlling Shareholders (in this Section 3.6.2.2, the "**Majority Shareholders**"), and the Controlling Shareholders cannot reach a unanimous decision on how they shall vote on a specific resolution on the agenda of the general meeting at the Preliminary Meeting, then: (1) If the Majority Shareholders can reach a unanimous decision on how they shall vote on a particular resolution on the agenda of the general meeting at the general meeting, then all of the Controlling Shareholders (including the Minority Shareholder) shall vote according to the Majority Shareholders' decision at the general meeting; and (2) if the Majority Shareholders cannot reach a unanimous consensus on how they shall vote at the general meeting on a particular resolution on the agenda of the general meeting, then all of the Controlling Shareholders (including the Minority Shareholder) shall vote for the status quo in the Company on that resolution.

3.6.2.3. Limitations on the transfer of shares

3.6.2.3.1. The right of first offer with respect to selling shares in the framework of trade on TASE: If a Controlling Shareholder wishes to sell shares of the Company on TASE, it must first offer the remaining Controlling Shareholders to purchase the shares of the Company it wishes to sell on TASE, according to the Shareholders' Agreement.

3.6.2.3.2. The right of first offer with respect to selling shares off-TASE: If a Controlling Shareholder wishes to sell or transfer shares of the Company not within the framework of trade on TASE, it must first offer the remaining Controlling Shareholders to purchase the shares of the Company it wishes to sell to the other Controlling Shareholders, according to the Shareholders' Agreement.

3.6.2.3.3. Tag along right: Without derogating from the provisions of Section 3.6.2.3.2 above, if (1) a Controlling Shareholder wishes to sell or transfer shares of the Company (the "**Selling Controlling Shareholder**") to a third party not within the framework of trade on TASE, in a single transaction or in a series of related transactions, constituting the lower of: (a) 10% of the Company's issued and paid-up share capital; or (b) 50% of their holdings in the Company, and (2) the other Controlling Shareholders do not exercise their right of first offer as stated above in Section 3.6.2.3.2, the Selling Controlling Shareholder shall offer the other Controlling Shareholders to tag along to the sale and sell shares they hold to the third party, according to the terms and provisions of the Shareholders' Agreement.

3.6.2.3.4. Bring-along obligation: If Controlling Shareholders holding together a majority of shares of the Company held by all of the Controlling Shareholders (the "**Offering Shareholders**") wish to accept an offer to sell all of the shares they hold to a third

party (the "**Offering Party**"), and the Offering Party conditions its offer upon its acquisition of all of the shares of the Company held by all of the Controlling Shareholders, the remaining Controlling Shareholder (the "**Additional Shareholder**") shall be required to sell all of its shares in the Company to the Offering Party, at the same price per share and on the same terms as the terms under which the Offering Shareholders shall sell their shares to the Offering Party, so long as the price per share paid to the Additional Shareholder such this transaction is no lower than the price set forth in the Shareholders' Agreement.

3.6.2.3.5. Notwithstanding the aforementioned in Sections 3.6.2.3.1, 3.6.2.3.2 3.6.2.3.3, each Controlling Shareholder may sell or transfer, in every calendar year (in one transaction or more) shares of the Company constituting up to 2% of the Company's issued and paid-up share capital as existing immediately after completing the public offering, on or off TASE, without such sale or transfer being subject to the provisions of Sections 3.6.2.3.1, 3.6.2.3.2 and 3.6.2.3.3 above, all subject to the provisions of the TASE rule and regulations , including the lock-up restrictions set forth therein.

3.6.2.3.6. Transfer to permitted transferees: Notwithstanding the provisions of this Section 3.6.2.3, a Controlling Shareholder may transfer or sell their shares to their permitted transferees (as defined in the Shareholders' Agreement), and the provisions of this Section 3.6.2.3 shall not apply to such a sale or transfer, subject to the conditions and provisions set forth in the Shareholders' Agreement in this context.

3.6.2.3.7. Charging shares: Any Controlling Shareholder may charge all or some of the shares of the Company they hold, provided that with respect to charges on shares of the Company created after

completing the public offering, any transfer of sale of shares of the Company subject to such charge (including within the framework of realizing the charge) shall be subject to all restrictions on transferring shares included in the Shareholders' Agreement. Notwithstanding, after completing the public offering, each Controlling Shareholder may charge up to twenty-five percent (25%) of the shares of the Company they hold immediately after completing the public offering, and such charge shall not be subject to restrictions on transferring shares included in the Shareholders' Agreement, all subject to the provisions of the TASE rule and regulations, including the lock-up restrictions set forth therein.

3.6.2.4. Applicability and effect of the Shareholders' Agreement:

3.6.2.4.1. The Shareholders' Agreement is in effect as of September 30, 2020. The Shareholders' Agreement shall terminate automatically in the event the initial public offering of shares of the Company on any stock exchange (the "**Stock Exchange**"), including the public offering contemplated in this Prospectus (the "**Public Offering**") is not complete by December 31, 2021. Notwithstanding the foregoing, Sections 3.6.2.1.1(1), 3.6.2.1.1(b), 3.6.2.1.1(c) and 3.6.2.3 above shall only come into effect after completing the Public Offering.

3.6.2.4.2. The Shareholders' Agreement shall be in effect so long as no single Company shareholder holds a greater number of shares than the number of shares of the Company held by all Controlling Shareholders together ("**Terminating Event**"). The Shareholders' Agreement shall terminate automatically if a Terminating Event takes place.

3.6.2.4.3. Notwithstanding the aforementioned in Section 3.6.2.4.2, if one of the Controlling Shareholders passes away or a legal guardian is appointed for them, the remaining Controlling Shareholders

(the "**Remaining Controlling Shareholders**") shall have the option, by way of unanimous consent of the Remaining Controlling Shareholders, without being required to obtain the consent of the heirs of the Controlling Shareholder who passed away or the consent of the appointed legal guardian – (1) continue the Shareholders' Agreement (in this case, the Shareholders' Agreement shall continue to apply, including to the heirs of the deceased Controlling Shareholder or to the appointed legal guardian, as applicable) or (2) terminate the Shareholders' Agreement if the Remaining Controlling Shareholders are unable to reach a new consensus with the heirs of the deceased Controlling Shareholder or appointed legal guardian (as applicable).

The terms of the Shareholders' Agreement shall apply to all shares of the Company held by the Controlling Shareholders at the time the Shareholders' Agreement came into effect, and to other shares of the Company they shall purchase after the Shareholders' Agreement came into effect (except with respect to shares that may be sold in the secondary offering under this Prospectus).

3.7. **Lock-Up of Securities**

Presented below is a summary of the TASE Guidelines on lock-up of securities following listing on TASE, as in effect of the Prospectus date ("**Guidelines**"):[29]

In this Section 3.7, these terms have the meaning set beside them:

"Interested Party"	Including parties holding convertible securities or any right to receive shares which, assuming exercise, would make such holder an Interested Party.

[29] For the full (binding) guidelines on this matter, see Chapter D of the guidelines under part two of the TASE Rules and Regulations.

"**Shares Issued Before Listing**"	Each of the following: (1) shares issued or bought from an Interested Party in the period commencing twelve months before filing the listing application, and ending upon listing; (2) shares issued in the framework of a conversion of convertible securities in the period commencing twelve months prior to filing the listing application and ending on the listing date; (3) convertible securities that were issued or purchased, on any date prior to listing, and not exercised before listing. Excluding: (1) shares offered to the public under a prospectus; (2) bonus shares allocated during the period commencing twelve months prior to filing the listing application, and ending on the listing date, for shares allocation before that period.
"**Transaction or Action**"	Including lending, granting or receiving an option over Restricted Shares even if the exercise date thereof falls after the end of the lock-up period, transferring voting rights attached to Restricted Shares or another agreement, entered into in writing or orally during the lock-up period of the securities subject of the agreement, and which includes an undertaking of the holder of the Restricted Shares to exercise their means of control in the corporation for such shares in the manner stipulated in the agreement.
"**Share**"	Including convertible securities.

3.7.1 Interested Parties in the Company on the date of listing shares for trade, excluding a person who has become an Interested Party on that date as a result of purchasing shares offered under this Prospectus, according to which the Company is listed for trade for the first time, shall be subject to the following lock-up provisions:

3.7.1.1. During the three (3) months commencing on the date of listing the shares, an Interested Party may not perform any Transaction or Action in the

shares they hold as of the listing date (in this Section below, the "**Restricted Shares**").

3.7.1.2. Starting from the commencement of the fourth (4) month following the listing date, and until the end of the eighteenth (18) month following the listing date, an Interested Party may perform any Transaction or Action on the Restricted Shares at a rate that does not exceed 2.5% of the Restricted Shares each month. Calculating the number of Restricted Shares for the purpose of this clause shall be on an aggregate basis.

3.7.1.3. Upon the lapse of (18) months of the listing date, no restriction shall apply to performing any Transaction or Action in the Restricted Shares.

A company holding dormant shares on the date of listing shall be subject to the lock-up conditions that apply to interested parties in the company, as set forth in this subsection above, with respect to the dormant shares held by it as of the listing date.

3.7.2 A party holding shares of the Company, which is not an Interested Party on the listing date, and a shareholder who becomes an Interested Party as a result of purchasing shares in the framework of the public offering under this Prospectus, according to which the Company is listed for the first time, shall be subject to the following lock-up provisions:

3.7.2.1. In the three (3) months commencing on the date of listing the shares, a shareholder shall not be entitled to perform any Transaction or Action in the shares allocated before the listing date (below in this Section, the "**Restricted Shares**").

3.7.2.2. Starting from the commencement of the fourth (4) month following the listing date, and until the end of the ninth (9) month following the listing date, a shareholder holding Restricted Shares may perform any Transaction or Action on the Restricted Shares at a rate that does not exceed 12.5% of the Restricted Shares they hold each month. Calculation of the number of Restricted Shares for the purpose of this clause shall be on an aggregate basis.

3.7.2.3. Upon the lapse of nine (9) months following the listing date there shall no longer be any restriction to perform any Transaction or Action in the Restricted Shares.

3.7.3 The aforementioned in Sections 3.7 and 3.7.2 shall not apply to an employee, who is not an employee that is an Interested Party in the Company, as defined in Chapter E of the Guidelines under Part II of the TASE Rules and Regulations.

Performing Transactions or Actions

3.7.4 Notwithstanding that stated in Sections 3.7 to 3.7.3 above, a Transaction or an Action may be performed in the Restricted Shares in the following events and under the following conditions:

3.7.4.1. Restricted Shares may be offered to the public under a secondary offering.

3.7.4.2. A listed company that holds Restricted Shares in another listed company may transfer the Restricted Shares to its shareholders, in the framework of a split as set forth in Section 91.D of the TASE Rules and Regulations, in order to fulfill the provisions of the Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel (Legislative Amendments), 5777-2017.

3.7.4.3. Such transfer of shares is subject to the company holding the Restricted Shares announcing the record date for transferring shares to its shareholders, the date of transfer and the quantity to be transferred, at least thirty (30) days before the effective date but no more than forty-five (45) days before the record date.

3.7.4.4. In the notice the company may set forth a range between the minimum transfer amount and the maximum transfer amount, provided the difference between the minimum transfer amount and the maximum transfer amount does not exceed five percent (5%) of the minimum amount. Notice regarding the final amount to be transferred in practice shall be issued at least five (5) business days before the effective date.

3.7.4.5. Starting from the lapse of six (6) months of the listing date, the Restricted Shares may be transferred in an off-TASE transaction, as long as the party

receiving the shares agrees that the shares to be received shall remain subject to the lock-up provisions that applied on the listing date, as stated in this Section.

3.7.4.6. Notwithstanding the foregoing, Restricted Shares can be transferred in an off-TASE transaction, from the listing date onward, under the following circumstances and conditions:

A party holding shares before the initial listing can transfer Restricted Shares for purpose of complying with the provisions of the Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel (Legislative Amendments), 5777-2017, provided that the party receiving the shares agrees that the shares it receives shall remain subject to the lock-up conditions that applied on the listing date, as stated in this Section 3.7.

3.7.4.7. The CEO of TASE or a party authorized by him is entitled to release Restricted Shares from lock-up in order to transfer them to a market maker for making a market as stated in Part III of the TASE Rules and Regulations.

3.7.4.8. A pledge, provided the realization of the pledge shall only be after the restriction period ends for any Transaction or Action as set forth established in the TASE Guidelines.

Notwithstanding the foregoing, a trustee for debenture holders may realize said pledge granted in favor of the debenture holders and take possession of the shares, also during the restriction period, upon the fulfillment of the following conditions:

(1) The debentures are listed;

(2) The pledge existed on the date the Company's shares were listed;

(3) The trustee shall transfer shares to a party that shall become an Interested Party after receiving them, only if the transferee shall accept that the shares it receives shall remain subject to lock-up terms that applied to them on the listing date, as stated in this Section

3.7. The lock-up terms shall not apply to shares, received by the transferee from the said trustee, if the transferee has not become an Interested Party after receiving them.

3.7.4.9.

(1) Restricted Shares may be transferred from the party holding the Restricted Shares to a corporation wholly owned by it or to a corporation that wholly owns it, as long as the party receiving the shares accepts that the shares it receives shall remain subject to the lock-up provisions that applied on the listing date, as stated in this Section 3.7.

(2) Any Transaction or Action may be performed on the Restricted Shares upon the fulfillment of the following conditions:

(a) Instead of the shares subject of the Transaction or Action, other shares become restricted that are held by a corporation wholly owned by the holder of the Restricted Shares or by the party holding full ownership of the party holding the Restricted Shares.

(b) The shares that become restricted shall be of the same class and number as the Restricted Shares subject of the Transaction or Action, and the party holding them shall accept that it shall be subject to lock-up provisions that applied to the Restricted Shares which are the subject of the Transaction or Action, as stated in this Section 3.7, during the remaining lock-up period.

(1) If shares become restricted in the manner stated in Sections **Error! No bookmark name given.** or (2) above, by a corporation wholly owned by a party holding Restricted Shares, there shall be no change in the ownership of said corporation, until the completion of the lock-up period.

(2) For the purpose of this Section:

"Holder of Restricted Shares" – whether or not the holder is an Interested Party.

"Full ownership" or **"wholly owned"** – directly or indirectly.

3.7.4.10. In a company that was spun-off from a listed company, it is possible to transfer Restricted Shares from a holder of Restricted Shares to a party seeking to exercise convertible securities of the listed company that performed a spin off and is entitled to the Restricted Shares under the conditions determined in the spin off.

In this Section – "**spin off**" – as defined in Section 91.D of the TASE Rules and Regulations.

3.7.4.11. It is possible to transfer Restricted Shares of a company in a merger, as long as the shares received by the holders in the merger are restricted for the remaining lock-up period of such Restricted Shares.

In this Section – "**merger**" – as defined in Section 91.D of the TASE Rules and Regulations.

3.7.4.12. The CEO of TASE or anyone authorize by him may release Restricted Shares from lock-up, for purpose of lending them to an underwriter for the purpose of overallotment in a non-uniform offering, as stated in the Securities (Manner of Offering Securities to the Public) Regulations, 5767-2007, for a period of up to 30 days following the publication of the Prospectus.

3.7.5 The provisions of Sections 3.7 - 3.7.3 above shall not apply, *inter alia*, in the following events and conditions set forth below:

3.7.5.1. To shares received in the framework of a split or in the framework of a merger, as the case may be, by shareholders of a company that conducted such split or merger, provided the shares of the company that underwent a split or a merger and for which the shares shall be received, shall not be restricted at the time of the split or merger, as mentioned above.

3.7.5.2. If the shares of the Company that underwent a split or merger, as mentioned above, were locked-up at the time of the split, the provisions of Sections 3.7 - 3.7.3 above shall apply to the shares received in the framework of the split or merger for such shares, until the end of the lock-

up period for the shares of the company which underwent said split or merger.

For purpose of this Section – "**split**" and "**merger**" – as defined in Section 91.D. of the TASE Rules and Regulations.

3.7.5.3. To shares offered in the framework of the public offering under this Prospectus according to which a Company is listed for trading for the first time, and which were purchased before listing.

3.7.6 The provisions of Section 3.7.2 above do not apply in the events and under the conditions set forth below:

To shares allocated to holders instead of shares of a different class held by them prior to listing (below in this Section, "**Different Class of Shares**"), as long as the following are true:

3.7.6.1. The holder held the Different Class of Shares for at least twelve (12) months before the date of listing the Company's shares.

3.7.6.2. The holder did not transfer to the Company, and did not undertake to transfer, any additional consideration in lieu of the shares being listed, so that the Different Class of Shares they held were the entire consideration in lieu of the listed shares.

3.7.6.3. Allocation of the listed shares in lieu of the class shares was made on equal terms for all holders of that class of shares.

For the purpose of this Section – "**share**" – not including a convertible security.

3.7.7 The provisions of Section 3.7.2 above shall not apply in the events and under the conditions set forth below:

To shares in a company the sole occupation thereof is holding shares in a subsidiary (below in this Section – the "**Parent Company**"), if the following terms are true:

3.7.7.1. Shares of the Parent Company were allocated to the holder in exchange for shares of the subsidiary company, in the framework of restructuring, provided that the shares of the subsidiary were held by that holder for at

least twelve (12) months before the shares of the Parent Company were listed.

3.7.7.2. After restructuring, the Parent Company holds at least 90% of the shares of the subsidiary.

3.7.7.3. Allocation of shares in the parent company in lieu of shares in the subsidiary was made on equal terms for all holders.

For the purpose of this Section – "**share**" – not including a convertible security.

General Provisions

3.7.8 Restricted Shares shall be deposited with a trustee throughout the restriction period.[30]

For the purposes of this Section, a "**trustee**"–

(1) A trust company for which a bank or a TASE member is its parent company or sister company.

(2) An attorney or a trust company of attorneys.

(3) An accountant or a trust company of accountants.

(4) A company authorized by the Chairperson of the Israel Securities Authority to serve as a trustee pursuant to Section 9 of the Mutual Investments in Trusts Law, 5754-1994, or a company approved by the Tax Assessor to serve as trustee pursuant to Section 3(a)(1) of the Income Tax Rules (Tax Relief in Allocating Shares to Employees), 5763-2003.

For details regarding the trustee see Section 3.7.12 below. If a company seeks to change the trustee for the securities following the publication of the prospectus, it shall make a public announcement thereof, with details about the new trustee and provided that it fulfills the foregoing conditions.

Restricted Shares that are registered in the Company's books to the name of the Nominee Company shall be held with a TASE member in a deposit managed

[30] For more information, see Section 3.7.13 below.

under the name of the trustee, while only the trustee has signatory rights in the deposit.

3.7.9 If shares were locked-up in accordance with the TASE Guidelines, the lock-up shall apply to bonus shares distributed thereunder, to shares deriving from conversion of locked-up convertible securities, and to rights distributed thereunder for no consideration.

3.7.10 If shares were locked-up in accordance with the TASE Guidelines as set forth above, and shares were offered thereunder by way of rights for consideration, the holder shall act in the Restricted Shares according to one of the following manners:

3.7.10.1. It shall sell the rights for the Restricted Shares on TASE and with the consideration received from the sale it shall purchase shares identical to the Restricted Shares, which shall be subject to the lock-up provisions applicable to the shares they held.

3.7.10.2. It shall utilize the rights for the Restricted Shares. The shares deriving from utilizing the rights, save for such number of shares the value of which according to the "ex-rights" price is equal to the value of its investment for utilizing the rights, shall be subject to the lock-up provisions applicable to the shares being held.

3.7.11 The provisions of this Section shall also apply to convertible securities that are not listed for trade, to rights that can be exercised into securities and to the securities deriving therefrom. The lock-up period shall be counted from the first listing date of the Company's securities at TASE.

3.7.12 Presented below is a summary of the Company's securities, correct as of immediately following the completion of the secondary offering and offering under this Prospectus, which shall be subject to lock-up upon listing of the Company's shares on TASE (assuming that all securities offered in this Prospectus are allocated and assuming the full performance of a secondary offering under this Prospectus):

Name of Holder	Type of Security	Quantity	Section of the Prospectus on the Lock-Up
Amir Nechmad	Ordinary Shares	93,037,696	3.7.1
Yair Nechmad	Ordinary Shares	72,514,433	3.7.1
	Non-negotiable options, including the Ordinary Shares deriving from their exercise	7,250,000	
Yair Nechmad Ltd.[31]	Ordinary Shares	14,060,772	3.7.1
David Ben-Avi	Ordinary Shares	79,610,299	3.7.1
	Non-negotiable options, including the Ordinary Shares deriving from their exercise	7,250,000	
Shareholders who were allocated shares in the 12 months preceding the offering under this Prospectus (by virtue of exercising options)	Ordinary Shares	32,812	3.7.2
Former employees	Non-negotiable options, including the ordinary shares deriving from their exercise	168,750	3.7.2

[31] A company fully owned by Mr. Yair Nechmad.

3.7.13 The Restricted Shares, as stated above in Section 3.7.12 above (including the shares that shall not be sold in the framework of the secondary offering and that shall remain with Mr. Yair Nechmad, Mr. Amir Nechmad, and Mr. David Ben-Avi) that are registered to the name of the nominee company in the Company's books, shall be deposited with Altshuler Shaham Trusts Ltd. (the "**Trustee for the Restricted Shares**"),[32] and shall be held throughout the lock-up period with a TASE member in a deposit managed in the name of the Trustee for the Restricted Shares, while only the Trustee for the Restricted Shares shall have signatory right in the deposit.[33]

[32] A company that was approved by the assessor to serve as trustee under Section 3(a)(1) of the Income Tax (Tax Benefits when Allocating Shares to Employees) Rules, 5763-2003.

[33] For information on releasing shares from the lock-up for the purpose of overallotment by the Company and Offerors, see Section 2.5.3 in Chapter 2 of this Prospectus.

Chapter 4 - Rights Attached to the Company's Shares[1]

4.1. Provisions in the Company's articles of association which relate to the rights accompanying the Company's shares

Presented below is a brief description of particular provisions in the Company's articles of association regarding the primary rights attached to the Company's shares. The version presented in this chapter is in summary form and does not constitute a substitute to reviewing the full version of the Company's articles of association.

4.1.1. The rights attached to the Company's shares

4.1.1.1. All of the Company's ordinary shares shall have equal rights between them, and each ordinary share shall grant its holder the following rights:

a. The right to participate in all of the Company's general meetings of the shareholders and to vote therein in all matters raised in the meeting, where each ordinary share grants its holder one vote per item; and

b. The right to receive dividends and bonus shares, according to the provisions of the Company's articles of association and the provisions of the Companies Law; and

c. The right to participate, upon the Company's liquidation, in the distribution of the Company's surplus assets, on a pro-rated basis according to the par value of each share, without considering any

[1] On May 4, 2021, the Company's general meeting approved the replacement of the Company's current articles of association with new articles of association suited to a public company. The new articles of association shall become effective upon the completion of the issue under this Prospectus and listing the Company's shares on TASE. Following listing of the Company's shares on TASE, it shall be possible to view the full version of the Company's articles of association on the Israel Securities Authority distribution website (**www.magna.isa.gov.il**). The provisions set forth in this Chapter are taken from the Company's amended articles of association, as said. Subject to the provisions of Section 46B of the Securities Law, the Company's share capital shall only consist of one type of shares, which grant equal voting rights with respect to their par value. All the shares in the Company's share capital shall be fully repaid and registered in the Company's shareholder registry in the name of the nominee company, in accordance with TASE rules.

premium paid for it, all subject to the provisions of the Company's articles of association.

4.1.1.2. A shareholder shall not be entitled to dividends or to participate in the allocation of bonus shares and shall not be permitted to exercise any right as a shareholder of the Company whatsoever, prior to paying all amounts and payment calls they are obligated to the Company until such time with respect to all Company shares owned by them, either personally or jointly with other persons.

4.1.2. Participating in a distribution of dividends and bonus shares[2]

4.1.2.1. Subject to the provisions of the Company's articles of association, dividends or bonus shares shall be distributed to the shareholders on a pro-rated basis to the par value of every share, without taking into account any premium paid thereon. The distribution of dividends and bonus shares shall be subject to the bylaws of the TASE clearing house and TASE rules and the regulations thereunder, as they shall be from time to time.

4.1.2.2. A shareholder shall not be entitled to dividends or to participate in the allocation of bonus shares and shall not be permitted to exercise any right as a shareholder of the Company whatsoever, prior to paying all amounts and payment calls they are obligated to the Company until such time with respect to all Company shares owned by them, either personally or jointly with other persons.

4.1.2.3. Dividends or bonus shares shall be distributed to whoever shall be registered in the Company's shareholder registry on the date to be determined in that resolution.

4.1.3. General meetings

4.1.3.1. A notice of a general meeting shall be provided to the shareholders as required under applicable law, and publication of the notice shall be done

[2] So long as the Company shares are listed, insofar as they shall be listed under this Prospectus, the distribution of dividends and bonus shares shall be performed according to TASE rules, the regulations thereunder, and the bylaws of the TASE clearing house.

in accordance with the provisions of the Companies Law and the Securities Law and their regulations regarding the publication of a notice for a general meeting of a public company.

4.1.3.2. Discussions at general meetings may only commence if a legal quorum is present. A legal quorum shall be constituted when two or more shareholders are present in person or by proxy or voting card or in any other way to be permitted under law, holding at least twenty-five percent (25%) of the voting rights in the Company, within half an hour from the time set for the commencement of the general meeting.

4.1.3.3. If after half an hour from the time scheduled for the general meeting a legal quorum is still not present, it shall be adjourned to the same day of the following week, at the same time and place, or at an earlier or later time, if so stated in the original notice of the general meeting ("**Adjourned Meeting**"). If a legal quorum is not present at the Adjourned Meeting after half an hour from the time scheduled for the meeting, then a meeting shall be held with any number of participants whatsoever, irrespective of the participants' holding rate in the Company's voting rights.

4.1.3.4. Notwithstanding the foregoing, insofar as the general meeting was convened upon a requirement by shareholders as set forth in Sections 63 or 64 of the Companies Law, the legal quorum in the Adjourned Meeting shall be formed by the presence of the required number of shareholders for purpose of convening a meeting as set forth in Section 63 of the Companies Law.

4.1.3.5. A shareholder interested in voting at the general meeting, shall prove to the Company that it owns shares, as required under the provisions of law. Without derogating from the foregoing, the board of directors may establish provisions and guidelines regarding proof of ownership of the Company's shares.

4.1.3.6. Shareholders may vote at a general meeting or class meeting, personally, through a proxy, through a voting card or in any other way permitted under law, provided the Company shall receive proof of ownership of its shares

at least seventy-two (72) hours before the date the meeting is convened, all pursuant to the provisions of the Company's articles of association and subject to the provisions of applicable law.

4.1.3.7. Subject to the provisions of the law, in the event of joint owners of a share, each owner may vote at each meeting, with respect to such share, as if they were the sole party entitled to such. If more than one joint owners of a share participated in a general meeting, the opinion of the party shall be accepted with respect to a share whose name appears first on the shareholder registry, or on the approval with respect to their ownership in a share, or in another document which shall be established by the board of directors for this matter. Multiple legal guardians or multiple estate administrators of a registered shareholder who passed away, shall be deemed for purposes of this section as joint owners of those shares.

4.1.3.8. Any person entitled to a share under Article 18 of the Company's articles of association (through inheritance, transfer by law, etc.), may vote by virtue of such share at any general meeting in the same manner as if they were the registered owner of such shares, provided that they prove, to the satisfaction of the board of directors, their right to the share at least seventy two (72) hours prior to the time of the general meeting or Adjourned Meeting, as applicable, in which it intends to vote.

4.1.3.9. Each of the ordinary shares of the Company entitles its owner to a right to participate in general meetings of the Company and to one vote per item.

4.1.3.10. A resolution which is up for vote at the general meeting shall be determined through a count of votes; votes shall be performed in the manner which shall be set for such by the chairman of the general meeting. In the event of a disagreement whether to accept or disqualify a vote, the chairman of the general meeting shall determine the matter and their decision in good faith shall be final and decisive.

4.1.3.11. Subject to the provisions of any law and the provisions of the Company's articles of association regarding other majorities, resolutions at the general meeting shall be adopted by regular majority. In the event that the number

of votes for and against is at a deadlock, the chairman of the general meeting shall not have an additional vote or casting vote. If votes are at a deadlock, the proposed resolution for which a shareholder vote is being conducted shall be deemed to have been rejected.

4.1.3.12. In meetings where it is possible to vote through a voting card in accordance with the provisions of the Companies Law, the shareholders may vote at the general meeting or class meetings (as applicable) through a voting card in resolutions on matters set forth in the Companies Law, and in matters with respect to which the Company's board of directors shall from time to time decide to allow voting through a voting card, all according and subject to the provisions of the Companies Law, and provided that the voting cards shall be received at the Company's offices, together with the proof of ownership of the shares, on the dates set by law.

4.1.3.13. A shareholder may appoint a proxy to vote on its behalf. A proxy to vote is not required to be a shareholder of the Company.

4.1.3.14. The document appointing a proxy to vote ("**Letter of Appointment**") shall be prepared in writing and shall be signed by the appointing party, and if the appointing party is a corporation, the Letter of Appointment shall be prepared in writing, and shall be signed in a manner binding the corporation; the board of directors or person authorized for such by the board of directors, may require that the Company be provided with written confirmation, to its satisfaction, prior to convening the general meeting, with respect to the authority of the signing parties to bind the corporation. Similarly, the Company's board of directors may establish provisions and guidelines for any matter associated with such.

4.1.3.15. The Letter of Appointment or a suitable copy of such, to the satisfaction of the board of directors or party authorized for such by the board of directors, shall be deposited at the registered office of the Company or another place, as shall be established by the board of directors from time to time, in general or with respect to a specific event - at least seventy-two (72) hours prior to the commencement of the general meeting or

Adjourned Meeting, as applicable, in which the proxy intends to vote on the basis of such Letter of Appointment. Notwithstanding the foregoing, the chairman of the meeting may, at their discretion, accept said Letter of Appointment, even after such time, if they find it correct to do so, at their discretion. If the Letter of Appointment, as set forth in this Article, has not been received, it shall not be valid at such meeting.

4.1.4. Transferring and assigning shares

4.1.4.1. Subject to the provisions of the Company's articles of association or the conditions to allocate ordinary shares or preferred shares, if any, the Company's shares shall be transferrable without requiring the approval of the board of directors.

4.1.4.2. Fractions of shares shall not be transferred, however, a share may jointly have a number of owners, and each one of them shall be entitled to transfer their right.

4.1.4.3. Each transfer of Company shares recorded in the shareholder registry of the Company, shall be done in writing, provided that the transfer letter shall be signed by the transferor and transferee and shall be sent to the registered office of the Company or to any other place established by the board of directors for such purpose.

4.1.4.4. Subject to the provisions of the Companies Law, the transfer of shares as set forth above in Section 4.1.4.3, shall only be recorded in the Company's shareholder registry after the Company has been sent a transfer letter, as set forth above; the transferor shall continue to be deemed owner of the transferred shares, until the transferee has been recorded as the owner of the transferred shares in the Company's shareholder registry.

4.1.4.5. The share transfer letter shall be prepared in the form set forth in the Company's articles of association, in similar form to the extent possible, or in a different manner which shall be approved by the Company's board of directors.

4.1.4.6. All share transfer letters shall be submitted to the registered office of the

Company or to any other place as established by the board of directors, for registration purposes, together with the certificate of the shares that are going to be transferred, if such has been issued, and any other proof which shall be required by the board of directors or the party authorized for such by the board of directors regarding the property right of the transferor or their right to transfer the shares. A transfer letter which shall be registered, shall remain in the possession of the Company; however, any transfer letter which the board of directors or party authorized for such by the board of directors has refused to register, shall be returned to the party which submitted such, at their request.

4.1.4.7. The Company may close its shareholder registry for any length of time established by the board of directors, provided that it shall not exceed, in total, thirty (30) days annually. No transfer of shares shall be recorded in the Company's shareholder registry during the time the registry is closed. Without derogating from the foregoing, the board of directors may establish a date of record in order for the Company to establish who among the shareholders is entitled to a notice or shall be entitled to vote at a general meeting, or to receive payment of dividends or issuance of any rights whatsoever or for any other lawful objective.

4.1.4.8. The Company shall be entitled to charge a fee for registration of the transfer, in an amount that shall be set by the board of directors, from time to time, and which shall be reasonable under the circumstances.

4.1.4.9. The legal guardians and estate administrators of an individual shareholder who has passed away, or, absent estate administrators or legal guardians, the heirs of an individual shareholder who passed away, shall be the sole parties the Company shall recognize as holding the right to shares registered in the name of the deceased.

4.1.4.10. Any person who shall become a right-holder in shares as a result of the death of a shareholder, after presenting the Company with proof sufficiently attesting to the fact, at its discretion, that it has a right to the shares of the deceased shareholder, shall be entitled to be registered as a

shareholder for these shares, or can, subject to the provisions of the Company's articles of association, transfer these shares.

4.1.4.11. If a share is registered in the name of two or more owners, the Company shall only recognize the surviving partner/s as having the right to a share or benefit therein, and such shall not in any way be construed to exempt the estate of the joint owner of the share from any obligation whatsoever with respect to the share said party jointly held. If a share is registered in the name of a number of joint owners, as said, each one of them shall be entitled to transfer their rights.

4.1.4.12. The Company may recognize the receiver or liquidator of a corporate shareholder which is in winding-up or liquidation or the trustee in insolvency or any receiver of an insolvent shareholder as the right holder of shares registered in the name of such shareholder. The receiver or liquidator or trustee or a shareholder which is a corporation in winding-up or liquidation, or the trustee in insolvency, or any receiver of an insolvent shareholder, after producing the evidence required from the board of directors, attesting they have the right to the shares of the shareholder in winding-up, liquidation or insolvency, shall be entitled to be registered as shareholder for these shares, or can, subject to the provisions of the Company's articles of association, transfer those shares.

4.1.4.13. Subject to the provisions of any applicable law and the provisions of the Company's articles of association, if it is proven to the Company that the conditions under law have been satisfied to assign the right to shares registered in the shareholder registry, the Company shall recognize the assignee, and it alone, as the right holder of such shares.

4.1.4.14. Subject to the provisions of applicable law and the provisions of the Company's articles of association, the Company shall change the registration of ownership of shares in the Company's shareholder registry if the Company is issued a court order to amend the registry or if it is proven to the Company, to the satisfaction of the board of directors and in the manner established by it, that the conditions under law have been

satisfied to assign the right to shares.

4.1.4.15. Subject to the provisions of applicable law and the provisions of the Company's articles of association, a person who becomes entitled to a share, as set forth in Regulation 4.1.4.14 above, shall be entitled to perform a transfer of the shares in the same manner the registered owner was able prior to assigning the right.

4.1.5. Redeemable securities[3]

Subject to the provisions of the Companies Law and any applicable law, the Company may issue redeemable securities under terms and conditions which shall be established by the board of directors, at its discretion.

4.1.6. The right to appoint directors

For the provisions in the Company's articles of association regarding the appointment of directors, see Section 7.4.2 in Chapter 7 of this Prospectus.

4.1.7. The right to participate in distribution of the Company's property upon liquidation

4.1.7.1. Should the Company be liquidated, whether voluntarily or otherwise, the liquidator, with the approval of the general meeting, may distribute *in specie* the Company's assets or any part thereof between the shareholders, and deliver any such asset to the trustee in favor of the shareholders, as the liquidator shall deem right.

4.1.7.2. Subject to special rights of shares, should special rights shares be issued,[4] the Company's shares shall have equal rights between them with respect to the capital amounts that were paid or credited as being paid on the par value of the shares, in connection with repayment of capital and participation in the distribution of the Company's surplus assets upon liquidation.

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[3] According to the provisions of Sections 312 and 313 of the Companies Law, the Company may in its articles of association include a provision permitting it to issue redeemable securities. It is clarified that as long as the Company is a public company, the Company cannot issue redeemable securities, except with TASE's approval to issue redeemable securities.

[4] Subject to Section 46B of the Securities Law.

4.2. **Arrangements in the Company's articles of association in accordance with provisions of the Companies Law**

Below are certain arrangements referring to the rights attached to the Company's shares under the Companies Law, which were set forth in the Company's articles of association.

4.2.1. Amending the articles of association (Section 20 of the Companies Law): Article 8 of the Company's articles of association sets forth that the Company may amend the Company's articles of association through a resolution adopted at the Company's general meeting by regular majority of shareholders present at the meeting, who may vote and who voted at the meeting, excluding abstainers.

4.2.2. Restricting the possibility of changing the articles of association (Section 22 of the Companies Law): The Company's articles of association do not include a provision that restricts the Company to change any of its provisions.

4.2.3. Transfer of powers between organs (Section 50 of the Companies Law): Article 40 of the Company's articles of association sets forth that the board of directors may decide that power given to the CEO shall be transferred to it, all for a certain matter or for a certain time period. Article 41 of the Company's articles of association sets forth that the board of directors may order the CEO how to act in a certain manner, and insofar as the general manager did not uphold the order, the board of directors may exercise the authority required to perform the order in their place. Similarly, Article 42 of the Company's articles of association sets forth that if the CEO is precluded from exercising its authorities, the board of directors may exercise them in its place. The Company's articles of association does not include a provision allowing the general meeting to assume powers that are granted to a different organ under the provisions of Section 50(a) of the Companies Law.

4.2.4. Appointing directors (Section 59 of the Companies Law): See Section 7.5.1 in Chapter 7 of this Prospectus.

4.2.5. Legal quorum to hold a general meeting (Section 81 of the Companies Law) : In this regard see Sections 4.1.3.2 - 4.1.3.4 above.

4.2.6. Majority to adopt resolutions at the general meeting (Section 85 of the Companies Law): In this regard see Section 4.1.3.11 above.

4.2.7. Voting in the board of directors (Section 105 of the Companies Law): See Section 7.5.2 in Chapter 7 of this Prospectus.

4.2.8. Adopting resolutions in the board of directors (Section 107 of the Companies Law): See Section 7.5.3 in Chapter 7 of this Prospectus.

4.2.9. Directors' term of office (Section 222 of the Companies Law): See Section 7.5.4 in Chapter 7 of this Prospectus.

4.2.10. Agreement to grant officers an exemption from violating the duty of care (Section 259 of the Companies Law): Articles 89-90 of the Company's articles of association set forth that the Company may in advance exempt its officers from all or part of their liability, due to damage as a result of violating the duty of care towards it, except as a result of violating the duty of care in a distribution.

4.2.11. Restrictions on distributing dividends (Section 301 of the Companies Law): The Company's articles of association does not include restrictions on distributing dividends beyond the provisions of the Companies Law.

4.2.12. Resolution to distribute dividends (Section 307 of the Companies Law): Article 98 of the Company's articles of association sets forth that the Company's resolution on distributing dividends shall be made by the Company's board of directors.

4.2.13. Stipulation for a merger (Article 324): The Company's articles of association does not include an undertaking or stipulation with respect to performing a merger.

Chapter 5 - Proceeds of the Offering and its Designation

5.1. **Proceeds of the issuance and secondary offering**

5.1.1 The Company's expected proceeds from the issuance of the shares offered under this Prospectus[1] and the estimated costs involved therein, assuming the sale of all the securities offered by the Company under this Prospectus, are as set forth below:

Immediate anticipated issuance proceeds (gross)	**Approximately ILS 462,000,000**
Less Lead Underwriter consideration (the Total Margin, as defined in Section 2.6.5 of this Prospectus) (which includes fees to the Israeli distributors for distribution services in Israel of ILS 5197,500).	**Approximately ILS 27,720,000**
Less other costs	**Approximately ILS 3,765,720**
Immediate anticipated proceeds (net)	**Approximately ILS 430,514,280**

** According to the terms of the Underwriting Agreement, the Company shall issue the shares to the Lead Underwriter at a price reflecting the Margin (as defined in Section 2.5.3 in Chapter 2 of this Prospectus) at a rate of 6% of the share price for investors, at the Company's discretion. Payments to distributors and to the consultants of the Lead Underwriter shall be paid by the Lead Underwriter and at its expense.

5.1.2 The issuance costs shall be divided between the Company and the offerors as follows:

The issuance costs shall be divided between the Company and the Offerors, so that the Offerors shall bear their relative share in the Lead Underwriter consideration

[1] Such proceeds do not include the proceeds from selling the Additional Securities (as defined in Section 2.5.3 in Chapter 2 of this Prospectus), and do not include the proceeds to be received from the secondary offering under this Prospectus.

(according to the number of shares to be sold by the Offerors in the issuance), whereas the Company shall bear all the remaining costs of the issuance.

5.2. **Designation of the proceeds**

The issuance proceeds that the Company shall receive under this Prospectus shall be used by the Company for financing and expanding the Group's business activity, according to resolutions of the Company's board of directors and considering the Company's business strategy, as such shall be from time to time. In particular, the issuance proceeds may be used for expanding the Group's activity (including entering new geographical regions and adapting products in the various territories), developing new products, repaying shareholder loans as set forth in Section 8.2.4 in Chapter 8 of this Prospectus, and for performing merger and acquisition of activity transactions, as part of the Company's strategy to acquire companies specializing in their respective fields, in order to integrate them into the Group's activity. The Company estimates that the amounts from the issuance proceeds to be used for such purposes are as set forth hereunder:

Amounts out of the issuance proceeds *	**Anticipated use of the issuance proceeds**
Approximately ILS 180 million	Expanding the Group's activity
Approximately ILS 105 million	Developing new products
Approximately ILS 25.5 million **	Repaying shareholder loans
Approximately ILS 120 million	Merger and acquisition of activity transactions

* Such amounts do not take into account the proceeds to be received by the Company by virtue of the exercise of the overallotment option by the Lead Underwriter (as set forth in Section 2.5.3 in Chapter 2 of this Prospectus). Should such option be exercised, the proceeds from its exercise shall be divided on a pro-rated basis between the uses set forth above (except for repayment of the shareholders' loans, which shall be repaid in full from the proceeds of the issuance under this Prospectus, even assuming such option is not exercised).

** Not including amounts to be utilized by the Company, if any, from the credit facility provided by the Company's controlling shareholder, as set forth in Section 8.2.4 in Chapter 8 of this Prospectus.

It is clarified that the Company's board of directors may change the designations of using the proceeds set forth hereunder, and the amounts to be used for each purpose, at its discretion. The proceeds in the framework of the secondary offering shall be used *inter alia* for purpose of repaying a loan taken by Mr. Yair Nechmad, Mr. Amir Nechmad, and Mr. David Ben-Avi, the controlling shareholders of the Company, from an Israeli institutional entity (for details about such loan agreement, see Section 6.5.3 in Chapter 6 of this Prospectus), and for purpose of paying the put option consideration by Mr. Yair Nechmad (including through a company that he fully owns), Mr. Amir Nechmad, and Mr. David Ben-Avi to Globe Invest Limited (for details see Sections 8.2.6.3-8.2.6.5 in Chapter 8 of this Prospectus).

The Company's estimates and intentions with respect to the planned use of the issuance proceeds under this Prospectus, constitutes forward-looking information, as such term is defined in the Securities Law, 5728-1968, which is based on subjective evaluations and estimates of the Company. The factors that may influence the fact that all or part of such estimates may not materialize, or may materialize differently than anticipated, are numerous and include inter alia changes in the relevant markets, future decisions of the Company's competent organs, changes to the Company's business strategy, events and developments in the macroeconomic environment where the Company is active, and the materialization of any risk factors set forth in Section 6.35 in Chapter 6 of this Prospectus.

With respect to the Shelf Prospectus, should securities in the future be offered under shelf prospectus reports to be published under the Prospectus, the issuance proceeds to be received shall be used for financing the Group's business activity, according to a resolution by the board of directors as shall be adopted from time to time. Should a determination be made of a specific designation, or one that differs from the forgoing for the issuance proceeds under such shelf prospectus report, it shall be detailed in the shelf prospectus report.

5.3. **The Interim Period**

During the interim period until the date the issuance proceeds are used, the Company's competent organs shall be responsible for determining a financial management policy for the issuance proceeds. As of the Prospectus date, and until a different resolution is adopted

by the Company's competent authorities, at their sole discretion, the issuance proceeds funds shall be invested in cash (including in foreign currencies) and/or they shall be invested in solid and liquid channels, such as shekel deposits or foreign currency deposits, government bonds issued by the Israeli government and/or governments of other countries with an international investment rating of A or more (or equivalent rating) and/or in any other solid investment, all at the discretion of the Company's competent organs.

5.4. **Minimum proceeds**

No minimum fundraising amount was determined as a stipulation for issuing the shares offered under this Prospectus.

Chapter 6 – Description of the Corporation's Business

Table of contents

Subject	Section	Page
Part One: Description of the General Development of the Company's Business		
The activity of the Company and development of its business	6.3	F-3
Investments in the Company's share capital and transactions in its shares	6.5	F-11
Distribution of Dividends	6.6	F-14
Part Two: Other Information		
Financial information regarding the Company's areas of activity	6.7	F-15
General environment and impact of external factors on the Group's activity	6.8	F-15
Part Three: Description of Company's Business According to Areas of Activity		
General information on the area of activity	6.9	F-20
Products and Services	6.10	F-31
Segmentation of revenues and products profitability	6.11	F-44
New Products	6.12	F-45
Customers	6.13	F-47
Marketing and Distribution	6.14	F-49
Orders backlog	6.15	F-51
Competition	6.16	F-51

Seasonality	6.17	F-53
Fixed assets, real estate and facilities	6.18	F-53
Research and development	6.19	F-54
Intangible Assets	6.20	F-60
Human Capital	6.21	F-65
Raw Materials and Vendors	6.22	F-68
Working Capital	6.23	F-71
Investments	6.24	F-72
Financing	6.25	F-72
Taxation	6.26	F-86
Environmental risks and management thereof	6.27	F-87
Limitations and control over the corporation	6.28	F-87
Material Agreements	6.29	F-100
Cooperation Agreements	6.30	F-100
Legal Proceedings	6.31	F-101
Goals and business strategy	6.32	F-101
Projected development in coming year	6.33	F-103
Financial information about geographical areas	6.34	F-105
Discussion of risk factors	6.35	F-105

Description of the Corporation's Business

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

6.1. 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 accordance with the Securities (Details of Prospectus and Draft Prospectus - Structure and Form) Regulations, 5729-1969.

6.2. Definitions

In this Chapter 6, the following terms shall have the meanings ascribed to them, unless explicitly stated otherwise:

The "Company"	-	Nayax Ltd.;
"Dually"	-	Dually Ltd., a subsidiary of the Company;
The "Group"	-	The Company and the direct and indirect subsidiaries;
The "**Companies Law**"	-	The Companies Law, 5759-1999;
The "Securities Law"	-	The Securities Law, 5728-1968.

6.3. The activity of the Company and development of its business

6.3.1. General

The Company was incorporated in Israel on January 16, 2005, as a private company named "Sarnakot Ltd." On May 10, 2005, the Company changed its name to its current name. As of the Prospectus date, the Company 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 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, the Company acquired 51% of the share capital of UPITec Software Ltd. (which changed its name to Nayax Retail Ltd.), a company specializing in providing universal computerization solutions for retailers, based on SAP Business One and it intends to acquire the remaining shares, as set forth in Section 6.3.2 below. For additional details about these acquisitions, see Note 6 to the financial statements.

