



Nayax Ltd.
(the “Company”)

**Board of directors’ report on the state of the corporation’s
affairs**

As of June 30, 2021

Nayax Ltd.

**The Board of Directors Report on the State of the Corporation's Affairs
For the three and six-month period ended June 30, 2021**

The Company's board of directors hereby respectfully submits the board of directors' report on the state of the corporation's affairs for the three and six-month periods ended June 30, 2021 ("**Q2**" and the "**Report Period**", respectively), according to the Securities (Periodic and Immediate Reports) Regulations, 5730-1970 (the "**Reports Regulations**").

The scope of this board of directors' report is limited, and it is drafted under the assumption that the reader also has available the Company's initial public offering prospectus dated May 11, 2021 (published May 10, 2021; reference no: 2021-01-082128) (the "**Company Prospectus**") and the Company's quarterly report for the three-month period ended March 31, 2021 (published May 27, 2021; MAGNA reference no: 2021-01-031711) (the "**Q1 Report**"). Everything set forth in the Company Prospectus and the Q1 Report is incorporated in this Report by way of reference.

1. Explanations of the board of directors on the state of the Company's affairs

1.1. General

On May 10, 2021, the Company published a prospectus on the initial public offering of the Company's shares (the "**IPO**"), and starting May 13, 2021, the Company's shares have been traded on the Tel Aviv Stock Exchange Ltd., and the Company became a public company. For additional details see Note 10 to the Company's consolidated financial statements as of June 30, 2021 (the "**Consolidated Financial Statements**").

As of its incorporation date and as of the publication date of this Report, the Company, including through corporations that it directly and indirectly owns (hereinafter together: the "**Group**"), is engaged in the area of solutions and services for processing and operation of businesses through a global platform. In the framework of its activity, the Company offers its customers, through its platform, which combines proprietary hardware and software developed by the Company, comprehensive solutions and services to unattended points of sale and service ("**Unattended**" or the "**Unattended Activity**"), and to attended points of sale and service ("**Attended**" or the "**Attended Activity**").

1.2. Dealing with the effects of the Coronavirus outbreak

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. The global economic slowdown

led, and may in the future lead, to a decrease in consumption, and thus it had, and may also in the future have, a negative effect on the Group's activity and its results. Among others, the effect was noticeable on the Group's activity by way of 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 whom the Group provides services to were closed. 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.

An additional trend is that due to the Coronavirus outbreak, 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 action in order 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 among others taking 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 would engage with its customers and perform sale transactions through its websites.

For details about efficiency programs implemented by the Company in order to deal with the Coronavirus crisis, see Section 6.21.8 in Chapter 6 of the Company Prospectus.

For details about a long-term state-guaranteed loan of ILS 15 million that the Company received, and regarding subsidies that the Company received from the governments of the countries of incorporation of a few subsidiaries, see Sections 6.25.2.3, 6.25.4, and 6.25.5 in Chapter 6 of the Company Prospectus.

The Company's estimates with respect to the potential implications of the spread of Coronavirus on the Group's activity are considered forward looking information, as defined in the Securities Law, 5728-1968, the materialization of which is uncertain and is not within the Company's control.

1.3. Financial position

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

Item	As of June 30		As of December 31	Board of directors' explanation
	2021	2020		
Current assets	174,825	41,596	54,518	The increase in current assets as of June 30, 2021, compared to current assets as of June 30, 2020, mostly derived from an increase in cash and cash equivalents as a result of an initial public offering of the Company's shares on the Tel Aviv Stock Exchange Ltd., and from an increase in the balance of customers, cash restricted to transfer to customers and receivables for processing activity, as a result of an increase in the Company's scope of activity and the initial consolidation of Dually Ltd. ("Dually") (see Note 5D of the Consolidated Financial Statements).
Non-current assets	51,049	32,942	38,235	The increase in non-current assets as of June 30, 2021, compared to non-current assets as of June 30, 2020, mostly derived from an increase in the balance of goodwill and intangible assets (mainly in light of the acquisition of Weezmo Technologies Ltd. ("Weezmo") and due to development costs that were capitalized), an investment in an investee company following the acquisition of Tigapo Ltd. ("Tigapo") and an increase of property easement in light of the execution of an additional lease agreement in the Company's office building. (See Notes 5A, 5B, and 11B to the Consolidated Financial Statements).
Current liabilities	70,741	40,957	62,251	The increase in current liabilities as of June 30, 2021, compared to current liabilities as of June 30, 2020, mainly derived from an increase in accounts payable for processing activity as a result of an increase in the scope of the Company's activity and the initial consolidation of Dually in the company's financial statements and from an increase in the balance of suppliers and accounts payable as a result of an increase in the scope of the Company's activity, and on the other hand from a decrease in short-term credits from banking corporations in light of repayment of the short-term credit.
Non-current liabilities	15,096	19,240	18,001	The decrease in non-current liabilities as of June 30, 2021, compared to non-current liabilities as of June 30, 2020, mostly derived from a decrease in loans from banking and other corporations as a result of the classification for current maturities and repayments. An additional decrease derives from the repayment of other long-term obligations for the acquisition of Nayax Retail Ltd. (see Note 5E to the Consolidated Financial Statements). On the other hand, there was an increase in obligations for leases in light of the execution of an additional lease agreement in the Company's office building.
Equity	140,037	14,341	12,501	The increase in equity as of June 30, 2021, compared to the equity as of June 30, 2020, mainly derived from an initial public offering of the Company's shares on TASE, and on the other hand, an offsetting effect of the equity decrease as a result of the Company's losses in the second half of 2020 and in the Report Period.

1.4. Activity results

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

Item	Six-months ended June 30		Three-months ended June 30		Year ended December 31, 2020	Board of directors' explanation
	2021	2020	2021	2020		
Revenues	53,775	32,099	31,001	13,997	78,783	The increase in revenues in Q2 of 2021 and in the Report Period compared to the corresponding periods last year mainly derived from a significant increase in the scope of sold units, in service revenues in light of the increase in the scope of active paying units, and from an increase in the scope of processing activity as a result of an increase in the Company's scope of activity, let alone compared to the corresponding quarter last year when there were significant restrictions in light of the Coronavirus pandemic (which led to a significant slowdown in the Company's activity during such quarter).
Cost of revenues	29,953	16,259	17,680	6,818	41,603	The increase in the cost of revenues in Q2 of 2021 and in the Report Period compared to the corresponding periods last year mainly derived from an increase in the Company's scope of activity and its revenues.
Gross Profit	23,822	15,840	13,321	7,179	37,180	The gross profit rate during the presented periods: In the three months ended June 30, 2021: 43%; in the Report Period: 44%. In the three months ended June 30, 2020: 51%; in the six months ended June 30, 2020: 49%. The gross profit rate in Q2 of 2021 and in the Report Period compared to the corresponding periods last year decreased, mainly in light of the fact that the rate of revenues from hardware compared to total revenues increased, mainly as a result of a discounts campaign by the Company in favor of future growth in the number of active paying units and in the scope of processing activity, while the gross profit rate for selling the hardware is lower than the gross profit rate for service and processing revenues.
Research and development expenses	8,022	4,012	4,722	1,784	9,300	The increase in research and development costs in Q2 of 2021 and in the Report Period compared to the corresponding periods last year mainly derived from an increase in the scope of salary costs and affiliated costs for the research and development department as a result of the efficiency program in Q2 of 2020 (see Section 6.21.8 in Chapter 6 of the Company Prospectus) which led to a decrease in salary costs and conversely to an increase in the number of employees and salary costs in the current quarter, and an increase in costs for share-based payment.

Selling, general and administrative expenses	18,619	12,056	10,303	5,435	26,545	The increase in sale, administrative, and general costs in Q2 of 2021 and in the Report Period compared to the corresponding periods last year mainly derived from an increase in the scope of salary costs and affiliated costs, including costs for share-based payment, as a result of the efficiency program in Q2 of 2020, which led to a decrease in salary costs and conversely to an increase in the number of employees and salary costs in the current quarter, and option grants during the Report Period to Mr. Yair Nechmad and Mr. David Ben-Avi, among the Company's controlling shareholders.
Amortization in respect of capitalized development costs and technology	1,698	1,824	820	923	3,559	--
Other expenses, net	1,706	-	1,545	-	-	The other costs in Q2 of 2021 and in the Report Period are attributed to costs that deriving from the initial public offering of the Company's shares on TASE, but that do not constitute "issue costs" that were deducted from the equity upon the actual IPO. The costs mainly include fees for professional services, listing fees and non-recurring bonuses for employees and service providers.
Share in losses of associate company	57	-	57	-	-	In Q2 of 2020 and in the Report Period, the Company for the first time recognized equity losses as a result of the acquisition of Tigapo.
Loss from ordinary operations	6,280	2,052	4,126	963	2,224	The increase in operating loss mainly derives from an increase in operating costs as set forth above.
Finance expenses	2,550	1,303	1,626	926	4,277	The increase in net financing costs in Q2 of 2021 and in the Report Period compared to the corresponding periods last year, mainly derived from exchange rate differentials and from a revaluation of deferred consideration and obligation for an options arrangement, plus businesses that were for the first time recognized during the period (following the acquisition of Weezmo). In addition, in Q2 of 2020, the Company recognized financing revenue of USD 389 thousand, for a benefit arising from a state-backed loan.
Finance income	840	537	-	389	403	
EBITDA *	1,424	1,903	1,372	794	6,649	See calculation below.
Capital investments (CAPEX) **	3,620	3,212	1,366	1,450	7,856	--

* **EBITDA** - A metric that is not calculated pursuant to accepted accounting principles, which the Company uses for measuring its results from ongoing activity. This metric is calculated as follows - operational loss plus depreciation and amortization, other non-recurring costs included in the profit or loss statement as set forth above, and costs for share-based payment, as set forth below (in USD thousands):

Item	Six-months ended June 30		Three-months ended June 30		Year ended December 31, 2020
	2021	2020	2021	2020	
Loss from ordinary operations	(6,280)	(2,052)	(4,126)	(963)	(2,224)
Depreciation and amortization	3,433	2,920	1,761	1,487	5,908
Share-based payment expenses	2,565	1,035	2,192	270	2,965
Non-recurring issue expenses	1,706	-	1,545	-	-
EBITDA	1,424	1,903	1,372	794	6,649

** **Capital investments (CAPEX)** - Cash investments in fixed assets and investments in intangible assets.

1.5. **Liquidity**

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

Item	Six-months ended June 30		Three-months ended June 30		Year ended December 31, 2020	Board of directors' explanation
	2021	2020	2021	2020		
Cash flow from operating activities	836	773	(2,909)	1,056	6,488	The decrease in cash flow arising from current activity in Q2 of 2021 compared to the corresponding period last year mainly derived from an increase in salary costs (as a result of hiring new employees and the efficiency program in 2020, as set forth above), and from non-recurring issue costs that were not deducted from the equity.
Cash flow from investing activities	(12,891)	(3,442)	(10,395)	(1,890)	(8,572)	The increase in cash flow used for investing activity in Q2 of 2021 and in the Report Period compared to the corresponding periods last year mainly derived from investments in Weezmo and Tigapo.
Cash flow from financing activities	117,278	5,041	113,110	360	6,046	The increase in cash flow arising from financing activity in Q2 of 2021 and in the Report Period compared to the corresponding periods last year mainly derived from an initial public offering that was partially offset following the repayment of loans and credit from a banking corporation.
Balance of cash and cash equivalents as of the end of the period	113,050	7,029	113,050	7,029	8,195	--

As of June 30, 2021, and June 30, 2020, the Company has a positive working capital (current assets less current obligations) of approximately USD 104,084 thousand and approximately USD 639 thousand, respectively, and as of December 31, 2020, a negative working capital of approximately USD 7,733 thousand. The increase in working capital mainly derives from an initial public offering, and conversely, from the repayment of banking corporation credit.

