LiveChat Software

Annual Report
2019/2020 FY
Customer communication without barriers
Help people and business communicate better and fully express themselves
Operating summary

Letter to shareholders

In January, we informed that we had reached 1000+ clients of ChatBot and in June we announced that the number of clients of LiveChat had exceeded 30 thousand. Perhaps some of you remember that shortly after our first listing on the stock exchange I said that this would mark an important milestone for us, after which we would have to set new goals for ourselves.

I do not want to define new targets based on a specific level of revenues, margin or number of clients. We have much greater ambitions. Today, we function in an environment where there are several other providers of similar products and services. The goal of LiveChat is to introduce a brand new quality — to revolutionize communication between companies and their customers. We are not afraid to declare that our ambition is to create solutions that can eliminate communication barriers and make the world a better place.

For many months, together with the leaders of LiveChat, we have discussed what sort of an organization we would like to be in a few years and how we were going to achieve our goals. This led to the creation of the “LiveChat Constitution”, which has also been appended to our annual report.

We hope that all of our Shareholders will find some time to read this document — it not only outlines our Mission and Vision but also defines our key values and strategic assumptions.

Obviously, we are going to remain a for-profit organization. One of our values is the “fight for every inch” approach. It means that we prefer to work and think rather than simply spend money. We are going to invest, increase employment and develop our sales team in the USA, but cost control and profitability will still be our priorities.

The outbreak of the 2020 pandemic has changed our lives and priorities. We have been worried about the health of our families, the economy, the situation of our business partners. Fortunately, we do not need to worry about our own business — which is corroborated by the financial results we are presenting.

The pandemic seems to have speeded up the process by which many businesses go online and online communication with clients becomes more and more important. Our solutions are increasingly needed by companies which operate in the changing environment.

Even though since mid-March we have been experiencing a largely growing interest in our solutions, we are also aware that many of our existing clients are having a hard time. Many of them have been forced to cease or suspend trading. Many of them reduced any expenses. We tried to support them as much as we could by organizing the “We Are Ready to Support You” campaign, which comprised, among others, extended trial periods for companies switching to remote work. Most importantly a large number of public benefit organizations joined our “LiveChat for Non Profits” programme. At present, we support more than 100 such organizations by making our solutions available to them, free of charge. We are very happy that these days LiveChat is such a useful tool also for them and that we can support them.

Also, it is very important for us that when the epidemic broke out we were able to efficiently transform ourselves into an organization working remotely (100%) and thus ensure the maximum safety of our collaborators. What is more, we did not abandon our all-company projects, e.g. the “Side Project Day” during which we all participated in a discussion and more than 100 people divided into teams worked on projects connected with proposed communication improvements during the COVID-19 crisis.

The pandemic has not stopped any of our major projects. Already in April, we announced rebranding of our products and presented new logos for all of them. There is more to rebranding than only refreshing of graphic images. It is a very strong declaration on our part we are no longer a one-product company — we have several products and, what is more, they jointly create added value, which allows us to better respond to the needs of the most demanding clients.

The last financial year was very important to us also because we made a step beyond being a one-product company. It is a fact that LiveChat still generates the large majority of our result, but for the first time in our history we have other revenue streams – apart from ChatBot or HelpDesk we make money on applications offered through our marketplace. In January 2020, ChatBot exceeded the number of one thousand paying clients, a symbolic milestone. For LiveChat, it was very important to change its pricing model – also in the first month of the year.

There was no shortage of major events, we are describing them in the report, but I would like to mention one more thing which is very important to me personally. Recently LiveChat has acquired a new home – the livechat.com domain name that was purchased in January. I waited for this moment for more than ten years and I am very happy that we were finally able to finalize the transaction.

In the financial year 2019/2020, we generated revenues of PLN131mn and net profit of PLN76mn. We leave assessment of these results to the Shareholders, but I am convinced that this is not our last word, that we will continue to grow and that the best is yet to come.

Regards,

Mariusz Ciepły
Operating summary

Commentary of the Management Board

In the financial year ended 31 March 2020, the LiveChat Software Group of Companies generated consolidated revenues of PLN 130.9mn and consolidated net profit of PLN 76.1 mn. This translates into an increase by 19.7% and 33%, respectively, as compared to the preceding financial year.

At the company level, LiveChat Software S.A. generated net profit of PLN 75.8 million.

In the financial year 2019/2020, net profit was largely affected by application of the tax relief under the IP Box programme. Tax savings resulting from the application of this program in relation to revenues from our applications amounted to PLN 10.6 million.

The reported results were also materially affected by the USD/PLN exchange rate as virtually all of the Company’s revenues are generated in US dollars (USD) and the Company’s costs are incurred both in dollars and in Polish zlotys (PLN).

An increase in costs observed during the year results both from increased scale of activity (more clients means higher infrastructure costs) and increased employee headcount. Higher workforce numbers is our response to the challenges resulting from increased scale of activity: development of LiveChat product and introducing new functionalities to that product, work on other products, new marketing initiatives, etc.

Despite higher costs, the Company still achieves very high profitability level. Gross margin on sales was 86.7%, operating margin was 62.6% and net margin was 58.2% (50.1% without IP Box included). This translates into capability to generate positive and very high operating cash flows. During the financial year, the Group generated operating cash flows of PLN 75.8 million and net cash flows of PLN 614mn. This item was affected by negative cash flows from the financing activity almost fully resulting from dividends paid out of profit for the previous financial year and an advance towards expected dividends for the current financial year. In Q4, cash flows from investing activity were materially affected by the purchase of the livechat.com domain name.

The Company’s financial result might have been materially affected by the change of the pricing model of the LiveChat product in January 2020. Since the Company has switched to the pay-per-agent (PPA) model, its offer is simpler and easier to compare with competitive offers. Furthermore, introduction of the PPA model (applicable to new clients only) translated into a higher sales price (ARPU in respect of the new client group) and in the future may positively affect upselling to that client group.
## Operating summary

### Selected consolidated financial data

<table>
<thead>
<tr>
<th>[PLN]</th>
<th>2019/20</th>
<th>2018/19</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales of products, goods and materials</td>
<td>130,867,175</td>
<td>109,298,865</td>
<td>+19.7%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>88,412,666</td>
<td>74,526,036</td>
<td>+18.6%</td>
</tr>
<tr>
<td>Operating profit (loss)</td>
<td>81,922,875</td>
<td>70,775,577</td>
<td>+15.7%</td>
</tr>
<tr>
<td>Gross profit (loss)</td>
<td>81,877,485</td>
<td>70,985,321</td>
<td>+15.3%</td>
</tr>
<tr>
<td>Net profit (loss)</td>
<td>76,118,844</td>
<td>57,245,999</td>
<td>+33.0%</td>
</tr>
<tr>
<td>Net cash flow</td>
<td>6,057,396</td>
<td>2,495,340</td>
<td>+142.7%</td>
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<tr>
<td>cash flow from operating activities</td>
<td>75,817,478</td>
<td>61,189,365</td>
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<tr>
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<td>-17,468,225</td>
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<td>Number of shares</td>
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<tr>
<td>Profit (loss) per ordinary share</td>
<td>2.96</td>
<td>2.22</td>
<td>+33.3%</td>
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<table>
<thead>
<tr>
<th>[PLN]</th>
<th>Q4 2019/20</th>
<th>Q4 2018/19</th>
<th>Change</th>
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<tbody>
<tr>
<td>Net sales of products, goods and materials</td>
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<tr>
<td>EBITDA</td>
<td>26,052,989</td>
<td>19,919,861</td>
<td>+30.8%</td>
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<tr>
<td>Operating profit (loss)</td>
<td>23,655,716</td>
<td>18,766,879</td>
<td>+26.1%</td>
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<tr>
<td>Gross profit (loss)</td>
<td>23,559,780</td>
<td>18,851,994</td>
<td>+25.0%</td>
</tr>
<tr>
<td>Net profit (loss)</td>
<td>29,221,640*</td>
<td>15,177,547</td>
<td>+92.5%</td>
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<tr>
<td>Net cash flow</td>
<td>-748,616</td>
<td>-1,840,820</td>
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<tr>
<td>cash flow from operating activities</td>
<td>24,419,141</td>
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<td>cash flow from financial activities</td>
<td>-15,984,357</td>
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</table>

<table>
<thead>
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<th>[PLN]</th>
<th>31 March 2020</th>
<th>31 March 2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>87,628,815</td>
<td>61,520,325</td>
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</tr>
<tr>
<td>Liabilities and provisions</td>
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<td>7,175,057</td>
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</tr>
<tr>
<td>Long-term liabilities</td>
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<td>-</td>
</tr>
<tr>
<td>Short-term liabilities</td>
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<td>7,164,814</td>
<td>-7.8%</td>
</tr>
<tr>
<td>Net equity</td>
<td>78,680,663</td>
<td>54,345,268</td>
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</tr>
<tr>
<td>Initial equity</td>
<td>515,000</td>
<td>515,000</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>BVPS</td>
<td>3.06</td>
<td>2.11</td>
<td>+45.0%</td>
</tr>
</tbody>
</table>

