INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

FOR THE PERIOD OF NINE MONTHS ENDING ON DECEMBER 31ST, 2019

DRAWN UP IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Capital Group LIVECHAT SOFTWARE SA

Wrocław, February 26th, 2020

CONTENTS

1. SELECTED FINANCIAL DATA

2. INTERIM CONDENSED CONSOLIDATED STATEMENT OF THE FINANCIAL STANDING

3. CONSOLIDATED STATEMENT OF THE FINANCIAL RESULT AND TOTAL INCOME (by-function format)

4. NET EARNINGS PER SINGLE ORDINARY SHARE (PLN)

5. INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

6. INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

7. FURTHER INFORMATION AND EXPLANATORY NOTES

1. GENERAL INFORMATION
2. BASIS FOR PREPARING THE STATEMENT AND ACCOUNTING PRINCIPLES
3. INTANGIBLE ASSETS
4. TANGIBLE FIXED ASSETS
5. LONG-TERM RECEIVABLES
6. TRADE AND OTHER RECEIVABLES
7. CASH AND ITS EQUIVALENTS
8. PREPAYMENTS AND ACCRUALS
9. EQUITY
10. LONG-TERM LIABILITIES
11. TRADE AND OTHER LIABILITIES
12. REVENUES FROM SALES
13. OPERATING EXPENSES.
14. OTHER REVENUES AND OPERATING EXPENSES
15. FINANCIAL REVENUES AND EXPENSES
16. DEFERRED AND INCOME TAX
17. FINANCIAL INSTRUMENTS
18. REMUNERATION TO THE KEY MANAGING STAFF (INCLUDING SALARIES TO MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD)
19. CONDITIONAL/CONTINGENT ITEMS, OTHER OFF-BALANCE SHEET ITEMS
20. EMPLOYMENT
21. DESCRIPTION OF FACTORS AND EVENTS, ESPECIALLY OF NON-TYPICAL CHARACTER, AFFECTING THE FINANCIAL RESULTS ACHEIVED
22. EVENTS THAT OCCURRED AFTER THE INTERIM PERIOD NOT COMPRISED BY THE FINANCIAL STATEMENT
23. TRANSACTIONS WITH RELATED PARTIES
24. CYCLICALITY, SEASONALITY OF THE ACTIVITIES RUN
25. REMUNERATION OF AN AUDITOR
26 PURPOSE AND PRINCIPLES OF RISK MANAGEMENT

1. SELECTED FINANCIAL DATA

Title	thousand PLN		thousand EUR	
	01.04.2019 - 31.12.2019	**01.04.2018 - 31.12.2018**	**01.04.2019 - 31.12.2019**	**01.04.2018 - 31.12.2018**
I. Net revenues from sales of products, goods and materials	94 853	79 875	22 073	18 625
II. Profit (loss) on operational activity	58 267	52 009	13 559	12 127
III. Gross profit (Loss)	58 318	52 133	13 571	12 156
IV. Net profit (Loss)	46 897	42 068	10 913	9 810
V. Net cash flow from operating activities	51 398	46 356	11 960	10 809
VI. Net cash flow from investing activities	(8 285)	(7 772)	(1 928)	(1 812)
VII. Net cash flow from financial activities	(36 308)	(34 248)	(8 449)	(7 986)
VIII. Net cash flow total	6 806	4 336	1 584	1 010
IX. Total assets	73 755	59 801	17 319	13 907
X. Liabilities and provision for liabilities	8 945	6 624	2 101	1 541
XI. Long-term liabilities	3 808	-	894	-
XII. Short-term liabilities	5 137	6 624	1 206	1 541
XIII. Equity	64 810	53 177	15 219	12 367
XIV. Share capital	515	515	121	120
XV. Number of shares	25 750 000	25 750 000	25 750 000	25 750 000
XVI. Profit (loss) per single ordinary share(in PLN/ EUR)	1,82	1,63	0,42	0,38
XVIII. Net book value per single share (in PLN/ EUR))	2,52	2,07	0,59	0,48

Please state the exchange rate of PLN/EUR for calculating balance sheet figures	0,2348	0,2331
Please state the exchange rate of PLN/EUR for calculating the statement figures of the total revenues and cash flow statement	0,2327	0,2326

2. INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL STANDING

STATEMENT OF FINANCIAL STANDING

Specification	Note	Balance as at 31.12.2019	Balance as at 31.03.2019	Balance as at 31.12.2018
FIXED ASSETS		**26 823 186**	**18 568 657**	**16 861 249**
Tangible fixed assets	4	5 259 009	1 529 599	1 518 638
Investment real property		-	-	-
Goodwill		-	-	-
Other intangible assets	3	17 713 548	13 809 233	12 627 620
Shares and stocks		-	-	-
- including: investments accounted for using equity method		-	-	-
Long-term receivables	5	147 600	147 600	154 372
Other long-term financial assets		-	-	-
Deferred tax assets	15	509 733	472 951	470 242
Long-term prepayments and accruals	8	3 193 297	2 609 274	2 090 377
CURRENT ASSETS		**46 931 668**	**42 951 668**	**42 939 900**
Inventory		-	-	-
Trade receivables	6	232 347	1 179 923	645 232
Receivables for current income tax		-	-	-
Other receivables	6	7 179 538	9 092 688	7 773 283
Other financial assets		-	-	-
Cash and its equivalents	7	39 430 381	32 624 369	34 469 967
Prepayments and accruals	8	89 402	54 688	51 418
ASSETS CLASSIFIED AS INTENDED FOR SALE		-	-	-
Tangible fixed assets intended for sale		-	-	-
Other assets classified as intended for sale		-	-	-
Total assets :		**73 754 855**	**61 520 325**	**59 801 149**

Wrocław, February 26th, 2020

Mariusz Ciepły, President of the Board

Urszula Jarzębowska, member of the Board

Joanna Alwin, Financial Director

STATEMENT OF FINANCIAL STANDING

Specification	Note	Balance as at 31.12.2019	Balance as at 31.03.2019	Balance as at 31.12.2018
EQUITY		**64 809 633**	**54 345 268**	**53 176 800**
Share capital	**9.1**	515 000	515 000	515 000
Own shares		-	-	-
Called up share capital		-	-	-
Supplementary capital from issuance of shares		-	-	-
Supplementary capital from retained earnings and transactions of mergers under common control	**9.2**	16 578 404	9 806 990	9 806 990
Exchange rate differences after calculation		81 386	(55 360)	48 719
Revaluation reserve for employee benefits		-	-	-
Reserve capital		-	-	-
Hedging reserve		-	-	-
Figures recognised directly in capital related to financial assets classified as available for sale		-	-	-
Advance payments for dividends		-	(13 905 000)	-
Undistributed result from previous years	9.3	737 638	737 638	737 638
Net profit (loss) of the business year	9.4	46 897 204	57 245 999	42 068 452
Equity attributable to shareholders of the parent company		**64 809 633**	**54 345 268**	**53 176 800**
Equity attributable to non-controlling shares		**-**	**-**	**-**
LONG-TERM LIABILITIES		**3 808 404**	**10 243**	**-**
Reserve due to deferred income tax	**15**	22 925	10 243	-
Provision for pension benefits and similar		-	-	-
Other provisions/ reserves		-	-	-
Credits and loans		-	-	-
Other financial liabilities	**10**	3 785 479	-	-
Other long-term liabilities		-	-	-
SHORT-TERM LIABILITIES		**5 136 818**	**7 164 814**	**6 624 350**
Credits and loans		-	-	-
Other financial liabilities		177 976	-	-
Trade liabilities	11	4 652 048	4 323 670	4 689 997
Current income tax payables	11	110 232	2 642 621	1 930 851
Provision for pension benefits and similar		-	-	-
Other short-term provisions/reserves		-	-	-
Other liabilities	11	196 562	198 523	3 501
Accrued income		-	-	-
LIABILITIES DIRECTLY RELATED TO FIXED ASSETS CLASSIFIED AS INTENDED FOR SALE	**-**	**-**	**-**	**-**
Total liabilities :		**73 754 855**	**61 520 325**	**59 801 149**