1.6. **Financing sources**

- 1.6.1. Following the IPO of the Company's shares on TASE (see Section 1.6.2 below), the Group is currently mainly financing its activity from independent sources, a loan that it took from a banking corporation, and from one of the processing entities with which it engaged, and lines of credit that were made available to it by a banking corporation. Similarly, following the Coronavirus crisis, subsidiaries of the Group were supported by governments of their countries of incorporation (for details regarding the loan forgiveness see Note 6B to the Consolidated Financial Statements). For additional details about the Company's financing sources, see Section 6.25 in Chapter 6 of the Company Prospectus.
- 1.6.2. On May 10, 2021, the Company published a prospectus for the initial public offering of the Company's shares, in the framework of which it raised a total of USD 141.6 million (gross) (the "**Issuance Proceeds**"), prior to issuance costs, and a net of approximately USD 132.5 million (for additional details about the Issuance Proceeds, see the Company Prospectus).
- 1.6.3. During the Report Period, the Company repaid the entirety of the shareholders' loans and credit provided by Mr. Amir Nechmad (for details see Section 8.2.4 in Chapter 8 of the Company Prospectus and Notes 9D and 9E to the Consolidated Financial Statements), through the Issuance Proceeds.
- 1.6.4. On May 13, 2021, the Company repaid a short-term bank credit that had been made available to it, in the aggregate amount of approximately USD 11.7 million (from the line of credit described in Section 6.25.2.1 in Chapter 6 of the Company Prospectus), through the Issuance Proceeds. The Company may still utilize the entirety of the line of credit.
- 1.6.5. Further to Section 6.25.2.4.1 of the Company Prospectus, after the balance sheet date the Company's financial covenants were cancelled.
- 1.6.6. In Q2 of 2021, options (non-tradeable) of the Company were exercised into 201,562 ordinary shares of the Company, against payment to the Company of a total exercise price of approximately USD 135 thousand.
- 1.6.7. The average scope of the Company's long-term loans in Q2 of 2021 and in the

Report Period was approximately USD 11.5 million and approximately USD 11.9 million, respectively, compared to USD 11.1 million and USD 9.2 million in the corresponding quarter last year and in the corresponding period last year, respectively. The increase in long-term loans mostly derived from a state-guaranteed loan of ILS 15 million (approximately USD 4.25 million) that was received from a banking corporation in May 2020 when offsetting a decrease in loans from a banking corporation and others as a result of being classified as current maturities and repayments.

1.6.8. The average scope of the Company's short-term credit in Q2 of 2021 and in the Report Period was approximately USD 10.6 million and approximately USD 14 million, respectively, compared to USD 10 million and USD 9.7 million in the corresponding quarter last year and in the corresponding period last year, respectively. As set forth in Section 1.6.4, the Company has repaid the short-term bank credit until June 30, 2021.

1.6.9. The average credit from suppliers, in Q2 of 2021 and in the Report Period, was approximately USD 8.6 million and approximately USD 9.9 million, respectively, compared to USD 6.8 million and USD 7 million in the corresponding quarter last year and in the corresponding period last year, respectively.

The average credit to customers, in Q2 of 2021 and in the Report Period, was approximately USD 14.7 million and approximately USD 15.3 million, respectively, compared to USD 9.4 million and USD 8.9 million in the corresponding quarter last year and in the corresponding period last year, respectively.

2. Corporate governance aspects

2.1. Directors with accounting and financial expertise

The minimum number of directors with accounting and financial expertise appropriate for the Company, as determined by the Company's board of directors under Section 92(a)(12) of the Companies Law, 5759-1999 (the "**Companies Law**"), is two (2) directors, considering the Company type, the nature of accounting issues and accounting control issues that emerge when preparing the Company's financial statements, the Company's areas of activity, the Company's size and the scope and complexity of its activity. Currently there are three directors in the Company's board of directors who have accounting and financial expertise, as follows: Ms. Rina Shafir (external director), Ms. Vered Raz Avayo (external director) and Mr. Elon Shalev (independent director). For additional details with respect to these directors, see the notice of the general meeting that the Company published on July 13, 2021 (reference no: 2021-01-116343).

2.2. Disclosure on the Company's internal auditor

On August 22, 2021, the Company's board of directors approved, pursuant to the recommendation of the audit committee, the appointment of Mr. Yossi Ginossar from Fahn Kanne & Co. (Grant Thornton Israel) as the Company's internal auditor:

Name:	Yossi Ginossar
Commencement date of tenure:	August 23, 2021
The internal auditor's compliance with the provisions of law:	To the best of the Company management's knowledge, in accordance with the internal auditor's declaration, the internal auditor is in compliance with the requirements of Section 146(b) of the Companies Law, 5759-1999, and with the provisions of Sections 3(a) and 8 of the Internal Audit Law, 5752-1992. Similarly, to the best of the Company's knowledge, the internal auditor is not an interested party of the Company, is not a family member of an interested party or officer of the Company and is not serving as the auditor of the Company or anyone on its behalf.
Material business relationship/other material relationship of the internal auditor with the Company or with an entity related to the Company and the manner of engagement with the internal auditor:	<p>The internal auditor is not a Company employee, but rather grants the Company internal auditing services on behalf of Fahn Kanne as an external factor. His activity does not create a conflict of interests with his role as the Company's internal auditor. The internal auditor does not fulfill any other function in the Company. The internal auditor serves as internal auditor in a few additional public companies.</p> <p>Similarly, the internal auditor and Fahn Kanne on whose behalf he is acting do not own securities of the Company or of an entity related thereto, and they have no business relationship or other material relationship with the Company or with an entity related thereto.</p>
Manner of appointing the internal auditor:	On August 22, 2021, the Company's board of directors appointed Mr. Yossi Ginossar as the Company's internal auditor, after he was recommended by the audit committee in question on August 19, 2021, following an examination of his experience and after meeting conducted with him and an immediate impression of him by the Company's management, the Company's audit committee, and the Company's board of directors. Mr. Ginossar was found suitable to serve as the Company's internal auditor, <i>inter alia</i> when considering the scope and complexity of the Company's activity.

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

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

3.1. On August 3, 2021, the Company's general meeting of shareholders confirmed the appointment of Ms. Rina Shafir and Ms. Vered Raz Avayo as external directors of the Company, for a tenure of three years, starting on the date the general meeting confirmed their appointment, and the appointment of Mr. Elon Shalev as independent director and of Mr. Reuven Ben Menachem as director, both for a tenure starting from the confirmation date of their appointment by the general meeting and concluding at the end of the Company's next annual general meeting. For additional details, see immediate reports published by the Company on July 13, 2021, and August 3, 2021 (reference no: 2021-01-116343 and 2021-01-127017, respectively), the contents of which are included in this Report by way of reference. Similarly, on August 3 Mr. Michael Galai ended his tenure as director of the Company.

3.2. For events following the Report date on the financial situation, see Notes 5A, 5B, 5C, 6C and 11A to the Consolidated Financial Statements.

4. Material valuations

Below are details about highly material evaluations, according to Regulation 8B(i) to the Report Regulations:

4.1. Valuation of an ordinary share (409A) for the Financial Statements for the three-month period ended March 31, 2021:

Identifying the subject of valuation:	Valuation of ordinary share
Timing of the valuation:	March 31, 2021
Value of the valuation's subject that was determined according to the valuation:	Ordinary share USD 1.95
Details about the appraiser:	Raphael Meyara - Head of Financial Department Raphael has a lot of experience in the area of valuations, Raphael is one of the founders of AlgoValue, a CT and valuations management system. Raphael for 3 years worked as a supervisor at PwC, where his activity included valuations of private and public companies in various segments. Raphael advised and advises CEOs and owners of startup companies, funds, and investors. Raphael has an MBA in finance and strategic management from the Paris Dauphine University and a post-MBA from Tel Aviv University.

	<p>Elior Sitlani, CPA</p> <p>Elior has experience in valuations and financial modeling, in the past he worked in valuations at the financial department of EY. Elior has a lot of experience in financial consulting, measuring financial instruments, and company valuations, as well as in accompanying merger and acquisition transactions.</p> <p>Elior has an MBA in financing and financial management from Bar Ilan University and a BA in Business Administration and Accounting from the Ono Academic College.</p>
Is there an indemnification agreement with the appraiser?	No
The valuation model under which the appraiser acted:	<p>2 scenarios were conducted:</p> <p>First, the Company's value was estimated while using the multiplier method, thereafter, in order to determine the value of the Company's different shares the OPM model was used, with the help of which the equity value can be divided between the various instruments.</p> <p>A second model assumed an IPO and completely flattening the equity according to the IPO value.</p>
The assumptions under which the appraiser made the valuation, according to the valuation model:	<p>Main multiplier assumptions -</p> <p>Use was made of the Company's actual revenues and of a multiplier of comparable listed companies of 5.45.</p> <p>OPM - The model assumed a liquidation event that would occur in approximately six months, a USD risk-free interest of 0.14% and a fluctuation rate based on comparable companies of 60.34%. The discount rate for an ordinary share that was taken into account is 17.276%</p> <p>Main assumptions in an IPO scenario</p> <p>Value at IPO - USD 900 million, in approximately six months, capitalization rate of 16%, and 7.82% discount on ordinary shares.</p>

4.2. Valuation of the acquisition proceeds and of the allocation of the purchase cost for acquiring Weezmo (see Note 5A to the Consolidated Financial Statements):

Identity of the valuation's subject:	Valuating the acquisition proceeds of the Weezmo transaction, purchase price allocation (PPA) and revaluation of the deferred consideration and liability for the options arrangement as of March 31, 2021.
Timing of the valuation:	January 7, 2021, and March 31, 2021.
Value of the valuation's subject that was determined according to the valuation:	Approx. USD 5.3 million as of January 7, 2021, and approx. USD 5.8 million as of March 31, 2021.
Details about the appraiser:	<p>Gil Finkelstein, Ph.D., founding partner of ClearStructure Ltd.</p> <p>Gil is an appraiser and quantitative analyst specializing in valuation of business and companies, as well as valuation and risk assessment for a broad range of financial derivatives and complex securities. Over the last 15 years Gil has conducted a wide range of valuations, including business activities and shares of companies, employee stock options, complex group securities, credit derivatives, interest derivatives etc., for private and public companies, investment and commercial banks from Israel, the US, Canada, Australia, New Zealand and Germany.</p> <p>Gil has a bachelor's degree in industrial engineering from Tel Aviv University, an MBA from the Hebrew University in Jerusalem, and a Ph.D. in corporate finance also from the Hebrew University.</p>
Is there an indemnification agreement with the appraiser?	Indemnity agreement over three times the professional fee that was paid.
The valuation model under which the appraiser acted:	<p>Acquisition proceeds according to the consideration scenarios defined in the acquisition agreement.</p> <p>Customer relationships MPEEM</p> <p>Royalties model technology</p>
The assumptions under which the appraiser made the valuation, according to the valuation model:	<p>Equity price of 19%</p> <p>Royalty rate 5%</p> <p>Technology lifespan 7 years</p> <p>Customer relationships lifespan 10 years</p>

August 22, 2021

Yair Nechmad
CEO and Chairman of the
Board

David Ben-Avi
Director

Changes and novelties that occurred in the Company's business during and after the Report Period on matters that need to be described in the Periodic Report

In this Report, the following terms shall have the meaning:

“Company” - Nayax Ltd.

“Group” - The Company and corporations that it directly and indirectly owns.

“Consolidated Financial Statements” - The Company's consolidated financial statements for the six and three-months' periods ended June 30, 2021.

“Prospectus” or “Company Prospectus” - The Company's prospectus published on May 10, 2021 (reference no: 2021-01-082128).

1. Update to Section 6.3.1 in the Company Prospectus - growth and key metrics

The Company has been growing consistently since its incorporation in 2005, and in recent years the Company's growth has even accelerated. The Company is examining its growth through three key metrics: The number of connected points of sale that the Company provides services to, the number of customers and the number of transactions executed at the points of sale and their aggregate financial value. Following is data with respect to these three key metrics for the three and six-month periods ended June 30, 2021:

Key metric	As of June 30		As of December 31
	2021	2020	2020
Connected points of sale (thousands)	342	220	281
Manage points of sale (thousands)	90 ⁽¹⁾	88 ⁽²⁾	90 ⁽³⁾
Total points of sale (thousands)	432	308	371

Key metric	As of June 30		As of December 31
	2021	2020	2020
Number of customers	Approximately 24,000	Approximately 16,000	Approximately 19,000

Key metric	Six-month period ended June 30		Three-month period ended June 30		Year ended December 31
	2021	2020	2021	2020	2020
Number of transactions (millions)	330	210	186	83	470
The financial value of the transactions (USD millions)	590	322	344	132	772

¹ Of which approximately 85 thousand through Vendsys' solution, and the remaining are end points as part of the Attended Activity. For details about Vendsys' solution see Section 6.10.2.5 in Chapter 6 of the Company Prospectus.