### Net profit

<table>
<thead>
<tr>
<th></th>
<th>2018/19</th>
<th>2019/20</th>
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<tbody>
<tr>
<td>net profit</td>
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# Operating summary

## Selected separated financial data

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<td>Net sales of products, goods and materials</td>
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<td>+19,7%</td>
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<tr>
<td>EBITDA</td>
<td>86 564 802</td>
<td>73 573 701</td>
<td>+17,7%</td>
</tr>
<tr>
<td>Operating profit (loss)</td>
<td>80 707 283</td>
<td>69 823 242</td>
<td>+15,6%</td>
</tr>
<tr>
<td>Gross profit (loss)</td>
<td>81 587 628</td>
<td>70 713 365</td>
<td>+15,5%</td>
</tr>
<tr>
<td>Net profit (loss)</td>
<td>75 828 987</td>
<td>56 983 913</td>
<td>+33,1%</td>
</tr>
<tr>
<td>Net cash flow</td>
<td>5 066 988</td>
<td>3 413 795</td>
<td>+48,4%</td>
</tr>
<tr>
<td>cash flow from operating activities</td>
<td>74 227 496</td>
<td>62 112 688</td>
<td>+19,5%</td>
</tr>
<tr>
<td>cash flow from investing activities</td>
<td>-17 399 571</td>
<td>-10 546 393</td>
<td>-</td>
</tr>
<tr>
<td>cash flow from financial activities</td>
<td>-51 760 936</td>
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<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>2,94</td>
<td>2,21</td>
<td>+33,0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>[PLN]</th>
<th>31 March 2020</th>
<th>31 March 2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>83 071 998</td>
<td>60 273 004</td>
<td>+21,1%</td>
</tr>
<tr>
<td>Liabilities and provisions</td>
<td>5 600 795</td>
<td>6 872 101</td>
<td>-18,5%</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>0</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Short-term liabilities</td>
<td>5 599 607</td>
<td>6 872 101</td>
<td>-18,5%</td>
</tr>
<tr>
<td>Net equity</td>
<td>77 472 391</td>
<td>53 400 903</td>
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</tr>
<tr>
<td>Initial equity</td>
<td>515 000</td>
<td>515 000</td>
<td>-</td>
</tr>
<tr>
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<td>25 750 000</td>
<td>25 750 000</td>
<td>-</td>
</tr>
<tr>
<td>BVPS</td>
<td>3,01</td>
<td>2,07</td>
<td>+26,6%</td>
</tr>
</tbody>
</table>

![Graph showing Net profit and EBITDA comparison between 2018/19 and 2019/20](image-url)

- EBITDA: 86 564 802 [2019/20] vs 64 041 162 [2018/19]

**56 983 913** [2018/19] vs **86 564 802** [2019/20]

**LiveChat**
Operating summary

Key events

During the financial year, the Company experienced an increase in the number of clients for its solutions. As far as the LiveChat solution is concerned, the number of paying clients as at the end of March 2020 was 28,784 as compared to 26,379 a year before. The number of LiveChat clients grew in each month of the financial year, except for December. In Q4, relatively low increase in the number of clients was offset by solid growth of ARPU and the average sales price (ARPU in respect of the new client group).

As far as ChatBot is concerned, the number of paying clients as at the end of the financial year was 1108 as compared to 480 a year before. In that case, ARPU and the average sales price went up in Q4 as well, as a result of introduction of new subscription plans in January 2020.

The number of clients alone is becoming a less and less important KPI for the Company. For many months, revenues (adjusted for impact of currency exchange rate fluctuations) have been growing faster (in terms of YoY dynamics) than the number of clients. This is connected, among other things, with the fact that the Company's offer is addressed to business clients – companies with their own websites. Now, clients of LiveChat Software have a choice among four different subscription plans. Final revenue per client depends on the chosen plan and the number of purchased licences. Difference between revenues generated by individual clients may be very high. Furthermore, the Company has been working towards improving ARPU.

In July, the Company finalised the process of changing the free trial period for potential LiveChat clients. A shorter trial period allows for faster assessment of impact of changes introduced to the product and the so-called on-boarding process (getting clients acquainted with the product and its functionalities) on conversion and for more effective management of paid campaigns. In June and July, one-off positive impact of shortening the client conversion period by 16 days was observed.

On 2 July, the Management Board adopted a resolution on the second advance payment towards expected dividends out of profits for the accounting year 2018/2019. As in the case of the first advance payment, the payment value was PLN 0.54 per share.

On 7 August, the Annual General Meeting of Shareholders made a decision on distribution of profit for the last accounting year. In accordance with the recommendation of the Management Board, it was decided to distribute unconsolidated profit of LiveChat Software S.A., amounting to PLN 56,983,913.68, as follows:

- PLN 6,771,413.68 to the Company’s supplementary capital;
- PLN 50,212,500.00 to payment of dividends to shareholders; which means that dividend per share was PLN 1.95.
Operating summary

Key events

In September, the Company tested changes to the sales process, which translated into reduced conversion during that month. The tested changes were not introduced permanently and in the following months conversion came back to levels comparable to the previous months.

On 22 October, the Company received “Individual Interpretation” of tax law provisions relating to the corporate income tax and aspects connected with preferential taxation of income generated by intellectual property rights (IP Box). In the interpretation, the Director of the National Revenue Information Service stated that the Company’s position presented in its request for interpretation of tax law provisions relating to the corporate income tax, in respect of:

- determining whether the Company’s products (applications) described in the statement of facts constitute qualified intellectual property rights within the meaning of Section 24d(2) of the Corporate Income Tax Act (Question No. 1) – is correct;
- determining whether the Company’s income from individual applications will constitute income from a qualified intellectual property right referred to in Section 24d(7) of the Corporate Income Tax Act which may be taxed at the rate of 5% as income from a qualified intellectual property right included in the sales price of the service (Question No. 2):
  - in the event that the monthly subscription fee is only a fee paid by the user for the right to use a given application – is correct;
  - in the event that the highest-level subscription offers extended product support including support of IT specialists, product training, a dedicated Key Account Manager – is incorrect;
- calculation, according to the formula, of the Nexus indicator referred to in Section 24d(4) of the Corporate Income Tax Act (Question No. 4) – is incorrect.

The Company indicates that the statement of facts as presented in the request related to the following products: LiveChat, ChatBot and HelpDesk.

In another letter, the Authority refused to issue an “Individual Recommendation” in respect of the following question: “Does the Company’s manner of record-keeping as presented in the statement of facts meet the requirements referred to in Section 24e of the Corporate Income Tax Act?”. In the statement of reasons, the Authority stated that it “does not deny that adoption by the Applicant of accounting record-keeping allowing the Company to divide particular income calculation items as part of IP BOX, i.e. revenues and costs corresponding to each qualified intellectual property right, will allow for avoiding unauthorised deduction of incurred costs in the part in which they are not related to the qualified intellectual property right, and nothing in the Corporate Income Tax Act prevents the Company from applying accounting record-keeping of a qualified intellectual property right in order to match particular costs or revenues with particular activity. However, an analysis of the issue presented to the Authority for resolution in Question No. 3 in the context of the cited rules of interpretation proceedings leads to the conclusion that it cannot be analysed and assessed in such proceedings”.

On the basis of the received documents, as a result of an analysis of the revenue structure, the Company assessed that the preferential tax rate may apply to approx. 95% of its revenues and commenced a further analysis relating to the possible taking advantage of the “IP Box” programme.

In November, the Company announced partnership with PrestaShop – European leader in open-source software solutions for e-commerce. As a result, PrestaShop e-commerce platform made the LiveChat solution available to nearly 40,000 online stores, directly through the administration panel.

At the end of December and at the beginning of January, the Company commenced internal tests and then a “closed beta” of the “continuous chat” functionality. The new functionality builds on LiveChat 3 back-end capabilities and may be very relevant for many of the Company’s clients. During the tests, the company is also planning an “open beta” stage, which will be intensely communicated to clients.

In January, the company announced the purchase of the livechat.com domain name. The value of the transaction was not disclosed in the best interest of the Company, and the Company does not exclude the possibility that further transactions of this kind may be entered into in the future. In the opinion of the Management Board, acquisition of the domain name is going to materially increase the marketing potential of LiveChat. It is also in line with the strategy of the Group which previously purchased the chatbot.com and helpdesk.com domain names.
**Operating summary**

**Key events**

At the beginning of January, the company introduced a new pricing model for the LiveChat product. The Pay-per-Seat model (in which each client could create an unlimited number of accounts for subscribers and pay for the maximum number of people who could log in to LiveChat simultaneously) was replaced with the PPA model (Pay per Agent, or Pay per Account). In the new model, a client pays for each created account. However, the change does not apply to the existing subscriber base. As a result of the change, the LiveChat price list is more intuitive (compliant with market standards) and more comparable with competitive offers. The first observations of client behavior indicate that clients have accepted the new model. In consequence, ARPU in respect of the new client group went up and in the future may positively affect upselling processes.

