Management Board report from the activities of the LiveChat Software S.A. and its Group in 2021/22 financial year
Vision

Customer communication without barriers
Help people and business communicate better and fully express themselves
Contents

1. CEO’s letter .................................................................................................................. 6

2. Summary ...................................................................................................................... 8
   2.1. Selected consolidated financial data ...................................................................... 8
   2.2. Selected standalone financial data ......................................................................... 10

3. About LiveChat Software ............................................................................................ 12
   3.1. The structure of the LiveChat Software Group ....................................................... 13
   3.2. Our relationships .................................................................................................... 13
   3.3. Our values ............................................................................................................... 16
   3.4. LiveChat Software Group history ......................................................................... 16
   3.5. Investor Relations .................................................................................................. 17

4. Operational summary .................................................................................................. 18
   4.1. Commentary of the Management Board ................................................................. 18
   4.2. Corporate events ..................................................................................................... 24
   4.3. Other events ............................................................................................................ 28

5. Description of the organization of the LiveChat Software Capital Group .............. 30
   5.1. Strategy ................................................................................................................... 30
   5.2. Company’s products ............................................................................................. 33
      5.2.1. LiveChat ........................................................................................................... 33
      5.2.2. ChatBot ............................................................................................................ 36
      5.2.3. HelpDesk ......................................................................................................... 37
      5.2.4. KnowledgeBase .............................................................................................. 38
   5.3. Other activities ....................................................................................................... 38
   5.4. Description of the situation in the market for SaaS services and the segment of live chat type of software ......................................................................................... 39
   5.5. Significant agreements for the Capital Group ....................................................... 42
   5.6. Information about material transactions with related parties ............................. 44
   5.7. Information on other agreements and transactions ............................................... 44
   5.8. Market growth prospects ...................................................................................... 45
   5.9. Group’s growth strategy ....................................................................................... 45
   5.10. Risks and key factors affecting the Group’s growth prospect ............................ 46

6. Financial situation of LiveChat Software Group .................................................... 53
   6.1. Presentation of the consolidated results ................................................................. 53
   6.2. Presentation of the standalone results .................................................................... 58
7. Social responsibility .............................................................................................................................................. 62
    7.1. Team .......................................................................................................................................................... 62
    7.2. Cooperation with other organizations ........................................................................................................ 72
8. Environmental responsibility .............................................................................................................................. 71
9. Corporate governance ......................................................................................................................................... 73
    9.1. Information about the shares and shareholders .......................................................................................... 73
    9.2. Governing bodies of the Company ............................................................................................................. 74
        9.2.1. Management Board .......................................................................................................................... 74
        9.2.2. Supervisory Board ............................................................................................................................ 76
        9.2.3. Audit Committee ................................................................................................................................ 80
    9.3. Number of shares held by members of Management and Supervisory bodies ....................................... 82
    9.4. Diversity in Management and Supervisory bodies ....................................................................................... 82
    9.5. Other information ...................................................................................................................................... 83
    9.6. General meeting .......................................................................................................................................... 83
    9.7. Remuneration policy of the Management Board and Supervisory Board members ............................... 84
    9.8. Other information ...................................................................................................................................... 85
10. Compliance with international regulations and fair competition ................................................................. 88
11. Statement of compliance with corporate governance rules ........................................................................ 89
12. Dictionary ......................................................................................................................................................... 92
1. CEO’s letter

Dear All,

Another difficult year is behind us. The pandemic continued and neighboring Ukraine fell victim to a brutal Russian attack. These events impact us as people, our partners, shareholders and, of course, the financial markets.

Under these circumstances, the LiveChat team acts wonderfully. Many people were very much involved in helping Ukraine and its refugees. The fact that, as a company, we also financially supported organizations assisting refugees, is also their credit.

At the same time, political events have had practically no effect on our business. Our largest market is, of course, the United States, and the essential infrastructure that we use is also located there. In addition, we are highly diversified in terms of the geographies of our business, clients, and industries for which we provide services. Traditionally, we have no debt and maintain a very strong cash position. All this gives us a great sense of security.

As I already mentioned, the events in the world have not harmed our business or our organization. In fact, LiveChat has never been so strong. Our team already includes over 250 people working from different places around the world. All our products are growing, and we are currently working on new ones. We also have other ideas, and in order to be able to expand our ecosystem faster, we have created the LiveChat Incubator.

Of course, the year was also record-breaking for us regarding financial results. Consolidated revenues increased by 24.3% and net profit by 18.8%. We will also share the generated profit with shareholders. Not because we don't invest. We have greatly enlarged the team, and we will continue to do so because it is the best investment that can be made in our industry. We also invest in tools and infrastructure that will enable us to provide our customers with the best and safest solutions. The LiveChat Incubator may open the way for acquisitions in the future, although this is definitely not a priority for us.

In our daily work, we refer to the values from the LiveChat Constitution, as well as our mission and vision. We have set the goal of removing communication barriers, which has a practical impact on what we do. We no longer focus only on the value we give our clients but pay more attention to the end user’s experience. We also invest in our Data and Research department; we are examining the data we have more and more closely.

We previously communicated this a year ago - the pandemic has accelerated the process of digital transformation. Online communication has become increasingly important in our personal relationships, but also in business. Recent quarters confirm that it has been a permanent process. As a result, more companies are looking for solutions such as LiveChat, ChatBot, KnowledgeBase or HelpDesk, which we can tell from the rapidly growing number of our clients.

At the same time, the way we work has changed as well. LiveChat Software will not return to the offices permanently. “Work from anywhere” is the model our team wants to work in and which works well. Of course, this brings new challenges. We responded to them by strengthening the People team.

I cordially invite all interested parties, not only investors but also colleagues, partners, or competitors to read our annual report! At the same time, thank you all for this year.
36,000 LiveChat customers

20 years on the market

4 products
- LiveChat
- ChatBot
- HelpDesk
- KnowledgeBase

Companies of the Capital Group
- LiveChat Inc.
  Boston, USA
- LiveChat Software S.A.
  Wroclaw, Poland

268 people in the team

119 million PLN net profit
in the financial year 2021/22
## 2. Summary

### 2.1. Selected consolidated financial data

<table>
<thead>
<tr>
<th>[thous. PLN]</th>
<th>2021/22</th>
<th>2020/21</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales of products, goods and materials</td>
<td>222 515</td>
<td>179 010</td>
<td>+24.3%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>139 987</td>
<td>116 895</td>
<td>+19.8%</td>
</tr>
<tr>
<td>Operating profit (loss)</td>
<td>128 066</td>
<td>107 113</td>
<td>+19.6%</td>
</tr>
<tr>
<td>Gross profit (loss)</td>
<td>127 942</td>
<td>107 104</td>
<td>+19.5%</td>
</tr>
<tr>
<td>Net profit (loss)</td>
<td>119 023</td>
<td>100 160</td>
<td>+18.8%</td>
</tr>
<tr>
<td>Net cash flow</td>
<td>(3 567)</td>
<td>20 551</td>
<td>-</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>115 455</td>
<td>106 494</td>
<td>+8.4%</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>(16 845)</td>
<td>(13 788)</td>
<td>-</td>
</tr>
<tr>
<td>Cash flow from financial activities</td>
<td>(102 177)</td>
<td>(72 154)</td>
<td>-</td>
</tr>
<tr>
<td>Number of shares</td>
<td>25 750 000</td>
<td>25 750 000</td>
<td>-</td>
</tr>
<tr>
<td>Profit (loss) per ordinary share</td>
<td>4.62</td>
<td>3.89</td>
<td>+18.8%</td>
</tr>
<tr>
<td></td>
<td>31 March 2022</td>
<td>31 March 2021</td>
<td>Change</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>---------------</td>
<td>---------------</td>
<td>---------</td>
</tr>
<tr>
<td>Total assets</td>
<td>137 752</td>
<td>122 318</td>
<td>+12.6%</td>
</tr>
<tr>
<td>Liabilities and provisions</td>
<td>13 242</td>
<td>14 948</td>
<td>-11.4%</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>796</td>
<td>1 536</td>
<td>-48.2%</td>
</tr>
<tr>
<td>Short-term liabilities</td>
<td>12 446</td>
<td>13 412</td>
<td>-7.2%</td>
</tr>
<tr>
<td>Net equity</td>
<td>124 510</td>
<td>107 370</td>
<td>+16.0%</td>
</tr>
<tr>
<td>Initial equity</td>
<td>515</td>
<td>515</td>
<td>-</td>
</tr>
<tr>
<td>Number of shares</td>
<td>25 750 000</td>
<td>25 750 000</td>
<td>-</td>
</tr>
<tr>
<td>Book Value Per Share</td>
<td>4.84</td>
<td>4.17</td>
<td>+16.0%</td>
</tr>
</tbody>
</table>
### 2.2. Selected standalone financial data

<table>
<thead>
<tr>
<th>[PLN thous.]</th>
<th>2021/22</th>
<th>2020/21</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales of products, goods and materials</td>
<td>222 515</td>
<td>179 010</td>
<td>+24.3%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>139 987</td>
<td>116 895</td>
<td>+19.8%</td>
</tr>
<tr>
<td>Operating profit (loss)</td>
<td>126 741</td>
<td>109 121</td>
<td>+16.1%</td>
</tr>
<tr>
<td>Gross profit (loss)</td>
<td>127 493</td>
<td>106 720</td>
<td>+19.5%</td>
</tr>
<tr>
<td>Net profit (loss)</td>
<td>118 574</td>
<td>99 776</td>
<td>+18.8%</td>
</tr>
<tr>
<td>Net cash flow</td>
<td>(7 619)</td>
<td>19 402</td>
<td>-</td>
</tr>
<tr>
<td>cash flow from operating activities</td>
<td>110 681</td>
<td>104 518</td>
<td>+5.9%</td>
</tr>
<tr>
<td>cash flow from investing activities</td>
<td>(16 845)</td>
<td>(13 788)</td>
<td>-</td>
</tr>
<tr>
<td>cash flow from financial activities</td>
<td>(101 454)</td>
<td>(71 328)</td>
<td>-</td>
</tr>
<tr>
<td>Number of shares</td>
<td>25 750 000</td>
<td>25 750 000</td>
<td>-</td>
</tr>
<tr>
<td>Profit (loss) per ordinary share</td>
<td>4.60</td>
<td>3.87</td>
<td>+18.9%</td>
</tr>
<tr>
<td></td>
<td>31 March 2022</td>
<td>31 March 2021</td>
<td>Change</td>
</tr>
<tr>
<td>--------------------------</td>
<td>---------------</td>
<td>---------------</td>
<td>--------</td>
</tr>
<tr>
<td>Total assets</td>
<td>133,356</td>
<td>118,168</td>
<td>+12.9%</td>
</tr>
<tr>
<td>Liabilities and provisions</td>
<td>10,316</td>
<td>12,247</td>
<td>-15.8%</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Short-term liabilities</td>
<td>5,844</td>
<td>9,088</td>
<td>-35.7%</td>
</tr>
<tr>
<td>Net equity</td>
<td>123,040</td>
<td>105,921</td>
<td>+16.2%</td>
</tr>
<tr>
<td>Initial equity</td>
<td>515</td>
<td>515</td>
<td>-</td>
</tr>
<tr>
<td>Number of shares</td>
<td>25,750,000</td>
<td>25,750,000</td>
<td>-</td>
</tr>
<tr>
<td>Book Value Per Share</td>
<td>4.78</td>
<td>4.11</td>
<td>+16.3%</td>
</tr>
</tbody>
</table>
3. About LiveChat Software

LiveChat Software ("Company" or "LiveChat Software") is a developer and a global provider of LiveChat software. Its corporate portfolio also includes solutions such as ChatBot (a chatbot building platform), HelpDesk (ticketing system) and KnowledgeBase (a knowledge base application).

The Company is a developer and a distributor of products sold in a Software-as-a-Service model, used in business-to-consumer (B2C) and business-to-business (B2B) text-based communications. At present, the LiveChat Software Capital Group ("Group" or "LiveChat Group") focuses on the development of new products and on perfecting the ones already on the market, offering top-quality customer service (users of LiveChat product can contact the Company on a 24/7/365 basis) and the development of new customer acquisition channels.

The Company has a proven business model with a marginal, close to zero customer acquisition cost. The relatively low level of recurring expenses and the marginal ultimate variable cost of new clients coupled with the absence of the need for additional CAPEX, gives LiveChat Software a high degree of scalability of its business while retaining strong profit margins.

Leveraging the right marketing policy, including pricing, the Company’s products are addressed primarily to SMEs, but the Company is also reaching out to corporations that operate on a larger scale, through product development, the introduction of new features and pricing schemes. A progressive price list gives the Company an opportunity to generate higher revenues from clients who use a greater number of the Company’s products functionalities.

LiveChat Software also runs several other projects, whose joint trait is the potential to accelerate customer acquisition growth rate. Its solutions are dedicated to business users from all industries. At present, IT companies account for the greatest number of clients. Other large sectors represented among clients include retailing, education, marketing, gaming and gambling, automotive, entertainment, financial services, health care and tourism.
3.1. The structure of the LiveChat Software Group

LiveChat Software S.A. with headquarters at Zwycięska 47 in Wrocław, Poland creates a capital group, which includes as a parent company and a subsidiary of LiveChat Inc. based in the USA ("Subsidiary"), in which it holds 100% of the capital and 100% of votes. LiveChat Inc. is subject to full consolidation. The Company has no branches.

In practice, all sales of services provided by the Company to clients are conducted through LiveChat Inc.

The Subsidiary acquires access to the LiveChat system from the Company, which it then resells to end customers at a price set by the Company. The Subsidiary does not realize the margin on the resale of access to the LiveChat system. Based on invoices issued by the Subsidiary, the Company returns to the Subsidiary all costs incurred by the Subsidiary in connection with the conducted activity and indicated in the budget approved by the Company. In accordance with the concluded agreement, the Subsidiary has the right to charge a margin determined as 5% of selected costs incurred directly in connection with the sale, i.e. credit card payment service costs, banking service costs, accounting costs, and marketing costs. The settlement is made monthly on the basis of an invoice issued by the Company corresponding to the value of sales made and the invoices issued by LiveChat, Inc. corresponding to the value of the incurred costs increased by the margin mentioned above. All intellectual property rights, including trademarks, remain the property of the Company.

3.2. Our relationships

LiveChat Software’s business activities focus especially on the ways of communication between people (end users) and companies or institutions. We strive to eliminate barriers to online communication to make it at least as effective as a face-to-face meeting. We consider it our responsibility and the sense of the existence of the organization.

Our actions have an impact on our customers, shareholders, business partners, the Company’s team and society, and each of these groups has different needs and expectations, and therefore the way we dialogue with or communicate with these groups differs.
Customers

Customers are at the center of our activities and are one of our most important stakeholder groups (next to end-users). It is for them that we try to remove communication barriers. We try to make the online communication of our clients as effective as face-to-face meetings, and that contact with our product creates the best possible experience. We also pay attention to end-users, i.e. clients of our clients, and provide them with tools to manage communication with companies.

We treat direct, active and close contact with our clients as our distinguishing feature and competitive advantage. It enables us to collect information about their requirements and quickly respond to the reported needs. Customer service, or our "Support Heroes", are available for customers on chats 24 hours a day, every day of the year. The opinions and needs of our clients are particularly important to us, which is why we collect them on an ongoing basis through the possibility of submitting ideas (the so-called "feature request"), we conduct satisfaction surveys and other customer surveys, e.g. NPS.

We also provide our clients with knowledge resources, incl. in the field of customer support or online sales, which can support their effectiveness. Our products are also designed in such a way that - in addition to providing appropriate functionalities - they familiarize customers with good practices and help them run their business effectively.

End-users

End-users are actually the customers of our customers who use our products on a daily basis and create interactions with our products (e.g. chats, tickets). We do not have direct contact with them now, but we want them to be able to communicate with businesses as easily and freely as with friends. We provide them with tools so that they can express themselves better in text communication. One of the many examples of such functionalities was the provision of emoticons in LiveChat, or the possibility of integrating this product, among others, with Facebook Messenger and other communication channels, as well as voice/video communication tools.

Investors, analysts and representatives of the capital market

We are a public company listed on the Warsaw Stock Exchange. We want to be transparent to the capital market participants and build value for our shareholders. We provide the capital market with insider information and current reports, as well as periodic reports. Communication with investors is carried out by the investor relations department. We run a website and Twitter
profile dedicated to investor relations @LiveChat_IR. We regularly meet investors at capital market conferences, ad-hoc meetings, and we are in contact by phone and e-mail, and we are available to investors in the chat on our website. Our experience shows that text communication is by far the most effective and is the channel definitely preferred by "our" investors and analysts. The pandemic has translated into an increase in the popularity of videoconferencing while telephone communication is becoming a thing of the past.

An important challenge for us is to ensure the principle of equal access to information for various stakeholder groups. We want an individual investor to receive answers to their questions as quickly as a representative of a financial institution, and that they should be equally comprehensive. We also strive to ensure that the foreign investor receives the same amount of information about us as their Polish counterpart.

Business partners

We contact our business partners on a regular basis, and our business relations are conducted on the basis of agreements, the terms of which we respect each other. Cooperation with business partners enables us to provide our services in the best possible way and to develop complementary products within our environment and open API. Our business partners include

- service providers with whom we periodically confirm the commercial terms;
- entities participating in the Affiliate Program and Reseller Program, thanks to which we distribute our products to a wider group of customers. We are in touch with them on an ongoing basis, and additionally, the partners participate in the revenues;
- third parties, external developers who integrate with our products and whose integrations are then available in our "marketplace". We communicate actively with third parties, and we cooperate intensively on technical matters.

Media

We use cooperation with the media to distribute information relevant to the business strategy. The PR and IR departments take care of contact with media representatives, answer questions on an ongoing basis, and distribute press releases. We also conduct active communication on social media. As a rule, however, we do not engage in discussions on internet forums.

Team

LiveChat Software's qualified team is a key element in creating products that break communication barriers. Therefore, in a very competitive environment, such as the IT industry today, it is important for LiveChat to invest in shaping a positive image of the Group so as to attract the best specialists to cooperate with. These team-oriented activities are ultimately intended to bring about business growth, ensure the continuity of the services provided by the Company and ensure the good reputation of the Company.

Work focused on product development in 10-week periods requires frequent communication, so teams have the opportunity to share their insights, and comment on the Group's products and strategy on an ongoing basis. Once a year, LiveChat conducts a team satisfaction survey, on the basis of which activities are planned in subsequent periods.

Government and administrative institutions

Maintaining relations with state administration institutions and government institutions, including patent offices, is crucial for conducting the correct and effective business activity of the Group, as well as for securing the Group's intellectual property. We consult the above organizations on compliance with laws and regulations. The frequency of contact results from the fulfillment of obligations under the law or in the case of specific needs.

Non-government organizations

We are happy to support proactive non-governmental organizations, thanks to which we build social capital and a greater involvement in society - a proactive attitude is very close to us. We offer LiveChat products free of charge to non-governmental organizations in the "LiveChat for Nonprofits" program, thanks to which we gain users and ambassadors of our products. We also take part in selected charity and sponsorship campaigns, if possible.
All the above-mentioned groups of stakeholders were indicated by the Company due to the importance of these groups in the process of implementing the LiveChat Software Group’s strategy and the frequency of relations with individual groups.

3.3. Our values

LiveChat Software’s values are written down in the form of the [LiveChat Software Living Constitution](#), where the mission, vision and values we use every day were defined.

The seven values, which are important for our team and the way we work, were formulated as follows:

![Image of values](#)

Since May 2021, we also have the Business Code Practices in the LiveChat Group which defines the standards of business conduct with LiveChat, Inc. that encompasses business transactions in good faith with honesty, transparency, and integrity. The values drafted in the above-mentioned Business Code Practices are consistent with our Company’s mission set out in the LiveChat Constitution emphasizing transparency and communication without barriers and prejudices, and business transactions with equal access for all of our customers and users, including those with disabilities like visual, hearing, cognitive and motor impairments. We believe our business partners share the same values as we do.