² Of which approximately 86 thousand through Vendsys' solution, and the remaining are end points as part of the Attended Activity.

³ Of which approximately 80 thousand through Vendsys' solution, and the remaining are end points as part of the Attended Activity.

2. Update to Section 6.3.2 of the Company Prospectus - Chart of the Company's holding structure

As set forth in Section 6.3.2 in Chapter 6 of the Company Prospectus, pursuant to the share purchase agreement regarding the shares of Nayax Retail Ltd. (hereinafter: “**Nayax Retail**”), the balance of the shares that reflect a holding of 49% in Nayax Retail should have been purchased by the Company over a period of 5 years in consideration for an additional amount (the “**Additional Amount**”), while completing the IPO would accelerate the purchase of the balance of shares. Accordingly, and in light of the completion of the IPO, all of the foregoing consideration was paid at the end of May 2021, in consideration for the transfer of all of Nayax Retail's shares to the Company. For additional details see Note 5E to the Consolidated Financial Statements.

3. Update to Section 6.5 of the Company Prospectus - Investments in the Company's equity and transactions in its shares

Completing the IPO, secondary offering, and listing on TASE - On May 10, 2021, the Company published a prospectus on the initial public offering of the Company's shares (the “IPO”), in the framework of which it raised a total of USD 141.6 million (gross), and starting May 13, 2021, the Company's shares have been traded on the Tel Aviv Stock Exchange Ltd., and the Company turned into a public company. The Company's share price in the framework of the IPO was ILS 10.5 per share. For additional details, see the Company's immediate report on the results of the offering under the Prospectus for the IPO and secondary offering dated May 10, 2021 (reference no: 2021-01-082185).

4. Update to Section 6.18 of the Company Prospectus - Fixed property, land, and facilities

In June 2021, the Company executed a lease agreement for leasing additional office space of approximately 848 sqm, balconies of approximately 30 sqm, and a number of parking spaces in the building. The period of the lease is 72 months starting June 2021. For additional details see Note 11B to the Consolidated Financial Statements.

5. Update to Section 6.25 of the Company Prospectus - Financing

- 5.1. For details with respect to foregoing loans see Note 6B to the Consolidated Financial Statements.
- 5.2. On May 13, 2021, the Company repaid a short-term bank credit that had been made available to it, total amount of approximately USD 11.7 million (from the credit facility described in Section 6.25.2.1 in Chapter 6 of the Company Prospectus), through the Issuance Proceeds.

6. Update to Sections 6.35.2 and 6.22 of the Company Prospectus - Industry-related risk factors and raw materials and suppliers, respectively

Notwithstanding the fact that most components required for manufacturing the Company's products are manufactured by a large number of manufacturers ("General Components"), certain key components are purchased from exclusive or limited number of suppliers. In addition, the Company is competing over the General Components with many additional companies in the fields of computers, smartphones, and other electronic products. Therefore, the Company is exposed to risks of shortages, price hikes, changes to tariffs and delays in delivering the key components and General Components, which may adversely affect the Company's financial results.

7. Agreement for purchasing shares of Weezmo

On January 7, 2021, the Company entered into an agreement with Weezmo Technologies Ltd. (hereinafter: "Weezmo") which is engaged in the field of interactive receipts in Israel and around the world, and with seven of its shareholders and with five option holders of Weezmo, according to which the Company acquired preferred shares of Weezmo from three of Weezmo's shareholders, which as of the purchase date constituted approximately 36.13% (31.59% fully diluted) of Weezmo's issued share capital. Similarly, the Company granted each of Weezmo's additional shareholders (including holders of options) a put option to sell to the Company all of its Weezmo shares, which was exercised in Q2 of 2021 in total scope of approximately 43.73% of Weezmo's issued share capital (41.68% fully diluted).

In May 2021, an agreement was executed with all holders of non-controlling rights, whereby the Company purchased all of their holdings in Weezmo, while in doing so the Company's holding rate of Weezmo increased to 100%.

For additional details see Note 5A to the Consolidated Financial Statements.

8. Agreement for purchasing shares of Tigapo

On February 4, 2021, the Company entered into a memorandum of understanding (hereinafter: the “First MOU”) with Tigapo Ltd. (hereinafter: “Tigapo”), in respect of developing a smart cloud system for managing amusement parks.

According to the First MOU, the Company invested a total of USD 300 thousand in Tigapo within the framework of a SAFE investment agreement (Simple Agreement for Future Equity), against a right for future allocations of shares upon future investment events in Tigapo at a minimum amount of USD 1.5 million.

In May 2021, the Company purchased shares of Tigapo constituting approximately 33.39% (fully diluted) from several shareholders, in consideration for cash payment of approximately USD 2.1 million.

After the date of the report on the financial situation, a purchase agreement was executed with effect from July 1, 2021, according to which the Company invested a total of USD 4 million in Tigapo against a share allocation.

For additional details see Note 5B to the Consolidated Financial Statements.

NAYAX LTD
INTERIM FINANCIAL INFORMATION
(Unaudited)
June 30, 2021

NAYAX LTD
INTERIM FINANCIAL INFORMATION
(Unaudited)
June 30, 2021

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Auditors' review report to the shareholders of Nayax Ltd

Introduction

We have reviewed the accompanying financial information of Nayax Ltd and its subsidiaries (hereinafter - the "Company"), which comprises the condensed consolidated statements of financial position as of June 30, 2021 and the condensed consolidated statements of income or loss, comprehensive income, changes in equity and cash flows for the six and three months period then ended. The Company's board of directors and management are responsible for the preparation and presentation of this interim financial information for these interim periods in accordance with IAS 34, "Interim Financial Reporting". In addition, they are responsible for the preparation of this interim financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with (Israel) Review Standard No. 2410, issued by the Israeli Institute of Certified Public Accountants regards "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing principles generally accepted in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements do not present fairly, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

In addition to the said in the previous paragraph, based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements do not present, in all material respects, in accordance with Chapter D of Securities Regulations (Periodic and immediate reports), 1970.

Tel Aviv, Israel
August 22, 2021

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

NAYAX LTD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	<u>June 30</u>		<u>December 31</u>
		<u>2021</u>	<u>2020</u>	<u>2020</u>
		<u>(Unaudited)</u>		<u>(Audited)</u>
<u>U.S. dollars in thousands</u>				
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents		113,050	7,029	8,195
Restricted cash transferable to customers for processing activity		23,050	9,231	18,166
Short-term bank deposits		99	22	87
Receivables for processing activity		14,812	9,622	7,213
Accounts receivable:				
Trade, net		16,678	8,214	13,840
Others		2,003	1,954	1,976
Inventories		5,133	5,524	5,041
Total current assets		<u>174,825</u>	<u>41,596</u>	<u>54,518</u>
NON-CURRENT ASSETS:				
Long-term bank deposits		817	663	798
Long-term receivables	5b, 5c	880	-	-
Investment in associate	5b	2,092	-	-
Property, plant and equipment, net		4,805	3,693	5,047
Right-of-use assets, net		5,803	3,940	4,761
Goodwill and intangible assets, net		36,450	24,511	27,388
Deferred income tax		202	135	241
Total non-current assets		<u>51,049</u>	<u>32,942</u>	<u>38,235</u>
TOTAL ASSETS		<u>225,874</u>	<u>74,538</u>	<u>92,753</u>

The accompanying notes are an integral part of the condensed financial statements.

NAYAX LTD

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Note	June 30		December 31
		2021	2020	2020
		(Unaudited)		(Audited)
U.S. dollars in thousands				
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Short-term bank borrowings		3	5,842	11,589
Short-term bank loans and current maturities of long-term bank loans		2,355	1,250	1,938
Current maturities of loans from others		3,154	1,780	3,041
Current maturities of other long-term liabilities		756	524	686
Current maturities of leases liabilities		1,269	1,241	1,320
Payables in respect of processing activity		46,202	19,968	27,181
Liabilities in connection with acquisition of investees	5a	871	-	-
Accounts payable:				
Trade		8,767	6,404	10,998
Other		7,364	3,948	5,498
Total current liabilities		70,741	40,957	62,251
NON-CURRENT LIABILITIES:				
Long-term bank loans		3,701	6,008	5,391
Long-term loans from others		1,694	3,986	2,662
Long-term loans from shareholders		-	592	-
Retirement benefit obligation, net		943	614	894
Other long-term liabilities		1,736	3,393	3,374
Lease liabilities		5,835	4,078	5,154
Deferred income tax		1,187	569	526
Total non-current liabilities		15,096	19,240	18,001
TOTAL LIABILITIES		85,837	60,197	80,252
EQUITY:				
Equity attributed to parent company's shareholders:				
Share capital		8	7	7
Share premium		149,383	16,689	16,689
Put option to purchase subsidiary's shares		-	(493)	-
Capital reserves		9,241	9,572	9,238
Accumulated deficit		(18,595)	(12,579)	(13,433)
Total equity attributed to shareholders of the company		140,037	13,196	12,501
Non-controlling interest		-	1,145	-
TOTAL EQUITY		140,037	14,341	12,501
TOTAL LIABILITIES AND EQUITY		225,874	74,538	92,753

Yair Nechmad
CEO

David Ben Avi
Director

Sagit Manor
CFO

Date of approval of the financial statements: August 22, 2021.

The accompanying notes are an integral part of the condensed financial statements.

NAYAX LTD
CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Note	Six months ended June 30		Three months ended June 30		Year ended December 31
		2021	2020	2021	2020	2020
		(Unaudited)				(Audited)
U.S. dollars in thousands (excluding loss per share data)						
Revenues	4	53,775	32,099	31,001	13,997	78,783
Cost of revenues		<u>(29,953)</u>	<u>(16,259)</u>	<u>(17,680)</u>	<u>(6,818)</u>	<u>(41,603)</u>
Gross Profit		<u>23,822</u>	<u>15,840</u>	<u>13,321</u>	<u>7,179</u>	<u>37,180</u>
Research and development expenses		(8,022)	(4,012)	(4,722)	(1,784)	(9,300)
Selling, general and administrative expenses		(18,619)	(12,056)	(10,303)	(5,435)	(26,545)
Depreciation and amortization in respect of capitalized development costs and technology		(1,698)	(1,824)	(820)	(923)	(3,559)
Other expenses, net	10	(1,706)	-	(1,545)	-	-
Share in losses of associate company	5b	<u>(57)</u>	<u>-</u>	<u>(57)</u>	<u>-</u>	<u>-</u>
Loss from ordinary operations		<u>(6,280)</u>	<u>(2,052)</u>	<u>(4,126)</u>	<u>(963)</u>	<u>(2,224)</u>
Finance expenses		(2,550)	(1,303)	(1,626)	(926)	(4,277)
Finance income		<u>840</u>	<u>537</u>	<u>-</u>	<u>389</u>	<u>403</u>
Loss before taxes on income		<u>(7,990)</u>	<u>(2,818)</u>	<u>(5,752)</u>	<u>(1,500)</u>	<u>(6,098)</u>
Tax benefit (expense)		<u>(52)</u>	<u>45</u>	<u>(108)</u>	<u>30</u>	<u>15</u>
Loss for the period		<u>(8,042)</u>	<u>(2,773)</u>	<u>(5,860)</u>	<u>(1,470)</u>	<u>(6,083)</u>
Attribution of loss for the period:						
To shareholders of the Company		(8,036)	(2,903)	(5,860)	(1,586)	(6,254)
To non-controlling interests		<u>(6)</u>	<u>130</u>	<u>-</u>	<u>116</u>	<u>171</u>
Total		<u>(8,042)</u>	<u>(2,773)</u>	<u>(5,860)</u>	<u>(1,470)</u>	<u>(6,083)</u>
Loss per share attributed to shareholders of the Company:						
Basic and diluted loss		<u>(0.0291)</u>	<u>(0.0117)</u>	<u>(0.0192)</u>	<u>(0.0064)</u>	<u>(0.0252)</u>

The accompanying notes are an integral part of the condensed financial statements.