In January, the Company announced that the threshold of 1 thousand paying clients has been reached in respect of the ChatBot solution. In the case of that solution, the Company is drawing on experience gained during development of LiveChat and is using the same business model, characterised by a very low client reach and acquisition cost. Also in January, new tariff plans were introduced for ChatBot. Now, the price list is analogical and includes 4 subscription plans (Starter, Team, Business and Enterprise). Already in the first few days after introduction, new clients for the Team and Business plans have been acquired.

In April, the Company released integration with Apple Business Chat. Thanks to which users can contact companies via LiveChat using the "Messages" application available in Apple products. The integration was built based on the LiveChat platform API. It is particularly dedicated to those companies which, while developing customer service, focus on the omnichannel approach.

In May, LiveChat Software and Infermedica together provided a solution using the COVID-19 Risk Assessment tool to create a chatbot scenario. It is designed to facilitate the initial assessment of the patient’s health and the probability of being infected with the coronavirus. The chatbot interview scenarios are prepared by the doctors working with Infermedica in accordance with the guidelines of the WHO. COVID-19 Risk Assessment ChatBot offers an easy-to-use template that can be installed on a website or integrated with the Messenger on the Facebook profile. The chatbot conducts the interview by asking questions in accordance with the prepared scenarios and analyzing the answers to determine if the particular person falls into the high-risk category. ChatBot will also provide suitable instructions, prepared by experts, and offer guidance on how to proceed, including the details of the medical facilities the interviewed person should contact. The solution was made available for free.

**IMPACT OF THE PANDEMIC ON THE COMPANY’S SITUATION**

In connection with the pandemic outbreak and epidemiological situation in Poland, from the week of 9-15 March the Company introduced a model fully based on remote work (100%). In the assessment of the Management Board, it has not had any negative impact on the continuity and quality of provided services, or on development work being carried out.

However, the pandemic affected the Company’s business ratios. Since March, a higher churn has been observed in respect of the LiveChat product, which is connected with business problems experienced by many clients of the Company. In March, the churn was almost 3.9%, whereas the long-term average is 3%. In April, it went up to the level of approx. 4.5%, but it dropped already in the second half of the month, and the positive trend was confirmed in the following month.

The higher churn was offset by a materially higher inflow of new clients. As a result, both in April and in May the number of clients for LiveChat, ChatBot and HelpDesk increased. Another consequence of the pandemic was higher upselling to the existing clients which make a more intensive use of the Company’s products.

A pandemic does not negatively affect the work of our teams. In online mode, among others, we continued “LiveChat Academy” series and we organized “Side Project Day” in which participated over 100 people divided into teams.
Operating Summary

Other events

LiveChat Software encourages the self-improvement of its employees and implements measures designed to strengthen the sense of community among the personnel. The coronavirus epidemic has not stopped these initiatives, which took place in the virtual space. Examples of such measures include the following:

LiveChat Academy
A series of lectures during which successive employees of the Company share their experiences and help other team members learn useful skills.

Side Project Day
A day dedicated to working only on the employees’ own ideas, which can then be integrated into the working schedule of the Company. Over 100 LiveChat associates divided into 20 teams participated in the “Side Project Day” organised in April. The participants also took part in a panel discussion hosting the president of the board of BNP Paribas Bank Polska, Przemysław Gdański, and the president of the board of Infermedica, Piotr Orzechowski. The projects were evaluated by a jury that also included partners of the Company.

Bike employer of the year
The Company encourages its employees to use bikes as the main way of getting to work, and it supports all personnel who choose to do so. That is why it is a regular participant in the Bike IT programme, and it has also received the “Bike employer of the year” award.

Rebranding
In April, LiveChat Software presented the new logos of its products: LiveChat, ChatBot, KnowledgeBase and HelpDesk. They are unified by their graphical style, which emphasises their mutual compatibility and the fact that they have been designed by the same team. The “speech balloon” is an allusion to the iconic LiveChat logo designed in 2002.

The Company has always preferred simplicity, both in communication and in the visual aspect. Presently, it also emphasises the connections between the individual products – all of them are a part of the ecosystem built by LiveChat Software. The companies that use them can easily integrate the individual products to enhance their performance and provide the best possible support to their own customers.

The new logos represent a major change, but that change is a part of the broader marketing strategy of LiveChat Software. In recent years, the Company has been acquiring domains relevant to its business – it now owns the websites corresponding to the individual products: www.livechat.com, www.chatbot.com, www.helpdesk.com and www.knowledgebase.ai.

Success by LiveChat
In accordance with the marketing strategy that provides for the generation of own valuable content, the Company has launched a new multimedia blogging platform in April 2020: “Success By LiveChat”.

The 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, in particular, guidebooks, studies and knowledge resources as well as interviews with guests conducted by the ambassador of the LiveChat brand – Marcos Bravo.
“LiveChat for Nonprofits”
A campaign that the Company considers very important is the “LiveChat for Nonprofits” programme under which we make our product available to social benefit institutions. In March 2020, when the “We are ready to support you” campaign was announced, a large number of institutions joined the programme. As a result, more than 100 organizations from 5 continents participate in the programme – by mid-May 2020 they had more than 150,000 chats in total. Participating institutions include organizations which e.g. support victims of violence or supply water to refugee camps.

Structure of LiveChat Software Capital Group
LiveChat Software S.A. is a parent company which consists of itself and its wholly owned US subsidiary LiveChat, Inc. which is subject to full consolidation. The Company has no branch offices.

Changes in organization
During the financial year, the Company did not make any changes to its organizational structure. In May 2020, the number of so-called “CXOs” (Chief Officer), i.e. heads of departments reporting directly to the President of the Management Board, was increased. CTO (Chief Technology Officer), COO (Chief Operating Officer), CMO (Chief Marketing Officer), CCO (Chief Creative Officer) and CFO (Chief Financial Officer) were joined by CPO (Chief Product Officer) and CPO (Chief Personnel Officer). Therefore, the Company’s organizational structure has been flattened – importantly, it is people who have been with LiveChat for a long period of time who got promoted.

Whistleblowing procedure in respect of violations of law, procedures and ethical standards
In March 2020, the Management Board adopted a whistleblowing procedure in respect of violations of law, procedures and ethical standards in force at the Group and appointed responsible Inspectors. In order to ensure full safety and anonymity of whistleblowers, for implementation of the procedure the EQS Integrity Line platform was selected, which is delivered by an external company – a reputable supplier of such solutions, used by many global companies.
Description of the activities of LiveChat Software Group

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 also to provide the best experience and improve the quality of services for millions of people who use our solutions every day.

**Strategy**

**Product 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 he chooses through any communication channel and freely express himself and his 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 18 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 in itself.
Description of the activities of LiveChat Software Group

Description of Group’s activities

LiveChat Software is a developer and a global provider of LiveChat software. Its corporate portfolio includes also 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, LiveChat Software 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, LiveChat product is addressed primarily to SMEs, but the Company is also reaching out to corporations which operate on a larger scale, through product development, 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 LiveChat functionalities.

LiveChat Software also runs a number of 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.
Description of the activities of LiveChat Software Group

**LiveChat**

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 an ability to chat with clients virtually anywhere and anytime.

Examples of the product’s use are very varied. 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 which require personalized communications, such as real estate. The Company pays a lot of attention to insuring that the product’s implementation on clients’ websites, adopting it to clients’ needs and the subsequent use be simple and intuitive, despite the advanced functionalities it offers. The onboarding process is also conducted in such a way, as to answer as many users’ questions as possible early on. Thanks to this approach, the product can be used by SMEs, but also by large corporations.

The product offers numerous functionalities, not just facilitating conversation with clients, but also making communications management easier. Users are offered features which 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 product’s structure makes it possible for users to integrate it with other instruments, vastly expanding its usability. Clients have at their disposal one-click integrations (integrating the product with the specific tool virtually in a single click), or the more advanced features which require the use of documentation provided by the Company, e.g. the Application Programming Interface (API) and programming know-how. One of the more interesting integrations is the ability to activate chatbots created using ChatBot as part of the product. This gives companies the ability to communicate with clients both using live agents and AI-based mechanisms.
Description of the activities of LiveChat Software Group

LiveChat

LiveChat as a communication platform

The main activity on which LiveChat Software is focused now is to build a bigger communication platform – LiveChat Platform and go beyond our flagship product.

The project aims to create a business ecosystem around our products existing on the market. It is supposed to accelerate the development of new solutions and to facilitate the introduction of their new functionalities which would be introduced not only by employees of the Company, but also by external entities.

Thanks to the platform and tools available on it (instructions, API documentation, examples of codes), everyone outside the Company will have an opportunity to create their own extension or application based on LiveChat technology. In this way, it is possible to introduce features that currently are not a part of product, but may be crucial for some users.

At the moment, LiveChat Platform consists of: Developer Console and Developer Platform (publicly launched in August 2017) as well as Marketplace with all created applications (released in the LiveChat application and on our website). Through the LiveChat Marketplace, application developers and add-ons will be able to share them in a paid or free version with over 24.5 thousand companies using the product.

Currently, the Company is working on adding individual elements to the platform. One of the key part of this project was a complete redesign of LiveChat application, in order to prepare it for work in a partially ‘open’ model. The change process in the product began in February 2018.