It should be noted that as of the Prospectus date, the Company's Attended Activity focuses on the Israeli market. However, the Company intends to expand it to the global market in the forthcoming years.

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 Prospectus date, the Company provides services to over 19,000 customers that operate approx. 370,000 Unattended points of sale in over 50

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 approx. 40 types of currency and provides support in 20 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. 15 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 6.13.1 below), between 2018-2020 was 113%. The average rate of losses for Customer Abandonment (as such term is defined in Section 6.13.1 below) between 2018-2020, was only 3.3%. Similarly, the number of Customer customers almost tripled from 2017 to 2020. For additional details about the Company's customers, see Section 6.13 below.

Growth and key metrics

The Company has grown consistently since its establishment in 2005, and in the past few years the Company's growth has even accelerated. Beyond the above customer data, the Company is examining its growth through three key metrics: the number of connected points of sale to which the Company provides services, the number of transactions performed in the points of sale, and the financial value of the transactions performed in the points of sale. The following is data with respect to these three key metrics with respect to 2018 to 2020:

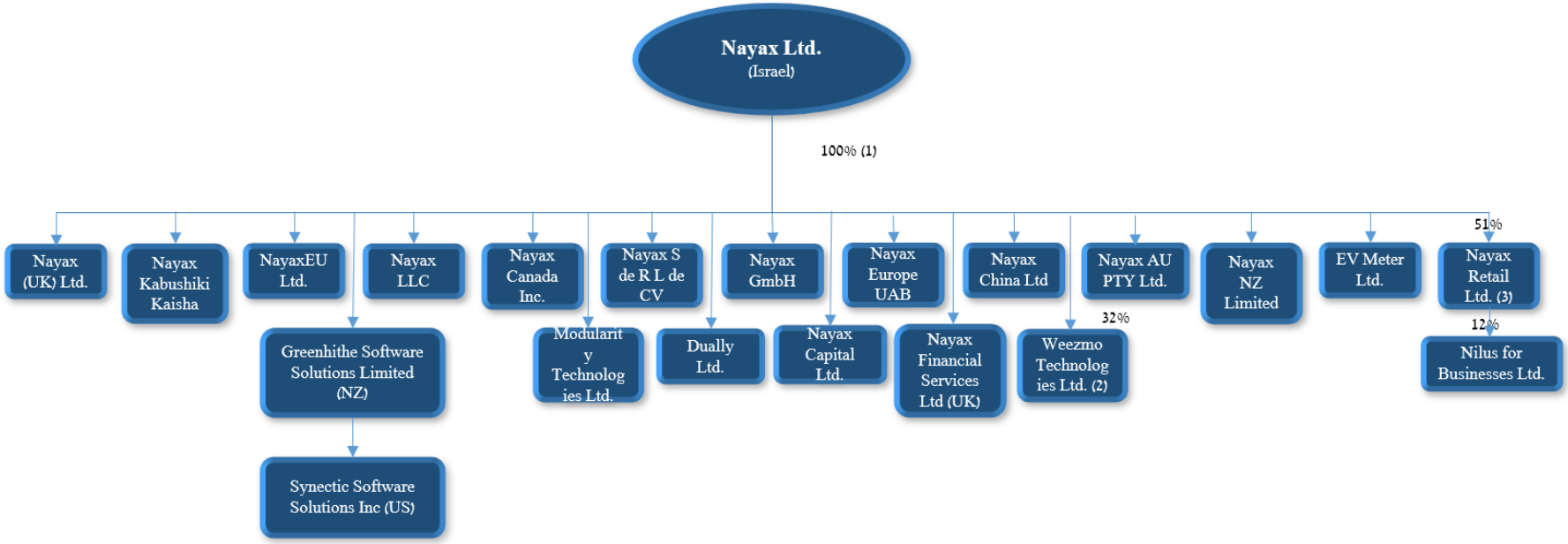
Data / Year	2020	2019	2018
Connected points of sale (in thousands)	*281	239	164
Number of transactions (in millions)	470	451	295
The financial value of the transactions (in USD millions)	772	698	474

* As of 2020, the Company provided services to approx. 90,000 points of sale, approximately 80,000 thereof through Vendsys's solution (for the definition of this terms and for additional details about this solution, see Section 6.10.2.5 below), and approximately 10,000 endpoints as part of the Attended Activity.

The Company estimates that the Company's key metrics attest to the Company's significant growth in recent years and to its potential future growth, and they reflect high confidence of the global market in the Company, in its products, and in its unique technological solution.

6.3.2. **Diagram of the Company's Holdings Structure**

Hereunder is a diagram of the structure of the Company's holdings, as of the Prospectus date:



(1) Holdings percentage is 100%, unless noted otherwise

(2) In addition to the described share capital holdings, the Company also has an irrevocable power of attorney for purpose of voting with respect to a further 41.68% of the share capital.

(3) Under the binding agreement between the Company and Nayax Retail Ltd., the Company will buy Nayax Retail Ltd.'s remaining share capital over the next five years, so that every year the Company will buy approximately 9.8% of Nayax Retail Ltd.'s shares until it buys all shares. It is noted that the issuance under this Prospectus shall accelerate the purchase of the remaining shares, so that the Company shall purchase the remaining shares of Nayax Retail Ltd. until owning all 100%, within 14 business days from the issuance completion. It is noted that with respect to the first payment only, which should have been made on March 8, 2021, the parties agreed to postpone it until 14 business days from the issuance completion,

or on May 31, 2021, according to the earlier.

In addition to the above companies, the Company holds Nayax Italy S.R.L (Italy), which is undergoing voluntary liquidation as of the Prospectus date.

For more information about the MOU to buy shares in Tigapo Ltd., see Section 3.2.5 of Chapter 3 of this Prospectus.

6.4. **Areas of activity**

As of the Prospectus date, 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 6.3.1 above and the details below.

6.5. **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 by interested parties in the Company:

6.5.1. For details regarding an investment by SafeCharge Bulgaria EOOD in the Company and in Dually, in exchange for allocation of shares in the Company and in Dually, and the transfer of the above shares back to the Company's controlling shareholders, see Section 8.2.6 in Chapter 8 of this Prospectus.

6.5.2. For details regarding a reorganization agreement in connection with the transfer of all shares in Dually from the Company's controlling shareholders to the Company, see Section 8.2.7 in Chapter 8 of this Prospectus.

6.5.3. 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 (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, should the Company list its shares for trade on the Tel Aviv Stock Exchange Ltd. (on any trading list whatsoever, including TACT-Institutional) or any other stock exchange whatsoever outside of Israel (including, for the avoidance of doubt, under this IPO Prospectus) (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, as detailed below:

(A) 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, 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.

(B) Should the IPO occur subsequent to December 31, 2021 and prior to December 29, 2022, 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 6,050,500, plus costs that apply to it under the Loan Agreement, as well as interest in arrears accrued and unpaid. In addition, 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 12,100,000, 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 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 in subsections (A) and (B) above (as applicable), from the account of the TASE member of the Borrower to which the Secondary Offer proceeds shall be credited.

It was further agreed that if for any reason the IPO is not carried out by way of sale of Company shares by the Borrowers, the parties shall act in good faith to create an alternate mechanism to guarantee in advance the transfer of the funds to the Lender concurrently with completion of the IPO.

The Borrowers also undertook that until the final repayment date of the loan, they shall act so that the Company's holding structure does not change (except as stipulated in the agreement); that the Company does not change the rights attached to its shares; and that the Company does not amend its incorporation documents in a manner that would prejudice the rights of the Lender.

In addition, in accordance with the provisions of the Loan Agreement, each of the Borrowers charged 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, over 16,872,168 ordinary shares of the Company, and in total 50,616,504 ordinary shares of the Company, including all rights attached thereto (the **"Security"**). It is clarified that exercising the Security shall be subject to the provisions of the TASE rules and regulations thereunder, as in effect

from time to time. In addition, the Borrowers undertook that should the credit to security ratio fail to meet the threshold set forth in the Loan Agreement, the Borrowers shall charge additional shares of the Company held by them in favor of the Lender, at the stipulated rate, in order to comply with the aforementioned credit to security ratio.

The agreement includes representations and warranties typical of similar agreements, including obligations to provide information. These rights shall expire upon repayment of the loan.

The Lender is authorized to assign its rights and obligations under the Loan Agreement to one or more of the entities listed in Sections (1) to (4) of Schedule One to the Securities Law.

As stated above, upon completion of the IPO under this Prospectus, the loan shall be absolutely and finally repaid.

6.6. **Distribution of Dividends**

6.6.1. The Company has not announced distribution of dividends and did not distribute dividends during the two years preceding the Prospectus date.

6.6.2. As of December 31, 2020, the Company had no distributable earnings (as defined in Section 302 of the Companies Law).

6.6.3. For details regarding restrictions on distribution of dividends applicable to the Company, see Section 6.25.2.4.2 below.

6.6.4. As of the Prospectus date, the Company has no policy concerning the distribution of dividends.

Part Two: Other Information

6.7. Financial information regarding the Company's areas of activity

6.7.1. Hereunder is financial information regarding the Company's area of activity, from the Company's financial statements for the years 2018, 2019, 2020 (in USD thousands):

		2020	2019	2018
Revenues	Revenues from area of activity	78,783	63,626	48,711
	Total	78,783	63,626	48,711
Costs	Fixed costs *	7,442	6,223	4,452
	Variable costs **	73,565	60,492	42,920
	Total	81,007	66,715	47,372
Profit from regular activities	Profit (loss) from regular activities attributed to the controlling shareholders of the company	(2,395)	(2,852)	1,285
	Profit (loss) from regular activities attributed to noncontrolling rights	171	(237)	54
	Total	(2,224)	(3,089)	1,339
Total assets		92,753	69,486	53,132
Total obligations		80,252	53,817	33,254

* 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 Prospectus, see the board of directors' report attached to this Prospectus.

6.8. 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:

6.8.1. 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 50 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 6.10.2.2 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 6.10.2.2 below.

For additional details on the legislation and regulations applicable to the Group's activities, see Section 6.28 below.

6.8.2. Exchange rate fluctuations

A material part of the Company's expenses are incurred in Israel, in ILS. However, the Group is active in over 50 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.

6.8.3. 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 Prospectus date, most of the Group's customers are operators of Unattended points of sale and service, particularly automatic vending machines. The products sold using most of the automatic vending machines connected to the Company's platform are basic, inexpensive consumer products, such as soft beverages, coffee, snacks and more. The average transaction price in the aforementioned vending machines is approx. USD 1.65, so naturally, the consumption of this type of product continues, and is not impacted significantly, even during an economic slowdown.

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 Unattended points of sale and the activity of the Company's customers, and in a reduction in the number of consumer transactions executed with the Company's customers at Unattended and Attended points of sale. However, as of the Prospectus date, the number of Unattended points of sale of the Company's customers is greater than it was prior to the outbreak of the Coronavirus. The decline in the number of transactions performed at the Attended and Unattended points of sale of the Company's customers during this period has led to a drop in the Company's revenues from payment commissions to which the Company is eligible for transactions at these points of sale. In addition, there has been a reduction in the sale of the Company's products and services to new customers and the increase of activities with existing customers. It should be noted that, as of the Prospectus date, the number of transactions executed at the Attended and Unattended points of sale, as well as the product sales figures, have increased relative to the period 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.

For further details on the impact of the Coronavirus on the Group's activities, see Section 1.1 of the board of directors' report.

The possible implications of the spread of the Coronavirus 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. This information is based primarily on public information about the Coronavirus (which changes frequently) as of the Prospectus date and the Company's estimates which are based, **inter alia,** ***on information known as of the date of publication of this Prospectus. 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.***

6.8.4. 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 6.16 below.

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 6.35 below).

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

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

6.9. General information on the area of activity

6.9.1. 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 Prospectus date, the Group is active in over 50 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 6.10.4.1 below) and payment management for public transportation (see Section 6.12.1 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) <u>The percentage of Unattended points of sale not supported by providers of solutions and services in the Company's area of activity</u>

As of the Prospectus date, the solutions offered by the Company support approx. 370,000 automatic vending machines in the various territories throughout the world. In the Company's estimate and according to a Market Study that it conducted, (as defined below), as of the Prospectus date, 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 6.13 below, as of the Prospectus date the Company has approximately 19,000 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. In the Company's estimate, based on its data the revenue from current customers is expected to increase by a factor of 2-4.[1]

(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,

[1] Thus, the revenues from customers who initially purchased the Company's products or services in 2017, in that year amounted to approximately USD 4.5 million (without referring to the exact date of that year), and in the three following years, 2018-2020, the revenues from those customers amounted to approximately USD 24.3 million; the revenues from customers who initially purchased the Company's products or services in 2018, in that year amounted to approximately USD 4.2 million (without referring to the exact date of that year), and in the following two years, 2019-2020, the revenues from those customers amounted to approximately USD 21.5 million; the revenues from customers who initially purchased the Company's products or services in 2019, in that year amounted to approximately USD 6.2 million (without referring to the exact date of that year), and in the following year, 2020, the revenues from those customers amounted to approximately USD 13.1 million.

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, the Company 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 currently 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 today 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 also, 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,[2] 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 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.

[2] PYMNTS, The Future of Unattended Retail Report (February 2020)

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.

6.9.2. **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 6.28 below.

6.9.3. **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 6.9.1 above.

6.9.4. **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.

6.9.5. **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.

6.9.6. **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 6.9.8.1(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.

6.9.7. **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 is not dependent on any vendor, since it orders its products which are not made of unique raw materials, customized for Unattended Activity, or as "shelf products" for the Attended Activity, characteristics which make it possible to switch vendors at no significant cost. 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 6.22 below.

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

6.9.8.1 **Barriers to entry**

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

(A) 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 Prospectus date, 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.

(B) 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.

(C) 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.

(D) 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.

(E) 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 50 countries in the world, through subsidiaries that distribute the Company's products in approx. 10 countries and through engagements with over 35 distributors of Company products throughout the world. In addition, the Company has over 300 OEM connections (as defined in Section 6.14.4 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.

6.9.8.2 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. 20% 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.

6.9.9. **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 Prospectus publication date, 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.

6.9.10. **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 6.16 below.

6.10. **Products and Services**

6.10.1. 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 6.28.3 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 prospectus date, the Company is working to extend the variety of uses and product applications and of Company technologies. For more information, see Section 0 below.

6.10.2. Services

6.10.2.1. 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 6.10.2.2 below) that allow its products to accept payment *inter alia* in 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.

6.10.2.2. 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.

6.10.2.3. 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.

6.10.2.4. 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.

6.10.2.5. 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 prospectus date, the solution offered by the Company is installed on approx. 370,000 machines in points of sale, while approx. 280,000 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. 80,000 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 10,000 connected endpoints as part of the Attended Activity.

6.10.2.6. 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 6.10.4.2 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.

6.10.3. Products:

6.10.3.1. 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.

6.10.3.2. 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.

6.10.3.3. 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.

6.10.3.4. 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.

6.10.3.5. 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.

6.10.3.6. 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.

6.10.3.7. 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.

6.10.3.8. 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.

6.10.3.9. JULIA

A mobile sales platform for Attended points of sale. The product is Android-based, and it enables accepting payments using swipe, contactless, and contact payment methods, along with accepting alternative payment methods such as digital wallets and Tap on Pay. The payment features many communication options as it enables connectivity using 2G-4G, Wi-Fi, BT, and GPS. The JULIA is a handheld product with a 7 inch screen business owners can use for a wide variety of services, such as a menu, ordering, self-service, and more.

6.10.4. Other products and services

6.10.4.1. 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 the VPOS Touch device 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 Market Study that it conducted, that the rate of charging stations for electric vehicles increased by approximately 54% on average per annum, since 2015 and until today, while this trend is expected to continue at similar rates. 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 Prospectus date, the service is offered in the UK, Greece, Israel, Norway, and Sweden. 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.

6.10.4.2. 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.

6.11. **Segmentation of revenues and products profitability**

6.11.1. 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) Charging a clearing fee for any transaction made at the point of sale and cleared using the Company's platform. There were 470 million transactions cleared using the Company's products in 2020, averaging approx. USD 1.65 per transaction.

In 2020, approx. 55% of the Company's revenues came from the monthly usage fee and clearing fees, and approx. 45% of the Company's revenues came from payments for sale of the Company's end-user units. The importance of the Company's customers buying end-user units effectively increases the Company's revenues from monthly usage fees and clearing fees, and generates a powerful business model. As a result, in 2020, notwithstanding the fact that some of the Company's customers were adversely affected by the coronavirus outbreak, not only was there not decrease in the Company's revenues, there was actually an increase of 24% compared to 2019.

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.

6.11.2. 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 2018, 2019, and 2020:

	2020		**2019**		**2018**	
	Revenues (in USD thousands)	**Rate of the total income**	**Revenues (in USD thousands)**	**Rate of the total income**	**Revenues (in USD thousands)**	**Rate of the total income**
Revenues from clearing and services	43,369	55.0%	35,338	55.5%	24,401	50.1%
Revenues from selling end units	35,414	45.0%	28,288	44.5%	24,310	49.9%

6.12. **New Products**

6.12.1. 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.

6.12.2. 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.

6.12.3. 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 has entered into an agreement to purchase 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 31 to the financial statements.

6.12.4. The E-commerce website

At the beginning of the year 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 later in additional countries. The website shall allow 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 6.14.4 below), distributors, and consultants in the Unattended area to sell and promote their wares on the Company's website.

6.12.5. Management of amusement parks

On February 1 ,2021, the Company engaged in a memorandum of understanding for acquiring control of Tigapo Ltd., which develops a smart cloud system for managing amusement parks. For additional details about the share purchase agreement of Tigapo Ltd., see Note 31 to the financial statements.

6.13. **Customers**

6.13.1. General

As of the Prospectus date, the Company has approx. 19,000 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 2020, the Company's three largest customers only constitute approx. 6% of the Company's revenues from clearing and services, and its 50 largest customers only constitute approx. 26% of such revenues. The geographical segmentation of the Company's customers as of 2020, shows that approx. 48% of the Company's customers are located in Europe, approx. 32% of

the Company's customers are located in North America, approx. 10% in Australia, and an additional approx. 10% from the rest of the world.

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

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

(b) 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.

(c) The net revenue retention rate of returning customers from revenue for services and clearing – 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	2020	2019	2018
Number of customers	19,836	14,375	9,690
Decrease in revenues from customer churn rate	3.7%	3.0%	3.2%
Net revenue from returning customers	102%	124%	114%

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.

However, the Group has three main types of customers:

6.13.1.1. 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.80% of the Unattended points of sale for which the Company provides services, are operated by small customers, each operating few points of sale. Approx. 20% 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.

6.13.1.2. 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.

6.13.1.3. 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 6.14.4), 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.

6.14. **Marketing and Distribution**

6.14.1. 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 6.12.4 above, and it should be noted that as of the Prospectus date, the website is only active in the US. 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 Prospectus date 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 over 35 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.

6.14.2. 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.

6.14.3. Distributors

The Company is engaged in distribution agreements with over 35 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.

6.14.4. OEM

The Company has engagements with over 300 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.

6.15. **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.

6.16. **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 USA Technologies Inc. ("**USAT**"). Nevertheless, unlike the Company, USAT 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.

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 prospectus date, 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.

6.17. **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.

6.18. **Fixed assets, real estate and facilities**

6.18.1. 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.

6.18.2. 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.

6.18.3. The Company has a lease agreement for the offices in Ramat HaChayal, Tel Aviv (the Company's previous offices), with a total area of 1,159 sqm. The lease agreement is in effect until July 31, 2021. As of this date, approx. 73% of such real estate is rented out by the Company to sub-tenants.

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

6.19. **Research and development**

6.19.1. 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.

6.19.2. Development grants

6.19.2.1. 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. The total royalties for the two programs in 2019 and 2020 amount to ILS 48,240 and ILS 72,090, respectively.

6.19.2.2. 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 Prospectus date, 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 467,500 (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 350,500 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. As of the prospectus date, the Company has not yet started paying royalties. It is noted that the Company received a request to pay royalties in the amount of ILS 469 thousand and reached a payment schedule settlement with the Ministry of Economy, whereby the Company shall make 5 monthly payments including Accountant General interest differentials, starting April 15, 2021, until August 15, 2021.

6.19.2.3. 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 prospectus date, the total grants the Company actually received under this program sum up to ILS 328 thousand. The Company is not required to repay these amounts.

6.19.2.4. 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 Prospectus date 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 the prospectus date the Company paid an amount of ILS 63,000. In this context, it is noted that the Company received a payment request, and 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 Company's IPO under this Prospectus requires obtaining the approval of the Ministry of Energy, and the Company obtained such approval for performing the IPO under this Prospectus.

It is noted that as of the Prospectus date, 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 as of the Prospectus date no agreement between the Ministry of Energy and the Company or EV Meter Ltd. has yet been executed.

6.19.2.5. 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**"). As of the Prospectus date, 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) for the period between July 1, 2019, and October 30, 2020. As of the Prospectus date, the total grant actually received by the Company under this program is ILS approx. 441 thousand, while the Company is in the process of extending the project opposite the Innovation Authority to receive the full grant. The development program is governed by the Law for the Encouragement of Industrial Research and Development, 5744-1984, and the regulations promulgated thereunder, rules, instructions and circulars published by the Authority, and the program terms, the terms set forth in the Authority's approval and in the Company's letters of undertaking (all jointly: the "**R&D Law**"). In this framework, the Company is required to pay the Innovation Authority royalties at the rate of 3%-3.5% on all of the Company's revenues from selling and servicing public transport ticketing and validation systems and out of all products that uses knowledge developed under the program according to the R&D Law, including on the Company's revenues from selling and providing service for public transport ticketing and validation systems, and on income from products it develops in the future using knowledge and tools related to this program, until it repays the full support granted according to the program, linked to the USD, plus annual interest at the LIBOR rate[3] (total liability for royalties and the rate of royalties could increase in some instances, such as manufacturing outside of Israel). The Company is also subject to specific provisions under the R&D Law

[3] According to the Innovation Authority's instructions, as in effect on the Prospectus date, annual interest is variable annual interest at the LIBOR rate for USD denominated deposits. To the best of the Company's knowledge, at the end of 2021 LIBOR shall no longer be published, and accordingly the interest that applies to the support amounts could change.

regarding the rights in and use of knowledge that is directly or indirectly related to the Authority's support ("**Authority-Supported Knowledge**"), and various reporting duties (for example, some investments by foreign residents or a change of control of the Company not under an IPO). In this respect: The Company is prohibited from transferring in any way (including licenses or granting access) or granting rights in Authority-Supported Knowledge to any other entity without the Authority's prior consent and subject to payments to the Authority as may be requested; transferring production abroad that is based on Authority-Supported Knowledge requires the Authority's consent and could increase royalty payments to the Authority. These provisions also apply after all royalties have been paid to the Authority. In addition, the Company's IPO under this Prospectus also requires the Authority's approval, and the Company has obtained the Authority's permission to perform an IPO under this prospectus.

The liability amounts recognized in the Company's financial statements for the one year period ended December 31, 2020 for all above-mentioned grants is ILS 3.23 million (approx. USD 1 million).

6.19.3. Research and development expenses

The table below concentrates all of the Company's research and development expenses in 2018, 2019, and 2020, in USD thousands:

Period	**2020**		**2019**		**2018**	
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**	**Amounts recognized as expenses in the statements**	**Amounts recognized as intangible assets in the statements**
	9,300	6,613	7,325	4,197	4,790	3,722

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 2021 the scope

of these expenses shall be higher than the expenses in 2020, in light of the expansion of the Company's activity.

6.20. **Intangible Assets**

6.20.1. Patents

6.20.1.1. The Company acquired from Wise-Sec Ltd. ("**Wise-Sec**"), under the asset sale agreement described in Section 6.20.4 below (in this Section, the "**Agreement**"), a portfolio of patents in the US and in additional countries around the world that 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.

6.20.1.2. Furthermore, the Company owns a sample patent that is registered in the US (see Section 6.20.1.3 below).

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.

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

6.20.1.3. 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

6.20.1.4. 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

6.20.1.5. 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

6.20.1.6. 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

6.20.2. Trademarks

As of the Prospectus date, 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 three trademarks registered in Costa Rica, Hungary, and Turkey, 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.

6.20.3. 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

6.20.4. Asset sale agreement

On September 30, 2020, the Company entered into an agreement with Wise-Sec, a company owned by the controlling shareholders of the Company, whereby the Company acquired the patents (and all know-how related thereto) from Wise-Sec, as stated in Section 6.20.1.1 above, and all of Wise-Sec's smart Bluetooth-based intellectual property rights. For more information on the agreement with Wise-Sec, see Section 8.2.5 of Chapter 8 of this Prospectus.

6.20.5. 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:

6.20.5.1. 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).

6.20.5.2. 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 6.12.2 above. The agreement includes the Company's provision of providing a license to to Isracard to use a designated system for the Isracard application (the "**Software**"), which was developed by the Company, and the Company's gran 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,

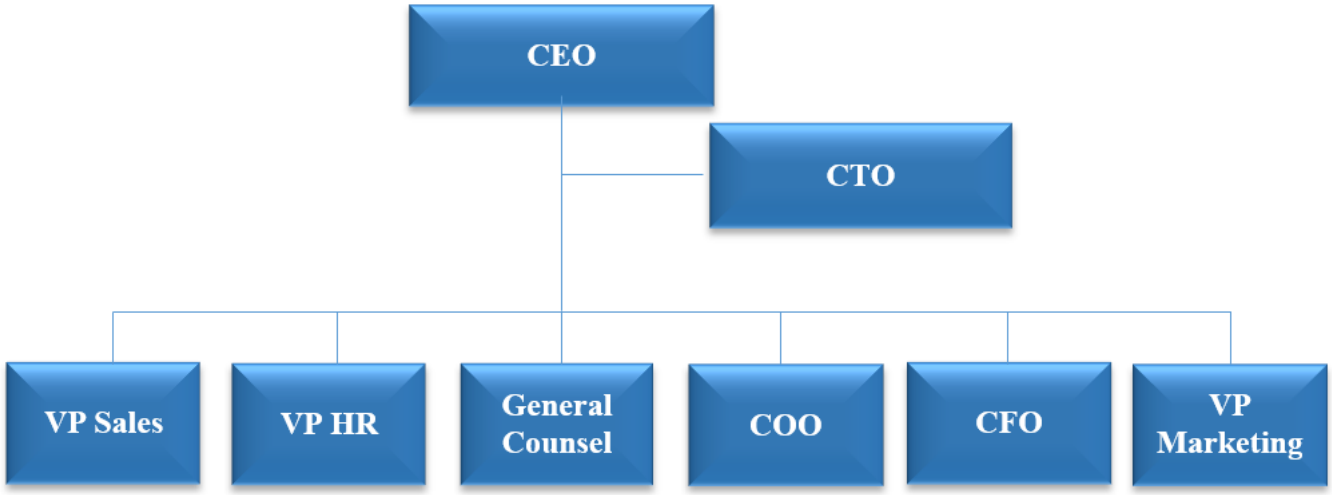
and payment process components, which are infrastructure components of the Company and which were not developed for Isracard. In addition, the Company agreed to transfer the source code to the escrow agent after making material repairs and/or changes to the Software and/or upon Isracard's request at 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).

6.20.6. 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 usign 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.

6.21. **Human Capital**

6.21.1. The Company's organizational chart:



6.21.2. Below is a breakdown of the number of Group employees immediately prior to the Prospectus date and as of December 31 for the years 2019 and 2020:

Department	Immediately prior to the prospectus date (as of April 15, 2021)	As of December 31, 2020	As of December 31, 2019
Management and administration	21	20	13
Marketing, sales, and support	53	42	33
Finances	29	24	24
Research and development	140	13	121
Engineering and manufacturing	15	14	9
EV	8	7	5
Nayax Retail Ltd.	36	34	20
Analysis of consumer conduct through artificial intelligence (Weezmo)	3	-	-
Total employees in Israel	**305**	**274**	**225**
Australia	17	15	14
China	5	5	5
Japan	6	6	6
The UK	11	9	7
Lithuania	2	1	1
Ukraine	49	44	-
United States and Canada	39	38	32
Germany	4	4	3
Total outside Israel	**133**	122	**68**
Total	**438**	396	**293**

Immediately prior to the Prospectus date (as of April 15, 2021), the Group has 438 employees, 305 of whom are employed in Israel by the Company and 133 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 47% in 2020, 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.

6.21.3. 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 employment agreements between the Company and Mr. Yair Nechmad and Mr. David Ben Avi, see Section 8.1.5 in Chapter 8 of the prospectus.

6.21.4. 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.

6.21.5. Engagements with the officers and members of senior management of the Company

6.21.5.1. 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. For more information, see Section 8.1.5 in Chapter 8 of this prospectus.

6.21.5.2. 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. For more information, see Section 8.5 of Chapter 8 of this prospectus.

6.21.6. As of the prospectus date, 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 this Prospectus.

6.21.7. Investments in training, instruction and human capital development

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

6.21.7.2. In addition, as of the Prospectus date, the Company is working on developing a training program for 2021, according to the requirements of the Company's management and for developing professional and managerial skills of Company employees.

6.21.8. Streamlining

Due to the Coronavirus crisis in Israel and worldwide, the Company has implemented two streamlining programs in order to deal with the crisis. The first program started when the crisis began in March 2020. The main points were a 15-20% reduction in positions and wages of some of the Company's employees, and sending 10% of the Israeli staff on unpaid leave. This program ended in July 2020, so that all employees who were put on unpaid leave returned to regular work at the Company, and all salary reductions were terminated.

The second streamlining program implemented by the Company started in October 2020. The main point of the program was cutting up to 10% form the wages of Israeli employees. This program ended in January 2021, so that all salary

reductions were terminated. The Company's savings in financial terms deriving from implementing such streamlining programs amounts to approximately ILS 5.6 million.

6.22. **Raw Materials and Vendors**

6.22.1. 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 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.

6.22.2. 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.

6.22.3. 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.

6.22.4. 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.

6.22.5. 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 6.10.2.2 above.

6.22.6. 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 6.10.2.2 above.

6.23. **Working Capital**

6.23.1. General

As of the Prospectus date, 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 6.23.3 below), debtors for clearing activity (see Section 6.23.2 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 6.23.2 below), vendors, employees, and institutions for pay.

6.23.2. Clearing activity

As stated in Section 6.10.2.2 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:

(a) 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.

(b) 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).

(c) 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).

6.23.3. Composition of the working capital

The composition of the working capital as of December 31, 2020, and as of December 31, 2019, in USD thousands, is as follows:

	December 31, 2020	**December 31, 2019**
Current assets	54,518	40,212
Current liabilities	62,251	45,221
Working capital deficit	**(7,733)**	**(5,009)**

The working capital deficit primarily derives from investments in research and development, other assets, and investments in fixed assets.

The Company intends to reduce the working capital deficit through continued growth of the Group's revenues. Financing the working capital deficit is mainly achieved through loans received from the controlling shareholders and from companies they own. The total loan amounts received in 2021, from Ofer R.G. Ltd., a company controlled by Mr. Amir Nechmad, one of the Company's controlling shareholders, are USD 7.8 million (approx. ILS 25.5 million).

6.24. **Investments**

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

6.25. **Financing**

6.25.1. General

The Company finances its activity mostly using its independent sources, shareholders' loans (for information, see Section 8.2.4 in Chapter 8 of the prospectus), and with loans and credit procured from a banking corporation and under a loan agreement with one of the Clearing Entities with which it has engaged, and loan from the US government, and a grant from the Australian government, all as described below.

6.25.2. Financing agreement with the Banking Corporation

6.25.2.1. 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, so that as of December 31, 2020, the credit facility was ILS 42.5 million.

The credit actually utilized by the Company, from such credit facility, as of December 31, 2020, is ILS 37,261 thousand (USD 11,590 thousand).

6.25.2.2. 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.

6.25.2.3. 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 shall be repaid in 48 monthly installments starting May 2021.

6.25.2.4. 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:

6.25.2.4.1. Financial covenants:

(a) Customer debt to short-term credit ratio – The ratio of customer debt to short-term credit, net of cash, shall be no lower than 125%. Notwithstanding, should such ratio fall to 115%, such decrease shall not be deemed breach, if according to the subsequent financial statements such ratio does not fall below 125%.

For this purpose:

"**Short-term credit**" – the short-term credit (including loans) utilized by the Company and Dually from any financial institution.

"**Cash**" – the total cash and cash equivalents (including clearing funds from the clearing/credit companies, whether such amounts are classified in the financial statements as cash or as a separate item in the financial statement), net of receipts from the credit companies on behalf of clients, as such terms are defined in the Company's Combined Financial Statements (as such term is defined below).

(b) Long-term credit to EBITDA ratio – The ratio of the long-term credit to EBITDA shall not exceed 2.

For this purpose:

"**Long-term credit**" –long-term credit (including loans and current maturities) utilized by the Company and Dually, from any financial institution (excluding liabilities for receipts on account of clearing funds as set forth in the Financing Agreements).

"**EBITDA**" – the Company's total net earnings before amortization or appreciations (including amortization or appreciation of assets, inventory, and goodwill), depreciation expenses, financing expenses, and tax expenses (whether current taxes or changes to deferred taxes), over the course of four consecutive quarters ending on the examination date. Such accounting data shall be determined according to the details in the Company's financial statements, and if the financial statements do not state them, the Company shall present the bank confirmation signed by the Company's auditors for such data, per the bank's request. The definition of EBITDA shall not include the following items: (a) revaluation gains/losses of investment properties; (b) capital gains/losses; (c) revaluation gains/losses of investments; and (d) gains from writing off negative goodwill.

The "**Company's Financial Statements**" – the Company's annual and semiannual consolidated financial statements (the "**Consolidated Financial Statements**") and the consolidated financial statements combined with Dually's consolidated annual or semiannual financial statements (as applicable) (the "**Combined Financial Statements**"), prepared in accordance with applicable law and generally acceptable

accounting principles, including a balance sheet, profit and loss statement, cash flow and report of changes in equity, including notes thereto; the annual statements shall be audited and the semiannual statements shall be reviewed.

(c) Tangible equity to the tangible balance sheet ratio – The ratio of the Company's tangible equity to its total tangible balance sheet shall not fall below 16% in 2020, 18% in 2021, and 20% in 2022 onward.

For this purpose:

"**Owner**" – the Company's shareholders, directly or indirectly, and/or corporations they control, the relatives of any of them, corporations controlled by them and/or any other party that may come in their place - as applicable from time to time.

"**Tangible Equity**" –equity, including paid-up share capital, undistributed surplus assets, capital funds plus the balances of Owners' loans with respect to which the Company and its shareholders have signed letters of subordination to the benefit of the Banking Corporation, less (a) intangible assets, such as goodwill, patents, trademarks, copyrights, etc.; (b) deferred expenses; (c) deferred tax assets; (d) Company debtors that are interested parties and/or subsidiaries and/or affiliated companies of the Company, but excluding such debtors for transactions in the ordinary course of the Company's business, as set forth in the Company's declaration signed by the Company's accountant, describing debtor amounts for such transactions and with respect to semiannual statements – as set forth in the Company's declaration, signed by the Company's CEO and CFO; and (e) guarantees provided by the Company's Owners for securing the debts of interested parties and/or

subsidiaries and/or affiliated companies of the Company.

With respect to financial statements prepared according to IFRS, the definition of equity varies according to the following:

i. Equity shall not include warrants the exercise addition for which is linked.

ii. Equity shall also include the conversion components for convertible bonds the exercise price of which is linked (if they appear separately from the liabilities framework in the balance sheet).

iii. Reevaluation funds for fixed assets created due to adopting a reevaluation model in the period after formulating the financial covenants, shall not be included.

"**Equity**" – according to generally accepted accounting principles in Israel, as presented in the Company's Financial Statements (as such term is defined above).

"**Owners' Loans**" – any amount provided and/or extended to any company, directly or indirectly, by the Owners, in any way or manner whatsoever, for which the Owners have a right to be repaid from that company (whether the principal amount or the principal amount plus linkage differentials and/or interest, whether in the present or in the future), not as a residual right in liquidation, whatever it name may be, including (a) a loan provided and/or extended to any company by the Owners; and/or (b) any amount provided and/or extended to any company by the Owners using a capital note and/or promissory note issued and/or made by any company to the order of such Owners; and/or (c) any amount a company is required to pay to the Owners in

connection with bonds issued by the company; and/or (d) in any other way.

"**Tangible Balance Sheet**" – the total balance sheet, less (a) intangible assets, such as: goodwill, patents, trademarks, copyrights, etc.; (b) deferred expenses; (c) deferred tax assets; (d) Company debtors who are interested parties in the Company and/or Company subsidiaries and/or affiliated companies of the Company, but not including such debtors for transactions in the ordinary course of the Company's business, as set forth in the Company's declaration, signed by the Company's accountant, describing debtors amounts for such transactions, and with respect to semiannual statements – as set forth in the Company's declaration, signed by the Company's CEO and CFO; and (e) guarantees provided by the Company's Owners for securing debts of interested parties and/or subsidiaries and/or affiliated companies of the Company.

(d) The ratio of customer debt plus inventory less vendors to net short-term credit (less Cash (as such term is defined above)) shall be no lower than 100%.

The Company's compliance with the aforementioned financial covenants shall be examined every six months according to the Company's Combined Financial Statements (as defined above) (the "**Examination Date**"). Notwithstanding, should the Company fail to comply with one or more of the financial covenants, it shall be entitled to cure the breach by depositing Owners' funds as equity or as shareholders' loan, so long as the Company and the Owners a letter of subordination to the bank's satisfaction, as set forth in the Financing Agreement.

(e) Below is information on the Company's compliance with the aforementioned financial covenants:

Financial covenants	**Required ratio according to the Financing Agreements**	**Calculation details as of December 31, 2019**	**Calculation details as of December 31, 2020**
Customer debt to short-term credit ratio	No less than125%	281%	438%
Long-term credit to EBITDA ratio	No more than 2 (in 2019 – no more than 0.5)	1.81	1.98
Tangible equity to the total tangible balance sheet	2020 – no less than 16% 2021 – no less than 18% 2022 onward – no less than 20%	Negative ratio	Negative ratio
The ratio of customer debt plus inventory less vendors and net short-term credit (net of cash)	No less than 100%	189%	248%

(f) As stated above, the Company failed to comply with the financial covenant stated above in Section (c) (tangible equity to tangible balance sheet ratio) according to its financial statements for 2019 and 2020, and it did not comply with the financial covenant set forth in Section (b) above (long-term credit to EBITDA ratio) for 2019. However, the Company received a waiver from the Banking Corporation, whereby the Banking Corporation suspended exercising its right to demand immediate repayment of the Company's debts toward it for noncompliance with the financial covenant for 2020, and the Company's compliance with such financial covenant shall not be examined with respect to the Company's Financial Statements for June 30, 2021 either.

6.25.2.4.2. Restrictions on distribution of dividends

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 Owners (as defined above). 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 Company may perform distribution, subject to the fulfillment of all the following conditions (in this Section, the "**Conditions**"):

- No event has occurred for which the Banking Corporation is entitled to demand immediate repayment of all or some credits, according to any of the credit documents ("**Event of Default**").
- The Company is in compliance with the financial covenants set forth in Section 6.25.2.4.1 above.
- The Company has repaid more than 50% of the long-term loan provided to it as set forth in Section **Error! Reference source not found.**.2 above.
- The Company's Tangible Equity (as such term is defined above) after performing the actions stated above in this Section shall be greater than 30% of the total balance sheet in that year, as appearing in the Company's Combined Financial Statements (as defined above), the most recent to be signed before the distribution date (net the effect of such action, even if it is performed later).

Notwithstanding, it is agreed that until publishing the annual statements for 2020, the Company shall pay monthly management fees in an aggregate amount of up to ILS 175,000 per month, plus VAT, to the shareholders/their related companies. Subsequently and subject to the following, the Company shall be entitled to pay management fees, with an aggregate total of up to ILS 350,000 per month to the shareholders/their related companies. It was further agreed that the Company is entitled to increase monthly payments for management fees as stated above, by an amount of up to ILS 1.2 million more each calendar year (in aggregate), or by the rate of increase in net profits compared with the previous calendar year, according to the lower. Payment of management fees as stated above is contingent upon the Company's compliance with the financial covenants and there being no Event of Default (as these terms are defined above). Notwithstanding, it is agreed that even if the Company does not comply with the financial covenants or if an Event of Default takes place, so long as the Banking Corporation does not demand immediate repayment of the credit, the Company shall be entitled to pay management fees at the rate of 50% of the above.

6.25.2.4.3. 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.

6.25.2.4.4. 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.

6.25.2.4.5. 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.

6.25.2.4.6. 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).

6.25.3. 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**"):

6.25.3.1. 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**")

(the "**First Loan Agreement**"). 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.

6.25.3.2. 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 March 18, 2020, and as a result of the Coronavirus crisis, NayaxEU obtained permission to defer the loan payments under the Second Loan Agreement by half a year.

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.

6.25.3.3. 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.

6.25.3.4. <u>Limitations under the loan agreements with the Clearing Entity:</u>

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 prospectus date, the Company is in compliance with the limitations under the loan agreements with the Clearing Entity.

6.25.4. US government PPP loan

On May 4, 2020, Nayax LLC, a subsidiary of the Company, received a loan of USD 367,000 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**"). Generally, the loan bears annual interest of 1% and shall be repaid in monthly installments of the principal and interest starting 6 months after receiving the loan, up to two years from the date the loan was received. Nevertheless, upon Nayax LLC fulfilling the terms set forth in the CARES Act, the complete loan (principal and interest) may be forgiven, so that it would *de-facto* turn into a grant. The Company estimates that Nayax LLC fulfills all such terms, and the Company predicts that such loan shall most likely be forgiven.

6.25.5. Australian government grant for incentivizing employment

Following the Coronavirus crisis, Nayax AU PTY Ltd., a subsidiary of the Company, received a grant for incentivizing employment from the Australian government of AUD 222,000 (approximately USD 170,000), and it is a one-time grant. For avoidance of doubt, Nayax AU PTY Ltd. is not required to repay the grant.

6.25.6. Charges

For details about the charges that the Company created, see Note 30 to the Company's financial statements for 2020 that are attached to this Prospectus.

6.25.7. 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 during the

prospectus period, separating short-term and long-term loans, and differentiating bank credit and off-bank credit:

Bank credit	**From January 1, 2021, to shortly before the date of publishing the Prospectus**		**2020**		**2019**	
	Average interest	**Effective interest**	**Average interest**	**Effective interest**	**Average interest**	**Effective interest**
Short-term credit and loans	5.2%*	5.2%*	3.7%	3.9%	3.6%	3.9%
Long-term credit and loans	3.5%**	2.9%**	4.0%**	3.4%**	5.2%	5.2%

* The increase in interest rates for 2021 compared to 2019 and 2020 is mainly due to overcharging by the Banking Corporation. As of the date of this Prospectus, the Company is working with the Banking Corporation for accounting purposes.

** 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	**From January 1, 2021, to shortly before the prospectus publication date**		**2020**		**2019**	
	Average interest	**Effective interest**	**Average interest**	**Effective interest**	**Average interest**	**Effective interest**
Short-term credit and loans	-	-	-	-	-	-
Long-term credit and loans	4.5%	4.7%	4.5%	4.7%	4.4%	4.6%

6.25.8. Credit after the report date

After December 31, 2020, a shareholders loan for USD 7.8 million was received, as set forth in Section 6.23.3 above, and in Section 8.2.4 of Chapter 8 to this Prospectus.

6.25.9. Variable interest credit

5% or more of the total assets in the report on the financial position as of December 31, 2020, are variable interest credit with a variation mechanism linked to the prime rate, while the range in the report period under this Prospectus is between prime plus 1.5% up to prime plus 4.0%. As of the Prospectus date, based on a 1.6% prime rate, the interest ranges from 3.1% to 5.6%.

6.25.10. The Company's estimate of the need to raise additional sources

As of the prospectus date, the Company estimates that in the forthcoming year, it shall not be required to raise additional sources to cover its current business operations, except the amounts the Company intends to raise according under the Prospectus.

6.26. **Taxation**

For information on the tax laws that applies to the Group and the Group's tax assessments, see Note 20 to the Company's Financial Statements for 2020, attached to this Prospectus.

6.27. **Environmental risks and management thereof**

As of the Prospectus date, 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 prospectus date, 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 prospectus date, the Group does not need to make material investments in order to comply with environmental protection rules.

6.28. **Limitations and control over the corporation**

6.28.1. 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:

6.28.1.1. Territorial regulation – This is binding territorial regulation that applies to the companies of the Group in territories around the world where the Company 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.

6.28.1.2. 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.

6.28.2. Territorial regulation

6.28.2.1. Israel

6.28.2.1.1. 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.

6.28.2.1.2. 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 Prospectus date, 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.

6.28.2.1.3. The Prohibition of Prohibition of Money Laundering Law, 5760-2000 (the "**Prohibition of Money Laundering Law**")

The 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 an 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.

6.28.2.1.4. 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.

6.28.2.1.5. 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.

6.28.2.2. Europe

6.28.2.2.1. 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.

6.28.2.2.2. 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.

Once Nayax Europe obtains a 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 6.28.2.2.1).

6.28.2.2.3. 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 6.28.2.2.3, a "**Buyer**") who have taken a decision to directly or indirectly acquire 10% of the share capital or voting powers of a payment institution ("**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 the payment institution's share capital and/or voting powers therein ("**Licensed Qualifying Holdings**"), or whereby the payment institution would become controlled by him 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 the payment institution, or so that it is no longer a controlling shareholder of the payment institution, must give the Bank of Lithuania prior notice.

(c) A 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 invaldiate the transaction, however where a Licenced Qualifying Holding has been acquired or increased withoutgiving a notice thereof to the Bank of Lithuania or in the event of the oppostition of the Bank of Lithuania to the proposed acquisition, the relevant acquirer shall lose its voting rights in the payment institution, and the fact that a person acquired Licensed Qualifying Holding in the payments institution 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 aquire ¼ 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.

6.28.2.2.4. 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.

6.28.2.3. The UK

6.28.2.3.1. 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 6.28.2.3.2.

6.28.2.3.2. Electronic money institution license

As of the Prospectus date, 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 it shall obtain this license in 2021.

6.28.2.3.3. 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 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 6.28.2.3.3, 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.

6.28.2.3.4. 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.

6.28.2.4. The US and Australia

6.28.2.4.1. 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.

6.28.2.4.2. 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.

6.28.2.5. 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.

6.28.3. Commercial standardization

The Company complies with the following standards:

6.28.3.1. 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.

6.28.3.2. The PCI–DSS Standard

The Group 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.

6.28.3.3. 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).

6.28.3.4. 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.

6.28.3.5. 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.

6.29. **Material agreements**

As of the Prospectus date, the Company's material agreement are the Financing Agreement as set forth in Section 6.25 above.

6.30. **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.

6.31. **Legal proceedings**

For details regarding material legal proceedings to which the Company is a party, see comment 30 to the Company's financial statements for the year 2020, attached to this Prospectus.

6.32. **Goals and business strategy**

6.32.1. 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 6.12.4 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.

6.32.2. 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.

6.32.2.1. 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 long term. In the medium term the Company is targeting an increase of approximately 30% in its 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 6.32.1 above.