As a Company, we are apolitical.

3.4. LiveChat Software Group history

Our story began in 2002. Among the founders of LiveChat Software sp. z o.o. were Jakub Sitarz, Mariusz Ciepły and Maciej Jarzębowski, who became the first president. LiveChat Software sp. z o.o. was supposed to solve the problem of the lack of easy online communication between companies and their customers in real time.

The first version of the LiveChat solution was created very quickly and we gained our first Polish customers. However, the process of obtaining them was often very long and ineffective. Due to the poorer accessibility of the Internet and the growing popularity of e-commerce, the awareness of the benefits of LiveChat was not high.

As a result, our Company was not profitable during this period. In 2007, we acquired a financial investor, then Capital Partners S.A. acquired 50% of LiveChat Software sp. z o.o. A year later, the fund sold its shares in LiveChat Software sp. z o.o. for the staggering amount of PLN 2 million (source - Money.pl) and they reached 50% return on investment.

The buyer was the Gadu-Gadu company (in total, it acquired 63% of the shares for PLN 3.7 million), the owner of the popular internet messenger. Interestingly, this is how we became part of the Naspers group that owned this company. In Gadu Gadu, our team worked, among others over the version of this communicator dedicated to business.

The founders of LiveChat Software believed very strongly in the prospects of our solution. In 2011, with the support of the Tar Heel fund, they managed to buy back our Company’s shares.

What is even more important, a year earlier we started providing services in the SaaS model. This enabled us to build an effective customer acquisition model and expand abroad. Currently, Poland is responsible for less than 2% of our business.
3.5. Investor Relations

The Company has an internal, two-person Investor Relations department, which reports directly to the CEO. Contact with investors is provided through a number of communication channels, including "LiveChat" on investors.livechatinc.com, mail (ir@livechat.com), telephone and LiveChat IR on Twitter. In the near future, the Company plans to roll back obsolete telephone and current communication channels.

One of the team's priorities is to ensure equal access to information for all investor groups.

During the financial year, the IR department participated in such investor conferences as: Wood's Winter EME Conference, Emerging & Frontier Markets Virtual Investor Conference (Auerbach Grayson), Erste CEE Innovation Conference, UBS Global Emerging Markets One-on-One Virtual Conference, Central & Eastern European Virtual Conference organized by the regional stock exchanges, and Daiwa Capital Markets.

In April 2021, LiveChat Software, as the first company outside of Scandinavia, made a presentation for the community of individual investors gathered around the Inderes.fi website. The team also conducted a presentation for the Good Investing Plus community and a series of conferences or presentations in the “Non Deal Roadshow” formula together with selected brokerage houses.

In June 2022, LiveChat Software was the first company from Poland to start a cooperation with Tegus under the "Corporate Access" program. The IR team will provide materials to the tegus.com platform, which collects opinions of experts and managers from various industries for the needs of investors.

Based on the available data, the Company estimates that during the last approx. 18 months, there have been significant changes in the shareholding structure, including in terms of the geographic origin of the financial institutions included in the shareholding structure. The share of foreign financial institutions in this period increased by approx. 8 pp to approx. 38%. At the same time, a similar decrease in the share in the total shareholding was recorded by the Polish financial institutions (to approx. 28%). According to the available data, institutions registered in the USA (approx. 7.5%), Great Britain (approx. 5%), Canada (approx. 3%) and Norway (approx. 2.5%) have the largest share in the shareholders’ structure (apart from Poland). Individual investors have only a very small share in the shareholder’s structure.
4. Operational summary

4.1. Commentary of the Management Board

In the financial year 2021/22, which ended March 31, 2022, our consolidated revenues increased by 24.3% to PLN 222.5 million. Our Group generates almost all revenues in the US dollar (USD), therefore the PLN/USD exchange rate has a significant impact on the reported results. We believe that a better picture of the development of our business is provided by the results (both revenues and MRR - monthly recurring revenues) expressed in dollars. For this reason, we publish preliminary data from this perspective immediately after the end of the quarter.

The indicator that best reflects the development of our business is MRR (Monthly Recurring Revenue). For its calculation purposes, annual or other payments are spread evenly over the months. However, in the case of reported revenues, all such payments are recognized in the quarter in which we received it. At the end of the financial year (March 31, 2022), the group's MRR amounted to USD 4.64 million, which translates into ARR 55.7 million (Annual Recurring Revenue).

The effect of the pandemic and the war in Ukraine

The pandemic had a significant, although difficult to estimate, impact on the Group's results in the previous financial year. We then saw a sharp acceleration of the trend of increasing the importance of online communication for many businesses. This translated into a rapid increase in the scale of our business. Currently, it is significantly smaller. However, both the development of the churn rate (described below) and the further rapid growth of the customer base (especially LiveChat) allow us to assume that the above-mentioned trend has not reversed and the value of the markets in which we operate continues to grow.

The pandemic situation has changed the way we organize as a team, which we also described in detail in previous reports. The "work from anywhere" model allows us to remain competitive in relation to other employers in the industry and, at the same time, to cooperate with people living outside Wrocław. Of course, it comes with challenges. We try to support our team as much as possible in areas such as mental health, maintaining a balance between work and private life, quality of communication and teamwork.

Russia's aggression against Ukraine has had a big impact on all of us. Many people from our team got involved in various aid actions - and LiveChat Software tried to support them in this. As an organization, we have financially supported, inter alia, Polish Humanitarian Action.

At the same time, the impact of the war on our business was very limited. We have blocked the possibility of setting up test accounts and buying our products from Russia and Belarus. However, we estimate cautiously that at the end of December 2021, both markets together accounted for less than 0.3% of our MRR. The share of the Ukrainian market in our revenues also remains symbolic.
Margins, financial flows and dividend policy

Our business model enables us to achieve very high operating profitability. In the 2021/2022 financial year, the gross profit margin on sales was 85.6%, the operating profit margin was 57.6%, and the net profit margin was 53.5%. We are still at the stage of growth, we are investing in product development, and we are also increasing the number of people cooperating with the Company in all areas (developers, customer support, marketing, sales department). The related cost increase may exert pressure on profitability in the coming periods. Additional pressure on margins comes from rapidly rising salaries in the tech industry and increased competition for talents. Keeping the growth path and fulfilling our Mission requires further expansion of the team and retaining the key people within the Company, therefore we are determined to do so.

Despite the above-mentioned challenges, we intend to maintain our business model and the associated high profitability levels.

The above-presented profitability makes us generate cash effectively. Cash flows from the operating activities in the financial year amounted to PLN 115.5 million and we had PLN 55.7 million cash at our disposal at the end of this period. We continue our dividend policy, which assumes allocating the highest possible part of the profit to shareholders from the point of view of legal regulation, unless no investments appear that would provide a higher return rate to shareholders.

Key performance indicators of the Company

During the financial year, the use of LiveChat and ChatBot by end-users of our products increased significantly. The number of chats shows how many cases were handled by companies using LiveChat, HelpDesk and ChatBot solutions.

The number of chats performed using LiveChat and ChatBot products (mn)

The sheer number of customers is becoming a less and less important KPI for the Company. For many months, a trend has been observed according to which revenues (net of the impact of changes in exchange rates) are growing faster (in terms of year-to-year dynamics) than the number of customers alone. This is related to, inter alia, the fact that the Company’s offer is addressed to business customers - companies that have their own websites. Currently,
LiveChat Software customers choose from four subscription plans. The final revenue per customer depends on the chosen plan, as well as the number of licenses purchased by them. The difference in the revenues generated by individual clients can be very large. The Company is also carrying out activities aimed at increasing ARPU.

**MRR**

MRR (monthly recurring revenue) constitutes most of our sales and determines the stability of our business based on the subscription model. Additionally, we generate revenues from the sale of services related to our products, e.g., training. At the end of March 2022, the MRR at the Group level reached 4.64 million - that is, by 4.5% more compared to December 2021 and by 15.4% compared to the same period last year. The stability of this indicator may be proved by the fact that it grew in each subsequent, single month of the last year and the year before. On the graph, we present the MRR as for the last month of each of the quarters. The increase in recurring revenues (MRR) allows for the expectation of revenue increases in the upcoming quarters, both on an annual and quarter-to-quarter basis. On the graph, we present the MRR for the last month of each of the quarters.

![MRR (all products)](chart)

**ARPU**

ARPU (Average Revenue Per User) is the average revenue per one customer - in our case, a company or institution. The ARPU given in our report and presentations is calculated based on the MRR (not total revenue). The ARPU value of individual customers depends on the selected subscription plan and the number of agents (in the case of ChatBot, on the selected plan and possibly the number of interactions exceeding the limit available in a particular subscription).

At the end of March 2022, the ARPU of the LiveChat product amounted to USD 120.9 as compared with USD 119.2 at the end of December 2021 and USD 117.0 a year ago. The ARPU of ChatBot amounted to USD 102.3 at the end of March 2022 as compared with USD 98.9 last quarter and USD 86.9 a year ago.
Average sales price

The average sale price, or initial ARPU is practically the average value of the first payment from new customers each month. The significant increase in this indicator is related to the same factors as the increase in the ARPU; in addition, some organizations may have been forced by the lockdown to implement new solutions faster than the standard ones. However, especially in the case of larger clients, we observe a strong trend, according to which the ARPU grows over time, and many clients significantly increase the value of the contract during the first month of cooperation.

LiveChat ARPU (USD)

LiveChat ARPU and initial ARPU (USD)
Among our clients are companies operating in virtually all sectors of the economy, universities, and institutions from around 150 countries around the world. This diversity translates into our resistance to possible economic crises affecting selected sectors of the economy or the countries. The most important geographical markets, both in terms of the number of customers and generated revenues, are the English-speaking countries: USA, Great Britain, Australia, and Canada. The share of Poland in revenues was 1.5% in the reported period.

At the end of the financial year, the number of paying LiveChat customers was 35,559 and ChatBot 2,404. As of the date of this report’s approval, the number of LiveChat users has significantly exceeded 36k.

“Customer churn”, the customer churn rate, was over 3% throughout the financial year (monthly). The value at the level of 3% or even significantly higher is normal in the SaaS model and depends, inter alia, on industry and customer base (churn is usually significantly higher in the small business segment). Churn at the level of 3% is the level around which our churn rate has historically fluctuated.

From a business point of view, more important is the “net MRR churn“, which is a similar indicator for recurring revenues which also takes upselling into consideration. For our products, it is significantly lower and for most of the months of this financial year, it was oscillating around the level of 1% on a monthly basis.
Number of LiveChat clients

Number of ChatBot clients

Geographical split of MRR
The largest geographic market of the Company is North America (especially the USA and Canada) as well as other English-speaking countries (Great Britain and Australia). The chart above shows the breakdown of the MRR (monthly recurring revenues) as of the end of May 2022 without taking into account revenues that are not allocated to specific countries. In this perspective, Poland accounts for approx. 1.5% of the MRR, which makes it 12th place in terms of participation in our MRR.

The share of LiveChat products in revenues of the Group in the financial year 2021/22 was 93.2%. ChatBot products have generated 5.4% of revenues, while HelpDesk 1.4% of the revenues. We assume that the new products will be constantly increasing their share in total revenues in the following quarters and months.

### 4.2. Corporate events

At the end of the financial year, the number of paying LiveChat customers was 35,559 and ChatBot 2,404. As of the date of this report’s approval, the number of LiveChat users has significantly exceeded 36k.

On June 25, 2021, the Management Board of the Company adopted a resolution on the distribution of the net profit for the financial year from April 1, 2020 to March 31, 2021, according to which it was proposed that the standalone net profit of LiveChat Software S.A. in the amount of PLN 99,775,907.86 to be allocated to:

- PLN 4,758,740.786 for the supplementary capital of the Company;
- PLN 95,017,500 for the dividend paid to the shareholders,

which means that the amount of dividend per share was PLN 3.69 (including two advance dividend payments made in January 2021 and July 2021 – each PLN 0.89 per share).

The proposed distribution of the Company’s net profit was positively recommended by the Supervisory Board of the Company, as well as the Ordinary General Meeting of the Company on August 18, 2021 approved the above division of the Company’s standalone profit. Pursuant to the resolution of the Management Board of the Company, on July 27, 2021, the Company’s shareholders as of the dividend date, i.e. July 20, 2021, were paid a second dividend
advance in the amount of PLN 0.89 and the remaining dividend amount to be paid in the amount of PLN 1.91 per share was paid on September 1, 2021.

At the same time, in accordance with the resolution of the Management Board of the Company on January 3, 2022, the Company’s shareholders were paid an advance on the expected dividend for the financial year 2021/22 in the amount of PLN 29.4 million (PLN 1.14 per each share versus PLN 0.89 per each share in the case of a similar advance payment a year ago).

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend (per share, PLN)</th>
</tr>
</thead>
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<td>0.37</td>
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<tr>
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</tr>
<tr>
<td>2019/20</td>
<td>2.48</td>
</tr>
<tr>
<td>2020/21</td>
<td>3.69</td>
</tr>
</tbody>
</table>

In February 2022, the Company received confirmation that the United States Patent and Trademark Office (USPTO) has granted LiveChat Software patent protection for giving an agent the possibility to “sneak peek” message content while the customer is still drafting the message. It is the second patent registered in the US. The patented technology significantly improves the speed and quality of customer service. Agents using LiveChat solutions now have more time to learn about their customers’ problems and can reply faster.

Thanks to the sneak peek function, it is possible for both the agent and the customer (end-user) to save a lot of time. The customer can, for example, be quickly redirected to the right address if they are asking their question in the wrong place. It is also quite common to find that the customer will explain the problem clearly and to the point, only to erase the message before sending it, and formulate the issue in a more official or formal way. The patent has been granted in the United States, and the Company is entitled to legal protection for a period of 20 years. LiveChat Software was granted similar protection a year ago for a solution to display a custom message encouraging the end-user to start a conversation, based on the qualifiers stored in the database.

In May 2022, the Company launched the project “LiveChar Incubator”. The Company will offer mentoring, new distribution channels (access to its customers, marketplace and the partner’s network), and logistic and organizational support to the teams creating projects that can limit or remove communication barriers.

In June 2022, the Subsidiary entered into a contract and completed the purchase transaction of the knowledgebase.com domain. The purchase of the domain is related to the implementation of the Company’s marketing strategy. In the opinion of the Management Board, it will translate into an increase in the marketing potential of the KnowledgeBase product. The Management Board does not disclose the value of the transaction due to the protection of the interest of the Company, which may negotiate similar contracts in the future.
In the process of acquiring customers, the Company uses many channels, including partner channels (affiliate and reseller), content marketing, which translates, among others, into a high position in search engine rankings, a presence in websites such as Shopify and BigCommerce, or integrations with other solutions. In 2019, a sales department was created to support the implementation of the strategy assuming, inter alia, acquiring more clients of the “enterprise” class and attracting bigger clients in terms of the customer value until now.

The sales team focuses on concluding “enterprise” contracts with particular emphasis on agreements for several products.

Over the last financial year, the sales team was responsible for the implementation of hundreds of contracts with customers of various sizes and on various sales plans, of which several dozen of these contracts covered the sale of products including over 30 agents, as well as nearly 50 contracts on the enterprise plan (including a dozen for ChatBot and one for HelpDesk).

Most of the customers in the financial year 2021/22 were from the following sectors:

- Internet Software & Services
- Financial Services
- Hotels, Restaurants & Leisure
- Retail & e-commerce
- Education
- Healthcare

During the fourth quarter 30% of the contracts concluded by the sales team were for more than one product. In this period, the biggest deals were done with the clients from the following sectors: financial services, hotels, restaurants & leisure, and retail & e-commerce, while the biggest deals were:

- a new agreement for the LiveChat solution for several dozen agents with a British company offering solutions allowing for user verification.
- increasing the number of agents under the contract by over 40% for one of the large clients in the forex/cryptocurrency industry and up-selling integration providing translations for all their agents.
CORPORATE EVENTS

On June 18, 2021, the General Meeting of Shareholders have appointed the following members of the Supervisory Board for a new term: Maciej Jarzębowski, Jakub Sitarz, Marta Ciepła, Marzena Czapaluk, and Marcin Mańdziak.

In February 2022, the Company received information on being granted by the United States Patent and Trademark Office (USPTO) the patent protection for giving an agent the possibility to “sneak peek” message content while the customer is still drafting the message - which among other things allows for a much quicker reply to messages.

IMPACT OF THE PANDEMIC ON THE COMPANY’S SITUATION

In the financial year ending on March 31, 2022, the pandemic had a much smaller effect on the operations and business of the Group than in the previous year.

The Company’s business indicators are simultaneously affected by many factors, including the economic situation in the key markets (e.g., the US, UK, Canada, Australia), product changes, marketing activities, competitors’ activities, and many others, which makes it difficult to accurately calculate the impact of the pandemic on the business.

The period of the first “lockdown” in the US (the Company’s largest market) was characterized by a very dynamic increase in the number of customers and revenues of the Company (although associated with an increased level of
churn, which means that the Company also lost many customers during this period - possibly due to their financial problems). In the completed financial year, such a dynamic growth was not repeated, however, the number of customers of all LiveChat products continued to grow, so did the ARPU, revenues and the MRR. Importantly, indicators such as churn (KPI measuring customer loss or MRR lost) have returned to their pre-pandemic level or are even slightly more satisfactory. This means that the loosening of pandemic restrictions probably does not translate significantly into the loss of customers and business acquired during the lockdowns.

The pandemic has had though a huge influence on how the work is organized with the Group. As a result of the pandemic, "work from anywhere" was introduced and although the team members can use the Wroclaw office, the remote work model applies. As a result, the Company can more effectively search for coworkers outside of Wroclaw and the Management Boards assumes this work model will be sustained in the future.

**IMPACT OF THE WAR IN UKRAINE**

In the opinion of the Management Board, the impact of the Russian aggression on Ukraine had a very limited impact on the Company’s business, although it had a strong influence on its team. Many people were actively involved in helping refugees, and the Company tried to enable them to be able to do it and provided support. Financial donations (including for the Polish Humanitarian Action) was also part of this support.

The Company did not conduct any operations and did not have any infrastructure in Ukraine, Russia or Belarus. According to the data held by the Company, clients from the three countries mentioned above generated less than 0.5% of the Group's MRR. In this context, even preventing businesses from Russia and Belarus from making payments and setting up trial accounts had a very limited impact on the Company's business and its development.

**4.3. Other events**

**Success by LiveChat**

In accordance with the marketing strategy that provides for the generation of its own valuable content, from April 2020, the Company has been running a multimedia blog platform "Success by LiveChat".

A characteristic feature of this project is the fact that it is based on video productions made at the Company’s own recording studio. The platform also contains guidebooks, studies and knowledge resources, but also interviews with guests.
LiveChat Academy

A series of lectures during which Partners share their experiences and know-how and teach other team members valuable skills. Seven such lectures took place in this financial year.

LiveChat Incubator

In May 2022, the Company launched the project “LiveChat Incubator” to support product creators in the business communication industry that are working to remove communication barriers that stand in the way of online customer-business interactions. The Company will offer mentoring, new distribution channels (access to its customers, marketplace and the partner’s network), and logistic and organizational support.

For more information about the product please see incubator.livechat.com.

Accessibility features at LiveChat

In June 2021, the Company introduced new accessibility features to its flagship product. The updates ensure that the Chat Widget (chat section) is keyboard accessible and text-to-speech reader-friendly. In addition, all default color settings that users can choose for the chat have a contrast score of 4.5 or higher. This means it's now fully compliant with WCAG 2.1 levels A & AA.
5. Description of the organization of the LiveChat Software Capital Group

5.1. Strategy

We are distinguished by the fact that we feel responsible for the quality of communication on both sides of this process. We support companies in more effective communication, but our goal is to also provide the best experience and improve the quality of services for millions of people who use our solutions every day.

Products and services

The products and services we provide are to meet all of our client’s communication needs. In the current environment, it is not the brand but the customer that dictates the rules of communication. Our products enable contact with the company at a time and place they choose through any communication channel and freely express themselves and their emotions.