The ecosystem around the LiveChat solution does not only offer a change in the business approach, but also activities extending the company’s target groups. Thanks to the platform and the products created through it, LiveChat is also promoted by external developers, partners, other companies or startups.

In May 2020, the value of monthly revenues from the sale of applications made available in the Company’s marketplace by external partners exceeded the level of 10 thousand USD.
Description of the activities of LiveChat Software Group

**ChatBot**

ChatBot is a product which 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 tree-schemed script of the conversation. The script is based on drag&drop method, it is simple and intuitive and thus is also accessible to people who lack specialist programming knowhow.

Chatbots developed by ChatBot are based on two phrase matching systems used in the interaction with the client. The main one, machine learning, analyzes the entire phrase and the second is based on key words. They can be used alternately or even combined within a single script.

ChatBot is integrated with the LiveChat solution, but also with other tools, such as Facebook Messenger. Additionally, the user is able to connect their chatbot with an internal system, making it possible to verify and transmit data acquired by the bot during the conversation to other systems used by the Company. ChatBot’s integration potential is virtually unlimited because the Company made available the app's API.

ChatBot is sold without the use of a dedicated sales team. The Company is promoting its solutions using cost-free methods, growing its user base organically. The solution is on the market since June 2017 (as an open beta version, as a complete product since February 2018). Its clients include Boston University, UEFA, Kayak, Calgary or Velux.

For more information about the product, please visit [https://www.chatbot.com](https://www.chatbot.com)
Description of the activities of LiveChat Software Group

HelpDesk

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 product will be systematically expanded, and its vision ultimately assumes as much automation of such processes as possible. The functions offered by HelpDesk will include support for team work, grouping and tagging of tickets, assessment of consumer satisfaction, as well as reporting and data analysis. HelpDesk will be 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.

The commercial premiere of the HelpDesk had place on May 2019. The product is offered through helpdesk.com.

For more information about the product please see https://www.helpdesk.com
KnowledgeBase.ai

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. KnowledgeBase platform lets companies 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 LiveChat solution.

For more information about the https://www.knowledgebase.ai
Description of the activities of LiveChat Software Group

Description of Group activities
The Company works in dedicated teams on additional activities contributing to the organic increase in the number of clients:

**LiveChat Partner Program** - the goals of the program is to build new sales channels based on cooperation with companies from various industries or with freelancers. The program consists of the following models:

Affiliate model - in which the partners receive a commission for each product sold by them,

Solution partners - it assumes the possibility of including our product (and associated services) into the partner's offer portfolio and independent pricing policy.

Actions taken in the project:

development of the website and the blog (to strengthen organic traffic and the number of entities interested in cooperation),

development of the dashboard (partner interface) giving partners new functions and tools for creating and managing LC licenses created in this model,

Partner program API - giving the opportunity to track and optimize activity in the project and automate many activities which take place within it.

**Content marketing activities**
The Company put a lot of energy into the content created on our site, which allows us to generate high traffic to our websites and high positions in browsers.

**Partnerships** - activities including cooperation with other companies creating software. They are based on cooperation at various levels: mutual promotion, creation of joint integration, listing in supermarkets.

**Cross-selling / Up-selling of out products** - the Company has separated a pilot team that is responsible for making LiveChat users fully take advantage of its additional options. This goal is achieved primarily through up-selling of new products additionally to the subscribed licence, e.g. ChatBot or paid add-ons from Marketplace such as KnowledgeBase application or integration with Facebook Messenger. The undertaken activities help the Company develop a portfolio of products that complement each other, comprehensively responding to the needs of clients.

In the case of up-selling, the team focuses primarily on activities that motivate current and active clients to use upgraded plans and higher amount agent sites.
Description of the activities of LiveChat Software Group

Description of the situation on the market for SaaS services and the segment of live chat type of software

The Software-as-a-Service segment is the biggest and dynamically growing part of the Cloud Computing market, which involves providing services and offering products in the area of information technology through the use of Cloud Computing. The Cloud Computing business can be divided into private cloud, used by large corporations in order to optimize their resources, and public cloud, addressed to SMEs, which facilitates better control over expenditure and gives them a chance to spread costs over time.

According to estimates by Gartner research firm, in 2017 public cloud was worth USD 153.5bn, including the SaaS segment worth more than USD 60bn. It is estimated that by 2021 both markets will roughly double in value, to USD 302.5bn and USD 117.1bn respectively. Solutions in SaaS model are rapidly replacing traditional software, allowing clients to optimize the use of their resources, improve reliability, scalability and flexibility of their solutions. The Cloud Computing market is also divided into the following segments:

• IaaS (Infrastructure-as-a-Service) – providing IT infrastructure,
• PaaS (Platform-as-a-Service) – sale of virtual work environment for programmers,
• BPaaS (Business-Process-as-a-Service) – outsourcing of business processes,
• BaaS (Backend-as-a-Service) – common backend base for the processes supporting multiple applications,
• Daas (Data-as-a-Service) – data delivered remotely upon users’ request,
• FaaS (Function-as-a-Service) – a platform facilitating development, testing and launch of various features in the cloud environment.

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 sale of products and services. 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, limits on the use of resources.

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

• 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,
• flexible payment scheme enables resignation from the service at any time,
• high degree of product scalability along with the increase of demand on client’s side,
• opportunity to use the application from any place using desktop computers and mobile devices.

From the software vendor point of view, sale of 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.
Description of the activities of LiveChat Software Group

Description of the situation on the market for SaaS services and the segment of live chat type of software

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, monetisation of clients which 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 capabilities of the majority of other suppliers.

Therefore, free solutions are not treated as direct competition because LiveChat is addressed to more demanding client with greater and more advanced needs, both in terms of available service functions and speed and efficiency of support provided by customer service.

The forefront of 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 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 15.8 billion dollars 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 1.25 billion dollars in 2025 (assuming the annual average growth of 24%).
Description of the activities of LiveChat Software Group

Description of the situation on the market for SaaS services and the segment of live chat type of software

LiveChat Software estimates that market potential of live chat type of software remains very high, an expectation arising from the development of the e-commerce segment. According to eMarketer forecasts, in 2017 online retail sales reached USD 2.3 trillion, an increase of 24.8% yoy and representing 10.2% of the entire global retail sales. 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 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 of Apple, as well as Facebook earlier on.

LiveChat Software believes these upgrades are positive news for the entire industry, thanks to promote 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 integration of multiple platforms and solutions, specialized customer service or access to expert customer service know-how.
Description of the activities of LiveChat Software Group

Information about the agreements signed

Agreement with a provider of payment gate services

LiveChat, Inc., a subsidiary, is using the services of www.authorize.net, managed by CyberSource Corporation, a company headquartered in San Francisco, US, which serves as a broker and handles the technical aspects of online card payments. This agreement was signed by accepting the terms of use of Authorize based on general terms and conditions and is not made in the form of a document.

According to the above terms, the legal relationship between the users (including LiveChat, Inc.) and Authorize, is subject to the laws of the State of California. Authorize does not guarantee complete functionality of its services, offered via its website. By agreeing to the terms of use, the user confirms that he is aware that the service will be offered via the Internet, making it vulnerable to potential malfunctions of infrastructure due to causes such as DoS attacks or the interruption of power supplies.

Furthermore, Authorize is not responsible for any damages arising from the use of its services and in particular is not liable for the loss of data, unauthorized access to data transmitted via its website, such as credit card data. The above exclusion of liability is not restricted to the cause of such damages and events such as hacker attacks, accidents and negligence, including gross negligence, may not be used to make claims against Authorize. The user waives all claims that may arise from the use of Authorize services and states that he is using such services at his own risk. However, even if LiveChat, Inc. was to be awarded payment of any damages by Authorize, the value of such payment will be limited to the amount of compensation for the past 30 days, or to USD 100.

Additionally, the user will not hold Authorize liable for any claims against it by third parties, which may arise in connection with the use of Authorize services.

Contractual terms may be changed by Authorize at its discretion and the use of its services following such change of terms will be treated as acceptance of such changes. Similarly, Authorize may terminate provision of services at its discretion upon prior notice. Termination of the agreement excludes compensatory liabilities by Authorize.

Agreement with the provider of payment clearing services

LiveChat, Inc., a subsidiary, is using the services of www.recurly.com, a vendor which charges the payments of LiveChat clients and collects these amounts automatically from clients’ credit cards. The agreement between the parties was signed by accepting Recurly’s terms of use based on general terms and conditions and is not made in the form of a document.

The agreement is subject to laws of the State of California.

Recurly charges for the service a monthly commission on the value of transactions, expressed in US dollars, whose value may be changed by Recurly with a 30-day notice.

Recurly is not responsible and does not refund commissions in the event of LiveChat’s client asking for a refund or a fraud committed by the client against LiveChat, Inc. Also, Recurly is not offering cash storage services.

Recurly will not be held liable for any damages, including lost profits, data or other intangible losses by the user, regardless of cause, regardless of whether the loss is due to the use of Recurly services, unauthorized tampering with the content of its services, actions or statements made by any third parties. Regardless of the above, compensatory liability has between the parties has been restricted to the amount paid based on the agreement between the two.