Wrocław, February 26th, 2020

Mariusz Ciepły, President of the Board

Urszula Jarzębowska, member of the Board

Joanna Alwin, Financial Director

3. INTERIM CONDENSED CONSOLIDATED STATEMENT OF THE TOTAL INCOME (by-function format)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER TOTAL INCOME (by-function format)

Specification	Note	Profit and Loss Statement for 01.10.2019 – 31.12..2019 3 months	Profit and Loss Statement for 01.04.2019 - 31.12..2019 9 months	Profit and Loss Statement for 01.04.2018 31.03.2019 12 months	Profit and Loss Statement for 01.10.2018 31.12..2018 3 months	Profit and Loss Statement for 01.04.2018 31.12.2018 9 months
Continued activity						
Revenues from sales	12	32 356 805	94 853 380	109 298 865	27 779 615	79 875 386
Prime costs of sale	13	5 015 074	13 968 605	17 938 965	4 949 366	13 375 728
GROSS POFIT (LOSS) ON SALES		**27 341 732**	**80 884 775**	**91 359 901**	**22 830 249**	**66 499 658**
Sales expenses	13	4 524 205	13 001 032	10 465 160	2 505 377	6 855 884
General and administrative costs	13	3 109 119	9 607 321	10 113 292	3 349 996	7 628 265
POFIT (LOSS) ON SALES		**19 708 409**	**58 276 422**	**70 781 449**	**16 974 876**	**52 015 509**
Other operating revenues	14	3 000	9 975	14 366	4 390	10 391
Other operating expenses	14	13 201	19 237	20 238	12 623	17 201
PROFIT (LOSS) ON OPERATING ACTIVITY		**19 698 207**	**58 267 159**	**70 775 577**	**16 966 643**	**52 008 698**
Financial revenues	15	18 835	59 440	209 835	40 088	124 719
Financial expenses	15	5 568	8 894	91	12	91
Profit on sales of shares to an associated company		-	-	-	-	-
Profit sharing in associated companies		-	-	-	-	-
PROFIT (LOSS) BEFORE TAX		**19 711 474**	**58 317 705**	**70 985 321**	**17 006 719**	**52 133 327**
Income tax	16	3 896 612	11 420 501	13 739 322	3 266 657	10 064 874
PROFIT (LOSS) ON CONTINUED ACTIVITY		**15 814 861**	**46 897 204**	**57 245 999**	**13 740 063**	**42 068 452**
Profit (loss) on discontinued activity		-	-	-	-	-
NET PROFIT (LOSS)		**15 814 861**	**46 897 204**	**57 245 999**	**13 740 063**	**42 068 452**
Other total revenues		-	-	-	-	-
Other comprehensive income items that will not be reclassified into profit or loss		**-**	**-**	**-**	**-**	**-**
Actuarial gain or loss		-	-	-	-	-
Effects of revaluation of tangible assets		-	-	-	-	-
Income tax related to the other comprehensive income		-	-	-	-	-
Other comprehensive income items that, after meeting certain requirements, will be reclassified into profit or loss		**86 825**	**136 746**	**19 523**	**116 500**	**123 601**

Hedge accounting		-	-	-	-	-
Translation differences on foreign operations		86 825	136 746	19 523	116 500	123 601
Effects of revaluation of financial assets available for sale		-	-	-	-	-
Other profit sharing in associated companies		-	-	-	-	-
Income tax related to other total income		-	-	-	-	-
Other total income		**86 825**	**136 746**	**19 523**	**116 500**	**123 601**
Total income		**15 901 687**	**47 033 950**	**57 265 521**	**13 856 563**	**42 192 054**

Wrocław, February 26th, 2020.

Mariusz Ciepły, President of the Board

Urszula Jarzębowska, member of the Board

Joanna Alwin, Financial Director

4. NET EARNINGS PER SINGLE ORDINARY SHARE (PLN)

Earnings per single share (in PLN/GR per single share)	**Profit and Loss for 01.04.2019 - 31.12.2019**	**Profit and Loss for 01.04.2018 31.03.2019**	**Profit and Loss 01.04.2018 31.12.2018**
On continuing and discontinued activity			
Ordinary	1,82	2,22	1,63
Diluted	1,82	2,22	1,63
On continuing and discontinued activity	1,82	2,22	1,63
Ordinary	1,82	2,22	1,63
Diluted	1,82	2,22	1,63
Profit (loss) on continuing and discontinued activity	46 897 204	57 245 999	42 068 452
Profit (loss) on continuing activity	46 897 204	57 245 999	42 068 452
Weighted average number of shares	25 750 000	25 750 000	25 750 000
Weighted average diluted number of ordinary shares	25 750 000	25 750 000	25 750 000

Basic earnings on the continuing activity per share are measured as the quotient of profit on continuing activity attributable to ordinary shareholders of a parent company and weighted average number of issued ordinary shares in the business year.

Diluted earnings on continuing activity per single share are computed as the quotient of profit on continuing activity attributable to ordinary shareholders of a parent company (after deduction of interest on redeemed preference shares converted into ordinary shares) and the weighted average number of issued ordinary shares in the business year (adjusted with the effect of diluting options and diluting redeemed preference shares converted into ordinary shares).

5. CONSOLIDATED REPORT ON CHANGES IN EQUITY

CONSOLIDATED REPORT ON CHANGES IN EQUITY FOR THE PERIOD : 01.04.2019 – 31.12.2019	**Share capital**	**Own shares**	**Supplementary capital**	**Currency translation profit/loss of a subsidiary**	**Dividend advancement paid**	**Undistributed profit /loss from previous years**	**Profit (loss) of the business year**	**Total equity**
Equity as of 01.04.2018	**515 000**	**-**	**9 806 990**	**(55 360)**	**(13 905 000)**	**737 638**	**57 245 999**	**54 345 268**
Changes in accounting principles (policy)	-	-		-	-	-	-	-
Settlement of the result of a subsidiary	-	-	-	-	-	-	-	-
Balance after adjustments	**515 000**	**-**	**9 806 990**	**(55 360)**	**(13 905 000)**	**737 638**	**57 245 999**	**54 345 268**
Issuance of shares	-	-	-	-	-	-	-	-
Transfer of the net result	-	-	-	-	-	57 245 999	(57 245 999)	-
Transfer of the financial result to capital	-	-	6 771 414	-	-	(6 771 414)	-	6 771 414
Dividend paid	-	-	-	-	13 905 000	(50 474 585)	-	(50 474 585)
Buyback	-	-	-	-	-	-	-	
Total transactions with owners	**-**	**-**	**6 771 414**	**-**	**13 905 000**	**(0)**	**(57 245 999)**	**(43 703 172)**
Net profit/loss in the period:	-	-	-	-	-	-	46 897 204	46 897 204
Other total income:	-	-	-	-	-	-	-	-
Reevaluation of fixed assets	-	-	-	-	-	-	-	-
Financial assets available for sale	-	-	-	-	-	-	-	-

Cash flow hedges	-	-	-	136 746	-	-	-	-
Exchange rate differences from revaluation of entities operating abroad	-	-	-		-		-	-
Exchange rate differences transferred to the financial result -sale of foreign entities	-	-	-	-	-	-	-	-
Actuarial profit and loss	-	-	-	-	-	-	-	-
Share in the other total income of entities evaluated with equity method	-	-	-	-	-	-	-	-
Income tax that refers to items of other total income	-	-	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**136 746**	**-**	**-**	**46 897 204**	**46 897 204**
Transfer to retained earnings (sale of reevaluated fixed assets)	-	-	-	-	-	-	-	-
Equity as of 31.12.2019	**515 000**	**-**	**16 578 404**	**81 386**	**-**	**737 638**	**46 897 204**	**64 809 633**

Wrocław, February 26th, 2020.