We will also be able to maximize the number of interactions carried out through our solutions.

Target markets

Our clients are companies of all sizes representing all industries. One of our significant competitive advantages is a very effective, automated sales process for small and medium-sized companies.

We intend to maintain this advantage while focusing on medium-sized companies. Maintaining a strong position in the small business segment will help us generate new leads. Increasing the number of corporate clients will translate into increased predictability of our business and its even greater stability. We believe that we have the technological and organizational capabilities needed to provide services for this market segment. Despite this, further work is required in order to adapt products, marketing, and build a sales department to achieve this goal.
We offer our clients not only technological solutions but also our expert knowledge accumulated thanks to 20 years of supporting online communication.

We focus on the US market, which is the largest for us in terms of sales value and future growth potential, but also sets trends for the entire industry.
Economies of scale

Our solutions are used by thousands of companies and millions of end-users. It gives us data and experience that we use for further growth - development of our current products and designing new ones. We focus on implementing projects with the highest potential.

Focus on data

Looking for opportunities for further growth, we will rely on available data and invest in their analysis.

Open infrastructure and products

Our products are to be open and easy to integrate with other solutions provided by external suppliers. Even our API (Application Programming Interface) becomes a product.
5.2. Company’s products

5.2.1. LiveChat

The LiveChat product is a tool for quick contact between clients and the Company using a chat application embedded on the company’s website. The solution is used mainly for customer service and online sales.

The Company offers mobile application and desktop versions of the product, and it is also possible to use it in a browser-based form. This gives users of the product the ability to chat with clients virtually anywhere and anytime.

Examples of the product’s use are varied. The LiveChat solution can facilitate sales processes in e-commerce, serve as a recruitment supporting tool in education and HR, and as a contact channel in industries that require personalized communications, such as real estate. The Company pays close attention to the process of implementation of the product on the website, its adaptation to the needs of the client, and the following services so they were intuitive and simple, despite the more advanced functionalities that the product offers. Also, the onboarding process is
carried out in such a way as to clarify any doubts the user has from the beginning. Therefore, the product can be used by small and medium-sized enterprises, but also by large corporations.

LiveChat offers numerous functionalities, not just facilitating conversation with clients, but also making communications management easier. Users are offered features that engage their clients (e.g. automatic invitations to start a conversation), a ticketing system (which makes it possible for clients to leave a message after hours), tracking the behavior of website visitors, and an analytical panel. All the data collected using the LiveChat application are an attractive source of knowledge, to be used in the sales, service, and customer support process.

The structure of the product allows users to integrate it with other tools, greatly expanding its use cases. The following integrations are available to customers: the so-called “one-click” (they allow you to enable integration with a given tool almost with one click) or more advanced, requiring the use of documentation provided by the Company, eg API (Application Programming Interface) and programming knowledge. One of the most interesting integrations is the ability to run chatbots in the product. This gives companies the ability to communicate with customers both through real agents and mechanisms based on artificial intelligence.

More information on the product can be found on the product website: https://www.livechat.com

**LiveChat as a communication platform**

The idea to change the direction of the LiveChat product development is a response to the growing number of individual user requirements for the application. In order to meet and exceed customer expectations, LiveChat Software builds an ecosystem around its solution.

Changing the business model to the platform, in the long run, will accelerate the development of solutions created by the Company, as well as facilitate the introduction of new functionalities to them. The platform enables the creation and sharing of new functions, not only by the Company’s employees, but also by external units (developers, software companies, partners, and the users themselves). Thanks to the platform and the tools made available on it, everyone from outside the company has the opportunity to create their own extension or application based on the LiveChat product technology. In this way, it is possible to introduce solutions that are not included in the product, and which are crucial for a given user.

The **Platform** around the LiveChat solution consists of closely related parts. The first is the Development Console, on which the Company provides the appropriate tools (manuals, API documentation, code examples), thanks to which it is possible to create plugins and extensions.

![Developer console](https://www.livechat.com)

The next part is the **Marketplace**, which is the “place” where all created products are stored and made available to users of the LiveChat product (in paid and free versions). The third part is the community of all its participants,
as well as the Company’s clients, built around the platform. The goal of the community is to exchange experiences, jointly create applications and establish mutual relations.

The main benefits of product development in the platform model are that the solutions become more flexible, which makes it possible to almost freely adjust their functionality to the users’ requirements. This makes the user’s relationship with the product stronger, making it more difficult for them to give up using it. The platform also allows you to discover previously unknown use cases of a given solution and share these experiences.

In the financial year 2021/2022, the value of revenues from the sale of applications made available in the Company’s marketplace (both our own and developed by external partners) exceeded the level of USD 1 million, which is almost twice as much as in the previous year. In March 2022, monthly revenues from this source exceeded USD 100 thousand for the first time.
5.2.2. ChatBot

ChatBot is a product that allows the creation of conversational chatbots to handle various business scenarios. Their main goal is to automate corporate communications and to improve the effectiveness of customer service teams by addressing repeatable customer inquiries. The solution, introduced to the market, fits into the Company’s strategy to develop the offering of products for text-based customer communications. At the same time, it responds to the now popular trend towards automation of communications using AI-based mechanisms.

Bots are created by preparing a detailed conversation scenario in the form of a “tree”. It is based on the drag & drop method, it is intuitive and simple, and therefore also available to people who do not have specialized programming knowledge.

Chatbots, created by ChatBot, are based on two systems of matching phrases during a conversation with the user. The main one - machine learning, which analyzes the entire phrase entered, and the second one, based on keywords. They can be used alternately or even combined within one scenario.

ChatBot is integrated with the LiveChat solution, but also with other tools, such as Facebook Messenger. In addition, the user can connect the created bot with the internal system, which allows, among others to verify and send data obtained by the bot during the conversation to other systems in the company. ChatBot’s integration possibilities are virtually unlimited due to the company’s API application.

The Company promotes its solutions through cost-free activities, organically increasing the ChatBot user base. At the same time, ChatBot sales are also handled by the sales team - common to all products. The solution has been available on the market since June 2017 (in the open beta version, from February 2018 as a complete product). The customers of the product include institutions and companies such as Boston University, Kayak, Adidas, UEFA and Intuit.

For more information about the product, please see: https://www.chatbot.com
HelpDesk is a solution that is supposed to support business communication with the client through various channels. In particular, HelpDesk helps to manage the so-called "Tickets", i.e. matters reported by clients via various text communication channels (e.g. mail, live chat). The functions offered by HelpDesk include support for teamwork, grouping and tagging of tickets, and the assessment of consumer satisfaction. Work on more HelpDesk integrations with other products is currently underway. The product is systematically expanded, and its vision ultimately assumes as much automation of such processes as possible to shorten the time of customer service support. HelpDesk is a competitive solution for such products as Zendesk, FreshDesk, ZOHO Desk, HappyFox, or HelpScout and will constitute a valuable complement to the Company’s offer.

For more information about the product, please see [https://www.helpdesk.com](https://www.helpdesk.com)
5.2.4. KnowledgeBase

The Company released this application in October 2017, initially as an open beta version and then, in March 2018 as a fully-fledged, paid product. The KnowledgeBase platform allows companies to create their own knowledge bases, which can be accessed by both their employees and clients. Thanks to KnowledgeBase, articles relating to, for example, technical assistance, are all gathered in one place. This way, an employee doesn’t have to switch between various browser tabs to seek out an answer to the question while dealing with customer service, but merely seeks out the information in the knowledge base. This boosts the efficiency of the customer service and speeds up communications with clients. At the same time, it lets clients seek out solutions to their problem by themselves. The application may be integrated directly with the LiveChat solution.

For more information about the product, please see https://www.knowledgebase.com

5.3. Other activities

Examples of some additional activities contributing to the organic growth of the number of customers on which the Company’s team works in dedicated teams:

**Partner Program** - the goal of the partnership program is to build new sales channels based in cooperation with companies from various industries or freelancers. The program consists of the following projects:

- affiliate program, in which partners earn a commission on every sale of a product made through them,
- Solution partners, assuming the possibility of adding our product (and services around it) to the partner’s offer portfolio and independently shaping the pricing policy.

**Activities undertaken in the project:**

- expansion of the website and blog (strengthening the organic traffic and the number of entries interested in cooperation),
- expansion of the partnership panel (dashboard) giving partners access to advertising materials, analytics and tools for creating and managing LC licenses created in this model,
• Partner program API - enabling tracking and optimization of project activity and the automation of many activities within the project.

Content marketing activities

The Company puts a lot of work into the content created for the website, which allows it to generate high incoming traffic to websites and high positions in browsers.

Partnerships - activities involving cooperation with other software development companies. They are based on cooperation on various levels: mutual promotion, creating joint integrations, and listing in marketplaces.

5.4. Description of the situation in the market for SaaS services and the segment of live chat type of software

The SaaS (Software-as-a-Service) software market is the largest and dynamically developing part of the Cloud Computing market, consisting of the provision of services and products in the area of information technology through the use of cloud computing. The Cloud Computing market includes the private cloud segment, which is used by large enterprises to optimize its own resources, and the public cloud segment, aimed at small and medium-sized companies, which allows greater control over expenses and the possibility of spreading them over time. According to estimates by the analytical company Gartner, the value of the public cloud amounted to USD 410.9 billion in 2021.

According to forecasts, the value of the public cloud market in 2022 will grow by 20.4% annually to USD 494.7 billion and will reach almost USD 600 billion in 2024. Solutions offered in the SaaS model dynamically replace traditional software, allowing customers to optimize the resources used, and increase the reliability, scalability and flexibility of the solutions used. The following markets are also distinguished within the Cloud Computing market:

- IaaS (Infrastructure-as-a-Service) - providing IT infrastructure,
- PaaS (Platform-as-a-Service) - selling a virtual programmer's work environment,
- BPaaS (Business-Process-as-a-Service) - business process outsourcing,
- BaaS (Backend-as-a-Service) - a common backend database for the processes of many applications
- Daas (Data-as-a-Service) - remotely delivered data at the user's request
- FaaS (Function-as-a-Service) - a platform that enables the development, testing and commissioning of individual functions in the cloud

SaaS services are the largest part of the public cloud and by the end of 2022 their value should exceed USD 176 billion. Gartner predicts that there will be constant growth in this market, as enterprises choose various ways to reach customers with SaaS services, including through the cloud marketplace as they break down large applications into smaller more effective parts to improve efficiency.

The sale of a product in the SaaS model consists of the remote provision of software via Internet. Services sold using SaaS include enterprise management and services supporting the sale of products and services. The sales of SaaS sector companies are generated mainly from subscription fees for access to such services, collected in advance. There are also other numerous fee-collection models, including fee per transaction, volume, function, and limits on the use of resources.

The sale of software in a SaaS model produces significant benefits for both the client and the provider. From the client’s perspective, the most common benefits include:

- a very simplified application implementation process (short period of implementation combined with marginal costs) - this also applies to the latest software updates, which are usually performed automatically by the provider and requires no further actions from the client,
- significant savings in the cost of support and maintenance,
- predictable, regular and relatively low subscription payments instead of a substantial, one-time, cost of purchasing the software and essential infrastructure, as well as any subsequent additional costs,
● a flexible payment scheme that enables resignation from the service at any time,
● a high degree of product scalability along with the increase of demand on the client's side,
● the opportunity to use the application from any place using desktop computers and mobile devices

From the software vendor point of view, the sale of the software in the SaaS model is characterized by the following:
● simplified distribution process,
● global reach of the offered services,
● universal nature of the software,
● control over the quality of implementation for every client,
● reduced cost of maintenance and warranty,
● elimination of the issue of software piracy,
● developer retains all the copyrights.

The SaaS market accounts for the majority of the Cloud Computing segment. By value, North America (USA in particular) represents the biggest part of the global market. The absence of cultural barriers associated with the use of advanced technology for business plays a significant role in the aspect of cloud solutions development. This is particularly important from the point of view of SaaS software for small and medium-sized enterprises.

It is difficult to give a fully reliable estimate of the size of the market for live chat solutions because there are many suppliers which do not publish financial data, many free or freemium solutions, or solutions sold together with other services.

According to data published by Datanyze, a research company, there are more than 200 different technologies on the live chat market. A substantial part of suppliers offers their solutions in the freemium model. In the assessment of the Management Board of LiveChat Software, the monetization of clients who started to use free services is a very difficult and ineffective process. The "LiveChat" solution is distinguished by, among other things, the number of available functionalities, options and integration capabilities. A matter of paramount importance is also customer service, which largely exceeds the capabilities of the majority of other suppliers.

Therefore, free solutions are not treated as direct competition because LiveChat is addressed to the more demanding client with greater and more advanced needs, both in terms of the available service functions and the speed and efficiency of support provided by customer service. The forefront of the global suppliers of live chat solutions is relatively stable. Apart from LiveChat Software, it includes LivePerson or Zendesk Chat. Other major live chat solutions available on the market are Intercom, Drif, Olark, JivoChat, Tidio, or Tawk.to (free model). There is also the Facebook Customer Chat Plugin solution. However, in the assessment of the Company, its direct competitors in the premium segment are mostly Zendesk and Intercom.

In 2018, the Company extended its offer by introducing the ChatBot solution which allows for the automation of communication with clients. Forecasts and assessments relating to the value of that market differ a lot. According to the report by Kenneth Research, the value of the "Conversational Artificial Intelligence" market which includes, among other things, virtual assistants and chatbots, is going to grow by 30% on an annual average during the years 2019-2024 and achieve the value of USD 15.8 billion at the end of the period. However, according to the forecast by Grand Review Research, the value of the chatbot market only is going to reach USD 1.25 billion in 2025 (assuming an annual average growth of 24%).

LiveChat Software estimates that the market potential of live chat type of software remains very high, an expectation arising from the changes brought by the pandemic and the development of the e-commerce segment. According to eMarketer forecasts, online retail sales grew globally by 26.4% in 2020 and by 19.0% in 2021. The share of e-commerce purchases in total retail purchases alone at the beginning of 2022 was 16.1%. According to the forecasts of the research company eMarketer, in 2022 the value of retail sales on the Internet will reach USD 1 trillion in the USA alone.

A strong influx of new clients means that existing players are focusing more on client acquisition rather than fighting for clients who already use competing solutions.
Furthermore, positioning LiveChat in the premium category and developing its market position based on features such as the variety of features and integrations available, the quality of customer service, as well as reliability and data safety instead of price-based competition, makes the company resistant to pressure from popular solutions available free of charge.

The Company is monitoring very closely the new announcements of solutions for business in the text-based communications space by corporations such as Apple or Facebook and is aware of such developments from the early, software development stage, or months before they are officially announced. This was the case with Apple, as well as Facebook earlier on.

LiveChat Software believes these upgrades are positive news for the entire industry, thanks to the promotion of this type of software. Companies that offer their tools in the freemium model go to new groups of customers who have not used such solutions in the past or used their free versions. In this regard, these solutions do not constitute a direct competition for LiveChat, but they introduce new opportunities for integration and for the acquisition of new clients who want to use this type of communication. Thanks to these developments, Facebook Messenger, WhatsApp and now Apple are turning towards new development channels for the LiveChat product. The Company is developing a business ecosystem around its products in order to be able to better address users’ needs. Thanks to these developments, they will be able to communicate with their clients via multiple platforms, not just using their website, but also via text message, Apple products, mobile devices, Facebook Messenger, social media communicators and platforms.

By definition, corporations such as Facebook, Google or Apple will not be competing directly with specialized providers of B2B solutions, such as LiveChat Software, Zendesk or LivePerson, which feature the integration of multiple platforms and solutions, specialized customer service or access to expert customer service know-how.
5.5. Significant agreements for the Capital Group

Agreement with the payment gateway service provider

A subsidiary of the Issuer LiveChat, Inc. uses the services of www.authorize.net, owned by VISA, which acts as a technical intermediary for the payment by credit card on the Internet. The agreement between the above-mentioned parties was concluded by joining the Authorize website on the basis of the general terms and conditions of contracts used by Authorize and did not take the form of a document.

Subject to the above terms and conditions, the legal relationship between you (including LiveChat Inc.) and Authorize is governed by the laws of the State of California. Authorize does not guarantee the full functionality of its services provided via the website. By entering into the contract, the user confirms that they are aware that the service will be provided via the Internet, which makes it vulnerable to possible infrastructure failures resulting from various reasons such as network attacks, power outages.

Authorize is also not responsible for any damage resulting from the use of its services, in particular, it is not responsible for data loss, or unauthorized access to data sent via its website, such as credit card details. The above limitation of liability does not depend on the cause of the damage - both hacker attacks, accidents and negligence, including gross negligence - and cannot constitute grounds for raising claims against Authorize. The user waives any claims that may arise from the use of Authorize services and declares that the use of Authorize services is at their own risk. If, however, it was found that Authorize was due to pay any compensation to Livechat Inc, its amount would be limited to the equivalent of the salary for the last 30 days or to the amount of USD 100.

In addition, the user undertakes to release Authorize from liability for any claims raised against it by third parties, which are related to the use of Authorize services by users.

The contractual conditions may be changed by Authorize unilaterally, the use of the website services after the change of the conditions means acceptance of the change. Likewise, Authorize may unilaterally terminate the provision of services, subject to prior notice. Also, the termination of the contract may not result in Authorize’s liability for damages.

Agreement with the provider of payment clearing services

A subsidiary of the Issuer LiveChat, Inc. uses the services of the www.recurly.com website, which acts as an entity that calculates fees from the Issuer’s customers and collects them automatically from customers’ credit cards. The agreement between the above-mentioned parties was concluded by joining the Recurly website on the basis of the general terms and conditions of contracts applied by Recurly and did not take the form of a document.

This Agreement is governed by the laws of the State of California.

The service is provided by Recurly for a commission calculated on a monthly basis on the transaction value expressed in dollars, the amount of which may be changed by Recurly upon 30 days’ notice. Recurly is not responsible and does not return the commission charged in the event of, for example, a request for a refund by the Issuer’s client, or fraud committed by the client on the Issuer. Recurly also does not provide cash storage services.

Recurly is not liable for any damage, also in the form of lost earnings, data or other intangible goods on the part of the user, regardless of the reason for its occurrence - whether the damage will result from the use of Recurly
services, unauthorized influence on the content of the service, actions or statements of any kind by third parties. Regardless of the above reservations, the liability for damages between the parties was limited to the amount of the remuneration paid under the contract.

Recurly is provided by LiveChat, Inc. a license to use its logo, name and other rights to use them on websites to identify the service provider. Similarly, LiveChat, Inc. licenses Recurly to use its logo, name and other rights to use them on websites to identify LiveChat, Inc. as a client.

The agreement provides for a one-year limitation period for all related claims. For the provision of services, Recurly charges fees depending on the turnover.

**Agreement with Comerica Merchant Services (Worldpay from FIS)**

This agreement was signed on December 21, 2011. Based on the agreement, LiveChat, Inc., a subsidiary, is using Visa and MasterCard payment processing services. The agreement is subject to standard terms of use for credit card processing used by Comerica. Card processing includes in particular the settlement of Visa and MasterCard transactions in connection with Company’s products. The terms of use state that LiveChat, Inc. will be handling any claims and complaints made in connection with sales made via these cards on its own. LiveChat, Inc. is also responsible for compensating any damages incurred by Global Payments Direct and by Comerica Bank in connection with sales paid for by card and for any associated claims (including claims by third parties).

The agreement contains provisions that release Global Payments Direct and Comerica Bank from responsibility for the violation of such terms. Furthermore, the liability of Global Payments Direct and Comerica Bank is limited to the average monthly payment for services in the preceding 12 months, or, if such period is shorter than 12 months, from the signing of the agreement. Global Payments Direct and Comerica Bank will not be held liable for the loss of profits or for transactions using other cards, if such cards are to be processed at the request of LiveChat, Inc. at the agreement of Global Payments Direct. Also, Global Payments Direct and Comerica Bank are not responsible for damages if it has not been notified within 60 days of the violation of the agreement, or 90 days from the date of the specific billing document in the event of billing errors.