NAYAX LTD
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)				(Audited)
	U.S. dollars in thousands				
Loss for the period	(8,042)	(2,773)	(5,860)	(1,470)	(6,083)
Other comprehensive income (loss) for the period:					
Items that will not be reclassified to profit or loss:					
Loss from remeasurement of liabilities (net) for retirement benefit obligations	-	-	-	-	(126)
Items that may be reclassified to profit or loss:					
Gain (loss) from translation of financial statements of foreign activities	(240)	95	144	79	243
Total comprehensive loss for the period	(8,282)	(2,678)	(5,716)	(1,391)	(5,966)
Attribution of total comprehensive loss for the period:					
To Company's shareholders	(8,212)	(2,808)	(5,716)	(1,507)	(6,137)
To non-controlling interests	(70)	130	-	116	171
Total comprehensive loss for the period	(8,282)	(2,678)	(5,716)	(1,391)	(5,966)

The accompanying notes are an integral part of the condensed financial statements.

NAYAX LTD
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributed to shareholders of the Company											
Share capital	Share premium	Defined benefit plans	Reserve from transactions with controlling shareholders	Reserve from transactions with non-controlling interests	Call option to purchase shares of subsidiary	Capital reserve from gain and loss on translation of financial statements	Accumulated deficit	Total equity attributed to shareholders of the Company	Non-controlling interests	Total equity	
U.S. dollars in thousands											
Balance at January 1, 2021 (audited)	7	16,689	(329)	10,085	(761)	-	243	(13,433)	12,501	-	12,501
Changes in the six months ended June 30, 2021 (unaudited):											
loss for the period	-	-	-	-	-	-	(8,036)	(8,036)	(6)	(8,042)	
Other comprehensive loss for the period	-	-	-	-	-	(176)	-	(176)	(64)	(240)	
Non-controlling interests from business combination (See note 5a)	-	-	-	-	-	-	-	-	1,530	1,530	
IPO (See note 10)	1	132,559	-	-	-	-	-	132,560	-	132,560	
Transactions with non-controlling interests (See note 5a)	-	-	-	205	-	-	-	205	(1,460)	(1,255)	
Business combination under common control (see note 5d)	-	-	-	(26)	-	-	-	(26)	-	(26)	
Options exercised	-	135	-	-	-	-	-	135	-	135	
Share-based payment	-	-	-	-	-	-	2,874	2,874	-	2,874	
Balance at June 30, 2021 (unaudited)	8	149,383	(329)	10,264	(761)	-	67	(18,595)	140,037	-	140,037
Balance at January 1, 2020 (audited)	7	16,689	(203)	10,085	(405)	(493)	-	(11,026)	14,654	1,015	15,669
Changes in the six months ended June 30, 2020 (unaudited):											
loss for the period	-	-	-	-	-	-	(2,903)	(2,903)	130	(2,773)	
Other comprehensive loss for the period	-	-	-	-	-	95	-	95	-	95	
Share-based payment	-	-	-	-	-	-	1,350	1,350	-	1,350	
Balance at June 30, 2020 (unaudited)	7	16,689	(203)	10,085	(405)	(493)	95	(12,579)	13,196	1,145	14,341

The accompanying notes are an integral part of these financial statements

NAYAX LTD
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Equity attributed to shareholders of the Company											
Share capital	Share premium	Defined benefit plans	Reserve from transactions with controlling shareholders	Reserve from transactions with non-controlling interests	Call option to purchase shares of subsidiary	Capital reserve from gain and loss on translation of financial statements	Accumulated deficit	Total equity attributed to shareholders of the Company	Non-controlling interests	Total equity	
U.S. dollars in thousands											
Balance at April 1, 2021 (unaudited)	7	16,689	(329)	10,085	(761)	-	(77)	(15,152)	10,462	1,460	11,922
Changes in the three months ended June 30, 2021 (unaudited):											
loss for the period	-	-	-	-	-	-	-	(5,860)	(5,860)	-	(5,860)
Other comprehensive income loss for the period	-	-	-	-	-	-	144	-	144	-	144
IPO (See note 10)	1	132,559	-	-	-	-	-	-	132,560	-	132,560
Transactions with non-controlling interests (See note 5a)	-	-	-	205	-	-	-	-	205	(1,460)	(1,255)
Business combination under common control (see note 5d)	-	-	-	(26)	-	-	-	-	(26)	-	(26)
Options exercised	-	135	-	-	-	-	-	-	135	-	135
Share-based payment	-	-	-	-	-	-	-	2,417	2,417	-	2,417
Balance at June 30, 2021 (unaudited)	8	149,383	(329)	10,264	(761)	-	67	(18,595)	140,037	-	140,037
Balance at April 1, 2020 (unaudited)	7	16,689	(203)	10,085	(405)	(493)	16	(11,354)	14,342	1,029	15,371
Changes in the three months ended June 30, 2020 (unaudited):											
loss for the period	-	-	-	-	-	-	-	(1,586)	(1,586)	116	(1,470)
Other comprehensive income for the period	-	-	-	-	-	-	79	-	79	-	79
Share-based payment	-	-	-	-	-	-	-	361	361	-	361
Balance at June 30, 2020 (unaudited)	7	16,689	(203)	10,085	(405)	(493)	95	(12,579)	13,196	1,145	14,341

The accompanying notes are an integral part of these financial statements

NAYAX LTD
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Equity attributed to shareholders of the Company											
<u>Share capital</u>	<u>Share premium</u>	<u>Defined benefit plans</u>	<u>Reserve from transactions with controlling shareholders</u>	<u>Reserve from transactions with non-controlling interests</u>	<u>Call option to purchase shares of subsidiary</u>	<u>Capital reserve from gain and loss on translation of financial statements</u>	<u>Accumulated deficit</u>	<u>Total equity attributed to shareholders of the Company</u>	<u>Non-controlling interests</u>	<u>Total equity</u>	
U.S. dollars in thousands											
Balance at January 1, 2020 (audited)	7	16,689	(203)	10,085	(405)	(493)	-	(11,026)	14,654	1,015	15,669
Changes in 2020 (audited):											
loss for the period	-	-	-	-	-	-	-	(6,254)	(6,254)	171	(6,083)
Other comprehensive income (loss) for the period	-	-	(126)	-	-	243	-	-	117	-	117
Transactions with non-controlling interests	-	-	-	-	(356)	493	-	-	137	(1,186)	(1,049)
Share-based payment	-	-	-	-	-	-	-	3,847	3,847	-	3,847
Balance at December 31, 2020 (audited)	<u>7</u>	<u>16,689</u>	<u>(329)</u>	<u>10,085</u>	<u>(761)</u>	<u>-</u>	<u>243</u>	<u>(13,433)</u>	<u>12,501</u>	<u>-</u>	<u>12,501</u>

The accompanying notes are an integral part of these financial statements

NAYAX LTD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<u>Six months ended</u>		<u>Six months ended</u>		<u>Year ended</u>
	<u>June 30</u>		<u>June 30</u>		<u>December</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>31</u>
	<u>(Unaudited)</u>				<u>(Audited)</u>
	<u>U.S. dollars in thousands</u>				
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net loss for the period	(8,042)	(2,773)	(5,860)	(1,470)	(6,083)
Adjustments required to reflect the cash flow from operating activities (see Appendix A)	8,878	3,546	2,951	2,526	12,571
Net cash provided by (used in) operating activities	<u>836</u>	<u>773</u>	<u>(2,909)</u>	<u>1,056</u>	<u>6,488</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capitalized development costs	(3,038)	(2,494)	(1,307)	(1,290)	(5,731)
Acquisition of property, plant and equipment	(582)	(718)	(59)	(160)	(2,125)
Loans extended to others	-	(43)	-	(17)	(141)
Investments in an associate (see note 5b)	(2,449)	-	(2,149)	-	-
Repayment of loans extended to shareholders	61	848	179	-	786
Increase in bank deposits	(31)	(211)	(26)	(211)	(411)
Purchase of subsidiary net of purchased cash (notes 5a and 5d)	418	(686)	316	-	(686)
Repayment of liability to pay deferred consideration in respect to business combinations (notes 5a and 5e)	(7,209)	(290)	(7,209)	(290)	(580)
Interest received	2	9	1	4	14
Investments in financial assets (see note 5c)	(221)	-	(221)	-	-
Proceeds from sub-lessee	158	143	80	74	302
Net cash used in investing activities	<u>(12,891)</u>	<u>(3,442)</u>	<u>(10,395)</u>	<u>(1,890)</u>	<u>(8,572)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:					
IPO (see note 10)	132,560	-	132,560	-	-
Interest paid	(450)	(526)	(184)	(244)	(1,065)
Short-term bank credit received (repayment), net	(11,393)	(2,013)	(11,731)	(3,807)	2,976
Support received (royalties paid) in respect to government assistance plans	(199)	-	(144)	-	16
Transactions with non-controlling interests (see note 5a)	(512)	-	(512)	-	(1,049)
Long-term bank loans received	-	4,735	-	4,735	4,734
Repayment of long-term bank loans	(1,266)	(435)	(852)	(180)	(1,003)
Long-term loans received from others	-	3,804	-	353	3,804
Repayment of long-term loans from others	(725)	(484)	(279)	(484)	(920)
Loans received from shareholders	8,900	592	3,500	322	-
Repayment of loans from shareholders	(8,900)	-	(8,900)	-	-
Decrease in other long-term liabilities	(145)	(88)	(73)	(45)	(280)
Options exercised	135	-	135	-	-
Repayment of lease liability principal	(727)	(544)	(410)	(290)	(1,167)
Net cash provided by financing activities	<u>117,278</u>	<u>5,041</u>	<u>113,110</u>	<u>360</u>	<u>6,046</u>
Increase (decrease) in cash and cash equivalents	105,223	2,372	99,806	(474)	3,962
Balance of cash and cash equivalents at Beginning of period	8,195	4,412	13,291	7,043	4,412
Gains (losses) from exchange differences on cash and cash equivalents	(105)	243	210	465	(222)
Gains (losses) from translation of cash and cash equivalents of foreign activity	(263)	2	(257)	(5)	43
Balance of cash and cash equivalents at end of period	<u>113,050</u>	<u>7,029</u>	<u>113,050</u>	<u>7,029</u>	<u>8,195</u>

The accompanying notes are an integral part of the condensed financial statements.

NAYAX LTD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Six months ended June 30		Three months ended June 30		Year ended December 31
2021	2020	2021	2020	2020
(Unaudited)				(Audited)

U.S. dollars in thousands

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

Adjustments in respect of:

Depreciation and amortization	3,433	2,920	1,761	1,487	5,908
Retirement benefit obligation, net	49	(48)	55	(5)	106
Income taxes	(84)	(59)	(10)	(32)	(230)
Financing expenses (income), net	734	(45)	604	158	3,428
Expenses in respect of long-term employee benefits	107	161	61	89	5
Share in losses of associate company	57	-	57	-	-
Expenses in respect of share-based payment	2,565	1,035	2,192	270	2,965
Total adjustments	6,861	3,964	4,720	1,967	12,182

Changes in operating asset and liability items:

Decrease (increase) in restricted cash in respect of processing activity	(4,884)	(2,995)	(7,635)	454	(11,930)
Decrease (increase) in receivables from processing activity	(5,846)	2,595	(4,489)	(3,010)	5,003
Decrease (increase) in trade receivable	(1,980)	1,670	(3,084)	2,282	(3,894)
Decrease (increase) in other receivables	(206)	413	(838)	(313)	(389)
Increase in inventory	(83)	(1,005)	(519)	(1,112)	(511)
Increase (decrease) in payables for processing activity	17,213	(11)	14,770	2,689	7,203
Increase (decrease) in trade payables	(3,847)	(1,310)	(1,189)	(729)	3,154
Increase in other payables	1,650	225	1,215	298	1,753
Total changes in operating asset and liability items	2,017	(418)	(1,769)	559	389
Total adjustments required to reflect the cash flow from operating activities	8,878	3,546	2,951	2,526	12,571

Six months ended June 30		Three months ended June 30		Year ended December 31
2021	2020	2021	2020	2020
(Unaudited)				(Audited)

U.S. dollars in thousands

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

Purchase of property, plant and equipment on credit	-	-	-	-	575
Acquisition of patents against offset of loan	-	-	-	-	806
Recognition of right-of-use asset in respect of lease of buildings against a lease liability	1,543	-	1,469	-	1,235
Capitalized development costs	726	315	640	91	883

The accompanying notes are an integral part of the condensed financial statements.