Mariusz Ciepły, President of the Board

Urszula Jarzębowska, member of the Board

Joanna Alwin, Financial Director

6. INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Specification		Cash flows for: 01.04.2019 - 31.12.2019	Cash flows for: 01.04.2018 31.03.2019	Cash flows for: 01.04.2018 31.12.2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit		**58 317 705**	**70 985 321**	**52 133 327**
Total adjustments		**(6 919 368)**	**(9 795 956)**	**(5 777 182)**
Depreciation and amortisation		4 092 518	3 750 459	2 597 477

Foreign exchange gain (loss)		(5 548)	(53 913)	-
Interest and profit sharing (dividend)		(56 093)	(155 921)	(124 628)
Profit (loss) on operating activity		-	-	-
Profit on sale of shares in the associate		-	-	-
Ineffective part of cash flows hedges		-	-	-
Changes in working capital		3 002 644	(1 636 480)	487 391
Change in provisions		12 682	-	-
Change in inventories		-	-	-
Change in receivables		2 698 260	(3 455 922)	(1 506 626)
Change in short-term liabilities – excluding financial liabilities		326 416	1 714 944	1 886 249
Change in prepayments and accruals		(34 714)	104 498	107 768
Paid income tax		(13 952 889)	(11 700 100)	(8 737 422)
Other adjustments		-	-	-
Net cash flows from operating activity		**51 398 337**	**61 189 365**	**46 356 145**
CASH FLOWS FROM INVESTING ACTIVITIES				
Expenses on acquisition of intangible and tangible assets		(8 346 812)	(10 708 238)	(7 901 990)
Proceeds (inflows) from sale of intangible assets		-	-	-
Expenses on acquisition of tangible fixed assets		-	-	-
Proceeds (inflows) from sale of tangible fixed assets		5 894	6 014	4 877
Expenses on acquisition of investment property		-	-	-
Proceeds (inflows) from sale of investment property		-	-	-
Expenses on acquisition of financial assets available for sale		-	-	-
Proceeds (inflows) from sale of financial assets available for sale		-	-	-

Expenses on acquisition of financial assets intended for trading	-	-	-
Proceeds (inflows) from sale of financial assets intended for trading	-	-	-
Expenses on acquisition of subsidiaries (decreased by assets taken over)	-	-	-
Proceeds (inflows) from sale of subsidiaries	-	-	-
Loans granted	-	-	-
Repayment of granted loans and other financial assets	-	-	-
Interest received	56 093	155 921	124 628
Dividends received	-	-	-
Net cash flows on investment activities	**(8 284 824)**	**(10 546 303)**	**(7 772 485)**
CASH FLOWS FROM FINANCIAL ACTIVITY			
Net proceeds from issuance of shares	-	-	-
Buy back	-	-	-
Proceeds from issuance of debt securities	-	-	-
Redemption of debt securities	-	-	-
Proceeds from incurred credits and loans	-	-	-
Repayment of credits and loans	-	-	-
Payment of liabilities arising from financial leasing	-	-	-
Dividend paid	(36 307 500)	(48 150 500)	(34 247 500)
Interest paid	-	-	-
Net cash flows from financial activity	**(36 307 500)**	**(48 150 500)**	**(34 247 500)**
NET TOTAL CASH FLOWS	**6 806 012**	**2 490 562**	**4 336 160**
BALANCE CHANGE OF CASH, INCLUDING	6 806 012	2 490 563	4 336 160
- change in cash due to exchange rate gains or losses	(5 548)	53 913	-
OPENING BALANCE OF CASH	32 624 369	30 133 807	30 133 807
CLOSING BALANCE OF CASH (F +/- D), including	**39 430 381**	**32 624 369**	**34 469 967**
-with limited disposability	-	-	-

Wrocław, February 26th , 2020

Mariusz Ciepły, President of the Board

Urszula Jarzębowska, member of the Board

Joanna Alwin, Financial Director

7. FURTHER INFORMATION AND EXPLANATORY NOTES

1. General

a) Information on the parent company

The interim condensed consolidated financial statement of the Capital group of LIVECHAT SOFTWARE SA (“Capital group”, “Group”) contains:

1. Interim condensed consolidated financial statement made on Decemeber 31st, 2019, which presents the total balance of assets, equity and liabilities in the amount of 73.754.855 PLN;

2. Interim condensed consolidated statement on the comprehensive/total income for the period from April 1st, 2019 until December 31st,, 2019 which presents the net profit of 42 068 452 PLN and the total income of 46.897.204 PLN;

3. Interim condensed consolidated statement of changes in equity for the business period of from April 1st, 2019 until December 31st, 2019 presenting equity capital increase by amount of 10.464.365 PLN;

4. Interim condensed consolidated statement of cash flows for the period from April 1st, 2019 until December 31st, 2019 presenting an increase of net cash by 6.806.012 PLN.

5. Further information

b) Capital group

The parent company of LIVECHAT SOFTWARE Joint Stock (hereinafter referred to as the “Capital group”, “Group”) is LIVECHAT SA (hereinafter referred to as “Parent Company”).

The Parent Company was established by virtue of a Notarial deed of September 10th, 2007. Its particulars are entered into the register of entrepreneurs of the National Court Register kept by the Regional Court of Wrocław- Wrocław Fabryczna – VI Economic Division under the number KRS 0000290756. The Parent Company was granted the statistical number REGON 932803200.

The Company's head office is located at 47 Zwycięska Street in Wrocław (postal code: 53-033) which is also the basic location of the activities run by the Capital Group.

c) Composition of the Management Board and the Supervisory Board
The Management Board of the Parent Company as of the balance day and the day of approving the financial statement for publishing was composed of:
* Mariusz Ciepły – President of the Management Board
*Urszula Jarzębowska – member of the Management Board

During the reporting period the composition of the Management Board of the Parent Company did not change.

The Supervisory Board of the Parent Company as of December 31st, 2019 and as of the day of approving the financial statement was composed of:

- Maciej Jarzębowski – President of the Supervisory Board
- Marta Ciepła – member of the Supervisory Board
- Marcin Mańdziak – member of the Supervisory Board
- Jakub Sitarz – member of the Supervisory Board
- Michał Markowski - member of the Supervisory Board

d) Principal activity of the Group
The principal activity run by the Parent Company and its subsidiaries is according to the Polish Classification of Businesses – 62.01.Z – Activity related to software

e) Information on the Capital group
The Consolidated financial statement of the Capital group of LIVECHAT SOFTWARE SA comprised the subsidiary LiveChat Inc based in One International Place, Suite 1400, Boston, MA MA 02110-2619, USA, in which the Parent company holds 100% of shares.

f) Approval for publication
The present interim financial statement was made for the period from April 1st, 2019 until December 31st, 2019 (including the comparable data) and was approved for publishing by the Company's Management Board on February 26th, 2020.

g) Translation of figures presented in a foreign currency and translation into the presentation currency
The Company translated as of December 31st, 2019 its balance sheet items presented in USD using the exchange rate of 1USD = 3,7977 PLN whereas the items of the financial statement and the total income were translated using the exchange rate of 1USD=3,8573 PLN

8. Basis for preparation of financial statements and accounting principles applied

a) Declaration on compliance and the basis for preparation
The present consolidated financial statement was prepared in accordance with accounting principles contained in the International Financial Reporting Standards (IFRS) which were adopted by the European Union, published and binding before March 31st, 2019.

For the present interim condensed consolidated financial statement the Group applied for the first time the following standards and amendments to the existing standards published by Council for the Financial Reporting Standards (CIFRS) and approved by EU, which were enforced in 2019:

*IFRS 16 “Leasing”

*amendments to IFRS 9 “Financial Instruments”.

The group decided to implement the IFRS 16 by applying the simplified approach, namely retrospectively with a total effect of the first application of the said standard recognized on the day of its first application. This makes it possible to leave the comparable data unconverted and to recognize the effect of the application of the said standard as an adjustment of the opening balance of the profits retained on the day of the first application of the standard.

Having analysed the lease contracts, the Company's Management Board assessed that the application of the said standard did not affect the financial figures presented by the Group and there was no need to adjust the opening balance of the profits retained on April 1st, 2019.

The Group decided to present the assets due to the right of use within the same item, within which the relevant underlying assets would be presented if they belonged to the leaseholder (Group): the right of use of office space - they are presented in the balance sheet under tangible fixed assets.

Owing to the above the lease liability divided into long-term and short-term liability has been recognized.

Implementation of the IFRS 16 standard has a significant effect on the consolidated financial statement, because it increased the sum of assets and liabilities and thus affected some financial indicators which refer to those amounts.