The agreement is renewed automatically every month after the first year unless it is terminated by LiveChat, Inc. on terms indicated in the agreement (with the provision that in the event of termination due to violation of the agreement, LiveChat, Inc. will be responsible for payments calculated based on terms set in the agreement). LiveChat, Inc. may also terminate the agreement in the event of a violation by the other party if such violation is not remedied. Global Payments Direct may also terminate the agreement, including without notice, in the event of a violation by LiveChat, Inc.

Terms of the agreement also describe in detail the rules for charging LiveChat, Inc. with transaction amounts in specific cases, in particular when a card owner is questioning the transaction, setting up a reserve account to secure claims against LiveChat, Inc., the principles concerning LiveChat’s liability for damages suffered by a financial institution which carries out an order to withdraw funds at the request of Global Payments Direct and Comerica Bank, the principles of deducting funds from that account and associated settlements, and sets out a one-year term for the expiry of the claim by LiveChat, Inc. to return any funds remaining on such account. The terms of the agreement also set forth the rules on the establishment of security on specific accounts and on naming a custodian to manage a LiveChat account for the settlement of agreement-related liabilities.

**LiveChat, Inc. agreement with American Express Company**

A subsidiary, LiveChat, Inc., is using the services of https://merchant.americanexpress.com in order to process American Express cards. This agreement was made by signing up for the services on the basis of the terms and conditions it offers and is not made in a document form.

Fees charged to LiveChat, Inc. in connection with the use of this service are set as a percentage of its turnover, at 2.89-3.20%, according to the current fee schedule. The terms of use include a number of waivers which exclude American Express Company from liability to its users. In particular, these terms exclude the liability of American Express Company for any indirect damages and for the loss of profits in connection with the use of the service.
According to the terms, American Express Company will not be held responsible for services offered by service providers via the service in question, or for information and products offered through the service or through websites connected to the service via a hyperlink.

American Express Company may change the terms of use unilaterally. The terms of use are subject to the jurisdiction of the State of New York.

5.6. Information about material transactions with related parties

Agreement with LiveChat, Inc.

LiveChat Software has a contract with LiveChat, Inc., in which the subsidiary has agreed to further resell access to the LiveChat system to end-users.

According to the agreement, LiveChat, Inc. purchases access to the LiveChat system from LiveChat Software and then resells it to end-users at a price set by LiveChat Software. LiveChat, Inc. is not generating profits on the resale of access to the LiveChat system.

LiveChat Software refunds all expenses of LiveChat, Inc. in connection with the activities conducted and listed in the budget accepted by LiveChat Software, based on invoices issued by LiveChat, Inc. According to the agreement, LiveChat, Inc. has the right to add a 5% margin to selected expenses it incurs in connection with the sale, i.e. the cost of handling credit card payments, cost of banking services, accounting and marketing expenses.

These payments are made on a monthly basis based on an invoice issued by LiveChat, Inc., corresponding to the amount of expenses plus the above margins. LiveChat Software remains the owner of all intellectual property rights, including its trademark.

This agreement was signed for an unlimited period of time, with a 14-day notice. The agreement restricts LiveChat Software’s liability to the amount paid on behalf of LiveChat, Inc. over the past 12 months.

In the reported period, the Company concluded transactions with a consolidated entity LiveChat, Inc. As a result, the following balance sheet and result categories appeared:

Sales revenues to LiveChat, Inc. in the amount of: PLN 222,019,189.50  
Costs of services purchased from LiveChat, Inc. in the amount of: PLN 41,672,433.54  
Receivables from LiveChat, Inc. in the amount of: PLN 4,915,021.59  
Obligations to LiveChat, Inc. in the amount of: PLN 0.0

The above transactions were excluded in the consolidated financial statements.

5.7. Information on other agreements and transactions

Information about the transactions with related parties at terms other than market terms

There were no such transactions.

Loans made or terminated

The Company had no loan agreements in this period.

Loans granted

The Company has not made or received any guarantees during the reporting period.

Bonds subscription agreements

In the period from April 1, 2021 to March 31, 2022, the Company did not have any bond subscription agreements.
Cooperation or cooperation agreements
During the reported period, LiveChat Software S.A. nor the Group have concluded any cooperation or cooperation agreements.

Insurance contracts
Chubb Tech Pro Insurance - Professional Liability Insurance concluded with the Chubb European Group Sp. z o.o. Branch Poland for the amount of PLN 8 million (Poland) and USD 2 million (USA) and the Insurance of Damages As a result of claims related to the Liability of Members of the Company’s Governing Bodies for the amount of PLN 17 million and PLN 1 million to the Liability of Members of LiveChat, Inc concluded with CHUBB European Group SE Spółka Europejska Branch Poland.

Description of conducted court and administrative proceedings
In the reporting period, the Company and the Group were not a party to any court or administrative proceedings.

5.8. Market growth prospects

The Software as a Service sector, in which the Company is active, is growing very rapidly. The live chat for the business software segment is not the same as the SaaS market. Some of the Company’s competitors are offering their services in a less effective, traditional model. However, in the opinion of the Management Board, the SaaS model has by far the best growth prospects and therefore the market share of companies that offer their services using that model is expected to grow. This creates huge growth potential for the entire sector.

5.9. Group’s growth strategy

Product development
The Group’s development strategy assumes constant and sustainable expenditure on the further development of the products, in particular on

a) the functional development of the application;
b) new communication channels:
   • development of the “ticket” system consisting in collecting information from various communication channels with the customer to one customer service management system;
   • the functionality of the system will allow customers to further improve the customer-seller relationship, and ultimately, increase sales;
   • mobile systems;
   • social media;
   • integrated communicator.

c) tools for larger companies, the so-called “Data driven”.

Growth of the customer base
The Company assumes further dynamic growth in the number of customers based on:
• Automation of marketing activities and inbound marketing;
• Continuous strengthening of LiveChat’s position in the area of customer service;
• Further development of the affiliate program;
• Development of new channels for acquiring new users.
Mergers and Acquisitions
In the longer term, the Company is not excluding growth through selective acquisitions of entities from the customer service industry.

Factors affecting the Company’s and the Group’s earnings
In the long run, the standalone and consolidated earnings will be significantly influenced by the global e-commerce and SaaS (Software as a Service) market. In the short term, the results may be significantly influenced by e.g. USD/PLN exchange rate, as well as the fiscal policy of the state.

5.10. Risks and key factors affecting the Group’s growth prospect
The Company’s development prospects are influenced by a number of factors related to the prospects for the development of the global Internet network, the e-commerce sector, the Software as a Service (SaaS) segment, and in particular the demand for solutions supporting sales and live chat customer relations.

The increasing popularity and availability of the Internet and the resulting popularity of e-commerce positively affect the demand for live chat solutions. An important factor is also the desire of LiveChat Software customers to maximize conversion, i.e. a situation in which as many visits to their websites as possible lead to a real transaction. The implementation of a live chat solution clearly contributes to the improvement of conversion. Live chat solutions are very competitive in terms of efficiency and cost compared to traditional customer contact methods.

According to the observations, traditional methods of information exchange on the customer-seller line, such as telephone services, website content and e-mail messages, are gradually being replaced by tools for direct and immediate communication with the customer, e.g. live chat services. They allow for the opening of a completely new customer service channel alternative to traditional forms, including call-center. The use of such a tool significantly increases the efficiency of people involved in customer service by enabling the simultaneous service of several users.

Apart from changes in the way of communication between the client and the seller, the natural factor determining the popularity of live chat software is the value of the market of sales made over the Internet.

Risk of the volatility of exchange rates
The Company is exposed to the risk of volatility of foreign exchange rates, in particular the Polish currency in relation to the US dollar (USD). The currency risk results directly from incurring most of the operating costs in PLN and from sales on foreign markets, which are realized in USD.

The volatility of exchange rates affects primarily the changes in the value of the Company’s revenues and receivables converted into PLN. Therefore, there is a risk of the appreciation of the Polish currency, which will cause the reduction of the Company’s price competitiveness and a faster increase in the volume of sales than in revenues from export sales expressed in PLN, thus reducing the profitability of sales.
The reduction of the Company's exposure to the risk of exchange rate fluctuations is affected by bearing a part of the costs in USD.

As of the date of this report, the Company does not hedge open currency positions, and the Management Board does not perceive the currency risk as a significant threat to the level of operating profitability.

Risk related to competition

Due to the fact that LiveChat generates the vast majority of revenues in the United States, the risk from the competitive environment occurs primarily in the said market. The SaaS market in the United States is characterized by dynamic development and an increasing level of competition. There is a risk of a more innovative or more cost-effective solution appearing on the market and the risk of competitors allocating significantly higher funds to promote available solutions or enter the market of entities with access to a wider customer base. There is also a risk that the Company will not be able to react quickly and effectively to the changing market environment, and as a consequence, the offered solutions may be considered less competitive, and the Company may lose its competitive position. Such a situation may have a negative impact on the sale of the Company's products and services and, consequently, on the achieved financial results.

Risk related to product distribution channels and reaching new customers

The Company implements a marketing strategy focused on minimizing the external costs of acquiring new customers. Due to that, the Company has consistently maintained the high profitability of its operations. At the same time, the Company remains sensitive to changes in the channels used to reach customers, which in the case of introducing aggressive monetization mechanisms may be used less by the Company to acquire new customers.

In the first months of 2018, the Company experienced a drop in the growth of the number of new customers, which derived from changes in the business model of online price comparison websites (e.g. Capterra or GetApp) and higher costs of presence and promotion on such websites. Through this channel of reaching the customer, the Company generated over a dozen percent of new customers. Currently, the Company is carrying out work that will both allow it to build new, low-cost channels to reach customers, as well as investigate the business effectiveness of using methods associated with higher costs of customer acquisition.

Currently, due to the acquisition of customers through free activities and at the same time related to the long-term building of coverage, relations and image, the Company has no direct control over the number of customers acquired in specific months. The Company effectively uses the available tools and channels of reaching, at the same time expanding new channels, thus minimizing the risk in this area, which in the long-term translates into consistent growth in the customer base.

Risk related to technical failures

The sale of software requires maintaining the IT infrastructure and using the services of external server solution providers. In connection with the above, the operations of the Company are exposed to software, electronic devices and IT infrastructure failure risks.

In order to minimize the risk of failure in the IT infrastructure for which current operation LiveChat Software is responsible, procedures have been introduced and actions undertaken to ensure archiving and generation of backup copies of most of the data processed by the Company.
Risk related to the occurrence of a breakdown or hacker attack

The Company provides its services based on computer software and internet connection. In addition, it uses infrastructure belonging to third parties, for example, to store data (hosting).

Such a business model is associated with the risk of failure not only on the part of the Company but also on individual entities performing at least technical roles in the provision of services by the Company.

The above risk is limited by the selection of appropriate partners, guaranteeing the appropriate quality of services. In addition, the important factor is the care for the use of appropriate technical measures, their maintenance or replacement.

Moreover, the activity consisting in the exchange of data in the ICT system may become the subject of a hacking attack, which may lead to difficulties or prevent the proper provision of the service by the Company.

In order to limit the possibility of risk occurrence, the Company applies appropriate security tools, cooperates with entities that apply appropriate safeguards, and monitors the functioning of the system.

Risk related to product concentration

LiveChat Software generates almost all revenue from the sale of LiveChat products which is a key element of the Company’s business model.

In the event of a significant decline in market demand for live chat products and directly the Company's product, e.g. as a result of a loss of competitive advantages, market failure or other negative external or internal events, the Company is exposed to the risk of decreasing revenue.

In order to minimize the above risk, the Company conducts advanced work on expanding the scope of current technology applications and extending the product offer and, as a consequence, increasing the diversification of revenue.

Risk of customer loss

As part of its operations, the Company focuses on providing the highest quality of services, however, due to the possible increase in the competitiveness of the market, the risk of a significant outflow of customers cannot be ruled out. The factor described above may have a material adverse effect on the Company's and Group's financial position.

Risk related to contracts concluded with Customers

LiveChat Software, operating in the software segment, sells its product mainly through its website. The Customer starts using the services of the Company after accepting the "general conditions", but they are not bound by any fixed-term contract and are not subject to notice periods.

Reputational risk

The effectiveness of LiveChat Software's operations and the ability to compete in the market is to a large extent related to the good reputation of the Company and the services it offers. The Company notices the possibility of appearing negative information about its products, which may have a negative impact on the Group's development by limiting the possibility of acquiring new customers and may thus affect the decrease in the value of revenue. The company makes efforts to limit the possibility of such situations, mainly through the care for the highest quality of products and systems placed on the market, however, it cannot guarantee the full effectiveness of these activities.
The risk related to the public law burdens on the Company's operations

The operations of LiveChat Software S.A. and the transactions concluded by the Company are subject to numerous public and legal burdens in various jurisdictions, mainly in Poland, the USA, and the EU. These burdens have the nature of taxes, and in foreign trade with countries other than EU states - also duties and similar charges. The results of the Company's operations are therefore to a large extent dependent on the proper implementation of the relevant tax law. Incorrect application of the tax law provisions may involve excessive fiscal burdens or unplanned, adverse consequences in the form of additional interest charges or administrative or criminal sanctions that may be faced by the Company in the event of understatement (including through no fault) of levies. The Company must also take into account the nuisance related to the procedures for the calculation of the above public fees and controls carried out by authorized bodies.

Trademark risk

The Company uses the name "LiveChat" in trade to define the products it offers. There is a risk that competitors may use terms that may be associated with the name used by the Company and thus the use of the Company's market position to sell competing products.

There is also a risk of products on the market with names similar to the name used by the Company, whose quality will be lower than the Company's products. In case of mistaking by the target recipient of both products, due to the similarity of names, the Company could suffer the reputational damage.

The company registered a word and figurative mark containing the phrase "LiveChat" as a trademark in the USA. The word and figurative mark "LiveChat" was also registered by the Patent Office of the Republic of Poland.

Risk related to the protection of the Group's intellectual property and business secrets

The activities of LiveChat Software and its competitive position depend on ensuring comprehensive protection of the uniqueness of technical solutions of the Company. Within the available legal instruments, the Group undertakes actions to protect the intellectual property of the Company.

Risk related to the infringement of a copyright to intellectual property used by the Company

Infringement of copyright to computer programs may occur as a result of using, within the framework of the offered Internet communication program, entire programs or parts thereof, the rights to which are vested in third parties. The above circumstance may occur both as a result of the original unauthorized use (also unconscious) of programs subject to legal protection as well as due to the subsequent expiry of the right (e.g. due to the expiration or termination of the license). The above comments also apply to legally protected databases used in programming.

It should be noted that the above risk is not a risk characteristic exclusively for the Company, but also applies to a wide range of entities operating in the same industry as the Company.

Risk related to the operation of entities using patents to enforce compensation (patent trolls)

The Company operates on the market of innovative technologies and IT solutions. The above market has become the object of the so-called "Patent trolls" - entities acquiring patents solely for the purpose of claiming compensation for their alleged or actual violation. These entities do not use patents to protect their products, which are usually missing, thereby using the patent system contrary to its intended purpose, though within the limits of the law. The above situation is favored by the specificity of the US patent law, which is willing to grant protection also to solutions of a small degree of innovation, which could not be protected under the European legal system.

Therefore, there is a risk of raising claims against the Company in relation to the alleged patent infringement. The above may give rise to possible defense costs or expenditures related to the settlement or payment of the compensation demanded by the Company. It should be noted that the above risk is not a risk characteristic only for the Company, but also applies to a wide range of entities operating in the field of new technologies.
Risk associated with the creation of intellectual property

There is a risk related to the legal form on the basis of which the team members provide services to the Company in the area related to the creation of intellectual property. At the moment of preparing the Report, none of the team members provides services to the Company on the basis of an employment contract. This means that the effects of the work of these people are not subject to the rule resulting from the provisions of copyright law that the employer, whose employee created the work as a result of the performance of duties under the contract, acquires copyright property rights at the time of accepting the work, and that property rights to the computer program created by the employee as a result of the performance of duties under the employment contract are attributable to the employer. It means that the transfer of proprietary copyrights to works (including computer programs) created by members of the Company's team takes place subject to the general principles resulting from the copyright law requiring the conclusion of a relevant agreement regarding the transfer of rights. At the same time, the provisions of the copyright law exclude the conclusion of the contract for all works or all works of a specific type of the same creator to be developed in the future. However, the doctrine of copyright law and jurisdiction permits the transfer of rights to works to be created in the future, as long as it does not violate the prohibition of contracting all works or all works of a certain type. In practice, therefore, in relation to cooperation with persons creating works subject to copyright, there is thus a problem with such determination of the designation of future work, so that the contract in this respect is effective. Otherwise, if a member of the Company's team creates a work needed by the Company in its activity, for which work no contract has been previously concluded, it will be necessary to conclude an individual contract with the person, which also depends on the will of that person, and thus may give rise to a potential dispute on the basis of copyright for a given work.

Risks of US law and proceedings in the US and the costs of these proceedings due to the concentration of doing business in the US

The Company earns revenue from sales performed by a subsidiary company LiveChat, Inc. in the USA. The US law to a large extent does not have the nature of statutory laws, especially in the scope of pursuing claims arising from contracts and torts. In connection with the above, lodging against the Company, in particular LiveChat, Inc., claims, for example, related to the malfunctioning of the LiveChat system, cannot be completely ruled out.

In the event of losing such a case, the Company may be exposed to negative financial consequences. In addition, in the light of laws securing economic turnover in the US, it cannot be ruled out that an American entity would directly sue the Company with recognition of the jurisdiction of the US courts and US law. Notwithstanding the above, conducting such proceedings may involve significant costs for the Company.

In order to prevent such risks, the Company provides services on the terms presented on its website, which exclude its liability for disturbances in the use of the LiveChat system. However, there is a risk that such exclusions may prove ineffective, in whole or in part.

Risk of limitation or exclusion of the contractors' liability from material contracts

A subsidiary of the Company, LiveChat, Inc., is a party to contracts (concluded through Internet procedures) for hosting, settlements, payment gateways, etc. Providers of these services in the terms of providing services available on their websites exclude their liability for irregularities in operation. Therefore, in the event of a breakdown or other disturbance, there is a risk that the Company will not be able to claim compensation. However, the Company would like to indicate that services of this type are widely available and it is easy to migrate to another service provider.

In addition, the Company diversifies service providers, especially in the field of data protection.

Tax risk related to transfer prices, especially under US law

The Company's revenue comes from sales to the subsidiary, LiveChat, Inc., which further sells the LiveChat system to end customers. The adopted model of cooperation foresees that the revenue of LiveChat, Inc. is taxed in the US and the Company's revenue in Poland. This model is based on the current agreement between Poland and the USA.
on the avoidance of double taxation. However, it cannot be ruled out that the US tax authorities will treat this issue differently. On the assumption that the Company owns a facility, in tax terms, in the US in its extreme form the entirety of the Company's revenue would be taxed in the USA. However, it is not a foregone conclusion that the total tax burden due to the taxation of the Company's revenue in the USA would be significantly higher than currently. At the same time, in the case of unfavorable decisions by the tax authorities, it is possible to shape the sales model differently, in the most appropriate way also in the context of the taxation.

Financial instruments in the area of price and credit risk, significant distortions of cash flows and loss of financial liquidity to which the entity is exposed:

The Company does not use financial instruments to limit the above risks.

The adopted financial risk management objectives and methods, including the methods of securing significant types of planned transactions for which hedge accounting is applied.

The Company does not apply hedge accounting.

Risk related to the macroeconomic situation

The operations of the Company depend on the macroeconomic situation prevailing in the markets in which services are provided or will be provided, primarily in the United States. The volume of sales and, indirectly, the Company's financial results depend, inter alia, on the rate of economic growth, consumption, fiscal and monetary policy, inflation level, as well as the level of expenditures on IT solutions in those countries.

In order to minimize the risk of the adverse impact of the above-mentioned factors on the business conducted, the Company undertakes actions to increase its competitiveness through the technological development of the product and services offered.

Risk related to the development of the industry

The global SaaS market is at the stage of rapid development, which is associated with dynamic changes in services and products available on the market, as well as high volatility of industry standards.