Recurly is granting LiveChat, Inc. a license to use its logo, name and other rights on its website in order to identify the entity offering this service. Similarly, LiveChat, Inc. is granting a license to all the content posted on Recurly.

The agreement sets a one-year limitation period for all the related claims.

Recurly is charging turnover-based fees for the provision of its services.

Agreement with Global Payments Direct, Inc. and with Comerica Bank

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 LiveChat product. 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).
Description of the activities of LiveChat Software Group

Information about the agreements signed

The agreement contains provisions which 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 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 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. Terms of the agreement also set forth the rules on the establishment of a security on specific accounts and on naming a custodian to manage a LiveChat account for the settlement of agreement-related liabilities.

The agreement is subject to laws of the State of Georgia. Disputes relating to the agreement will be heard by courts of the state of Georgia designated in the agreement.

The agreement also grants a limited license for the use of the Discover Program mark (which identifies the Discover cards).

The price list for services is set out in the relevant price schedule.

Agreement between LiveChat, Inc. and 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 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.
Description of the activities of LiveChat Software Group

Agreements which are material for the Group's activities

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 LiveChat system to end users.

According to the agreement, LiveChat, Inc. purchases access to 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 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:

- Receivables from LiveChat, Inc. in the amount of PLN 658,216.23;
- Obligations to LiveChat, Inc. in the amount of 0.00 PLN;
- Sales revenues to LiveChat, Inc. in the amount of PLN 128,449,907.96;
- Costs of services purchased from LiveChat, Inc. in the amount 30,071,198.92 PLN.

The above transactions were excluded in the consolidated financial statements.

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

There were no such transactions.

Loan agreements made or terminated

The Company had no loan agreements in the period from April 1, 2019 to December 31, 2019.

Loans granted

The Company has not made any loans.

Guarantees made or received

The Company has not made or received any guarantees in the course of the reporting period.

Insurance agreements

Professional liability insurance at Chubb Tech Pro signed with Chubb European Group Sp. z o.o. Oddział Polska for PLN 1m (Poland) and USD 250 000 (the US), as well as Insurance to reimburse damages arising from claims against the Company’s directors and officers for a total of PLN 10m at Colonnade Insurance SA.

Description of ongoing court or administrative proceedings

The Group has not been a party of any court or administrative proceedings during the reporting period.

Information about the employment

At the end December 2019, the Company collaborated with with 166 persons on a regular basis. The biggest groups include software developers and the customer service department, working in a 24/7 model. The next largest group is the marketing department. The Management Board consists of persons who have spent years working on the LiveChat project.
Description of the activities of LiveChat Software Group

Growth prospects

Market growth prospects

The Software as a Service sector, in which the Company is active, is growing very rapidly. The live chat for 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 which offer their services using that model is expected to grow. This creates huge growth potential for the entire sector.

Group’s growth strategy

Product development

The Company’s development strategy is based on making continuous, balanced investments into further development of the LiveChat product and new products in the field of customer services, among others ChatBot, KnowledgeBase and HelpDesk.

Building a business ecosystem around products launched on the market

Building a larger communication platform, which brings together the Company’s products and other tools in the field of customer service, e-commerce, CRM and marketing automation.

Development of the LiveChat for Developers program, for developers and technology companies, through which the Company provides the product documentation necessary to create new applications based on the LiveChat technology.

Increase in the customer base

The Company is foreseeing further growth of the number of clients, based on the following factors:

- The tendency towards automation of the marketing activities and inbound marketing
- Continuous strengthening of LiveChat’s market position in the area of customer service;
- Further development of the affiliate program
- Development of new channels for new users acquisition.

Acquisitions

In the longer term, the Company is not excluding growth through selective acquisitions of entities from customer service industry.

Factors affecting the Company’s results

In the longer perspective, Company results will be affected primarily by the situation of the global e-commerce and SaaS market.
Description of the activities of LiveChat Software Group

Growth prospects

Risks and key factors affecting the Group's growth prospects

The Company's growth prospects depend on a number of factors related to the development prospects of the global Internet network, e-commerce sector, Software as a Service segment (SaaS), and in particular the demand for sales support solutions and relations with a live chat customer.

The increasing popularisation and availability of the Internet and the resulting popularity of e-commerce positively affects the needs for live chat solutions. An important element is also the pursuit of LiveChat Software customers of maximising conversions, that is of the situation in which the greater number of visits to their websites lead to an actual transaction. Implementation of a live chat solution clearly contributes to improving conversions. Live chat solutions are very competitive in terms of efficiency and cost as compared to traditional methods of customer contact.

According to observations, traditional methods of exchanging information in the customer-salesman channel as telephone services, website content and e-mail messages are gradually replaced by tools used for direct and immediate communication with the client, including live chat services. They allow you to open a completely new alternative customer service channel to traditional forms, including call-centres.

The application of such a tool significantly enhances the efficiency of people involved in customer service by enabling the simultaneous service of several users.

In addition to changes in the method of communication between the customer and the seller, the natural factor determining the popularity of live chat software is the value of the Internet sales market.

Risks related to the Group's operations

Exchange rate risk

The company is exposed to the risk of exchange rate volatility, in particular the Polish currency in relation to the US dollar (USD). The exchange rate risk results directly from the majority of operating expenses in PLN and from sales on foreign markets, which is carried out in USD.

Exchange rate volatility mainly affects changes in the value of revenue and receivables of the Company in PLN. Therefore, there is a risk of strengthening the Polish currency, which will cause a decrease in the price competitiveness of the Company and a faster growth in sales volume than revenue from export sales expressed in PLN, thus affecting the profitability of sales.

The decrease of the Company's exposure to the exchange rate risk is affected by incurring part of the costs in USD.

As at the date of the report, the Company does not hedge open currency positions, and the Management does not perceive exchange rate risk as a significant threat to the level of realized profitability of operating activities.

Risk related to competition

Due to the fact that LiveChat generates the vast majority of revenue in the United States, the risk from the competitive environment occurs primarily on the said market. The SaaS market in the United States is characterized by dynamic development and a growing level of competitiveness.

There is a risk of the emergence of a more innovative or more cost-effective solution on the market and the risk of significantly higher resources being applied by competitors 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 respond quickly and effectively to the changing market environment, and consequently the solutions offered 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, as a consequence, on the financial performance. LiveChat Software minimizes the above risk by systematically analyzing the competitive environment and consistent implementation of the adopted development strategy based on the competitive advantages possessed and gradually expanded.
Description of the activities of LiveChat Software Group

Growth prospects

Risks related to the Group's operations

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 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 on-line 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 works that will allow it to build new, low-cost channels to reach customers, as well as is investigating 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 a 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 minimise 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 Issuer 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 individual entities performing at least technical roles in the provision of services by the Issuer.

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 proper provision of the service by the Issuer.

In order to limit the possibility of risk occurrence, the Issuer 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 product 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 advantage, market failure or other negative external or internal events, the Issuer is exposed to the risk of decreasing revenue.

In order to minimise the above risk, the Issuer 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 Issuer'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.
Description of the activities of LiveChat Software Group

Growth prospects

Risks related to the Group's operations

Reputational risk
The effectiveness of LiveChat Software’s operations and the ability to compete on the market is to a large extent related to the good reputation of the Company and the services it offers. The Issuer 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 full effectiveness of these activities.

The risk related to the public law burdens on the Issuer’s operations
The operations of LiveChat Software and the transactions concluded by the Company are subject to numerous public and legal burdens in various jurisdictions, mainly in Poland, the USA and in 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 or administrative or criminal sanctions that may be faced by the Issuer 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 Issuer 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 Issuer and thus the use of the Issuer’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 Issuer, whose quality will be lower than the Issuer’s products. In case of mistaking by the target recipient of both products, due to the similarity of names, the Issuer 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 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 Issuer, but also applies to a wide range of entities operating in the same industry as the Issuer.

Risk related to the operation of entities using patents to enforce compensation (patent trolls)
The Issuer 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 favoured 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 Issuer in relation to the alleged patent infringement. The above may give rise to possible defence 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 Issuer, but also applies to a wide range of entities operating in the field of new technologies.
Risks related to the Group's operations

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 Issuer 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 programme 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 programmes) 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 of such determination of the designation of a 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 Issuer 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 Issuer earns revenue from services performed by a subsidiary company LiveChat, Inc. in USA. The US law to a large extent does not have the nature of a statutory law, especially in the scope of pursuing claims arising from contracts and torts. In connection with the above, lodging against the Issuer, in particular LiveChat, Inc., claims for example related to the malfunctioning of LiveChat system, cannot be completely ruled out. In the event of losing such a case, the Issuer 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 also the Issuer with recognition of the jurisdiction of the US courts and US law. Notwithstanding the above, conducting such proceedings may involve significant costs for the Issuer.