Furthermore, the implementation of IFRS 16 caused an increase in depreciation cost and financial cost along with a simultaneous decrease of service price (that is the cost of the office lease so far presented in the sales and administrative costs) thus improving EBITDA.

IFRS cover standards and interpretations accepted by the Council for the Financial Reporting Standards (CIFRS) and the Committee for Interpretation of the International Financial Reporting (CIIFR).

The present interim condensed consolidated financial statement is presented in PLN.

The statement was prepared assuming that the companies in the group will continue to operate in the foreseeable future. As at the date of approving the consolidated financial statement there is no evidence indicating that the companies of the group may not be able to continue its operations.

b) Effect of amendments in the standards or interpretations

The principles (policy) of accounting used for drawing up the present financial statement for the business year ended on December 31st, 2019 are coherent with the principles used for elaborating the annual consolidated financial statement for 2018/2019.

c) Principles of accounting

The statement was prepared according to the principle of historical cost.

<u>Presentation of financial statements</u>
The financial statement is presented in accordance with IAS 1.

Profit and loss statement is presented in by-function format, whereas statement of cash flows is presented using an indirect method.

In case of retrospective entering of amendments to accounting principles or error adjustments, the Company presents the balance sheet additionally prepared for the beginning of the reference period

Consolidation

The consolidated financial statement comprises a consolidated financial statement of the parent company as well as a consolidated financial statement of the company controlled by the Group, that is its subsidiary, made as at December 31st, 2019. Control means the ability to influence financial and operating policy of a subsidiary in order to obtain economic benefits from the subsidiary's activities.

Financial statements of the parent company and the subsidiary comprised by the consolidated financial statement are prepared as at the same balance sheet day, namely December 31st, 2019. Where it is necessary, adjustments are made into the financial statement of the subsidiary in order to standardise the accounting principles used by the company to adapt to the principles used by the Capital group.

The subsidiary is covered by consolidation using the full consolidation method.

The full method of consolidation means combining financial statement of a parent company and its subsidiary by summing up the full amounts, particular items of assets, liabilities, equity, revenues and expenses. In order to present the Capital Group as a single economic entity, the following exclusions are made:
* at the moment of acquiring control the company's goodwill or profit are recognised,
* non-controlling interests and shares are presented separately,
* intra Capital Group balances (revenues, expenses, dividends) are eliminated in full,
* profits or losses from intra Capital Group transactions that are recognised in the balance value of assets such as inventories and fixed assets, are eliminated. Losses from intra Group transactions are analysed in terms of asset impairment loss from the Group perspective,
* the deferred tax due to temporary differences resulting from eliminating profits and losses on intra Capital group transactions is recognised .

Transactions in foreign currencies

The consolidated financial statement is presented in PLN which is also the functional currency of the parent Company.

Transactions in other than PLN currencies are translated into Polish zloty using the exchange rate on the date of the transaction (spot exchange rate).

On the balance sheet day the financial items in foreign currencies are translated into Polish zloty at the closing exchange rate at the end of the reporting period, that is the average exchange rate fixed for a particular foreign currency by the National Bank of Poland.

Non-monetary items are measured in terms of historical cost in a foreign currency and shown at the historical cost value on the transaction day.

Non-monetary items in the consolidated financial statement measured at their fair value presented in a foreign currency are evaluated at the exchange rate on the date the fair value is determined, that is the average rate fixed for a particular foreign currency published by the National Bank of Poland.

Intangible assets

Intangible assets cover patents and licences, software, R&D expenses and the other intangible assets that meet the criteria of IAS 38.

The intangible assets are presented on the balance sheet day at their acquisition cost or manufacture cost lowered by a depreciable amount and an impairment write-off/ allowance.
Intangible assets with finite useful life are amortised using straight-line method over the period of their economic useful life. Periods of use of particular intangible assets are verified annually and, when necessary, adjusted from the beginning of the next business year.

Expected useful life period for particular intangible asset groups and the corresponding amortisation rates:

Group	Rate
R&D	20 – 30%

Maintenance cost of software incurred in the following periods is recognised as the cost of the period at the time it was incurred.
R&D investments are recognized in the profit and loss account at the moment they are incurred.

R&D expenses are recognised as intangible assets only if the criteria below are met:
* completion of an intangible asset is feasible from the technical point of view so that it can be intended for use or sale,
*The group intends to complete an asset and its use or sale,
*the group is able to use or sell the intangible asset,
* the intangible assets will bring economic benefits, and the group can prove such benefits, for example by the existence of such an item in the market or its usability for the Group needs,
* the Group is provided with technical, financial or other sources necessary for completing R&D works for a single intangible asset,
* investments made during R&D works can be fairly evaluated and assign to a particular intangible asset.

Investments made on R&D conducted as part of a single project are carried forward onto the next period, if it is possible to state that they can be recovered in future. Evaluation of future benefits is made in accordance with the principles referred to in IAS 36.

After the   investments are initially recognised in R&D the historical cost model is applied according to which assets are recognised at their acquisition cost or manufacture cost lowered by accumulated amortisation and accumulated impairment write-offs/allowances. Completed R& D are amortised using a straight-line method over the foreseen period of their economic useful life, which, on the average, is 3 years.

Profit and loss on disposal of intangible assets is defined as a difference between revenues from sale and the net value of those fixed assets and are recognised in the profit and loss account of the other revenue or operating expense.

Tangible assets

Tangible assets are initially recognised at the acquisition costs or manufacture costs. The acquisition cost is increased by all the costs directly attributable to bringing the asset to use.
After initial recognition of tangible assets, they are, excluding land, then presented at their acquisition cost or manufacture cost lowered by depreciation and impairment loss. Tangible assets during the manufacture process are not amortised until the construction or installation is completed and the tangible asset is commissioned.
Fixed assets are amortised with straight line method over the estimated period of a given asset useful life, which for particular fixed asset groups is:

Group	Rate
Computers	30%
Investment in the third party fixed asset	50%

Depreciation starts in a month following the month in which the fixed asset becomes ready for use. Economic useful life and depreciation methods are verified once a year and may result in a possible depreciation adjustment made in the years to come.

Fixed assets are divided into elements being items of a significant value, to which a separate useful life period can be assigned. A fixed asset element can also be the cost of a major inspection as well as significant spare parts and equipment, if they are used over a period longer than one year. Current expenses incurred after a fixed asset commissioning, such as maintenance and repair costs are recognised in the profit and loss amount on the day they are incurred.

A fixed asset item can be cancelled from the balance sheet after it is sold or if it is not expected that further use of such an item can bring economic benefits. Profit or loss on sale, liquidation or stopping to use fixed assets are determined as a difference between revenues from sale and the net value of these fixed assets and are recognised in the profit and loss account in the other revenues or operating expenses.

<u>Financial instruments</u>
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
A financial asset or a financial liability is presented in the balance sheet when the Group becomes a party to such an instrument contract. Standardised contracts of purchase and sale of financial assets and liabilities are recognised as at the day the transaction is made.
A financial asset is derecognized from the balance sheet in case the rights to economic benefits as well as the risk arising from a concluded contract have been exercised, ceased or the Group has waived them.
The Group derecognizes from its statement a financial liability only when it expired, that means when the obligation specified in the contract was discharged, expired or cancelled.

On the acquisition day the Group measures a financial asset or liability at its fair value, that is at the fair value of the transaction cost (payment made or received). The Group classifies the transaction costs as the initial value of all the financial assets and liabilities, except for assets and liabilities evaluated at their fair value through profit and loss statement.

On the balance sheet day financial assets or liabilities are measured according to the principles shown below:

<u>Financial assets</u>
According to IFRS 9 the Group has been qualifying financial assets into the following categories:

- measured at the amortised cost,
- measured at the fair value through the other comprehensive income,
- measured at the fair value through the financial result.

The classification is made at the moment of the initial recognition of an asset. The classification of debt financial assets depends on a business model of financial asset management and on the characteristics of contractual cash flow (SPPI test) for a particular financial asset.

For the category of assets measured at the amortised cost the Group classifies trade receivables, granted loans that successfully passed the SPPI test, the other receivables, deposits, cash and its equivalents.