NAYAX LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL

- a.** Nayax Ltd. (hereafter: the “Company”) was incorporated in January 2005. The Company provides transaction processing and business operations solutions and services via a global platform. The Company markets the systems it developed in more than 50 countries worldwide (including Israel) through subsidiaries (the Company and the subsidiaries, hereafter: the “Group”) and through local distributors.

The Company is a public company and its shares have been traded on the Tel Aviv Stock Exchange (TASE) since May 2021 (for more information about the initial public offering, see note 10 below).

b. The COVID crisis

In December 2019, the COVID-19 pandemic broke out in the Chinese city of Wuhan, which quickly spread worldwide in early 2020, causing global economic uncertainty and distress due to mandatory shut-downs of many businesses, slower manufacturing and disruption of national and international shipments and travel (hereinafter: the "COVID"). As part of the efforts to cope with COVID, most countries worldwide imposed certain restrictions on their populations, including limits on movement, gathering and presence in public places; caps on the numbers of employees allowed in workplaces and more. Those restrictions have had a direct impact on many industries, with some of them experiencing complete halt.

Certain restrictions were imposed in Israel since March 2020, which were partially lifted in the second quarter of 2020. However, given the increased number of new cases and a "second wave", new restrictions were imposed in the third quarter of 2020, with some similar to those previously lifted. In December 2020, with the third wave of the pandemic, another lockdown was announced, which included, among others, limitations on travel, gatherings and opening of retail locations. Following a successful mass vaccination effort in Israel during the first quarter of 2021, some restrictions introduced in the third lockdown were gradually lifted, and in February 2021, the "Green Passport" was launched to allow live performances and leisure activities. Additionally, some restrictions on gatherings were partially and gradually eased, and retail businesses began to reopen.

However, in many other countries worldwide, COVID still continues, with high new cases figures reported in some countries even today, while in certain other countries the pandemic is under control but restrictions on retail are still in place.

At this stage, the Group is unable to assess the impact of COVID going forward. The impact is dependent, among others, on the scope and intensity of the pandemic globally, the depth of imposed restrictions, additional potential lockdowns, pace of returning to normal, the scale of government support and whether the downturn in Israel and globally continues or deepens.

NAYAX LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2 - BASIS OF PREPARATION OF CONSOLIDATED CONDENSED FINANCIAL INFORMATION

- a.** The interim condensed consolidated financial information of the Partnership as of June 30, 2021 and for the six and three-month interim periods ended on that date (hereinafter: "the Interim Financial Information") was prepared in accordance with International Accounting Standard No. 34 - "Interim Financial Reporting" (hereafter – "IAS 34") and the additional disclosure required under Chapter D of the Securities Regulation (Periodic and Immediate Reports), 1970. The Interim Financial Information does not include all the information and disclosures required in annual financial statements. The Interim Financial Information should be read in conjunction with the 2020 consolidated annual financial statements of the Company, prepared in accordance with International Financial Reporting Standards (hereafter – the "annual financial statements"), which are standards and interpretations published by the International Accounting Standards Board (hereinafter: the IFRS Regulations), and include the additional disclosure required by Securities Regulations (Annual Financial Statements), 2010.

The revenue of the Group and its results of activity in the six and three-month periods ended June 30, 2021, do not necessarily provide indication of the results that can be expected in the year ended December 31, 2021.

b. Estimates

The preparation of Interim Financial Information requires management to exercise its judgment and to use significant accounting estimates and assumptions that affect the application of the Group's accounting policy and the amounts of reported assets, liabilities, income and expenses. Actual results may materially differ from those estimates.

The significant accounting estimates exercised by the general partner in implementing the accounting policy of the Group and the underlying estimates used by the general partner are not materially different from those used in the annual financial statements.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies and calculation methods that have been applied in the preparation of the interim financial information are consistent with those used in the preparation of the Group's 2020 consolidated annual report, excluding the following:

a. Taxes on income

The calculation of taxes on income in the interim period is based on the best estimate of the weighted average of the expected tax rate for the fiscal year.

b. Associates (see note 5B)

An associate is an entity over which the Group exercises significant influence, but not control, which is usually expressed in holding 20%-50% of the voting rights. The investment in an associate is accounted for by the equity method

NAYAX LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. The equity method (see note 5B)

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

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

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

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

d. Financial assets at fair value through profit or loss (see notes 5B and 5C)

Classification

Financial assets at fair value through profit or loss are financial statements not classified into one of the categories of financial assets at amortized cost or financial assets at fair value through other comprehensive income. They are classified as non-current assets, unless management intends to dispose of the investment therein within 12 months after the statement of financial position date, or their redemption period does not exceed 12 months after the statement of financial position date, in which case they are classified as current assets.

Recognition and measurement

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

e. New standards and amendments to existing standards that are not yet in effect and which the Group elected not to adopt early

The Group's 2020 consolidated annual financial statements present information about an amendment to an existing IFRS that is not yet effective and that the Group elected not to adopt early. This note refers to amendments to existing standards published after the Group's 2020 annual financial statements were published.

NAYAX LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. New standards and amendments to existing standards that are not yet in effect and which the Group elected not to adopt early (continued)

1. Amendment to IAS 1 "Presentation of Financial Statements" (hereafter: "Amendment to IAS 1")

The Amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make based on those financial statements.

The amendments clarify that accounting policy information is expected to be material if, without it, users of an entity's financial statements would be unable to understand other material information in the financial statements. Additionally, the amendment clarifies immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

The Amendments to IAS 1 is applicable retrospectively for annual periods beginning on or after January 1, 2023. According to provisions of the Amendment, early adoption is permitted. Initial application of the Amendment to IAS 1 is not expected to have material impact on the Group's consolidated financial statements.

2. Amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (hereafter: "Amendment to IAS 8")

The amendments to IAS 8 clarify how entities should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events, and also to present events and present transactions.

The Amendments to IAS 8 will be applied retrospectively for annual periods beginning on or after January 1, 2023. According to provisions of the Amendments, early adoption is permitted. Initial application of Amendments to IAS 8 is not expected to have material impact on the Group's consolidated financial statements.

NOTE 4 - REVENUE

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)				(Audited)
	U.S. dollars in thousands				
Sale of POS and other	23,054	13,145	13,754	5,377	35,414
Service revenues	15,932	11,387	8,423	5,337	25,127
Processing revenues	14,789	7,567	8,824	3,283	18,242
Total	53,775	32,099	31,001	13,997	78,783

NAYAX LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 5 - BUSINESS COMBINATIONS AND HELD ENTITIES

a. Agreement to acquire Weezmo Technologies Ltd (a company included in consolidation for the first time in the reporting period)

On January 7, 2021 (hereinafter: the "Acquisition Date"), the Company entered into an agreement with Weezmo Technologies Ltd. ("Weezmo"), which is active in the interactive receipts business in Israel and worldwide, with seven of its shareholders, as well as five Weezmo option holders, according to which the Company acquired from three Weezmo shareholders (hereinafter: the "Sellers") Weezmo preferred shares, representing 36.13% (31.59% on a fully-diluted basis) of its issued share capital on the Acquisition Date. According to the agreement, the consideration to two of the Sellers will be a total of \$300 thousand in cash, such that on Acquisition Date, the Company paid \$100 thousand and three months after Acquisition Date, it paid an additional amount of \$200 thousand (hereinafter: the "Cash to Two of the Sellers") in exchange for 5.78% (5.06% fully diluted) of Weezmo's issued share capital.

The consideration to the third Seller (the "Third Seller") was set to \$3.2 million in cash or alternatively through issuance of 1,909,716 ordinary shares of the Company to the Third Seller (hereinafter: the "Liability to the Seller"), at the discretion of the Company, with the number of shares issued under that alternative being subject to adjustments, as detailed in the agreement.

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 or options held by them (representing 43.73% stake, or 41.68% on a fully-diluted basis) (hereinafter: the "Call Options"). The Call Options can be exercised by the Company during the thirty-six months' period starting from the Acquisition Date. In general, the consideration to all Joining Shareholders for an exercise of the Call Options will be a cash amount of \$2.6 million, or alternatively, through an issuance of 1,706,213 ordinary shares of the Company to the Joining Shareholders, at the Company's discretion, with the number of shares issued under this alternative being subject to adjustments, as detailed in the agreement. However, under certain circumstances stipulated by the agreement, the Joining Shareholders had the right to require the Company to pay some of the consideration in cash.

In addition, the Company granted each of the Joining Shareholders a put option to sell to the Company all shares of Weezmo they hold (hereinafter: the "Put Options"). The Put Options can be exercised by each of the Joining Shareholders starting from the Acquisition Date until the earlier of: (a) 36 months after Acquisition Date (or until another date to be agreed in writing between the Company and any Joining Shareholder); and (b) closing of an initial public offering of the Company's shares (hereinafter: "IPO"); and (c) the closing of the sale of all or substantially all shares of the Company to a third party ("Exit"). Generally, the consideration to all Joining Shareholders for the exercise of the Put Options will be \$2.6 million in cash or alternatively an allotment of 1,455,301 ordinary shares of the Company to the Joining Shareholders, at the discretion of the Company, with the number of shares issued under that alternative being subject to adjustments, as described in the agreement. Notwithstanding the above, to the extent that the Put Options are exercised before and subject to closing an IPO or an Exit, the number of shares the Company will allot to the Joining Shareholders is a total 1,580,758 ordinary shares. Even in this case, under certain circumstances that are detailed in the agreement, the Joining Shareholders may demand that the Company pay some of the consideration in cash.

Note that the election of the Company to pay in cash to Put and Call Option holders is limited to a period of six months, from the Acquisition Date.

On acquisition date, the Company received all voting rights of the Sellers and the Joining Shareholders, and also received and exercised the right to appoint all directors on the board of Weezmo. Accordingly, beginning on Acquisition Date, the Company controls Weezmo and consolidates its financial statements.

NAYAX LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 5 - BUSINESS COMBINATIONS AND HELD ENTITIES (CONTINUED)

a. Agreement to acquire Weezmo Technologies Ltd (a company included in consolidation for the first time in the reporting period) (continued)

The portion of Weezmo's income attributed to owners of the Company also includes the portion of non-controlling interest to whom the Company issued the Put Options and from whom it received the Call Options. Accordingly, the rate of non-controlling interests reflected in the Company's consolidated financial statements of Acquisition Date is approximately 20%.

The consideration for the business combination comprises a number of elements, as follows:

- The Cash to Two of the Sellers, as defined above;
- The Liability to the Third Seller, as defined above; and
- The liability for the arrangement that includes the Put Options and Call Options, as defined above.

The Company recognized financial liabilities for the Liability to the Third Seller and its liability for the arrangement that includes the Put Options and the Call Options, as permitted by IFRS 9 to account for a financial liability with an embedded derivative.

In practice and as described below, the Company opted to pay in cash the entire consideration for Weezmo's shares.

The overall fair value of those liabilities as of the Acquisition Date and close to the date of actual payment was \$5.3 million and \$5.8 million, respectively. The difference, a sum of approximately \$0.5 million, was recorded to the "financial expenses" in the comprehensive income (loss) report.

The Company engaged an external valuer for measuring the fair value of acquisition consideration and its allocation to the assets acquired and liabilities assumed in the acquisition.

NAYAX LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 5 - BUSINESS COMBINATIONS AND HELD ENTITIES (CONTINUED)

a. Agreement to acquire Weezmo Technologies Ltd (a company included in consolidation for the first time in the reporting period) (continued)

The following table presents the consideration for the acquisition of Weezmo, the non-controlling interests and the amounts recognized for assets acquired and liabilities assumed on acquisition date, at fair value:

	USD in thousands (Unaudited)
The Cash to Two of the Sellers	300
The Liability to the Third Seller	2,937
The liability for the arrangement that includes the Put Options and Call Options	2,386
Total consideration	5,623
 Amounts recognized on acquisition date:	
Cash and cash equivalents	202
Accounts receivables	98
Property, plant and equipment	3
Accounts payable	(25)
Other Payables	(240)
Technology (*)	769
Customer relations (*)	2,478
Deferred tax liability (*)	(747)
Total identifiable assets, net	2,538
Goodwill (*) (**)	4,615
Non-controlling interests (***)	(1,530)
Total Consideration	5,623

(*) The amounts were updated in relation to the amounts presented in the financial statements for the first quarter of 2021 based on a final valuation.