6.32.2.2. 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 revenue from software and services out of the Company's total revenues. The Company is targeting approximately 50% and more gross profit in the medium term.

6.32.2.3. 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 10% in the medium term and is targeting approximately 30% in the long term.

6.32.2.4. Capital expenditure

The Company anticipates that its capital expenditure (CAPEX) shall remain stable and be in a range of USD 8-10 million per annum, while it continues to invest in the development and innovation of its platform. Such investment is expected to assist 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 6.35 above).

6.33. Projected development in coming year

6.33.1. 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 6.3.1 above, the growth engines as set forth in Section 6.9.1 above, and the marketing and sale plan for small and medium businesses as set forth in Section 6.14.1. 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.

6.33.2. 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 Prospectus date, 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.

6.33.3. 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 6.35 above).

6.34. **Financial information about geographical areas**

For financial information regarding geographical areas, see comment 5 to the Company's financial statements for the year 2020, attached to this Prospectus.

6.35. **Discussion of risk factors**

6.35.1. Macro risks

6.35.1.1. 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 Prospectus date, 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. *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. For further details, see Section 6.8.3 above.

At this stage, Company management is unable to estimate the scope of impact of the Coronavirus on the Company's activities and results (short, medium or long-term), due to uncertainty regarding the duration of guidelines, and possibly even stricter measures, as well as the duration of time it will take for the global economy to return to regular activity.

For further details on the impact of the Coronavirus on the Group's activities, see Section 1.1 to the board of directors' report.

6.35.1.2. 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).

6.35.1.3. Exchange rate fluctuations

A substantive part of the Company's expenses are carried out in Israel, in ILS. However, the Group is active in more than 50 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.

6.35.2. **Industry risks**

6.35.2.1. 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 6.16 above.

6.35.2.2. 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 6.28 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.

6.35.2.3. 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.

6.35.2.4. 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.

6.35.2.5. 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.

6.35.2.6. 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.

6.35.2.7. Risks of violating anti-corruption laws

We are 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, Chapter 9 (sub-chapter 5) of the Israeli Penal Law, 1977, the Israeli Prohibition on Money Laundering Law–2000 and other anti-corruption, anti-bribery, and anti-money laundering laws in countries in which we (or third-parties acting on our behalf) conduct activities. Anti-corruption and anti-bribery laws generally prohibit companies and their officers, directors, employees and business partners, including agents and other third parties acting on the company's behalf, from promising, authorizing, making, offering, or providing anything of value to a "foreign official" for the purposes of influencing official decisions or obtaining or retaining business, or otherwise obtaining favorable treatment. The FCPA further requires us to keep and maintain books and records that accurately reflect transactions and dispositions of assets and to maintain a system of internal accounting controls. The UK Bribery Act 2010 also prohibits "commercial" bribery not involving government officials, the receipt of bribes, and requires companies to implement adequate procedures to prevent bribery.

We currently do 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.

We 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.

6.35.2.8. 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 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.

6.35.3. **Risks unique to the Company**

6.35.3.1. 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 Prospectus date, the Company has registered patent and trademark rights, as detailed in Section 6.20 above.

6.35.3.2. <u>Risk of using third party software</u>

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.

6.35.3.3. 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.

6.35.3.4. 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.

6.35.4. **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
Macro risks	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	
Industry risks	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		
	Protecting intellectual property and			X

Risks unique to the Group	technological know-how of the Company			
	Risks of using third party software			X
	Termination of commercial relationships with vendors from the communications field		X	
	Reliance on key figures			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 Prospectus date, 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.***

Details About the Company's Subsidiaries and Affiliated Companies

1. Below are details about the Company's material subsidiaries and affiliated companies[1] as of the Prospectus date:

Corporation name	State of incorporation	Holding rates			Securities exercisable into equity or voting rights that are held by the Company and their exercise date	Scope of investment in the investee company (USD thousands)[2]	The balance of the loans and capital notes that the Company provided to the investee company (in USD thousands)	The balance of the guarantees that the Company provided to the investee company (in USD thousands)
		Equity	Voting	Right to appoint directors				
Nayax LLC	US (Maryland)	100%	100%	100%	-	4,515	-	-
Nayax Europe UAB	Lithuania	100%	100%	100%	-	569	-	[3]
Nayax AU PTY Ltd.	Australia	100%	100%	100%	-	(9)	-	-
Nayax (UK) Limited	UK	100%	100%	100%	-	408	-	-

[1] A material subsidiary or affiliated 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, 2020, attached to this Prospectus.

[2] The data in this section is based on the value in the Company's separate financial statements (under its meaning in Regulation 9C of the Securities (Periodic and Immediate Reports) Regulations, 5730-1970) as of December 31, 2020, attached to this Prospectus.

[3] The Company undertook towards the Lithuanian central bank that as long as it is the sole shareholder of Nayax Europe UAB, it shall cover the losses of Nayax Europe UAB (if any) and it shall provide financial support to Nayax Europe UAB, if required.

2. To the Company's best knowledge, as of the Prospectus date, there are no other entities that hold more than twenty-five percent of the issued share capital, voting power, or power to appoint directors, in the Company's material subsidiaries and affiliated companies[1].

3. A description of the activity of the Company's material subsidiaries and affiliated companies[1] as of the Prospectus date is set forth hereunder, as well as details regarding their profit (loss) in 2019 and 2020 (in USD thousands):[4]

Company name	Activity	for 2019		for 2020	
		Profit (loss) before tax	Net profit (loss)	Profit (loss) before tax	Net profit (loss)
Nayax LLC	Distribution of Company products	215	215	363	350
Nayax Europe UAB	Clearing activity	187	159	175	149
Nayax AU PTY Ltd.	Distribution of Company products	28	11	(27)	(128) *
Nayax (UK) Limited	Distribution of Company products	125	92	119	65

* In local currency the net profit is positive and amounts to approximately AUD 1,000. The losses derive from exchange rate differentials.

4. Set forth hereunder are details regarding the dividends, interest, and management fees received by the Company from material subsidiaries and affiliated companies[1] in 2019 and 2020, and from the beginning of 2021 until the publication date of this Prospectus (in USD):

Corporation name	for 2019[5]			for 2020[6]			As of January 1, 2021, until the publication date of the Prospectus		
	Dividends	Interest	Management fees	Dividends	Interest	Management fees	Dividends	Interest	Management fees

[4] The data in this section is based on the Company's consolidated financial statements as of the years ended December 31, 2019, and December 31, 2020.

[5] The data in this section is based on the Company's consolidated financial statements as of the year ended December 31, 2019.

[6] The data in this section is based on the Company's consolidated financial statements as of the year ended December 31, 2020.

Nayax LLC	-	-	-	-	-	-	-	-	-
Nayax Europe UAB*	-	100	-	-	1,300	-	-	-	-
Nayax AU PTY Ltd.	-	-	-	-	-	-	-	-	-
Nayax (UK) Limited	-	-	-	-	-	-	-	-	-

* The accrued interest but has not yet been paid.

The Board of Directors Report on the State of the Corporation's Affairs For the year ended December 31, 2020

The board of directors of Nayax Ltd. hereby respectfully submits the board of directors report on the state of the corporation's affair for the one year period ended December 31, 2020, in accordance with the Securities (Periodic and Immediate Reports) Regulations, 5730-1970 (the "**Reports Regulations**").

1. The board of directors' explanations on the state of the Company's affairs and its operating results

1.1. General

The Company was incorporated in Israel on January 16, 2005, as a private company with the name "Sarankot Ltd.". On May 10, 2005, the Company changed its name to its current name. As of the Prospectus date, the Company is engaged in the area of solutions and business clearing and operating services through a global platform.

In the framework of its activity, the Company offers its customers, through its platform, which combines hardware and software developed by the Company, solutions and comprehensive 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**").

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 payment cards, as well as through other alternative payment methods (such as Apple Pay, Google Pay, Ali Pay, Samsung Pay and more). In addition, 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 aforesaid services to unattended points of sale and service of various types and in particular vending machines of various types, including vending machines for snacks and drinks, coffee machines, children's play facilities, massage chairs, washing machines, non-prescription drug vending machines, public services , car washes, office services (such as operating printers and scanners), parking services, tourism services (such as operating binoculars and purchasing souvenirs at major tourist sites), refueling services, ticket sales services and more.

Within the framework of the Company's Attended Activity, which commenced in 2019, the Company offers its customers points of sale and service that provide the customer's business with managerial and operational tools through a wide variety of payment options, accounting, business promotion, logistics, procedures, authorizations, and employee management. The services for Attended points of sale in the framework of the Attended Activity are provided by a range of unique products suitable for various uses in the business 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 purchased two leading companies in the field. In September 2019 purchased the entire share capital of Modularity Technologies Ltd, a software development company designed for retail software, and in March 2020, the Company purchased 51% of the share capital of UPITec Software Ltd. (which was renamed Nayax Retail Ltd.), a company that specializes in providing universal computing solutions for retailers on the basis of the SAP Business One information system. The Company will purchase the remaining share

capital as detailed in Section 6.3.2 of Chapter 6 to this Prospectus. For additional details about these acquisitions, see Note 6 to the financial statements.

It should be noted that as of the date of the Prospectus, the Company's Attended Activity focuses on the Israeli market, but the Company plans to expand to the global market in the coming years.

1.2. **Dealing with the effects of the Coronavirus spread**

During Q1 of 2020 the Coronavirus (COVID-19) ("**Coronavirus**") began to spread globally, and on March 11, 2020, the World Health Organization declared the Coronavirus a global pandemic. The Coronavirus led to sharp declines on stock markets all over the world, and to a global economic slowdown. As part of how countries dealt with the virus, and as part of the attempts to stop its spread, many governments all over the world took unprecedented steps that changed and are changing frequently. In this framework, among other things strict measures were taken in the Group's areas of activity, such as lockdowns, restrictions on movement in public spaces, restrictions on gatherings, restrictions on commercial, leisure, entertainment activity, and more.

The global economic slowdown led, and may in the future lead, to a decrease in consumption, and thus it had, and may in also in the future have, a negative effect on the Group's activity and its results. Among others, the effect was noticeable on the Group's activity through a decrease in the number of consumer transactions performed with the Company's customers at Attended and Unattended points of sale, in particular during periods when it was prohibited to go to non-essential workplaces, or when tourism and leisure sites and other businesses were closed, whom the Group provides services to. In March and April 2020, there was a decrease in the scope of Company's customers Unattended points of sale from approximately 230,000 machines to approximately 195,000 machines. Nevertheless, as of the date of this Report, the number of Unattended points of sale of the Company's customers is higher than what it was before the Coronavirus outbreak. The decrease in the number of transactions performed in the Unattended points of sale of the Company's

customers during the Coronavirus period led to a decrease in the Company's revenues from clearing fees, which the Company is entitled to for transactions in these points of sale. Similarly, there was a decrease in the sales growth rate of the Company's products and services to new customers, and in the rate of increased activity *vis-à-vis* current customers. It is noted that as of the Prospectus date, both the number of transactions performed at the Attended and Unattended points of sale and the product sales data increased compared to the period before the Coronavirus outbreak.

An additional trend that resulted from the Coronavirus outbreak is that consumers prefer cashless payment methods in order to limit interactions with other people and surfaces, in the framework of social distancing rules. This behavior has a positive effect on the Company, in light of the fact that its platform and products enable various cashless payment methods, including through alternative payment products (such as credit cards and payment applications) and online payments.

Since the global outbreak of the Coronavirus the Company has been taking actions to deal with issues and events with respect to the crisis and its potential implications. In order to limit the effects of the crisis, the Company is taking *inter alia* the following actions:

(1) Business development - The Company is continuing to examine business development opportunities and is taking action with the purpose of promoting business opportunities in the Israeli and international markets.

(2) Marketing activity - In light of the Coronavirus crisis, the Company also accelerated the launch of its online marketing and sales activity, so that it shall engage with its customers and perform sale transactions through its websites.

At this stage the Company's management cannot estimate the extent of implications of the Coronavirus on the Company's activity and its results (in the short, medium, or long term), due to uncertainty with respect to the duration of the period of guidelines, additional potential aggravations thereof, and the time it will take for the global economy to return to function normally.

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 Coronavirus outbreak will not significantly impair its activity, and even the opposite, 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.

Programs for increasing efficiency

In light of the Coronavirus crisis, the Company implemented two programs for increasing efficiency in order to deal with the crisis. The first program began with the outbreak of the crisis in March 2020. The main points of the program were a reduction of 15%-20% of the number of work hours or salary of some employees, as well as putting approximately 10% of the Israeli workforce on unpaid leave. This program ended in July 2020, so that all employees who had been put on unpaid leave returned to regular work at the Company, and all salary reductions and/or reduction of work hours were cancelled. The second efficiency program that the Company implemented began in October 2020. The main points of the program were a reduction of up to 10% of the salary of employees located in Israel. This program ended in January 2021, so that all salary reductions were cancelled. Following such programs for increasing efficiency implemented by the Company, the Company saved approximately ILS 5.6 million in costs.

State-guaranteed loan

In May 2020, the Company received a long-term state-guaranteed loan of ILS 15 million from a banking corporation. The loan bears interest at the rate of prime + 1.5%, which shall be paid every month starting from May 2021. The principal of the loan shall be repaid in 48 monthly installments starting from May 2021. For additional details see Section 6.25.2.3 in Chapter 6 of the Prospectus.

In addition, support was received from governments of countries where a few subsidiaries are incorporated:

(1) Australian government - An employment encouragement grant of approximately AUD 222,000 (approximately USD 170,000).

(2) US government - Forgivable loans, of approximately USD 483,000. As of the balance sheet date, the bank's approval for forgiving the loan has yet to be received.

For additional details see Sections 6.25.4 and 6.25.5 in Chapter 6 of the Prospectus.

The Company's estimates with respect to the potential implications of the Coronavirus spread on the Group's activity, as described above, both in terms of 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 publicly available information with respect to the Coronavirus, as existing on the Prospectus date (and it frequently changes), and on the Company's estimates which are inter alia based on the information that is known on the publication date of this Prospectus. It is clarified that there is no certainty whatsoever that 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 the Coronavirus spread, decisions of the competent authorities in Israel and all over the world, and effects on the consumer habits of the Group's customers.

1.3. **The financial position**

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

Item	As of December 31		Board of directors' explanation
	2020	2019	
Current assets	54,518	40,212	The increase in current assets as of December 31, 2020, compared to current assets as of December 31, 2019, mainly derived from an increase in cash balances for transfer to customers for clearing activity, as a result of an increase in the clearing activity and an increase in customers, in light of increased sales at the end of the year.
Non-current assets	38,235	29,274	The increase in non-current assets as of December 31, 2020, compared to non-current assets as of December 31, 2019, mainly derived from an increase in intangible assets as a result of investments in development costs that were capitalized, and for recognizing intangible technological assets and goodwill in the framework of acquiring Nayax Retail, and an increase in fixed assets, *inter alia* as a result of the Company's expansion of its Herzliya offices.
Current liabilities	62,251	45,221	The increase in current liabilities as of December 31, 2020, compared to current liabilities as of December 31, 2019, mainly derived from an increase in accounts payable for clearing as a result of an increase in the scope of clearing activity and an increase in the balance of suppliers as a result of an increase in the Company's sales at the end of the year.
Non-current liabilities	18,001	8,596	The increase in non-current liabilities as of December 31, 2020, compared to non-current liabilities as of December 31, 2019, mainly derived from classifying long-term loans in 2019 as short-term loans in light of failing to fulfill the financial covenants as set forth in the financing agreement with the bank. Similarly, the increase derives from an increase in the Group's long-term loan balances

			from a banking a clearing corporation.
Equity	12,501	15,669	The decrease in equity as of December 31, 2020, compared to equity as of December 31, 2019, mainly derived from a net loss in 2020 when offsetting a share-based payment in 2020.

1.4. **Operating results**

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

<table>
<tr><th rowspan="2">Item</th><th colspan="3">For the year ended December 31,</th><th rowspan="2">Board of directors' explanation</th></tr>
<tr><th>2020</th><th>2019</th><th>2018</th></tr>
<tr><td>Revenues</td><td>78,783</td><td>63,626</td><td>48,711</td><td>The increase in revenues for 2020 compared to 2019 and the increase in revenues for 2019 compared to 2018 derived from the Company's continued growth, both in an increase of revenues from selling end units and in an increase of revenues from service and clearing, which derived from an increase in sales of the end units, and the Company's activity in 2020 and 2019 Similarly, the increase in revenues was supported by a high rate of customer retention compared to a low rate of leaving customers.
The below table presents the increase in revenues according to the two main types of the Company's revenue:
<table>
<tr><td></td><td>2020</td><td>2019</td><td>2018</td></tr>
<tr><td>Sales of end units and others</td><td>35,414</td><td>28,288</td><td>24,310</td></tr>
<tr><td></td><td>25%</td><td>16%</td><td></td></tr>
<tr><td>Clearing and services</td><td>43,369</td><td>35,338</td><td>24,401</td></tr>
<tr><td></td><td>23%</td><td>45%</td><td></td></tr>
</table>
The recurring revenues of the Company are made up of subscription fees for using the software, which are usually charged at a fixed monthly amount, and of payment for clearing, which generally is charged as a percentage of the clearing volume performed by the Company's customers through the Company. In 2020,</td></tr>
</table>

<table>
<tr><td></td><td></td><td></td><td></td><td>between 50% and 60% of the Company’s recurring revenues were charged for the subscription fees component for using the software, and between 40% and 50% were charged for the clearing component. The gross marginal profit for the software usage component is between 75% and 85%, while the gross marginal profit for the payments component is between approximately 30% and 35%.</td></tr>
<tr><td>Cost of revenues</td><td>41,603</td><td>37,072</td><td>27,433</td><td>The increase in the cost of revenues in 2020 compared to 2019, and the increase in the cost of revenues in 2019 compared to 2018, derived from the continued growth of the Company’s revenues as foregoing (a significant part of the cost of revenues is directly derived from the revenues).</td></tr>
<tr><td>Gross profit</td><td>37,180</td><td>26,554</td><td>21,278</td><td>The gross profit rate throughout the years that are presented were: In 2020 - 47.2%, in 2019 - 41.7%, in 2018 - 43.7%. The improvement in gross profitability in 2020 derived inter alia from an improvement in the gross profitability of the costs of selling end units and other costs between 2019 and 2020 that derived inter alia from an improvement in end unit costs opposite the Company’s various suppliers, and from an improvement in the clearing and services profitability between 2019 and 2020. Data regarding the gross profit rate according to the Company’s two main types of revenue is set forth below:
<table>
<tr><th></th><th>2020</th><th>2019</th><th>2018</th></tr>
<tr><td>Sales of end units and others</td><td>30%</td><td>19%</td><td>22%</td></tr>
<tr><td>Clearing and services</td><td>61%</td><td>60%</td><td>65%</td></tr>
</table>
According to unaudited and unreviewed management data, the Company's gross profit rates in each of its main areas of activity is similar, and in 2020 stood at an average rate of between approximately 40% and approximately 50%.</td></tr>
<tr><td>Research and</td><td>9,300</td><td>7,325</td><td>4,790</td><td>The increase in research and development costs in</td></tr>
</table>

development costs				2020 compared to 2019, and the increase in research and development costs in 2019 compared to 2018, mainly derived from an increase in the number of research and development employees in the framework of the Company's investments in researching and developing new products, and from the development team's investment to improve and continue developing new products. In addition, in 2020, compared to 2019, there was an increase of approximately USD 433,000 in share-based payment costs.
Sale, administrative, and general costs	26,545	19,645	12,997	The increase in sale, administrative and general costs in 2020 compared to 2019, and the increase in sale, administrative and general costs in 2019 compared to 2018, mainly derived from an increase in the Company's manpower, for purpose of investing in marketing and sales, and for supporting the Company's growth.
Depreciation and amortization for capitalized development costs and technology	3,559	2,673	2,152	The increase in these costs in 2020 compared to 2019, and the increase in these costs in 2019 compared to 2018, derived from an increase in capitalized development and technology acquisition costs. The investment focuses on opening new markets, new integrations, and developing new products, in order to increase the Group's revenues.
Operating profit (loss)	(2,224)	(3,089)	1,339	
Financing costs	4,277	2,554	3,403	The increase in financing costs in 2020 compared to 2019 derived from an increase in exchange rate differentials costs due to a decrease in the exchange rate of the Group's currency of activity compared to other currencies, and from an increase in financing costs for short-term loans due to an average increase of approximately USD 3 million in utilizing the short-term credit facility from a banking corporation, and for

				an increase in the financing costs for long-term liabilities due to procuring a long-term loan from a clearer of the Group. The decrease in financing costs in 2019 compared to 2018 mainly derived from financing costs in 2018 of ILS 2.1 million, due to a change in the fair value of the adjustment mechanism (for an obligation to allocate additional shares, see Note 21B to the Financial Statements).
Financing revenues	403	9	413	The increase in financing revenues in 2020 compared to 2019 mainly derived from a benefit of a state-guaranteed loan of USD 389,000. The decrease in financing revenues in 2019 compared to 2018 mainly derived from exchange rate differentials revenues in 2018 of USD 413,000, due to an increase in the Group's currency of activity compared to other currencies.
EBITDA *	6,649	3,128	4,288	Throughout the last few years the Company has been focusing on growth, and therefore it is investing in marketing, sales, and development.
Capital investments (CapEx) **	7,856	6,689	4,486	The increase in capital investments derives from investments in researching and developing new products, new integrations, and entering new territories around the world (most of the costs are salary costs, and suppliers and subcontractors in the R&D investment, which is attributed to an intangible asset in the balance sheet) and an investment in fixed assets - expanding the team and investing in new offices for purpose of continuing to expand the Company's activity in its main offices in Herzliya.

*** EBITDA** – Operating profit (loss) plus depreciation and amortization and plus share-based payment.

**** Capital investments (CapEx)** - Investments in fixed assets and investments in intangible assets.

In the Company's assessment, for the first quarter of 2021 the gross revenues will be in the range of USD 21-23 million (unaudited), and gross margins will be in line with previous periods.

The Company's assessments regarding the Company's future results, as described above, are

forward-looking information, as defined in the Securities Law, the realization of which is uncertain and beyond the Company's control. This information is based on the Company's assessments based, inter alia, on the information known at the time of publication of this Prospectus. It is clarified that there is no certainty that the assessments will materialize, in whole or in part, and they may even be materially different from those presented above, due in part to their dependence on external factors beyond their control.

1.5. **Liquidity**

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

Item	For the year ended December 31,			Board of directors' explanation
	2020	2019	2018	
Cash flow from current activities	6,488	(1,435)	1,835	The increase in the cash flow from current activity in 2020 compared to 2019 mainly derived from an increase of approximately USD 3.1 million in the balance of suppliers and service providers in 2020, compared to a decrease on USD 2.6 million in 2019 (a discrepancy of USD 5.7 million). The decrease in the cash flow from current activity in 2019 compared to 2018 mainly derived from an increase of USD 1.8 million in losses in 2019 compared to losses in 2018, and from a decrease of USD 2.6 million in the balance of suppliers in 2019, compared to an increase of USD 6.1 million in 2018 (a discrepancy of approximately USD 8.7 million). The cash flow surplus was mainly used to finance investments in capitalized development costs and investments in fixed assets in 2020.
Cash flow from	(8,572)	(8,325)	(4,915)	The increase in the cash flow rate from the investment activity in 2020 compared to 2019

investment activities				mainly derived from an increase of approximately USD 1.5 million in capitalized development costs in 2020 compared to 2019, when offsetting the repayment in 2020 of loans that were granted to controlling shareholders in 2019. The increase in the cash flow from investment activity in 2019 compared to 2018 mainly derived from an increase of USD 1.9 million in acquiring fixed assets (improvements on the rented property and equipment) in 2019 compared to 2018.
Cash flow from financing activities	6,046	4,177	6,680	The increase in cash flow from financing activity in 2020 compared to 2019 mainly derived from receiving long-term loans from banking corporations in Israel of USD 4.7 million in 2020. The decrease in cash flow from financing activity in 2019 compared to 2018 mainly derived from receiving the proceeds from issuing shares in 2018.
Balance of cash and cash equivalents as of the end of the period	8,195	4,412	10,000	--

As of December 31, 2020, and December 31, 2019, the Company has a negative working capital of approximately USD 7,733 and 5,009 thousand, respectively. The negative working capital mainly derives from investments in capitalized development costs and from purchasing intangible assets. The negative working capital as of December 31, 2020, is financed through loans received from the controlling shareholders in 2021, which as of April 2021 amount to approximately USD 7,800 thousand.

1.6. **Financing sources**

1.6.1. The Group finances its activity mainly from its independent sources, and through shareholder loans (for details see Section 8.2.4 in Chapter 8 of this Prospectus), and through loans and credits procured from a banking corporation and under a loan agreement with one of the clearing entities whom it engaged with. Similarly, following the Coronavirus crisis, subsidiaries of the Group were supported by governments in their countries of incorporation. For additional details about the Company's financing sources, see Section 6.25 in Chapter 6 of this Prospectus.

1.6.2. The Company intends to raise equity through issuing shares under this Prospectus.

1.6.3. The Company has two capital remuneration plans, under which options convertible into shares of the Company were allocated to officers and employees of the Company and its subsidiaries. As of the Prospectus date, no options that were allocated under the 2013 Plan have been exercised of yet, and 32,812 options were exercised under the 2018 Global Equity Incentive Plan. For details about the Company's options plans, see Section 3.3 in Chapter 3 of this Prospectus. For details about the Company's obligation to allocate additional options to employees and officers of the Company and subsidiaries, under the 2018 Global Equity Incentive Plan, see Section 3.3.8 in Chapter 3 of this Prospectus. In addition, on the completion date of the issue under this Prospectus, each of Mr. Yair Nechmad, CEO of the Company, and Mr. David Ben-Avi, CTO of the Company, shall be allocated 7,250,000 options convertible into shares of the Company, which shall vest subject to meeting targets. For additional details see Sections 8.1.5(7) and 8.1.5(8) in Chapter 8 of this Prospectus.

1.6.4. The average scope of the Company's long-term loans in 2020 and 2019 was approximately USD 12.8 million and approximately USD 6.3 million, respectively. The increase in long-term loans in 2020 mainly derived from a state-backed loan of ILS 15 million (approximately USD 4.25 million) that was received from a banking corporation, and from receiving a loan of EUR 3.5 million (approximately USD 3.8 million) that was received from a clearer of the Group.

1.6.5. The average scope of the Company's short-term credit in 2020 and 2019 was

approximately USD 10.0 million and approximately USD 6.9 million, respectively. The increase in short-term credit in 2020 derived from an increase in credit facility utilization and from an increase in the facilities from a banking corporation since October 2020.

1.6.6. The average credit from suppliers for each of 2020 and 2019 was approximately USD 8.5 million and approximately USD 7.8 million, respectively.

The average customer credit for each of 2020 and 2019 was approximately USD 10.6 million and approximately USD 9.6 million, respectively.

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 type of company, nature of the accounting and accounting control matters that arise 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. One of the directors currently serving in the Company's board of directors (Mr. Michael Galai) has accounting and financial expertise. For additional details with respect such director, see Section 7.1 in Chapter 7 of this Prospectus.

2.3. Independent directors

As of the Prospectus 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 regarding the Company's internal auditor

As of the Prospectus Date, the Company has not yet appointed an internal auditor. The Company shall act towards appointing an internal auditor upon the completion of the

issue under this Prospectus.

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 "**Auditor**").

2.5.2. Salary of the Auditor

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

The Auditor's fees for auditing services with respect to the financial statements attached to this Prospectus are ILS 400,000. The total working hours invested by the Auditor in connection with such services amounted to 2,000 hours.

In addition, the Company paid the Auditor approximately ILS 164,000 in 2020 for tax-related services (mainly in connection with transfer prices). The total working hours invested by the Auditor in connection with such services amounted to 242 hours.

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

For details see Note 31 to the Company's consolidated financial statements as of December 31, 2020.

4. **List of liabilities of the Company according to repayment dates**

A list of Liabilities according to repayment dates, as of December 31, 2020, is attached as an annex to the board of directors report.

5. **Material valuations**

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

5.1. **409A valuation for the financial statements for the year ended December 31, 2020**

Identity of the valuation's subject:	A409 value of ordinary share
Timing of the valuation:	Date of the valuation: December 31, 2020
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:	Unknown
The value of the subject of valuation determined according to the valuation:	USD 0.97 per ordinary share
Details about the valuator:	**Raphael Meyara** - serves as head of the valuation department at Altshuler Shaham Benefits Ltd. Has an MBA in financing and strategic management from Paris Dauphine University, and a Post-MBA in financing from Tel Aviv University. Prior to his tenure at Altshuler Shaham Benefits, he served as CEO of AlgoValue, an fintech company that provides an online platform for valuations and managing cap tables. In addition, he worked for more than three years as project manager at the accounting firm PWC. Similarly, he spent several years modeling and valuating private and public companies and financial instruments. He advised many CFOs and CEOs of early stage and mature companies, as well as sophisticated investors. **CPA Elyor Zitalni** - MBA in business administration with specialization in financing, and a BA in business administration with specialization in accounting from Ono Academic College. Before her work at Altshuler Shaham Benefits, she served as head of the economic department of the company Noam Yizamot, and as project team leader in the economic and valuation and modeling department at accounting firm EY. She has significant experience in accompanying start-

	ups and public and private companies, supporting core changes and core processes, granting economic advice, valuating companies and various activities for purpose of M&As, financing rounds, and financial purposes.
Is there an indemnification agreement with the valuator?	No
The valuation model under which the valuator acted:	Multipliers for the valuation and thereafter OPM for dividing the value between the various equity components (preferred shares, ordinary shares and options)
The assumptions under which the valuator made the valuation, according to the valuation model:	Multipliers. Based on actual revenues, the Company is not profitable, and therefore there is no need to capitalize the information. The multiplier is determined on the basis of comparison companies that are appropriate for the Company's situation in terms of activity, industry, and capital structure.

5.2. **Valuation of the Company and ordinary shares for the financial statements for the year ended December 31, 2019**

Identity of the valuation's subject:	Valuation of the Company and ordinary shares
Timing of the valuation:	Date of the valuation: December 31, 2018 Valuation signed September 13, 2019
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 evaluation:	Not relevant
Value of the valuation's subject that was	USD 0.67 per ordinary share

determined according to the valuation:	
Details about the valuator:	The work was performed by the valuators Mr. Gideon Shalom Bendor who is the founder and CEO of S-Cube Economic Consulting Ltd. (hereinafter: "**S-Cube**") and Mr. Roi Vrubel who is the head of the valuations and derivatives departments at S-Cube. Mr. Shalom Bendor holds a master's degree in business administration, and he has vast experience in financial consulting, valuations, due diligence, and providing expert opinions in the context of valuations. His areas of expertise include *inter alia* valuations of ordinary and preferred shares, options, employee incentives, partnership rights, and intangible assets. Mr. Roi Vrubel has a master's degree in economics, and he has vast experience in valuations. Roi is a certified valuation analyst ("CVA") on behalf of the National Association of Certified Valuators and Analysts ("NAVCA").
Is there an indemnification agreement with the valuator?	The Company undertook to compensate and indemnify S-Cube insofar as a claim shall be made against it in a legal or other proceeding to pay any amount to a third party due to the valuation, and also to bear any reasonable costs it shall spend for legal advice and representation, expert opinions, defense against legal proceedings, negotiations, etc., in connection with any claim, requirement, or other proceedings due to the valuation.

	Notwithstanding the foregoing, in case a peremptory judgement is given which determines that S-Cube acted negligently and/or with malice, the Company shall compensate and indemnify S-Cube as foregoing for any amount that more than one time again exceeds the legal fees that the Company shall exclusively pay to S-Cube. According to the Company, in light of the negligible scope of the business relationship between the valuator and Company, and the fact that the valuation was conducted on a date when the Company was a private company, there is no dependency between the valuator and Company.
The valuation model under which the valuator acted:	DCF for the Company's valuation and the OPM model for the valuation of the ordinary share.
The assumptions under which the valuator made the valuation, according to the valuation model:	Capitalization rate: 20%, growth rate: 3%, scrap value percentage of the total value determined in the valuation (terminal value), - 61%, standard deviation - 63.32%.

5.3. **SafeCharge valuation**

Identifying the subject of valuation:	Put and call options for shares of Nayax Ltd., including an anti-ratchet mechanism
Timing of the valuation:	Date of the valuation: February 11, 2018 The valuation was executed on December 23, 2020
Value of the valuation's subject immediately prior to the valuation date if the accepted accounting rules, including	Not relevant

depreciation and amortization, would not require its change in value according to the valuation:	
Value of the valuation's subject that was determined according to the valuation:	Call options: USD 9,027,000 Put options: USD 9,777,000 Anti-ratchet mechanism: USD 5,299,000
Details about the valuator:	The valuation was conducted by BDO Consulting. Signed on the work is CPA Moti Dattelkramer, partner, head of corporate finance. Over 10 years of experience in valuations and finances.
Is there an indemnification agreement with the valuator?	No
The valuation model under which the valuator acted:	Black & Sholes and OPM models
The assumptions under which the valuator made the valuation, according to the valuation model:	<u>Call option (USD thousands)</u>: 1. Share price: 24,708 2. Variation log yields: 34.42% 3. Standard deviation of variation log yields: 58.67% 4. Exercise price: 37,004 5. Risk-free interest: 3.09% 6. Time to expiration: 4 years 7. Dividends rate: 0.00% <u>Put option (USD thousands)</u>: 1. Share price: 24,708 2. Variation log yields: 34.42% 3. Standard deviation of variation log yields: 58.67% 4. Exercise price: 26,117 5. Risk-free interest: 3.09% 6. Time to expiration: 4 years

	7. Dividends rate: 0.00% Anti-ratchet model scenario A: 1. EBITDA for 2018: USD 14.6 million 2. Number of shares: 69,879 3. Share value: USD 108.3 4. Probability: 70% Anti-ratchet model scenario B: 1. EBITDA for 2018: USD 32.3 million 2. Probability: 30%

May 10, 2021

David Ben-Avi

Director

Mr. Yair Nechmad

CEO of the Company and Chairman of the Board

Annex - List of the Company's Liabilities According to Repayment Dates, as of December 31, 2020

Below are the details of the Company's list of liabilities according to repayment dates:

A. Debentures issued to the public by the reporting company and held by the public, except for such debentures that are held by the corporation's parent company, its controlling shareholder, companies controlled by any of them, or companies controlled by the corporation - on the basis of the data in separate financial statements of the corporation ("standalone" reports) (in USD thousands):

	Principal payments								
	ILS index linked	**ILS not linked**	**Euro**	**Dollar**	**---**	**---**	**Other**	**Gross interest payments (without tax withholding)**	**Total by year**
First year	-	-	-	-	-	-	-	-	-
Second year	-	-	-	-	-	-	-	-	-
Third year	-	-	-	-	-	-	-	-	-
Fourth year	-	-	-	-	-	-	-	-	-
Fifth year onwards	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-

B. Private debentures and non-bank credit, except for debentures or credit provided by the corporation's parent company, its controlling shareholder, companies controlled by any of them or controlled by the corporation - on the basis of the data in separate financial statements of the corporation ("standalone" reports) (in USD thousands):

	Principal payments								
	ILS index linked	**ILS not linked**	**Euro**	**Dollar**	**---**	**---**	**Other**	**Gross interest payments**	**Total by year**

								(without tax withholding)	
First year	-	-	-	-	-	-	-	-	-
Second year	-	-	-	-	-	-	-	-	-
Third year	-	-	-	-	-	-	-	-	-
Fourth year	-	-	-	-	-	-	-	-	-
Fifth year onwards	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-

C. Bank credit from Israeli banks - on the basis of the data in separate financial statements of the corporation ("standalone" reports) (in USD thousands):

Principal payments									
	ILS index linked	**ILS not linked**	**Euro**	**Dollar**	**---**	**---**	**Other**	**Gross interest payments (without tax withholding)**	**Total by year**
First year	-	13,527	-	-	-	-	-	662	14,189
Second year	-	2,366	-	-	-	-	-	140	2,506
Third year	-	1,173	-	-	-	-	-	70	1,243
Fourth year	-	1,210	-	-	-	-	-	33	1,243
Fifth year onwards	-	412	-	-	-	-	-	3	415
Total	-	18,688	-	-	-	-	-	908	19,596

D. Bank credit from overseas banks/clearers of the Group - on the basis of the data in separate financial statements of the corporation ("standalone" reports) (in USD thousands):

	Principal payments								
	ILS index linked	**ILS not linked**	**Euro**	**Dollar**	**---**	**---**	**Other**	**Gross interest payments (without tax withholding)**	**Total by year**
First year	-	-	1,920	1,121	-	-	-	200	3,241
Second year	-	-	2,188	288	-	-	-	65	2,541
Third year	-	-	186	-	-	-	-	1	187
Fourth year	-	-	-	-	-	-	-	-	-
Fifth year onwards	-	-	-	-	-	-	-	-	-
Total	-	-	4,294	1,409	-	-	-	266	5,969

E. Table summarizing tables A-D, total bank credit, non-bank credit and debentures - on the basis of the data in separate financial statements of the corporation ("standalone" reports) (in USD thousands):

	Principal payments								
	ILS index linked	**ILS not linked**	**Euro**	**Dollar**	**---**	**---**	**Other**	**Gross interest payments (without tax withholding)**	**Total by year**
First year	-	13,527	1,920	1,121	-	-	-	862	17,430
Second year	-	2,366	2,188	288	-	-	-	205	5,047
Third year	-	1,173	186	-	-	-	-	71	1,430
Fourth year	-	1,210	-	-	-	-	-	33	1,243

Fifth year onwards	-	412	-	-	-	-	-	3	415
Total		18,688	4,294	1,409				1,174	25,565

F. Exposure of non-balance sheet credit (for financial guarantees and undertakings to provide credit) - on the basis of the data in separate financial statements of the corporation ("standalone" reports) (in USD thousands):

	Principal payments								
	ILS index linked	**ILS not linked**	**Euro**	**Dollar**	**---**	**---**	**Other**	**Gross interest payments (without tax withholding)**	**Total by year**
First year	-	-	-	-	-	-	-	-	-
Second year	-	-	-	-	-	-	-	-	-
Third year	-	-	-	-	-	-	-	-	-
Fourth year	-	-	-	-	-	-	-	-	-
Fifth year onwards	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-

G. Exposure of non-balance sheet credit (for financial guarantees and undertakings to provide credit) of all the consolidated companies, except for companies that are reporting corporations and except for the data of the reporting company appearing in Table F above (in ILS thousands):

	Principal payments								
	ILS index linked	**ILS not index linked**	**Euro**	**Dollar**	**---**	**---**	**Other**	**Gross interest payments (with no tax deduction)**	**Total by year**

First year	-	-	-	-	-	-	-	-	-
Second year	-	-	-	-	-	-	-	-	-
Third year	-	-	-	-	-	-	-	-	-
Fourth year	-	-	-	-	-	-	-	-	-
Fifth year onwards	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-

H. Total balance of bank credit, non-bank credit and debentures of all the consolidated companies, except for companies that are reporting corporations and except for the data of the reporting company appearing in Tables A-D above (in USD thousands):

	Principal payments								
	ILS index linked	**ILS not index linked**	**Euro**	**Dollar**	**---**	**---**	**Other**	**Gross interest payments (with no tax deduction)**	**Total by year**
First year	-	-	-	-	-	-	-	-	-
Second year	-	-	-	-	-	-	-	-	-
Third year	-	-	-	-	-	-	-	-	-
Fourth year	-	-	-	-	-	-	-	-	-
Fifth year onwards	-	-	-	483	-	-	-	-	483
Total	-	-	-	483	-	-	-	-	483

I. The remaining credit provided to the reporting corporation by the parent company or controlling shareholder, and the remaining debentures issued by the reporting

corporation that are held by the parent company or controlling shareholder (in USD thousands):

	Principal payments								
	ILS index linked	**ILS not index linked**	**Euro**	**Dollar**	**---**	**---**	**Other**	**Gross interest payments (with no tax deduction)**	**Total by year**
First year	-	-	-	-	-	-	-	-	-
Second year	-	-	-	-	-	-	-	-	-
Third year	-	-	-	-	-	-	-	-	-
Fourth year	-	-	-	-	-	-	-	-	-
Fifth year onwards	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-

J. The remaining credit provided to the reporting corporation by companies controlled by the parent company or the controlling shareholder and not controlled by the reporting corporation, and the remaining debentures issued by the reporting corporation that are held by companies controlled by the parent company or the controlling shareholder and not controlled by the reporting company (in USD thousands):

	Principal payments								
	ILS index linked	**ILS not index linked**	**Euro**	**Dollar**	**---**	**---**	**Other**	**Gross interest payments (with no tax deduction)**	**Total by year**
First year	-	-	-	-	-	-	-	-	-
Second year	-	-	-	-	-	-	-	-	-
Third year	-	-	-	-	-	-	-	-	-

Fourth year	-	-	-	-	-	-	-	-	-
Fifth year onwards	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-

K. The remaining credit provided to the reporting corporation by consolidated companies, and the remaining debentures issued by the reporting corporation that are held by consolidated companies (in USD thousands):

	Principal payments								
	ILS index linked	**ILS not index linked**	**Euro**	**Dollar**	**---**	**---**	**Other**	**Gross interest payments (with no tax deduction)**	**Total by year**
First year	-	-	-	-	-	-	-	-	-
Second year	-	-	-	-	-	-	-	-	-
Third year	-	-	-	-	-	-	-	-	-
Fourth year	-	-	-	-	-	-	-	-	-
Fifth year onwards	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-

L.

1) Cash and cash equivalents, negotiable securities and short term deposits on the basis of the data in separate financial statements of the corporation ("standalone" reports) (in USD thousands): 1,095.
2) Cash and cash equivalents, negotiable securities and short term deposits on the basis of the data in consolidated financial statements of the corporation (in USD thousands): 7,101.

Chapter 7 – Directors and Officers of the Company

7.1. The Company's board of directors

Hereunder are details concerning members of the board of directors of the Company:

Name of director	Amir Nechmad	Yair Nechmad	David Ben-Avi	Michael Galai[1]
ID number	055273981	057243263	025068925	069840791
Date of birth	July 27, 1958	August 13, 1961	August 4, 1973	October 3, 1966
Address for service of court documents	Ehud 10, Tel Aviv	Tzabar 1, Even Yehuda	Levona 30, Ramat Hasharon	3 Beit Lechem, Tel Aviv
Citizenship	Israeli	Israeli	Israeli	Israeli
Membership in board of directors committees	No	No	No	No
Is member an external director, external expert or independent director	No	No	No	No
Date of commencement of term as director	April 7, 2005	April 7, 2005	February 17, 2009	May 4, 2021
Does director have accounting and financial	No	Yes, professional qualification	Yes, professional qualification	Yes, accounting and financial expertise

[1] Upon the appointment of the external directors to the Company's board of directors, Mr. Galai's tenure as director of the Company shall end.

expertise or professional qualification?				
Education	LLB (Bachelor of Laws), Tel Aviv University	BA (Political Science), Tel Aviv University	BA (Business Administration), Derby University Certificate in Real Estate Appraisal, the College of Management	LLB (Bachelor of Laws), Tel Aviv University, and MBA (specialization in financing) from Ono Academic College
Main areas of professional activity – past 5 years	Active in the field of real estate and investment	CEO of the Company	Chief Technological Officer of the Company	2019-current: General Counsel of the Company; May 2021-current: Independent director, chairman of the audit committee, and member of the investments committee of Analyst Provident Funds Ltd.; 2016-current: Member of the audit committee (pro-bono) of Accessible Israel (Non-profit); 2014-2018: General Counsel

				of Telit Communications Plc (AIM: TCM); February 2010-January 2019: External directors, chairman of the audit committee, and member of the investments committee of Analyst Provident Fund Ltd.; January 2010-January 2019: External directors, chairman of the audit committee, and member of the remuneration committee of Analyst I.M.S. – Investment Management Services Ltd.; July 2015-December 2017: Independent directors, member of the audit committee, and member of the remuneration committee of Kalanit Carmon Software Services Ltd.

Additional corporations in which member serves as director	Director in most of the Company's subsidiaries, Dankron Ltd., Dankron Schneller Ltd., Ofer R.G. Ltd., Wise-Sec Ltd., DRK Group	Director in all the Company's subsidiaries, Yair Nechmad Ltd., Wise-Sec Ltd.	Director in most of the Company's subsidiaries, David Ben-Avi Holdings, Wise-Sec Ltd.	See above
Is director an employee of the Company, a subsidiary or a related company or of an interested party, and if so, positions held	Director in most of the Company's subsidiaries	CEO of the Company, CEO in Dually Ltd., director in all of the Company's subsidiaries	Chief Technological Officer of the Company, Chief Technological Officer in Dually Ltd., director in most of the Company's subsidiaries	General Counsel of all Group companies (after the completion of the initial public offering under this Prospectus he will also serve as Company secretary)
Is director a family member of an interested party in the Company	Yes (brother of Yair Nechmad)	Yes (brother of Amir Nechmad)	No	No
Does Company consider director to possess accounting and financial expertise for the purposes of compliance with the minimum number set forth by the board of directors under Section	No	No	No	Yes

92(a)(12) to the Companies Law				

It should be noted that no later than three months from the date on which the Company becomes a public company, the Company intends to act to appoint external directors, in accordance with Article E of 1 Chapter of Part 6 of the Companies Law.

7.2. **Senior Officers**

Hereunder are the details of senior officers in the Company who are not directors:

Name of officer	**Ella Shechtman**	**Liron Grossman**	**Nila Tabachnik-Varshavsky**	**Keren Sharir**	**Tami Tzuri Erel**	**Shay Shalom Ben-Avi**	**Sammy Yahiaoui**	**Roy Shimon Levy**
ID number	016793267	066704636	312726409	031171044	038364410	036818169	171701902 (Dutch ID)	300782778
Date of birth	June 24, 1970	June 24, 1984	September 12, 1983	November 13, 1979	November 22, 1975	April 9, 1985	September 11, 1973	May 18, 1987
Date of commencement of term	December 15, 2019	May 4, 2017	May 8, 2011	July 13, 2014	September 6, 2005	August 1, 2016	April 1, 2019	April 11, 2021
Position in Company	VP HR	Group CFO	CFO	Chief Marketing Officer	VP Operations (Payments)	Chief Software Architect	Chief Revenue Officer (CRO)	Head of Controlling

Position in subsidiary or interested party in Company	-	CFO of all companies in the Group	-	Chief Marketing Officer of all companies in the Group, management of marketing and sales processes	VP Operations (Payments) of all companies in the Group	-	VP Sales of all Group companies	-
Is officer a family member of a senior officer in the Company or interested party in the Company	No	No	No	No	No	Yes (brother of Mr. David Ben-Avi, one of the Company's controlling shareholders)	No	No
	BS (Political Science and Government), York	BS (Economics and Accounting),	BA (Business Administration and Accounting),	BSc (Mathematics and Computer	BA (Economics and Management)	High School	Studies at Saxion University of Applied	BA in Business Administration in the

Education	University, Toronto, Canada MA (Labor Studies), Tel Aviv University	Hebrew University of Jerusalem	the College of Management	Science), University of Haifa	, the College of Management LLM (Master of Laws), Bar Ilan University		Sciences (1999) MBA, International business management for senior management from IMD Business School	Accounting Department of the Hebrew University in Jerusalem

Main area of professional activity – past 5 years	Vice-President Human Resources in the Company; Human Resources Manager at the company Fresenius; Human Resources Manager at the company Sanofi	April 2017-present: Chief Financial Officer in the Company; 2013- April 2017: Manager of Investment and Finances, Lahav Fund	CFO on the Company	Chief Marketing Officer of the Company	VP Operations of the Company	Chief Software Architect of the Company	March 2014 – April 2019: Senior Vice President of the IoT Services domain of Telit Communications Plc	Controller of "Minrav Group Ltd."; Lecturer of the course "Advanced Financial Accounting" in the framework of a make-up year for accounting studies at Tel Aviv University; Course instructor in "Advance Financial Accounting" in the framework

								of the make-up year for accounting studies at the Open University; head of the professional department of PwC Israel

7.3. Independent authorized signatories

As of the Prospectus date, the Company has no independent authorized signatories, as defined in Section 37(d) of the Securities Law.