Therefore, there is a risk that the Company will not be able to adapt to rapid market changes, which may result in a deterioration of its competitive position and financial situation.

Due to the external nature of the phenomenon described, the Company is not able to actively counteract the trends prevailing in the SaaS industry. At the same time, LiveChat can effectively adapt its business model to the trends in the industry. The company conducts ongoing monitoring and analysis of operating markets, adjusting the offer and development strategy to the expectations of users of technologies and discovered market niches, while simultaneously developing the developed product.

Risk related to the availability and acquisition of specialists

The activities of the Company and its development prospects largely depend on the availability, knowledge and experience of people cooperating with the Company. Due to the fact that the IT industry in Poland is developing very dynamically, the availability of a sufficient number of specialists with developer competences is limited. In addition, the opportunities that have opened up as a result of the COVID-19 pandemic in the field of remote work additionally mean that specialists from Poland are also sought after by foreign companies.

The activities of the Company and its development require continuous recruitment processes and acquiring new associates. Limited employment opportunities or even the lack of them may affect the quality and timeliness of the work performed by the Company and, consequently, the development and financial results of the Group.
Risk related to key team members

One of the key resources of the Group, which translates into the development of the Company and the Group, is the Company’s team composed of both the management staff and specialists cooperating with the Company. The change of people in management positions as a result of factors beyond the control of the Company (such as random events) or changes resulting from individual decisions to resign from the position held may affect the direction of the Company’s development, including the quality and timeliness of the work carried out by the Company, and, consequently, development and financial results of the Group.

Risk of no or slow alignment with sustainable investment

The risk concerns the alignment of the Company and the Group with the requirements of regulations that implement sustainable financing.

The Regulation of the European Parliament and of the Council on the world’s first-ever "green list" classification system of sustainable investments (taxonomy) was approved on June 18, 2020. The system will have to be used by: member States and the European Union; financial market participants who offer financial products. Financial market participants, as defined in the Disclosure Regulation, will be required to disclose information on how and to what extent the investments that underlie their financial product support economic activities that meet all the criteria for environmental sustainability under the Taxonomy Regulation; financial and non-financial companies that fall under the scope of the Non-Financial Reporting Directive (NFRD).

As of the date of this report, no additional obligations related to sustainable development issues were imposed on the Company. However, regulatory changes in this topic have been taking place very dynamically in recent years, so it cannot be ruled out that at some stage the Company will also be subject to additional regulatory requirements.
### 6. Financial situation of LiveChat Software Group

#### 6.1. Presentation of the consolidated results

**Income statement**

<table>
<thead>
<tr>
<th></th>
<th>2021/22</th>
<th>2020/21</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>222 515</td>
<td>179 010</td>
<td>+24.3%</td>
</tr>
<tr>
<td><strong>Cost of goods sold</strong></td>
<td>32 128</td>
<td>27 907</td>
<td></td>
</tr>
<tr>
<td><strong>Gross profit (loss)</strong></td>
<td>190 387</td>
<td>151 103</td>
<td></td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>44 156</td>
<td>31 617</td>
<td></td>
</tr>
<tr>
<td><strong>General management and administration</strong></td>
<td>17 175</td>
<td>12 287</td>
<td></td>
</tr>
<tr>
<td><strong>Other operating profit</strong></td>
<td>121</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td><strong>Other operating expenses</strong></td>
<td>1 111</td>
<td>116</td>
<td></td>
</tr>
<tr>
<td><strong>Operating profit (loss)</strong></td>
<td>128 066</td>
<td>107 113</td>
<td>+19.6%</td>
</tr>
<tr>
<td><strong>Financial income</strong></td>
<td>1</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td><strong>Financial expenses</strong></td>
<td>125</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td><strong>Profit (loss) before tax</strong></td>
<td>127 942</td>
<td>107 104</td>
<td></td>
</tr>
<tr>
<td><strong>Income tax</strong></td>
<td>8 919</td>
<td>6 944</td>
<td></td>
</tr>
<tr>
<td><strong>Net profit (loss)</strong></td>
<td>119 023</td>
<td>100 160</td>
<td>+18.8%</td>
</tr>
</tbody>
</table>
Commentary on factors influencing financial results:

The increase in the number of paying customers for the Company’s products, especially LiveChat and ChatBot, combined with an increase in the ARPU (average revenue per customer) in both of these solutions had mostly impacted the results recorded in the financial year. On the other hand, there was an increase in the costs, which resulted both from the need to provide the infrastructure needed to service the greater demand, but above all from the increase in the size of the team and pressure on salaries.

Balance sheet – assets

<table>
<thead>
<tr>
<th>[thous. PLN]</th>
<th>March 31, 2022</th>
<th>March 31, 2021</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td>42,231</td>
<td>37,168</td>
<td>+13.6%</td>
</tr>
<tr>
<td>Intangible and legal assets</td>
<td>38,456</td>
<td>33,083</td>
<td></td>
</tr>
<tr>
<td>Fixed real assets</td>
<td>3,232</td>
<td>3,657</td>
<td></td>
</tr>
<tr>
<td>Long-term receivables</td>
<td>194</td>
<td>182</td>
<td></td>
</tr>
<tr>
<td>Deferred income tax assets</td>
<td>348</td>
<td>244</td>
<td></td>
</tr>
<tr>
<td>Long-term prepayments</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td><strong>Working capital</strong></td>
<td><strong>95,521</strong></td>
<td><strong>85,150</strong></td>
<td>+12.2%</td>
</tr>
<tr>
<td>Inventories</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Receivables for goods and services sold</td>
<td>1,590</td>
<td>802</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>55,666</td>
<td>59,233</td>
<td></td>
</tr>
<tr>
<td>Short-term prepayments</td>
<td>411</td>
<td>109</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>137,752</strong></td>
<td><strong>122,318</strong></td>
<td>+12.6%</td>
</tr>
</tbody>
</table>
## Balance sheet – liabilities

<table>
<thead>
<tr>
<th>[thous. PLN]</th>
<th>March 31, 2022</th>
<th>March 31, 2021</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Own equity</strong></td>
<td>124 510</td>
<td>107 370</td>
<td>+16.0%</td>
</tr>
<tr>
<td>Initial equity</td>
<td>515</td>
<td>515</td>
<td></td>
</tr>
<tr>
<td>Supplementary capital</td>
<td>33 306</td>
<td>28 547</td>
<td></td>
</tr>
<tr>
<td>Net profit (loss) for the fiscal year</td>
<td>-391</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td>Advance payment for a dividend</td>
<td>91 080</td>
<td>78 270</td>
<td></td>
</tr>
<tr>
<td><strong>abilities and provisions</strong></td>
<td>13 242</td>
<td>14 948</td>
<td>-11.4%</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>796</td>
<td>1 536</td>
<td></td>
</tr>
<tr>
<td>Deferred income tax</td>
<td>1</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Short-term liabilities</strong></td>
<td>12 446</td>
<td>13 412</td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>11 153</td>
<td>6 820</td>
<td></td>
</tr>
<tr>
<td>Current income tax</td>
<td>150</td>
<td>5 483</td>
<td></td>
</tr>
<tr>
<td>Other payables</td>
<td>323</td>
<td>306</td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>137 752</td>
<td>122 318</td>
<td>+12.6%</td>
</tr>
</tbody>
</table>
## Cash position

<table>
<thead>
<tr>
<th></th>
<th>2021/22</th>
<th>2020/21</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit/loss</strong></td>
<td>127 942</td>
<td>107 104</td>
<td></td>
</tr>
<tr>
<td><strong>Total adjustments, including:</strong></td>
<td>2 219</td>
<td>1 673</td>
<td></td>
</tr>
<tr>
<td><strong>Depreciation and amortization</strong></td>
<td>11 921</td>
<td>9 782</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td>115 455</td>
<td>106 494</td>
<td></td>
</tr>
<tr>
<td><strong>Sale of intangible assets and tangible fixed assets</strong></td>
<td>24</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Investments in intangibles and in real fixed assets</strong></td>
<td>(16 869)</td>
<td>(13 788)</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flow from investing activities</strong></td>
<td>(16 845)</td>
<td>(13 788)</td>
<td></td>
</tr>
<tr>
<td><strong>Dividends paid</strong></td>
<td>(101 454)</td>
<td>(71 327)</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash flow from financing activities</strong></td>
<td>(102 177)</td>
<td>(72 154)</td>
<td></td>
</tr>
<tr>
<td><strong>Total net cash flow</strong></td>
<td>(3 567)</td>
<td>20 552</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cash at the beginning of the period</strong></td>
<td>59 233</td>
<td>38 682</td>
<td></td>
</tr>
<tr>
<td><strong>Cash at the end of the period</strong></td>
<td>55 666</td>
<td>59 233</td>
<td>-6.0%</td>
</tr>
</tbody>
</table>
Dividend policy

In accordance with the current dividend policy described in the Company’s Prospectus, the Management Board of LiveChat Software S.A. recommended to the General Meeting the payment of the maximum (in accordance with applicable regulations) part of the profit for the previous financial year in the form of a dividend, unless there are investment opportunities that would provide the Company and shareholders with a higher rate of return than the payment of the dividend.

The Management Board, with the consent of the Supervisory Board, is entitled to make decisions regarding the payment of advances against the expected dividend.

Description of the significant off-balance sheet items

The Group does not have any significant off-balance sheet items.

Financial forecast

The Management Board of the Company has not published financial projections for the financial year 2021/22.

Description of the use by the Company of the proceeds from issued capital

In the reported period the Company did not issue any shares.
6.2. Presentation of the standalone results

Income Statement

<table>
<thead>
<tr>
<th>[PLN thous.]</th>
<th>2021/22</th>
<th>2020/21</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>222 515</td>
<td>179 010</td>
<td>+24.3%</td>
</tr>
<tr>
<td>Costs of goods sold</td>
<td>33 004</td>
<td>25 515</td>
<td></td>
</tr>
<tr>
<td>Gross profit (loss)</td>
<td>189 511</td>
<td>153 496</td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>44 530</td>
<td>31 939</td>
<td></td>
</tr>
<tr>
<td>General management and administration</td>
<td>17 251</td>
<td>12 349</td>
<td></td>
</tr>
<tr>
<td>Profit (loss) on sales</td>
<td>127 730</td>
<td>109 207</td>
<td></td>
</tr>
<tr>
<td>Other operating income</td>
<td>121</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>1 111</td>
<td>116</td>
<td></td>
</tr>
<tr>
<td><strong>Operating profit (loss)</strong></td>
<td><strong>126 741</strong></td>
<td><strong>109 121</strong></td>
<td><strong>+16.1%</strong></td>
</tr>
<tr>
<td>Financial income</td>
<td>752</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Financial expenses</td>
<td>0</td>
<td>2 406</td>
<td></td>
</tr>
<tr>
<td>Profit (loss) before tax</td>
<td>127 493</td>
<td>106 720</td>
<td></td>
</tr>
<tr>
<td>Income tax</td>
<td>8 919</td>
<td>6 944</td>
<td></td>
</tr>
<tr>
<td><strong>Net profit (loss)</strong></td>
<td><strong>118 574</strong></td>
<td><strong>99 776</strong></td>
<td><strong>+18.8%</strong></td>
</tr>
</tbody>
</table>
## Balance sheet – assets

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2022</th>
<th>March 31, 2021</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed assets</strong></td>
<td>40 618</td>
<td>34 832</td>
<td>+16.6%</td>
</tr>
<tr>
<td>Intangible and legal assets</td>
<td>38 456</td>
<td>33 083</td>
<td></td>
</tr>
<tr>
<td>Fixed real assets</td>
<td>1 617</td>
<td>1 319</td>
<td></td>
</tr>
<tr>
<td>Long-term receivables</td>
<td>194</td>
<td>182</td>
<td></td>
</tr>
<tr>
<td>Deferred income tax assets</td>
<td>348</td>
<td>244</td>
<td></td>
</tr>
<tr>
<td>Long-term prepayments</td>
<td>349</td>
<td>246</td>
<td></td>
</tr>
<tr>
<td><strong>Working capital</strong></td>
<td>92 738</td>
<td>83 336</td>
<td>+11.3%</td>
</tr>
<tr>
<td>Inventories</td>
<td>12</td>
<td>61</td>
<td></td>
</tr>
<tr>
<td>Receivables for goods and services sold</td>
<td>4 915</td>
<td>1 445</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>38 509</td>
<td>25 212</td>
<td></td>
</tr>
<tr>
<td>Short-term prepayments</td>
<td>48 890</td>
<td>56 509</td>
<td></td>
</tr>
<tr>
<td>Short-term payments</td>
<td>411</td>
<td>109</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>133 356</td>
<td>118 168</td>
<td>+12.9%</td>
</tr>
</tbody>
</table>
# Balance sheet – liabilities

<table>
<thead>
<tr>
<th>[thous. PLN]</th>
<th>March 31, 2022</th>
<th>March 31, 2021</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Own equity</strong></td>
<td>123 040</td>
<td>105 921</td>
<td>+16.2%</td>
</tr>
<tr>
<td>Initial equity</td>
<td>515</td>
<td>515</td>
<td></td>
</tr>
<tr>
<td>Supplementary capital</td>
<td>33 306</td>
<td>28 547</td>
<td></td>
</tr>
<tr>
<td>Net profit (loss) for the fiscal year</td>
<td>118 574</td>
<td>99 776</td>
<td></td>
</tr>
<tr>
<td>Advance payment for a dividend</td>
<td>-29 355</td>
<td>-22 918</td>
<td></td>
</tr>
<tr>
<td><strong>abilities and provisions</strong></td>
<td>10 316</td>
<td>12 247</td>
<td>-15.8%</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>1</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Deferred income tax</td>
<td>1</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Short-term liabilities</strong></td>
<td>5 844</td>
<td>9 088</td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>5 370</td>
<td>3 299</td>
<td></td>
</tr>
<tr>
<td>Current income tax</td>
<td>324</td>
<td>303</td>
<td></td>
</tr>
<tr>
<td>Other payables</td>
<td>4 472</td>
<td>3 159</td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>133 356</td>
<td>118 168</td>
<td>+12.9%</td>
</tr>
</tbody>
</table>
## Cash Position

<table>
<thead>
<tr>
<th>[thous. PLN]</th>
<th>2021/22</th>
<th>2020/21</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit/loss</strong></td>
<td>118 574</td>
<td>99 776</td>
<td></td>
</tr>
<tr>
<td><strong>Total adjustments, including:</strong></td>
<td>-7 893</td>
<td>4 742</td>
<td></td>
</tr>
<tr>
<td><strong>Depreciation and amortization</strong></td>
<td>11 197</td>
<td>8 956</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td>110 681</td>
<td>104 518</td>
<td></td>
</tr>
<tr>
<td><strong>Sale of intangible assets and tangible fixed assets</strong></td>
<td>24</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Investments in intangibles and in real fixed assets</strong></td>
<td>16 869</td>
<td>13 788</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flow from investing activities</strong></td>
<td>-16 845</td>
<td>-13 788</td>
<td></td>
</tr>
<tr>
<td><strong>Dividends paid</strong></td>
<td>101 455</td>
<td>71 328</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash flow from financing activities</strong></td>
<td>-101 455</td>
<td>-71 328</td>
<td></td>
</tr>
<tr>
<td><strong>Total net cash flow</strong></td>
<td>-7 619</td>
<td>19 402</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cash at the beginning of the period</strong></td>
<td>56 509</td>
<td>37 107</td>
<td></td>
</tr>
<tr>
<td><strong>Cash at the end of the period</strong></td>
<td>48 890</td>
<td>56 509</td>
<td>-13.5%</td>
</tr>
</tbody>
</table>
7. Social responsibility

7.1. Team

The values we follow

The LiveChat Software Living Constitution defines the mission, vision and values used inside the Company every day. The seven values, which are the foundation to the culture built by the Company are formulated as follows:

- "Fight for every inch" mindset
- Keep it simple
- Teamwork
- Take ownership
- Learn from mistakes
- Be creative
- Tell it like it is

Members of the team

The LiveChat Software team consists of independent persons and entities engaged in sole proprietorship (hereinafter "Partners"), and the principles of cooperation with the Company are specified in civil law or unnamed contracts. The Company has no employees under employment contracts. The use of such forms of cooperation enables a flexible selection of the best specialists according to the Company’s needs and quick response to the constantly changing economic environment related to the availability of personnel resources on the market at a given time. The Company also adjusts the terms of cooperation to the availability of Partners, the scope of activities performed by them, or the place where they perform them. It is especially characteristic of the IT sector in which the Company operates, where individual specialists can perform their services at various stages of the product life cycle. The essence of this cooperation is the fact that specialists transfer proprietary copyrights and property rights related to the works they have created to the Company.

In a very competitive environment, such as the IT industry today, the Company also undertakes additional team-oriented initiatives aimed at building the organizational culture in accordance with the adopted policy and cooperation values outlined by the Company so as to maintain favorable relations with partners.

The non-financial data presented below, as comprehensively as possible, present the Company’s team.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.03.2020</td>
<td>169</td>
</tr>
<tr>
<td>31.03.2021</td>
<td>212</td>
</tr>
<tr>
<td>31.03.2022</td>
<td>268</td>
</tr>
</tbody>
</table>

As of March 31, 2022, the Company’s team consisted of 268 people, which means an increase of 26.4% as compared to the previous year. The annual growth of the team, similarly to last year, results mainly from the strategy of developing already existing products and the increased demand for them from the clients.
As of the end of the financial year:

- 23% of the Company’s team were people engaged in work on the product (LiveChat, ChatBot, HelpDesk and KnowledgeBase);
- 22% of the team was responsible for the technology (administration of the infrastructure and security) and also Marketplace, Developers Program and API;
- 20% of the team was engaged in the marketing of our products, SEO, content and their graphical design;
- 25% of the team are the sales team and Support Heroes who work directly with the clients;
- 11% of the team, named together as the Back Office, consists of People Team, Legal and Finance.

Dialogue with the team

The Company works in so-called Product Increments (PI), i.e. 10-week periods divided into two-week sprints. Each PI begins with a planning session, which is then presented to the entire team of the Company, and individual sprints end with a presentation of completed projects. The online forum of the presentations allows the entire team to participate and it gives also an opportunity to ask questions and share insights. Presentations on the Company’s strategy and the strategy of individual products are also conducted remotely so that the entire team can participate and be active, even during Q&A sessions.

As an organization composed of people, we know how important it is to listen to the needs and remarks of the team. For this reason, we have been conducting a satisfaction survey once a year for two years. In September 2021, more than three-quarters of the team took part in an online survey and rated the cooperation with the Company. Results show that 94% of our partners perceive our Company as reliable and would recommend cooperation with the Company. This result is 8 percentage points better than in 2020.

No collective bargaining agreements exist and no trade unions operate in the Company or the Group.

Team structure

In the financial year, there had been no major changes in the structure of the Company. As of September 2021, Filip Jaskolski joined the group of CXOs initially as Chief Innovation Officer and later took over the role of Chief Product Officer. There are eight CXOs, who have been working with the Company for many years.
Changes on the team

In the financial year 2021/22, we significantly increased the team. The increase in the team results from the challenges faced by the Company, including the constant development of its existing products, work on new products, and providing the highest quality services and support for a growing number of customers. The growth of the organization in departments related to technology and product, as well as in marketing and sales, combined with the growing regulatory challenges, also forces the organization to strengthen areas such as People Team, finance, and legal services.