(**) Goodwill is not deductible for tax purposes and arises mainly from projected synergies with activities of the Group, and from workforce that does not qualify for recognition as a separate asset.

(***) Non-controlling interests were measured at fair value on acquisition date.

During the second quarter of 2021, Put Options representing 43.73% of Weezmo's share capital (41.68% on a fully diluted basis) were exercised in exchange for \$2.5 million in cash, and the consideration to the Third Seller totaling \$3.2 million was paid. Subsequent to balance sheet date, an additional amount of \$0.1 million was paid to one of the shareholders in respect of exercise of a put option.

In May 2021, an agreement was signed with all holders of non-controlling interests whereby the Company acquired their entire interest in Weezmo for \$1.3 million paid in nine cash installments; through June 30 2021 an amount of \$ 512 thousand was paid, and thus the Company's stake in Weezmo increased to 100%.

The additional revenue included in the consolidated statement of income since Acquisition Date as a result of consolidating Weezmo's results was \$224 thousand and \$140 thousand in the six and three months ended June 30, 2021 (unaudited), respectively. Additionally, the consolidation of Weezmo resulted in an increase of \$62 thousand and \$45 thousand in the loss for the six and three months ended June 30 2021 (unaudited), respectively.

NAYAX LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 5 - BUSINESS COMBINATIONS AND HELD ENTITIES (CONTINUED)

b. Agreements for the acquisition of the shares of Tigapo Ltd.

On February 4, 2021, the Company entered into a memorandum of understanding (hereinafter: "the First Memorandum of Principles") with Tigapo Ltd. ("Tigapo"), which is engaged in developing a smart, cloud-based system for management of gaming arcades.

According to the First Memorandum of Principles, the Company invested \$300 thousand in Tigapo under a Simple Agreement for Future Equity (SAFE) against a right to future allotments of shares in a future investment event in Tigapo at an amount of not less than \$1.5 million. The allocation of shares to the Company following the future investment event, as above, will be based on a share price at the lower of: (1) 20% of a share price to be paid by the investor on that future investment event (on a fully-diluted basis); (2) a share price reflecting a company valuation of \$10 million (on a fully-diluted basis). However, if the price per share in that future investment event is greater than \$5.6943, then the share price used for allocating shares to the Company will not be less than \$5.6943.

The amount paid, \$300 thousand, is presented within "long-term receivables" in the statement of financial position as of June 30 2021. This investment is accounted for as a financial asset at fair value through profit or loss.

During May 2021, the Company purchased Tigapo shares constituting 33.39% (fully diluted) of its capital from a number of shareholders in consideration for a cash payment of \$2.1 million (hereinafter – the "Existing Shares"). The investment is accounted for as an investment in an associated accounted for by the equity method.

Subsequent to the statement of financial position date, a purchase agreement was signed, with effect from July 1 2021, in accordance with which the Company will invest a total of \$4 million in Tigapo (hereinafter: the "Additional Investment Amount") against an allotment of shares based on a pre-money valuation of \$12 million for Tigapo, on a fully-diluted basis, and the SAFE investment was exercised.

After the allotment of shares 1) against the Additional Investment Amount; 2) against the exercise of the SAFE investment as described above; and 3) additional share allotment against the Company's assistance to Tigapo in the Company's areas of expertise and the license to use the "Nayax" brand and after adding the Existing Shares, the Company will hold Tigapo shares constituting 53.55% of Tigapo's issued capital (on a fully diluted basis).

Furthermore, the Company and the remaining shareholders in Tigapo awarded each other put and call options for the purchase of the remaining Tigapo shares from the remaining shareholders, and Tigapo was given the right to receive from the Company a further investment of \$1 million under the investment terms of the Additional Investment Amount.

As of the date of signing these financial statements, the allocated of the assets acquired and liabilities assumed as part of the acquisition has not yet completed, and changes may be made in the allocation of the cost of acquisition as aforesaid within of up to one year from Acquisition Date.

The share in losses of associates accounted for by the equity method amounted to \$57 thousand in the six and three months ended June 30 2021 (unaudited).

Tigapo is a private company and its shares do not have a quoted market price.

NAYAX LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 5 - BUSINESS COMBINATIONS AND HELD ENTITIES (CONTINUED)

c. A cooperation agreement for the foundation of Nilus Ltd.

On December 10, 2020, Nayax Retail Ltd (hereinafter - Nayax Retail), a subsidiary of the Company, engaged with some of the largest distribution companies in the Israeli economy, including Bar Marketing and Distribution Holdings Ltd, Diplomat Distributors (1968) Ltd, Leiman Schluskel Ltd and Guri A.A.O. Ltd, in a cooperation agreement by way of a shareholders' agreement for the founding of a new company called Nilus for Businesses Ltd. (hereinafter: "Nilus"), with Nayax Retail holding 12% of Nilus's issued and paid-up capital. 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 ones, who due to their size or geographical location encounter operational problems in supplying goods to their stores, and provide logistics services in connection with such supply.

In May 2021, the shareholders extended a shareholders' loan to Nilus at the total amount of ILS 6 million (approximately \$1.85 million); Nayax Retail's share in the loan amounted to ILS 720 thousand (approximately \$221 thousand) (hereinafter – the "Shareholders' Loan").

The amount of the Shareholders' Loan shall bear annual interest at the maximum rate set in Section 3(j) of the Income Tax Ordinance. The loan (principal and interest) shall be repaid in one installment within 36 months from the date of signing the Loan Agreement. Nevertheless, Nilus shall be entitled to extend the term of the loan for additional periods at its discretion.

In August 2021, subsequent to balance sheet date, the shareholders extended further shareholders' loans to Nilus at the total amount of ILS 6 million (approximately \$1.85 million); Nayax Retail's share in the loans amounted to ILS 720 thousand (approximately \$ 220 thousand). The terms of this loan are identical to the terms of the Shareholders Loan as described above.

The amount paid is presented under "Long-term receivables" in the statement of financial position as of June 30 2021. The loan is accounted for as a financial asset at fair value through profit or loss.

d. Restructuring of the Company and Dually Ltd.

According to an agreement signed between the controlling shareholders of the Company, the Company and Dually, according to an in-agreement tax ruling that was received from the Israel Tax Authority, and after receiving an approval from the Company's board of directors and the shareholders meeting dated April 1, 2021, a three-part restructuring process was performed on April 1, 2021 (which is tax exempt under the provisions of Sections 104B, 103T and 104C to the Income Tax Ordinance [New Version] (the "Ordinance"), as detailed in note 31c to the 2020 consolidated financial statements the end result of which was that all shares of Dually were transferred to the Company (such that Dually became a wholly owned subsidiary of the Company), and 281,202,800 dormant shares (as this term is defined by Section 308(a) of the Companies Law) were created. On April 1, 2021, the Company eliminated all said dormant shares.

Following to what is stated above, the Company consolidates Dually's financial statements as from April 1 2021.

The restructuring is accounted for in the Company's financial statements as a business combination under common control in accordance with the historical values method. As a result of the first-time consolidation, a total of USD 316 thousand was recognized in cash and cash equivalents

Net identifiable assets that were recognized on acquisition date were recognized against the equity attributed to Company's shareholders.

NAYAX LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 5 - BUSINESS COMBINATIONS AND HELD ENTITIES (CONTINUED)

d. Restructuring of the Company and Dually Ltd. (continued)

The additional income included in the consolidated statement of income or loss from acquisition date as a result of the consolidation of Dually's results amounted to \$609 thousand in the three-month period from restructuring date through June 30 2021. Furthermore, the consolidation of Dually's results caused a \$283 thousand decrease in loss during the three-month period from restructuring date through June 30 2021.

e. Nayax Retail Ltd (formerly: UPITec Software Ltd.)

As discussed in note 6b to the annual consolidated financial statements (hereinafter in this section: "Note 6b"), according to an agreement for the acquisition of the shares of Nayax Retail Ltd (hereinafter: "Nayax Retail"), the remaining shares, representing a 49% interest in Nayax Retail, were supposed to be acquired by the Company over five years, for an aggregate consideration of ILS 4.9 million (approx. \$1.5 million), payable in five equal installments (hereinafter: the "Additional Consideration").

Additionally, as disclosed in note 6b, in the event of a qualifying transaction (as defined in the agreement), the additional acquisitions would be accelerated, and performed within 14 business days from the date of the qualifying transaction. Accordingly, and given the completion of the initial public offering by the Company (see note 10), the entire additional consideration, as above, was paid at the end of May 2021 against the transfer of all of Nayax Retail's shares to the Company. As described in the Company's annual consolidated financial statements, the Nayax Retail acquisition was accounted for as acquisition of the entire share capital of that entity, with a corresponding recognition of a liability for the forward contract.

f. Modularity Technologies Ltd

According to note 6a(4) to the annual consolidated financial statements, ILS 1 million (approx. \$0.3 million) was supposed to be paid by the Company within 30 days from the closing of a transaction, in which the company would raise capital of at least ILS 20 million, subject to eligibility and depending on the continuation of employment. Accordingly, in light of the completion of an initial public offering by the Company (see note 10), and given the fact that on the date of IPO completion some of the sellers were no longer with the Company, the payment of ILS 0.5 (approx. \$0.15 million) was called.

NOTE 6 - LOANS AND OTHER LONG-TERM LIABILITIES

- a. As stated in note 18 to the 2020 consolidated financial statements, in February 2020, the Group received a €3.5 million (\$3.8 million) loan from a processing entity. In March 2021, following the COVID crisis, the Company received an approval to defer repayment of the said loan by six months. The change in the terms of the loan, as above, did not have a material impact on the consolidated financial statements of the Company.
- b. Further to note 1d to the 2020 consolidated financial statements, in the reported period, two loans totaling \$483 thousand were forgiven. Accordingly, these loans were derecognized against a decrease in the payroll expenses in respect of which the loans were received.
- c. Further to note 17c to the 2020 consolidated financial statements, subsequent to balance sheet date the Company's financial covenants were cancelled.

NAYAX LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 7 - FINANCIAL INSTRUMENTS AND RISKS

Fair value of financial assets and financial liabilities

The carrying amounts of all financial assets and financial liabilities in the Company's statement of financial position reasonably approximate their fair value.

NOTE 8 - SHARE-BASED PAYMENT

a. January 7, 2021 grant

On January 7, 2021, the Company allotted to two employees of the Company 400,000 options each (a total of 800,000 options) under the 2018 Plan (as defined in note 21c to the annual consolidated financial statements).

The vesting period of the options is four years, where 25% of the options vest on the first anniversary of grant date, and additional 6.25% of the options vest on the last day of each subsequent calendar quarter. Options not vested by the fifth anniversary of grant date will expire.

400,000 options have an exercise price of \$0.67 (hereinafter: "Part A Options") and 400,000 options have an exercise price of the par value of the shares (ILS 0.0001) and also include accelerated vesting in the event of an IPO or at the termination of the employee's service, such that they vested upon completion of the IPO of the Company (hereinafter: "Part B Options") (see note 10 below).

b. March 24, 2021 grant

On March 24, 2021, the Company allotted 2,825,000 options to employees of the Company and subsidiaries under the 2018 Plan (as this term is defined by note 21c to the annual consolidated financial statements). The exercise price of 2,530,000 options is \$0.67 each (hereinafter: "Part C Options") and the exercise price of 295,000 options that were allotted to employees of subsidiaries in the US is \$1.95 each (hereinafter: "Part D Options").