7.4. Main provisions in Company's articles of association concerning the Company's board of directors[2]

Hereunder are the main provisions in the Company's articles of association regarding the minimum and maximum number of directors in the Company, their manner of appointment or selection, the length of their term, substitution, termination of their term, their salary and the appointment of board of director committees and the powers and authorities that may be accorded to them. The version cited in this Chapter does not constitute a replacement for reading the full version of the Company's articles of association.

7.4.1. Minimum and Maximum number of directors in the Company

The number of directors in the Company shall not fall below three directors (including external directors) and shall not exceed seven directors (including external directors).

7.4.2. Manner of appointment or selection of directors in the Company

7.4.2.1. The directors shall be appointed at the annual meeting and shall serve until the end of the next annual meeting, and shall continue to serve so long as the general meeting does not reconvene, unless their office is vacated at an earlier date under the Companies Law or the Company's articles of association. Directors whose terms have come to an end may be reappointed. The aforementioned shall not apply to external directors, with respect to which the provisions of the Companies Law and its regulations shall apply.

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[2] On May 4, 2021, the Company's general meeting approved the replacement of the Company's present articles of association with new articles of association suitable to a public company. The new articles of association will enter into force upon completion of the IPO in accordance with this Prospectus, and registration of the Company's shares for trade on the TASE. Once the Company's shares are registered for trade on the TASE, the complete text of the Company's articles of association will be available for view on the Israel Securities Authority's distribution site (www.magna.isa.gov.il). The provisions detailed in this Chapter are taken from the Company's aforementioned amended articles of association.

7.4.2.2. The Company has the right to appoint, at a special general meeting, an additional director or directors of the Company, whether to fill a position that has been vacated for any reason whatsoever or as an additional director or directors, providing that the number of directors does not exceed the maximum number set forth in Section 7.4.1 above. Directors appointed as above shall end their term at the end of the annual meeting held following their appointment (unless their position is vacated at an earlier date under the provisions of the Companies Law or the Company's articles of association), and they may be reappointed.

7.4.2.3. The general meeting has the right to determine that the term of a director appointed by it, as appropriate, shall commence at a date later than its appointment approval date.

7.4.2.4. The board of directors shall appoint one of its members to serve as chair of the board of directors. The board of directors also has the right to remove the chair of the board of directors from their position, and to appoint another chair. The board of directors has the right to appoint from among its members one or more vice-chairs of the board of directors, who shall serve as a substitute in the chair's absence. The board of directors has the right to determine the period during which the chair and vice-chairs shall serve in their positions. If no period has been determined as above, the chair and vice-chairs shall serve in their positions for as long as they serve as directors, or for as long as the board of directors has not determined otherwise.

7.4.3. <u>Completion of the director's term</u>

7.4.3.1. The general meeting has the right, at any time, subject to a majority resolution, to remove any director, except for an external director, from their position before the end of their term, providing that the director is granted a reasonable opportunity to present their position to the general meeting. The general meeting also has the right, subject to a majority resolution, to appoint another person as director instead of a director who has been removed from their position.

7.4.3.2. Should a director position become vacant, the board of directors shall have the right to continue to act on any matter, providing that the number of directors does not fall below the minimum number of directors set forth in Section 7.4.1 above. Should the number of directors fall below this number, the board of directors shall not have the right to act, except for the purpose of adopting resolutions regarding urgent matters, or to convene a general meeting for the purpose of appointing additional directors, but not for any other purpose.

7.4.3.3. A director has the right to resign by delivering notice to the chair of the board of directors or to the Company's registered office, subject to the provisions of the Companies Law, and the resignation shall enter into force on the date on which notice was provided, unless a later date has been set forth in the notice. The director shall provide the reasons for their resignation.

7.4.4. Alternate director

7.4.4.1. Subject to the provisions of law, a director has the right to appoint a substitute (hereinafter – **"Alternate Director"**). Notwithstanding the above, an individual who is noes not qualify to be appointed as director shall not be appointed, and shall not serve, as an Alternate Director, and the same is true for a person who serves as a director in the Company, or as an Alternate Director for a director in the Company.

7.4.4.2. An Alternate Director has the same rights as the director who appointed them as a substitute, and they shall have the right to be present at meetings of the board of directors and/or board committees, and to participate in votes therein, in the same manner as the director who appointed them.

7.4.4.3. A director who appointed an Alternate Director has the right, subject to law, to cancel the appointment at any time. In addition, the Alternate Director position shall become vacant, should the position of the director who appointed the substitute become vacant in any manner whatsoever.

7.4.4.4. Any appointment or cancellation of appointment of an Alternate Director, as above, shall be carried out through written notice by the appointing

director, delivered to the Alternate Director and to the Company, and shall enter into force immediately following delivery of the aforementioned notice, or at another date set forth therein, the later of the two.

7.4.5. External directors

The selection of external directors in the Company, their number, qualification terms, the period and expiration of their term, as well as their remuneration, shall be in accordance with the provisions of the Companies Law and its regulations.

7.4.6. Board of director committees

7.4.6.1. Subject to the provisions of the Companies Law, the board of directors shall have the right to establish board of director committees, as it sees fit.

7.4.6.2. The provisions of the Company's articles of association regarding the activity of the board of directors, including convening board of director meetings, directing such meetings and voting therein, as well as appointment of a chair and the powers and authorities accorded thereto, shall also apply, *mutatis mutandis*, to board of director committees, as long as they have not been supplanted by directions of the board of directors on these matters, all subject to the provisions of the Companies Law and the provisions of the Company's articles of association. The chair of a board of directors committee, if elected, shall not have an additional vote in committee votes.

7.4.6.3. A board of directors committee shall report regularly to the board of directors on its resolutions and recommendations. Resolutions and recommendations of a board of directors committee, which are subject to approval by the board of directors, shall be brought to the knowledge of the directors within a reasonable time before they are scheduled to be discussed by the board of directors.

7.4.6.4. Subject to the provisions of the Companies Law, a resolution adopted or act executed in a board of directors committee in accordance with an authority delegated to it, from among the powers and authorities of the board of directors, shall be considered as a resolution adopted or an act

executed by the board of directors, unless expressly set forth otherwise by the board of directors, with respect to a specific matter or a specific committee. From time to time, the board of directors has the right to expand, limit or cancel the delegation of authority to board of directors committees, yet the limitation or cancellation of authority as above shall not derogate from the force of a committee resolution according to which the Company has acted towards another person, who did not have knowledge of the cancellation.

7.4.6.5. Subject to the provisions of the Companies Law, the legal quorum for convening a meeting of a board of directors committee shall be a majority of committee members serving on the date of the meeting.

7.4.6.6. From among its members, the board of directors shall appoint an audit committee. The number of members in the audit committee, as well as their qualification conditions, shall be in accordance with that set forth in the Companies Law.

7.4.6.7. The role of the audit committee shall be in accordance with that set forth in the Companies Law, including any other role which may be accorded to it by the board of directors.

7.4.6.8. Subject to the provisions of the Companies Law, the audit committee shall elect one of its members to serve as audit committee chair, by a majority vote of audit committee members present at the meeting. The term of the audit committee chair shall be until the audit committee resolves to terminate the term and appoint another audit committee chair instead. However, for clarity, an audit committee chair whose term has ended may be reelected.

7.4.7. <u>Director salaries and remuneration terms</u>

7.4.7.1. Subject to the provisions of the Companies Law, the Company has the right to pay the directors remuneration for the execution of their role as directors, as well as reasonable expenses in connection with their participation in board of director meetings and the execution of their role as directors.

7.4.7.2. Subject to the provisions of the Companies Law, the Company has the right to pay an Alternate Director remuneration for participation in meetings of the board of directors.

7.5. **Arrangements in the company's articles of association under the provisions of the Companies Law:**

Hereunder are certain arrangements relating to the Company's board of directors, in accordance with the Companies Law, as set down in the Company's articles of association:

7.5.1. The manner of appointment of directors (Section 59 to the Companies Law) – see Section 7.4.2 above.

7.5.2. Board of director votes (Section 105 to the Companies Law) – Article 55 to the Company's articles of association sets forth that each director shall have one vote in board of directors votes.

7.5.3. Adoption of board of director resolutions (Section 107 to the Companies Law) - Article 55 to the Company's articles of association sets forth that board of directors resolutions shall be adopted by a majority vote of the directors present at the meeting and voting therein, without counting abstentions, and that the chair of the board of directors, or a person selected to direct the meeting in their place, shall not have an additional or deciding vote, such that in case of a tied vote, the proposed resolution on which the members of the board have voted will be considered to have been rejected.

7.5.4. The period of the directors' terms (Section 222 to the Companies Law): see Sections 7.4.2, 7.4.3 and 7.4.5 above.

7.6. **Additional details**

7.6.1. Attorneys for the issue: Herzog, Fox & Neeman, Advocates, 4 Weizmann St., Tel Aviv 6423904.

7.6.2. Company accountants: Kesselman & Kesselman (PwC Israel) CPAs, 145 Menachem Begin Road, Tel Aviv 6492103.

7.6.3. The Company's registered office: 3 Arik Einstein, Herzliya 4659071.

7.7. **Issuer's obligation**

There are a number employees of the Company and its subsidiaries that receive a fixed amount per unit, in respect of the net growth in the number of connected units, or for the sale of each hardware unit executed within the territory under their responsibility.

Chapter 8 - Interested Parties and Senior Officers of the Company

8.1. Remuneration to interested parties and senior officers

Hereunder are details of remuneration granted to each of the five most highly remunerated senior officers of the Company or of corporations controlled by the Company, within the capacity of their position in the Company or in corporations controlled by it, and as recognized in the Company's financial statements for each of the years 2019 and 2020, in terms of cost to the Company, in USD thousands:

8.1.1. Remuneration to senior officers for the period of the year ended December 31, 2020:

Details of recipient of remuneration				Remuneration for services							Other remuneration			Total
Name	Position	Scope of position	Share of holdings in capital	Salary	Grant	Share based payment	Management fees	Consultancy fees	Commission	Other[1]	Interest	Rental fees	Other	
Shay Ben-Avi (1)	Chief Software Architect of the Company	100%	-	92	-	199	-	162	-	2	-	-	-	455
Carly Furman (2)	Nayax LLC CEO	100%	-	166	82	-	-	-	89	27 [2]	-	-	-	364
Sammy Yahiaoui (3)	Chief Revenue Officer of the Company	100%	-	-	11	64	-	251	-	-	-	-	-	326
Keren Sharir (4)	Chief Marketing Officer of the Company	100%	-	174	-	132	-	-	14	1	-	-	--	321
Michael Galai (5)	Chief Legal Officer of Group	100%	-	200	-	50	-	-	-	1	-	-	-	251

[1] Reimbursement of expenses.

[2] Reimbursement of expenses and insurance.

8.1.2. Remuneration to senior officers for the period of the year ended December 31, 2019:

Details of recipient of remuneration				Remuneration for services							Other remuneration			Total
Name	Position	Scope of position	Share of holdings in capital	Salary	Grant	Share based payment	Management fees	Consultancy fees	Commission	Other[3]	Interest	Rental fees	Other	
Carly Furman (2)	CEO Nayax LLC	100%	-	162	65	-	-	-	108	15	-	-	-	350
Sammy Yahiaoui (3)	Chief Revenue Officer of Company	100%	-	-	21	76	-	189	-	-	-	-	-	297
Michael Galai (5)	Chief Legal Officer of Group	100%	-	178	-	100	-	-	-	2	-	-	-	280
Shay Ben-Avi (1)	Chief Software Architect of Company	100%	-	91	-	-	-	157	-	1	-	-	-	249
Dylan Winik (6)	CEO Nayax Australia	100%	-	87	-	13	-	-	132	-	-	-	-	232

Hereunder are details of remuneration granted to interested parties in the Company, within the capacity of their position in the Company or in the corporations controlled by the Company, as recognized in the Company's financial statements for the years 2019 and 2020, in terms of cost to the Company, in thousands of USD:

8.1.3. Remuneration to interested parties for the period of the year ended December 31, 2020:

Details of recipient of remuneration				Remuneration for services							Other remuneration			Total
Name	Position	Scope of position	Share of holdings in capital[4]	Salary	Grant	Share based payment	Management fees	Consultancy fees	Commission	Refunded expenses	Interest	Rental fees	Other	
Yair Nechmad (7)	CEO and Director	100%	32.52%	-	-	-	214	-	-	6	-	-	-	220
David Ben-Avi (8)	Chief Technology Officer and Director	100%	31.2%	-	-	-	214	-	-	8	-	-	-	222
Amir Nechmad (9)	Director	20%%	36.28%	-	-	-	183	-	-	4	-	-	-	187

[3] Reimbursement of expenses.

[4] As of December 31, 2020.

8.1.4. Remuneration to interested parties for the period of the year ended December 31, 2019:

Details of recipient of remuneration				Remuneration for services							Other remuneration			Total
Name	**Position**	**Scope of position**	**Share of holdings in capital[5]**	**Salary**	**Grant**	**Share based payment**	**Management fees**	**Consultancy fees**	**Commission**	**Refunded expenses**	**Interest**	**Rental fees**	**Other**	
Yair Nechmad (7)	CEO and Director	100%	28.57%	-	-	-	168	-	-	10	-	-	-	178
David Ben-Avi (8)	Chief Technology Officer and Director	100%	26.35%	-	-	-	168	-	-	12	-	-	-	180
Amir Nechmad (9)	Director	20%%	32.92%	-	-	-	170	-	-	4	-	-	-	174

8.1.5. Hereunder are further details regarding the terms of service and employment of the senior officers listed in the tables above:

(1) Shay Ben-Avi – Mr. Shay Ben-Avi has been employed by the Company since 2016. Mr. Shay Ben-Avi serves as the Company's Chief Software Architect on a full-time basis. According to his employment agreement with the Company (which has been amended periodically), Mr. Ben-Avi is entitled to a monthly gross salary of ILS 15,400, plus supplemental pay for over-time hours in the amount of ILS 6,600 (in this Section: the **"Salary"**). In addition, Mr. Ben-Avi is entitled to fringe benefits and allocation to an advanced study fund at the generally accepted rates, with respect to the full amount of the Salary. In addition, Mr. Ben-Avi is entitled to travel expenses in the amount of the price of a monthly bus pass (as updated according to changes in the economy), a company cellular phone with limited use up to a monthly amount of ILS 200, and meal expenses (limited to company participation as customary with respect to all employees of the Company, which as of the Prospectus date is up to ILS 30 per day) (total payments for meals and cellular phone for Mr. Ben-Avi amounted to approx. ILS 6,000 annually for each of the years 2019 and 2020). Both the Company and Mr. Ben-Avi have the right to terminate the employment agreement with the Company at any time, subject to 30 days prior notice. In

[5] As of December 31, 2019.

addition, the Company has engaged in a service agreement with Shay Ben-Avi Holdings Ltd., a company under the full ownership of Mr. Shay Ben-Avi (in this Section: the **"Service Provider"**) under which the Service Provider shall provide the Company consultancy and development services for Company projects, as delivered from time to time, in a scope of 174 hours per month. In exchange for provision of the aforementioned services, the Service Provider shall be entitled to ILS 40,000 per month plus VAT. Both the Company and the Service Provider are eligible to terminate the agreement at any time, subject to 30 days prior notice, in writing.

Similarly, Mr. Ben-Avi is entitled to an annual performance bonus, according to targets to be determined every year in advance, provided the bonus amount with respect to any year shall not exceed 30% of the price for the fixed annual component of Mr. Ben-Avi (according to both agreements set forth above), while the weight of each such target shall not exceed 50% of the total weight of the targets that shall be used for examining entitlement to the bonus.

On August 24, 2016, Mr. Shay Ben-Avi was granted 200,000 non-negotiable options, exercisable against payment of an exercise price of ILS 0.0001 per share, into 200,000 ordinary shares of the Company par value ILS 0.0001 each, within the Company's 2013 incentive plan (for details see Section 3.3.1 of Chapter 3 to this Prospectus) (in this Chapter 8: the **"2013 Incentive Plan"**). On November 10, 2020, Mr. Ben-Avi was granted 300,000 non-negotiable options, exercisable against payment of an exercise price of ILS 0.0001 per share, into 300,000 ordinary shares of the Company par value of ILS 0.0001 each, under the Company's 2018 Global Equity Incentive Plan, and in accordance with the terms set forth therein (for details see Section 3.3.1 to Chapter 3 of this Prospectus) (in this Chapter 8: the **"2018 Incentive Plan"**).

In addition, the Company provided Mr. Ben-Avi with a loan, the balance of which as of December 31, 2020 and as of the Prospectus date was approx. ILS 126 thousand. The loan bears minimum interest according to income tax rules, and shall be repaid until the end of 2021. Furthermore, Mr. Ben-Avi is entitled to directors and officers liability insurance, indemnification and release, as acceptable for senior officers of the Company.

(2) Carly Furman - Ms. Furman has been serving as CEO of Nayax LLC, a subsidiary of the Company, on a full-time basis, since 2016. According to her employment agreement (which has been amended periodically), Ms. Furman is entitled to a gross monthly salary of USD 14,000, as well as commission derived from net growth in the number of units connected in the United States (USD 3 per unit) and a bonus at the discretion of the Group's CEO. In addition, Ms. Furman is entitled to directors and officers liability insurance, indemnification and release, as acceptable for senior officers of the Company.

On January 1, 2016, Ms. Furman was granted 500,000 non-negotiable options, exercisable against payment of an exercise price of 29.6 cents per share, into 500,000 ordinary shares of the Company par value ILS 0.0001 each, under the Company's 2013 Incentive Plan, and in accordance with the terms set forth therein (for details see Section 3.3.1 to Chapter 3 of this Prospectus).

(3) Sammy Yahiaoui – Mr. Yahiaoui has been serving as the Company's Chief Revenue Officer, on a full-time basis, since May 1, 2019. On January 22, 2019, the Company engaged under a service agreement with YB&T Solutions B.V., a company under the full ownership of Mr. Yahiaoui (in this Section: the "**Service Provider**"). According to the service agreement, the Service Provider shall provide the Company with Chief Revenue Officer services, as detailed in the agreement, in the scope of full-time employment. In consideration for the provision of services as above, the Service Provider shall be entitled to EUR 18,960 per month, as well as an annual bonus of up to EUR 50,000 for meeting targets defined by the Company. In addition, the Service Provider is entitled to actual travel expenses incurred by the Service Provider in connection with the provision of services, in accordance with the Company's travel expense reimbursement policy, as well as other actual expenses incurred by the Service Provider in connection with the provision of services, providing the aforementioned expenses are pre-approved by the Company, and the Service Provider delivers to the Company invoices and receipts in connection therewith. Both the Company and the Service Provider are eligible to terminate the agreement at any time, subject to three (3) months' prior notice, in writing. In

addition, Mr. Yahiaoui is entitled to directors and officers liability insurance, indemnification and release, as acceptable for senior officers of the Company.

On June 19, 2019, Mr. Yahiaoui was granted 500,000 non-negotiable options, exercisable against payment of an exercise price of USD 0.67 per share, into 500,000 ordinary shares of the Company par value ILS 0.0001 each, under the Company's 2018 Incentive Plan, and in accordance with the terms set forth therein (for details see Section 3.3.2 to Chapter 3 of this Prospectus).

(4) Keren Sharir – Ms. Sharir has been serving as the Company's Chief Marketing Officer, on a full-time basis, since 2013. According to her employment agreement with the Company (which has been amended periodically), Ms. Sharir is entitled to a monthly gross salary of ILS 28,700, plus supplemental pay for over-time hours in the amount of ILS 12,300 (in this Section: the **"Salary"**). In addition, Ms. Sharir is entitled to fringe benefits and allocation to an advanced study fund at the generally accepted rates, with respect to the full amount of the Salary. In addition, Ms. Sharir is entitled to travel expenses in the amount of the price of a monthly bus pass (as updated according to changes in the economy), and a company cellular phone with limited use up to a monthly amount of ILS 200. Both the Company and Ms. Sharir have the right to terminate the employment agreement with the Company at any time, subject to one month prior notice. In addition, Ms. Sharir is entitled to commission derived from net growth in the number of units connected (ILS 1.4 per unit) as well as directors and officers liability insurance, indemnification and release, as acceptable for senior officers of the Company.

On October 29, 2020, Ms. Sharir was granted 350,000 non-negotiable options, exercisable against payment of an exercise price of USD 0.67 per share, into 350,000 ordinary shares of the Company par value ILS 0.0001 each, under the Company's 2018 Incentive Plan, and in accordance with the terms set forth therein (for details see Section 3.3.2 to Chapter 3 of this Prospectus).

On June 19, 2019, Ms. Sharir was granted 50,000 non-negotiable options, exercisable against payment of an exercise price of USD 0.67 per share, into 50,000 ordinary shares of the Company par value ILS 0.0001 each, under the

Company's 2018 Incentive Plan, and in accordance with the terms set forth therein (for details see Section 3.3.2 to Chapter 3 of this Prospectus).

(5) Michael Galai – Mr. Galai has been serving as the Group's Chief Legal Officer, on a full-time basis, since January 6, 2019. According to his employment agreement with the Company, Mr. Galai is entitled to a monthly gross salary of ILS 38,000, plus supplemental pay for over-time hours in the amount of ILS 10,000 (in this Section: the **"Salary"**). In addition, Mr. Galai is entitled to fringe benefits and allocation to an advanced study fund at the generally accepted rates, with respect to the full amount of the Salary. In addition, Mr. Galai is entitled to travel expenses in the gross amount of ILS 2,000, and a company cellular phone with limited use up to a monthly amount of ILS 200. Both the Company and Mr. Galai have the right to terminate the employment agreement with the Company at any time, subject to 90 days prior notice. In addition, Mr. Galai is entitled to directors and officers liability insurance, indemnification and release, as acceptable for senior officers of the Company.

On June 19, 2019, Mr. Galai was granted 500,000 non-negotiable options, exercisable against payment of an exercise price of USD 0.67 per share, into 500,000 ordinary shares of the Company par value ILS 0.0001 each, under the Company's 2018 Incentive Plan, and in accordance with the terms set forth therein (for details see Section 3.3.2 to Chapter 3 of this Prospectus).

In addition, Mr. Galai shall be entitled to a bonus in an amount of at least ILS 200,000, subject to completion of the issuance in accordance with this Prospectus.

Since May 4, 2021, Mr. Galai has also been serving as director of the Company, and upon the completion of the initial public offering under this Prospectus, Mr. Galai shall also serve as Company secretary. Mr. Galai is not entitled to additional remuneration for his service as director of the Company or for his service as Company secretary.

(6) Dylan Winik – Mr. Winik has been serving as CEO of Nayax Australia, a subsidiary of the Company, on a full-time basis. According to his employment agreement (which has been amended periodically), Mr. Winik is entitled to a

monthly gross salary of AUD 15,400, as well as well as commission derived from net growth in the number of units connected in Australia (AUD 18 per unit). In addition, Mr. Winik is entitled to directors and officers liability insurance, indemnification and release, as acceptable for senior officers of the Company.

On November 14, 2017, Mr. Winik was granted 150,000 non-negotiable options, exercisable against payment of an exercise price of ILS 0.0001 each, into 150,000 ordinary shares of the Company par value ILS 0.0001 each, under the Company's 2013 Incentive Plan, and in accordance with the terms set forth therein (for details see Section 3.3.1 to Chapter 3 of this Prospectus).

On June 19, 2019, Mr. Winik was granted 50,000 non-negotiable options, exercisable against payment of an exercise price of USD 0.67 per share, into 50,000 ordinary shares of the Company par value ILS 0.0001 each, within the Company's 2018 Incentive Plan, and in accordance with the terms set forth therein (for details see Section 3.3.2 to Chapter 3 of this Prospectus).

On October 29, 2020, Mr. Winik was granted 50,000 non-negotiable options, exercisable against payment of an exercise price of USD 0.67 per share, into 50,000 ordinary shares of the Company par value ILS 0.0001 each, under the Company's 2018 Incentive Plan, and in accordance with the terms set forth therein (for details see Section 3.3.2 to Chapter 3 of this Prospectus).

On March 24, 2021, Mr. Winik was granted 150,000 non-negotiable options, exercisable against payment of an exercise price of USD 0.67 per share, into 150,000 ordinary shares of the Company par value ILS 0.0001 each, under the Company's 2018 Incentive Plan, and in accordance with the terms set forth therein (for details see Section 3.3.2 to Chapter 3 of this Prospectus).

(7) Mr. Yair Nechmad – Mr. Yair Nechmad has been serving as CEO and Director of the Company since 2005. On November 22, 2016, the Company engaged in a service agreement with Yair Nechmad Ltd., a company under the full ownership of Mr. Yair Nechmad (the **"Service Provider"**), under which the Service Provider shall provide the Company management, consultancy and development services, as well as additional services at the Company's demand

from time to time. Total payment to the Service Provider in respect of the Management Services, and in respect of management services the Service Provider provided to Dually (which were all paid by the Company) in 2019 and 2020, amounted to ILS 600,000 and ILS 735,000, respectively (plus VAT). In addition, the Service Provider is entitled to actual fuel expenses up to an amount of ILS 1,000 per month, meal expenses in the amount of ILS 1,000 per month, as well as other actual expenses incurred by the Service Provider in connection with provision of the Management Services, including costs for mobile phone usage, plus VAT, providing the aforementioned expenses are pre-approved by the Company, and the Service Provider delivers to the Company invoices and receipts in connection therewith. Total payments to the Service Provider (executed through Dually) for fuel expenses in the years 2019 and 2020 amounted to ILS 11 thousand and ILS 5 thousand, respectively. In addition, total payments to the Service Provider for hosting, meals and cellular phone in the years 2019 and 2020 amounted to ILS 25 thousand and ILS 17 thousand, respectively.

On March 10, 2021, the Company's board of directors and general meeting approved that as of January 1, 2021, the Service Provider's fee shall amount to a monthly cost of ILS 150 thousand.

On May 4, 2021, the board of directors and general meeting of the Company approved the Company's engagement with the Service Provider in a new services agreement (the "**Updated Services Agreement**"), which replaces the services agreement executed with the Service Provider on November 22, 2016. The Updated Services Agreement shall become effective upon completion of the offering pursuant to this Prospectus. According to the Updated Services Agreement, the Service Provider shall provide the Company with consulting and management services as the Company's CEO, in scope of 180 hours per month, through Mr. Yair Nechmad. According to the Updated Services Agreement, the Service Provider shall be entitled to monthly management fees of ILS 140,000, plus VAT. The management fees shall increase at the beginning of every calendar year at a rate of 2.5%.

Similarly, on the offering completion date pursuant to this Prospectus, and before the shares of the Company are listed on TASE, and instead of payment of an annual bonus, the Service Provider (or Mr. Yair Nechmad, at the Service Provider's discretion), shall be allocated 7,250,000 options convertible into Company shares, so that after their allocation, Mr. Yair Nechmad shall hold (including through the Service Provider), assuming all the shares offered under this Prospectus are purchased, shares constituting 26.62% of the Company's actual issued and outstanding share capital, and assuming the vesting of all options and full exercise of the options (according to this Section 8.1.5(7) and Section 8.1.5(8) only) 27.62% of the Company's issued and outstanding share capital, and 26.01% of the Company's issued and outstanding share capital on a fully diluted basis[6] (the "**Options for the Service Provider**").

The options shall vest over five years, subject to meeting the targets, as set forth below: (a) Insofar as the growth in the Company's revenues in any calendar year compared to the preceding calendar year (starting in 2021 with respect to growth compared to 2020) shall be at least 30%, and subject to such that the Company's gross profit rate in that calendar year shall be no less than 45%, 750,000 options out of the Options for the Service Provider shall vest (and shall be convertible into ordinary shares of the Company); (b) In addition to the options that vested according to subsection (a), for growth exceeding 30% in the Company's revenues in any calendar year compared to the preceding year (starting from 2021 compared to the growth in 2020) and up to a revenues growth rate of 45%, subject to such that the Company's gross profit rate in that calendar year shall be no less than 40%, up to 700,000 options out of the Options to the Service Provider shall vest (and shall be convertible into ordinary shares of the Company), while the number of options to actually vest according to this subsection (b) shall be calculated in a linear manner, according to a revenues

[6] Calculating the rate of options for the Service Provider out of the Company's fully diluted share capital is made assuming the exercise of all non-negotiable options that the Company allocated and that were not yet exercised or have not yet expired as of the Prospectus date (including the options to the Service Provider and the options to the Service Provider as set forth in Section 8.1.5(8) below). Such calculation does not take into account the Company's obligations to allocated options convertible into Company shares, as set forth in Section 3.3.8 in Chapter 3 of this Prospectus.

growth rate between 30%-40% compared to the preceding calendar year (for avoidance of doubt, the vesting of the options under this subsection (b) shall be in addition to the vesting of the 750,000 options under subsection (a) above). The Company's revenues growth rate and the Company's gross profit rate shall be calculated according to the consolidated and audited annual financial statements of the Company for every relevant calendar year (starting in 2021). The Service Provider's entitlement to such a bonus shall with respect to the calendar years 2021-2025 (inclusive).

The exercise price of such options shall be the price to be determined for the Company's shares in the framework of the issued under this Prospectus. The options from every portion to vest shall be exercisable starting from their vesting date until the end of five (5) years from their vesting date. On the approval date of the Company's consolidated financial statements as of any calendar year, if relevant, the Options to the Service Provider shall expire with respect to the calendar year when the financial statements were approved, which did not vest due to failure to meet such targets. The Options to the Service Provider shall be allocated under the Company's 2018 Global Equity Incentive Plan (for details see Section 3.3.2 in Chapter 3 of this Prospectus).

In addition, the Service Provider shall be entitled to a refund for fuel expenses and/or routine maintenance of an electric vehicle of ILS 1,500 per month plus VAT. The Company shall provide the Service Provider with a mobile phone and it shall bear all the costs for using the mobile phone. The Company shall bear the costs for toll roads subscriptions and the costs for a business newspaper. The Service Provider shall be entitled to a refund for costs that it incurred in connection with providing the services, against presentation of applicable references of such costs to the Company, according to Company procedures, as updated from time to time with the approval of the audit committee. The Service Provider shall be entitled to a refund for meal costs of ILS 2,500 per month. The Company shall provide the Service Provider with office services and a right to a reserved parking space in the parking of the Company's offices for the duration of the entire period the services are provided. Similarly, the Service Provider shall be entitled to 28 vacation days per annum for which the

management fees shall be paid without the services actually being provided. Both the Company and Service Provider shall have an option to terminate the Updated Services Agreement with six (6) months prior notice. During the prior notice period, the Service Provider shall be eligible to consideration under the agreement, provided that during the prior notice period, the Service Provider shall provide to the Company, at the Company's request, services under the agreement.

In addition, according to the Updated Services Agreement, the Service Provider shall provide to the Company, through Mr. Yair Nechmad, chairman of the board services and director services for subsidiaries, for no additional consideration. Mr. Nechmad is entitled to directors and officers liability insurance, indemnity and release, as customary with respect to the officers of the Company.

(8) Mr. David Ben-Avi – Mr. David Ben-Avi has been serving as the Company's Chief Technology Officer (CTO) and Director since 2006. On November 22, 2016, the Company entered into a service agreement with David Ben-Avi Holdings Ltd., a company fully owned by Mr. David Ben-Avi (the **"Service Provider"**), under which the Service Provider shall provide the Company management, consultancy and development services, as well as additional services at the Company's demand from time to time. Total payment to the Service Provider in respect of the Management Services, and in respect of management services the Service Provider provided to Dually in 2019 and 2020, amounted to ILS 600,000 and ILS 735,000, respectively (plus VAT). Furthermore, the Service Provider is entitled to actual fuel expenses up to an amount of ILS 1,000 per month, meal expenses in the amount of ILS 1,000 per month, as well as other actual expenses incurred by the Service Provider in connection with the provision of services, including costs for mobile phone usage, plus VAT as stipulated by law, providing the aforementioned expenses are pre-approved by the Company, and the Service Provider delivers to the Company invoices and receipts in connection therewith. Total payments to the Service Provider for fuel expenses (executed through Dually) in the years 2019 and 2020 amounted to ILS 20 thousand and ILS 12 thousand, respectively. In

addition, total payments to the Service Provider for hosting, meals and cellular phone in the years 2019 and 2020 amounted to ILS 23 thousand and ILS 16 thousand, respectively.

On March 10, 2021, the Company's board of directors and general meeting approved that as of January 1, 2021, the Service Provider's fee shall amount to a monthly cost of ILS 150 thousand.

On May 4, 2021, the board of directors and general meeting of the Company approved the Company's engagement with the Service Provider in a new services agreement (the "**Updated Services Agreement**"), which replaces the services agreement executed with it on November 22, 2016. The Updated Services Agreement shall become effective upon completion of the issuance under this Prospectus. According to the Updated Services Agreement, the Service Provider shall provide the Company with consulting and management services as the Company's Chief Technology Officer (CTO), in scope of 180 hours per month, through Mr. David Ben-Avi. According to the Updated Services Agreement, the Service Provider shall be entitled to monthly management fees of ILS 140,000, plus VAT. The management fees shall increase at the beginning of every calendar year at a rate of 2.5%.

Similarly, on the offering completion date pursuant to this Prospectus and before the shares of the Company are listed on TASE, and instead of payment of an annual bonus, the Service Provider, shall be allocated 7,250,000 options convertible into Company shares, so that after their allocation, the Service Provider, assuming all the shares offered under this Prospectus are purchased, shares constituting 24.48% of the Company's actual issued and outstanding share capital, and assuming the vesting of all options and full exercise of the options (according to this Section 8.1.5(8) and Section 8.1.5(7) only) 25.57% of the Company's issued and outstanding share capital, and 24.08% of the Company's issued and outstanding share capital on a fully diluted basis[7] (the "**Options for the Service Provider**").

[7] Calculating the rate of options for the Service Provider from the Company's fully diluted share capital is made assuming the exercise of all non-negotiable options that the Company allocated and that were not yet exercised or

The options shall vest over five years, subject to meeting the targets, as set forth below: (a) Insofar as the growth in the Company's revenues in any calendar year compared to the preceding calendar year (starting in 2021 with respect to growth compared to 2020) shall be at least 30%, and subject to such that the Company's gross profit rate in that calendar year shall be no less than 40%, 750,000 options out of the Options for the Service Provider shall vest (and shall be convertible into ordinary shares of the Company); (b) In addition to the options that vested according to subsection (a), for growth exceeding 30% in the Company's revenues in any calendar year compared to the preceding year (starting from 2021 compared to the growth in 2020) and up to a revenues growth rate of 45%, subject to such that the Company's gross profit rate in that calendar year shall be no less than 40%, up to 700,000 options out of the Options to the Service Provider shall vest (and shall be convertible into ordinary shares of the Company), while the number of options to actually vest according to this subsection (b) shall be calculated in a linear manner, according to a revenues growth rate between 30%-45% compared to the preceding calendar year (for avoidance of doubt, the vesting of the options under this subsection (b) shall be in addition to the vesting of the 750,000 options under subsection (a) above). The Company's revenues growth rate and the Company's gross profit rate shall be calculated according to the consolidated and audited annual financial statements of the Company for every relevant calendar year (starting in 2021). The Service Provider's entitlement to such a bonus shall with respect to the calendar years 2021-2025 (inclusive).

The exercise price of such options shall be the price to be determined for the Company's shares in the framework of the issued under this Prospectus. The options from every portion to vest shall be exercisable starting from their vesting date until the end of five (5) years from their vesting date. On the approval date of the Company's consolidated financial statements as of any

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have not yet expired as of the Prospectus date (including the options to the Service Provider and the options to the Service Provider as set forth in Section 8.1.5(7) above). Such calculation does not take into account the Company's obligations to allocated options convertible into Company shares, as set forth in Section 3.3.8 in Chapter 3 of this Prospectus.

calendar year, if relevant, the Options to the Service Provider shall expire with respect to the calendar year when the financial statements were approved, which did not vest due to failure to meet such targets. The Options to the Service Provider shall be allocated under the Company's 2018 Global Equity Incentive Plan (for details see Section 3.3.2 in Chapter 3 of this Prospectus).

In addition, the Service Provider shall be entitled to a refund for fuel expenses and/or routine maintenance of an electric vehicle of ILS 1,500 per month plus VAT. The Company shall provide the Service Provider with a mobile phone and it shall bear all the costs for using the mobile phone. The Company shall bear the costs for toll roads subscriptions and the costs for a business newspaper. The Service Provider shall be entitled to a refund for costs that it incurred in connection with providing the services, against presentation of applicable references of such costs to the Company, according to Company practice, as updated from time to time and with the approval of the audit committee. The Service Provider shall be entitled to a refund for meal costs of ILS 2,500 per month. The Company shall provide the Service Provider with office services and a right to a reserved parking space in the parking of the Company's offices for the duration of the entire period the services are provided. Similarly, the Service Provider shall be entitled to 28 vacation days per annum for which the management fees shall be paid without the services actually being provided. Both the Company and Service Provider shall have an option to terminate the Updated Services Agreement with six (6) months prior notice. During the prior notice period, the Service Provider shall be entitled to consideration under the agreement, provided that during the prior notice period, the Service Provider provides to the Company, at the Company's request, services under the agreement.

In addition, according to the Updated Services Agreement, the Service Provider shall provide to the Company, through Mr. David Ben-Avi, director services (at the Company and its subsidiaries), for no additional consideration. Mr. Ben-Avi is entitled to directors and officers liability insurance, indemnity and release, as customary with respect to the officers of the Company.

(9) Mr. Amir Nechmad – Mr. Amir Nechmad has been serving as Director of the Company since 2005. On November 22, 2016, the Company entered into a service agreement with the company Dankron Ltd., in which Mr. Nechmad holds 50% ownership (**"Dankron"**), under which Dankron shall provide the Company management, consultancy and development services, as well as additional services at the Company's demand from time to time. In practice, in the years 2019 and 2020 the Management Services were provided by the company Ofer R. G. Ltd., a company fully owned by Mr. Amir Nechmad (in this Section (9): the **"Service Provider"**). Total payment to the Service Provider in respect of the Management Services in 2019 and 2020 amounted to ILS 608 thousand and ILS 630 thousand, respectively (a payment for April to June 2020 in the amount of ILS 158 thousand was made in 2021), plus VAT. In addition, the Service Provider is entitled to actual fuel expenses up to an amount of ILS 1,000 per month, meal expenses in the amount of ILS 1,000 per month, as well as other actual expenses incurred by the Service Provider in connection with provision of the Management Services, plus VAT, including costs for mobile phone usage, plus VAT, against issuing invoices and receipts in connection with such costs. Total payments to the Service Provider for cellular phone costs in the years 2019 and 2020 amounted to ILS 14 thousand and ILS 12 thousand, respectively. No payments were made for fuel costs and meals in the years 2019 and 2020. The services agreement shall terminate upon completion of the issuance under this Prospectus.

On May 4, 2021, the board of directors and general meeting of the Company approved that starting from the completion date of the issuance under this Prospectus, Mr. Amir Nechmad shall be entitled, for his service as director of the Company, to directors remuneration as shall be paid to the other directors of the Company (see Section 8.1.6 below). In addition, Mr. Amir Nechmad is entitled to directors and officers liability insurance, indemnification and release, as acceptable for senior officers of the Company.

8.1.6. Remuneration of Directors following completion of public offering

Upon completion of the public offering under this Prospectus, the Company intends to act to approve remuneration to directors who serve in the Company and do not

serve as senior officers (who are not directors) in the Company, in accordance with that which is set forth in the Companies (Rules for Remuneration and Reimbursement of Costs to External Directors) Regulations, 5760-2000 (the **"Remuneration Regulations"**).

Upon appointment of external directors to the Company, following completion of the public offering under this Prospectus, the Company shall act to approve remuneration of external directors as above, according to the provisions of the Remuneration Regulations, and according to the rank at which the Company is classified from time to time under the Remuneration Regulations.

All directors of the Company will be entitled to directors and officers liability insurance, indemnification and exemption as is customary in relation to the officers of the Company.

8.1.7. For details regarding the eligibility of Mr. Michael Galai to a bonus subject to completion of the issuance according to this Prospectus, see Section 8.1.5(5) above.

8.2. **Transactions with controlling shareholders or concerning the approval of which controlling shareholders have a personal interest**

For details regarding controlling shareholders in the Company, see Section 3.6 to Chapter 3 of this Prospectus.

Hereunder are details, to the best of the Company's knowledge, of transactions with controlling shareholders in the Company, or concerning the approval of which controlling shareholders have a personal interest, in which the Company engaged during the two-year period preceding the Prospectus date or which are in force as of the Prospectus date:

8.2.1. For details regarding a service agreement in connection with Mr. Yair Nechmad's term as CEO of the Company, Chairman of the Company's board of directors, and Director of the subsidiaries, see Section 8.1.5(7) above.

8.2.2. For Mr. Amir Nechmad's entitlement to remuneration for his term as Director of the Company (and the services agreement with him that shall terminate upon the issuance under this Prospectus), see Section 8.1.5(9) above.

8.2.3. For details regarding a service agreement in connection with Mr. David Ben-Avi's term as Chief Technology Officer and Director of the Company, see Section 8.1.5(8) above.

8.2.4. Balance of rights and obligations between the Company and controlling shareholders – Mr. Amir Nechmad, through Ofer R. G. Ltd., a company fully owned by him, provided a shareholders' loan to the Company, which bears annual interest of 6%, with a total balance (principal and interest), as of the Prospectus date, in the amount of ILS 25.5 million (approximately USD 7.8 million). The Company intends to repay the aforementioned loan with the consideration from the issuance according to this Prospectus. In addition, Mr. Amir Nechmad, through Ofer R. G. Ltd., provided the Company with a credit facility of USD 2 million, out of which the Company can withdraw funds at any time. Funds withdrawn by the Company as foregoing shall bear an interest at an annual rate of 6% and shall be repaid by the Company out of the proceeds of the issuance under this Prospectus, immediately after the Company receives such proceeds.

8.2.5. Agreements in connection with Wise-Sec Ltd:

8.2.5.1. On May 25, 2018, the Company, Mr. Amir Nechmad, Mr. Yair Nechmad and Mr. David Ben-Avi, the Company's controlling shareholders, entered into an agreement (the **"Preliminary Agreement"**) with Wise-Sec Ltd. (**"Wise-Sec"**) and its shareholders, under which the Company and its controlling shareholders shall, within a period of six months from the date of signature of the Preliminary Agreement (the **"Transition Period"**) enter into an agreement for the acquisition of the entire share capital of Wise-Sec from its shareholders. In addition, it was agreed that during the Transition Period, the Company and its controlling shareholders shall lend to Wise-Sec, for the purpose of continued ongoing activity, a total amount of USD 200,000. In practice, during 2018, the Company provided Wise-Sec with a loan in the amount of ILS 1,106 thousand. To the best of the Company's knowledge, on January 29, 2019, the controlling shareholders in the Company, Wise-Sec and its shareholders entered into an agreement under which the controlling shareholders in the Company only (the Company was not a party to the agreement) acquired the full share capital

of Wise-Sec. The aforementioned agreement replaced the Preliminary Agreement, yet set forth that it does not derogate from Wise-Sec's obligation to repay the loan provided to it by the Company under the Preliminary Agreement. As of that date, the amount of the aforementioned loan was ILS 1,513 thousand.

8.2.5.2. During the years 2019 and 2020, the Company provided additional loans to Wise-Sec in a total amount of ILS 1,163 thousand.

On November 8, 2020 and on November 17 2020, the company's board of directors and general meeting (respectively) approved the Company's engagement under an agreement between the Company and Wise-Sec, under which the Company acquired intellectual property assets from Wise-Sec (for details see Section 6.20.4 of Section 6 of this Prospectus), in exchange for the offset, in full, of Wise-Sec's debt towards the Company as of that date, in an amount of ILS 2.67 million, as well as payment of the VAT amount with respect to the transaction to Wise-Sec. Within the framework of the agreement, the Company assumed all liabilities in connection with the acquired assets, in respect of the period beginning from the date of signature of the agreement. Under the provisions of the agreement, should the transfer of any asset to the Company in accordance with the provisions of the agreement, be subject to receipt of approval from any third party whatsoever, until the receipt of the aforementioned approval, the asset shall be held in trust by Wise-Sec for the Company, the parties shall cooperate in order to obtain the aforementioned approval, and until it is received, they shall act such that the Company shall be granted all rights stemming from the aforementioned asset. The agreement includes standard representations by Wise-Sec regarding the assets acquired, as well as a warranty by Wise-Sec to indemnify the Company (subject to the terms set forth in the agreement) for representations provided by it within the framework of the agreement, should they prove to be incorrect, and for any other damages that may be caused to it, as detailed in the agreement. In addition, the agreement includes a non-

competition warranty by Wise-Sec. According to its provisions, the agreement entered into force on September 30, 2020.

8.2.6. Agreements in connection with the purchase of shares of the Company and of Dually Ltd. by the company SafeCharge Bulgaria EOOD ("SafeCharge")

8.2.6.1. **Agreement for acquisition of Class A ordinary shares** - On December 13, 2016, the Company, Dually, Mr. Amir Nechmad, Mr. Yair Nechmad (including through a company fully-owned by him) and Mr. David Ben-Avi, (the **"Existing Shareholders"**) entered into an agreement (which was amended on February 15, 2015) with SafeCharge, under which SafeCharge invested an amount of USD 5,550,000 in the Company, in exchange for the allocation to SafeCharge of 119,594 Class A ordinary shares of the Company. In addition, SafeCharge invested an amount of USD 450,000 in Dually, in exchange for the allocation to SafeCharge of 942 Class A ordinary shares in Dually. In addition, in accordance with provisions regarding price adjustment due to non-compliance with targets set forth in the aforementioned agreement, on October 23, 2018, the Company allocated to SafeCharge 33,454 Class A ordinary shares of the Company, and Dually allocated to SafeCharge 324 Class A ordinary shares of Dually. The agreement includes standard representations and indemnification obligations regarding the Company and Dually, provided to SafeCharge by the Company, Dually and the Existing Shareholders.