In order to prevent such risks, the Issuer 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 contractors' liability from material contracts

A subsidiary of the Issuer, 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 Issuer will not be able to claim compensation. However, the Issuer 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 Issuer diversifies service providers, especially in the field of data protection.
Description of the activities of LiveChat Software Group

Growth prospects

Risks related to the Group's operations

Tax risk related to transfer prices, especially under the US law
The Issuer's revenue come from sales to the subsidiary, LiveChat, Inc., which further sells the LiveChat system to end customers. The adopted model of cooperation foresees that revenue of LiveChat, Inc. are taxed in the US and the Issuer’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 Issuer owns a facility, in tax terms, in the US in its extreme form the entirety of the Issuer’s revenue would be taxed in the USA. However, it is not a foregone conclusion that the total tax burden due to taxation of the Issuer’s revenue in the USA would be significantly higher than currently. At the same time, in the case of unfavourable decisions of tax authorities, it is possible to shape the sales model differently, in the most appropriate way also in the context of 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 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, simultaneously developing the developed product.
Financial situation of LiveChat Software Group

Presentation of consolidated results

Income statement

<table>
<thead>
<tr>
<th>[PLN]</th>
<th>2019/20</th>
<th>2018/19</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>130 867 175</td>
<td>109 298 865</td>
<td>+19.7%</td>
</tr>
<tr>
<td>Costs of goods sold</td>
<td>17 459 676</td>
<td>17 938 965</td>
<td></td>
</tr>
<tr>
<td>Gross profit (loss)</td>
<td>113 407 500</td>
<td>91 359 901</td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>19 804 242</td>
<td>10 465 160</td>
<td></td>
</tr>
<tr>
<td>General management and administration</td>
<td>11 631 606</td>
<td>10 113 292</td>
<td></td>
</tr>
<tr>
<td>Profit (loss) on sales</td>
<td>81 971 651</td>
<td>70 781 449</td>
<td></td>
</tr>
<tr>
<td>Other operating income</td>
<td>12 975</td>
<td>14 366</td>
<td></td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>61 751</td>
<td>20 238</td>
<td></td>
</tr>
<tr>
<td>Operating profit (loss)</td>
<td>81 922 875</td>
<td>70 775 577</td>
<td>+15.7%</td>
</tr>
<tr>
<td>Financial income</td>
<td>68 682</td>
<td>209 835</td>
<td></td>
</tr>
<tr>
<td>Financial expenses</td>
<td>114 071</td>
<td>91</td>
<td></td>
</tr>
<tr>
<td>Profit (loss) before tax</td>
<td>81 877 485</td>
<td>70 985 321</td>
<td></td>
</tr>
<tr>
<td>Income tax</td>
<td>5 758 641</td>
<td>13 739 322</td>
<td></td>
</tr>
<tr>
<td>Net profit (loss)</td>
<td>76 118 844</td>
<td>57 245 999</td>
<td>+33.0%</td>
</tr>
</tbody>
</table>

Discussion of the factors which affect company’s financial results.

The number of customers using the LiveChat solution has less and less impact on the results achieved by the Group. This is due to the increase in the ARPU indicator and the fact that revenues are growing faster than the number of customers. The US dollar exchange rate also has a significant impact on the result as almost all revenues are generated in USD.

The increase in the general expenses of the Management Board is associated with the increase in the scale of the Group's operations, including increasing the team in connection with the implementation of new projects. Despite the intensive increase in the scale of operations, the Group is working on maintaining high discipline in the field of cost control.

The application of the IP Box tax credit had a significant impact on the net result in 2019/20 financial year.
Financial situation of LiveChat Software Group
Presentation of consolidated results

Balance sheet - assets

<table>
<thead>
<tr>
<th>[PLN]</th>
<th>31 March 2020</th>
<th>31 March 2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td>33 071 399</td>
<td>18 568 656</td>
<td>+78,1%</td>
</tr>
<tr>
<td>Intangible and legal assets</td>
<td>26 528 261</td>
<td>13 809 233</td>
<td></td>
</tr>
<tr>
<td>Fixed real assets</td>
<td>4 321 082</td>
<td>1 529 599</td>
<td></td>
</tr>
<tr>
<td>Long-term receivables</td>
<td>181 915</td>
<td>147 600</td>
<td></td>
</tr>
<tr>
<td>Deferred income tax assets</td>
<td>145 902</td>
<td>472 951</td>
<td></td>
</tr>
<tr>
<td>Long-term prepayments</td>
<td>1 894 240</td>
<td>2 609 274</td>
<td></td>
</tr>
<tr>
<td>Working capital</td>
<td>54 557 415</td>
<td>42 951 669</td>
<td>+27,0%</td>
</tr>
<tr>
<td>Inventories</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Receivables for goods and services sold</td>
<td>485 832</td>
<td>1 179 923</td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td>15 329 346</td>
<td>9 092 688</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>38 681 765</td>
<td>32 624 369</td>
<td></td>
</tr>
<tr>
<td>Short-term prepayments</td>
<td>60 472</td>
<td>54 688</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>87 628 815</td>
<td>61 520 325</td>
<td>+42,4%</td>
</tr>
</tbody>
</table>

Liquid assets predominate in the structure of company’s assets. Liquidity ratios continue to stay at very high levels.

The group has no capital or other investments aside from cash on bank accounts.
Financial situation of LiveChat Software Group
Presentation of consolidated results

Balance sheet - liabilities

<table>
<thead>
<tr>
<th></th>
<th>31 March 2020</th>
<th>31 March 2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Own equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Own equity</td>
<td>78 680 663</td>
<td>54 345 268</td>
<td>+44.8%</td>
</tr>
<tr>
<td>Initial equity</td>
<td>515 000</td>
<td>515 000</td>
<td></td>
</tr>
<tr>
<td>Supplementary capital</td>
<td>16 578 404</td>
<td>9 806 990</td>
<td></td>
</tr>
<tr>
<td>FX differences</td>
<td>180 777</td>
<td>-55 360</td>
<td></td>
</tr>
<tr>
<td>Advance payment for a dividend</td>
<td>15 450 000</td>
<td>13 905 000</td>
<td></td>
</tr>
<tr>
<td>Unallocated equity from the previous years</td>
<td>737 638</td>
<td>737 638</td>
<td></td>
</tr>
<tr>
<td>Net profit (loss) for the fiscal year</td>
<td>76 118 844</td>
<td>57 245 999</td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities and provisions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities and provisions</td>
<td>8 948 152</td>
<td>7 164 814</td>
<td>+24.9%</td>
</tr>
<tr>
<td><strong>Long-term liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>2 338 711</td>
<td>10 243</td>
<td></td>
</tr>
<tr>
<td>Deferred income tax</td>
<td>424</td>
<td>10 243</td>
<td></td>
</tr>
<tr>
<td><strong>Short-term liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term liabilities</td>
<td>6 609 441</td>
<td>7 164 814</td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>4 855 563</td>
<td>4 323 670</td>
<td></td>
</tr>
<tr>
<td>Current income tax</td>
<td>687 329</td>
<td>2 642 621</td>
<td></td>
</tr>
<tr>
<td>Other payables</td>
<td>239 891</td>
<td>198 523</td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>87 628 815</td>
<td>61 520 325</td>
<td>+42.4%</td>
</tr>
</tbody>
</table>
# Financial situation of LiveChat Software Group

Presentation of consolidated results

<table>
<thead>
<tr>
<th>Cash position</th>
<th>2019/20</th>
<th>2018/19</th>
<th>Zmiana</th>
</tr>
</thead>
<tbody>
<tr>
<td>[PLN]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross profit (loss)</td>
<td>81 877 485</td>
<td>70 985 321</td>
<td>+75 817</td>
</tr>
<tr>
<td>Total adjustments, including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>6 489 791</td>
<td>3 750 459</td>
<td>-17 468</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>- 7 713 933</td>
<td>-11 700 100</td>
<td></td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>75 817 478</td>
<td>61 194 143</td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td>0</td>
<td>155 921</td>
<td></td>
</tr>
<tr>
<td>Investments in intangibles and in real fixed assets</td>
<td>- 17 489 621</td>
<td>-10 708 238</td>
<td></td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>- 17 468 225</td>
<td>-10 546 303</td>
<td></td>
</tr>
<tr>
<td>Dividends paid</td>
<td>51 757 500</td>
<td>48 150 500</td>
<td></td>
</tr>
<tr>
<td>Net cash flow from financing activities</td>
<td>- 52 291 857</td>
<td>-48 150 500</td>
<td></td>
</tr>
<tr>
<td>Total net cash flow</td>
<td>6 057 396</td>
<td>2 490 562</td>
<td>+142,7%</td>
</tr>
<tr>
<td>Cash at the beginning of the period</td>
<td>32 624 369</td>
<td>30 133 807</td>
<td></td>
</tr>
<tr>
<td>Cash at the end of the period</td>
<td>38 681 765</td>
<td>32 624 369</td>
<td>+18,6%</td>
</tr>
</tbody>
</table>

---

**Cash position**

- **32 624 369**
- **32 624 369**

- **+75 817**
- **-17 468**
- **-52 291**
- **38 682**

Cash position 01.04.2019

Cash flow from operations

Cash flow from investments

Cash flow from financing activities

Cash position 31.03.2020
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.

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

Financial forecast

Managing Board of the company has not published financial projections for the fiscal year 2019/20.