The vesting period of the options is five years, with 20% of the options vesting on the first anniversary of grant date, and after that, additional 5% of the options vest on the last day of each subsequent calendar quarter. Options not vested by the end of the quarter following the fifth anniversary of grant date will expire.

c. May 13, 2021 grant

On May 13 2021, the Company allotted to Mr. Yair Nechmad and Mr. David Ben Avi 7,250,000 options each, which are convertible into ordinary Company shares. The options shall vest over a five-year period (through 2025), subject to attaining the following targets:

- a. To the extent that revenue growth of the Company in any given calendar year over the preceding calendar year (beginning in 2021, relative to 2020) is at least 30%, and subject to a gross profit rate of not less than 40% in that calendar year, 750,000 options will vest and be exercisable into ordinary shares of the Company over a five-year period.
- b. Additionally, to the vested options in paragraph a. above, for revenue growth of the Company in any given calendar year over the preceding calendar year (beginning in 2021, relative to 2020) of at least 30% and up to 45%, and subject to a gross profit rate of not less than 40% in that calendar year, up to 700,000 additional options will vest and be exercisable into ordinary shares of the Company over a five-

NAYAX LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 8 - SHARE-BASED PAYMENT (CONTINUED)

c. May 13, 2021 grant (continued)

year period, with the number of options vesting under this paragraph calculated linearly, based on the revenue growth rate of between 30% and 45% over to the previous year.

Should the Company fail to meet the targets set out above in a certain calendar year, the options attributed to that calendar year shall expire.

The exercise price of the options as aforesaid shall be the price set for the Company's share as part of the IPO (see note 10 below).

Total expenses recorded in respect of this award during the second quarter of 2021 amounted to \$ 915 thousand.

The Company used the Black & Scholes option pricing model to measure the fair value of the share options on award dates. The key assumptions used by the Company in this model and the theoretical value of each option are as follows:

Allotment date	Expected term	Risk-free interest rate	Average standard deviation	Theoretical value
January 7, 2021 – Part A Options	5	0.46%	51.22%	0.53
January 7, 2021 – Part B Options	5	0.46%	51.22%	0.97
March 24, 2021 – Part C Options	5.25	0.88%	50.30%	1.41
March 24, 2021 – Part D Options	5.25	0.88%	50.30%	0.87
May 13 2021	5.88-6.88	1.05%-1.28%	53.84%-54.67%	1.62-1.72

The share price used to measure the fair value of the options that were granted in January, March and May 2021 is USD 0.97, USD 1.95 and USD 3.19 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 and the May 2021 allotment 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.

d. Further to note 21c to the annual consolidated financial statements (hereinafter in this paragraph: "Note 21c"), and in light of completing an initial public offering by the Company (see note 10 below):

- (1) In the second quarter of 2021, the Company recognized an expense of \$221 thousand in respect of the 2013 Options benefit balance (as defined in note 21c), which were replaced against 2018 Options (as defined in Note 21c), in accordance with the 2013 Options' original vesting period prior to their replacement with the 2018 Options.
- (2) In the second quarter of 2021, the Company recognized an expense of \$509 thousand in respect of the 2013 Options benefit balance (as defined by note 21c), which were not replaced with 2018 Options, whose vesting was conditional upon the occurrence of an IPO.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 9 - RELATED PARTIES

a. Transactions with related parties:

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)				(Audited)
	USD in thousands				
Salary and payments to interested parties and related parties employed by the Company	1,014	496	512	228	1,519
Number of interested parties to which the benefits relate	8	7	8	7	8
Dually (related company) – revenues from sales and provision of services	900	1,155	-	660	3,520
Shareholders interest expenses, net	207	6	103	23	27

b. Balances with related and interested parties

	As of June 30		December 31
	2021	2020	2020
	(Unaudited)		(Audited)
	USD in thousands		
Trade receivable - Dually	-	87	1,248
Other receivables - shareholders	33	-	61
Other receivables – related company	-	708	-
Loans to interested parties	100	41	44
Trade payables – related companies	115	22	27
Loans from shareholders	-	592	-

c. Employment terms of Mr. Yair Nechmad and Mr. David Ben-Avi

(1) As indicated in note 29(6) to the 2020 consolidated financial statements, on March 10, 2021, the Board of Directors and the general meeting of the shareholders of the Company approved a revision of the terms for engagement of the Company with interested parties, 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.
- 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.

On May 4, 2021, the Company's board of directors and general meeting of shareholders of the Company approved the engagement of the Company in revised service agreements with Mr. Yair Nechmad and Mr. David Ben Avi, in which the monthly management fee of each was updated to ILS 140,000 beginning on the date of completion of the IPO on TASE, i.e. May 13, 2021 (see note 10 below). This amount will be increased by 2.5% at the beginning of each calendar year.

(2) For more information about the share-based payment to Mr. Yair Nechmad and Mr. David Ben-Avi, see note 8c above.

NAYAX LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 9 - RELATED PARTIES (CONTINUED)

d. Shareholders loans

Mr. Amir Nechmad, through Ofer R.G Ltd. (a company wholly owned by Mr. Amir Nechmad), provided shareholders' loans to the Company in the reporting period, carrying an annual interest of 6%, in an aggregate amount of \$7.6 million. According to the terms of the loan agreements, Ofer R.G Ltd had a right to call the loans at any time, but provided that the Company received 10 business days' advance notice.

In May 2021, the Company fully repaid the above shareholders' loans.

e. Credit line

In April 2021, Mr. Amir Nechmad, through Ofer R.G Ltd, provided the Company a \$2 million credit line, from which the Company can draw at any time. Amounts drawn by the Company, as above, bear annual interest of 6%. According to the terms of the credit line, Ofer R.G. Ltd has a right to call the loans utilized at any time, but provided that the Company is provided 10 business days' advance notice.

In June 2021, the Company repaid the full amount it utilized out of the credit line totaling \$1.3 million.

NOTE 10 - INITIAL PUBLIC OFFERING

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

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

Following completion of the IPO, as above, the Company's shares are traded on the Tel Aviv Stock Exchange (TASE).

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

Furthermore, subsequent to the IPO, the Company decided to pay bonuses in respect of the IPO to a number of Company employees; the total amount of bonuses is \$880 thousand, which is presented under the "other expenses, net" item in the statement of income.

NOTE 11 – ADDITIONAL EVENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD

a. Contingent liability

As described in note 30b to the 2020 consolidated financial statements, during 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.

In June 2021 the Plaintiff filed an application to withdraw the lawsuit in accordance with the Court's recommendation. Accordingly, in July 2021, subsequent to statement of financial position date, the Court approved the request to withdraw the lawsuit and ruled that the proceedings will be terminated by way of withdrawal in accordance with the provisions of Section 15 to the Class Action Law.

As of the date of signing these financial statements, there are no lawsuits outstanding against the Group.

NAYAX LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 11 – ADDITIONAL EVENTS DURING AND SUBSEQUENT TO THE REPORTING PERIOD (CONTINUED)

b. Engagement in a lease agreement

In June 2021, the Company entered into an agreement for the lease of additional office space at the area of 848 sq. m., balconies at the area of 30 sq. m., and a number of parking spaces in the building. The lease period is 72 months starting in June 2021. The monthly lease fees shall be tiered in respect of each square meter of the office space plus linkage differences as follows: no lease fees will be paid in respect of the first 10 months of the lease period, other than a ILS 94 thousand (\$29 thousand) advance paid upon the signing of the agreement; the monthly lease fees in respect of the following 2 months will be ILS 74 thousand (\$23 thousand); the monthly lease fees in respect of the second to fifth year will be ILS 77 thousand (\$24 thousand); and in respect of the sixth year – ILS 79 thousand (\$24 thousand).

c. Conversion of the Company's shares

In April 2021, all of the Company's ordinary A shares of ILS 0.0001 par value and all of the Company's ordinary B shares of ILS 0.0001 par value – both issued shares and shares included in the Company's authorized capital - were converted into ordinary Company shares of ILS 0.0001 par value each based on a 1:1 ratio, such that subsequent to the conversion, Company's capital comprises only ordinary shares.

NAYAX LTD

**CONDENSED SEPARATE FINANCIAL INFORMATION DISCLOSED IN ACCORDANCE WITH
REGULATION 38D TO THE SECURITIES REGULATIONS (PERIODIC AND IMMEDIATE
REPORTS), 1970**

As of June 30, 2021

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**To:
The Shareholders of
Nayax Ltd**

Dears Sirs and Madams,

Re: Auditors' report on the review of separate interim financial information in accordance with Regulation 38D to the Israel Securities Regulations (Periodic and Immediate Reports), 1970

Introduction

We have reviewed the separate interim financial information presented in accordance with Regulation 38D to the Israel Securities Regulations (Periodic and Immediate Reports), 1970 of Nayax Ltd (hereinafter – "the Company") as of June 30, 2021 and for the six and three months period then ended. The Company's Board of Directors and management are responsible for the preparation and presentation of this separate interim financial information in accordance with Regulation 38D to the Israel Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this separate interim financial information based on our review.

Scope of review

Our review was performed in accordance with Israel Review Standard 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Certified Public Accountants in Israel. Review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Auditing Standards generally accepted in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Regulation 38D to the Israel Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv,
August 22, 2021

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

NAYAX LTD

**SEPARATE FINANCIAL INFORMATION DISCLOSED IN ACCORDANCE WITH REGULATION
38D TO THE SECURITIES REGULATIONS (PERIODIC AND IMMEDIATE REPORTS), 1970**

ASSETS AND LIABILITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS,
ATTRIBUTED SEPARATELY TO THE COMPANY AS PARENT

	June 30		December 31
	2021	2020	2020
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	98,526	1,677	1,095
Short-term bank deposits	61	-	62
Investee companies	20,787	12,414	16,971
Related parties	-	579	1,247
Accounts receivable:			
Trade, net	4,094	2,754	3,430
Others	1,756	1,877	1,789
Inventory	2,750	2,672	2,179
Total current assets	127,974	21,973	26,773
NON-CURRENT ASSETS:			
Long-term bank deposits	817	663	798
Long-term receivables	300	-	-
Property, plant and equipment, net	4,450	3,541	4,696
Right-of-use assets, net	5,522	3,488	4,396
Intangible assets, net	19,056	14,908	17,653
Net amount attributed to total assets of the parent net of total liabilities, presented in the consolidated financial statements in respect of investee companies, including goodwill	17,087	6,994	7,554
Total non-current assets	47,232	29,594	35,097
Total assets attributed separately to the Company as a parent	175,206	51,567	61,870

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

NAYAX LTD

SEPARATE FINANCIAL INFORMATION DISCLOSED IN ACCORDANCE WITH REGULATION 38D TO THE SECURITIES REGULATIONS (PERIODIC AND IMMEDIATE REPORTS), 1970

ASSETS AND LIABILITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS,
ATTRIBUTED SEPARATELY TO THE COMPANY AS PARENT

	June 30		December 31
	2021	2020	2020
	(Unaudited)		(Audited)
	U.S. dollars in thousands		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank borrowings	3	5,842	11,589
Short-term bank loans and current maturities of long-term bank loans	2,355	1,250	1,938
Current maturities of loans from others	3,154	1,780	3,041
Current maturities of other long-term liabilities	756	524	686
Current maturities of leases liabilities	1,076	1,070	1,133
Payables in respect of processing activity	788	367	563
Liabilities in connection with acquisition of investees	871	-	-
Accounts payable:			
Trade	7,694	6,952	10,338
Other	4,681	2,700	3,306
Total current liabilities	21,378	20,485	32,594
NON-CURRENT LIABILITIES:			
Long-term bank loans	3,701	5,525	4,908
Long-term loans from others	1,694	3,986	2,662
Long-term loans from shareholders	-	592	-
Retirement benefit obligation, net	943	614	894
Other long-term liabilities	1,736	3,393	3,374
Lease liabilities	5,717	3,776	4,937
Total non-current liabilities	13,791	17,886	16,775
TOTAL LIABILITIES	35,169	38,371	49,369
Total equity attributed to shareholders of the parent company	140,037	13,196	12,501
TOTAL LIABILITIES AND EQUITY	175,206	51,567	61,870

Yair Nechmad
CEO

David Ben Avi
Director

Sagit Manor
CFO

Date of approval of the financial statements: August 22, 2021.