8.2.6.2. **Agreement for acquisition of Class B ordinary shares** - On February 11, 2018, the Company, Dually and the Existing Shareholders entered into an agreement with SafeCharge, under which SafeCharge invested an amount of USD 17,484,390 in the Company, in exchange for the allocation to SafeCharge of 174,770 Class B ordinary shares of the Company. In addition, SafeCharge invested an amount of USD 1,017,610 in Dually, in exchange for the allocation to SafeCharge of 1,442 Class B ordinary shares of Dually. The agreement includes standard indemnification representations and warranties regarding the Company and Dually, provided by the Company, Dually and the Existing Shareholders, to SafeCharge.

8.2.6.3. **Call and put options agreement** - On February 15, 2018, the Company, Dually and the Existing Shareholders entered into an agreement (which has been amended from time to time) with SafeCharge, under which the Existing Shareholders (jointly and severally) granted a put option to SafeCharge to obligate the Existing Shareholders to purchase from SafeCharge all of the shares of the Company and of Dually allocated and/or to be allocated to it[8] until the date of payment in full of the consideration for the Put Option (as defined below), in accordance with the provisions of the agreements detailed in Sections 8.2.6.1 and 8.2.6.2 above,[9] in consideration for payment to SafeCharge of the total amount SafeCharge invested in the Company and Dually according to the aforementioned agreements (USD 24,502,000), plus annual interest of 9% on the aforementioned amount (with respect to the period from the date of executing the agreement until the date of actual payment of the full put option consideration), after deduction of the amounts of dividends distributed by the Company and Dually during the aforementioned period in respect of the aforementioned shares of SafeCharge (the "**Put Option Consideration**"). According to the provisions of the agreement, the manner of distributing the shares to which the put option relates, and accordingly, the manner of distributing payment the put option consideration to SafeCharge among the Existing Shareholders, shall be in accordance with the relative holdings of the Existing Shareholders in the Company and in Dually, immediately before February 15, 2018, or otherwise as agreed in writing among the Existing Shareholders. As of

[8] In this context, it should be noted that, under the share purchase agreements with SafeCharge, Globe Invest may have had a right to receive additional shares in the Company. The Company and its controlling shareholders believe that, considering *inter alia* the provisions set forth in Section 8.2.6.5 below, as of the date of publication of this Prospectus, Globe Invest does not have such right, however should Globe Invest insist upon such right, and should it be determined that it does indeed have such right, then according to a written undertaking by the controlling shareholders of the Company towards the Company, such shares shall be transferred to Globe Invest by the controlling shareholders, and not through an allocation by the Company, all subject to the lock-up restrictions under the TASE rules and regulations thereunder.

[9] Within such agreement, SafeCharge granted a call option to the Existing Shareholders to purchase the aforementioned shares from SafeCharge, but as of the Prospectus date, since the put option was exercised by SafeCharge, the call option is no longer in effect.

December 30, 2018, the put option was exercised, and the final deadline for payment in full of the put option was set to December 31, 2022. Under the provisions of the agreement, in order to guarantee payment in full of the put option consideration to SafeCharge, each of the Existing Shareholders charged 50% of the shares of the Company and Dually held by them as of the date of signature of the agreement in favor of SafeCharge.

On October 12, 2020, the Existing Shareholders paid Globe Invest Limited (**"Globe Invest"**) (to which SafeCharge assigned its rights under the put option - for details see Section 8.2.6.4 below) part of the put option consideration, and in exchange for such payment, 351 Class A ordinary shares in Dually were transferred to the Existing Shareholders. For details regarding the amendment of the agreement, see Section 8.2.6.5 below.

8.2.6.4. To the best of the Company's knowledge, on October 3, 2019, SafeCharge and Globe Invest Limited (**"Globe Invest"**) entered into an agreement (which took effect on September 30, 2019) under which SafeCharge sold to Globe Invest all of the shares it held in the Company and in Dually,[10] and also assigned to Globe Invest all of its rights under the agreements described in Sections 8.2.6.1, 8.2.6.2 and 8.2.6.3 above.

8.2.6.5. Pursuant to the put and call option agreement described in Section 8.2.6.3 above (as amended from time to time), on December 2, 2020, the Company, Dually and the Existing Shareholders entered with Globe Invest into an amendment to the aforementioned agreement, under which: (a) Globe Invest and SafeCharge transferred to the Existing Shareholders (in accordance with the distribution among them as set forth in the aforementioned amendment) all shares held by them in the Company and in Dually under the agreements described in Sections 8.2.6.1, 8.2.6.2 and 8.2.6.4 above, and (b) the Existing Shareholders paid Globe Invest USD 500,000 (the **"First Payment"**). In addition, it was agreed that the Existing Shareholders shall pay an additional amount of USD 500,000 to Globe

[10] Out of the aforementioned shares, 6,115,140 Class A ordinary shares in the Company remained under the ownership of SafeCharge. These shares were transferred by SafeCharge to the controlling shareholders in the Company, within the framework of executing the agreement described in Section 8.2.6.5 below.

Invest on June 30, 2021, or on the date completing the IPO of the Company's shares, the earlier of the two (the **"Second Payment"**). It is clarified that these payments are in addition to the consideration for the put option. Notwithstanding the aforementioned in Section 8.2.6.3 above regarding the date of payment in full of the put option consideration, in case the Company completes an IPO of Company shares by June 30, 2021, the full put option consideration (in addition to the First Payment and the Second Payment) shall be paid to Globe Invest within five business of completion of the IPO.

8.2.7. **Reorganization – acquisition of Dually shares** – Until April 1, 2021, the controlling shareholders of the Company Mr. Amir Nechmad, Mr. Yair Nechmad[11] and Mr. David Ben-Avi held shares in Dually. Under the agreement executed between the controlling shareholders of the Company, the Company and Dually, and in accordance with a consensual pre-ruling from the Israel Tax Authority, and after receiving approval from the Company's board of directors and general meeting, dated April 1, 2021, on April 1, 2021, a multi-stage reorganization was implemented in accordance with the provisions of Sections 104B, 103T and 104C of the Income Tax Ordinance [New Version] 5721 – 1961 (the **"Income Tax Ordinance"**) the final result of which was the transfer of all shares in Dually to the Company (whereby Dually became a fully owned subsidiary of the Company) as well as the creation of 281,202,800 dormant shares in the Company's share capital (as defined in Section 308(a) of the Companies Law). On April 1, 2021, the Company annulled such dormant shares.

8.2.8. **Service agreement between the Company and Dually** –Dually serves as the distributor of the Company's products in Israel. In addition, as detailed in Section 6.28.2.1.1 to Chapter 6 of this Prospectus, Dually is engaged in the provision of clearing services to Company customers in Israel. On September 30, 2020, the Company and Dually entered into an agreement, under which the Company provides Dually employee management and secondment services, operation services and software services. The consideration paid by Dually to the Company

[11] Including Yair Nechmad Ltd.

under this agreement, and under the license agreement detailed in Section 8.2.9 below, in 2020 and 2019 amounted to USD 3,520 thousand and USD 2,304 thousand, respectively.

8.2.9. **License agreement between the Company and Dually** – On November 29, 2011, a license agreement (as amended from time to time) was executed between the Company and Dually (the **"License Agreement"**), under which the Company granted Dually a license to use technology and equipment owned by the Company, which enable remote payment and control by credit card and through cellular communications networks. The license is limited to the area of activity set forth in the agreement and to the territory of the State of Israel. The License Agreement entered into force on January 1, 2012, and it renews automatically for additional 12 month periods, unless one of the parties notifies the other of its desire to terminate the agreement 60 days before the end of the relevant agreement period.

8.2.10. Within the framework of financing agreements between the Company and a banking corporation, Dually undertook various obligations and charged various assets in favor of the banking corporation in order to guarantee the Company's obligations. For details, see Section 6.25.2 to Chapter 6 of this Prospectus.

8.2.11. 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 sublet agreement for the Company's offices in Herzliya. The Company intends to act to release Mr. Ben-Avi of the aforementioned guarantee, subject to completion of the IPO in accordance with this Prospectus.

8.2.12. For details regarding letters of release and indemnity granted to senior officers of the Company, including Mr. Amir Nechmad, Mr. Yair Nechmad and Mr. David Ben-Avi, see Section 8.3.1 below.

8.2.13. For details regarding directors and officers liability insurance procured by the Company with respect to officers of the Company (and subsidiaries) and regarding specific insurance for the publication of this Prospectus and for the initial public offering of the Company's shares thereunder that the Company acquired, and which also apply to Mr. Amir Nechmad, Mr. Yair Nechmad and Mr. David Ben-Avi, see Section 8.3.2 below.

8.2.14. On May 10, 2021, the Company, Offerors, and Lead Underwriter engaged in a purchase agreement for purpose of resale and underwriting. For additional details see Sections 2.5.3 and 2.6 in Chapter 2 of this Prospectus.

8.2.15. Agreement in connection with a listing requirement

On May 4, 2021, and taking into account the market custom in international issuances, the Company's board of directors and general meeting approved the Company's engagement in an agreement with the controlling shareholders of the Company (Mr. Yair Nechmad, Yair Nechmad Ltd., Mr. David Ben-Avi, and Mr. Amir Nechmad), whereby in case (all or part of) the controlling shareholders inform the Company of their desire to conduct a secondary offering of (all or part of) the shares of the Company held by them ("**Registration Demand**"), the Company shall cooperate and take reasonable measures so as to assist in performing the secondary offering, including by assisting in the preparation of the issuance documents, providing reasonable representations, ensuring the availability of the Company's management for purpose of the issuance, payment of reasonable expenses in connection with the offering, and if the underwriters of the secondary offering request such – indemnity of the secondary offering underwriters, under accepted market terms. The Company shall not be required to respond to (a) more than one Registration Demand per annum, (b) a Registration Demand that was presented to the Company after the lapse of three years from the date of the agreement, (c) a Registration Demand from a shareholder holding less than ten percent (10%) of the Company's outstanding share capital, or (d) a Registration Demand where the selling shareholders jointly hold less than 45 percent of the Company's outstanding share capital.

8.2.16. A number of relatives of controlling shareholders are employed by the Company, as detailed below:

8.2.16.1. Shay Ben-Avi – For details regarding the remuneration to which Mr. Shay Ben-Avi, brother of Mr. David Ben-Avi, a controlling shareholder in the Company, is entitled, see Section 8.1.5(1) above.

8.2.16.2. Arnon Nechmad – On August 31, 2020, Nayax Retail Ltd., a subsidiary of the Company (**"Nayax Retail"**) and Mr. Arnon Nechmad, the son of Mr.

Yair Nechmad (in this Section: the **"Employee"**) entered into an employment agreement, under which the Employee shall be employed in a sales representative position on an hourly basis, with a minimum monthly scope of 40 hours, beginning on September 1, 2020. In consideration for his employment, Nayax Retail shall pay the Employee a basic salary in the gross amount of ILS 45 per hour, for each actual hour of work. In addition, the Employee shall be entitled to additional salary payments for pre-approved overtime hours, in accordance with the Hours of Work and Rest Law 5711-1951, and shall be entitled to travel expenses in the amount of the price of a monthly bus pass as updated according to changes in the economy, and shall receive a company cellular phone on behalf of Nayax Retail, with limited use up to a monthly amount of ILS 100. In addition, the Employee shall be entitled to commissions for actual sales executed, provided the annual fees Mr. Nechmad shall be entitled to does not exceed 60% of the annual fixed component cost that Mr. Nechmad is entitled to. Total salary payments in respect of the months September to December 2020, amounted to ILS 30 thousand, plus payment for meals expenses in the amount of ILS 1 thousand. Both Nayax Retail and Arnon Nechmad have the right to terminate the employment agreement with Nayax Retail at any time, subject to 30 days prior notice. Notwithstanding the above, Nayax Retail has the right to terminate the employment agreement without prior notice for cause (as defined in the agreement). In addition, during the Employee's first six months of employment at Nayax Retail, either party may terminate the employment agreement, with prior notice in accordance with the provisions of the Prior Notice for Dismissal and Resignation Law 5761-2001.

On October 29, 2020, the board of directors of the Company approved the allocation of 25,000 non-negotiable options to Mr. Arnon Nechmad, exercisable into 25,000 ordinary shares of the Company par value ILS 0.0001 each, for payment of an exercise price of USD 0.67 per share. All the above options were granted under the 2018 Incentive Plan, and in accordance with the terms set forth therein.

8.2.16.3. Oded Frenkel – On May 25, 2015, the Company and Mr. Oded Frankel, Mr. David Ben-Avi's brother-in-law, (in this Section: the **"Employee"**) entered into an employment agreement (as amended from time to time), under which the Employee shall be employed full-time in the position of Chief QA Officer of the Company, beginning on July 5, 2015, while as of the Prospectus date, Mr. Frenkel is serving in the role of director of customer service and customer support. The Employee shall be entitled to a monthly gross base salary of ILS 21,518, plus supplemental pay for over-time hours in the amount of ILS 9,222 (in this Section: the **"Salary"**). The Employee is entitled to fringe benefits and allocation to an advanced study fund at the generally accepted rates, with respect to the full amount of the Salary. In addition, the Employee is entitled to sales commissions calculated according to ILS 1 per each increase in the number of active units each month, as well as an annual performance bonus, according to targets to be determined every year in advance, provided the bonus amount with respect to any year does not exceed 30% of the cost of the annual fixed component cost that Mr. Frenkel is entitled to, and that the weight of each such target shall not exceed 50% of the total weight of the targets that shall be used for examining entitlement to the bonus. The Employee is also entitled to travel expenses in the amount of the price of a monthly bus pass as updated according to changes in the economy, a company cellular phone with limited use up to a monthly amount of ILS 200. Total sales commissions paid to the Employee in 2019 and 2020 amounted to ILS 97 thousand and ILS 34 thousand, respectively. In addition, in 2019 the Employee received a target bonus in the amount of ILS 66 thousand. Total payments to the Employee for meals and cellular phone in the years 2019 and 2020 were ILS 9 thousand and ILS 7 thousand, respectively. Both the Company and the Employee have the right to terminate the employment agreement with the Company at any time, subject to 30 days prior notice.

On June 19, 2019, the board of directors of the Company approved the allocation to Mr. Oded Frenkel of 20,000 non-negotiable options, exercisable into 20,000 ordinary shares of the Company par value ILS

0.0001 each, for payment of an exercise price of USD 0.67 per share. All the above options were granted under the 2018 Incentive Plan, and in accordance with the terms set forth therein.

On September 10, 2017, Mr. Oded Frenkel was granted 100,000 non-negotiable options under the Company's 2013 Incentive Plan, which were exchanged on November 10, 2020 for 180,000 non-negotiable options exercisable into 180,000 ordinary shares of the Company par value ILS 0.0001 each, for payment of an exercise price of USD 0.67 per share, under the 2018 Incentive Plan, and in accordance with the terms set forth therein. In addition, on the same occasion, Mr. Frenkel was granted 25,000 non-negotiable options, exercisable into 25,000 ordinary shares of the Company par value ILS 0.0001 each, for payment of an exercise price of USD 0.67 per share, under the 2018 Incentive Plan.

On March 24, 2021, Mr. Frenkel was granted 25,000 non-negotiable options, exercisable against payment of an exercise price of USD 0.67 per share, into 25,000 ordinary shares of the Company par value ILS 0.0001 each, under the Company's 2018 Global Equity Incentive Plan, and in accordance with the terms set forth therein (for details see Section 3.3.2 to Chapter 3 of this Prospectus).

In addition, the Company provided the Employee with a loan, the balance of which amounted to approx. ILS 15 thousand as of December 31, 2020 and the Prospectus date. The loan, bearing interest according to the income tax rules, shall be repaid by the end of 2021.

The Company undertook to allocate to Mr. Frenkel 50,000 options convertible into shares of the Company at future dates, subject to him being an employee of the Company on the grant date (the vesting terms of the options, exercise price, and other option terms have not yet been determined as of the Prospectus date).

8.2.16.4. Reuven Amar – On July 24, 2011, the Company and Mr. Reuven Amar, Mr. David Ben-Avi's brother-in-law, (in this Section: the **"Employee"**) entered into an employment agreement (as amended from time to time).

The Employee was employed beginning on December 1, 2008, by Dually, and on November 1, 2010, employment was transferred to the Company, thereby maintaining continuity of employment. According to the agreement, the Employee is employed full-time in the position of Director of Laboratory and Logistics and Systems Maintenance at Dually. The Employee is entitled to a monthly gross base salary of ILS 16,100, plus supplemental pay for over-time hours in the amount of ILS 6,900. In addition, the Employee is entitled to sales commissions calculated according to ILS 1 per each increase in the number of active units each month. The Employee is entitled to fringe benefits and allocation to an advanced study fund at the generally accepted rates, with respect to a salary in the amount of ILS 22,000. The Employee is also entitled to travel expenses in the amount of the price of a monthly bus pass as updated according to changes in the economy, and received a company cellular phone with limited use up to a monthly amount of ILS 200. Total sales commissions paid to the Employee in 2019 and 2020 amounted to ILS 68 thousand and ILS 34 thousand, respectively. In addition, total payments to the Employee for meals and cellular phone in the years 2019 and 2020 were ILS 7 thousand and ILS 6 thousand, respectively.

On June 19, 2019, the board of directors of the Company approved the allocation to Mr. Reuven Amar of 200,000 non-negotiable options, exercisable into 200,000 ordinary shares of the Company par value ILS 0.0001 each, with an exercise price of USD 0.67 per share. All the option deeds were granted under the 2018 Incentive Plan, and in accordance with the terms set forth therein.

On November 10, 2020, the board of directors of the Company approved the allocation to Mr. Reuven Amar of 25,000 non-negotiable options, exercisable into 25,000 ordinary shares of the Company par value ILS 0.0001 each, with an exercise price of USD 0.67 per share, within the 2018 Incentive Plan, and in accordance with the terms set forth therein.

On March 24, 2021, Mr. Amar was granted 25,000 non-negotiable options, exercisable against payment of an exercise price of USD 0.67 per share,

into 25,000 ordinary shares of the Company par value ILS 0.0001 each, under the Company's 2018 Incentive Plan and according to the terms set forth therein (for details see Section 3.3.2 in Chapter 3 of this Prospectus).

The Company undertook to allocate to Mr. Reuven Amar 50,000 convertible options for shares of the Company at future dates, subject to him being an employee of the Company on the grant date. The terms of the options' vesting, exercise price, and other terms of the options have not yet been determined as of the Prospectus date).

8.2.16.5. Gilat Mizrahi - On January 9, 2018, the Company and Ms. Gilat Mizrahi, Mr. David Ben-Avi's life partner, (in this Section: the **"Employee"**) entered into an employment agreement (as amended from time to time). Under the agreement, the Employee is employed at the Company part-time, in the scope of 70%, in the position of director of Israel activity. The Employee is entitled to a monthly gross salary of ILS 13,400. The Employee is also entitled to travel expenses in the amount of ILS 500 (to be updated according to changes in the place of residence), and received a company cellular phone with limited use up to a monthly amount of ILS 200. Total payments to the Employee for meals and cellular phone in the years 2019 and 2020 were ILS 6 thousand and ILS 5 thousand, respectively. Both the Company and Ms. Gilat Mizrahi have the right to terminate the employment agreement with the Company at any time, subject to 60 days prior notice.

On June 19, 2019, the board of directors of the Company approved the allocation to Ms. Gilat Mizrahi of 50,000 non-negotiable options, exercisable into 50,000 ordinary shares of the Company par value ILS 0.0001 each, with an exercise price of USD 0.67 per share. All the aforementioned options were granted under the 2018 Incentive Plan, and in accordance with the terms set forth therein.

8.3. **Release, indemnity and insurance**

8.3.1. Undertakings for release and indemnity of directors and officer

On May 4, 2021, the Company's board of directors and the general meeting of the Company's shareholders approved, subject to completion of the IPO under this Prospectus and entry into force of the Company's new articles of association,[12] granting letters of indemnity and release to directors and senior officers who serve and shall serve in the Company, from time to time, as well as to senior officers who serve or who shall serve and who are employed shall be employed, from time to time, on behalf of the Company, by other corporations in which the Company holds any securities whatsoever, directly and/or indirectly (**"Other Corporation"**). Within the letters of indemnity and release, the Company has undertaken to indemnify the aforementioned for any liability or expense and/or reasonable legal expenses, as detailed in the letters of indemnity, to be incurred by them due to their activity in their capacity as officers of the Company and/or officers or employees of any Other Corporation on behalf of the Company, provided that the maximum amount of indemnity for pecuniary liabilities imposed on the aforementioned under judgement (including judgment handed down in settlement or an arbitral award approved by the court) shall not exceed (in aggregate for all officers, per instance and in aggregate for all instances) an amount equal to 25% of the Company's effective equity (the **"Maximum Indemnity Amount"**). For this purpose, the term "the Company's effective equity" shall be the amount of the Company's equity according to its most recent consolidated financial statements, audited or reviewed (as applicable), as of the date on which the indemnifiable event occurred. For clarity, the indemnity shall apply in excess of the amount paid (if and when paid) under directors and officers liability insurance that the Company has or shall procure from time to time.

In addition, within the letters of indemnity and release, the Company released the aforementioned from any liability towards it (to the extent permissible under law), for any damage that may be caused to it by the aforementioned within their activity

[12] On May 4, 2021, the Company's general meeting approved the replacement of the Company's present articles of association with new articles of association suitable to a public company. The new articles of association shall enter into force upon completion of the IPO in accordance with this Prospectus, and registration of the Company's shares for trade on TASE. Once the Company's shares are registered for trade on TASE, the complete text of the Company's articles of association shall be available for view on the distribution website of the Israel Securities Authority, http://www.magna.isa.gov.il.

in the capacity as officers of the Company and/or officers or employees on behalf of the Company with any Other Corporation, as a result of a breach of the duty of care (with the exception of breach of the duty of care in distribution (as defined in the Companies Law) and except for other damages set forth in the letters of release). The letters of release shall not apply to a decision or transaction in which the controlling shareholders of the Company, or any officer of the Company, have a personal interest.

8.3.2. Directors and officers liability insurance

On January 27, 2020, the Company entered into a directors and officers liability insurance policy with Ayalon Insurance Company Ltd., which applies to directors and officers who serve and/or shall serve in the Company and in corporations under its control from time to time, including Dually, beginning on January 27, 2020 and until June 26, 2021, with limited liability up to ILS 12,000 thousand per case and ILS 24,000 thousand for the insurance period. The annual premium is in the amount of 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 is noted that upon the completion of the initial public offering under this Prospectus, the coverage of such policy shall become a 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 ratified the Company's engagement with a few foreign insurers under directors and officers liability insurance policy (without coverage with respect to the publication of this Prospectus and the initial public offering thereunder), which shall apply to directors and officers that serve and/or shall serve in the Company (and in corporations under its control) from time to time, including the Company's CEO and directors and officers who are among the Company's controlling shareholders, for a one year period that commenced on April 29, 2021, with liability coverage limited to an amount of USD 6 million per case and to the annual insurance period. The annual premium is in the amount of USD 65,000. The Company's deductible in the insurance policy for claims against officers is USD 75,000 per claim and USD 200,000 per securities claim. The conditions of the insurance policy are identical for all directors and officers in the

Company (and in corporations under its control), including the Company's CEO and directors and officers that are controlling shareholders in the Company.

In addition, on May 4, 2021, the Company's board of directors and general meeting of the Company's shareholders approved and ratified the Company's engagement under a designated insurance policy for the publication of this Prospectus and for the initial public offering of the Company's shares thereunder (POSI – Public Offering of Securities Insurance), for a period of seven years starting April 29, 2021 (the "**POSI Policy**"). The liability coverage of the POSI Policy is 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 Company's deductibles for a claim under the POSI Policy is USD 200,000. The terms of the insurance policy are identical with respect to every director and officer of the Company (and of the corporations under its control), including with respect to the Company's CEO and with respect to the directors and officers who are among the controlling shareholders of the Company.

8.4. **Options plans**

For details regarding the Company's options plans, see Section 3.3 of Chapter 3 to this Prospectus.

8.5. **Remuneration policy**

On May 4, 2021, the Company's board of directors and the general meeting of the Company's shareholders (respectively) approved the adoption of a remuneration policy with respect to officers of the Company (and of corporations under its control), which shall enter into force upon completion of the IPO under this Prospectus. In accordance with Regulation 1 of the Companies (Relief Regarding the Duty to Determine a Remuneration Policy) Regulations, 5773-2013, the remuneration policy described in a prospectus of a company first offering its securities to the public shall be deemed a "Determining Policy" under Section 267A of the Companies Law, and shall only require approval upon the lapse of five (5) years of the date on which the Company's shares are first listed for trade on the TASE. A copy of the remuneration policy is enclosed as **Schedule A** to this Chapter.

8.6. **Holdings of interested parties and senior officers in securities of the Company**

8.6.1. Hereunder are details, to the best of the knowledge of the Company and its managers, regarding holdings of interested parties and senior officers in the Company in securities of the Company, its subsidiaries, and affiliated companies, immediately before the Prospectus date (and assuming that the options were allocated to the Service Providers (as such term is defined in Sections 8.1.5(7) and 8.1.5(8) above):

Name of interested party/senior officer	**I.D. number/Company number**	**Type of security**	**Number of securities held**	**Actual rate of holdings in capital and voting rights**	**Rate of holdings in capital and voting rights, fully diluted[13]**
Amir Nechmad	055273981	Ordinary shares	99,537,696[14]	35.39%	31.43%
Yair Nechmad[15]	057243263	Ordinary shares	91,450,205[16]	32.52%	30.43%
		Options convertible into	7,250,000	-	

[13] Calculation of interested parties and senior officers' capital and voting rights, fully diluted, was made assuming exercise of all non-negotiable options allocated by the Company which have not yet been exercised or have not yet expired as of the Prospectus date. The aforementioned calculation does not consider the Company's obligation to allocate options convertible into shares of the Company, as detailed in Section 3.3.8 to Chapter 3 of this Prospectus.

[14] 44,224,500 of the aforementioned shares are charged in favor of Globe Invest (for details see Section 8.2.6.3 above), and 16,872,168 of the aforementioned shares are charged in favor of an Israeli institutional investor (for details, see Section 6.5.3 to Chapter 6 of this Prospectus).

[15] Including through Yair Nechmad Ltd. (Company no. 51-486655-7), a company fully owned by Mr. Yair Nechmad.

[16] 38,375,500 of the aforementioned shares are charged in favor of Globe Invest (for details see Section 8.2.6.3 above), and 16,872,168 of the aforementioned shares are charged in favor of an Israeli institutional investor (for details, see Section 6.5.3 to Chapter 6 of this Prospectus).

		ordinary shares			
David Ben-Avi	025068925	Ordinary shares	87,735,299[17]	31.20%	30.00%
		Options convertible into ordinary shares	7,250,000	-	
Sammy Yahiaoui[18]	171701902 (Netherlands I.D. number)	Options convertible into ordinary shares	500,000	-	0.16%
Michael Galai	069840791	Options convertible into ordinary shares	500,000	-	0.16%
Liron Grossman	066704636	Options convertible into ordinary shares	400,000	-	0.13%
Gila Tabachnik Varshavsky	312726409	Options convertible into ordinary shares	200,000	-	0.06%

[17] 35,400,000 of the aforementioned shares are charged in favor of Globe Invest (for details see Section 8.2.6.3 above), and 16,872,168 of the aforementioned shares are charged in favor of an Israeli institutional investor (for details, see Section 6.5.3 to Chapter 6 of this Prospectus).

[18] Through a company that he owns.

Tami Tzuri Erel	038364410	Options convertible into ordinary shares	400,000	-	0.13%
Ella Shechtman	016793267	Options convertible into ordinary shares	200,000	-	0.06%
Keren Sharir	031171044	Options convertible into ordinary shares	400,000	-	0.13%
Carly Furman	563344351 (US Passport)	Options convertible into ordinary shares	500,000	-	0.16%
Shay Ben-Avi	036818169	Options convertible into ordinary shares	500,000	-	0.16%
Dylan Winik	PA1899761 (Australian Passport)	Options convertible into ordinary shares	400,000	-	0.13%

8.6.2. Hereunder are details, to the best of the knowledge of the Company and its managers, regarding holdings of interested parties and senior officers of the

Company in securities of the Company, its subsidiaries, and related companies, 12 months prior to the Prospectus date (as of May 1, 2020):

Name of interested party/senior officer	**I.D. number/Company number**	**Type of security**	**Number of securities held**	**Actual share of holdings in capital and voting rights**	**Share of holdings in capital and voting rights, fully diluted[19]**
Amir Nechmad[20]	055273981	Ordinary shares	88,449,000	31.45%	29.96%
Yair Nechmad[21]	057243263	Ordinary shares	76,751,000	27.29%	26.00%
David Ben-Avi	025068925	Ordinary shares	70,800,000	25.18%	23.98%
Dually Ltd.[22]	513558726	Ordinary shares	12,421,000	4.42%	4.20%
SafeCharge Bulgaria EOOD	175267694	Class A ordinary shares	6,115,140	2.17%	2.07%
Globe Invest Limited	398781	Class A ordinary shares	9,189,660	9.48%	9.03%
		Class B ordinary shares	17,477,000		

[19] Calculation of interested parties and senior officers' capital and voting rights, fully diluted, was executed assuming exercise of all non-negotiable options allocated by the Company which have not yet been exercised or have not yet expired.

[20] Of which 2,479,000 were held by Mr. Amir Nechmad in trust for his brother, Mr. Tamir Nechmad.

[21] Including through Yair Nechmad Ltd. (Company no. 51-486655-7), a company fully owned by Mr. Yair Nechmad.

[22] As of the Prospectus date, Dually Ltd. is a subsidiary fully owned by the Company. On March 1, 2020, Dually Ltd. was owned by the Company's shareholders at that time, except for SafeCharge Bulgaria EOOD, in shares similar to their holdings in shares in the Company.

Sammy Yahiaoui[23]	171701902 (Netherlands I.D. number)	Options convertible into ordinary shares	500,000	-	0.17%
Michael Galai	069840791	Options convertible into ordinary shares	500,000	-	0.17%
Liron Grossman	066704636	Options convertible into ordinary shares	200,000	-	0.07%
Gila Tabachnik Varshavsky	312726409	Options convertible into ordinary shares	100,000	-	0.03%
Tami Tzuri Erel	016793267	Options convertible into ordinary shares	200,000	-	0.07%
Keren Sharir	031171044	Options convertible into ordinary shares	200,000	-	0.07%
Shay Ben-Avi	036818169	Options convertible into ordinary shares	502,100	-	0.17%
Carly Furman	563344351 (US Passport)	Options convertible into ordinary shares	500,000	-	0.17%

[23] Through a company owned by him.

Dylan Winik	PA1899761 (Australian Passport)	Options convertible into ordinary shares	200,000	-	0.07%

Nayax Ltd.

(Hereinafter: the "**Company**")

Remuneration Policy for Officers of the Company

(Hereinafter: the "**Policy**" and/or the "**Remuneration Policy**")

Remuneration Policy for Officers

of Nayax Ltd. (the "Company")

1. **Purposes of the Remuneration Policy**

1.1 This document constitutes the Remuneration Policy for the officers of the Company,[1] as defined in the Companies Law, 5759-1999 (the **"Companies Law"**).

1.2 This Remuneration Policy is a multi-year policy that shall remain valid for a period of five years from its approval date, pursuant to Section 1 of the Companies Regulations (Easements Regarding the Obligation to Establish a Remuneration Policy), 5773-2013.

1.3 This Remuneration Policy includes details regarding the remuneration components that the Company's Officers may be entitled to (all or part thereof) under the employment agreements or the management services agreements (as relevant) signed or to be signed with them. It should be emphasized that this Policy does not grant rights to Officers of the Company, and the Officers of the Company shall have no vested right, by virtue of adopting this Remuneration Policy alone, to receive any of the remuneration components described in the Remuneration Policy. The remuneration components to which an Officer shall be entitled, shall only be those that are specifically approved by the competent organs of the Company and subject to the provisions of any law.

2. **Definitions**

"Base Index"		The consumer price index known for April 2021. It is clarified that the amounts set forth in this Remuneration Policy shall be linked to increases in the Base Index, and shall be no less than the amounts set forth in this Policy.
"Officer"	-	As such term is defined in the Companies Law.
"Terms of Office and Employment"	-	As such term is defined in the Companies Law, as it may be from time and time, and as of the date of adopting this Remuneration Policy: the terms of office or employment of an Officer, including granting an exemption, guarantee, undertaking for indemnification or

[1] The term **"Officer"** in this Policy shall have the same meaning as defined in the Companies Law.

indemnification under an indemnification permit, retirement bonus, and any benefit, other payment or undertaking for such a payment, that are granted due to such office or employment.

3. **Purposes of the Remuneration Policy and Underlying Considerations**

3.1 The following considerations, *inter alia*, underlie the Remuneration Policy:

3.1.1 Promoting the Company's objectives, its work plan and its policy in the long term;

3.1.2 Creating a reasonable and appropriate system of incentives for the Company's Officers, *inter alia* considering the Company's nature, its business activity, its risk management policy and the Company's employment relationship;

3.1.3 The Company's size and the nature of its activity;

3.1.4 On the matter of terms of office and employment that include variable components - the Officer's contribution to the achievement of the Company's targets and maximizing its profits, in the long term, according to the Officer's position;

3.1.5 Providing the required tools for hiring, incentivizing and retaining talented and skilled Officers of the Company, who may contribute to the Company and maximize its long term profits;

3.1.6 Tying the Officers' remuneration to the Company's performance, while adjusting the remuneration of the Officers to their contribution in achieving the Company's targets and maximizing its profits, in the long term and in accordance with their position;

3.1.7 Creating a proper balance between the various remuneration components (fixed components vis-a-vis variable components).

3.2 The underlying purposes of the Remuneration Policy:

3.2.1 Improving the business results and increasing the Company's revenues and profitability over time;

3.2.2 Supporting the implementation of the Company's business strategy;

3.2.3 Increasing Officers' sense of identification with the Company by creating a common interest;

3.2.4 Creating a direct connection between performance and remuneration;

3.2.5 Increasing motivation, level of ambitiousness and striving for excellence;

3.2.6 Increasing satisfaction and retaining Officers over time.

4. **Parameters for Determining the Terms of Remuneration**

4.1 Below are the general parameters that shall be taken into account when examining the remuneration terms of the Officers of the Company:

4.1.1 The education, qualifications, expertise, professional experience, seniority (at the Company in particular and in their profession generally) and achievements of the Officer;

4.1.2 The Officer's position, areas of responsibility, and terms of employment under previous salary agreements signed with the Officer and/or, if relevant, with the Officer that preceded him in the position;

4.1.3 The Officer's contribution to the Company's performance, to achieving its strategic targets, to implementing its work plans, and to its profits, resilience and stability;

4.1.4 The degree of responsibility imposed on the Officer for his position at the Company;

4.1.5 The Company's need to retain the Officer in light of his qualifications, his knowledge and/or his unique expertise.

4.1.6 The existence or absence of any material change in the position or function of the Officer or in the demands of the Company from the Officer;

4.1.7 The complexity and nature of the Company's activity;

4.1.8 Market conditions, competition and the regulatory environment in which the Company operates;

4.1.9 The ratio between the fixed component in the Officer's terms of office and employment and variable components, according to the definitions set forth in the framework of this Policy;

4.1.10 The ratio between the cost of the terms of office and employment of the Officer and the salary cost of all other Company employees and contractor workers[2] who

[2] In this respect: "**Contractor employees who are employed by the Company**" - employees of a manpower contractor of whom the Company is the actual employer, and employees of a service contractor who are employed in providing

are employed with the Company, in particular the ratio to the average and median salary of such employees, and the effect of the differences between them on labor relations at the Company;[3]

4.1.11 The reasonableness of the remuneration mechanisms and the scopes of the amounts also relative to the customary conditions on the market for Officers serving in similar positions in similar companies.

4.1.12 With respect to terms of office and employment that include variable components - the possibility of reducing the variable components at the discretion of the board of directors, and the possibility of determining a maximum amount for the realization value of variable equity components that are not cleared in cash.

4.1.13 With respect to terms of office and employment that include retirement bonuses - the Officer's period of office or employment, terms of office and employment in this period, the Company's performance in the foregoing period, the Officer's contribution to the achievement of the Company's targets and maximizing its profits, and circumstances of retirement.

5. **<u>The Ratio Between the Remuneration to Officers and the Remuneration to the Other Company Employees and Remuneration of Officers in Similar Companies</u>**

5.1 In determining the remuneration terms of the Officers of the Company, the following, *inter alia*, shall be examined - the ratio between the average cost of the terms of office and employment of each Officer of the Company and the average and median salary cost of the other Company employees.[4] As of the date of adopting the Remuneration Policy, the ratio between the average cost of the terms of office and employment of each Officer of the Company and the average and median salary cost of the other Company employees is 3.8 and 4.5, respectively. In the estimate of the Company's board of directors, this ratio

services to the Company; in this respect "Manpower Contractor", "Service Contractor", "Actual Employer" - as such are defined in the Employees Employed by Manpower Contractors Law, 5756-1996; **"Cost of salary" -** any payment for employment, including employer's provisions, payment for retirement, vehicle and vehicle use expenses and any other benefit or payment.

[3] In this respect, **"average salary"** - the average salary level, calculated by calculating the amount of all payments to people employed in the Company (whether as employees or as consultants, including contractor workers employed by the Company) and dividing this amount by the number of people employed in the Company, whether as employees or as consultants, including contractor workers employed by the Company; **"median salary"** - the salary level that half of the people employed in the Company (whether as employees or as consultants, including contractor workers employed by the Company) earn more than, and half earn less than.

[4] On this matter, see Footnote 3.

is reasonable and does not adversely affect labor relations at the Company.[5]

5.2 Benchmark salary comparison

Before approving an Officer's remuneration terms, the Company shall act inasmuch as possible to prepare a salary survey, which shall be prepared internally or through an external consultant, or shall be based on an existing salary survey, which shall compare and analyze the overall remuneration level offered to the Officer of the Company compared to overall remuneration packages of Officers in positions similar to the position of the relevant Officer, in other companies of the same type as the Company and/or which operate in the Company's field of business, and inasmuch as possible, with a scope of activities that is similar to that of the Company. For the avoidance of doubt it should be clarified that using the benchmark salary survey is not mandatory, and in any case, if such a comparison is made, its results shall not be binding upon the Company when making decisions pertaining to the remuneration of Officers in accordance with the Remuneration Policy.

6. **Remuneration Terms - General**

6.1 The remuneration terms that are offered to Officers of the Company shall be determined while referring to the parameters set forth in Section 4 above, noting the salary survey as foregoing in Section **Error! Reference source not found.** above.

6.2 In general, the Company shall act to have the remuneration terms of new Officers approved before the date of commencing employment at the Company, and not retroactively. Retroactive approval of remuneration terms shall only be performed in special cases.

7. **Remuneration Package Components**

The Remuneration of Officers of the Company shall be based on all or part of the following remuneration components:

7.1. Base salary - base salary or management fees.

[5] In this regard see Footnote 3; it is clarified that for purpose of calculation said ratio: (a) we examined the terms of service and employment of officers and employees of the Company and of its subsidiaries incorporated in Israel (not including hourly employees and part-time employees); (b) the salary that is taken into account for purpose of the calculation is for March 2021; (c) the bonus that is taken into account for purpose of the calculation is the expected bonus for 2021 according to the Company's estimates, and (d) the options calculated as part of the costs of the terms of service and employment of the officers of the Company are the options granted in 2019 and 2020, while this calculation did not take into account the options to be allocated to Mr. Yair Nechmad and Mr. David Ben-Avi on the closing date of the IPO of the Company's shares (see Section 13.5 below).

7.2. Employment benefits - as detailed in Section **Error! Reference source not found.** below.

7.3. Exemption, indemnification and/or insurance - as detailed in Section 10.

7.4. Terms of termination of office - as detailed in Section 11 below.

7.5. Variable remuneration (bonuses) - short- and medium-term remuneration, which includes *inter alia* management and business target-oriented bonuses and discretionary bonuses.

7.6. Variable equity remuneration - long-term remuneration, designed to create common interest between maximizing value for the Company's shareholders, as expressed in the increase of the value of the Company's shares, and the remuneration given to the Company's Officers.

The remuneration components listed in Sections **Error! Reference source not found.** and 7.6 above shall be termed **"variable components"**.

8. **Base Salary (Fixed Component)**

The base salary to Company officers (fixed salary only, without variable components) shall be determined pursuant to the parameters listed in Section 4 above, noting the salary survey as provided in Section **Error! Reference source not found.** above, subject to the annual cost limit of the fixed component, as detailed below.

For the matter of this Remuneration Policy, **"Fixed Component Cost"** - the fixed component in the remuneration terms of the officer, in terms of employer costs, gross (for the avoidance of doubt, excluding employment benefits as detailed in Section **Error! Reference source not found.** below, and excluding variable components).

8.1 **Company CEO and CTO**

The annual cost of the fixed component in the terms of office and employment of the Company CEO and the Company CTO shall not exceed ILS 2,160,000 for a 100% position.

8.2 **CEO subordinates**

The annual cost of the fixed component in the terms of office and employment of the Officers subordinate to the CEO (excluding the CTO) shall not exceed ILS 1,500,000 for a 100% position.

Notwithstanding the foregoing, in special cases, with respect to Officers subordinate to the CEO (excluding the CTO), whose place of residence is outside Israel, the Company's

competent organs shall be allowed to determine that the annual cost of the fixed component in the terms of office and employment of the Officers subordinate to the CEO as foregoing shall not exceed ILS 2,160,000 per annum for a 100% position.

8.3 **Chairman of the Board of Directors**

The annual cost of the fixed component in the terms of office and employment of the Chairman of the Board of Directors shall not exceed ILS 1,800,000 for a 100% position. It is clarified that a Chairman of the Board of Directors who serves as an Officer in another position at the Company shall not be entitled to any additional remuneration for his service as the chairman of the board.

8.4 **General**

8.4.1 The limit amounts detailed in this Section **Error! Reference source not found.** above shall be linked to increases in the Base Index. In addition, the limit of the fixed component cost, set forth in this Remuneration Policy, shall be increased each year at a nominal rate of 5%.

8.4.2 In case of a scope of position of less than 100%, the maximum annual cost of the foregoing fixed component shall be calculated relatively to the Officer's scope of position in practice.

8.4.3 The salary component set forth in the Officer's individual employment agreement may be linked to increases in the consumer price index.

9. **Benefits Attached to Officers' Remuneration**

9.1 Officers who are the Company's employees shall be entitled (at the least) to social benefits by law, such as pension savings, severance pay provisions, loss of working capacity insurance, vacation days, sick leave, convalescence, travel expenses etc.

9.2 In addition, Officers' remuneration package may include additional employment benefits (including grossing up of expenses for them), including:

9.2.1 Entitlement to receive a Company vehicle (including by way of leasing), pursuant to the customary standard for Officers of their rank at the Company and/or at companies in the Company's field of activity, or in companies with a scope of activity similar to that of the Company, including participation in vehicle, fuel and related expenses, including, as the Company decides, grossing up of the value of the vehicle and attached expenses.

9.2.2 Communications and media (such as landline telephone, mobile telephone, computer, internet, newspaper subscriptions).

9.2.3 Holiday gifts.

9.2.4 Provisions for senior employees insurance/pension fund (including provisions for remunerations, severance pay and provision for loss of working capacity) and provisions for study fund.

9.2.5 Leave days also beyond the provisions of the law, up to a maximum of 28 leave days per year.

9.2.6 Professional seminars.

9.2.7 Reimbursement of expenses in the framework of their position (including, but not only, reimbursement for meals, travel expenses, hosting expenses and stays abroad and in Israel).

9.2.8 Participation in the cost of meals.

9.2.9 Relocation expenses.

9.2.10 Participation in private health insurances.

9.3 The employment benefits for Officers of the Company who are employed as freelancers and not as employees shall be depicted in the management fees, except for reimbursements of expenses that were made in the framework of their position as customary at the Company.

10. **Release, Indemnity and Insurance of Officers**

10.1 Letters of indemnity for Officers: The Company shall be allowed to undertake to grant letters of indemnity to Officers of the Company to be granted to them in a form to be approved from time to time by the Company's competent organs, subject to receiving the approvals required by law, the provisions of any law and the provisions of the Company's Articles of Association.

10.2 Release for Officers: The Company shall be allowed to undertake to grant Officers of the Company a release, in advance, from liability for the violation of the duty of care against the Company, subject to receiving the approvals required by law, the provisions of any law and the provisions of the Company's Articles of Association.

10.3 Officers' insurance: Subject to the provisions of the law, the Officers shall be entitled

to benefit from coverage of a directors' and officers' insurance liability insurance policy, including from coverage of a POSI (Public Offering of Securities Insurance) policy, which the Company shall acquire from time to time. Without derogating from the foregoing, the Company's engagement in a directors' and officers' liability policy and/or POSI insurance policy shall be subject to the approval of the Remuneration Committee only (and the approval of the Company's board of directors - as required pursuant to any law), insofar as the insurance policy meets the conditions detailed below, as long as the engagement is under market conditions and may not materially affect the Company's profitability, assets or liabilities:

10.3.1 The insurer's liability limit in the framework of each insurance policy as foregoing shall not exceed USD 35 million per event and for the insurance period.

10.3.2 The cost of the annual premium to be paid by the Company to the insurance company for each insurance policy as foregoing, as well as the deductible amounts to be determined in the framework of each policy as foregoing, shall be in accordance with market conditions at the time of preparing each policy, as long as the cost is immaterial to the Company.

10.3.3 The policy may include insurance for the Company's own liability (entity cover) against claims pursuant to securities laws filed against it (whether such claims are filed against it alone or they are filed against both the Company and an Officer of the Company).

10.3.4 In addition, the Company shall be allowed to acquire, at its discretion, a run-off insurance policy for directors, Officers and officeholders of the Company, for a period of no more than seven years, as long as the cost of the annual premium to be paid by the Company to the insurance company for a policy as foregoing, as well as the deductible amounts to be determined in the framework of the policy as foregoing, shall be in accordance with market conditions at the time of preparing the policy.

11. **Terms of Termination of Office**

11.1 Severance pay

11.1.1 Officers who are employees of the Company shall be entitled to severance pay (insofar as they are dismissed not under circumstances for which it is possible to

revoke severance pay in Israel - at an amount that shall not exceed the product of multiplying the relevant Officer's gross monthly salary at the time of the termination of employment at the Company by the number of years of employment at the Company, and insofar as they resigned - in an amount that shall not exceed the amounts accumulated in the severance pay fund of such Officer), or compensation pursuant to Section 14 of the Severance Pay Law, 5723-1963 (both upon the termination of employment of the Officer at the Company at the behest of the Company and upon the termination of employment of the Officer at the Company at the behest of the Officer).

11.1.2 Officers employed at the Company through a service agreement shall not be entitled to severance pay.

11.2 Prior notice

11.2.1 The prior notice period shall be determined individually in the employment agreement of each Officer.

11.2.2 The advance notice period shall not exceed six (6) months, with respect to the Company's CEO, with respect to the CTO and with respect to Officers subordinate to the CEO.

11.2.3 In the advance notice period, the Officer shall be required to continue fulfilling his position, unless the CEO decides (with respect to an Officer subordinate to the CEO) or the Company's board of directors decides (with respect to the CEO) that he shall not continue fulfilling his role in practice.