Factors that may affect the financial performance in subsequent periods

The most important drivers affecting the financial performance of LiveChat Software Group:
Number of customers using LiveChat solution, subscription plans selected by them and the number of positions purchased.
USDPLN rate - the Group generates revenue in the US dollar, at the same time incurs operating expenses in both the US dollar and Polish Zloty.
The development of the economic situation on the global market, in particular on the American market.
Situation on the global e-commerce market.
The demand and the degree of use by companies of live chat solutions.
Actions of companies offering competitive solutions.
Changes in the functioning and cyclicality of customer acquisition channels.
Introduction of new products to the market, possible success of their commercialization and the pace of acquiring new clients for these solutions.

Basic ratios

The table below presents key operational indicators achieved in the financial year:

<table>
<thead>
<tr>
<th></th>
<th>2019/20</th>
<th>2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross profit margin</td>
<td>86,7%</td>
<td>83,6%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>67,6%</td>
<td>68,2%</td>
</tr>
<tr>
<td>EBIT</td>
<td>62,6%</td>
<td>64,8%</td>
</tr>
<tr>
<td>Net margin</td>
<td>58,2%</td>
<td>52,4%</td>
</tr>
<tr>
<td>ROE</td>
<td>96,7%</td>
<td>105,3%</td>
</tr>
<tr>
<td>ROA</td>
<td>86,9%</td>
<td>93,0%</td>
</tr>
<tr>
<td>Current ratio</td>
<td>5,7</td>
<td>6,0</td>
</tr>
<tr>
<td>Quick ratio</td>
<td>5,7</td>
<td>6,0</td>
</tr>
<tr>
<td>Cash ratio</td>
<td>5,1</td>
<td>4,6</td>
</tr>
</tbody>
</table>
## Financial situation of LiveChat Software Group

### Presentation of separated results

### Income statement

<table>
<thead>
<tr>
<th></th>
<th>2019/20</th>
<th>2018/19</th>
<th>Zmiana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td><strong>130 867 175</strong></td>
<td><strong>109 298 865</strong></td>
<td>+19.7%</td>
</tr>
<tr>
<td>Costs of goods</td>
<td>18 385 410</td>
<td>18 619 343</td>
<td></td>
</tr>
<tr>
<td>Gross profit (loss)</td>
<td>112 481 764</td>
<td>90 679 521</td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>20 046 223</td>
<td>10 691 242</td>
<td></td>
</tr>
<tr>
<td>General management and administration</td>
<td>11 679 480</td>
<td>10 159 163</td>
<td></td>
</tr>
<tr>
<td>Profit (loss) on sales</td>
<td>80 756 059</td>
<td>69 829 115</td>
<td></td>
</tr>
<tr>
<td>Other operating income</td>
<td>12 974</td>
<td>14 365</td>
<td></td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>12 974</td>
<td>20 237</td>
<td></td>
</tr>
<tr>
<td><strong>Operating profit (loss)</strong></td>
<td><strong>80 707 283</strong></td>
<td><strong>69 823 242</strong></td>
<td>+15.6%</td>
</tr>
<tr>
<td>Financial income</td>
<td>883 782</td>
<td>890 213</td>
<td></td>
</tr>
<tr>
<td><strong>Profit (loss) before tax</strong></td>
<td><strong>81 590 064</strong></td>
<td><strong>70 713 365</strong></td>
<td></td>
</tr>
<tr>
<td>Income tax</td>
<td>5 758 640</td>
<td>13 729 452</td>
<td></td>
</tr>
<tr>
<td><strong>Net profit (loss)</strong></td>
<td><strong>75 828 987</strong></td>
<td><strong>56 983 913</strong></td>
<td>+33.1%</td>
</tr>
</tbody>
</table>
Financial situation of LiveChat Software Group
Presentation of separated results

**Balance sheet - assets**

<table>
<thead>
<tr>
<th>[PLN]</th>
<th>March 31, 2020</th>
<th>March 31, 2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>30 316 636</td>
<td>18 570 312</td>
<td>+63,3%</td>
</tr>
<tr>
<td>Intangible and legal assets</td>
<td>26 528 261</td>
<td>13 809 232</td>
<td></td>
</tr>
<tr>
<td>Fixed real assets</td>
<td>1 156 138</td>
<td>1 529 598</td>
<td></td>
</tr>
<tr>
<td>Long-term receivables</td>
<td>181 914</td>
<td>147 600</td>
<td></td>
</tr>
<tr>
<td>Deferred income tax assets</td>
<td>145 901</td>
<td>472 951</td>
<td></td>
</tr>
<tr>
<td>Long-term prepayments</td>
<td>2 040 141</td>
<td>3 082 224</td>
<td></td>
</tr>
<tr>
<td><strong>Working capital</strong></td>
<td>53 163 887</td>
<td>41 702 692</td>
<td>+2,3%</td>
</tr>
<tr>
<td>Inventories</td>
<td>26 869</td>
<td>43 928</td>
<td></td>
</tr>
<tr>
<td>Receivables for goods and services sold</td>
<td>658 216</td>
<td>507 776</td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td>15 311 493</td>
<td>9 056 452</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>37 106 835</td>
<td>32 039 846</td>
<td></td>
</tr>
<tr>
<td>Short-term prepayments</td>
<td>60 472</td>
<td>54 688</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>83 071 998</td>
<td>60 273 004</td>
<td>+21,1%</td>
</tr>
</tbody>
</table>
# Financial situation of LiveChat Software Group

## Presentation of separated results

### Balance sheet - liabilities

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2020</th>
<th>March 31, 2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Own equity</strong></td>
<td>67 365 301</td>
<td>53 400 903</td>
<td>+26,2%</td>
</tr>
<tr>
<td>Initial equity</td>
<td>515 000</td>
<td>515 000</td>
<td></td>
</tr>
<tr>
<td>Supplementary capital</td>
<td>16 578 403</td>
<td>9 806 989</td>
<td></td>
</tr>
<tr>
<td>Net profit (loss) for the fiscal year</td>
<td>75 828 987</td>
<td>56 983 913</td>
<td></td>
</tr>
<tr>
<td>Advance payment for a dividend</td>
<td>-15 450 000</td>
<td>-13 905 000</td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities and provisions</strong></td>
<td>5 600 795</td>
<td>6 872 101</td>
<td>-18,5%</td>
</tr>
<tr>
<td><strong>Long-term liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred income tax</td>
<td>424</td>
<td>10 243</td>
<td></td>
</tr>
<tr>
<td><strong>Short-term liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>2 374 343</td>
<td>1 891 872</td>
<td></td>
</tr>
<tr>
<td>Current income tax</td>
<td>687 329</td>
<td>2 642 620</td>
<td></td>
</tr>
<tr>
<td>due to remuneration</td>
<td>235 700</td>
<td>194 826</td>
<td></td>
</tr>
<tr>
<td>Prepayments</td>
<td>2 297 619</td>
<td>2 128 841</td>
<td></td>
</tr>
<tr>
<td><strong>total liabilities</strong></td>
<td>72 966 097</td>
<td>60 273 004</td>
<td>+21,1%</td>
</tr>
</tbody>
</table>
## Financial situation of LiveChat Software Group

**Presentation of separated results**

### Cash position

<table>
<thead>
<tr>
<th>[PLN]</th>
<th>2019/20</th>
<th>2018/19</th>
<th>Zmiana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zysk (strata) brutto</td>
<td>81 587 628</td>
<td>70 713 365</td>
<td>-1601 491</td>
</tr>
<tr>
<td>Korekty razem:</td>
<td>-1601 491</td>
<td>5 128 775</td>
<td></td>
</tr>
<tr>
<td>Gross profit (loss)</td>
<td>5 856 802</td>
<td>3 750 458</td>
<td></td>
</tr>
<tr>
<td>Total adjustments. including:</td>
<td>5 758 640</td>
<td>13 878 223</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>74 227 496</td>
<td>62 112 688</td>
<td></td>
</tr>
<tr>
<td>Income tax paid</td>
<td>68 654</td>
<td>155 830</td>
<td></td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>17 489 621</td>
<td>10 708 238</td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td>-17 399 571</td>
<td>-10 546 393</td>
<td></td>
</tr>
<tr>
<td>Investments in intangibles and in real fixed assets</td>
<td>51 757 500</td>
<td>48 152 500</td>
<td></td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>-51 760 936</td>
<td>-48 152 500</td>
<td></td>
</tr>
<tr>
<td>Dividends paid</td>
<td>5 066 988</td>
<td>3 413 795</td>
<td>+48.4%</td>
</tr>
<tr>
<td>Net cash flow from financing activities</td>
<td>32 039 846</td>
<td>28 626 051</td>
<td></td>
</tr>
<tr>
<td>Total net cash flow</td>
<td>37 106 835</td>
<td>32 039 846</td>
<td>+15.8%</td>
</tr>
</tbody>
</table>
Information about the shares and shareholders

Structure of the initial equity
As of the date of this report, 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).

Changes in the shareholding structure
During the financial year, the Company did not record any significant changes in the shareholding structure.