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

NAYAX LTD

**SEPARATE FINANCIAL INFORMATION DISCLOSED IN ACCORDANCE WITH REGULATION
38D TO THE SECURITIES REGULATIONS (PERIODIC AND IMMEDIATE REPORTS), 1970**

STATEMENT OF COMPREHENSIVE INCOME INCLUDED IN THE CONSOLIDATED FINANCIAL
STATEMENTS, ATTRIBUTED SEPARATELY TO THE COMPANY AS PARENT

	Note	Six months ended June 30		Three months ended June 30		Year ended December 31
		2021	2020	2021	2020	2020
		(Unaudited)				(Audited)
U.S. dollars in thousands (excluding loss per share data)						
Revenues	3	32,807	21,082	20,098	9,126	52,467
Cost of revenues		<u>(17,496)</u>	<u>(11,126)</u>	<u>(10,636)</u>	<u>(4,837)</u>	<u>(27,757)</u>
Gross profit		15,311	9,956	9,462	4,289	24,710
Research and development expenses		(7,363)	(3,793)	(4,352)	(1,607)	(8,803)
Selling, general and administrative expenses		(11,382)	(7,395)	(6,489)	(3,424)	(14,743)
Amortization in respect of capitalized development costs		(1,422)	(1,635)	(688)	(818)	(3,158)
Other expenses, net		<u>(1,666)</u>	<u>-</u>	<u>(1,505)</u>	<u>-</u>	<u>-</u>
Loss from ordinary operations		(6,522)	(2,867)	(3,572)	(1,560)	(1,994)
Finance expense, net		<u>(1,573)</u>	<u>(668)</u>	<u>(1,383)</u>	<u>(553)</u>	<u>(3,700)</u>
Loss after finance expense, net		(8,095)	(3,535)	(4,955)	(2,113)	(5,694)
Net amount, attributed to owners of the parent, of total revenue less total expenses, presented in the consolidated financial statements in respect of investee companies		<u>59</u>	<u>632</u>	<u>(905)</u>	<u>527</u>	<u>(560)</u>
Loss for the period		(8,036)	(2,903)	(5,860)	(1,586)	(6,254)
Other comprehensive income (loss):						
Items that will not be recycled to profit or loss:						
Loss from remeasurement of liabilities (net) for retirement benefit obligations		-	-	-	-	(126)
Items that may be recycled to profit or loss:						
Other comprehensive income (loss) in respect of investee companies		<u>(176)</u>	<u>95</u>	<u>144</u>	<u>79</u>	<u>243</u>
Total comprehensive loss for the period		<u>(8,212)</u>	<u>(2,808)</u>	<u>(5,716)</u>	<u>(1,507)</u>	<u>(6,137)</u>

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

NAYAX LTD

**SEPARATE FINANCIAL INFORMATION DISCLOSED IN ACCORDANCE WITH REGULATION
38D TO THE SECURITIES REGULATIONS (PERIODIC AND IMMEDIATE REPORTS), 1970**

CASH FLOWS INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS, ATTRIBUTED
SEPARATELY TO THE COMPANY AS PARENT

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2021	2020	2021	2020	2020
	(Unaudited)		(Unaudited)		(Audited)
	U.S. dollars in thousands				
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net loss for the period	(8,036)	(2,903)	(5,860)	(1,586)	(6,254)
Adjustments required to reflect the cash flow from operating activities (see Appendix A)	1,126	2,997	(834)	1,922	8,368
Net cash provided by (used in) operating activities	(6,910)	94	(6,694)	336	2,114
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capitalized development costs	(2,682)	(2,494)	(1,104)	(1,289)	(5,408)
Acquisition of property, plant and equipment	(528)	(692)	(59)	(156)	(1,815)
Loans extended to others	-	(43)	-	(17)	(141)
Investments in investee companies	(10,268)	(1,092)	(9,570)	(236)	(2,901)
Repayment (grant) of loans to shareholders	61	848	179	(270)	786
Increase in bank deposits	(18)	(215)	(20)	(215)	(412)
Interest received	2	9	2	4	14
Investments in financial assets	(300)	-	(300)	-	-
Proceeds from sub-lessee	158	143	80	74	302
Net cash used in investing activities	(13,575)	(3,536)	(10,792)	(2,105)	(9,575)
CASH FLOWS FROM FINANCING ACTIVITIES:					
IPO (note 10 of the consolidated financial statements)	132,560	-	132,560	-	-
Interest paid	(441)	(526)	(180)	(244)	(733)
Short-term bank credit received (repayment), net	(11,393)	(2,013)	(11,731)	(3,807)	3,560
Support received (royalties paid) in respect to government assistance plans	(199)	-	(144)	-	16
Long-term bank loans received	-	4,252	-	4,252	4,252
Repayment of long-term bank loans	(782)	(435)	(483)	(180)	(1,003)
Long-term loans received from others	-	3,804	-	353	3,804
Repayment of long-term loans from others	(725)	(484)	(279)	(484)	(920)
Loans received from shareholders	8,900	592	3,500	322	-
Repayment of loans from shareholders	(8,900)	-	(8,900)	-	-
Decrease in other long-term liabilities	(145)	(88)	(73)	(45)	(74)
Options exercised	135	-	135	-	-
Repayment of lease liability principal	(636)	(544)	(364)	(290)	(1,004)
Net cash provided by (used in) financing activities	118,374	4,558	114,041	(123)	7,898
Increase (decrease) in cash and cash equivalents	97,889	1,116	96,555	(1,892)	437
Balance of cash and cash equivalents at Beginning of period	1,095	649	2,163	3,428	649
Gains (losses) from exchange differences on cash and cash equivalents	(458)	(88)	(192)	141	9
Balance of cash and cash equivalents at end of period	98,526	1,677	98,526	1,677	1,095

NAYAX LTD

**SEPARATE FINANCIAL INFORMATION DISCLOSED IN ACCORDANCE WITH REGULATION
38D TO THE SECURITIES REGULATIONS (PERIODIC AND IMMEDIATE REPORTS), 1970**

CASH FLOWS INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS, ATTRIBUTED
SEPARATELY TO THE COMPANY AS PARENT

	<u>Six months ended</u>		<u>Three months ended</u>		<u>Year ended</u>
	<u>June 30</u>		<u>June 30</u>		<u>December 31</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2020</u>
	<u>(Unaudited)</u>				<u>(Audited)</u>
	<u>U.S. dollars in thousands</u>				
Appendix A – adjustments required to reflect the cash flows from operating activities:					
<u>Adjustments in respect of:</u>					
Losses (profits) in respect of investee companies	(59)	(634)	905	(529)	561
Depreciation and amortization	2,670	2,415	1,275	1,216	4,828
Retirement benefit obligation, net	49	(2)	55	(2)	152
Financing expenses, net	1,062	371	1,000	545	2,063
Expenses in respect of long-term employee benefits	107	161	61	89	5
Expenses in respect of share-based payment	<u>2,219</u>	<u>982</u>	<u>1,846</u>	<u>216</u>	<u>2,965</u>
Total adjustments	<u>6,048</u>	<u>3,293</u>	<u>5,142</u>	<u>1,535</u>	<u>10,574</u>
<u>Changes in operating asset and liability items:</u>					
Decrease (increase) in trade receivable	(665)	1,414	(497)	1,242	738
Increase in balance of investee companies	(3,816)	(1,924)	(5,393)	(334)	(6,481)
Decrease (increase) in related parties	1,247	396	380	168	(272)
Decrease (increase) in other receivables	(189)	293	(773)	(744)	(402)
Decrease (increase) in inventory	(571)	(362)	(525)	(776)	131
Increase (decrease) in payables for processing activity	225	60	186	(21)	256
Increase (decrease) in trade payables	(2,644)	(578)	(64)	500	2,808
Increase in other payables	<u>1,491</u>	<u>405</u>	<u>710</u>	<u>352</u>	<u>1,016</u>
Total changes in operating asset and liability items	<u>(4,922)</u>	<u>(296)</u>	<u>(5,976)</u>	<u>387</u>	<u>(2,206)</u>
Total adjustments required to reflect the cash flow from operating activities	<u>1,126</u>	<u>2,997</u>	<u>(834)</u>	<u>1,922</u>	<u>8,368</u>

<u>Six months ended</u>		<u>Three months ended</u>		<u>Year ended</u>
<u>June 30</u>		<u>June 30</u>		<u>December 31</u>
<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2020</u>
<u>(Unaudited)</u>				<u>(Audited)</u>
<u>U.S. dollars in thousands</u>				

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

Purchase of property, plant and equipment on credit	-	-	-	-	575
Acquisition of patents against offset of loan	-	-	-	-	806
Recognition of right-of-use asset in respect of lease of buildings against a lease liability	<u>1,543</u>	<u>-</u>	<u>1,469</u>	<u>-</u>	<u>1,235</u>
Capitalized development costs	<u>620</u>	<u>315</u>	<u>534</u>	<u>91</u>	<u>883</u>

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

NAYAX LTD

SELECTED NOTES AND ADDITIONAL INFORMATION TO THE SEPARATE FINANCIAL INFORMATION DISCLOSED IN ACCORDANCE WITH REGULATION 38D TO THE ISRAELI SECURITIES REGULATIONS (PERIODIC AND IMMEDIATE REPORTS), 1970

NOTE 1 – BASIS OF PREPARATION OF SEPARATE FINANCIAL INFORMATION DISCLOSED IN ACCORDANCE WITH REGULATION 38D TO THE ISRAELI SECURITIES REGULATIONS (PERIODIC AND IMMEDIATE REPORTS), 1970:

a. Definitions

"The Company" – Nayax Ltd.

"The separate financial information" – Separate financial information disclosed in accordance with Regulation 38D to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Unless otherwise stated, all the terms used within the scope of the separate interim financial information have the same meaning as assigned to them in the Company's consolidated financial information as of June 30, 2021 and the six-month and three-month periods then ended (hereafter – "the condensed consolidated financial statements").

"Investee company" – A subsidiary, associate or joint venture.

"Subsidiary" – A subsidiary or joint venture accounted for using the proportionate consolidation method.

"Intercompany transactions" – Transactions of the Company with its subsidiaries or with joint ventures accounted for using the proportionate consolidation method.

"Intercompany balances", "intercompany income and expenses", "intercompany cash flows" – Balances, income or expenses, and cash flows, as applicable, resulting from intercompany transactions that were eliminated in the consolidated financial statements.

b. The significant accounting policies applied in the condensed separate financial information

The accounting policy in this condensed separate financial information is consistent with the accounting policies detailed in the separate financial information as of December 31, 2020.

c. Incorporation and activity

Nayax Ltd. (hereafter: the "**Company**") was incorporated in January 2005 and began its business activity in September 2006. The Company provides a global platform for transaction processing solutions and services and business operations. The Company markets the systems it developed in more than 50 countries worldwide (including Israel) through subsidiaries and local distributors.

d. Manner of preparation of separate financial information in accordance with Regulation 38d to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

The separate financial information has been prepared in conformity with Regulation 38D to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 (hereafter – "Regulation 38D") 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").

NAYAX LTD

SELECTED NOTES AND ADDITIONAL INFORMATION TO THE SEPARATE FINANCIAL INFORMATION DISCLOSED IN ACCORDANCE WITH REGULATION 38D TO THE ISRAELI SECURITIES REGULATIONS (PERIODIC AND IMMEDIATE REPORTS), 1970

NOTE 1 – BASIS OF PREPARATION OF SEPARATE FINANCIAL INFORMATION DISCLOSED IN ACCORDANCE WITH REGULATION 38D TO THE ISRAELI SECURITIES REGULATIONS (PERIODIC AND IMMEDIATE REPORTS), 1970 (continued):

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 IAS 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 38D 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 separately to the Company as a parent.

NOTE 2 – MATERIAL ENGAGEMENTS, COMMITMENTS, LOANS, INVESTMENTS AND TRANSACTIONS BETWEEN THE COMPANY AND THE ENTITY IT HOLDS

2. Additional information on the overall material engagements, commitments, loans, investments and transactions between the Company and its held companies:

2) Transactions with investee companies

In the reported period, the Company performed with its investees sales and purchasing transactions in the ordinary course of business, as well as intercompany charges for other services that were provided/received, at arm's length.

2) Investments and commitments with investee companies

In the reported period, the Company performed investments in investees. For information, see note 5 to the condensed interim consolidated financial statements.

NOTE 3 – REVENUE

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2021	2020	2021	2020	2020
	(Unaudited)				(Audited)
	U.S. dollars in thousands				
Sale of end units and others	20,780	12,861	13,074	5,465	32,944
Service and processing revenues	12,027	8,221	7,024	3,661	19,523
Total	32,807	21,082	20,098	9,126	52,467