11.2.4 In the advance notice period, the Officer shall be entitled to the base salary and employment benefits (as detailed in Sections **Error! Reference source not found.** and **Error! Reference source not found.** above, and pursuant to the employment agreement of the relevant Officer). In addition, the Officer may be entitled, with respect to the period in which he was employed in practice, also to bonuses, according to his individual terms of employment.

11.3 Adaptation period

11.3.1 In addition to the foregoing in Section 11.2 above, the Company shall be allowed to determine in the employment agreement of any officer that he shall be entitled to an adaptation period (this whether as part of a non-compete obligation or otherwise), which shall not exceed six (6) months, with respect to the CEO, CTO

or any of the Officers subordinate to the CEO.

12. **Bonuses**

The remuneration package of an Officer of the Company may include entitlement to bonuses based on measurable targets and discretionary bonuses, as detailed below:

12.1 Bonus limit:

The amount of bonuses based on measurable targets (as provided in Section 12.2 below) plus the amount of the discretionary bonuses (as provided in Sections 12.3 and 12.3.2 below) which may be paid to an Officer for any calendar year, shall not exceed:

(a) With respect to the Company's CEO and CTO - the cost Fixed Component Cost (as this term is defined in Section **Error! Reference source not found.** above) of each of the CEO and the CTO with respect to a nine (9) month period. Out of this amount, the discretionary bonus amount (as provided in Sections **Error! Reference source not found.** and 12.3.2 below) shall not exceed the Fixed Component Cost (as this term is defined in Section 8 above) of the CEO or of the CTO (as applicable) with respect to a period of three (3) months; and

(b) With respect to the Officers subordinate to the CEO - the Fixed Component Cost (as this term is defined in Section **Error! Reference source not found.** above) of the Officer with respect to a nine (9) month period.

12.2 Bonus based on measurable targets:

The bonus amount that is based on measurable targets shall be calculated based on measurable criteria, which shall be determined (if at all) by the Company's competent organs (and with respect to Officers who are not the Chairman of the Board of Directors or the CEO - after receiving the CEO's recommendation), with respect to each Officer, in accordance with the position of the relevant Officer, such as (but not necessarily only) financial targets (such as EBITDA targets; cash flow targets etc.), operational targets (such as savings in operating costs and general and administrative expenses), strategic targets (such as meeting timetables, winning tenders and engaging in significant agreements), sales targets (increase in the quantity of hardware sold or the number of units connected to the Company's servers and receiving services) and corporate governance targets and additional general targets of the Company.

The targets shall be defined once annually by the Company's competent organs, with

every target or a number of targets together attributed a weight out of the target-based remuneration component to which the Officer shall be entitled to, should such target or targets be achieved. The Remuneration Committee and the board of directors may determine a minimum range for which no bonus shall be paid for any target, and a numerical target for which the full bonus component for that target shall be paid.

12.3 Discretionary bonuses:

12.3.1 In addition to the bonuses based on measurable targets as provided in Section 12.2 above, subject to the recommendation of the Company CEO (and with respect to the CEO and the chairman of the board - subject to the approval of the board of directors), the Company's competent organs (subject to the provisions of any law) shall be allowed to grant Officers of the Company discretionary bonuses on the basis of, *inter alia*, the following qualitative criteria:

- The Officer's contribution to the Company's business, profits, resilience and stability;
- The Company's need to retain an Officer possessing unique qualifications, knowledge or expertise;
- The degree of responsibility imposed on the Officer;
- Changes to the Officer's responsibility over the year;
- Satisfaction with the Officer's function (including an assessment of the degree of involvement and care that the Officer demonstrates when performing his position);
- Evaluation of the Officer's ability to work in cooperation and coordination with the team;
- The Officer's contribution to proper corporate governance and supervision and ethics environment;
- Personal evaluation to be given by the Officer in charge of the bonus recipient, detailing the pertinent reasons at the basis of his recommendation.

12.3.2 Non-recurring bonus

In addition to the bonuses set forth in Sections 12.2 and 12.3.1 above, the Company may grant an Officer a non-recurring bonus for a unique contribution

and/or considerable efforts and/or special and exceptional achievements of the Company that the Officer made a significant contribution in achieving and/or upon the occurrence of a material and exceptional business event that may be beneficial to the Company and/or its strategic plan. The non-recurring bonus shall be subject to the bonus limits set forth in Section 12.1 above.

The amount of the non-recurring bonus to the Company CEO, CTO and chairman of the board (if granted) for a calendar year (for the avoidance of doubt, in addition to the amount of the discretionary bonus as provided in Section 12.3.1 above), shall not exceed the cost of the fixed component (as this term is defined in Section **Error! Reference source not found.** above) of the Company CEO, CTO or chairman of the board (as relevant) with respect to a period of three (3) months, all subject to the provisions of any law regarding the remuneration of Officers who are controlling shareholders of the Company.

The amount of the non-recurring bonus to Officers subordinate to the CEO, excluding the CTO (if granted), for a calendar year, shall not exceed the cost of the fixed component (as this term is defined in Section 8 above) of Officers subordinate to the CEO, with respect to a period of six (6) months, all subject to the provisions of any law regarding the remuneration of Officers who are controlling shareholders of the Company.

12.4 Recovery of bonuses granted on the basis of misleading financial information (claw back)

12.4.1 Insofar as it is discovered that an Officer was paid a bonus directly on the basis of data that turned out to be misleading, and which was restated in the Company's financial statements in the three year period following the approval date of the bonus, the Officer shall return to the Company any amount paid to the Officer in excess (and vice versa) (**"Recovery Amount"**).

12.4.2 Such recovery shall not apply in cases where the Company's financial statements were restated as the result of changes in the applicable law or to regulations pertaining to accounting principles. In exceptional cases (such as the violation of the provisions of law), the Company's board of directors shall have the authority to postpone the payment of the bonus or to reduce the amount of the bonuses that an Officer is entitled to, at the board of directors' full discretion.

13. **Equity Remuneration**

13.1 Subject to the existence of an equity remuneration policy for the Company (**"Equity Remuneration Policy"**), in effect as of the granting date, and subject to the provisions of any law, the Company's competent organs may, from time to time, allocate to Officers of the Company, as part of the Officers' remuneration package, option warrants, restricted stock units, restricted shares and/or other equity instruments of the Company, pursuant to the Equity Remuneration Policy.

13.2 The quantity of options, restricted stock units, restricted shares and/or other equity instruments that is granted to an Officer in practice shall be subject to the decision of the Company's competent organs.

13.3 In the framework of the discussion on granting an equity remuneration, the Company's Remuneration Committee and board of directors shall examine the underlying rationale of the grant, and in particular whether the foregoing grant is an appropriate incentive for maximizing the Company's profit in the long term.

13.4 Maximum value on the granting date - The maximum value on the granting date of equity remuneration cleared with equity instruments, granted to a single Officer, pursuant to one of the customary methods of valuations, divided by the number of years of vesting, i.e. the maximum value of the equity remuneration per year on the granting date, shall be no more than the following maximum values (it is clarified that such amount is not necessarily consistent with the amounts of the registration of the expense in the financial statements pursuant to the generally-accepted accounting principles in Israel):

13.4.1 CEO and CTO - the Fixed Component Cost (as this term is defined in Section **Error! Reference source not found.** above) of the Company CEO or CTO (as relevant) with respect to a twenty-four (24) month period;

13.4.2 Officers subordinate to the CEO - the Fixed Component Cost (as this term is defined in Section **Error! Reference source not found.** above) of Officers subordinate to the CEO (excluding the CTO), with respect to a nine (24) month period;

13.4.3 Directors (who do not serve as other Officers of the Company) – Double the Annual Remuneration, as defined in the Remuneration Regulations (as defined below).

13.5 Special grant - Notwithstanding the foregoing in Section 13.4 above, and in addition to options that may be allocated by virtue of it, on the date of the first public offering of the Company's shares, each of Mr. Yair Nechmad, CEO of the Company, and Mr. David Ben Avi, Chief Technology Officer of the Company, shall be allocated 7,250,000 options convertible into the Company's shares, which shall vest, in five annual portions, subject to compliance with sales growth targets and the rate of the Company's gross profit in each calendar year 2021 to 2025 (up to an including), as determined in the services agreements signed with them (through a company that they own). The exercise price of the options as foregoing shall be the price set for the Company's share in the framework of the first public offering of the Company's shares, and they shall be exercisable from their vesting date until the end of five (5) years of the vesting date of any portion.

13.6 Exercise price (options) - The exercise price of options to be granted to an Officer after the closing date of the first public offering of the Company's shares shall be equal to the weighted average of the price of the Company's share on TASE in the last thirty (30) days before the date of the board of directors' approval with respect to their allocation. The exercise price shall be subject to the adjustment provisions set forth in the equity remuneration plan (according to the formula from time to time) and/or the allotment letter. Under exceptional circumstances of significant fluctuation in the prices of the Company's securities in the period preceding the date of allotment of any warrants by the Company, the Remuneration Committee and the board of directors may determine a shorter or longer period for examining the average price of the Company's shares prior to the grant.

13.7 Vesting period - Option warrants, restricted stock units, restricted shares and/or other equity instruments of the Company that are granted to Officers shall vest in a number of portions (equal or not equal), which shall be determined by the Remuneration Committee and the Company's board of directors, and shall vest over at least three years of their granting date. This shall be subject to adjustment and acceleration mechanisms as determined in the equity remuneration plan and/or the allocation letter.

13.8 Expiry date (options) - Options that were allocated and not exercised shall expire within a period of no more than 10 years of their allocation date.

14. **Provision of Loans to Officers of the Company**

14.1 The Company shall be allowed, subject to the approvals required pursuant to the

Companies Law, to provide loans to Officers of the Company, as long as in any case, the total unpaid principal amount of all loans to any Officer shall not exceed an amount equal to 10 times the monthly Fixed Component Cost (as defined in Section 108 above) of the relevant Officer, that the repayment period of any loan shall not exceed 5 years of the date of the provision of the loan, and that the loan shall bear interest at an annual rate that shall be no less than the interest rate determined from time to time as provided in Section 2(a)(3) of the Income Tax (Determining Interest Rate) Regulations, 5745-1985.

15. **Remuneration of Directors**

15.1 Remuneration of directors, including outside directors, and excluding the chairman of the board and directors who receive remuneration for their service as other Officers of the Company, shall be determined pursuant to the provisions of the Companies (Rules Concerning Remuneration and Expenses of External Directors) Regulations, 5760-2000 (the **"Remuneration Regulations"**) pursuant to the rank in which the Company is classified for time to time pursuant to the Remuneration Regulations. Accordingly, the directors may be entitled to an "expertise addition" for an expert director (pursuant to the definition of the term "expert outside director" in the Remuneration Regulations), according to the "expertise addition" set forth in Regulation 5A of the Remuneration Regulations.

15.2 In addition, pursuant to the provisions of the law, the Company shall be allowed to allocate option warrants, restricted stock units, restricted shares and/or other equity instruments of the Company to directors (who do not serve as Officers who are not directors of the Company), pursuant to the provisions of Section 13 above.

15.3 Remuneration for directors pursuant to the Director Remuneration Regulations shall not be paid to directors who receive remuneration for their service as Officers (who are not directors) of the Company. However, it is possible that a director would be paid additional remuneration for service as a director in corporations held by the Company.

15.4 All members of the board of directors shall be entitled to benefit from officers' liability insurance arrangements, indemnification and exemption, as provided in Section 10 above and as is customary with the Company and in accordance with the description in this Policy.

16. **Ratio Between the Fixed Remuneration Component and Variable Remuneration**

16.1 CEO and CTO - The ratio between the annual cost of the variable components (i.e., the components set forth in Sections **Error! Reference source not found.** and 13 above) in the remuneration package of the Company's CEO and CTO, and the annual Fixed Component Cost provided in Section **Error! Reference source not found.** above) in the remuneration package of the Company's CEO and CTO shall not exceed 2.75:1. In determining this ratio, the benefit arising from the non-recurring allocation set forth in Section 13.5 of this Policy shall not be taken into account.

16.2 Officers subordinate to the CEO other than the CTO - The ratio between the annual cost of the variable components (i.e., the components set forth in Sections and above) in the remuneration package of the Officers subordinate to the CEO and the annual Fixed Component Cost in their remuneration package (as provided in Section above) shall not exceed 2.75:1.

17. **Extension and Change of Existing Agreements with the Officers**

17.1 Prior to the approval of the extension of an Officer's employment agreement, the existing remuneration package (insofar as the extension is without any change in the terms) or the proposed remuneration package (insofar as the extension is with changes in terms) of the Officer shall be examined, taking into consideration the parameters in Section 4 above, and inasmuch as possible also considering the up-to-date salary survey as provided in Section **Error! Reference source not found.** above.

17.2 Subject to the provisions of the law, nonmaterial changes in the terms of office of the Company CEO shall require the prior approval of the Remuneration Committee only, if it approved that this is a immaterial change in the terms of employment.

17.3 Subject to the provisions of the law, nonmaterial changes in the terms of office and employment of an Officer subordinate to the Company CEO shall be approved by the Company CEO alone, and shall not require the approval of the Remuneration Committee, as long as the terms of office and employment of such Officer are consistent with this Remuneration Policy.

17.4 With respect to Sections 17.2 and 17.3 above, a **"nonmaterial change in the terms of office and employment"** - a change of no more than 5% with respect to all terms of office and employment of the officer, in each calendar year, but cumulatively, no more than 10% with respect to all terms of office and employment of the Officer, as approved by the Remuneration Committee and the Company's board of directors (and the

Company's general meeting, if relevant), and subject to the remuneration meeting all other provisions of this Remuneration Policy.

18. **General**

18.1 Approving remuneration to an Officer pursuant to this Remuneration Policy, shall be made by the Company's competent organs, and subject to the provisions of any law as such shall apply from time to time.

18.2 The Company's board of directors is charged with managing the Remuneration Policy and with its implementation, and with all the actions required for this purpose, including the authority to interpret the provisions of the Remuneration Policy in cases of doubt regarding its implementation.

18.3 The Company's Remuneration Committee and board of directors shall from time to time examine this Remuneration Policy, as well as the need to adjust it, *inter alia* in accordance with the considerations and principles set forth in this Policy. Such adjustments shall be brought for approval as set forth pursuant to law.

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Chapter 9 - Financial Statements

9.1. The Company's financial statements included in the Prospectus

9.1.1. This chapter presents the Company's consolidated and audited financial statements for the one year period ended December 31, 2020.

9.1.2. In addition, according to Regulation 9C of the Periodic and Immediate Reports Regulations, this chapter presents separate audited financial statements of the Company as of December 31, 2020.

9.2. Letter of consent of the auditing CPA

The Company was granted the consent of the Company's auditing CPA to include the report of the Company's auditing CPA with respect to the financial statements set forth in Section 9.1 above, in this Prospectus. The letter of consent of the Company's auditing CPA is attached as an annex to this chapter.

9.3. The Company's report on events

Attached to this chapter is a report on events (as defined in Regulation 56A of the Prospectus Details Regulations) of the Company, for the period from the execution date of the Company's consolidated and audited financial statements as of December 31, 2020, until the Prospectus date.

Nayax Ltd.

(the "Company")

Report on Events

As defined in Regulation 56A of the Securities (Prospectus Details and Prospectus Draft - Form and Structure) Regulations, 5729-1969

From the execution date of the Company's consolidated and audited financial statements for the one year period ended December 31, 2020, meaning from March 11, 2021, until the publication date of the Prospectus, there were no material events in the Company that must be disclosed in the framework of a report on events, as defined in Regulation 56A of the Securities (Prospectus Details and Prospectus Draft - Form and Structure) Regulations, 5729-1969.

Yair Nechmad	David Ben-Avi	Liron Grossman
CEO and Chairman of the Board	Director	CFO

Date: March 11, 2021

TRANSLATED FROM THE HEBREW ORIGINAL

NAYAX LTD.
2020 ANNUAL REPORT

NAYAX LTD.
2020 ANNUAL REPORT

TABLE OF CONTENTS

	Page
AUDITORS' REPORT	2
CONSOLIDATED FINANCIAL STATEMENTS - IN THOUSANDS OF US DOLLARS:	
Consolidated statements of financial position	3-4
Consolidated statements of income or loss	5
Consolidated statements of comprehensive income (loss)	6
Consolidated statements of changes in equity	7
Consolidated statements of cash flows	8-10
Notes to the financial statements	11-77

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, 2020 and 2019, and the consolidated statements of income or loss, comprehensive income (loss), changes in equity and cash flows for each of the three years ended December 31, 2020. 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 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 consolidated companies as of December 31, 2020 and 2019, and the results of their operations, changes in equity and their cash flows for each of the three years ended December 31, 2020, in conformity with International Financial Reporting Standards (IFRS) and the provisions of the Israel Securities Regulations (Annual Financial Statements), 2010.

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

Tel-Aviv, Israel
March 11, 2021

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Kesselman & Kesselman is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity

NAYAX LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets	Note	December 31 2020	December 31 2019
		US Dollars in thousands	
CURRENT ASSETS:			
Cash and cash equivalents	7	8,195	4,412
Restricted cash to be transferred to customers in respect of processing activity	8	18,166	6,236
Short-term bank deposits		87	-
Receivables in respect of processing activity		7,213	12,216
Accounts receivable:			
Trade	9	13,840	9,665
Other	10	1,976	3,164
Inventory	11	5,041	4,519
Total current assets		54,518	40,212
NON-CURRENT ASSETS:			
Long-term bank deposits		798	474
Long-term receivables	12	-	151
Property and equipment	13	5,047	3,448
Right-of-use assets	12	4,761	4,329
Goodwill and intangible assets	14	27,388	20,737
Deferred income tax	20	241	135
Total non-current assets		38,235	29,274
TOTAL ASSETS		**92,753**	**69,486**

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

NAYAX LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Liabilities and equity	Note	December 31 2020	December 31 2019
		US Dollars in thousands	
CURRENT LIABILITIES:			
Short-term bank credit	17	11,589	8,030
Short-term bank loans and current maturities of long-term bank loans	17	1,938	3,253
Current maturities of loans from others	18	3,041	1,243
Current maturities of other long-term liabilities	19	686	327
Current maturities of leases	12	1,320	1,196
Payables in respect of processing activity		27,181	19,978
Accounts payable:			
Trade	15	10,998	7,619
Other	16	5,498	3,575
Total current liabilities		62,251	45,221
NON-CURRENT LIABILITIES:			
Long-term bank loans	17	5,391	-
Long-term loans from others	18	2,662	1,085
Retirement benefit obligation severance pay - net		894	617
Other long-term liabilities	19	3,374	1,804
Lease liabilities	12	5,154	4,709
Deferred income tax	20	526	381
Total non-current liabilities		18,001	8,596
Total liabilities		80,252	53,817
EQUITY:	21		
Equity attributed to parent company's shareholders:			
Share capital		7	7
Share premium		16,689	16,689
Put option to purchase subsidiary's shares		-	(493)
Capital reserves		9,238	9,477
Accumulated deficit		(13,433)	(11,026)
		12,501	14,654
Non-controlling interest		-	1,015
TOTAL EQUITY		12,501	15,669
TOTAL LIABILITIES AND EQUITY		**92,753**	**69,486**

Yair Nechmad CEO and Chairman of the Board	David Ben Avi Director	Liron Grossman CFO

Date of approval of financial statements by the Board of Directors: March 11, 2021.

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

NAYAX LTD.
CONSOLIDATED STATEMENTS OF INCOME OR LOSS

		Year ended December 31		
		2020	2019	2018
	Note	US Dollars in thousands		
Revenues	22	78,783	63,626	48,711
Cost of revenues	23	41,603	37,072	27,433
Gross Profit		37,180	26,554	21,278
Research and development expenses	24	9,300	7,325	4,790
Selling, general and administrative expenses	25	26,545	19,645	12,997
Depreciation and amortization in respect of capitalized development costs and technology		3,559	2,673	2,152
Income (loss) from ordinary operations		(2,224)	(3,089)	1,339
Finance expenses	26	4,277	2,554	3,403
Finance income	26	403	9	413
Loss from early repayment of loans from others	27	-	-	2,028
Loss before taxes on income		(6,098)	(5,634)	(3,679)
Tax benefit	20	15	143	47
Loss for the year		(6,083)	(5,491)	(3,632)
Attribution of loss for the year:				
To Company's shareholders		(6,254)	(5,254)	(3,686)
To non-controlling interest		171	(237)	54
Total		(6,083)	(5,491)	(3,632)
Loss per share attributed to company's shareholders:				
Basic and diluted loss	28	(0.0252)	(0.0212)	(0.0148)

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

NAYAX LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year ended December 31		
	2020	**2019**	**2018**
	US Dollars in thousands		
LOSS FOR THE YEAR	(6,083)	(5,491)	(3,632)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD:			
Items that will not be reclassified to profit or loss:			
Income (loss) from remeasurement of liabilities (net) in respect of retirement benefit obligations	(126)	(118)	14
Items that may be recycled to profit or loss:			
Gains and losses from translation of financial statements of foreign activity	243	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(5,966)	(5,609)	(3,618)
ATTRIBUTION OF TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR:			
To Company's shareholders	(6,137)	(5,372)	(3,672)
To non-controlling interest	171	(237)	54
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(5,966)	(5,609)	(3,618)

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

NAYAX LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Defined benefit plans	Reserve from transactions with controlling shareholders	Reserve from transactions with non-controlling interest	Call option to purchase subsidiary's shares	Capital reserve from gains and losses on translation of financial statements	Accumulated deficit	Total	Non-controlling interests	Total equity
	US Dollars in thousands										
BALANCE AT January 1, 2018	7	3,755	(99)	2,222	(245)	(529)	-	(3,486)	1,625	1,574	3,199
CHANGES IN 2018:											
Net income (loss)	-	-	-	-	-	-	-	(3,686)	(3,686)	54	(3,632)
Other comprehensive income	-	-	14	-	-	-	-	-	14	-	14
Transactions with non-controlling interests	-	-	-	-	(160)	36	-	-	(124)	(376)	(500)
Issuance of shares and related instruments	(*)	11,767	-	709	-	-	-	-	12,476	-	12,476
Allocation of shares from exercise of derivative instrument in respect to adjustment mechanisms	(*)	1,167	-	-	-	-	-	-	1,167	-	1,167
Elimination of liability in respect to share adjustment mechanism, see note 21b	-	-	-	7,154	-	-	-	-	7,154	-	7,154
BALANCE AT DECEMBER 31, 2018:	7	16,689	(85)	10,085	(405)	(493)	-	(7,172)	18,626	1,252	19,878
CHANGES IN 2019:											
Loss for the year	-	-	-	-	-	-	-	(5,254)	(5,254)	(237)	(5,491)
Other comprehensive loss	-	-	(118)	-	-	-	-	-	(118)	-	(118)
Share-based payment	-	-	-	-	-	-	-	1,400	1,400	-	1,400
BALANCE AT DECEMBER 31, 2019	7	16,689	(203)	10,085	(405)	(493)	-	(11,026)	14,654	1,015	15,669
BALANCE IN 2020:											
Income (loss) for the year	-	-	-	-	-	-	-	(6,254)	(6,254)	171	(6,083)
Other comprehensive income (loss)	-	-	(126)	-	-	-	243	-	117	-	117
Transaction s with non-controlling interests	-	-	-	-	(356)	493	-	-	137	(1,186)	(1,049)
Share-based payment	-	-	-	-	-	-	-	3,847	3,847	-	3,847
BALANCE AT DECEMBER 31, 2020	7	16,689	(329)	10,085	(761)	-	243	(13,433)	12,501	-	12,501

(*) 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

	Year ended December 31		
	2020	2019	2018
	US Dollars in thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss for the year	(6,083)	(5,491)	(3,632)
Adjustments required to reflect the cash flow from operating activities (see Appendix A)	12,571	4,056	5,467
Net cash provided by (used in) operating activities	6,488	(1,435)	1,835
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capitalized development costs	(5,731)	(4,197)	(3,880)
Acquisition of property, plant and equipment	(2,125)	(2,492)	(606)
Loans extended to others	(141)	(364)	(295)
Loans extended to shareholders	-	(826)	-
Loans repaid by shareholders	786	-	-
Purchase of an intangible asset	-	-	(202)
Decrease (increase) in bank deposits	(411)	(383)	68
Purchase of subsidiary net of purchased cash (see note 6a and 6b)	(686)	(137)	-
Repayment of liability to pay deferred consideration in respect to business combinations (see note 6b)	(580)	-	-
Interest received	14	9	-
Proceeds from sub-lessee	302	65	-
Net cash used in investing activities	(8,572)	(8,325)	(4,915)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid	(1,065)	(802)	(3,492)
Receipt of short-term bank credit, net	2,976	4,676	1,907
Support in respect of government institutions' support plans	16	267	257
Proceeds from issuance of shares and related instruments (see note 21b)	-	-	17,484
Exercise of option to buy shares of subsidiary and increase in equity interest therein (see note 30b(d))	(1,049)	-	(500)
Receipt of long-term bank loans	4,734	-	4,161
Repayment of long-term bank loans	(1,003)	(975)	(75)
Receipt of long-term loans from others	3,804	2,500	-
Repayment of long-term loans from others	(920)	(1,446)	(8,881)
Repayment of loans from shareholders	-	-	(3,836)
Decrease in other long-term liabilities	(280)	(85)	(79)
Lease incentive received from lessor	-	865	-
Repayment of lease liability principal	(1,167)	(823)	-
Repayment of long-term loans from related company	-	-	(266)
Net cash provided by financing activities	6,046	4,177	6,680
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,962	(5,583)	3,600
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,412	10,000	6,862
LOSSES FROM EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	(222)	(5)	(462)
Impact of change in exchange rates on cash balance held in foreign currencies, in foreign activities	43	-	-
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF YEAR	8,195	4,412	10,000

The accompanying notes are an integral part of these financial statements

NAYAX LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31		
	2020	2019	2018
	US Dollars in thousands		
Appendix A – adjustments required to reflect the cash flows from operating activities:			
Adjustments in respect of			
Depreciation and amortization	5,908	4,817	2,949
Retirement benefit obligation, net	106	82	(13)
Deferred taxes	(230)	(220)	(64)
Financing expenses, net	3,428	1,728	1,325
Loss from early repayment of loans from others	-	-	2,028
Expenses in respect of long-term employee benefits	5	215	151
Revaluation of liability for adjustment mechanism	-	-	2,146
Expenses in respect of share-based payment	2,965	1,400	-
	12,182	8,022	8,522
Changes in operating asset and liability items:			
Increase in restricted funds in respect of processing activity	(11,930)	(6,236)	-
Decrease (increase) in receivables in respect of processing activity	5,003	(4,912)	(4,969)
Increase in trade receivable	(3,894)	(248)	(5,001)
Decrease (increase) in other receivables	(389)	302	(758)
Increase in inventory	(511)	(466)	(2,451)
Increase in payables in respect of processing activity	7,203	8,705	5,330
Increase (decrease) in trade payables	3,154	(2,626)	6,143
Increase (decrease) in other payables	1,753	1,515	(1,349)
	389	(3,966)	(3,055)
	12,571	4,056	5,467
Appendix B – Information regarding investing and financing activities not involving cash flows:			
Recognition of property, plant and equipment against liability in respect of finance lease of technological equipment	-	-	485
Purchase of property, plant and equipment on credit	575	697	-
Acquisition of patents against offset of loan	806		
Recognition of right-of-use asset in respect of lease of buildings against a lease liability	1,235	3,808	-
Amount of expenses attributed to development costs, capitalized and included in goodwill and intangible assets	883	-	-
Recognition of receivable balance in respect of sub-lease against derecognition of right-of-use asset in respect of lease of buildings	-	500	-
Allocation of shares against discharge of other long-term liabilities (see note 21b)	-	-	1,167
Elimination of the Adjustment Mechanism against the settlement of other liabilities (see note 21b)	-	-	7,154

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 business operations solutions and services via a global platform. The Company markets the systems it developed to more than 50 countries worldwide (including Israel) through subsidiaries (the Company and the subsidiaries, hereafter – the "Group") and through local distributors.

b. COVID-19

a) General

COVID-19 (hereafter - "COVID") started to spread worldwide in the first quarter of 2020, and on March 11, 2020, the World Health Organization announced COVID-19 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.

b. Impact of the crisis on the Group's revenue

The global slowdown has led, and may lead in the future, to a drop in consumption, and as such, may continue in the future to have a negative impact on the activity and results of the Group. Among other things, the activity of the Group experienced a lower number of retail transactions completed by customers of the Company, both in attended and unattended points of sales, and especially during periods in which non-essential workplaces were closed or during periods when tourism and leisure sites, as well as other businesses to which the Group provides services, were shut down. In March and April 2020, the number of unattended POSs operated by customers of the Company declined from about 230 thousand devices to about 195 thousand. However, as of the date of this report, the number of unattended POSs operated by customers of the Company is higher than that figure before COVID. The reduction in the number of transactions performed in attended and unattended POSs of customers during COVID resulted to a drop in processing fee revenue that the Company is entitled to receive by virtue of transactions in those POSs. Additionally, sales of products and services of the Company to new customers and the pace of activity growth from existing customers have decreased.

c) Efficiency plan

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 play and/or hour cuts were eliminated.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL (continued):

d) Government support

- Grant for incentivizing employment

  In June 2020, the Encouragement of Employment Grant Law (Temporary Provision – the New Coronavirus), 2020, was enacted, in accordance with which the government provides grants of ILS 7,500 per employees returning from unpaid leave for a working period of four-months. The Company recognized in 2020 a revenue in connection with said grant, at a total of ILS 130 thousand ($38 thousand), which was recognized as a reduction of payroll expenses of the employees relevant to the grant.

- Government guarantee loans

  In May 2020, the Company received from an Israeli bank a ILS 15 million ($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 17(b)(2).

  For list of charges placed to secure the loan, see note 30(a)(5).

- 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. As of balance sheet date, no approval for forgiveness was received from the bank. After balance sheet date, approval was obtained to forgive one loan of $115 thousand, and as of the date of this report, the outstanding balance of the loans is $367 thousand.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of presentation:

The financial statements of the Group as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, are in compliance with International Financial Reporting Standard, which are standards and interpretations issued by the International Accounting Standards Board (hereafter – "IFRS") and include the additional disclosure required under the Israel Securities Regulations (Preparation of Annual Financial Statements), 2010.

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 the years 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.

4) The Group analyzes the expenses recognized in the statement of income or loss using a classification method based on the expenses' operating characteristic.

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 interest in the acquired entity. In each business combination, the Group determines whether to recognize non-controlling interest in the acquired entity at fair value on acquisition date or proportionally to the rate of non-controlling interest at the fair value of net identifiable assets of the acquired entity.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

b. Consolidated financial statements (continued):

Goodwill is initially measured at cost, which represents the excess of the acquisition consideration and the amount of non-controlling interests 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, plant 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 interest owners which do not result in loss of control

Transactions with non-controlling interest 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 interest 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.

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 reporting entity, 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, whose function currency is the ILS.

Set forth below are the changes during the reported periods in the exchange rate of the US Dollar (hereafter – the "US Dollar") against the ILS, Euro, Pound Sterling and Australian Dollar:

	Change in exchange rate of the US Dollar against the ILS	Change in exchange rate of the US Dollar against the Euro	Change in exchange rate of the US Dollar against the Pound Sterling	Change in exchange rate of the US Dollar against the Australian Dollar
	%	%	%	%
Year ended December 31, 2020	(7)	(8.8)	(3.4)	(8.7)
Year ended December 31, 2019	(7.8)	2.2	(3.2)	0.7
Year ended December 31, 2018	8.1	4.7	6.2	10.8

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

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

Set forth below are the exchange rates of the US Dollar (hereafter – the "US Dollar") against the ILS, Euro, Pound Sterling and Australian Dollar as of December 31, 2019 and 2020:

	Exchange rate of the US Dollar against the ILS	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, 2020	3.215	0.814	0.736	1.305
December 31, 2019	3.456	0.893	0.762	1.43

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 remeasured. 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 income or loss.

Gains and losses from changes in exchange rates are presented in the statement of income or loss among "financing expenses" or "financing income" (as applicable).

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 statement 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 income 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

d. Cash and cash equivalents

Cash and cash equivalents include cash in hand and short-term bank deposits, which are not restricted by charges, with original maturities of three months or less.

e. Inventory

Finished goods inventories purchased by the Company are stated at the lower of cost and net realizable value. Inventory is recorded using the perpetual inventory method, and its 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 applicable variable completion and selling costs.

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

f. Property, plant 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 or revalued value to their residual value over their estimated useful lives, as follows:

	%
Computers and peripheral equipment	33
Leased terminals	20
Machinery and equipment	10

Leasehold improvements are amortized 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 Company'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;

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

g. Intangible assets (continued):

c) It would be possible 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) It is possible to reliably measure the expenditure attributable to the intangible asset during its development.

The Company 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 Company 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 Company (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 Company are capitalized as an asset and presented within "goodwill and intangible assets" 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, 2020 are:

(1) Payroll costs and related expenses (including costs of share-based payment programs), which are attributed by the Company 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.

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

Investments designed to maintain normal functionality or insignificantly enhance functionality, as well as investments 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 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 relations

Customer relations purchased as part of a business combination are recognized at fair value on acquisition date. Separately purchased customer relations are recognized at cost, plus directly attributable acquisition costs. The customer relations 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 acquisition date. Technology has a definite useful life (5-6 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 interest in the acquiree; (3) in a business combination achieved in stages, also the existing fair value as of acquisition date of the Group's previously held equity interest in the acquiree, over the net amount as of 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 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

g. Intangible assets (continued):

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 value 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. 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 is recognized immediately in income or loss and is not subsequently reversed.

h. Impairment of non-monetary 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. 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 accounting policy applied to leases since January 1, 2019 is as follows:

The Company 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 Company acts as lessee, the Company recognizes a right-of-use asset against a lease liability on the inception date of the lease contract, except in the case of lease transactions with lease term of up to 12 months and lease transactions for which the underlying asset is of low value; in those cases, the Company 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 Company opted to implement the expedient available under the standard and did 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 inception date includes outstanding lease payments discounted by the interest rate implicit in the lease, if that rate can be readily determined, or by the Company's incremental borrowing rate. The Company used the incremental borrowing rate, which is the rate of interest that the Company 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 inception date, the Company measures the lease liability using the effective interest method.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

i. Leases (continued):

The right-of-use asset on inception date is measured based on the lease liability plus least 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 amortized over the shorter of its useful life and the lease period.

When there are indications for impairment, the Company tests the right-of-use asset for impairment in accordance with the provisions of IAS 36.

2) Options to extend and cancel the lease period

The lease period is the non-cancellable period for which a lessee has the right to use an underlying asset, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

3) Subleases

In transactions where the Company leases an underlying asset (a primary lease) and re-leases that underlying asset to a third party (sublease), the Company 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 Company accounts for the sub-lease as a finance lease. On inception 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 income and loss.

The accounting policy applied to leases through December 31, 2018 is as follows:

The tests for classifying a lease as a finance lease or as an operating lease are based on the nature of the agreements, and they are tested on engagement date in accordance with the rules set in IAS 17:

Lease agreements which do not transfer substantially all the risk and rewards incidental to ownership of the leased asset are classified as an operating lease when the lease payments are recognized as an operating expense in income and loss on a straight-line basis over the term of the lease. In cases where substantially all the risks and rewards incidental to ownership of the leased asset were transferred, the Company recognized a finance lease on inception date, and measured a right-of-use asset that was amortized over the shorter of the lease period and the asset's useful life against a lease liability amortized using the effective interest method.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

j. Government grants (continued):

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 at fair value 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 income or loss as a reduction of R&D expenses. 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 Company in respect thereof, the

Group recognizes a financial liability on that date, against income or loss as an increase in R&D 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

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.

These assets are classified as current assets, except if they are expected to be sold 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", "accounts receivable, "cash and cash equivalents", "restricted cash to be transferred to customers in respect of processing activity", "long-term receivables" and "long-term bank deposits" in the statement of financial position.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

k. Financial instruments (continued):

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 are measured based on the effective interest method.

Impairment of financial assets

The Group recognizes a provision for loss in respect of predicted 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 on

reporting date with the risk of default on 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 anticipated credit losses over the entire life of the instrument. Otherwise, the provision for loss is measured at the anticipated 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 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

Financial liabilities

Upon initial recognition, the Company 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.

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 Company 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 terminals sold or services performed in the ordinary course of business.

m. Trade payables

Trade payables are Group's obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

n. Taxes on income

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 balance sheet 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.

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.

o. Employee benefits:

1) Retirement benefit obligations:

a. Defined contribution plans

For most of its employees in Israel, the Group 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.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

o. Employee benefits (continued):

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 defined 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 Company, 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 retirement benefit obligations to other comprehensive income in the period in which they incurred. Those remeasurements are created as a result of changes in actuary assumptions, difference between past assumptions and actual results and differences between plan assets return and the amounts included in net interest on net retirement benefit obligations.

Past and current service costs are recognized immediately in income or loss under the payroll line items, while interest expenses on the net liabilities are recognized in income on a current basis under the financial expenses line item.

The amounts funded for severance pay are measured at fair value; those amounts constitute "plan assets", as defined in IAS 19, and they were therefore deduced from the balance of the retirement benefit obligation for statement of financial position presentation.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

2) Other long-term benefits

Other long-term employee benefits are employee benefits that are not short term, post-employment and severance 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.

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 Company 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 sale of terminals, services and processing.

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 good 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.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

p. Revenue recognition (continued)

3) Types of revenues of the Group

Revenue from sale of terminals

The Group sells terminals 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 terminals sold to the Group's customers enable multiple functionalities. The sale of the terminal does not oblige the customer to purchase a full solution or to make a further purchase of the Group's services.

Accordingly, the terminals constitute a performance obligation that is separate from the service component, and the Group recognizes revenues from sales of terminals in a point in time, when control in the terminals is transferred to its customers.

Revenues from provision of services and processing fees

The Group provides management services and cashless payment services (processing services). The consideration for the management services includes monthly fees in respect of each terminal. The consideration for the processing services includes processing fees, 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 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 Company's Board of Directors approves plans for the award of options to Company's employees and suppliers, whereby the Company receives services from its employees and/or suppliers in consideration for equity instruments (options) of the Company.

The amount recognized for share-based payments to employees is determined in reference to the fair value of the options granted on 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 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 vesting terms which are not market terms, 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.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

r. Earnings per share

The computation of basic earnings 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 or 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 an existing legal or constructive liability due to past events, and it is expected that a negative cash flows shall be required to settle the liabilities, and provided it is possible to make a reliable estimate of the amount of the liability. 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.

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

2. 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) Sustentative right as above exists only to the extent that the entity meets the relevant terms on balance sheet 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.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

As part of the financial reporting process, 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 very nature these estimates may be subjective and complex and may therefore vary from actual results.

Accounting estimates and judgments used in the preparation of the financial statements are continually evaluated and are based on historical experience and other factors, including expectations as to future events that are believed to be reasonable under the circumstances.

Set forth below is a description of the material accounting estimates used in the preparation of financial statements, at the formulation of which the Company was required to make assumptions as to circumstances and events involving significant uncertainty. In exercising its judgment to determine the accounting estimates, the Company 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.

   Group's management exercises management 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.

   Group's management also determines the relating estimated useful life and depreciation 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.

   Group's management shall increase the depreciation 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 relations and technology

   The remaining intangible assets 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 on recognition date. The Company assesses the need to change the intangible assets' useful lives.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

a. Material accounting estimates and assumptions (continued)

3) Determining the lease terms and the discount rate in respect thereof

As from January 1, 2019, 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 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 Company's equity instruments that were allocated to its employees and consultants is determined using valuation methods. The Company exercises judgment in selecting the different valuation method and for making assumptions, mostly based on market conditions and comparable benchmark companies in each allocation to employees and consultants.

5) Grants from government institutions

Government grants received are recognized as a liability if economic benefits are expected as a result of research and development activities leading to sales that would qualify the government to royalties. There is uncertainty regarding the estimated future cash flow that will be used for the determining the amount of liability.

6) Legal claims

In assessing the likely outcome of legal claims filed against the Company and its investees, the companies relied on the opinion of their legal counsel. Those assessments by the legal counsel are based on their best professional judgement, considering the stage of the proceedings, and based on accumulated legal experience on different matters. Since the outcomes of the claims are to be determined in court, they may be different than those estimates.

7) Deferred tax assets

Deferred tax assets are recognized in respect of carryforward losses and unused deductible temporary differences, if it is expected 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.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - FINANCIAL INSTRUMENTS AND FINANICAL RISK MANAGEMENT:

a. Financial risk management:

1) Financial risk factors

The Company'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 Company's risk management plan focuses on the uncertainty of the financial markets seeking to minimize potential negative impacts on the Company's financial performances.

Company'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 Company operates internationally and is exposed to fluctuations in exchange rates of various currencies, primarily with respect to the exchange rates of the Euro and ILS 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, 2020 and 2019 to reasonably possible changes in the exchange rate of the ILS, when all other variables remain unchanged. The impact on pre-tax income of the Company is due to changes in the fair value of financial assets and liabilities.

	Sensitivity test for changes in exchange rate of ILS	
	Income (loss) from change	
	10% increase in ILS exchange rate	**10% decrease in ILS exchange rate**
	ILS in thousands	
2020	(2,777)	2,777
2019	(1,664)	1,664

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - FINANCIAL INSTRUMENTS AND FINANICAL RISK MANAGEMENT (continued):

a. Financial risk management (continued):

The following table presents a sensitivity test as of December 31, 2020 and 2019 to reasonably possible changes in the exchange rate of the Euro (EUR), when all other variables remain unchanged. The impact on pre-tax income of the Company is due to changes in the fair value of financial assets and liabilities.

	Sensitivity test for changes in exchange rate of the EUR	
	Income (loss) from change	
	10% increase in the EUR exchange rate	10% decrease in the EUR exchange rate
	USD in thousands	
2020	126	(126)
2019	360	(360)

The following table presents a sensitivity test as of December 31, 2020 and 2019 to reasonably possible changes in the exchange rate of the British Pound (GBP), when all other variables remain unchanged. The impact on pre-tax income of the Company is due to changes in the fair value of financial assets and liabilities.

	Sensitivity test for changes in exchange rate of GBP	
	Income (loss) from change	
	10% increase in the GBP exchange rate	10% decrease in the GBP exchange rate
	USD in thousands	
2020	126	(126)
2019	92	(92)

The following table presents a sensitivity test as of December 31, 2020 and 2019 to reasonably possible changes in the exchange rate of the Australian Dollar (AUD), when all other variables remain unchanged. The impact on pre-tax income of the Company is due to changes in the fair value of financial assets and liabilities.

	Sensitivity test for changes in exchange rate of AUD	
	Income (loss) from change	
	10% increase in the AUD exchange rate	10% decrease in the AUD exchange rate
	USD in thousands	
2020	89	(89)
2019	46	(46)

NOTE 4 - FINANCIAL INSTRUMENTS AND FINANICAL RISK MANAGEMENT (continued):

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 Company's net income or cash flows. Changes in interest rates trigger changes in the Company'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, other than loans from an Israeli bank, and therefore Company'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 Company 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. Revenues from processing activities are mostly offset by the Company against processing funds paid to the customer.

Based on the above, the loss balance for trade receivables as of December 31, 2020 and December 31, 2019 was determined as follows:

December 31, 2020	Not overdue	Over 30 days overdue	Over 60 days overdue	Over 120 days overdue	Total
			%		
	ILS in thousands				
Gross carrying amount – trade receivables	8,905	679	857	2,856	13,297
Less: provision for impairment of accounts receivable	-	-	-	(910)	(910)
Checks collectible	-	-	-	-	205
Dually - related company	1,248	-	-	-	1,248
Customer balance, net	10,153	679	857	1,947	13,480

December 31, 2019	Not overdue	Over 30 days overdue	Over 60 days overdue	Over 120 days overdue	Total
			%		
	ILS in thousands				
Gross carrying amount – trade receivables	5,343	1,357	685	1,897	9,282
Less: provision for impairment of accounts receivable	-	-	-	(722)	(722)
Checks collectible	-	-	-	-	130
Dually - related company	975	-	-	-	975
Customer balance, net	6,318	1,357	685	1,175	9,665

NOTE 4 - FINANCIAL INSTRUMENTS AND FINANICAL RISK MANAGEMENT (continued):

a. Financial risk management (continued):

Most of the Group's cash and cash equivalents as of December 31, 2020 were deposited with Israeli, European and American banks.

In the opinion of the Company, the credit risk arising from those balances with banks is low.

In respect of the processing activity, the Company 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 Company, 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 Company 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 Company's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts presented in the table represent undiscounted cash flows.

	Less than one year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Total
	US Dollars in thousands				
December 31, 2020:					
Short-term bank borrowings	11,589				11,589
Short- and 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 for processing activity	27,181	-	-	-	27,181
Trade payables	10,998	-	-	-	10,998
Other payables	5,298	-	-	-	5,298
Total	62,341	7,315	5,294	2,455	77,405
December 31, 2019:					
Short-term bank borrowings	8,030				8,030
Short- and long-term bank loans	3,253	-	-	-	3,253
Long-term loans from others	999	1,161	290	-	2,450
Liability in respect of purchase of servers	186	186	280	-	652
Lease liabilities	1,468	1,309	1,976	2,053	6,806
Payables in respect of processing activity	19,978				19,978
Trade payables	7,619				7,619
Other payables	3,575	-	-	-	3,575
Total	45,108	2,656	2,546	2,053	52,363

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - FINANCIAL INSTRUMENTS AND FINANICAL RISK MANAGEMENT (continued):

a. Financial risk management (continued):

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.

In the opinion of Company's management, based on the above and on the prospect of receipt of a shareholders' loan, the Group's liquidity risk is low.

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.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – SEGMENT REPORTING:

5) Changes in financial liabilities, the cash flows in respect of which are classified as cash flows from financing activities:

	Short-term credit and loans	Long-term bank loans	Loans from others	Lease liabilities	Other liabilities	Total
	US Dollars in thousands					
Balance at January 1, 2019:	2,830	3,926	1,274	-	372	8,402
Changes in 2019:						
Application of IFRS 16	-	-	-	2,027	(372)	1,655
Liabilities added in respect of new leases	-	-	-	4,673	-	4,673
Other liabilities added in respect of suppliers of property, plant and equipment	-	-	-	-	697	697
Inclusion in consolidation	137	-	-	-	-	137
Cash flows received	4,676	-	2,500	-	-	7,176
Cash flows paid	-	(975)	(1,446)	(823)	(85)	(3,329)
Amounts recognized in profit or loss	387	302	-	28	20	737
Balance at December 31 2019	8,030	3,253	2,328	5,905	632	20,148
Changes in 2020:						
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)	(1,167)	(280)	(3,370)
Amounts recognized in profit or loss	583	345	491	501	67	1,987
Balance at December 31, 2020:	11,589	7,329	5,703	6,474	994	32,089

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 Europe, North America, Australia and the rest of the world.

Set forth below is a breakdown of revenues from external parties by geographic regions:

	For the year ended December 31		
	2020	2019	2018
	US Dollars in thousands		
Europe	37,393	33,163	23,152
North America	25,577	20,172	19,147
Australia	7,795	6,547	3,461
Rest of the world	7,838	3,744	2,951
	78,783	63,626	48,711

For more information, see also note 22.