Shareholder structure

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of shares and votes</th>
<th>% of shares and votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nationale-Nederlanden PTE</td>
<td>1 591 000</td>
<td>6.18%</td>
</tr>
<tr>
<td>Aviva OFE Aviva Santander</td>
<td>1 687 000</td>
<td>6.55%</td>
</tr>
<tr>
<td>Agreement of Shareholders</td>
<td>12 077 522</td>
<td>46.90%</td>
</tr>
<tr>
<td>Mariusz Ciepły</td>
<td>4 010 000</td>
<td>15.57%</td>
</tr>
<tr>
<td>Maciej Jarzębowski</td>
<td>3 010 000</td>
<td>11.69%</td>
</tr>
<tr>
<td>Jakub Sitarz</td>
<td>3 010 000</td>
<td>11.69%</td>
</tr>
<tr>
<td>Others</td>
<td>10 394 478</td>
<td>40.37%</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, Krzysztof Górski.
Governing bodies

Composition of the Company's Management Board

As at the date of the report, the Management Board of LiveChat Software S.A. consisted of two persons and included the following individuals:

<table>
<thead>
<tr>
<th>First and last name</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mariusz Ciepy</td>
<td>CEO</td>
</tr>
<tr>
<td>Urszula Jarzębowska</td>
<td>Board Member</td>
</tr>
</tbody>
</table>

Composition of the Management Board has not changed in the course of the first half of 2018/19 fiscal year.

Mariusz Ciepy is one of the founders and core shareholders of LiveChat Software. He has been serving as the Company's CEO since 2010. Mr. Ciepy 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 Wroclaw. 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 Wroclaw 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 Wroclaw 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.

Remuneration

Remuneration of members of the Management Board of LiveChat Software S.A. in the period between April 1, 2019 and March 31, 2020

<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
<th>Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mariusz Ciepy</td>
<td>CEO</td>
<td>891 251.69 PLN</td>
</tr>
<tr>
<td>Urszula Jarzębowska</td>
<td>Board member</td>
<td>594 167.82 PLN</td>
</tr>
</tbody>
</table>

Members of the Supervisory Board did not receive any remuneration from the Company during the financial year.

Principles of operation of the Managing Board

The Managing Board represents and Company and manages its affairs.

The Managing 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 in force.

The Managing 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 Managing Board takes up resolutions if the meeting is attended by at least half the members of the Managing Board, including the Chief Executive Officer.

Managing 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 Managing Board may also take place outside the Board meeting, through a written vote or a vote held using remote communications devices.

The principles of operation of the Managing Board have been described in detail in the Company's Articles of Association and in Managing Board Regulations, whose full text is available at www.inwestor.livechatinc.com.
**Governing bodies**

**Membership of the Supervisory Board**

During the 2019/20 financial year, there were no changes in the composition of the Supervisory Board. As at March 30, 2020 the composition of the Supervisory Board of LiveChat Software S.A. consisted of the following persons:

<table>
<thead>
<tr>
<th>First and last name</th>
<th>Role</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>

**Maciej Jarzębowski** has secondary education (specialization: catering) He has graduated from Trade School of Gastronomy in Wrocław. Between 1999 and 2001 he served as the CEO of Bankier.pl, between 2001 and 2006 he was the CEO of Internet Works. He served as the CEO of LiveChat Software S.A. until 2010.

**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 IT industry for over a decade, in recruitment and selection of IT staff. She is a HR manager responsible for team development of the various departments in the Company.

**Michał Markowski** is a graduate of the Wrocław University of Technology where he graduated in parallel from IT studies and financial management. At Wrocław University he also obtained a PhD in Computer Science. He obtained international qualifications in the field of finance - ACCA.

He started his professional career in 2003, running his own business and creating his own school management software. Between 2007 and 2010 he was responsible in the company InsERT for the creation of financial and personnel software for small and medium enterprises. In Deloitte, between 2010 and 2012 he managed projects in the field of financial modeling and due diligence. Then from May 2012, he advised the Minister of the Treasury, among others on the project of consolidation of the chemical sector (establishment of Grupa Azoty) and created the Polish Investments Program (currently Polish Development Fund). In 2014-2016 he was responsible for the strategy of the Warsaw Stock Exchange. From October 2016, he has been conducting M&A transactions at ProService Finteco. Michał Markowski meets the criteria of an independent Member of the Supervisory Board.

**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 microcap 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 SA. Marcin Mańdziak meets the criteria of an independent Member of the Supervisory Board.

**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</th>
<th>Role</th>
<th>Number of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mariusz Ciepły</td>
<td>CEO</td>
<td>4 010 000</td>
</tr>
<tr>
<td>Urszula Jarzębowska</td>
<td>Member of the Board</td>
<td>1 210 250</td>
</tr>
<tr>
<td>Maciej Jarzębowski</td>
<td>Chairman of Supervisory Board</td>
<td>3 010 000</td>
</tr>
<tr>
<td>Jakub Sitarz</td>
<td>Member of Supervisory Board</td>
<td>3 010 000</td>
</tr>
</tbody>
</table>
Governing bodies

Principles of operation of the Supervisory Board

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

The Supervisory Board shall act on the basis of Code of Commercial Companies regulations, Company’s Articles of Association, resolutions of the General Meeting, Supervisory Board regulations and the common legal regulations in force.

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 there times in the course of the fiscal year.

Meetings of the Supervisory Board shall be called by Chairperson of the Supervisory Board, or, in his or her absence, by the Deputy Chairperson. Board meetings shall be called by the Chairperson at his or her own initiatives, 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 meeting within 14 days of such request, the applicant shall be entitled to call Supervisory Board meeting. The invitation to participate shall include 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 meeting taking place, or has objections to the agenda.

Secretary of the Supervisory Board shall be in charge of 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 Chairperson of the Supervisory Board, or, in his or her 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 his or her absence, by another person designated by the Chairperson, or, in his or her 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, 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. Minutes 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.

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. 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.

Chairperson of the Board sets forth the procedure 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 Supervisory Board members have been notified about the draft Resolution. Each Board member shall be required to confirm his or her vote by placing his or her 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.
Governing bodies

Audit Committee
26 Oct 2018 r. Supervisory Board appointed the Audit Committee 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>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>

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 fulfilled by: Marcin Mańdziak and Michał Markowski.

Michał Markowski has knowledge and skills in accounting and auditing financial statements. Michał Markowski has a degree in financial management of the undertaking from Wrocław University of Science and Technology and is the holder of ACCA qualification.

Jakub Sitarz has knowledge and skills in the field of the Company’s operation. Jakub 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 firm auditing the financial statement did not provide for the Company any permitted non-audit services.

Main premises of the audit firm selection policy
- The Supervisory Board selects the entity authorised 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 authorised to audit from among a certain category or specification of entities authorised to audit.
- Both the Audit Committee, at the stage of preparing recommendation and the Supervisory Board, while making final selection of the entity authorised to audit use the following guidelines:
  a) Confirmation of impartiality and independence of the entity;
  b) The price proposed by the entity authorised to audit;
  c) 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;
  d) The capacity to provide the required scope of services;
  e) Professional qualifications and experience of people who will be directly involved in the audit.

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’s 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 selection of an audit firm fulfills binding legal conditions and internal regulations.

Four meetings of the Audit Committee were held in the financial year ended on 31 March 2020.
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 Issuer 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.

The manner of operation of the General Meeting and its basic powers as well as a description of shareholders' rights and how they are exercised, in particular principles resulting from the Regulations of the General Meeting, if such regulations have been adopted, unless the information in this respect stems directly from the law.

General Shareholders Meetings of LiveChat Software S.A. are held on the basis of the Code of Commercial Companies and the Articles of Association of the company. According to the statute, the General Meeting may adopt regulations. The rules of operation of the General Meeting are governed by the Code of Commercial Companies.

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 Issuer's shareholders have the right to dispose of the Shares;
- the Issuer'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 Issuer'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 Issuer'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 Issuer'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 Issuer'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 Issuer'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.
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 his 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 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 2017 were not affected by atypical factors and events.

Changes in the basic rules of managing the issuer’s 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 firm

On October 17, 2019, the Supervisory Board adopted a resolution regarding the selection of a new audit company to perform the statutory audit of LIVECHAT Software SA’s financial statements in the period from 01/04/2019 to 31/03/2021 and the performance of the statutory audit of the consolidated financial statements of the LIVECHAT Software Capital Group during from 01/04/2019 to 31/03/2021, as well as the voluntary audit of interim financial statements of LIVECHAT Software SA in the period from 1/04/2019 to 31/03/2021 as well as the review of the interim consolidated financial statements of the LIVECHAT Software Capital Group from 1/04/2019 to 31/03/2021.

Pursuant to the Resolution, the Supervisory Board, following a positive recommendation of the Audit Committee, selected Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością Sp.k.

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 protection of the environment which could have a material impact on the Group's activities.

Employment

At the end of 2019 fiscal year, the Company collaborated with 169 persons on a regular basis. The biggest groups include software developers and the customer service department, working in a 24/7 model. The next largest group is the marketing department and the smallest team is the Managing Board, Finances and Administration. The Managing Board consists of persons who have spent years working on the LiveChat project.
This document was created as a translation from Polish. In case of any discrepancies, the Polish version applies.
All statements of the Management Board and Supervisory Board, required by law, were placed in the original version of the document.
Only the Polish language version was audited.