Financial assets measured at the amortised cost are measured at the amount of the amortised cost using the effective interest rate method and taking into account possible write-offs for impairment loss. Trade receivables with the maturity over 12 months from the date they become due (that is, exclusive of a financing element) not transferred for factoring are not subject to discounting and are measured at the nominal value.

For the category of assets measured at the fair value through the financial result the group classifies all financial instruments that have not been classified as measured at the amortised cost or measured at the fair value through the other comprehensive income. Profit and loss on a financial asset classified as measured at the fair value through the financial result are recognized in the financial result of the period in which they were generated (including revenues from interest and dividend).

IFRS 9 offers a new approach to loss assessment with respect to financial assets measured at the amortised cost. This approach is based on determining the expected loss, irrespectively of whether there were signs for the impairment loss or not. Due to the specificity of the activities run (sales without a significant credit risk, no financial asset revaluation write-offs, cooperation with big financial institutions with a stable rating), the Group has not recognized in its financial statement revaluation write-offs on the grounds of the expected loss, as it finds them insignificant.

The Group does not apply hedge accounting, therefore the IFRS 9 standard does not find application here.

Financial liabilities

Financial liabilities other than hedging derivatives are presented in the following balance sheet items:

* trade liabilities and other liabilities

After the initial recognition the Group measures financial liabilities at amortised cost using the effective exchange rate method, excluding financial liabilities intended for sale or designated as measured at fair value through the financial result.
The Group designates as financial liabilities measured at fair value through the financial result derivatives which are not designated as hedging instruments. Short-term trade liabilities are measured at the value of the amounts to be received due to insignificant discount effects.

Profits and losses on measurement of financial liabilities are recognised in the company's performance financial result.

Cash and its equivalents

Cash and its equivalents covers cash on hand and in bank accounts, as well as short-term investments of great liquidity, easily exchangeable for cash with low risk of changing value.

Equity

Share capital is presented at the nominal value of issued shares in accordance with the By-laws of the parent company and an entry in the National Court Register.
Shares of the parent company acquired and held by the parent company or consolidated subsidiaries decrease the equity. Own shares are measured at acquisition cost.
The capital from the sale of shares above their nominal value is created from the surplus of the issue price above the share nominal value decreased by the issuance cost.
The other capitals comprise retained earnings at the amount required by the Code of Commercial Companies.

Provisions, contingent liabilities and assets

Provisions are created when the Group has a present obligation (legal or constructive) as a result of past events and it is probable that settling this obligation will require an outflow of resources embodying economic benefits and a reliable estimate can be made of the amount of the obligation. Date of incurring as well as the amount of the obligation can be uncertain.

Provisions for future operating losses are not made.

Provisions are recognised at the value of estimated investments necessary to settle the present obligation basing on the most probable evidence available on the day of preparing the consolidated financial statement , including risk and degree of uncertainty. In case money impact in time is significant, the provision amount is determined by discounting the prospected future cash flows to the current value using a discount rate reflecting current market assessments of money value in time and the possible risk related to a particular obligation. If the discounting method is applied, the increase of provisions with time is recognised as financial expenses.

If the Group expects that the expenses covered by the provision will be paid back, for example by virtue of an insurance contract, than the payment back is recognised as a separate element of assets, but only, when there is a sufficient indicator ensuring that such a payment back is likely to occur. However, the value of such an asset cannot exceed the amount of the provision.

In case outflow of resources for settling the present obligation is not possible, the contingent liability is not recognised in the balance sheet, except for contingent liabilities identified in the process of combining economic entities according to ISFR 3.
The company creates especially provisions for servers' maintenance costs due to the sale completed.

Revenues from sales

IFRS 15 “ Revenues from agreements with clients” was published by the IFRS Council on May 28th,2014 and applies for a single year periods commencing on January 1st,2018 or after this date.

According to the above standard revenues are recognized at the amount to which an entity is entitled in exchange of handing over promised goods or services.

IFRS 15 standardizes presentation and discovery of information. The fundamental principle of the new standard is that the revenues are recognized at the moment the control over the goods and services is transferred onto the client at the transaction price. Any goods or services sold as part of a package, which can be separated as a package part, should be recognized separately, furthermore, any deductions off the transaction price must be, as principle, allocated to particular elements of the package. According to the standard varied amounts are classified as revenues, provided there is a strong likelihood, that in future there will be no reversal of the revenue recognition as a result of revaluation. Recognition and revaluation in the standard are also applied for recognizing and evaluating profit/loss on the sale of non-financial assets, if this sale is not comprised by a regular course of the economic activities run.

The Group presents the recognized revenues from agreements with clients divided into categories, which reflect the way economic factors affect the character, amount, payment date and uncertainty of revenues and cash flows.

The Group has applied the above standard IFRS 15 since April 1st,2018. No significant impact on the Company's activities have been found.

Sales revenues are recognised at fair value of payments received or due and represent product receivables obtained in the process of regular operations, decreased by discounts, VAT and other trade taxes (excise tax).
All the amounts are presented in PLN (unless stated otherwise).
The revenues are recognised at the amount at which it is probable that the economic benefits associated with a particular transaction will flow to the Group and when the revenue amount can be measured reliably

Revenues from sales of products (services) are recognised if the following conditions are met:
* the group has transferred to the buyer the significant risks and rewards of ownership of the goods. The condition is regarded as met at the moment the access to the offered software is established for the user.
* the amount of the revenue can be measured reliably,
* it is probable that economic benefits associated with the transaction will flow to the group,
* the costs incurred and that will be incurred due to the transaction can be measured reliably.

<u>Interest and dividend</u>
Revenues from interest are recognised successively as they grow using the effective exchange rate method. Dividends are recognised at the moment of establishing the shareholders' rights to dividends.

<u>Operating expenses</u>
Operating expenses are recognised in the profit and loss statement using the matching principle. In its consolidated financial statement the Group presents costs using cost centre accounting .

<u>Income tax (including deferred tax)</u>
The tax charged to the financial result comprises current tax and deferred tax, which was not recognised in other comprehensive income or directly in equity.
Current tax is determined basing on the taxable profit for a given business year. Taxable profit (loss) differs from the gross profit (loss) presented in the books due to a temporary transfer of taxable revenues and costs being the cost of obtained revenues to other periods and due to excluding revenue and expense items which will never be subject to taxation. Tax charges are computed basing on tax rates in force in a given tax year.

Deferred tax is computed using a balance method as tax to be paid or refunded in future periods on differences between balance sheet values of assets and liabilities and the corresponding tax values used for calculating the taxable base.

Provision for deferred tax is created from all positive temporary differences subject to taxation, whereas an asset due to deferred tax is recognised up to the value at which it is probable, that it will be possible to decrease future taxable profits by the recognised negative temporary differences. Neither an asset nor provision is recognised if the temporary difference results from the initial recognition of assets or liabilities in a transaction which is not a business combination and which at the time of its occurrence does not have an impact either on the taxable or accounting result. Provision for deferred income is not recognised on goodwill which is not subject to amortisation according to tax law.

Deferred tax is measured using tax rates which will be in force when an asset item is realized or provision settled in accordance with regulations in force on the balance sheet day.

The value of an asset due to deferred tax is analysed for each balance sheet day, and in case the projected taxable profits will not be sufficient to realize the asset or its part, a relevant write-off is made.

<u>Subjective judgement made by the Management Board and unreliability of assessments</u>

When preparing the consolidated financial statement the Management Board of the parent company follows judgement when making estimates and assumptions that affect the applied methods and the presented amounts of assets, liabilities, equity, revenues and expenses. The actual results may differ from the estimates of the Management Board. Information on the estimates and assumptions which are significant for the consolidated financial statement are presented below.

Periods of economic useful life of fixed assets

The Management Board of the parent company verifies annually (on the balance sheet day) periods of economic useful life of fixed assets subject to amortisation. As at March 31st, 2019 the Management Board estimates, that the economic useful life periods accepted by the Group for amortisation purposes reflect the expected period of receiving economic benefits by those assets in future. However, the real periods of receiving benefits by those assets in future may differ from the assumed ones, also due to technical ageing of the assets.