Set forth below is a breakdown of the non-current assets, excluding deferred tax assets and financial assets, by geographic regions:

	For the year ended December 31	
	2020	2019
	US Dollars in thousands	
Israel	31,104	21,758
USA	5,614	6,186
Rest of the world	478	570
	37,196	28,514

In 2020, 2019 and 2018, the Group did not have any single customer representing 10% or more of its sales.

NOTE 6 - BUSINESS COMBINATION

a. Modularity Technologies Ltd.

On September 1, 2019 (hereafter – the "Completion Date") the Company and the shareholders of Modularity Technologies Ltd. ("Modularity") completed an agreement for the purchase of 100% of Modularity's shares in consideration for the following amounts:

1. ILS 1 million ($290 thousand) in cash on the Completion Date.

2. ILS 1.5 million ($435 thousand) in 10 equal monthly installments, as from the first month after the Completion Date.

3. ILS 0.6 million ($173 thousand) in four equal annual payments, subject to eligibility terms and depending on the continuation of employment.

NOTE 6 - BUSINESS COMBINATION (continued):

4. ILS 1 million ($290 thousand) within 30 days from the closing of a transaction, in which the company will raise capital of at least ILS 20 million, subject to eligibility terms and depending on the continuation of employment.

5. The sellers will also be entitled to 8% of Modularity's revenues (as defined in the agreement) over a 3-year period from the Completion date, and to a payment of 6% of Modularity's revenues in the fourth and fifth year from Completion date, subject to eligibility terms and depending on the continuation of employment.

Since the payments listed in sections 3-5 above are subject to continued employment of the sellers, the Company recognized those payments as long-term employee benefits, and measured the liability as a separate transaction which is not included in the application of the purchase method. Accordingly, the 2020 and 2019 results include $112 thousand and $54 thousand, respectively, in expenses in respect of continued employment of Modularity's shareholders (under the general and administrative expenses line item). For more information about contingent payments in respect of employee benefits, see also note 19.

The Company commissioned an external appraiser to carry out a purchase price allocation study (PPA). As part of the PPA, the assets and liabilities were measured and presented at fair value, including technology, customer relations and goodwill that were included in intangible assets.

The following table presents the consideration in respect of the acquisition of Modularity, the amounts recognized in respect of the assets purchased and the liabilities assumed on purchase date, at fair value:

	As of August 31, 2019
	US Dollars in thousands
Cash paid	290
Deferred consideration	435
Total consideration	725
Amounts recognized in respect of identifiable assets purchased and liabilities assumed:	
Cash and cash equivalents	153
Trade and other receivables	73
Property, plant and equipment, net	14
Accounts payable	(98)
Short-term liability to bank	(137)
Technology	200
Customer relations	81
Deferred tax liabilities	(64)
Total identifiable assets, net	222
Goodwill	503
Total consideration	725
Cash flows in respect of the purchase included in cash flows from investing activities	
Cash paid	290
Cash and cash equivalents of the subsidiary	(153)
Purchase of subsidiary, net of purchased cash, as presented in cash flows from investing activities	137

NOTE 6 - BUSINESS COMBINATION (continued):

Set forth below are data regarding the Group's revenues and loss, assuming that the Modularity acquisition transaction was carried out on January 1, 2019:

1. The Group's revenues in 2019 would have amounted to $63,951 thousand compared with $63,626 thousand as reported.

2. The 2019 loss would have amounted to $5,521 thousand compared with a loss of $5,491 thousand as reported.

Modularity's revenues and net income amounts as included in the consolidated financial statements since acquisition date and through the end of the reporting period in the year of purchase amounted to $68 thousand and $60 thousand, respectively.

b. Nayax Retail Ltd (formerly: UPITec Software Ltd.)

In March 2020, 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"). Under the terms and conditions of the agreement, the Company acquired a 51% equity interest in Nayax Retail upon deal closing, for ILS 5.1 million (approx. $1.43 million) which are payable as follows:

1. ILS 3 million ($0.85 million) in cash on closing date.

2. ILS 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, will be acquired over five years, for ILS 4.9 million (approx. $1.348 million), payable in five equal installments, beginning on the first anniversary of the closing date. In the event of a qualifying transaction (as defined in the agreement), the additional acquisitions will be accelerated, and performed within 14 business days from the date of the qualifying transaction.

Nayax Retail operates in the retail market.

The Company commissioned an external appraiser to carry out a purchase price allocation study (PPA). As part of the PPA, the assets and liabilities were measured and presented at fair value, including goodwill and customer relations 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 Company accounted for this as an acquisition of the entire share capital of Nayax Retail with a correspondent liability for the forward contract.

NOTE 6 - BUSINESS COMBINATION (continued):

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:

	As of February 29, 2020
	USD in thousands
Cash paid	855
Deferred consideration	580
Liability for forward contract for acquisition of subsidiary	1,348
Total consideration	2,783
Amounts recognized in respect of identifiable assets purchased and liabilities assumed:	
Cash and cash equivalents	169
Trade and other receivables	218
Property, plant and equipment, net	7
Accounts payable	(236)
Retirement benefit obligation	(47)
Technology	632
Customer relations	414
Deferred tax liabilities	(241)
Total identifiable assets, net	916
Goodwill	1,867
Total consideration	2,783
Cash flows in respect of the purchase included in cash flows from investing activities	
Cash paid	855
Cash and cash equivalents of the subsidiary	(169)
Purchase of subsidiary, net of purchased cash, as presented in cash flows from investing activities	686

The following is information about sales 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 loss performance 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.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - BUSINESS COMBINATION (continued):

c. Acquisition of Greenhithe Software Solutions Ltd

In June 2016, the Company entered into an agreement to acquire the shares of Greenhithe Software Solutions Ltd (hereinafter – "VendSys"), which is incorporated in New Zealand and holds the entire share capital of a subsidiary, Synectic Software Solutions Inc., which operates in the US and provides software solutions for management of automated vending machines (hereinafter - the acquisition agreement). Under the terms of the agreement, the Company acquired 15% of VendSys's share capital and got three options from the sellers (hereinafter - the options) to acquire the remaining share capital of Greenhithe. In 2017-2019, the Company exercised two options, which brought it to holding 45% of the VendSys share capital. The third option was exercised on September 30, 2020. The consideration for the option was paid on October 29, 2020, and since that date, the Company holds the entire issued share capital of VendSys.

NOTE 7 - CASH AND CASH EQUIVALENT:

Below is the composition of cash by functional currency and other currencies:

	December 31	
	2020	**2019**
	US Dollars in thousands	
US Dollar	3,544	1,949
Other currencies	4,651	2,463
	8,195	4,412

NOTE 8 – RESTRICTED CASH TO BE TRANSFERRED TO CUSTOMERS IN RESPECT OF PROCESSING ACTIVITY

Nayax Europe UAB (hereafter – "Nayax Europe") was incorporated in 2018. Nayax Europe holds a Payment Institution License from the central bank of Lithuania and is licensed to hold and transfer funds to Company'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, 2020 and 2019, $18,166 thousand and $6,236 thousand, respectively, were held in segragated accounts for the Group's customers.

NOTE 9 - ACCOUNTS RECEIVABLE:

a. Composed as follows:

	December 31	
	2020	**2019**
	US Dollars in thousands	
Open accounts	13,297	9,282
Dually Ltd. ("Dually")– related company (a)	1,248	975
Checks collectible	205	130
Less – provision for credit losses	(910)	(722)
Trade receivables - net	13,840	9,665

(a) See also note 29.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - ACCOUNTS RECEIVABLE (continued)**:**

For information about receivable aging and calculating the impairment of accounts receivables in 2020 and 2019, see note 4(2).

b. Changes in provision for credit losses:

	US Dollars in thousands
Balance as of January 1, 2019	402
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	320
Balance as of December 31, 2019	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
Balance as of December 31, 2020	910

NOTE 10 - ACCOUNTS RECEIVABLE – OTHER

Below is the composition of short-term receivables:

	December 31	
	2020	**2019**
	US Dollars in thousands	
Institutions	1,479	951
Prepaid expenses	267	411
Shareholders (a)	62	848
Loan extended to Wise-Sec Ltd. (a)	-	659
Receivables in respect of finance lease	161	284
Other	7	11
	1,976	3,164

(a) See also note 29b and 29c (4).

NOTE 11 - INVENTORY:

Composed as follows:

	December 31	
	2020	**2019**
	US Dollars in thousands	
Inventory	5,041	4,519

The inventory balance as of December 31, 2020 and 2019 is presented after provision for impairment of slow-moving inventory, at $675 thousand and $359 thousand, respectively.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 – ASSETS AND LIABILITIES IN RESPECT OF LEASES

a. General

As stated in note 2i, the Company adopted IFRS 16 on January 1, 2019.

As of December 31, 2020, the Group has lease agreements in respect of which right-of-use assets were recognized for leases of buildings used as Company's offices and for leases of technological equipment used in the Company's operating activities. The Company also has an agreement for the lease of offices, which was assigned for sub-lease purposes. The Company recognized in the statement of financial position a receivable balance in respect of finance lease in respect of this agreement. Set forth below are data based on the years during which the asset is amortized and the capitalization of the lease payments paid on inception:

	Years of amortization	Capitalization interest
Buildings	2-4	5%
Technological equipment	3-5	3.88%

The Group has lease agreements that include an extension option. The Group exercises judgment to assess if there is reasonable certainty that an extension option will be exercised. When measuring the right-of-use asset and the lease payment liability on inception date, the Group did not take into account periods covered by the option, since in view of past experience it is not reasonably certain that the Company will exercise the option.

b. Disclosures in respect of lease transactions in which the Company is the lessee

1. In August 2016, the Company entered into a lease agreement for the lease of office space of 1,159 sq. m. in Tel Aviv. The monthly lease fees (as defined in agreement) in the first six months amount to ILS 103 thousand ($30 thousand), in the next two years – ILS 109 thousand ($31 thousand), and in the remaining lease period – ILS 115 thousand ($33 thousand), linked to the consumer price index and are paid in advance every three months. The lease agreement was signed for a 5 year period starting on August 1, 2016, with an option to extend the term of the lease by three additional years, which was not exercised (as the Company relocated to new offices. See below). The option was cancelled by mutual agreement of the parties (due to the Company's moving to new offices as described below). The monthly lease fees include payment for use of parking spaces.

d. In February 2019, the Company entered into an agreement for the lease of office space at the area of 1,838 sq. m. in Herzliya, in which Company's offices are located since November 2019. The lease period is 84 months starting on August 1, 2019. The monthly lease fees (as defined in agreement) amount to ILS 148 thousand ($43 thousand) in the first year, ILS 158 thousand ($46 thousand) in the second year, and ILS 167 thousand ($52 thousand) in the third year and thereafter, linked to the consumer price index and paid in advance for every quarter throughout the lease term. The monthly lease fees include payment for use of storage areas and a terrace. Furthermore, pursuant to the agreement and following the lessor's participation of ILS 3,676 thousand ($1,143 million) by the lessor in the cost of leasehold improvements, the Company pays an additional quarterly amount (hereafter – the "**Additional Amount**") of ILS 127 thousand ($37 thousand) throughout the lease period. The Additional Amount is linked to the consumer price index, based on the same linkage mechanism of the lease.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 – ASSETS AND LIABILITIES IN RESPECT OF LEASES (continued):

3. In July 2020, the Company signed a lease agreement for an additional 782 sq. m. office space for its operations. The lease term is 84 months beginning in July 2020. Monthly rent is incremental, plus linkage differences, as follows: no rent for the first eight months of the lease, ILS 59 thousand ($18 thousand) for the next 16 months of the lease, ILS 61 thousand ($19 thousand) for the third to sixth (inclusive) of the lease, and ILS 63 thousand ($20 thousand) for the seventh year. Additionally, the lease includes the right to use parking spaces, which are considered as part of the lease. Rent is payable in advance for each quarter during the lease term, on the first day of the quarter, beginning in February 2021.

4. In August 2019, the Company and a third party entered into a sub-lease agreement in respect of 73% of the office space the Company used in Tel Aviv. The monthly sub-lease fees (as defined in the agreement) paid by the sub-lessee amount to ILS 86 thousand ($24 thousand), linked to the consumer price index. The lease fees are paid in advance every three months. The lease and sub-lease periods will end on July 31, 2021. The monthly sub-lease fees include payment for use of parking spaces.

c. Composition and movement of right-of-use assets:

The following is the composition of right-of-use asset balances as of December 31, 2020:

	Buildings	Technological equipment	Total
	US Dollars in thousands		
Cost:			
Balance as of January 1, 2020	4,517	331	4,848
Additions during the year	1,235	-	1,235
Balance as of December 31, 2020	5,752	331	6,083
Depreciation and amortization:			
Balance as of January 1, 2020	399	120	519
Depreciation during the year	737	66	803
Balance as of December 31, 2020	1,136	186	1,322
Right-of-use assets - net	4,616	145	4,761

The following is the composition of right-of-use asset balances as of December 31, 2019:

	Buildings	Technological equipment	Total
	US Dollars in thousands		
Cost:			
Balance as of January 1, 2019			
Impact of first-time adoption of IFRS 16	1,655	331	1,986
Additions during the year	3,808	-	3,808
Disposals during the year	(946)	-	(946)
Balance as of December 31 2019	4,517	331	4,848
Depreciation and amortization:			
Balance as of January 1, 2019	-	89	89
Additions during the year	836	31	867
Disposals during the year	(437)	-	(437)
Balance as of December 31, 2019	399	120	519
Right-of-use assets - net	4,118	211	4,329

NOTE 12 – ASSETS AND LIABILITIES IN RESPECT OF LEASES (continued):

d. Receivables in respect of finance sub-lease

	December 31	
	2020	2019
	US Dollars in thousands	
Short-term receivables	161	284
Long-term receivables	-	151
	161	435

In August 2019 the Company and a sub-lessee entered into a sub-lease agreement due to the moving of the Company's offices from Tel Aviv to its new location in Herzliya, see paragraph b. above.
Interest income of $14 thousand and $9 thousand was recognized in respect of the sub-lease in 2020 and 2019, respectively, which were included in financing income. See also note 26b.

e. Composition and changes in lease liabilities

The following is the composition of lease liability balances as of December 31, 2020:

	Buildings	Technological equipment	Total
	US Dollars in thousands		
Balance as of January 1, 2020	5,595	310	5,905
Additions during the year	1,235	-	1,235
Interest expenses	321	10	331
Rent	(1,390)	(108)	(1,498)
Other changes	484	17	501
Balance as of December 31, 2020	6,245	229	6,474
Current maturities of lease liabilities	1,212	108	1,320
Long-term lease liabilities	5,033	121	5,154
Balance as of December 31, 2020	6,245	229	6,474

The following is the composition of lease liability balances as of December 31, 2019:

	Buildings	Technological equipment	Total
	US Dollars in thousands		
Balance as of January 1, 2019	-	-	-
Impact of first-time adoption of IFRS 16	1,655	372	2,027
Additions during the year	4,673	-	4,673
Interest expenses	225	14	239
Rent	(958)	(104)	(1,062)
Other changes	-	28	28
Balance as of December 31, 2019	5,595	310	5,905
Current maturities of lease liabilities	1,100	96	1,196
Long-term lease liabilities	4,495	214	4,709
Balance as of December 31, 2019	5,595	310	5,905

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 – ASSETS AND LIABILITIES IN RESPECT OF LEASES (continued):

f. The Group has expenses of $244 thousand and $259 thousand in 2020 and 2019, respectively, related to short-term leases, which were included in research and development expenses and selling, general and administrative expenses.

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

Composition of property, plant and equipment and accumulated depreciation thereon, grouped by major classifications, and changes therein in 2020, are as follows:

	Leasehold improvements	Computers and peripheral equipment	Rented terminals	Machines and equipment	Total
	US Dollars in thousands				
Cost:					
Balance as of January 1, 2020	1,436	3,567	145	344	5,492
Acquisitions during the year	1,016	1,315	262	106	2,699
Inclusion in consolidation	-	7	-	-	7
Balance as of December 31, 2020	2,452	4,889	407	450	8,198
Accumulated depreciation and impairment:					
Balance as of January 1, 2020	63	1,844	110	27	2,044
Depreciation during the year	226	802	44	35	1,107
Balance as of December 31, 2020	289	2,646	154	62	3,151
Depreciated cost:					
As of December 31, 2020	2,163	2,243	253	388	5,047

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT (continued):

Composition of property, plant and equipment and accumulated depreciation thereon, grouped by major classifications, and changes therein in 2019, are as follows:

	Leasehold improvements	Computers and peripheral equipment	Rented terminals	Machines and equipment	Asset under finance lease in respect of technological equipment	Total
	US Dollars in thousands					
Cost:						
Balance as of January 1, 2019	284	1,990	145	169	331	2,919
Impact of first-time adoption of IFRS 16	-	-	-	-	(331)	(331)
Acquisitions during the year	1,451	1,563	-	175	-	3,189
Inclusion in consolidation	-	14	-	-	-	14
Disposals	(299)	-	-	-	-	(299)
Balance as of December 31, 2019	1,436	3,567	145	344	-	5,492
Accumulated depreciation and impairment:						
Balance as of January 1, 2019	73	1,297	77	-	89	1,536
Impact of first-time adoption of IFRS 16	-	-	-	-	(89)	(89)
Depreciation during the year	91	547	33	27	-	698
Impairment	198	-	-	-	-	198
Disposals	(299)	-	-	-	-	(299)
Balance as of December 31, 2019	63	1,844	110	27	-	2,044
Depreciated cost:						
As of December 31, 2019	1,373	1,723	35	317	-	3,448

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT NET OF ACCUMULATED DEPRECIATION (continued):

Composition of property, plant and equipment and accumulated depreciation thereon, grouped by major classifications, and changes therein in 2018, are as follows:

	Leasehold improvements	Computers and peripheral equipment	Rented terminals	Machines and equipment	Asset under finance lease in respect of technological equipment	Total
	US Dollars in thousands					
Cost:						
Balance as of January 1, 2018	269	1,568	145	-	-	1,982
Acquisitions during the year	15	422	-	169	485	1,091
Disposals during the year	-	-	-	-	(154)	(154)
Balance as of December 31, 2018	284	1,990	145	169	331	2,919
Depreciation:						
Balance as of January 1, 2018	44	1,022	54	-	-	1,120
Depreciation during the year	29	275	23	-	89	416
Balance as of December 31, 2018	73	1,297	77	-	89	1,536
Depreciated cost:						
As of December 31, 2018	211	693	68	169	242	1,383

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 – GOODWILL AND INTANGIBLE ASSETS, NET:

Composition of other assets and accumulated depreciation thereon, grouped by major classifications, and changes therein in 2020 are as follows:

	Capitalized development costs **	Distribution rights (a) *	Customer relations purchased (b) *	Technology (c)	Goodwill (d)	Patents (e)	Total
	US Dollars in thousands						
Cost:							
Balance as of January 1, 2020	20,864	5,292	1,178	1,411	1,394	-	30,139
Additions during the year	6,613	-	-	-	-	806	7,419
Inclusion in consolidation	-	-	414	632	1,867	-	2,913
Translation gains or losses	-	-	44	68	217	-	329
Balance as of December 31, 2020	27,477	5,292	1,636	2,111	3,478	806	40,800
Accumulated depreciation:							
Balance as of January 1, 2020	7,067	1,466	246	623	-	-	9,402
Depreciation and amortization this year	3,177	264	172	382	-	-	3,995
Translation gains or losses	-	-	5	10	-	-	15
Balance as of December 31, 2020	10,244	1,730	423	1,015	-	-	13,412
Depreciated cost:							
As of December 31, 2020	17,233	3,562	1,213	1,096	3,478	806	27,388

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Composition of assets and accumulated depreciation thereon, grouped by major classifications, and changes therein in 2019, are as follows:

	Capitalized development costs**	Distribution rights(a)*	Purchased customer relations (b)*	Technology (c)	Goodwill(d)	Total
	US Dollars in thousands					
Cost:						
Balance as of January 1, 2019	16,667	5,292	1,097	1,211	891	25,158
Additions during the year	4,197	-	-	-	-	4,197
Inclusion in consolidation	-	-	81	200	503	784
Balance as of December 31, 2019	20,864	5,292	1,178	1,411	1,394	30,139
Accumulated amortization:						
Balance as of January 1, 2019	4,654	1,204	127	363	-	6,348
Depreciation and amortization during the year	2,413	262	119	260	-	3,054
Balance as of December 31, 2019	7,067	1,466	246	623	-	9,402
Amortized cost:						
As of December 31, 2019	13,797	3,826	932	788	1,394	20,737

Composition of assets and accumulated depreciation thereon, grouped by major classifications, and changes therein in 2018, are as follows:

	Capitalized development costs **	Distribution rights(a)*	Purchased customer relations (b)*	Technology (c) **	Goodwill(d)	Total
	US Dollars in thousands					
Cost:						
Balance as of January 1, 2018	12,945	5,292	895	1,211	891	21,234
Additions during the year	3,880	-	202	-	-	4,082
Less – government grant	(158)	-	-	-	-	(158)
Balance as of December 31, 2018	16,667	5,292	1,097	1,211	891	25,158
Accumulated amortization:						
Balance as of January 1, 2018	2,744	939	11	121	-	3,815
Depreciation and amortization during the year	1,910	265	116	242	-	2,533
Balance as of December 31, 2018	4,654	1,204	127	363	-	6,348
Amortized cost:						
As of December 31, 2018	12,013	4,088	970	848	891	18,810

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 – GOODWILL AND INTANGIBLE ASSETS, NET (continued):

* Amortization of customer relations and distribution rights is presented under the selling, general and administrative expenses line item.
** Amortization of capitalized development costs and technology is presented in the "depreciation and amortization in respect of capitalized development costs and technology" line item.

(a) The balance of distribution rights acquired:

- On April 8, 2014 the Company signed an agreement to purchase InOne Technology LLC (hereafter – the "Purchased Company"), which served as a distributor of the Company's products in the USA. As part of the business combination, the Company recognized distribution rights that were repurchased at their fair value on the business combination's date at $4,914 thousand, which are amortized on a straight-line basis over 20 years.

- In October 2016, the Company established Nayax Au Pty Ltd – a fully-owned and controlled Australian subsidiary of the Company. The subsidiary commenced operations in January 2017 as a distributor of the Company in Australia. The subsidiary purchased the activity of the local distributor and the distribution rights. As a result of this purchase, the Company recognized an intangible asset (distribution rights) at an amount of $378 thousand, which is amortized on a straight-line basis over 20 years.

(b) Purchased customer relations:

- As part of the business combination involving the acquisition of VendSys (for more information see note 6c), the Company recognized intangible assets (customer relations) in the total amount of $895 thousand, which are amortized on a straight-line basis over 10 years.

- In November 2017, the Company and Vendtronics Ltd. (hereafter – "Vendtronics") entered into agreement for the purchase of Vendtronics' activity as from 1/1/2018, with the activity being free of any charges and/or obligations to employees and/or third-party rights.

  As part of the purchase, the Company recognized intangible assets (customer relations) in the total amount of $202 thousand, which are amortized on a straight-line basis over 10 years.

- As part of the business acquisition for the purchase of Modularity (see also note 6a), the Company recognized intangible assets (customer relations) in the total amount of $81 thousand, which are amortized on a straight-line basis over 10 years.

- As part of the business combination related to the acquisition of Nayax Retail (see also note 6b), intangible assets of customer relations at $414 thousand were recognized, and are amortized using the straight-line method over 10 years.

(c) Technology

- As part of the business combination for the purchase of VendSys (for more information see note 6c) the Company recognized intangible assets (technology) in the total amount of $1,211 thousand, which are amortized on a straight-line basis over 5 years.

- As part of the business combination for the purchase of Modularity (see note 6a) the Company recognized intangible assets (technology) in the total amount of $200 thousand, which are amortized on a straight-line basis over 6 years.

- As part of the business combination related to the acquisition of Nayax Retail (see note 6b), intangible assets of technology at $632 thousand were recognized, and are amortized using the straight-line method over 5 years.

(d) Goodwill

- As part of the business combination for the purchase of VendSys (for more information see note 6c) the Company recognized intangible assets (goodwill) in the total amount of $891 thousand.

- As part of the business combination for the purchase of Modularity (see note 6a) 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 6b), intangible assets of goodwill at $1,867 thousand were recognized.

- Impairment testing of goodwill

  The recoverable amount of the cash generating unit is based on calculations of value in use. In making these calculations the Company used the pre-tax projected cash flows based on financial budgets over a 5-year period. The projected cash flows after a 5-year period are calculated in accordance with the estimated growth rate.

  For the purpose of testing for impairment as of December 31, 2020, goodwill was allocated as follows:

	VendSys	Retail (Nayax Retail and Modularity
Goodwill	891	2,597

The key assumptions used in calculating the value in use of the cash generating unit as of December 31, 2020 are as follows:

	VendSys	Retail (Nayax Retail and Modularity
Growth rate	2%	1.5%
Discount rate	12%	18.4%

The estimated cash flow from VendSys and the cash generating unit "Retail" was approved by management of the Group, and the results of the impairment test indicate that the recoverable amount is greater than the carrying amount, requiring no provision for impairment of goodwill

(e) Patents

- Under the terms of an agreement with Wise-Sec (for more information see note 29c(4)) an intangible asset of patents was recognized at ILS 2,676 thousand ($806 thousand as of patent acquisition date).

NOTE 15 - TRADE PAYABLE:

	December 31	
	2020	2019
	US Dollars in thousands	
Open accounts	9,089	6,210
Checks payable	1,909	1,409
	10,998	7,619

Note that the carrying amount of trade payables represent a reasonable approximation of their fair value, as the impact of discounting is immaterial.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 – ACCOUTS PAYABLE AND ACCRUALS - OTHER:

	December 31	
	2020	2019
	US Dollars in thousands	
Employees and employees' institutions	2,491	1,683
Provision for vacation and recreation pay	716	384
Accrued expenses	1,241	710
Institutions	686	257
Customer advances	62	483
Other	302	58
	5,498	3,575

The fair value of accounts payable approximates their carrying amounts since the effect of discounting is immaterial.

NOTE 17 – CREDIT AND LOANS FROM BANKS

a. Short-term bank credit

In June 2018, the Company received a short-term credit facility of ILS 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 the date of this report the amount of the short-term credit facility is ILS 42.5 million ($13.2 million). The balance as per the financial statements represents the credit utilized by the Company as of December 31, 2020 and 2019.

b. Short-term bank loans and current maturities of long-term bank loans

	December 31	
	2020	2019
	US Dollars in thousands	
Long-term bank loans	7,329	3,253
Less - current maturities and short-term loan	(1,938)	(3,253)
	5,391	-

1. In June 2018, the Company received a long-term bank loan of ILS 15 million ($4.14 million) from the Bank; the loan bears interest at the rate of Prime + 3.45% paid on a monthly basis. The principal of the loan is repayable in 48 monthly installments as from December 2018.

2. In May 2020, the Company received a long-term loan from an Israeli bank, backed by a government guarantee, of ILS 15 million ($4.25 million). The loan bears interest at Prime + 1.5%, payable monthly beginning in May 2021. The loan principal will be repaid 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 17 – 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 is 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 date of the 2020 financial statements, those covenants are as follows:

1. The ratio between trade receivables and short-term credit net of cash shall not be less than 125%.
   It is hereby 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 Company's total tangible balance sheet in 2020, 18% in 2021 and 20% as from 2022 and thereafter.
4. Ratio between trade receivables plus inventory, net of trade payables and short-term borrowing may not be less than 100%.

The financing agreement also stipulates that if the Group shall not meet one or more of the aforesaid financial covenants, the Company shall have the right to rectify the financial covenants by depositing owners' funds as equity or shareholders' loan.

According to the 2020 and 2019 combined financial statements, the Company did not comply with the financial covenant indicated in item 3 above, and in 2019 also with the one in item 2.

Accordingly, the Bank had a contractual right to demand the immediate repayment of the long-term loan in respect of which the Company negotiated with the Bank to change the covenants, or to obtain temporary waiver. As of December 31, 2019, negotiations with the lending bank has not yet been completed. Accordingly, the loan was classified among current liabilities and presented in the "short-term loans and current maturities of long-term bank loans" line item.

In 2020, the Company received a waiver letter (hereinafter - "the waiver") from the Bank and is not required to early repay the loan. According to the waiver, the Company is not required to comply with the financial covenants in the 2020 Combined Financial Statements, but only as of the 2021 annual financial statements.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 – LONG-TERM LOANS FROM OTHERS:

	December 31	
	2020	2019
	US Dollars in thousands	
Long-term loans from others *	5,703	2,328
Less – current maturities	(3,041)	(1,243)
	2,662	1,085

* The balance is composed of loans received from an acquirer of the Group, see also note 30c.

Below is the composition of the loans:

- In November 2016, the Group received a $1 million loan. The loan bore effective annual interest of 4.37% and was repaid in 36 monthly instalments beginning in April 2017 and ending in the reported period.

- In April 2017, the Group received a $0.5 million loan. The loan bore effective annual interest of 4.37% and was repaid in 36 monthly instalments beginning in August 2017 and ending in the reported period.

- In May 2017, the Group received a $1 million loan. The loan bore effective annual interest of 4.37% and was repaid in 36 monthly instalments beginning in September 2017, ending in the reported period.

- In April 2019, the Group received a $2.5 million loan. The loan bears effective annual interest of 4.74% and is repaid in 36 monthly instalments beginning in April 2019. On March 18, 2020 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.

- In February 2020, the Group received a Eur 3.5 million ($3.8 million) loan. The loan bears effective annual interest of 4.74% and is repaid in 24 equal monthly instalments beginning in February 2021.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 – OTHER LONG-TERM LIABILTIES:

a. Composition of other long-term liabilities, less current maturities

	December 31	
	2020	2019
	US Dollars in thousands	
Liability in respect of purchase of servers (a) (b)	698	455
Liability in respect of royalties to government institutions (c)	773	704
Liability for contingent payment due to employee benefit (d)	555	645
Liability for forward contract for acquisition of subsidiary, see also note 6b.	1,348	-
	3,374	1,804

(a) The balance, at $296 thousand, is repayable in 48 monthly installments as from July 2019. The implicit interest rate in the transaction is 1.78%. The liability has a current maturity of $193 thousand and $177 thousand as of December 31, 2020 and 2019.

(b) The balance, at $402 thousand, is repayable in 58 monthly installments as from July 2020. The implicit interest rate in the transaction is 1.78%. The liability has a current maturity of $103 thousand as of December 31, 2020.

(c) The liability in respect of royalties to government institutions is recognized initially at fair value based on the applicable discount rate. The Company capitalized the royalty liability using a discount rate of 14%. The liability has a current maturity of $236 thousand and $150 as of December 31, 2020 and 2019, respectively.

As of December 31, 2020, the Company recorded a liability due to grants received from all support schemes in the amount of ILS 3.93 million ($1.07 million). Below is information about the support programs:

1) The "Smart Money" program and the "India, China, Japan" program – between the years 2014-2019, the Ministry of Economy issued the Company with approvals of eligibility to grants totaling ILS 4.1 million ($1.08 million) to be used a support in increasing the scope of sales in the USA, Japan, China and India.

   Pursuant to the participation terms as above, royalties will be paid to the Ministry of Economy at a rate of 3% of the exports to the target country in respect of which the Company received grants (relating to revenue in the base year, as this term is defined by the program). Royalties will be paid every year starting in the first calendar year in which the Company will not be eligible to a grant under the program. Royalties will be paid over a 5-year period or until the grant is paid in full, the earlier of the two.
   The amount of grants received through December 31, 2020 is ILS 2 million ($526 thousand).

2) The Halutz and Hadgama project – in November 2017, the Ministry of Energy issued the Company with an approval of eligibility for a grant of up to ILS 1.5 million ($413 thousand) out of an approved budget of up to ILS 3 million ($826 thousand) as part of the Halutz and Hadgama project for the development of a charging system for electric cars. In accordance with the participation terms as above, the Company will pay the Ministry of Energy royalties at the rate of 5% of all (direct or indirect) revenues of the Company generated from commercialization of the products of knowhow and intellectual property developed using the grants, up to the amount of grant received in practice, linked to the consumer price index, and with the addition of the Accountant General's interest.
   As of December 31, 2020, the Company received the full amount of grants from the Ministry of Energy – ILS 1.5 million ($413 thousand).

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 – OTHER LONG-TERM LIABILTIES (continued):

3) Public transport pilot – in May 2019, the Innovation Authority issued the Company with an approval for eligibility for a grant of up to ILS 1.1 million ($314 thousand) out of an approved budget of up to ILS 2.2 million ($628 thousand) as part of the development of ticketing and validation systems for public transport. In accordance with the participation terms as above, the Company will pay the Innovation Authority royalties of 3%-3.5% of the revenues generated from developed products until repayment in full of the grant received by the Company linked to the dollar, with the addition of annual interest at the rate of Libor.

   As of December 31, 2019, the amount of grants received by the Company is ILS 441 thousand ($127 thousand).

(d) The balance includes liabilities for contingent payments recognized as a separate transaction which is not included in the application of the purchase method, see also note 6a and note 30b.

As of December 31, 2020 and 2019, 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 $555 thousand and $591 thousand, respectively.

As of December 31, 2020, the liability 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 $154 thousand.

As of December 31, 2019, the liability is a current maturity of $54 thousand.

NOTE 20 - TAXES ON INCOME:

a. Taxation of the Company in Israel:

1) Tax rates:

Company's income in Israel (except for income qualifying for reduced tax rates under Israel encouragement law, see para. 2 below) is taxed at regular rates.

In December 2016, the Economic Efficiency Law (Legislative Amendments for Implementing the Economic Policy for the 2018 and 2019 Budget Year), 2016 was published, introducing a gradual reduction in corporate tax rate from 25% in 2015 to 23% in 2018 and thereafter. However, the law also included a temporary provision setting the corporate tax rate in 2017 at 24%. As a result, the corporate tax in 2017 was 24% and the corporate tax 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 preferred technology enterprise, and that the income of the Company from selling 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% tax. This tax ruling applies to the Company beginning in the 2020 tax year through 2024. The tax ruling contains additional terms and conditions.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 - TAXES ON INCOME (continued):

3) In February 7, 2021, the Company received an in-agreement tax ruling, indicating that the restructuring that the Company intend to perform, so that the Company holds the entire (100%) share capital of Dually, is tax exempt. See note 31c below.

b. Taxation of subsidiaries outside Israel

Subsidiaries that are incorporated outside Israel are assessed for tax under the tax laws in their countries of residence.

The principal tax rates applicable in 2020 to subsidiaries outside Israel are as follows:

Companies incorporated in the USA – tax rate of 27% (including federal and state tax).
Company incorporated in the UK – tax rate of 19%.
Company incorporated in Australia – tax rate of 30%.
Company incorporated in Germany – tax rate of 15%.

As a general rule, 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, 2020 and 2019, carryforward tax losses stemming from the parent company in Israel amounted to ILS 28,986 thousand ($9,016 thousand) and ILS 22,796 thousand ($6,596 thousand), respectively.

As of December 31, 2020 and 2019, carryforward tax losses stemming from a US subsidiary amount to $892 thousand and $1,062 thousand, respectively.

In respect of business losses of a US subsidiary, as of December 31, 2020 and 2019, the Group recognized in the financial statements deferred tax assets of $241 thousand and $135 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.

d. Tax assessments

The limitation period 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, Company's tax assessments through tax year 2014 are considered to be final.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 - TAXES ON INCOME (continued):

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 been liable to the normal corporate tax rate in 2020, 2019 and 2018 is $1,403 thousand, $1,296 thousand and $846 thousand, respectively.

The amount of tax benefit that was recognized in the consolidated statement of income in 2020, 2019 and 2018 was $15 thousand, $143 thousand and $47 thousand, respectively.

This difference is mainly because the Group recognized deferred tax assets in respect to losses for tax purposes arising from the parent company in Israel, but only up to the amount of liability for deferred tax of the parent, since utilization of those losses is not expected in the foreseeable future.

f. Deferred income tax:

The composition of deferred taxes as of balance sheet dates and the change thereof in those years is:

	Intangible assets	Provisions for employee rights	Other	Losses for tax purposes	Total
	US Dollars in thousands				
Balance at January 1, 2018	(1,151)	75	46	564	(466)
Change in 2018:					
Recognized in income statement	53	5	15	(9)	64
Balance at December 31, 2018	(1,098)	80	61	555	(402)
Change in 2019:					
Recognized in income statement	227	49	26	(82)	220
Deferred taxes created in acquisition of company	(64)	-	-	-	(64)
Balance at December 31, 2019	(935)	129	87	473	(246)
Change in 2020:					
Recognized in income statement	206	79	4	(59)	230
Deferred taxes created in acquisition of company	(241)	-	-	-	(241)
Recognized in translation currency difference reserve	(28)	-	-	-	(28)
Balance at December 31, 2020	(998)	208	91	414	(285)

Deferred taxes are presented in the statement of financial position as follows:

	December 31	
	2020	2019
	US Dollars in thousands	
Non-current assets	241	135
Non-current liabilities	(526)	(381)
	(285)	(246)

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 - TAXES ON INCOME (continued):

g. Taxes on income included in profit or loss:

	Statements of comprehensive income		
	For the year ended December 31		
	2020	2019	2018
	US Dollars in thousands		
Current tax expenses	(215)	(77)	(17)
Deferred tax income	230	220	64
	15	143	47

NOTE 21 – SHARE CAPITAL:

a. Composition:

The share capital as of December 31, 2019 and 2020, is composed of ordinary shares, ordinary shares A and ordinary shares B, all having ILS 0.0001 par value, as follows:

	Number of shares		In thousands	
	Authorized	Issued and paid	Authorized	Issued and paid
	December 31, 2019 and 2020		December 31, 2019 and 2020	
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

1) The ordinary shares confer to their holders voting rights and a right to participate in shareholders' meetings, the right to receive profits and a right to participate in excess of assets upon liquidation of the company. Ordinary shares A and B confer to their holders the rights attached to the ordinary shares and also the right to receive information and liquidation preference right; where the value of all assets or profits distributed or distributable to 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 Company and Dually or US $94,500,000 in a sale of the Company 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.

2) In March 2019, the Company's organs approved a split of all Company shares (ordinary, ordinary A and ordinary B) at a ratio of 1:100, such that each share shall be split into 100 shares of ILS 0.0001 par value (instead of ILS 0.01).

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 – SHARE CAPITAL (continued):

b. Investment agreements with SafeCharge Bulgaria EOOD

As part of the investment agreement of December 2016 of the Company and Dually with SafeCharge Bulgaria EOOD (hereafter – the "Investor"), the Company allotted to the Investor 119,594 ordinary shares A, constituting 4.131% of the Company's shares on a fully diluted basis, in consideration for a $5.5 million investment, and Dually allotted to the Investor 942 ordinary shares of a similar class in consideration for a $450 thousand investment (hereafter – the "Companies" and the "Investment Amount"). The investment agreement stipulates that the Companies shall adjust the number of shares allotted in accordance with the Companies' value, based on a mechanism set out in the Investment Agreement (hereafter – the "Adjustment Mechanism"), on the basis of the audited Combined Financial Statements or (as defined in note 17c above) as of December 31 2017.

In October 2018, the Company issued 33,454 ordinary shares A (and dually issued 324 shares) in accordance with the Adjustment Mechanism.

In February 2018, the Company and Dually entered into a further investment agreement with the Investor, whereby the Company allotted to the Investor 174,770 ordinary B shares, constituting 5.68% of the Company's shares on a fully diluted basis, in consideration for a $17.48 million investment, and Dually allotted the Investor 1,442 ordinary shares of a similar class in consideration for a $1.018 million investment (hereafter – the "Companies" and the "Investment Amount"). The investment agreement stipulates that the Companies shall adjust the number of shares allotted in accordance with the Companies' value, based on a mechanism set out in the Investment Agreement (hereafter – the "Adjustment Mechanism"), on the basis of the audited Combined Financial Statements as of December 31, 2018.

The change in the fair value of the Adjustment Mechanism was recognized in the statement of profit or loss in 2018 under financing expenses, at $2,146 thousand.

The following options were awarded as part of the Investment Agreements:

Put option

Over a period of 36 months starting 24 months after the Closing Date of each of the Investment Agreements, and ending 60 months after the Closing Date, the investor shall have the option to sell all of its shares in the Companies to the existing shareholders at a price equal to the investment amount, plus annual interest of 9%, less any amount distributed to the Investor as a dividend, if any. The consideration shall be paid by the existing shareholders within 18 months from the option's exercise date. To secure the payment in respect of the exercise of the option, the shareholders pledged 50% of the shares they own in favor of the Investor.

CALL option

Over a period of 36 months starting 24 months after the Closing Date and ending 60 months after the Closing Date, the Companies and/or the existing shareholders shall have the option to purchase all of the Investor's shares in the Company at a price equal to twice the investment amount less any amount distributed to the Investor as a dividend, if any.

NOTE 21 – SHARE CAPITAL (continued):

As of investment dates, the fair value of the options awarded by the shareholders - $2,222 thousand and $709 thousand in November 2016 and February 2018, respectively – were recognized in Company's equity under capital reserve from transactions with controlling shareholders.

In December 2018, the investor and the shareholders agreed to amend the Investment Agreement by way of immediate exercise of the put option in consideration for the original price set in the agreement being paid by December 31, 2022. Following that, the call option expired. In addition, the share Adjustment Mechanism was eliminated against creating a $7,154 thousand equity reserve from transactions with controlling shareholders. In this context, note that under share acquisition agreements, the Investor may have a right to receive additional shares of the Company and Dually. The Company and its controlling shareholders believe that the Investor does not have that right, but to the extent that the Investor will claim this right, and to the extent that it is established that this is indeed the case, then according to written obligation by the controlling shareholders to the Company, those shares will be transferred to the Investor by the controlling shareholders, without allocation by the Company.

To the best of the Company's knowledge: (1) in October 2019, the Investor sold most of the shares it held in the Company and Dually to Globe Invest Limited ("Globe Invest"), and also assigned to Globe Invest all its rights under the above agreements; and (2) through December 31, 2020, the Investor and Globe Invest transferred to the existing shareholders all shares they held in the Company and Dually under the agreements described above. The entire transaction consideration has not been paid.

c. Share-based payment:

As of the date of this report, 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 award date.

During 2017, The Group allotted 3,480,000 options under the 2013 Plan to employees and service providers of the Company and its subsidiaries; (no options were allotted in 2018). The vesting period of the 2013 Options awarded in those years was 4 years. 2013 Options are exercisable only upon the execution of an IPO and/or a merger transaction/sale of the Company, but provided that the employee continues to work for the Company until such event takes place. 2013 options not exercised until the fifth anniversary of the inception date (and for employees of the US subsidiary, the 10th anniversary of the inception date) will expire.

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 award date.

In 2019, the Company allotted 6,595,000 options under the 2018 Plan to employees and service providers of the Company and its subsidiaries. The vesting period of 2018 Options awarded in 2019 was 4 years; 25% of the options vest a year after the inception date; subsequently, 6.25% of the options vest on the last date of each subsequent calendar quarter.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 – SHARE CAPITAL (continued):

2018 Options not exercised within 5 years of inception date will expire. The exercise price of all options awarded in 2019 is US$0.67.

In 2020, the Company allotted 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 allotted 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 batch 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. The exercise price of all options awarded in 2020 is US$0.67, except for the exercise price of 300,000 options that were allotted to a relative of a controlling shareholder, equivalent to the par value of the shares in the grant as of November 10, 2020.

Replacement of options allotted under the 2013 Plan by options under the 2018 Plan: In addition, 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 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 Director 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.

The Company used the Black & Scholes option pricing model to measure the fair value of the share options on award date. The key assumptions used by the Company in this model are as follows:

Date of allotment	Risk-free interest rate	Average standard deviation
August 24, 2016	1.12%	63%
September 10, 2017	1.63%	59%
June 19, 2019	2.49%	65%
May 20, 2020	0.33%	56%
October 29, 2020	0.38%	52%
November 10, 2020	0.46%	52%
December 3, 2020	0.39%	52%

The share price used to measure the fair value of the options that were granted in 2020 and 2019 was $0.97 and $0.67, respectively.

All allotments to employees and office holders 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.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 – SHARE CAPITAL (continued):

Below is a breakdown of the options allotted, exercised and expired during the reported period:

	December 31	
	2020	2019
	US Dollars in thousands	
Number of options outstanding at beginning of year	14,706,300	8,704,000
Options granted (1)	10,240,000	6,595,000
Options cancelled or expired (1)	6,639,350	592,700
Options granted at end of year	18,306,950	14,706,300

(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, as included in the research and development expenses item and the selling, administrative and general expenses item in the 2020 and 2019 financial statements, is $2,965 thousand and $1,400 thousand, respectively. The amount of expenses recognized in discounted development costs, and included in goodwill and intangible assets is $883 thousand.

The balance of unrecognized benefit in respect of the 2018 option plan, as of December 31, 2020, assuming that all targets set were met, is $2,833 thousand. This amount includes a benefit of $286 thousand in respect to the 2013 options replaced against the 2018 options, which will be accelerated and fully recognized in the event of an IPO.

The balance of unrecognized benefit in respect to the 2013 option plan, as of December 31, 2020, assuming that an IPO event does take place, is $509 thousand.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22 – REVENUES:

	Year ended December 31		
	2020	2019	2018
	Dollars in thousands		
Sale of POS and other	35,414	28,288	24,310
From processing and services:			
From services	25,127	19,830	14,795
From processing	18,242	15,508	9,606
	43,369	35,338	24,401
	78,783	63,626	48,711

NOTE 23 – COST OF REVENUES:

	Year ended December 31		
	2020	2019	2018
	Dollars in thousands		
Cost of POS and other	24,825	22,785	18,930
Cost of processing and services	16,778	14,287	8,503
	41,603	37,072	27,433

The item includes payroll and related expenses of $2,135 thousand, $1,502 thousand and $968 thousand in 2020, 2019 and 2018, respectively.

NOTE 24 – RESEARCH AND DEVELOPMENT EXPENSES:

	Year ended December 31		
	2020	2019	2018
	Dollars in thousands		
Payroll and related expenses	6,189	5,108	3,664
Suppliers and subcontractors	976	572	629
Rent, office and maintenance	259	310	330
Share-based payment	1,133	700	-
Depreciation and amortization	743	635	167
	9,300	7,325	4,790

NOTE 25 – SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31		
	2020	2019	2018
	Dollars in thousands		
Payroll and related expenses	15,951	11,155	7,873
Share-based payment	1,831	700	-
Rent, office and maintenance	1,274	1,096	1,173
Travel abroad and entertainment	612	1,001	711
Advertising and sales promotion	990	936	914
Depreciation and amortization	1,563	1,509	630
Computers and systems maintenance	1,286	1,067	571
Professional fees	1,775	1,054	606
Provision for credit losses and bad debts	636	711	270
Other expenses	627	416	249

26,545	19,645	12,997

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 26 – FINANCING EXPENSES AND INCOME:

a. Financing expenses:

	Year ended December 31		
	2020	2019	2018
	Dollars in thousands		
Interest on bank loans and bank fees	821	770	480
Financing expenses in respect of loans from others	248	112	629
Financing expenses in respect of shareholders and related companies	27	4	57
Financing expenses in respect of other liabilities	302	148	85
Financing expenses in respect of leases	379	219	-
Exchange differences	2,500	1,301	-
Change in fair value of Adjustment Mechanism *	-	-	2,146
Interest and linkage differences to institutions	-	-	6
	4,277	2,554	3,403

* See note 21b above.

b. Financing income:

	Year ended December 31		
	2020	2019	2018
	Dollars in thousands		
Exchange differences	-	-	413
Benefit in respect to government-backed loan	389	-	-
Financing income in respect of finance sub-lease	14	9	-
	403	9	413

NOTE 27 – LOSS FROM EARLY REPAYMENT OF LOANS FROM OTHERS

In June 2018 the Company carried out early repayment of the outstanding balance of a loan from an Israeli financing fund. As part of early repayment and as agreed between the parties, the Company paid additional financing payments of $2,028 thousand, which were included in loss from early repayment in the statements of profit or loss for 2018.