The number of new agreements of cooperation with Partners in the financial year 2021/22 by sex and age

<table>
<thead>
<tr>
<th></th>
<th>Women</th>
<th>Men</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;30 years old</td>
<td>11</td>
<td>31</td>
<td>42</td>
</tr>
<tr>
<td>30-50</td>
<td>16</td>
<td>30</td>
<td>46</td>
</tr>
<tr>
<td>&gt;50 years old</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Sum</strong></td>
<td>27</td>
<td>61</td>
<td>88</td>
</tr>
<tr>
<td><strong>Ratio of new Partners</strong></td>
<td>29.7%</td>
<td>34.5%</td>
<td>32.8%</td>
</tr>
</tbody>
</table>

The number of terminated agreements of cooperation with Partners in the financial year 2021/22 by sex and age

<table>
<thead>
<tr>
<th></th>
<th>Women</th>
<th>Men</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;30 years old</td>
<td>5</td>
<td>12</td>
<td>17</td>
</tr>
<tr>
<td>30-50</td>
<td>6</td>
<td>18</td>
<td>24</td>
</tr>
<tr>
<td>&gt;50 years old</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Sum</strong></td>
<td>11</td>
<td>30</td>
<td>41</td>
</tr>
<tr>
<td><strong>Partners’ turnover ratio</strong></td>
<td>12.1%</td>
<td>16.9%</td>
<td>15.3%</td>
</tr>
</tbody>
</table>

The ratio of new Partners in the financial year 2021/22 was 32.8% while the Partners’ turnover ratio 15.3%
The number of new agreements of cooperation with Partners in the financial year 2021/22 by region and age

<table>
<thead>
<tr>
<th>Region</th>
<th>&lt;30 years old</th>
<th>30-50</th>
<th>&gt;50 years old</th>
<th>Sum</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>41</td>
<td>41</td>
<td>0</td>
<td>82</td>
<td>42</td>
</tr>
<tr>
<td>the rest of Europe</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>USA</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>46</td>
</tr>
<tr>
<td>All</td>
<td>42</td>
<td>46</td>
<td>0</td>
<td>88</td>
<td></td>
</tr>
</tbody>
</table>

Ratio of new Partners

<table>
<thead>
<tr>
<th>Region</th>
<th>Poland</th>
<th>the rest of Europe</th>
<th>USA</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;30 years old</td>
<td>32.2%</td>
<td>60.0%</td>
<td>60.0%</td>
<td>32.8%</td>
</tr>
<tr>
<td>30-50</td>
<td>60.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt;50 years old</td>
<td>60.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sum</td>
<td>32.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The number of terminated agreements of cooperation with Partners in the financial year 2021/22 by region and age

<table>
<thead>
<tr>
<th>Region</th>
<th>&lt;30 years old</th>
<th>30-50</th>
<th>&gt;50 years old</th>
<th>Sum</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>17</td>
<td>23</td>
<td>0</td>
<td>41</td>
<td>17</td>
</tr>
<tr>
<td>the rest of Europe</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>USA</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>24</td>
</tr>
<tr>
<td>All</td>
<td>17</td>
<td>24</td>
<td>0</td>
<td>42</td>
<td></td>
</tr>
</tbody>
</table>

Partners' turnover ratio

<table>
<thead>
<tr>
<th>Region</th>
<th>Poland</th>
<th>the rest of Europe</th>
<th>USA</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;30 years old</td>
<td>15.5%</td>
<td>0.0%</td>
<td>20.0%</td>
<td>15.3%</td>
</tr>
<tr>
<td>30-50</td>
<td>0.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt;50 years old</td>
<td>0.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sum</td>
<td>15.3%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The increase in the size of the team in the United States and Europe is related to the growing customer base in these regions and the need to support the sales department with Partners who know the specifics of operating in these markets.

The Company is aware that today’s business is a relationship market. For this reason, through many channels, it proactively seeks specialized Partners to maintain an appropriate degree of innovation in its products, which will allow the Company to increase its share in the global market. The Company itself comes out with offers of cooperation and is also open to meetings with potential Partners who offer the Company their specialized services.

Internal referral system

In 2020, the Company introduced an internal referral system, thanks to which our associates can receive a cash bonus if a specialist recommended by them establishes cooperation with the Company. The internal recommendation system is one of the most effective methods of attracting specialists with niche competencies sought by the Company.
Diversity

The basic document regulating the issues of diversity is the "Diversity Policy for the Management Board of LiveChat Software" adopted by the Supervisory Board in June 2021. The adopted rules are applied not only by the Supervisory Board to the Management Board, but also by the Management Board to the entire LiveChat Software team.

In our definition, diversity is the recognition of the uniqueness of each person, their unique predispositions and competences, regardless of the differences based on visible and invisible, inborn and acquired characteristics, such as, for example, gender, age, origin, disability, sexual orientation, family and marital status, values, political beliefs, personality traits, education and interests. Respect for diversity is one of the fundamental human rights and freedoms.

For the Company, diversity is not only a matter of cooperation with Partners of different experiences, gender or age, but also a matter of different locations and any place from which Partners can provide services in different time zones.

We also point out that organizations that advocate, support, or practice discrimination based on age, ethnicity, gender, national origin, disability, race, size, religion, sexual orientation, or socioeconomic status are not eligible to participate in this program "LiveChat for Nonprofit". Organizations must be willing and able to attest that they do not discriminate on any of these grounds in order to receive products in this program.

Diversity at the governing bodies

When selecting members of the Management Board of the Company, the Supervisory Board will apply all the principles of diversity set out in the Diversity Policy, while the Supervisory Board appoints to the Management Board of the Company only people with appropriate competences, skills and experience necessary to act in the interests of the Company and its shareholders, including people showing leadership, managerial and commitment qualities - qualities that will be necessary to ensure the Company's further dynamic development, efficiency and operational safety.

In the financial years 2021/2022 and 2020/2021, the Management Board of the Company was composed of women and men in equal proportions. On the other hand, the share of women in the Supervisory Board increased
over the last year and as of the date of publication of this report, there are 2 women who currently constitute 40% of the composition of the Supervisory Board.

The number of people in the governing bodies of the Company by gender, age, region and nationality as at the date of publication of this report

<table>
<thead>
<tr>
<th></th>
<th>Management Board</th>
<th>Supervisory Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>Men</td>
<td>50%</td>
<td>60%</td>
</tr>
<tr>
<td>&lt;30 years old</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>30-50</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>&gt;50 years old</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Poland</td>
<td>0%</td>
<td>60%</td>
</tr>
<tr>
<td>Europe (outside of Poland)</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>North America</td>
<td>100%</td>
<td>40%</td>
</tr>
<tr>
<td>Polish citizens</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Citizens of other countries</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Diversity in the team

At the end of fiscal 2021/22, women made up 34% of the team and this figure has not changed over the past year. In contrast, among the CXOs group, three out of eight are women.

The Company's team is a young team, 42% of which are people under the age of 30. The vast majority of the team works from Poland - from Wrocław, but also from other Polish cities, currently in the remote work model. At the same time, in recent years the number of Partners who are located in Europe or in the United States has been increasing.

The number of Partners of the Company by sex, age, region and origin as at March 31, 2022

<table>
<thead>
<tr>
<th></th>
<th>Whole team</th>
<th>CXOs Group</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>34%</td>
<td>38%</td>
<td>34%</td>
</tr>
<tr>
<td>Men</td>
<td>66%</td>
<td>63%</td>
<td>66%</td>
</tr>
<tr>
<td>&lt;30 years old</td>
<td>42%</td>
<td>25%</td>
<td>43%</td>
</tr>
<tr>
<td>30-50</td>
<td>58%</td>
<td>75%</td>
<td>57%</td>
</tr>
<tr>
<td>&gt;50 years old</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Poland</td>
<td>97%</td>
<td>100%</td>
<td>97%</td>
</tr>
<tr>
<td>Europe (outside of Poland)</td>
<td>2%</td>
<td>0%</td>
<td>2%</td>
</tr>
<tr>
<td>North America</td>
<td>1%</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Polish citizens</td>
<td>95%</td>
<td>100%</td>
<td>95%</td>
</tr>
<tr>
<td>Other nationals</td>
<td>5%</td>
<td>0%</td>
<td>5%</td>
</tr>
</tbody>
</table>
7.2. Cooperation with other organizations

Sponsor and charity activities

In 2022, LiveChat Group made 12 charity donations of a financial nature for a total amount of PLN 1,126,074.60. Donations were made by the Company to public-benefit foundations in the following areas:

- humanitarian activities in connection with the outbreak of the war in Ukraine - donations of PLN 1,000,000 were made to the Polish Humanitarian Action and PLN 20,000 to the Polish Red Cross.
- activities in the area of technology - PLN 71,077.50 was paid by the Company to the founding capital of the Tech to the Rescue initiative, of which LiveChat Software is one of the founding members;
- supporting people fighting cancer in the amount of PLN 23,844 for the Cancer Fighters Foundation. This amount was obtained from an auction of used computer equipment, the proceeds of which supported the Cancer Fighters Foundation.

The remaining donations in the amount of PLN 6,990.40 were made by the Company to seven foundations, as selected by our team. It took place on Valentine's Day in February 2022, during the "Value-tine" campaign, in which the Partners chose their favorite value of the Company and the organization that was supported.

Our Subsidiary also made a donation of USD 1,000 to the Movember Foundation, which is not only our client in the LiveChat for Nonprofit program. We also engage in their activities every November during the Movember campaign (educational campaign for testicular cancer).

“LiveChat for Nonprofits”

As part of the “LiveChat for Nonprofits” program, we support non-government organizations from around the world by making our products available to them free of charge. At the date of the publication of this report, 277 organizations from around the world were registered in the "Care to Chat" program. They used 2,374 agents who (from the beginning of the program’s existence) conducted 1,286,022 chats.

Among the institutions participating in this program are organizations that, among others: support victims of violence, or provide water supplies for refugee camps. In the last financial year, the organizations supported in this way by LiveChat were joined by, among others: Touché, Girl Scouts, W.O.M.A.N, Inc., or LifeServe Blood Centre.
Tech to the Rescue

LiveChat Software is one of the founding members of the “Tech to the Rescue” initiative, which aims to connect tech companies with non-profits. As part of this cooperation, some of LiveChat team members were engaged together with the Touch foundation in the creation of the beta-version of the chatbot helped to temper anger. It was presented during the Film Festival in Ghent in Belgium.

CodersCamp

Since October 2021, we have supported the CodersCamp project organized by the non-profit organization - CodersCrew. LiveChat became the strategic partner of the entire course, which lasted for 6 months and ended with a hackathon organized in June 2022 in our office.

CodersCamp is an open programming course, and its aim is to teach the basics of web programming (frontend and backend). As a strategic partner, the Company supported the participants throughout the course - substantively and substantially (live coding sessions, podcast dedicated to CodersCamp participants, invitations to our demo and tech tales). At the end of the course, we offered four participants scholarships in the amount of PLN 10,000, awarded the three best projects and provided substantive support (consultations with experts, books) to the rest of the outstanding participants.
8. Environmental responsibility

Due to the profile of our activities, the approach to environmental protection in our company is based primarily on two aspects:

- responsible management of natural resources (waste and recyclable management, reduction of water and energy consumption);
- use of environmentally-friendly technologies whenever possible.

In the financial year 2021/22, no proceedings were pending against the LiveChat Group for violations in the field of environmental protection and no sanctions were imposed.

For years, our approach to environmental protection has been aimed at reducing energy and water consumption in our office, as well as conducting the waste segregation process as well as possible.

The pro-environmental solutions that we use in our office are:

- possibility of remote work for team members,
- the office uses mainly filtered water from the tap, and we also use large-capacity cylinders,
- only ecological cleaning agents are used to clean the office,
- we use recycled paper and try to reuse cardboard packaging,

One of the basic manifestations of care for the environment in the LiveChat Group is the handling of waste. The division into 5 fractions is therefore the used method of segregation, resulting from the regulations. In the case of used computer equipment, it is first transferred to auctions, the income from which is transferred to non-governmental organizations. And the remaining electro-equipment is sent to selective municipal waste collections (“PSZOK”).

Due to the ongoing COVID-19 pandemic in the financial year 2021/22, and above all due to the Company’s decision to adopt the remote work model, the number of people who worked in the office was significantly lower than in the years preceding the pandemic. Water and electricity consumption during this period does not reflect the full utility consumption if the entire team worked from the office. However, the Company plans to continue operating in the “work from anywhere” model and its team members prefer remote work, therefore we assume that the office will not return to full “occupancy”.

71
Remote work reduces the need for colleagues to travel, but it is worth mentioning that the Company has been encouraging team members to use bikes for years and has even been awarded the title of "bicycle employer of the year".

Water consumption

The LiveChat Software office uses equipment that reduces water consumption. The Company’s office uses the municipal water supply system. Water consumption was presented jointly for the Company’s headquarters and the rented recording studio.

<table>
<thead>
<tr>
<th>Resources</th>
<th>unit</th>
<th>2021/22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>m3</td>
<td>130.3</td>
</tr>
</tbody>
</table>

Electricity consumption

Photovoltaic panels installed on the rooftop of the Company's office in the financial year 2021/22 generated a total of 43.2 MWh (156 GJ), effectively preventing the emission of 32 tons of carbon dioxide equivalents into the atmosphere.

<table>
<thead>
<tr>
<th>Type of energy</th>
<th>Unit</th>
<th>2021/22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased energy</td>
<td>MWh</td>
<td>110.8</td>
</tr>
<tr>
<td>Energy produced by the photovoltaic panels (renewable energy)</td>
<td>MWh</td>
<td>43.2</td>
</tr>
</tbody>
</table>

The electricity supplier generates 18.98% of energy from renewable energy resources.
9. Corporate governance

9.1. Information about the shares and shareholders

Structure of the initial equity

As of the date of this report, the initial equity of the company consisted of 25,750,000 (twenty-five million, seven hundred and fifty thousand) ordinary shares issued and fully paid up, including 25,000,000 (twenty-five million) series A shares and 750,000 (seven hundred and fifty) thousand series B shares. Par value of each share is equal to PLN 0.02 (two grosze).

Shareholder structure

As of March 31, 2022, the largest shareholder of LiveChat Software S.A. was a Shareholders’ consortium - a dominant shareholder, consisting of people in the Management Board of the Company, the Supervisory Board of the Company and the Company’s managers. In total, they held 10,792,022 shares, constituting of 41.90% of the total number of votes at the general meeting.

The other shareholders, whose involvement exceeded 5% of the share capital, were two Polish open pension funds, Aviva OFE and Nationale Nederlanden Polskie Towarzystwo Emerytalne. As of December 31, 2022, they held 1,721,793 and 1,590,680 shares, respectively, representing 6.69% and 6.18% of the total number of votes at the general meeting.

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of shares and votes</th>
<th>% of shares and votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aviva OFE Aviva Santander</td>
<td>1,721,793</td>
<td>6.69%</td>
</tr>
<tr>
<td>Nationale-Nederlanden PTE</td>
<td>1,590,680</td>
<td>6.18%</td>
</tr>
<tr>
<td>The shareholder consortium - dominant shareholder, incl. shareholders with 5%+ shares and votes:</td>
<td>10,792,022</td>
<td>41.90%</td>
</tr>
<tr>
<td>Mariusz Ciepły</td>
<td>3,366,250</td>
<td>13.07%</td>
</tr>
<tr>
<td>Maciej Jarzębowski</td>
<td>2,366,250</td>
<td>9.19%</td>
</tr>
<tr>
<td>Jakub Sitarz</td>
<td>3,010,000</td>
<td>11.69%</td>
</tr>
<tr>
<td>Others</td>
<td>11,647,505</td>
<td>45.23%</td>
</tr>
<tr>
<td>Together</td>
<td>25,750,000</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Certain shareholders have made a formal agreement on a joint vote: The shareholder consortium - dominant shareholder consists of the following persons: Mariusz Ciepły, Urszula Jarzębowska, Jakub Sitarz, Maciej Jarzębowski, Szymon Klimczak, and Krzysztof Górski.

During the financial year, the Company did not record any significant changes in the shareholding structure. However, over the last 1.5 years, the share of foreign investors has increased and at the end of the financial year, it amounted to approx. 25%, while Polish investors accounted for approx. 33%. The remaining part of the Company’s shares belongs to the members of the shareholders’ agreement.

Controlling rights and restriction of rights from shares

None of the Company’s shares give any controlling powers, and there are no restrictions on the rights attached to the shares of the Company.

The Company does not have an employee share program, and therefore it does not have an employee share plan control system.
9.2. Governing bodies of the Company

The governing bodies of the Company are the General Meeting of Shareholders, the Supervisory Board together with the Audit Committee and the Management Board of the Company. The scope of competences of individual governing bodies and issues related to their operation are determined by the law, in particular the Code of Commercial Companies, and the Statute of LiveChat Software S.A., which is available on the Company’s website dedicated to investor relations: https://investor.livechatinc.com.

9.2.1. Management Board

The Management Board of the current term of office in the following composition was appointed for a three-year term, which will expire on the date of the General Meeting of the company approving the financial statements for the financial year 2022/2023.

As of the date of the report, the Management Board of LiveChat Software S.A. consisted of:

<table>
<thead>
<tr>
<th>First name and surname</th>
<th>Function</th>
<th>The number of years as the Company’s Management Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mariusz Ciepły</td>
<td>CEO</td>
<td>12</td>
</tr>
<tr>
<td>Urszula Jarzębowska</td>
<td>Board member</td>
<td>12</td>
</tr>
</tbody>
</table>

In the course of the 2021/22 financial year, the Management Board worked in the above composition.

Mariusz Ciepły is one of the founders and core shareholders of LiveChat Software. He has been serving as the Company’s CEO since 2010. Mr. Ciepły has a degree in IT engineering, specialization in the engineering of IT systems, having graduated from the Faculty of Electronics at the Technical University in Wrocław. He is also a member of the supervisory boards at Time Solutions sp. z o.o. and Brand 24 S.A.

Urszula Jarzębowska has been serving as a Board Member at LiveChat Software S.A. since 2010. She has been working at the Company since 2002. Ms. Jarzębowska has a master’s degree from the Wrocław University of Economics, Faculty of the National Economy, where she presented her master’s thesis at the Department of Accounting and Corporate Controlling. During her professional career, she has also completed post-graduate studies in Financial Controlling at the Higher Banking School in Wrocław and studies in the International Accounting Standards (IAS/IFRS) at the Leon Koźmiński Academy in Warsaw. She also has professional experience from companies such as Bankier.pl and Internet Works. She is also a member of the supervisory Board for Venture Inc ASI S.A.

Remuneration of the Company’s Management Board

Remuneration of members of the Management Board of LiveChat Software S.A. in the period between April 1, 2021 and March 31, 2022 and the previous year
Remuneration of the Company’s Management Board in the 2021/22 financial year

<table>
<thead>
<tr>
<th>First name and surname</th>
<th>Function</th>
<th>Remuneration (PLN thous.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Fixed</td>
</tr>
<tr>
<td>Mariusz Ciepły</td>
<td>CEO</td>
<td>865.2</td>
</tr>
<tr>
<td>Urszula Jarzębowska</td>
<td>Member of the Management Board</td>
<td>570.0</td>
</tr>
<tr>
<td><strong>SUM</strong></td>
<td></td>
<td>-</td>
</tr>
</tbody>
</table>

Remuneration of the Company’s Management Board in the 2021/22 financial year

<table>
<thead>
<tr>
<th>First name and surname</th>
<th>Function</th>
<th>Remuneration (PLN thous.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Fixed</td>
</tr>
<tr>
<td>Mariusz Ciepły</td>
<td>CEO</td>
<td>729.2</td>
</tr>
<tr>
<td>Urszula Jarzębowska</td>
<td>Member of the Management Board</td>
<td>482.5</td>
</tr>
<tr>
<td><strong>SUM</strong></td>
<td></td>
<td>-</td>
</tr>
</tbody>
</table>

Information on any liabilities arising from pensions and similar benefits for former managers, supervisors or former members of administrative bodies and on liabilities incurred in relation to these pensions, with an indication of the total amount for each category of body.

The Company has no obligations of this kind.

**Principles of election and operation of the Management Board**

The Management Board of the Company consists of one to five members, including the President of the Management Board. The term of office of the Management Board is three years.

Members of the Management Board are appointed and dismissed by the Supervisory Board.

The Management Board represents the Company and manages the affairs of the Company.

The Management Board acts on the basis of Code of Commercial Companies regulations, Company’s Articles of Association, resolutions of the Supervisory Board, resolutions of the General Meeting, Managing Board regulations and the common legal regulations.