Provisions

The Management Board of the parent company assesses the cost related to maintenance of servers related to the sold accesses to the offered software.

Assets for deferred tax

Probability of settling an asset due to deferred tax with future taxable profits is based on the budget of the companies comprised by the Group approved by the Management Board of the parent company. If the projected financial results show that the Group companies will reach the taxable income, the assets for deferred tax are recognised in the full amount.

Impairment loss of non-financial assets

In order to determine the use value the Management Board assesses the projected cash flows and the rate with which the cash flows are discounted to the current value. In the process of measuring the current value of the future cash flows the projected financial results are assumed. The assumptions refer to future events and circumstances. The actually realized values may differ from the estimated ones, which in the following reporting periods may cause adjustments in the value of the assets of the Group.

3. Intangible assets

3.1 – Intangible assets	**As at 31.12.2019**	**As at 31.03.2019**
Goodwill	-	-
Patents and licences	-	-
R&D expenses	17 713 548	13 809 233
Other intangible assets, including the value of intangible assets under implementation	-	-
TOTAL INTANGIBLE ASSETS:	17 713 548	13 809 233

3.2 Intangible assets in the reporting period from 1.04.2019 to 31.12.2019	**Goodwill**	**Patents and licences**	**R&D expenses**	**Other intangible assets**
Gross opening balance			**20 445 768**	
Acquisition	**-**	**-**	**-**	**-**
Reclassification	-	-	7 336 162	-
Decrease due to sales	-	-	-	-
Decrease due to liquidation	-	-	**-**	-
Transfer (reclassification) onto fixed assets intended for sale	-	-	**-**	-
Decrease and increase due to reclassification	-	-	**-**	-
Gross closing balance	**-**	**-**	**27 781 930**	**-**
Opening redemption balance	**-**	**-**	**6 636 535**	**-**
Amortisation increase for the period	-	-	3 431 847	-

Reclassification	-	-	-	-
Decrease due to sales	-	-	-	-
Decrease due to liquidation	-	-		-
Transfer (reclassification) onto fixed assets intended for sale	-	-	-	-
Decrease and increase due to reclassification	-	-	-	-
Gross closing balance	**-**	**-**	**10 068 382**	**-**

The most important intangible asset is the completed R&D related to subsequent versions of the products offered by the Group.
Intangible assets are not in any of the presented periods subject of hedge accounting. The Group does not possess intangible assets intended for sale.

In the opinion of the management Board there has been no impairment of the investments made on R&D.

4. Tangible assets

4.1 Tangible assets	**As at**	**As at**
	31.12.2019	**31.03.2019**
Land	-	-
Right to perpetual usufruct	-	-
Buildings and structures	4 030 578	206 936
Machinery and equipment	1 228 431	1 269 336
Vehicles	-	-
Other fixed assets	-	-
Fixed assets in the course of construction	-	53 326
Advances for fixed assets	-	-
TOTAL FIXED ASSETS:	5 259 009	1 529 599

4.2 Tangible fixed assets in the reporting period from 01.04.2019 to 31.12.2019	Land	Right to perpetual usufruct	Buildings and structures	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets in the course of construction
Opening gross balance	**-**	**-**	413 873	2 767 264	**-**	**-**	
Carried from fixed assets under construction	-	-	-	-	-	-	-
Direct acquisition	-	-	60 186	419 767	-	-	-
Reclassification	-	-			-	-	
Amendment of the principles of the accounting policy			3 963 455	-	-	-	-
Increase due to combination of businesses	-	-	-	-	-	-	-
Decrease due to sales	-	-	-	-	-	-	-
Decrease due to liquidation	-	-	-	5894	-	-	-
Transfer onto fixed assets intended for sale	-	-	-	-	-	-	-
Decrease and increase due to reclassification	-	-	-	-	-	-	-
Gross closing balance	**-**	**-**	**4 437 513**	**3 181 137**	**-**	**-**	**-**
Opening redemption balance	**-**	**-**	**206 936**	**1 497 187**	**-**	**-**	**-**
Amortisation increase for the period	-	-	199 999	460 672	-	-	-
Increase due to combination of businesses	-	-	-	460 672	-	-	-
Reclassification	-	-	-	-	-	-	-
Decrease due to sales	-	-	-	-	-	-	-

Decrease due to liquidation	-	-	-	4 806	-	-	-
Transfer onto fixed assets intended for sale	-	-	-	-	-	-	-
Decrease and increase due to reclassification	-	-	-	-	-	-	-
Gross redemption closing balance	**-**	**-**	**406 935**	**1 952 706**	**-**	**-**	**-**
Opening revaluation write-offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Increase over the period	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
Decrease due to sales	-	-	-	-	-	-	-
Decrease due to liquidation	-	-	-	-	-	-	-
Transfer onto fixed assets intended for sale	-	-	-	-	-	-	-
Release of write-offs	-	-	-	-	-	-	-
Closing revaluation write-offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Closing net value	**-**	**-**	**4 030 578**	**1 228 431**	**-**	**-**	**-**

* The group has been implementing IFRS 16 since April 1st,2019. As a result of this application the assets due to the right of use of office space were recognized in the balance sheet as of April 1st,2019. These assets are presented in the consolidated balance sheet under Tangible fixed assets. The details of the application of IFRS 16 are referred to in the note 2.3 Principles of Accounting.

The most important element of the other tangible assets is computer equipment. The value of the machinery purchased in the reporting period amounted to 419.767 PLN. As at December 31st,2019 there were no significant liabilities related to the purchase of fixed assets.

The value of buildings and structures refers to the investments made on the new seat of the Company.

The other fixed assets are mainly composed of the cost of uncompleted R&D as well as the assets due to the deferred income tax.

5. Long-term receivables

Long-term receivables as at December 31st, 2019 mainly refer to the deposits made.

6. Trade receivables and other receivables

The majority of trade receivables concerns short-term receivables from payment agents and transfer of payments collected from customers. The other trade receivables mature at up to 30 days.

Trade receivables and the other receivables are measured at the amount of the amortised cost using the effective exchange rate method and taking into account the revaluation write-offs on receivables. The accounting value of the receivables is close to their fair value. Trade receivables with maturity date of below 360 days following the date they became due are not subject to discounting.

6- Receivables	31.12.2019			31.03.2019		
	Value	Revaluation write-off	Balance sheet value	Value	Revaluation write-off	Balance sheet value
Trade receivables	232 347	-	232 347	1 179 923	-	1 179 923
Receivables due to the current income tax	-	-	-	-	-	-
Other receivables	7 179 538	-	7 179 538	9 092 688	-	9 092 688
-including VAT	7 136 503	-	7 136 503	7 642 420	-	7 642 420
TOTAL RECEIVABLES:	**7 411 885**	**-**	**7 411 885**	**10 272 611**	**-**	**10 272 611**

As at December 31st, 2019 the Group had no overdue receivables not covered by provisions.

The other receivables due to VAT are in accordance with the current VAT declaration. The Company plans to settle these receivables against income tax payments.

7. Cash and its equivalents

Cash in bank bears the interest according to a variable interest rate. The fair value of cash and cash equivalents equals its balance sheet value.

7.1 Cash	As of	As of
	31.12.2019	31.03.2019

Cash in hand	-	-
Cash on bank accounts	39 228 791	32 437 320
Other cash and its equivalents	201 590	191 827
TOTAL CASH:	**39 430 381**	**32 629 147**
- including cash of restricted access funds	-	-

Cash in foreign currencies is evaluated on the balance sheet day according to the average rate for a particular currency fixed by the National Bank of Poland.

7.2 Cash-currency structure	**As at**	**As at**
	31.12.2019	**31.03.2019**
Cash in PLN	26 806 213	18 467 760
Cash in USD	12 624 168	14 161 387
Cash in EUR	-	-
TOTAL CASH:	**39 430 381**	**32 629 147**

8. Prepayments and accruals

8 Active prepayments and accruals	**As at**	**As at**
	31.12.2019	**31.03.2019**
- annual fees (domains, licences)	65 596	38 930
-other	23 806	15 758
TOTAL PREPAYMENTS AND ACCRUALS	**89 402**	**54 688**

Short-term prepayments and accruals refer to expenses settled over time.
Long term prepayments and accruals mainly refer to uncompleted R&D and the value of the acquired internet domains.