NOTE 28 - 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.

	For the year ended December 31		
	2020	2019	2018
	ILS in thousands		
Loss for the year attributed to holders of ordinary shares	(6,254)	(5,254)	(3,686)
Weighted average of number of ordinary shares			

in issue (in thousands)	248,421	248,421	249,110
Basic loss per ordinary share (in dollars)	(0.0252)	(0.0212)	(0.0148)

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 28 - EARNING PER SHARE (continued):

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:

	Thousands of shares	
	December 31	
	2020	2019
Ordinary shares A	15,305	15,305
Ordinary shares B	17,477	17,477
Warrants issued as part of share-based payment	18,307	14,706
	51,089	47,488

NOTE 29 – RELATED PARTIES

The Group is controlled by Mr. Amir Nechmad who holds – directly and through Dually – 36.28% of the Company's shares, Mr. Yair Nechmad who holds – directly and through Yair Nechmad Ltd. (in which he holds 100% of the share capital) and through Dually – 32.52% of the Company's shares, and Mr. David Ben Avi, who holds - directly and through Dually Ltd. – 31.20% of the Company's shares.

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:

	For the year ended December 31		
	2020	2019	2018
	Dollars in thousands		
Payroll and payments to interested parties and related parties employed by the Company (see (1) (2) and (3) in note 29c below	1,519	1,143	963
Number of interested parties to which the benefits relate	8	7	7
Dually (related company) – revenues from sales and provision of services	3,520	2,304	1,720
Shareholders – interest expenses, net	27	4	57

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 29 – RELATED PARTIES (continued):

b. Balances with related parties:

	December 31	
	2020	**2019**
	Dollars in thousands	
Trade receivables – Dually	1,248	975
Other receivables – shareholders	61	848
Other receivables – related company see (4) below	-	659
Loans to interested parties *	44	41
Trade payables – related companies	27	-

* Represent two loans: (1) a ILS 125 thousand loan to Shai Ben Avi; (2) a ILS 15 thousand loan to Oded Frenkel. The loans are unlinked and bear interest under Section 3I to the Income Tax Ordinance.

c. Interested party's 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 ILS 50 thousand ($14.5 thousand), and reimbursement of various expenses. In 2020, a one-time ILS 190 thousand ($55 thousand) payment was made to Mr. Nechmad for management fee differentials in respect to previous period.

The total payment paid by the Company to the son of Mr. Nechmad, Mr. Arnon Nechmad, who is employed in 2020 by the subsidiary Nayax Retail Ltd, was $11 thousand. Additionally, the total expense of the Company in respect of share-based payment in 2020 for 25,000 options allotted to Mr. Arnon Nechmad in 2020, under the 2018 Plan, was $2.5 thousand.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 29 – RELATED PARTIES (continued):

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 ILS 50 thousand ($14.5 thousand), and reimbursement of various expenses.

In 2020, a one-time ILS 190 thousand ($55 thousand) payment was made to Mr. Nechmad for management fee differentials in respect to previous period.

The total payment paid by the Company to Mr. Ben Avi's spouse, Ms. Gilat Gordon, who is employed in the Company's Finance Department in 2020, 2019 and 2018 was $56 thousand, $49 thousand and $44 thousand, respectively. Additionally, the total expense of the Company in respect of share-based payment in 2020 and 2019 for 50,000 options allotted to Ms. Gilat Gordon in 2019, under the 2018 Plan, was $4 thousand and $13 thousand, respectively.

The total payment made by the Company 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 2020, 2019 and 2018 was $256 thousand, $249 thousand and $233 thousand, respectively. Additionally, the total expense of the Company on share-based payment in 2020, in respect to 300,000 options allotted to Shai Ben Avi, under the 2018 Plan, was $199 thousand. Additionally, the Company allotted to Shai Ben Avi 200 thousand options under 2013 Plan (as defined in note 21c above), which are exercisable only in the presence of events, as defined by note 21c, that have yet to take place as of the date of the report. Accordingly, the Company did not recognize an expense in respect of those options.

The total payment made by the Company to Oded Frenkel, Mr. Ben Avi's brother-in-law, who is employed by the Company as head of Support Department in 2020, 2019 and 2018 was $135 thousand, $163 thousand and $118 thousand, respectively. Additionally, the total expense of the Company on share-based payment in 2020 and 2019, in respect to 225,000 options allotted to Oded Frenkel, under the 2018 Plan, was $102 thousand and $5 thousand, respectively. Additionally, the Company has a liability to allot 75,000 thousand convertible options of the Company in future dates, subject to continuing his employment on date of grant.

The total payment made by the Company to Reuven Amar, Mr. Ben Avi's brother-in-law, who is employed by the Company as Laboratory Manager in 2020, 2019 and 2018 was $107 thousand, $106 thousand and $95 thousand, respectively. Additionally, the total expense of the Company on share-based payment in 2020 and 2019, in respect to 225,000 options allotted to Reuven Amar, under the 2018 Plan, was $19 thousand and $50 thousand, respectively. Additionally, the Company has a liability to allot 75,000 thousand convertible options of the Company in future dates, subject to continuing his employment on date of grant.

3) Payments to Mr. Amir Nechmad – controlling shareholder and director

In 2019, 2018 and 2017, the amounts paid by the Company to Mr. Amir Nechmad for services rendered to the Company by companies under his control amounted to $187 thousand, $184 thousand and $153 thousand, respectively.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 29 – RELATED PARTIES (continued):

4) Wise-Sec Ltd.:

In May 2018, the Company and its shareholders entered into agreement with Wise-Sec Ltd. ("Wise-Sec") and its shareholders, whereunder the parties will act to engage in a detailed agreement after a six-month period from signing date (on the agreement) to acquire the shares of Wise-Sec by the Company and/or its shareholders, 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 companies, including providing the Company ability to use technologies developed by Wise-Sec.

To the best of the Company's knowledge, 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, the Company entered with Wise-Sec into an agreement for the acquisition of Wise-Sec's patents and intellectual property for ILS 2,676 thousand ($806 thousand).

5) Directors insurance:

The Company has a directors and office holders insurance policy covering risk of ILS 24 million ($6.95 million) per insurance period, and ILS 12 million ($3.47 million) per claim.

6) Follow-up engagement for different consideration:

On March 10, 2021, the Board of Directors and the general meeting of the Company approved a revision of the terms for engagement of the Company with interested party, as indicated below, such that during the period beginning on January 1, 2021, their compensation is as follows:

a. The monthly management fee of Mr. Yair Nechmad, CEO of the Company, through Yair Nechmad Ltd, was changed to a monthly cost of ILS 150 thousand, instead of ILS 50 thousand as recognized in the 2019 and 2020 financial statements, respectively (and in addition a ILS 190 thousand one-time payment in 2020, as indicated in (1) above).

b. The monthly management fee of Mr. David Ben Avi, CTO of the Company, through David Ben Avi Holdings Ltd, was changed to a monthly cost of ILS 150 thousand, instead of ILS 50 thousand as recognized in the 2019 and 2020 financial statements, respectively (and in addition a ILS 190 thousand one-time payment in 2020, as indicated in (2) above).

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 29 – RELATED PARTIES (continued):

The following is proforma information, prepared to retroactively reflect the results of the Company had the engagement terms with interested parties were in effect beginning on January 1, 2018:

	Year ended December 31,					
	2020			2019		
	Actual	Proforma adjustments	Proforma	Actual	Proforma adjustments	Proforma
Revenue	78,783	-	78,783	63,626	-	63,626
Cost of revenue	41,603	-	41,603	37,072	-	37,072
Gross profit	**37,180**	**-**	**37,180**	**26,554**	**-**	**26,554**
Research and development expenses	9,300	-	9,300	7,325	-	7,325
Selling, administrative and general expenses	26,545	619	27,164	19,645	680	20,325
Depreciation and amortization in respect to discounted development costs	3,559	-	3,559	2,673	-	2,673
Operating loss	**(2,224)**	**(619)**	**(2,843)**	**(3,089)**	**(680)**	**(3,769)**
Finance expenses	4,277	-	4,277	2,554	-	2,554
Finance income	403	-	403	9	-	9
Pre-tax loss	**(6,098)**	**(619)**	**(6,717)**	**(5,634)**	**(680)**	**(6,314)**
Tax benefit	15	-	15	143	-	143
Loss for the year	**(6,083)**	**(619)**	**(6,702)**	**(5,491)**	**(680)**	**(6,171)**
Loss for the year attributed to owners	**(6,254)**	**(619)**	**(6,873)**	**(5,254)**	**(680)**	**(5,934)**
Basic and diluted loss per share	**(0.0252)**	**(0.0025)**	**(0.0277)**	**(0.0212)**	**(0.0027)**	**(0.0239)**

	For the year ended December 31,		
	2018		
	Actual	Proforma adjustments	Proforma
Revenue	48,711	-	48,711
Cost of revenue	27,433	-	27,433
Gross profit	**21,278**	**-**	**21,278**
Research and development expenses	4,790	-	4,790
Selling, administrative and general expenses	12,997	704	13,701
Depreciation and amortization in respect to discounted development costs	2,152	-	2,152
Operating loss	**1,339**	**(704)**	**635**
Finance expenses	3,403	-	3,403
Finance income	413	-	413
Loss from early repayment of loan from other	2,028	-	2,028
Pre-tax loss	**(3,679)**	**(704)**	**(4,383)**
Tax benefit	47	-	47
Loss for the year	**(3,632)**	**(704)**	**(4,336)**
Loss for the year attributed to owners	**(3,686)**	**(704)**	**(4,390)**
Basic and diluted loss per share	**(0.0148)**	**(0.0028)**	**(0.0176)**

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 29 – RELATED PARTIES (continued):

7) To the best of the Company's knowledge, 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 placing charges on shares. The effective date of the Shareholders' Agreement is September 30, 2020 and will expire automatically if the shares of the Company will not be issued on any stock exchange by December 31, 2021.

8) Mr. David Ben Avi, a controlling shareholder of the Company, provided personal guarantees to the lessor and sub-lessee in connection with the lease and sublease agreement of the Company's offices in Herzliya (for information about the terms of lease, see note 12b, paragraphs 2 and 3).

NOTE 30 – CHARGES, GUARANTEES AND COMMITMENTS:

a. Charges

As of December 31, 2020, the following charges are in place in respect of the Company:

1) To secure the loan received from an Israeli bank, the Company placed the following charges 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 charges in favor of the Bank. In addition, Nayax LLC (the US subsidiary) signed a negative pledge undertaking.

2) In respect of a bank guarantee provided by Bank Leumi le-Israel B.M. for a lessee, the Company provided a ILS 200,000 ($62 thousand) deposit.

3) In respect of a bank guarantee provided by Bank Mizrahi Tefahot for a lessor, the Company provided a ILS 1,000,000 ($311 thousand) deposit, which is under a charge to secure the guarantee.

4) In respect of a bank guarantee provided by Bank Mizrahi Tefahot for a lessor, the Company provided a ILS 200,000 deposit, ($62 thousand) deposit, which is under a charge to secure the guarantee.

5) In respect of a government-backed loan provided by Bank Mizrahi Tefahot Ltd, the Company registered a ILS 751 thousand ($234 thousand) deposit.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 30 – CHARGES, GUARANTEES AND COMMITMENTS (continued):

6) In respect of a bank guarantee provided by Bank Mizrahi Tefahot for a lessor, the Company provided a ILS 356,000, ($111 thousand) deposit, which is under a charge to secure the guarantee.

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 claims of the respondents concern two matters: one, an alleged fault of the respondent's (or any thereof) computer system, which allow completing credit card transactions manually, despite being rejected by the credit card company (the "technical fault"), and the charging by Nayax Retail of its customers a monthly "handling fee" of ILS 4.5 without their consent.

The court was asked to certify the motion as a class action, and to include in the class "any business owners that engaged with the respondents in agreements to charge customers via credit card and relied on a paper slip to get the signature of the customer as evidence that the transaction is in order and suffered financial damage as a result" and "any business owner that engaged with Respondent 1 (Nayax Retail) and was invoiced monthly handling fee without having knowledge or consenting to this charge prior to engagement."

The motion is estimated at ILS 3 million ($933 thousand) for a class that is undetermined.

At this preliminary stage, as not all responses by all parties have been filed, and no pretrial hearing has been held, Nayax Retail and the Company are unable to assess the prospects of that motion. However, as the plaintiff needs to prove that the motion is worthy of certification as class action prior to hearing the substance of the case and the defense arguments of Nayax Retail, no provision have been made in the financial statements in relation to the said motion.

c. Commitments

1. As part of an agreement with a European processing agency for the provision of loans in 2016-2020, 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, 2019 and 2020, the Group was in compliance with the terms of the agreement. See also note 18.

2. In November 2016 and February 2018, the Company and the Investor 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 Investor's services. In 2020, the Company signed an agreement to extend the terms of minimum processing turnover.

3. In 2014-2020, the Company entered into agreements with the government of Israel under various support schemes where under the Company will be required to pay royalties to the government in the future. For more information about the support schemes, see note 19c.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 30 – CHARGES, GUARANTEES AND COMMITMENTS (continued):

4. 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, including Bar Marketing and Distribution Holdings Ltd, Diplomat Distributors (1968) Ltd, Leiman Schlussel Ltd and Guri A.A.O. Ltd, in a cooperation agreement, as shareholders in a new company called "Nilus" (hereinafter: "Nilus"). The purpose of the venture is to create a digital platform to enable manufacturers and suppliers, including partnerships in that venture, to provide goods and services to retailers, including small and remote one, who due to their size or geographical location encounter operational problems in supplying goods to their stores, and provide logistics services. Nayax Retail will hold 12% of the Nilus issued and paid-up capital, when it is created. The expected total investment by Nayax Retail will be peri passu in accordance with its holding in Nilus, when created, and in any case would not be material to Nayax Retail or the Company.

NOTE 31 –SUBSEQUENT EVENTS:

a. On January 7, 2021, the Company entered into an agreement with Weezmo Technologies Ltd. ("Weezmo ") and seven of its shareholders, as well as five options holders, according to which, on the date of closing that transaction (which took place after the conditions precedent set forth in the agreement were met) ("Closing Date"), the Company acquired from three Weezmo shareholders (the "Sellers") preferred shares, representing 31.59% of its issued share capital as of Closing Date, on a fully diluted basis. The consideration to two of the Sellers will be in cash, while the consideration for the third Seller (the "Third Seller") will be in cash based of an $8 million valuation of Weezmo or 1,909,716 ordinary shares of the Company that will be allotted to the said shareholder (the "Consideration to the Seller"), at the discretion of the Company. Payment of the consideration to that Seller will be made no later than three and a half months from the Closing Date.

   In addition, each of Weezmo's additional shareholders (including option holders) with whom the Company entered into the agreement (the "Joining Shareholders") granted the Company a call option to purchase all the ordinary Weezmo shares held by them (in total the joining shareholders hold ordinary shares of Weezmo, representing in aggregate 41.68% of the fully-diluted issued share capital as of Closing Date) (the "Call Option"). The Call Option can be exercised by the Company (in relation to either or both of the Joining Shareholders) from Closing Date of the transaction and until the end of thirty-six months after Closing Date. The consideration to all Joining Shareholders an exercise of the Call Option will be an allotment of 1,706,213 ordinary shares of the Company (reflecting a valuation of Weezmo of US$8.5 million based on the criteria set in the agreement).

   In addition, the Company granted each of the Joining Shareholders a put option to sell to the Company all shares of Weezmo they hold (the "Put Option"). The Put Option can be exercised by each of the Joining Shareholders beginning on Closing Date until the earliest of: (a) 36 months after Closing Date (or until another date to be agreed in writing between the Company and any Joining Shareholder); and (b) closing of a public offering of the Company's shares ("IPO"); and (c) the closing of the sale of all or almost all shares of the Company to a third party ("Exit"). The consideration to all Joining Shareholders for the exercise of the Put Option will be an allotment of 1,455,301 ordinary shares of the Company (a valuation of Weezmo at US$7.5 million, based on the criteria in the agreement). Notwithstanding the above, to the extent that the Put Option is exercised before and subject to closing an IPO or an Exit, the number of shares the Company to be allotted to the Joining Shareholders will total 1,582,028 shares, calculated based on a valuation of Weezmo at US$8 million.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 31 –SUBSEQUENT EVENTS (continued):

The allotment of consideration shares to the Seller and the Joining Shareholders is based on a maximum valuation for the Company of $500 million. The agreement set in place adjustment mechanisms (through allotment of additional shares of the Company). During the period specified in the agreement, in relation to the number of Company shares to be allotted to the Third Seller and the Joining Shareholders in the event of an IPO or transactions in which the valuation of the Company is lower than US$500 million or the valuation of Weezmo is higher than indicated in the agreement, as well as a dividend distribution mechanism. No adjustment will be made in the event of an IPO or transactions reflecting a valuation of more than $500 million for the Company.

Notwithstanding the above, the Company will be entitled, over a six-month period after the Closing Date (except for the consideration shares to the Third Seller, for which that period is three months), to replace with cash any consideration payable under the agreement by allotment of shares of the Company. In practice, the Company resolved to exercise this right such that the consideration to both the Joining Shareholders and the Third Seller (as said above) would be fully paid in cash.

b. On February 1, 2021, the Company entered into a memorandum of understanding ("Agreement") with Tigapo Ltd. ("Tigapo"), in which the Company invested a total of $300 thousand in that company as part of a SAFE (Simple Agreement for Future Equity) investment against a right to a future allotment of 3.07% of Tigapo's fully-diluted shares in an event of future investment in Tigapo.

Under the agreement, the parties will enter into a detailed agreement (the "Detailed Agreement") within 60 days, in which the Company will invest a total of $4 million (the "Additional Investment Amount") against an allotment of shares of Tigapo based on a pre-money valuation of $12 million, on a fully-diluted basis. Additionally, on the closing date of the Detailed Agreement (the "Completion Date"), the Company will be allotted 2% of Tigapo's shares, on a fully diluted basis, against services to be provided to Tigapo and a right of Tigapo to use the Company's name and trademarks as its strategic partner, as defined in the agreement, so that the overall interest of the Company in Tigapo on Closing Date, including shares to be purchased from the selling shareholders (as defined below) will not be less than 51% of the share capital of Tigapo on a fully diluted basis.

Under the Agreement, the Additional Investment Amount will be paid by May 1, 2021, subject to completion of a public offering of the Company's shares ("IPO") by that date, and to the extent that no IPO is completed by that date, the Additional Investment Amount will be paid through monthly installments of US$200,000 at the earlier of the period from May 1, 2021 to December 1, 2022, or alternatively, until the date an IPO is completed.

Under the agreement, to the extent that on Closing Date, the Company's holding in Tigapo is lower than 51% of Tigapo's issued share capital on a fully diluted basis, the remaining shareholders will sell to the Company their shares until 51% holding of Tigapo's issued share capital on a fully diluted basis is reached, under the terms specified in the agreement. To the extent that the sale of shares by the remaining shareholders does not result in the company holding a minimum of 51%, Tigapo will allot additional shares to the Company on Closing Date, for no additional consideration, until the 51% holding on a fully diluted basis is reached.

The agreement includes additional terms and conditions for the transaction, including receiving call options and granting a put option to purchase the remaining shares of Tigapo from the remaining shareholders, a right to Tigapo to receive an additional investment of $100 thousand on Closing Date as part of the SAFE investment, and a right of Tigapo to receive from the Company an additional investment of $1 million under the terms of the Additional Investment Amount.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 31 –SUBSEQUENT EVENTS (continued):

Concurrently to the agreement, on January 28, 2021, the Company signed an agreement in principle to acquire 28.85% of Tigapo's shares from some of Tigapo's shareholders (the "Selling Shareholders") for a total of $1,868 thousand. Closing of the transaction is conditional on the Company's notice to the Selling Shareholders within 45 days from the date of signing the agreement in principles on its intention to close the transaction as well as making the payment within 90 days from the date of signing.

c. On February 7, 2021, the Company received a tax ruling (in this paragraph, the "Tax Ruling") according to which the restructuring intended by the Company, such that it holds Dually's entire (100%) share capital (the "Restructuring"), is tax-exempt, subject to the following

The Restructuring consists of a number of steps, which will be performed simultaneously and immediately (in succession as indicated below) and in such a way that renders any individual step invalid unless all steps are completed, as follows:

1) Transfer of the shares – In the first step, the shareholders of the Company, except Dually, will transfer all their shares in the Company to Dually, in exchange for the allotment of Dually shares to the transferring shareholders, in accordance with Section 104B (a) to the Income Tax Ordinance (the "Share Transfer").

2) The merger – In the second step, immediately after the Share Transfer, all shareholders of Dually (subsequent to the Share Transfer), excluding Dually, will transfer all shares held by them in exchange for allocation of Company shares to the shareholders of Dually, as above, under the provisions of Section 103T to the Ordinance (the "Merger").

4) Spin-Off – In the third step, immediately after the Merger, Dually will transfer to the Company the shares it will hold immediately after performing the Merger, for no consideration, under the provisions of Section 104C to the Ordinance, and those shares will turn dormant, as that term is defined by Section 308(a) to the Companies Law ("Spin-Off").

Following the completion of the three steps, the Company will hold the entire issued and paid-up share capital of Dually and on a fully diluted basis.

Under the Tax Ruling, the tax exemption is conditional, among other conditions, on the execution of each of the three steps listed above simultaneously and immediately one after the other in the order specified above.

In addition, the Tax Ruling stipulates that the tax exemption is conditional on performing the Restructuring within 90 days from the date of the Tax Ruling. The Company and Dually intend to carry out the Restructuring within the 90-day period from the date of the above Tax Ruling.

The Tax Ruling contains additional limitations and conditions.

d. On January 7, 2021, the Company alloted to two employees of the Company 400,000 options each (a total of 800,000 options) under the 2018 Plan (as defined in note 21C above), where (1) 200,000 options have an exercise price of $0.67 and (2) 200,000 options have an exercise price of the par value of the shares (ILS 0.0001) and also include accelerated vesting in the event of issuing shares of the Company to the public (IPO) or at the end of the employee's service.

e. After the balance sheet date, a ILS 17.8 thousand (US$5.4 million) shareholders' loan was extended by Mr. Amir Nechmad through Ofer R.G Ltd.

NAYAX LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated companies' appendix as of report's publication date:

Company's name	ID number	Country of incorporation	Relationship with Company	Area of activities	Description of business relationship
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		USA	Second-tier company	-	Liquidated in 2020
Greenhithe Software Solutions Ltd.	2202591	New-Zealand	The Company holds 45% in the related company. As of the financial statements' signing date -100%	Holds Synectic Solutions Ltd. (incorporated in the USA) engaged in software solutions to the field of vending machines management	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 incorporated to enhance security and prevent fraud)	Provision of EMV-based payment solutions to Company's customers

Nayax Retails Ltd.	514364579	Israel	The Company holds 51% of the shares of the related company	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
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	The Company holds 31.6% of shares of that investee	Issue of interactive invoices and marketing	Expansion of the solutions platform provided to retail customers.

NAYAX LTD.

Separate Financial Information Disclosed in accordance with Regulation 9c to the Securities Regulations (Periodic and Immediate Reports), 1970
December 31, 2020

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL DATA IN THOUSANDS OF US DOLLARS:	
Assets and liabilities included in the consolidated financial statements attributed to the parent company itself as the parent	3-4
Statement of comprehensive income included in the consolidated financial statements attributed to the parent company itself as the parent	5
Cash flows included in the consolidated financial statements attributed to the Company itself as a parent	6-7
NOTES TO THE FINANCIAL DATA OF THE COMPANY ITSELF AS A PARENT COMPANY	
Note 1 -General	8
Note 2 – Basis pf preparation of the separate financial data disclosed in accordance with Regulation 9c to the Securities Regulations (Periodic and Immediate Reports), 1970	9-10
Note 3 - Cash and cash equivalents included in the consolidated financial statements attributed to the Company itself as the parent	11
Note 4 - Disclosure of the liquidity risk arising from the financial liabilities attributed to the company itself as the parent	11
Note 5 - Revenue and cost of revenue	12
Note 6 – Income taxes	12-13
Note 7 - Additional information regarding the consolidated cash flow statements relating to the Company itself	14
Note 8 - Contacts, engagements, loans, investments and material transactions between the Company and its investee companies	15

To
The Shareholders of
NAYAX Ltd.
Tel Aviv

Dears Sirs and Madams,

Re: Auditors' special report on separate financial information in accordance with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports) – 1970

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, 2020 and 2019, and for each of the three years the last of which ended on December 31, 2020, which is included in the periodic report of the Company. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted 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 audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, 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 11, 2021

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 INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS ATTRIBUTED TO THE COMPANY ITSELF AS THE PARENT

Assets	Note	December 31	
		2020	2019
		US Dollars in thousands	
CURRENT ASSETS:			
Cash and cash equivalents	2	1,095	649
Restricted cash to be transferred to customers in respect of processing activity			
Short-term bank deposits		62	-
Investee companies		16,971	10,490
Related parties		1,247	975
Accounts receivable:			
Trade		3,430	4,168
Other		1,789	2,961
Inventory		2,179	2,310
Total current assets		26,773	21,553
NON-CURRENT ASSETS:			
Long-term bank deposits		798	474
Long-term receivables		-	151
Property and equipment		4,696	3,303
Right-of-use assets		4,396	3,792
Goodwill and intangible assets		17,653	13,755
Total non-current assets		27,543	21,448
Total assets		54,316	43,001
Net amount attributed to total assets of the parent company less total liabilities, presented in the consolidated financial statements in respect of investee companies, including goodwill		7,554	3,484
Total assets attributed to the company itself as the parent		**61,870**	**46,485**

Date of approval of financial statements by the Company's Board of Directors: March 11, 2021.

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 INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS ATTRIBUTED TO THE COMPANY ITSELF AS THE PARENT

		December 31	
		2020	2019
Liabilities and equity	**Note**	**US Dollars in thousands**	
CURRENT LIABILITIES:			
Short-term bank credit		11,589	8,030
Short-term bank loans and current maturities of long-term bank loans		1,938	3,253
Current maturities of loans from others		3,041	1,243
Current maturities of other long-term liabilities		686	327
Current maturities of leases		1,133	1,031
Payables in respect of processing activity		563	307
Accounts payable:			
Trade		10,338	7,528
Other		3,306	2,290
Total current liabilities		32,594	24,009
NON-CURRENT LIABILITIES:			
Long-term bank loans		4,908	-
Long-term loans from others		2,662	1,085
Retirement benefit obligation severance pay - net		894	617
Other long-term liabilities		3,374	1,804
Lease liabilities		4,937	4,316
Total non-current liabilities		16,775	7,822
Total liabilities attributed to the company itself as a parent		80,252	53,817
TOTAL EQUITY		12,501	14,654
TOTAL LIABILITIES AND EQUITY		**61,870**	**46,485**

Yair Nechmad	**David Ben Avi**	**Liron Grossman**
CEO	**Director**	**CFO**

Date of approval of financial statements by the Board of Directors: March 11, 2021.

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

INCOME AND EXPENSES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS ATTRIBUTED TO THE COMPANY ITSELF AS THE PARENT

		Year ended December 31		
		2020	2019	2018
	Note	US Dollars in thousands		
Revenues		52,467	41,923	39,238
Cost of revenues		27,757	24,419	23,679
Gross Profit		24,710	17,504	15,559
Research and development expenses		8,803	6,588	4,778
Selling, general and administrative expenses		17,901	14,295	8,636
Income (loss) from ordinary operations		(1,994)	(3,379)	2,145
Finance expenses, net		(3,700)	(2,162)	(5,062)
Loss for the period		(5,694)	(5,541)	(2,917)
Net amount, attributable to the equity holders of the parent, of the total income less the total expenses, presented in the consolidated financial statements in respect of investee companies		(561)	286	(769)
Loss for the year attributed to the parent		(6,255)	(5,255)	(3,686)
Items that will not be reclassified to profit or loss:				
Income (loss) from remeasurement of liabilities (net) in respect of retirement benefit obligations		(126)	(118)	14
Items that may be reclassified to profit or loss:				
Net amount, attributable to the parent, of other comprehensive income items, which are presented in the consolidated financial statements in respect of investee companies		243	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(6,138)	(5,373)	(3,672)

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 FLOWS INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS ATTRIBUTED TO THE COMPANY ITSELF AS THE PARENT

	Year ended December 31		
	2020	**2019**	**2018**
	US Dollars in thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss for the year	(6,255)	(5,255)	(3,686)
Adjustments required to reflect the cash flow from operating activities (see Appendix A)	8,369	2,612	5,133
Net cash provided by (used in) operating activities	2,114	(2,643)	1,447
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capitalized development costs	(5,408)	(4,129)	(3,814)
Acquisition of property, plant and equipment	(1,815)	(2,462)	(566)
Loans extended to others	(141)	(364)	(295)
Investment in subsidiaries	(2,901)	(770)	(500)
Loans extended to shareholders	-	(826)	-
Loans repaid by shareholders	786	-	-
Purchase of an intangible asset	-	-	(202)
Decrease (increase) in bank deposits	(412)	(365)	77
Interest received	14	9	-
Proceeds from sub-lessee	302	65	-
Net cash used in investing activities	(9,575)	(8,842)	(5,300)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid	(733)	(802)	(3,492)
Receipt of short-term bank credit, net	3,560	4,814	1,907
Support in respect of government institutions' support plans	16	267	257
Proceeds from issuance of shares and related instruments	-	-	17,484
Receipt of long-term bank loans	4,252	-	4,085
Repayment of long-term bank loans	(1,003)	(975)	-
Receipt of long-term loans from others	3,804	2,500	-
Repayment of long-term loans from others	(920)	(1,446)	(8,881)
Repayment of loans from shareholders	-	-	(3,836)
Decrease in other long-term liabilities	(74)	(85)	(79)
Lease incentive received from lessor	-	865	-
Repayment of lease liability principal	(1,004)	(674)	-
Repayment of long-term loans from related company	-	-	(266)
Net cash provided by financing activities	7,898	4,464	7,179
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	437	(7,021)	3,326
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	649	7,795	4,871
LOSSES FROM EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	9	(125)	(402)
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF YEAR	1,095	649	7,795

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 FLOWS INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS ATTRIBUTED TO THE COMPANY ITSELF AS THE PARENT

	Year ended December 31		
	2020	**2019**	**2018**
	US Dollars in thousands		
Appendix A – adjustments required to reflect the cash flows from operating activities:			
Adjustments in respect of			
Company's share in operating results of investees, net	561	(286)	769
Depreciation and amortization	4,828	3,948	2,253
Retirement benefit obligation, net	152	121	(13)
Financing expenses, net	2,064	1,865	3,289
Expenses in respect of long-term employee benefits	5	189	151
Revaluation of liability for adjustment mechanism	-	-	2,146
Expenses in respect of share-based payment	2,965	1,400	-
	10,575	7,237	8,595
Changes in operating asset and liability items:			
Decrease (increase) in receivables in respect of processing activity	-	7,047	(4,787)
Increase in trade receivable	738	117	(1,594)
Decrease (increase) in investee companies	(6,481)	373	(4,607)
Increase in related parties	(272)	(975)	-
Decrease (increase) in other receivables	(402)	286	(1,046)
Increase in inventory	131	(539)	(1,312)
Increase in payables in respect of processing activity	256	(9,796)	5,119
Increase (decrease) in trade payables	2,808	(2,008)	6,108
Increase (decrease) in other payables	1,016	870	(1,343)
	(2,206)	(4,625)	(3,462)
	8,369	2,612	5,133
Appendix B – Information regarding investing and financing activities not involving cash flows:			
Recognition of property, plant and equipment against liability in respect of finance lease of technological equipment	-	-	485
Purchase of property, plant and equipment on credit	575	697	-
Acquisition of patents against offset of loan	806		
Recognition of right-of-use asset in respect of lease of buildings against a lease liability	1,235	3,808	-
Amount of expenses attributed to development costs, capitalized and included in goodwill and intangible assets	883	-	-
Investment in a subsidiary against a deferred consideration	1,348	-	-
Recognition of receivable balance in respect of sub-lease against derecognition of right-of-use asset in respect of lease of buildings	-	500	-
Allocation of shares against discharge of other long-term liabilities	-	-	1,167
Elimination of the Adjustment Mechanism against the settlement of other liabilities	-	-	7,154

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 and began its business activity in September 2006. The Company provides a global platform of services and solutions in the field of processing and business operations to various businesses. The Company markets the systems it developed in more than 45 countries worldwide (including Israel) through subsidiaries 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.

NOTE 2 – BASIS OF PREPARATION OF SEPARATE FINANCIAL INFORMATION DISCLOSED IN ACCORANCE 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.

NOTE 2 – BASIS OF PREPARATION OF SEPARATE FINANCIAL INFORMATION DISCLOSED IN ACCORANCE 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

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.

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.

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

	December 31	
	2020	2019
	USD thousands	
US dollar	455	134
Other currency	640	515
	1,095	**649**

NOTE 4 - Disclosure of the liquidity risk arising from the financial liabilities attributed to 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.

	Less than one year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years	Total
	US Dollars in thousands				
December 31, 2020:					
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
Total	37,597	4,096	2,786	1,957	46,436
December 31, 2019:					
Lease liabilities	1,172	1,005	2,464	1,232	5,873
Trade payables	7,530	-	-	-	7,530
Loans, other payables and liabilities	15,225	1,558	995	-	17,778
Total	23,927	2,563	3,459	1,232	31,181

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.

NOTE 5 – REVENUES AND COST OF REVENUES:

A. Revenues

	Year ended December 31		
	2020	2019	2018
	Dollars in thousands		
Sale of POS and other	32,944	26,654	24,145
Processing and services:	19,523	15,269	15,093
	52,467	41,923	39,238

B. Cost of revenues

	Year ended December 31		
	2020	2019	2018
	Dollars in thousands		
Cost of POS and other	24,535	22,818	20,596
Cost of processing and services	3,222	1,601	3,083
	27,757	24,419	23,679

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, 2020 and 2019, carryforward tax losses stemming from the parent company in Israel amounted to ILS 28,986 thousand ($9,016 thousand) and ILS 22,796 thousand ($6,596 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.

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:

	Intangible assets	Provisions for employee rights	Other	Losses for tax purposes	Total
	US Dollars in thousands				
Balance at January 1, 2018	(685)	75	46	564	-
Change in 2018:					
Recognized in income statement	(11)	5	15	(9)	-
Balance at December 31, 2018	(696)	80	61	555	-
Change in 2019:					
Recognized in income statement	143	49	26	(218)	-
Balance at December 31, 2019	(553)	129	87	337	-
Change in 2020:					
Recognized in income statement	81	79	4	(164)	-
Balance at December 31, 2020	(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:

	Short-term credit and loans	Long-term bank loans	Loans from others	Lease liabilities	Other liabilities	Total
	US Dollars in thousands					
Balance at January 1, 2019:	2,830	3,926	1,274	-	372	8,402
Changes in 2019:						
Application of IFRS 16	-	-	-	2,027	(372)	1,655
Liabilities added in respect of new leases	-	-	-	4,673	-	4,673
Other liabilities added in respect of suppliers of property, plant and equipment	-	-	-	-	697	697
Inclusion in consolidation	137	-	-	-	-	137
Cash flows received	4,676	-	2,500	-	-	7,176
Cash flows paid	-	(975)	(1,446)	(823)	(85)	(3,329)
Amounts recognized in profit or loss	387	302	-	28	20	737
Balance at December 31 2019	8,030	3,253	2,328	5,905	632	20,148
Changes in 2020:						
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)	(1,167)	(280)	(3,370)
Amounts recognized in profit or loss	583	345	491	501	67	1,987
Balance at December 31, 2020:	11,589	7,329	5,703	6,474	994	32,089

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.

Third draft for the public and fifth draft for the Israel Securities Authority and Tel Aviv Stock Exchange Ltd., dated May 10, 2021

Nayax Ltd.

(the "Company")

Report on events

In accordance with Regulation 56A of the Securities (Prospectus Details and Prospectus Draft - Form and Structure) Regulations, 5729-1969

Since the date of executing the Company's financial statements as of December 31, 2020, namely since March 11, 2021, until the publication date of the Prospectus, there were no material events in the Company that must be disclosed in the framework of a report on events, as such term is defined in Regulation 56A of the Securities (Prospectus Details and Prospectus Draft - Form and Structure) Regulations, 5729-1969, save for the following:

1. Restructuring - acquisition of Dually's shares - Until April 1, 2021, the controlling shareholders of the Company Mr. Amir Nechmad, Mr. Yair Nechmad (including Yair Nechmad Ltd.) and Mr. David Ben Avi held Dually's shares. According to an agreement executed between the controlling shareholders of the Company, the Company and Dually, and in accordance with a consented tax ruling granted by the Israel Tax Authority, and following approval of the Company's board of directors and general meeting dated April 1, 2021, a restructuring process was implemented on April 1, 2021, comprised of several stages (that are exempt from tax under the provisions of Sections 104B, 103T and 104C of the Income Tax Ordinance [New Version] (the "**Income Tax Ordinance**")) the final result of which was the transfer of all of Dually's shares to the Company (whereby Dually became a fully owned subsidiary of the Company) and the creation of 281,202,800 dormant shares (as such term is defined in Section 308(a) of the Companies Law) in the share capital of the Company. On April 1, 2021 the Company cancelled such dormant shares.
2. Shareholders' loan - Mr. Amir Nechmad, through Ofer R.G Ltd., a company fully owned by Mr. Amir Nechmad, provided the Company a shareholders' loan, bearing annual interest at the rate of 6%, which an aggregate balance (principal and interest), as of the Prospectus date, is ILS 25.5 million (approx. USD 7.8 million). The Company intends to repay such loans with the proceeds of the issue under this Prospectus. In addition, Mr. Amir Nechmad, through Ofer R.G Ltd., provided the Company a credit facility of USD 2 million, out of which the Company can withdraw

funds at any time. Funds to be withdrawn by the Company as foregoing shall bear an annual interest rate of 6% and shall be repaid by the Company through the proceeds of the issue under this Prospectus, immediately after the Company receives such proceeds.

3. Repayment deferral of loan from the Clearing Entity - On February 13, 2020, NayaxEU and Nayax Europe UAB, a subsidiary of the Company (and both of them for purpose of this section only: the "**Subsidiaries**"), engaged with a clearing entity which is a banking corporation based in Lithuania (the "**Clearing Entity**"), under a loan agreement with a total liability amount of EUR 3.5 million (the "**Loan Agreement**"). The loan to be provided under a Utalisation Request (as such term is defined in Section 6.25.3.1 of this Prospectus) for such agreement, bears annual interest at the rate of 4.5% on the amount requested in the Utalisation Request, and shall be repaid during the period and according to terms to be set forth in the approval thereof, but no more than 36 monthly installments from the date of providing the specific amount under the relevant Utalisation Request.

   On February 14, 2020, NayaxEU received a loan in the amount of EUR 3.5 million, according to a relevant Utalisation Request. The loan was provided according to the terms of the Loan Agreement dated March 31, 2021, and following the coronavirus crisis, NayaxEU received approval for deferring repayment of the loan under the Loan Agreement by six months.

4. A transaction for purchasing shares of Weezmo Technologies Ltd. – Further to the description of the transaction for the purchase of shares from Weezmo Technologies Ltd. ("**Weezmo**") in Note 31A of the Company's consolidated financial statements as of December 31, 2020, on March 31, 2021, the Company engaged in a joinder agreement with two shareholders of Weezmo, whereby on the earlier date of: (1) May 15, 2021; or (2) 3 business days after the closing date of the initial public offering of shares of the Company, the Company shall purchase ordinary shares of Weezmo from both such shareholders, which as of March 31, 2020, constituted approximately 26.73% of Weezmo's outstanding share capital on a fully diluted basis, against payment of cash consideration (in a cumulative amount of USD 1.25 million to both such shareholders together), in installments. It is further noted that each such shareholder granted the Company an irrevocable power of attorney with respect to all of Weezmo's holdings, which grants all voting rights of such shareholder to the Company.

   In addition, on April 21, 2021, the Company and Third Seller (as defined in Note 31A of the financial statements attached to this Prospectus) reached an agreement on postponing the payment date to the Third Seller by an additional month and a-half, in consideration for an addition 1% to the consideration that it shall be paid in the framework of the agreement.

According to Note 31A to the financial statements, the Put Option (as defined in Note 31A) shall be exercised upon the completion of the initial public offering of the Company's shares under this Prospectus, against cash payment of USD 2.6 million by the Company.

5. Purchase transaction for the shares of Tigapo Ltd. – Further to the description of the purchase transaction of shares of Tigapo Ltd. ("**Tigapo**") in Note 31B to the Company's consolidated financial statements as of December 31, 2020, on March 31, 2021, with the consent of the parties, the completion date of the Company's USD 4 million investment agreement in Tigapo was postponed to a date to be agreed upon by the parties later on.

   In addition, the Company informed the Selling Shareholders (as such term is defined in the aforementioned Note 31B) of its intention to complete the purchase transaction of Tigapo shares, but the detailed agreements has not yet been executed. Additionally, the Company and most of the Selling Shareholders agreed to postpone the payment execution in consideration for approximately 28.85% of Tigapo's shares for USD 1.8 million, to May 31, 2021, in consideration for an additional 1% to the consideration.

6. Allocation of options to the employees of the Company and subsidiaries. On March 24, 2021, the Company allocated 2,825,000 options under the 2018 Option Plan (as defined in Note 21C) to the employees of the Company and its subsidiaries.

May 10, 2021 Date	_____ Liron Grossman, CFO	_____ David Ben-Avi, Director	_____ Yair Nechmad, CEO of the Company and Chairman of the Board

Chapter 10 - Additional details

10.1. **Legal opinion**

The Company and the offerors received the following legal opinion:

HERZOG
HERZOG FOX & NEEMAN

May 10, 2021

To
Nayax Ltd. (the "**Company**")

Mr. Yair Nechmad, Mr. Amir Nechmad, Mr. David Ben-Avi
(together: the "**Offerors**")

Dear Sir/Madame,

Re: **Initial Public Offering Prospectus, Secondary Offering Prospectus, and Shelf Prospectus, Dated May 11, 2021 (the "Prospectus")**

Per your request, were are hereby addressing the Prospectus and approving the following:

1. The rights attached to the securities offered under the Prospectus and the existing shares in the Company's share capital were correctly described in the Prospectus.
2. The Company's directors were duly appointed, and their names are included in the Prospectus.
3. The Company has the power to issue the securities offered under the Prospectus and in the manner described in the Prospectus.
4. The Offerors have the power to offer the secondary offering shares (as defined in the Prospectus) under the Prospectus and in the manner described in the Prospectus.
5. We hereby confirm our consent for our expert opinion to be included in the Prospectus.

Sincerely,

Nir Dash, Adv. **Reut Alcalay, Adv.** **David Bitton, Adv.**

Herzog Fox & Neeman, Advocates

4 Weizmann St., Asia House, Tel Aviv 6423904 | Tel: 03-692 2020, Fax: 03-696 6464

10.2. **Costs in connection with the offering of securities and their issue**

For details regarding the costs involved in the offering under this Prospectus, see Section 5.1 in Chapter 5 of this Prospectus.

10.3. **Brokerage fees in connection with other securities**

In the two years preceding the Prospectus date, the Company did not pay, or undertake to pay, brokerage fees in connection with signing or obtaining a signature on securities, except for the securities offered under this Prospectus, and except for the fact that the Company in 2020 paid an amount of ILS 300,000 plus VAT to an intermediary with whom it engaged for purpose of locating potential investors for an investment transaction in the Company. The negotiations with the potential investors recommended by such intermediary did not lead to completing an investment transaction in the Company.

10.4. **Allocation of securities not for full cash consideration**

In the two years preceding the Prospectus, the Company did not allocate nor undertake to allocate securities not for full cash consideration, except as set forth below:

10.4.1. Allocation of options under a capital remuneration plan as set forth in Sections 3.3.1 and 3.3.2 in Chapter 3 of this Prospectus.

10.4.2. Allocation of shares and options in the framework of splitting every ordinary share par value ILS 0.01, ever ordinary A share par value ILS 0.01, and every ordinary B share par value ILS 0.01, into 100 shares (of the same class) par value ILS 0.0001 each and splitting every non-marketable option that the Company allocated into 100 non-marketable options. For details see Section 3.2.2 in Chapter 3 of this Prospectus.

10.4.3. For the Company's undertaking to allocate additional future options to employees and officers of the Company and subsidiaries, see Section 3.3.8 in Chapter 3 of this Prospectus.

10.4.4. For details about the reorganization process in the framework of which the Company (*inter alia*) allocated shares of the Company to shareholders of Dually, against the transfer of their shares of Dually to the Company, the result being that all of Dually's shares were transferred to the Company, see Section 8.2.7 in Chapter 8 of this Prospectus.

10.4.5. On April 1, 2021, all of the Company's ordinary A Shares par value ILS 0.0001 each, and all ordinary B Shares par value ILS 0.0001 each, in the Company's issued and outstanding share capital, were converted into ordinary shares par value ILS 0.0001 each. For details see Section 3.2.2 in Chapter 3 of this Prospectus.

10.4.6. On the completion date of the issuance under this Prospectus and immediately prior to listing the shares of the Company on TASE, each of Mr. Yair Nechmad, CEO of the Company, and Mr. David Ben-Avi, CTO of the Company, shall be allocated options convertible into shares of the Company, which shall vest subject to meeting the targets. For additional details see Sections 8.1.5(7) and 8.1.5(8) in Chapter 8 of this Prospectus.

10.5. **Review of documents**

Copies of the Prospectus, the permit to publish it, and a of any report, approval, and expert opinion included or mentioned in this Prospectus, are available for review at the Company's offices on 3 Arik Einstein, Herzliya, during ordinary business hours. Similarly, this Prospectus can be reviewed on the website of the Israel Securities Authority (MAGNA) at www.magna.isa.gov.il and on the website of the Tel Aviv Stock Exchange Ltd. at www.maya.tase.co.il.

Chapter 11 - Signatures

The Company:

Nayax Ltd. _____

The Offerors:

Yair Nechmad _____

Amir Nechmad _____

David Ben-Avi _____

The Directors:

Yair Nechmad _____

Amir Nechmad _____

David Ben-Avi _____

Michael Galai _____

The Lead Underwriter:

Jefferies LLC _____