The Management Board carries out its duties collectively, taking up resolutions at Managing Board meetings. Resolutions are taken up by an ordinary majority of votes cast. The vote of Chief Executive Officer prevails if the number of votes is equal.

The Management Board takes up resolutions if the meeting is attended by at least half the members of the Management Board, including the Chief Executive Officer. Management Board meetings will be held at least once a month. The meetings are called by the Chief Executive Officer, or, in his or her absence, by the Deputy Chief Executive Officer or another Board member replacing the Chief Executive Officer. Meetings of the Management Board may also take place without being formally called up, if all members of the Management Board are present at such meetings.

Management Board meetings are called at the request of each Board member, with an agenda indicated by the applicant. Other matters may also be considered at such Board meetings, as long as these matters are listed on the agenda.
Board meetings are chaired by the Chief Executive Officer or by another member designated by the Chief Executive Officer, or, in their absence, by another Board member. Board members may participate in the meeting using remote communications devices.

Persons invited by the Chief Executive Officer may participate in Board meetings.

The Management Board may take up a resolution outside of the Board meeting, through a written vote or a vote held using remote communications devices. The principles of operation of the Management Board have been described in detail in the Company’s Articles of Association and in Management Board Regulations (full text is available on the Company’s website).

9.2.2. Supervisory Board

Until September 18, 2021, the Supervisory Board was composed of the following persons:

<table>
<thead>
<tr>
<th>First name and surname</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maciej Jarzębowski</td>
<td>Chairman of the Supervisory Board</td>
</tr>
<tr>
<td>Marcin Mańdziak</td>
<td>Member of the Supervisory Board</td>
</tr>
<tr>
<td>Jakub Sitarz</td>
<td>Member of the Supervisory Board</td>
</tr>
<tr>
<td>Marta Ciepła</td>
<td>Member of the Supervisory Board</td>
</tr>
<tr>
<td>Michał Markowski</td>
<td>Member of the Supervisory Board</td>
</tr>
</tbody>
</table>

On August 18, 2021, the Ordinary General Meeting of the Supervisory Board appointed a five-person Supervisory Board for a three-year term of office, which will expire on the date of the General Meeting of the Company approving the financial statements for the financial year 2023/2024.

Candidates for the Supervisory Board of the current term of office were proposed by the Shareholders’ Agreement and by the Company’s shareholder - Aviva Otwarty Fundusz Emerytalny Aviva Santander. In the process of standing for the Supervisory Board, candidates submit appropriate declarations, inter alia, on meeting the independence criterion.

Since August 18, 2021, and on the date of the publication of this report, the composition of the Supervisory Board is as follows:

<table>
<thead>
<tr>
<th>First name and surname</th>
<th>Function</th>
<th>The number of years as the Company’s Supervisory Board member</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maciej Jarzębowski</td>
<td>Chairman of the Supervisory Board</td>
<td>11</td>
</tr>
<tr>
<td>Jakub Sitarz</td>
<td>Deputy chairman of the Supervisory Board</td>
<td>8</td>
</tr>
<tr>
<td>Marcin Mańdziak</td>
<td>Member of the Supervisory Board</td>
<td>6</td>
</tr>
<tr>
<td>Marta Ciepła</td>
<td>Member of the Supervisory Board</td>
<td>6</td>
</tr>
<tr>
<td>Marzena Czapaluk</td>
<td>Member of the Supervisory Board</td>
<td>1</td>
</tr>
</tbody>
</table>
Maciej Jarzębowski has a secondary education (specialization: catering). He graduated from the Trade School of Gastronomy in Wrocław. Between 1999 and 2001 he served as the CEO of Bankier.pl, and between 2001 and 2006 he was the CEO of Internet Works. He served as the Company’s CEO until 2010.

Marcin Mańdziak has a master’s degree. He graduated from the Department of Law at the Faculty of Law, Administration and the Economy of the University of Wrocław, and has been working in the stock market branch for the past ten years. He co-founded and served for several years as the deputy CEO of M.W. Trade S.A., which became the first company to transfer from the micricap NewConnect market to the main board of the Warsaw Stock Exchange. Since 2013, he has been CEO and the main shareholder of EFM S.A. At the same time, Mańdziak manages a consulting firm Arandela Marcin Mandziak. He is a Member of the Supervisory Board at Venture Incubator ASI S.A.

Marcin Mańdziak meets the criteria of an independent member of the Supervisory Board.

Jakub Sitarz has a master's degree, having graduated from IT studies at the Faculty of Electronics at the Technical University in Wrocław. He serves as key technology adviser.

Marta Ciepła is a graduate of the University of Natural Science in Wrocław and post-graduate studies in human resources management. She has been involved in the IT industry for over a decade, in recruitment, and the selection of the IT staff. She is an HR manager responsible for team development of the various departments in the companies.

Marzena Czapaluk is a graduate of the University of Economics in Wrocław. She also has 20 years of experience as a financial director (CFO) gained, among others in the company eobuwie.pl S.A. Currently, she is the financial director of Grupa MKK3 Sp. z o.o. She also conducts coaching and mentoring activities. She is a founding member of the FINEXA Financial Directors Association. She obtained, inter alia, the FCCA title awarded by the Association of Chartered Certified Accountants (certificate in finance and accounting). She completed the Advanced Executive Education program at Strategic Leadership Academy implemented by the ICAN Institute.

Marzena Czapaluk meets the criteria of an independent member of the Supervisory Board.

<table>
<thead>
<tr>
<th>The number of changes in the Supervisory Board in a financial year</th>
</tr>
</thead>
<tbody>
<tr>
<td>The number of changes on the Supervisory Board</td>
</tr>
</tbody>
</table>

In the financial year ended on March 31, 2022 there were two meetings held by the Supervisory Board. Together in the meetings and in remote voting, there were 24 resolutions adopted.

<table>
<thead>
<tr>
<th>Number of the meetings of the Supervisory Board in a financial year</th>
</tr>
</thead>
<tbody>
<tr>
<td>The number of meeting of the Supervisory Board</td>
</tr>
</tbody>
</table>

Remuneration of the Supervisory Board members

During the reported period, members of the Supervisory Board received fixed remuneration for appointments and remuneration for participation in a separate audit committee. In the previous financial year, members of the
Supervisory Board received remuneration for performing their functions from September 2020, i.e. for an incomplete period due to the introduction of the remuneration policy at the General Meeting of the Company in August 2021.

### Remuneration of the Company’s Supervisory Board in the financial year 2021/22 (PLN thous.)

<table>
<thead>
<tr>
<th>First name and surname</th>
<th>Function</th>
<th>Remuneration</th>
<th>fixed for appointment</th>
<th>for participation in separate committee</th>
<th>sum of all types of remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maciej Jarzębowski</td>
<td>Chairman of the Supervisory Board</td>
<td>60</td>
<td>0</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>Jakub Sitarz</td>
<td>Deputy chairman of the Supervisory Board</td>
<td>36</td>
<td>2</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td>Marcin Mańdziak</td>
<td>Member of the Supervisory Board</td>
<td>24</td>
<td>3</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td>Marta Ciepła</td>
<td>Member of the Supervisory Board</td>
<td>24</td>
<td>0</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Marzena Czapaluk</td>
<td>Member of the Supervisory Board</td>
<td>15</td>
<td>0</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Michał Markowski</td>
<td>Member of the Supervisory Board</td>
<td>10</td>
<td>1</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td><strong>SUM</strong></td>
<td></td>
<td>-</td>
<td>169</td>
<td>6</td>
<td>175</td>
</tr>
</tbody>
</table>

### Remuneration of the Company’s Supervisory Board in the financial year 2020/21 (PLN thous.)

<table>
<thead>
<tr>
<th>First name and surname</th>
<th>Function</th>
<th>Remuneration</th>
<th>fixed for appointment</th>
<th>for participation in separate committee</th>
<th>sum of all types of remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maciej Jarzębowski</td>
<td>Chairman of the Supervisory Board</td>
<td>35</td>
<td>0</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>Jakub Sitarz</td>
<td>Deputy chairman of the Supervisory Board</td>
<td>21</td>
<td>7</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Marcin Mańdziak</td>
<td>Member of the Supervisory Board</td>
<td>14</td>
<td>11</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Marta Ciepła</td>
<td>Member of the Supervisory Board</td>
<td>14</td>
<td>0</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Michał Markowski</td>
<td>Member of the Supervisory Board</td>
<td>14</td>
<td>0</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td><strong>SUM</strong></td>
<td></td>
<td>-</td>
<td>98</td>
<td>18</td>
<td>116</td>
</tr>
</tbody>
</table>
Principles of the election and operation of the Supervisory Board

The Supervisory Board operates pursuant to the provisions of the Commercial Companies Code, the Articles of Association of the Company, resolutions of the General Meeting, the Regulations of the Supervisory Board and generally applicable provisions of law.

Pursuant to §13 sec. 2 of the Articles of Association, the Supervisory Board of the Company consists of not less than five and not more than nine members appointed by the General Meeting of the Company. The number of members of the Supervisory Board is determined by the General Meeting.

The Supervisory Board shall maintain constant oversight over the Company’s operations in all areas of its activity.

The Supervisory Board shall select, among its members, a Chairperson and a Deputy Chairperson. The Supervisory Board may also select a Secretary.

The Supervisory Board shall meet at least three times in the course of the fiscal year.

Meetings of the Supervisory Board shall be called by the Chairperson of the Supervisory Board, or, in their absence, by the Deputy Chairperson. Board meetings shall be called by the Chairperson at their own initiative, or at the request of any of the Board members, or at the request of the Managing Board. If the Chairperson, when requested to do so by a Supervisory Board member, fails to call such a meeting within 14 days of such a request, the applicant shall be entitled to call a Supervisory Board meeting. The invitation to participate shall include the place and time of the start of the meeting and the planned agenda of the Board meeting. Meetings of the Supervisory Board may also be held without being formally called if all Board members are present and no one objects to such a meeting taking place or has objections to the agenda.

The Secretary of the Supervisory Board shall be in charge of the administration of the Supervisory Board meetings, if such Secretary has been elected, with the Company’s Managing Board responsible for organizational matters.

The meeting’s agenda shall be set by the applicant. The proposed agenda shall incorporate motions made by the Managing Board, for the consideration of the Supervisory Board. The agenda shall be announced by the Chairperson at the beginning of each Board meeting. Upon the opening, every Board member is entitled to demand additional points to be added to the agenda. Such demand shall be subject to a vote by the Board.

Board meetings shall be chaired by the Chairperson of the Supervisory Board, or, in their absence, by the Deputy Chairperson. Minutes of the Supervisory Board meetings shall be taken. Minutes of the Board meetings shall be taken by the Board Secretary, or, in their absence, by another person designated by the Chairperson, or, in their absence, by the Deputy Chairperson.

Supervisory Board members may participate in Board meetings directly, or using remote communications devices.

Company’s Managing Board, individual Managing Board members or other persons may participate in Board meetings if invited to do so, with the exclusion of matters which relate to them personally.

Individual matters on the Board meeting’s agenda shall be presented by Board members who made the motion to have such matters included in the Board meeting’s agenda, the Chairperson of the Board or a person designated by the chairperson.

Minutes of the Supervisory Board meetings shall be signed by all Board members present by the time of the following Board meeting at the latest. Resolutions shall be valid once taken up, i.e. once the vote results have been announced and the resolution is resolved to be accepted, regardless of the time of the signing of such minutes of the Board meetings. Board members may state their objections to the minutes by the next Board meeting at the latest, before signing the minutes. Objections to the content shall be made in writing.
The duration of the meeting, the number and length of breaks, amount of time allocated to speak during the discussion and other procedural matters shall be set by the Board’s Chairperson or Deputy Chairperson chairing the meeting in Chairperson’s absence.

Resolutions of the Supervisory Board shall be valid if all Board members have been invited to such meeting at least one week in advance. Supervisory Board meetings shall be valid, if at least half of all Board members, including members who participate in the meeting using direct remote communications devices, are present at such meeting.

Board Resolutions shall be taken up by a direct majority. The Chairperson’s vote shall prevail if the number of votes is equal.

Resolutions of the Supervisory Board may also be taken up through a written vote, via another Board member or by using direct remote communications devices through which votes of the Supervisory Board members shall be transmitted and recorded. A resolution taken up using this procedure shall be valid if all of the Supervisory Board members have been notified about the draft Resolution. Each Board member shall be required to confirm their vote by placing their signature under the resolution by the next Board meeting at the latest. Transcripts of resolutions taken up by mail shall be attached to minutes of the Board meetings together with records of the vote’s results.

At least one member of the Supervisory Board designated by the Supervisory Board Chairperson shall participate in the General Meetings

9.2.3. Audit Committee

In the period from April 1, 2020 until August 17, 2021, when the term of the Supervisory Board ended, the Audit Committee was composed of the following members:

<table>
<thead>
<tr>
<th>First and last name</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marcin Mańdziak</td>
<td>Chairman of the Audit Committee</td>
</tr>
<tr>
<td>Michał Markowski</td>
<td>Deputy Chairman of the Audit Committee</td>
</tr>
<tr>
<td>Jakub Sitarz</td>
<td>Secretary of the Audit Committee</td>
</tr>
</tbody>
</table>

On September 20, 2021, the Audit Committee was established and composed of:

<table>
<thead>
<tr>
<th>First and last name</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marcin Mańdziak</td>
<td>Chairman of the Audit Committee</td>
</tr>
<tr>
<td>Jakub Sitarz</td>
<td>Deputy Chairman of the Audit Committee</td>
</tr>
<tr>
<td>Marzena Czapaluk</td>
<td>Secretary of the Audit Committee</td>
</tr>
</tbody>
</table>

In the reporting period, the Audit Committee performed the tasks under the applicable regulations.

The Audit Committee appointed as part of the Supervisory Board meets the independence criteria and other requirements specified in the Act on statutory auditors, audit firms and public supervision.

The statutory criterion of independence is met by Marcin Mańdziak and Marzena Czapaluk.
Marzena Czapaluk has knowledge and skills in accounting and auditing financial statements. Michał Markowski has a degree in finance and banking from Wrocław University of Science and Technology and is the holder of an FCCA qualification.

Jakub Sitarz has knowledge and skills in the field of the Company's operation. Sitarz has a degree in computer science from Wrocław University of Science and Technology and has 15 years’ experience as Technology Manager at the Company.

The main premises of the audit firm selection policy:
- The Supervisory Board selects the entity authorized to audit, acting on the grounds of the Audit Committee's recommendation;
- It is prohibited to introduce contractual clauses that would demand that the Supervisory Board select the entity authorized to audit from among a certain category or specification of entities authorized to audit;
- Both the Audit Committee, at the stage of preparing recommendation and the Supervisory Board, while making the final selection of the entity authorized to audit use the following guidelines:
  - Confirmation of impartiality and independence of the entity;
  - The price proposed by the entity authorized to audit;
  - The entity's experience in auditing financial statements of public interest entities and in auditing financial statements of other entities with a similar profile of activity;
  - The capacity to provide the required scope of services;
  - Professional qualifications and experience of people who will be directly involved in the audit.

The main premises of the policy of providing permitted non-audit services by the firm conducting an audit, affiliates of an audit firm and by the member of the audit firm's network:
- Without prejudice to further provisions, neither a statutory auditor, an audit firm conducting a statutory audit on the Company, an affiliate of an audit firm, nor any member of the statutory auditor or audit firm's network can provide any prohibited non-audit services or services that are not a financial audit, directly or indirectly, for the Company or its affiliates.
- Prohibited services are not the services indicated in Article 136 Item 2 of the Act on Statutory Auditors.
- Provision of services referred to in Item 2 is possible only in the scope not related to the tax policy of the Company after the Audit Committee assesses independence threats and safeguards and gives its consent.
- In justified cases the Audit Committee gives guidelines concerning services that, while being non-audit services can be ordered by the Company from the audit firm, audit firm's affiliate or member of the audit firm's network.

The recommendation concerning the selection of an audit firm fulfills binding legal conditions and internal regulations.

There was no meeting of the Audit Committee in the financial year ending on March 31, 2022; the resolutions were adopted by electronic means.

The number of meetings of the Audit Committee in a financial year

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of meetings of the Audit Committee in a financial year</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>
9.3. Number of shares held by members of Management and Supervisory bodies

The table below presents the number of shares held by members of Management and Supervisory bodies as of the date of the report.

<table>
<thead>
<tr>
<th>Name and surname</th>
<th>Role</th>
<th>Number of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mariusz Ciepły</td>
<td>CEO</td>
<td>3 366 250</td>
</tr>
<tr>
<td>Urszula Jarzębowska</td>
<td>Member of the Management Board</td>
<td>1 210 250</td>
</tr>
<tr>
<td>Maciej Jarzębowski</td>
<td>Chairman of the Supervisory Board</td>
<td>2 366 259</td>
</tr>
<tr>
<td>Jakub Sitarz</td>
<td>Deputy Chairman of the Supervisory Board</td>
<td>3 010 000</td>
</tr>
<tr>
<td>Marcin Mańdziak</td>
<td>Member of the Supervisory Board</td>
<td>5 538</td>
</tr>
</tbody>
</table>

On January 25, 2022 and March 10, 2022, the Company received notifications from Marcin Mańdziak about the changes in the number of shares in the total number of votes at the General Meeting, which the Company published in current reports no. 2/2022 and no. 3/2022.

9.4. Diversity in Management and Supervisory bodies

When selecting members of the Management Board of the Company, the Supervisory Board will apply all the principles of diversity set out in the Diversity Policy, while the Supervisory Board appoints to the Management Board of the Company only people with appropriate competences, skills and experience necessary to act in the interests of the Company and its shareholders, including people showing leadership, managerial and commitment qualities - qualities that will be necessary to ensure the Company’s further dynamic development, efficiency and operational safety.

In the financial years 2021/2022 and in 2020/2021, the Management Board of the Company was composed of women and men in equal proportions. On the other hand, the share of women in the Supervisory Board increased over the last year and as of the date of publication of this report, there are 2 women, who currently constitute 40% of the composition of the Supervisory Board.

<table>
<thead>
<tr>
<th>The number of people in the governing bodies of the Company by gender, age, region and nationality as at the date of publication of this report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Board</td>
</tr>
<tr>
<td>Women</td>
</tr>
<tr>
<td>Men</td>
</tr>
<tr>
<td>&lt;30 years old</td>
</tr>
<tr>
<td>30-50</td>
</tr>
<tr>
<td>&gt;50 years old</td>
</tr>
<tr>
<td>Poland</td>
</tr>
<tr>
<td>Europe (outside of Poland)</td>
</tr>
<tr>
<td>North America</td>
</tr>
<tr>
<td>Polish citizens</td>
</tr>
<tr>
<td>Citizens of other countries</td>
</tr>
</tbody>
</table>
9.5. Other information

A description of the main features used in the issuer's enterprise's internal control and risk management systems in relation to the process of preparing financial statements and consolidated financial statements.

The solutions implemented by the Company are to ensure completeness of financial data processing, their arithmetical correctness, as well as guarantee that operations recognized in financial statements actually occur and ensure their proper authorization.

Indication of holders of any securities that give special control rights, along with a description of these rights.

Special control rights do not exist.

Indication of any restrictions on the exercise of voting rights, such as the limitation of the exercise of voting rights by the holders of a certain part or number of votes, time restrictions on the exercise of voting rights or subscriptions, in which, with the company's cooperation, capital rights related to securities are separated from ownership securities.

Not applicable.

A description of the rules regarding appointment and dismissal of managing persons and their rights, in particular the right to decide on the issue or buyout of shares.

Members of the Management Board are appointed and dismissed by the Supervisory Board. The Issuer's Articles of Association do not provide for the possibility of increasing the Issuer's share capital as part of the authorized capital and the Issuer does not hold shares in authorized capital (target).

Description of the rules for changing the Issuer's Articles of Association.

The Company's Articles of Association may be amended by way of a resolution of the General Meeting.