9. Equity

9.1 Share capital

SHARE CAPITAL (STRUCTURE) – 31.12.2019								
	Share type	**Type of share preference**	**Type of share right limits**	**Number of shares (in thousand items)**	**Series/issuance value by nominal value**	**Method of capital payment**	**Registration date**	**Dividend entitlement**
Series A	Ordinary bearer's	no	no	25 000,00	500 000	Contribution in cash	18.12.2013	According to KSH
Series B	Ordinary bearer's	no	no	750	15 000	Contribution in cash	18.12.2013	According to KSH
Total shares				**25 750,00**				
Total share capital					**515 000**			
Nominal value of a single share= 0,02 PLN								

Series A shares:

Series A shares are the series issued in relation to the transformation of „LIVECHAT" Ltd., the legal previous predecessor of the Issuer, into LiveChat Joinmt Stock. The transformation was adopted by the resolution of the shareholders' meeting of „LIVECHAT" Ltd. of June 10th, 2007. The resolution was recorded by Marek Leśniak, Notary Public of the Notarial Office Leśniak i Kawecka-Pysz partnership based in Wrocław, under repertory A no 1324/2007. The transformation was registered by virtue of the decision of the Regional Court for Wrocław-Fabryczna in Wrocław, VI Economic Division – KRS of October 16th, 2007.

At the time of transformation the Issuer's share capital amounted to 500.000 PLN and was divided into 5.000.000 A series ordinary bearer's shares with the nominal value of 0,10 PLN each.

On November 29th, 2013 The Issuer's Shareholders' Meeting passed a resolution to change the Issuer's By-laws, comprising, among other things, stock split, fixing the nominal stock value of 0,02 (two grosze) PLN. The resolution was recorded by Karolina Warczak-Mańdziak , Notary Public of the Notarial Office Wisława Boć-Mazur and Karolina Warczak-Mańdziak civil partnership based in Wrocław, under repertory A no 12380/2013. The shares were split in the proportion of 1:5 so that each single Issuer's share, including each single A series share, was split into 5 shares. The change in the Issuer's By-laws covering a change in the share nominal value was registered by virtue of a decision of the Regional Court for Wrocław-Fabryczna in Wrocław, VI Economic Division – KRS of December 18th, 2013. As a result of the above-mentioned registration, A series shares comprise 25.000.000 ordinary bearer's shares with the nominal value of 0,02 PLN each.

Series B shares

On April 26th, 2010 the Issuer's Shareholders' Meeting passed a resolution to increase the Issuer's share capital by the amount of 15.000 PLN through series B bearer's shares waiving the pre-emptive right of the Company's current shareholders as well as to amend the Company's By-laws. By virtue of the said resolution the Shareholders' Meeting decided to increase the share capital by 15.000 PLN by issuing 150.000 series B ordinary bearer's shares with the nominal value of 0,10

PLN. The series B shares were in full subscribed for by Mariusz Ciepły and paid with cash of 15.000 PLN. The issue price of a series B share was 0,10 PLN per single share.

On November 29th, 2013 The Issuer's Shareholders' Meeting passed a resolution to change the Issuer's By-laws, comprising, among other things, stock split, fixing the nominal stock value of 0,02 (two grosze) PLN. The resolution was recorded by Karolina Warczak-Mańdziak , Notary Public of the Notarial Office Wisława Boć-Mazur and Karolina Warczak-Mańdziak civil partnership based in Wrocław, under repertory A no 12380/2013. The shares were split in the proportion of 1:5 so that each single Issuer's share, including each single B series share, was split into 5 shares. The change in the Issuer's By-laws covering a change in the share nominal value was registered by virtue of a decision of the Regional Court for Wrocław-Fabryczna in Wrocław, VI Economic Division – KRS of December 18th, 2013. As a result of the above-mentioned registration, B series shares comprise 750.000 ordinary bearer's shares with the nominal value of 0,02 PLN each.

Capital ownership structure as of December 31st, 2019

	Capital share as of March 31st, 2019	**Capital share as of December 31st, 2019**	**Capital share on the day of drawing up the financial statement**
Nationale-Nederlanden PTE	6,18%	6,18%	6,18%
Aviva OFE/Aviva Santander	5,94%	6,55%	6,55%
Shareholders' agreement including above 5 % of the Company's capital :	47,10%	47,10%	47,10%
Mariusz Ciepły	15,57%	15,57%	15,57%
Maciej Jarzębowski	11,69%	11,69%	11,69%
Jakub Sitarz	11,69%	11,69%	11,69%
Others	40,78%	40,17%	40,17%
TOTAL	**100%**	**100%**	**100%**

9.2 Supplementary capital

Supplementary capital was formed by retaining a part of the Company's profits from previous years.

The Company distributed its result of the previous year in accordance with the requirements specified in art. 347 § 4 in the code of commercial companies (corporate law).

9.3 Undistributed result from previous years

The item undistributed result of previous years refers only to undistributed net result of previous years and does not contain any other economic events.

9.4 Information on the dividends paid

By virtue of the resolution adopted by the General Meeting of Shareholders of August 7th, 2019 the net profit of the parent company for 2018/2019 was allocated to:
- payment of dividend – 50.212.500,00 PLN
- increasing supplementary capital – 6.771.413,68PLN

10. Long-term liabilities

Long-term liabilities comprise other financial liabilities related to the leasing recognized in accordance with IFRS at 3.785.479,53 PLN.

11. Trade and other liabilities

11.1 Trade and other short-term liabilities	As at 31.12.2019	As at 31.03.2019
Trade liabilities	4 652 048	4 323 670
Due to current income tax	110 232	2 642 621
Payroll	-	-
Other financial liabilities	177 976	-
Other taxation, custom duties and social insurance	-	-
Accruals and other liabilities	196 562	198 523
TOTAL SHORT-TERM LIABILITIES:	**5 136 818**	**7 164 814**

Trade liabilities also comprise provision for assessment of the cost of maintenance of the necessary servers that amounts to 2.159.195,57 PLN.

The other financial liabilities result from the liability due to the lease recognized in accordance with IFRS 16.

11.2 Liabilities as at 31.12.2019 - aging	current	Till 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	Total
Trade liabilities	4 652 048	4 652 048	-	-	-	4 652 048
Due to current income tax	110 232	110 232	-	-	-	110 232

Payroll	-	-	**-**	**-**	**-**	-
Other financial liabilities	177 976	177 976	**-**	**-**	**-**	177 976
Other taxation, custom duties and social insurance	-	-	**-**	**-**	**-**	-
Accruals and other liabilities	196 562	196 562	**-**	**-**	**-**	196 562
Total	**5 136 818**	**5 136 818**	**-**	**-**	**-**	**5 136 818**

11.3 Liabilities – currency structure	**31.12.2019**		**31.03.2019**	
	in foreign currencies	**in PLN after translation**	**in foreign currencies**	**in PLN after translation**
PLN	4 971 854	4 971 854	6 354 081	6 354 081
EUR	-	-	-	-
USD	43 438	164 964	211 321	810 733
TOTAL	**-**	**5 136 818**	**-**	**7 164 814**

12. Revenues from sales

12. Sales revenues (continued activity)	**For period ended 3 months 31.12.2019**	**For period ended 9 months 31.12.2019**	**For period ended 3 months 31.12.2018**	**For period ended 9 months 31.12.2018**
Revenues from sales of products	32 356 805	94 853 380	27 779 615	109 298 865
Revenues from sales of services	-	-	-	-
Revenues from sales of goods	-	-	-	-
Revenues from sales of materials	-	-	-	-
TOTAL SALES REVENUES	**32 356 805**	**94 853 380**	**27 779 615**	**109 298 865**

Due to a uniform character of its operations the Company does not identify operating segments.

Almost 95% of the consolidated revenues from sales is generated by the Company through its subsidy in USA. They comprise 1,3,6 and 12 months' licences for LiveChat products in B2B segment. The sales are based on fixed prices.