9.6. General meeting

Main powers and the procedures of the General Meeting

The General Meeting is the supreme authority of the Company. The General Meeting of the Company is organized according to the Code of Commercial Companies and Partnerships and the Company's Articles of Association. The powers of the General Meeting, the procedure for convening and participating in the General Meeting are laid down in the Code of the Commercial Companies and Partnerships, the Company's Articles of Association General Meeting Rules, and the Rules of participating in the General Meeting by means of electronic Communication. The Articles of Association of the Company and the respective Rules are available on the Company’s website.

The General Meeting may be held as an annual general meeting or an extraordinary meeting, while the annual general meeting has to be summoned within 6 months after the end of each financial year. The General Meetings can take place either at the Company’s headquarters or in Warsaw.

It is possible to participate in the General Meeting by means of electronic communications.
The rights and obligations of the shareholders

The rights and obligations of the Shareholders are determined in particular by the Commercial Companies Code, the Act on Trading, the Act on Public Offering and the Articles of Association. Especially:

- the Company’s shareholders have the right to dispose of the shares;
- the Company’s shareholders have the right to participate in the profit indicated in the annual, audited separate financial report, which will be allocated by resolution of the General Meeting to payment to the Issuer’s shareholders (right to dividend);
- the Company’s shareholders have the right to subscribe for the Issuer’s new issue shares in relation to the number of Shares held (pre-emptive right);
- in the event of liquidation of the Issuer, each Action entitles to a proportionate share in the distribution of assets remaining after satisfying or securing the Issuer’s creditors;
- the shareholder exercises the right to vote at General Meetings. Each share gives the right to one vote at the General Meeting;
- the right to convene an extraordinary General Meeting shall also be vested in the Issuer’s shareholders representing at least half of the Issuer’s share capital or at least half of all votes in the Issuer;
- the Company’s shareholder or shareholders representing at least one-twentieth of the Issuer’s share capital may request that an extraordinary General Meeting be convened and that certain matters be placed on the agenda of such General Meeting;
- a shareholder or shareholders of the Issuer representing at least one twentieth of the Issuer’s share capital may request the placement of specific matters on the agenda of the next General Meeting;
- the Company’s shareholder or shareholders representing at least one twentieth of the share capital may submit to the Issuer, in writing or via electronic communication means, draft resolutions regarding matters included in the agenda of the General Meeting or matters to be included in the agenda;
- each shareholder of the Issuer has the right to demand copies of motions on issues included in the agenda of the next General Meeting; The Management Board is obliged to provide the Issuer’s shareholder, during the General Meeting, at his request with information regarding the Issuer, if it is justified for the assessment of a matter covered by the agenda of the General Meeting;
- the Company’s shareholders, representing at least one fifth of the share capital, have the right to request the election of the Supervisory Board by voting in separate groups;
- the Company’s shareholders have the right to appeal against the resolutions of the General Meeting;
- in accordance with Art. 84 of the Act on Public Offering, at the request of a shareholder or shareholders of the Issuer, holding at least 5% of the total number of votes, the General Meeting may adopt a resolution on the expert’s examination, at the expense of the Issuer, of a specific issue related to the creation of the Issuer or the conduct of its affairs.

9.7. Remuneration policy of the Management Board and Supervisory Board members

On August 11, 2020, the Supervisory Board approved the document "The Remuneration Policy for the Members of the Management Board and Supervisory Board of LiveChat Software", which was then adopted by the General Meeting on August 18, 2020. The Supervisory Board performs the function of the remuneration committee in the Company.

The above policy regulates the principles of remunerating members of the LiveChat Software Management Board and Supervisory Board. Its full and up-to-date text is available in the investor relations section of the Company’s website.

As agreed by the above-mentioned policy, the remuneration of the Company’s Management Board members consists of both fixed and variable amounts and is determined by the Supervisory Board, which adopts resolutions on this matter.
When appointing a Management Board member, the Supervisory Board defines the basic components of their remuneration, including the basic salary amount and the bonus remuneration amount as well as the rules of making variable remuneration dependent on the Company's financial results or any other criteria.

The basic salary amount granted to the Management Board member shall not exceed 15 times the average monthly salary in the enterprise sector, excluding bonuses from profit in the fourth quarter of the previous year, announced by the President of the Central Statistical Office.

Each member of the Company Management Board may receive variable remuneration (bonuses), depending on the financial results of the Company and/or depending also on other criteria clearly indicated in the relevant resolution of the Supervisory Board.

The purpose of the bonus remuneration is to reward the Management Board members for achieving quantitative or qualitative tasks, conducive to the increase in the value of the Company, the achievement by the Company of results per financial year as well as to the support of the achievement of long-term goals by the Company.

In the case of the Supervisory Board members, the sole legal basis for their remuneration are the General Meeting resolutions. The fixed remuneration of the Supervisory Board member should vary depending on the function performed (e.g., chairmanship and deputy chairmanship of the Supervisory Board and its committees, participating in the Supervisory Board's committees). The remuneration of the Supervisory Board members meeting the independence criterion should be conducive to maintaining the status of independence from the majority shareholder and the Company's decision-makers.

The remuneration policy adopted by the Company ensures the implementation of the Company's business strategy, implementation of long-term interests, the stability of the Company, correct and effective management of economic risk as well as the limitation and prevention of conflicts of interest. At the same time, the variable element of the Management Board members' remuneration is the bonus depending on the gross profit of the Company in a given financial year.

**Management Board remuneration for the 2020–23 term**

On August 18, 2020, the LiveChat Software Supervisory Board adopted a resolution according to which it set the salary of the Management Board President at PLN 77,004.90 gross per month and the salary of Management Board members at PLN 47,446.08 gross per month. In addition, the Supervisory Board established a variable remuneration (bonus) in the amount of 1% of the Company's gross profit generated in a given financial year. The bonus is due to each member of the Management Board.

The final bonus amount for a given financial year shall be determined by the Supervisory Board in the form of a resolution within thirty days from the date of the Ordinary General Meeting's resolution approving the Company's financial statements for a given financial year, audited by a certified auditor. The Supervisory Board resolution is adopted on the basis of a motion by the Management Board President.

**9.8. Other information**

Assessment, together with its justification, regarding the management of financial resources, with particular emphasis on the ability to meet the obligations incurred, and description of possible risks and actions that the issuer has taken or intends to take to counteract these risks.

The Management Board directly manages the risk in this area. In its opinion, the high liquidity of the Company and the lack of significant liabilities significantly minimize the risk of losing liquidity and other risks related to the management of financial resources.
Assessment of the feasibility of investment plans, including capital investments, compared to the amount of funds held, including possible changes in the financing structure of this activity.

Current investments are mainly carried out in the field of product development and are financed from their own resources. The Management Board currently does not plan any other investments and changes in the financing structure.

Assessment of factors and unusual events affecting the result of operations for the financial year, with the determination of the degree of influence of these factors or unusual events on the result achieved.

The results of the financial year 2021/22 were not affected by atypical factors and events.

Changes in the basic rules of managing the Company and its capital group.

There were no such changes.

All contracts concluded between the issuer and the managing persons, providing for compensation in the event of their resignation or dismissal from the position held without a valid reason or if their dismissal occurs due to the merger of the issuer by acquisition.

The Company does not have such agreements.

Information about the system of controlling employee share programs.

Not applicable.

Auditing company

Since October 17, 2019, the auditing company selected to perform the statutory audit of the financial statements or consolidated financial statements, pursuant to the resolution of the Supervisory Board, following a positive recommendation at the Audit Committee meeting is Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością Sp.k.

The date on which the company entered into an agreement with an auditing company to audit or review the financial statements or consolidated financial statements and the period for which the agreement was concluded. Audit firm’s fees paid or due for the financial year and the previous financial year.

On June 25, 2021, the Supervisory Board adopted a resolution on the re-selection and extension of the contract with the auditing company Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością Sp.k. for the statutory audit of the financial statements of LIVECHAT Software S.A. in the period from 04/01/2021 to 03/31/2023 and the statutory audit of the consolidated financial statements of the LIVECHAT Software Capital Group in the period from 04/01/2021 to 03/31/2023, as well as the voluntary audit of interim financial statements of LIVECHAT Software S.A. in the period from 04/01/2021 to 03/31/2023 and a review of the interim consolidated financial statements of the LIVECHAT Software Capital Group in the period from 04/01/2021 to 03/31/2023. The scope of work of the auditing company included the following works related to the financial year 2021/2022:

- audit of the interim financial statements for the period from April 1, 2021 to September 30, 2021, ended with the audit report - the value of the audit firm’s remuneration: PLN 17,000 net;
- review of the (consolidated) interim financial statements for the period from April 1, 2021 to September 30, 2021 and preparation of the review report – the value of remuneration for the auditing firm: PLN 10,000 net;
- audit of the separate financial statements for the period from April 1, 2021 to March 31, 2022 ended with issuing the audit report – the value of remuneration for the auditing firm: PLN 32,000 net;
the audit of the consolidated financial statements of the group of companies for the period from April 1, 2021 to March 31, 2022 ended with the issuing of the audit report – the value of remuneration for the auditing firm: PLN 20,000 net.

Grant Thornton Polska sp. z o.o. sp. k. provided the Company with another permitted non-audit service in the reporting period. At the request of the Company, Grant Thornton Polska sp. z o.o. sp. k. prepared an independent statutory auditor’s report on the performance of a service providing reasonable assurance as to the assessment of the remuneration report in the financial year 2020/2021.

In the reporting period, the Parent Company paid the remuneration to Grant Thornton Polska sp. z o.o. sp. k. in the amount of PLN 103,304.74.

On November 4, 2019, the Parent Company entered into an agreement with auditing firm Grant Thornton Polska sp. z o.o. sp. k. (together with a subsequent annex to the agreement of March 8, 2021) under which the scope of works of the auditing firm covers the following works relating to the financial year 2020/2021:

- auditing the interim financial statements of the Parent Company for the period from April 1, 2020 to September 30, 2020 ended with issuing the audit report – the value of remuneration for the auditing firm: PLN 14,000 net;
- reviewing the (consolidated) interim financial statements for the period from April 1, 2020 to September 30, 2020 and preparing the review report – the value of remuneration for the auditing firm: PLN 8,000 net;
- auditing the separate financial statements of the Parent Company for the period from April 1, 2020 to March 31, 2021 ended with issuing the audit report – the value of remuneration for the auditing firm: PLN 32,000 net;
- auditing the consolidated financial statements of the group of companies for the period from April 1, 2020 to March 31, 2021 ended with issuing the audit report – the value of remuneration for the auditing firm: PLN 14,000 net.

In the reporting period, the Parent Company paid the remuneration to Grant Thornton Polska sp. z o.o. sp. k. in the amount of PLN 75,814.75.

**Description of legal and administrative proceedings**

The Group has not been a party of any legal or administrative proceedings in the course of the reporting period.

**Environmental issues**

There are no issues and requirements relating to the protection of the environment that could have a material impact on the Group’s activities.
10. Compliance with international regulations and fair competition

The Group and the Company operate in accordance with applicable laws and regulations and generally accepted market practices, both on a global and local scale.

To the best of the Company’s knowledge, in the financial year 2021/2022:
- no non-compliance with the law and socio-economic regulations was found;
- no financial or other non-financial penalties for breach of law have been imposed on the Company or the Subsidiary;
- neither the Company nor the Subsidiary has paid any financial penalties for infringements for the previous periods.

Mechanisms for reporting violations of law, procedures, and ethical standards

In January 2020, the Company implemented a procedure for anonymous reporting of breaches of law, procedures, and ethical standards in the Company. In accordance with this procedure, a website provided and managed by an external entity was launched, with the help of which the Company’s team members can report non-compliance and maintain full anonymity at the same time. The procedure specifies the rights and obligations of a person reporting a breach, as well as the Company’s obligations, particularly with regard to protecting the informer against retaliation, i.e., any adverse action taken against the person reporting the breach. In accordance with the above procedure, the informant has the right to free access to Management Board members or the Supervisory Board Chairman. The decision to initiate an investigation is made by the Management Board member, but the initial investigation may be entrusted to a designated inspector of the above procedure.

New members of the Company’s team are informed about the above procedure and its functioning at the beginning of their cooperation with the Company. They receive a link to the online system, and information about this procedure can be accessed on the Company’s internal website.

In the reporting period, there were no reports of breaches via the website designated for reporting irregularities.

Intellectual Property Protection

The Company is actively involved in activities aimed at protecting intellectual property. In the field of legal protection, the Company takes care to protect our competitive advantages based on technological solutions. The company also carries out processes aimed at obtaining legal protection in the USA for its solutions. So far, the company has obtained patent protection for two of its developed solutions.

In December 2020, the Company received information about the registration by the United States Patent and Trademark Office (USPTO) of the patent “method and system of displaying greetings or dedicated messages to end-users based on qualifiers”. The patented solution is used in the LiveChat product to display a custom message to the end-user based on information stored in the database. In February 2022, the Company obtained patent protection for the second solution - a technology that allows an agent to “preview” a chat message from a client while that client is still writing it.

In both cases, the patent was granted in the United States and the Company is legally protected for a period of 20 years. The Company does not exclude the possibility of submitting similar applications in other countries in the future.
Privacy policy

The issue of personal data protection in the LiveChat Software Group is addressed in the Subsidiary’s Privacy policy, which has been in operation since 2012, and had the most recent changes to it implemented in August 2021. The Company’s Legal Department is responsible for its compliance and updating.

The privacy policy defines in detail the scope and method of personal data processing. The Subsidiary has appointed a data protection officer. In accordance with the privacy policy, we sign the required transfer agreements and apply internal data handling procedures. The persons whose data we provide are informed about this fact, and we also verify the entities’ security policy before providing them with the data.

No complaints regarding the protection of personal data have been filed against the Company and no penalties have been imposed on the Company for any breach of customer privacy or data loss.

11. Statement of compliance with corporate governance rules

From January 1, 2016 to June 30, 2021, the Company followed the Code of Best Practice for GPW Listed Companies 2016 (“Code of Best Practice 2016”). From January 1, 2021 to June 30, 2021, LiveChat Software complied with all the recommendations and principles set out in the Code of Best Practice of GPW Listed Companies 2016 with the exception of principles:

- I.Z.1.20 on the requirement to publish on the website audio or video recordings of the general meeting, which are not available for previous years. Beginning with the Annual General Meeting in August 2020, the general meeting is broadcast and the records are made available to the public.
- II.Z.2., Referring to the requirement of the consent of the supervisory board to sit on the management boards and supervisory boards of companies outside the capital group, the non-application of which resulted from the fact that, in the opinion of the Company, there are no registered entities in Poland whose activities would constitute competition for the Company on the global market. At the same time, the participation of the members of the management board of the Company in its shareholding structure is a sufficient guarantee of their full involvement in the development of the Company
- II.Z.7. concerning the scope of tasks and functioning of the committees operating in the supervisory board, the non-application of which resulted from the fact that, in the opinion of the Company, due to its nature, type of business, and in particular people working contracted and the lack of employees based on an employment contract, the appointment of committees for nomination, the remuneration committee and the audit committee were not necessary.
- IV.Z.2. regarding the provision by the Company of publicly available real-time broadcast of the general meeting. In the opinion of the Company, the shareholding structure in previous years and the historical interest of shareholders in participation in the General Meeting did not justify the costs of such transmission. However, the Ordinary General Meetings from August 2020 are already broadcast. They are held in a form enabling the remote participation of Shareholders and it is the intention of the Company to continue this formula of holding General Meetings and their transmission.

The Management Board emphasizes that during the financial year there were no incidental violations of the “Best Practices of WSE Listed Companies 2016” by the Company.


All exceptions to the application of the aforementioned sets of rules are described in the Current Report 1/2021 on the non-application of detailed rules contained in the set of "Best Practices of WSE Listed Companies 2021" available on the Company's website, and additional comments explaining the non-application of a given rule are also
The Management Board emphasizes that during the financial year there were no incidental violations of the "Best Practices of WSE Listed Companies 2021" by the Company.

From July 1, 2021 to December 31, 2021, the Company applied the principles contained in the set of "Best Practices of WSE Listed Companies 2021" with the exception of principles 1.3.1., 1.4.1., 1.4.2., 1.6., 3.1., 3.3., 3.5. and 6.2.

- **1.3.1. Companies integrate ESG factors in their business strategy, including in particular environmental factors, including measures and risks relating to climate change and sustainable development.**

  **Comment of the Company:** Environmental issues are important to the Company. That is why it conducts activities such as: installing a photovoltaic installation on the roof of the office at ul. Zwycięska 47 in Wrocław, encouraging contractors to use bicycle transport (participation in the Bicycle Employer of the Year initiative), waste segregation and education in this area, and others. Also, when selecting business partners and suppliers, their reputation and approach to environmental issues (e.g. choosing IBM Cloud) are taken into account. However, currently the Company has not set itself any measurable goals in this regard.

- **1.4.1. explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks.**

  **Comment of the Company:** The Company plans to include such information in the annual report

- **1.4.2. present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target.**

  **Comment of the Company:** The Company does not currently keep such statistics.

- **1.6. Companies participating in the WIG20, mWIG40 or sWIG80 index hold on a quarterly basis and other companies hold at least on an annual basis a meeting with investors to which they invite in particular shareholders, analysts, industry experts and the media. At such meetings, the management board of the company presents and comments on the strategy and its implementation, the financial results of the company and its group, and the key events impacting the business of the company and its group, their results and outlook. At such meetings, the management board of the company publicly provides answers and explanations to questions raised.**

  **Comment of the Company:** The Company has a very active information policy implemented by an internal investor relations team. It includes, among others, immediate answers to questions from all investor groups and participation in domestic and foreign investor conferences. Currently, the Company does not see the need to organize quarterly meetings with the participation of the Management Board. Investor relations activities are described in the annual reports

- **3.1. Listed companies maintain efficient internal control, risk management and compliance systems and an efficient internal audit function adequate to the size of the company and the type and scale of its activity; the management board is responsible for their functioning.**

  **Comment of the Company:** The Company maintains internal control, risk management and legal compliance systems, but these are not separate teams or persons delegated solely to perform the above functions - they combine the above tasks with other functions. Similarly, the Company does not have an internal audit in the form of a separate unit. The Management Board is responsible for internal audits.

- **3.3. Companies participating in the WIG20, mWIG40 or sWIG80 index appoint an internal auditor to head the internal audit function in compliance with generally accepted international standards for the professional practice of internal auditing. In other companies which do not appoint an internal auditor who meets such requirements, the audit committee (or the supervisory board if it performs the functions of the audit committee) assesses on an annual basis whether such a person should be appointed.
Comment of the Company: The very simple and “flat” structure of the Company and its capital group does not justify such a need, nevertheless the Supervisory Board and the Audit Committee will analyze the situation on an ongoing basis in terms of the need to appoint an internal auditor.

- 3.5. Persons responsible for risk and compliance management report directly to the president or other member of the management board.

Comment of the Company: The Company is managed by a two-person management board and, depending on the situation, it is allowed that the above-mentioned functions are supervised by one of the CXOs (Chief Officers).

- 6.2. Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company’s management board and key managers to the actual long-term standing of the company measured by its financial and non-financial results as well as long-term shareholder value creation, sustainable development and the company’s stability.

Comment of the Company: The remuneration policy adopted in the Company ensures the implementation of the Company’s business strategy, implementation of long-term interests and stability of the Company, correct and effective management of economic risk, as well as limiting and preventing the emergence of conflicts of interest. At the same time, the variable part of the remuneration of the members of the Management Board is the bonus depending on the gross profit of the Company in a given financial year.
## 12. Dictionary

**Financial indicators**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>Operating profit + depreciation and amortization</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>Gross profit/Net sales</td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>Operating profit/Net sales</td>
</tr>
<tr>
<td>Net profit margin</td>
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</tbody>
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**IMPORTANT REMARKS AND DISCLAIMERS REGARDING THIS DOCUMENT.**

The report is a translated and abridged version of the document prepared in Polish. In the event of any discrepancies, the report in Polish is the binding version.

The signed statements of the Management Board form part of the report in Polish.