The Company does not have significant long-term sales contracts. A single sale is entered into the books at the time of payment for the sale of a license, so there is no risk related to a deferred payment. Owing to the above there are no assessments of revenues valuation.

The right to return occurs rather rarely in a changed form. The unused part of the license can be changed, however, it cannot be given back. It is also not possible to return the used license part.

13. Operating expenses

13. Cost by nature	For period ended	For period ended	For period ended	For period ended
	3 months	9 months	3 months	9 months
	31.12.2019	31.12.2019	31.12.2018	31.12.2018
Amortisation	1 457 067	4 092 518	943 926	2 597 477
Energy and materials used	166 834	576 121	252 791	665 430
External services	9 287 724	27 134 252	8 164 930	21 284 416
Taxes and charges	7 286	34 836	-	7 285
Cost of employee benefits	499 403	1 512 719	638 653	1 372 757
Other cost by nature	900 302	2 896 729	903 553	2 409 320
Value of materials and goods sold	-	-	-	-
Exchange rate differences related to the operating activity	329 783	329 783	(99 115)	(476 808)
TOTAL COST BY NATURE	**12 648 398**	**36 576 958**	**10 804 739**	**27 859 878**
Adjustments:				
Change in stock	-	-	-	-
Own cost of sales	5 015 074	13 968 605	4 949 366	13 375 728
Cost of sales	4 524 205	13 001 032	2 505 377	6 855 884

Administrative expenses	3 109 119	9 607 321	3 349 996	7 628 265
TOTAL OPERATING EXPENSES	**12 648 398**	**36 576 958**	**10 804 739**	**27 859 878**

14. Other operating income and expenses

The other operating income basically comprises the revenues from sublease, whereas operating expenses come from donations granted.

15. Financial income and costs

Financial income consists only of the obtained interest on bank deposits. Financial costs consist of the interest paid for a delay.

16. Current and deferred income tax

Current tax	**01.04.2019 - 31.12.2019**	**01.04.2019 - 30.09.2019**
Gross figure	58 317 705	38 465 907
Temporary and fixed differences	1 790 195	1 511 734
Taxable base	60 107 900	39 977 641
Income tax	11 420 501	7 595 751

The difference between the value of the income tax presented above and the amount of the tax indicated in the consolidated statement note on comprehensive income is a change in the deferred tax status. The deferred tax was calculated only basing on temporary differences between the tax and balance valuation.

As of December 31st,2019 the Company presents the asset due to the deferred income tax of 509.733,61 PLN as well as the provision for the deferred income tax of 22.925,41 PLN.

17. Financial instruments

17. Financial instruments by category	**As of 31.12.2019**		**As of 31.03.2019**	
	Book value	**Fair value**	**Book value**	**Fair value**
Financial assets	**93 684 533**	**93 684 533**	**37 045 695**	**37 045 695**
Financial assets measured at the fair value through the financial result	-	-	-	-

Financial assets measured at the amortised cost , including	**46 842 266**	**46 842 266**	**42 896 981**	**42 896 981**
Own receivables	7 411 885	7 411 885	10 272 611	10 272 611
Money	39 430 381	39 430 381	32 624 369	32 624 369
Financial assets measured at the fair value through the financial result	-	-	-	-
Financial liabilities	**4 958 842**	**4 958 842**	**3 409 595**	**3 409 595**
Financial liabilities measured at the amortised cost	4 958 842	4 958 842	3 409 595	3 409 595

18. Benefits to the key managing staff (including remuneration to the members of the Management Board and the Supervisory Board)

Remuneration to the Management Board

The remuneration of the Board of Directors/Management Board of LiveChat Software SA collected from April 1st,2019 until December 31st,2019 also comprises bonus granted by the Supervisory Board.

Name and surname	01.04.2019 – 31.12.2019	01.04.2018 – 31.12.2018
Mariusz Ciepły	637 229,09 zł	643 000,00 zł
Urszula Jarzębowska	424 819,42 zł	384 000,00 zł
Razem	1 062 048,51 zł	1 027 000,00 zł

Remuneration to the Supervisory Board

Members of the Supervisory Board did not receive any remuneration.

Other benefits and unsettled loans and advance payments of the key managing staff

not present

All transactions with the key managing staff of the Company are made according to market conditions.

19. Contingent items, other off-balance sheet items and tax settlements

There were no such items.

20. Employment

Average employment by job positions	For the period ended 31.12.2019	For the period ended 30.09.2019
Physical workers	-	-
Office workers	166	160
Total number of job positions	**166**	**160**

21. Description of factors and events, especially of non-typical character, having an impact on the financial results generated.

In the opinion of the Company's Management Board within the period from April 1st,2019 until December 31st,2019 there were no other major events of non-typical character having an impact on the financial results generated by the Capital Group.

22. Events after the balance sheet date, not included in the statement

no such events occurred

23. Transactions with related parties

In the analysed period the Company concluded transactions with the entity subject to consolidated statement, namely LiveChat, Inc. As a result, in the analysed period there occurred balance and result categories as presented below:

- Receivables from LiveChat, Inc. of 11.385.903,92 PLN,
- Liabilities towards LiveChat, Inc. of 0,00PLN,
- Revenues from sales to LiveChat, Inc. of 93.286.157,25 PLN,
- cost of services bought from LiveChat, Inc. of 17.255.953,18 PLN.

The above transactions were excluded in the consolidated financial statement.

24. Cyclicality and seasonality of the activities run

No cyclicality or seasonality of the sales can be observed in the capital group.

25. Remuneration to auditors

The company concluded an agreement with the auditing company HLB M2 AUDIT PIE sp. z o.o. on 29.05.2019. The agreement comprises auditing the annual separate (condensed) and consolidated financial statement for 2018/2019. For this contract the Company paid the remuneration of 42.334,02 PLN.

The other agreement concluded on 25.10.2019 with the auditing company Grant Thornton Frąckowiak sp.k. comprised auditing an interim separate (condensed) and consolidated financial statement for the period 1.04.2019 until 30.09.2019.
For this contract the Company shall have to pay the remuneration to the auditor amounting to net 22 000,00 PLN plus VAT. Furthermore, the remuneration shall be increased by the cost of accommodation, meals and travel expenses of auditors and the percentage rate of the supervision fee fixed for a particular year and defined in the resolution of the National Chamber of Statutory Auditors or in the announcement of the Minister of Finance. As of the day of concluding the said contract the rate is 3,29%.

The Company also paid the other costs related to the audit of net 177,61 PLN increased by VAT.

26. Objective and principles of risk management
The main financial instruments used by the entity and its subsidiaries are cash and short-term deposits. The main objective of those financial instruments is optimization of the financial result of the Group and securing exchange rate risk. The group also has other financial instruments, such as trade receivables and liabilities, which become due in the course of the operations carried out.

The principle applied by the Group presently and throughout the reporting period is not trading with financial instruments.

Foreign exchange risk
Since over 95% of the sales is performed in USD the Group is exposed to foreign exchange risk due to the transactions made.
In the business year under analysis the Group did not secure (hedge) its sales denominated in foreign currencies (similarly as in the previous years).
In order to decrease foreign exchange risk the parent company's Management Board exchanges the received USD into Polish zloty.
The Management Board regularly monitors USD exchange rate and adapts its price policy thereto.

Interest rate risk
Exposure of the Group to the risk resulting from changing interest rate first of all refers to depositing the generated financial surplus. Due to the character of operations carried out, the Company does not have financial liabilities.

Price risk
The basic type of the services purchased are services rendered by qualified IT engineers. Due to the fact that the company's operations are run in Wrocław, where there are many qualified IT engineers operating, and the local technical university educates many IT students, the risk of price increase is not crucial here.
The Company's Management Board regularly monitors the level if IT service prices.

Credit risk
The business model adopted by the group assumes sales completion only when receiving payment is guaranteed.
The share of customers to whom merchandise credit is granted is hardly 3%.
The Management Board of the parent company regularly monitors credit risk of its contracting parties.

Risk related to liquidity

Due to the character of the operations of the Group, this type of risk is not practically important here.

Wrocław, February 26th, 2020

Mariusz Ciepły, President of the Management Board
Urszula Jarzębowska, member of the Management Board
Joanna Alwin, Financial Director