



LiveChat Software

Report for the period of 9 months ended December 31, 2019

February 26, 2020

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In the first three quarters of financial year 2019/20, the LiveChat Software Group made PLN 94.9 million in revenues and PLN 46.9 million in consolidated net income. These results are approximately 18.8% and 11.5% higher, respectively, than the results recorded in the corresponding period of the previous year. In the 3rd quarter of the financial year alone, the consolidated revenues of the Group rose by 16.5% year over year to PLN 32.4 million, and net profit grew by 15.1%, reaching PLN 15.8 million.

Similarly to the previous quarters, this improvement stems from factors such as the larger number of customers using the Company's solutions (primarily LiveChat and ChatBot) and higher ARPU (average monthly revenue per user) for LiveChat relative to the previous year. The ARPU for the LiveChat solution grew in comparison with both the previous year and the preceding quarter. It also increased in each successive month of the 3rd quarter (similarly to the preceding three months).

In recent periods, the Group has significantly increased its employment. As of the end of the calendar year, it had 166 permanent employees, as compared with 140 employees one year ago. The employment was increased in response to the challenges the Company and the Group are about to face. The higher number of employees also resulted from work on other products of the Company, marketing duties (e.g. content creation) and development of new customer access channels. The Company now focuses on providing new functions to the users of its solutions (e.g., so-called continuous chat) and developing new customer access channels (it has started building a sales department in the USA).

Despite the increased employment and higher operating expenses related to the larger size of the organization, the Group maintains very high operating margins and efficiently generates positive cash flows from operating activities. In the reporting period (1st to 3rd quarter of the financial year), the gross margin on sales was 85.3%, the operating margin amounted to 61.4%, and the net margin was 49.4%. The cash flows on operating activities amounted to PLN 51.4 million.

At the end of the 3rd quarter, the Group had PLN 39.4 million in cash. In January, the Company made the first advance payment towards the expected dividend. The Company reaffirms its dividend policy, providing for the allocation of the largest possible portion of net profit to the shareholders and advance payments towards the expected dividend.

For a long time, the Company has observed a trend where the growth rate of LiveChat customers was significantly different from the growth rate of revenues. This is caused by the fact that the lower growth rate of the number of customers is compensated for by the rising ARPU (in the case of LiveChat) and growing revenues from other sources (e.g. ChatBot and marketplace). In response to this situation, the Company stopped publishing monthly reports on the number of customers using the LiveChat product and replaced them with reports showing the preliminary, estimated data on consolidated revenues.

At the beginning of 2020, the ChatBot solution reached one thousand paying customers. The solution is developed by the Company using the model created as a result of past experiences with LiveChat, which is characterised, in particular, by scalability and low customer acquisition cost. New subscription plans were also introduced for ChatBot in January. New customers were acquired for these plans already during the first period in which they were effective, suggesting that ARPU will continue to rise in subsequent periods also for ChatBot.

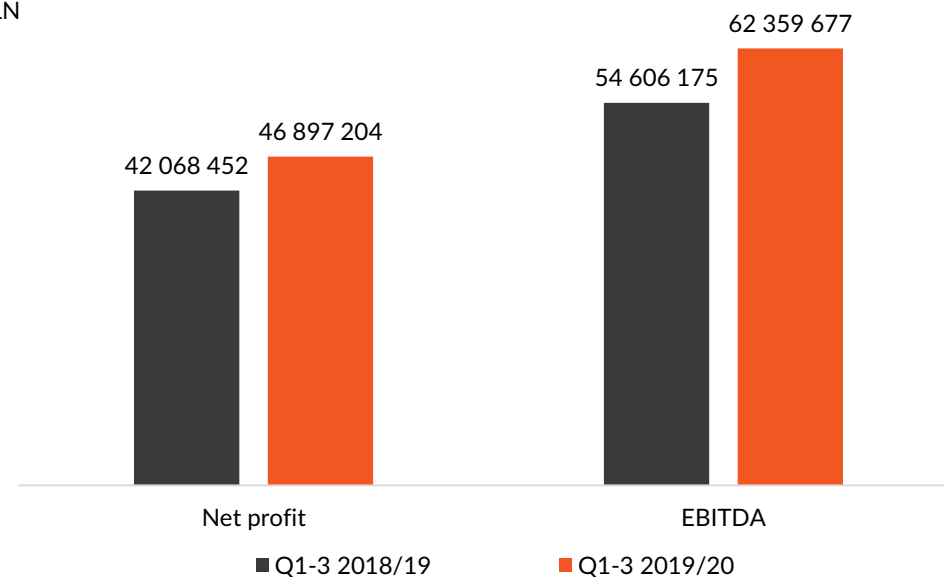
# Operating summary

## Selected consolidated financial data

[PLN]	Q1-3 2019/20	Q1-3 2018/19	Change
Net sales of products, goods and materials	94 853 380	79 875 386	+18,8%
EBITDA	62 359 677	54 606 175	+14,2%
Operating profit (loss)	58 267 159	52 008 698	+16,1%
Gross profit (loss)	58 317 705	52 133 327	+12,0%
Net profit (loss)	46 897 204	42 068 452	+11,5%
Net cash flow	6 806 012	4 336 160	+56,9%
cash flow from operating activities	51 398 337	46 356 145	+10,9%
cash flow from investing activities	-8 284 824	-7 772 485	-
cash flow from financial activities	-36 307 500	-34 247 500	-
Number of shares	25 750 000	25 750 000	-
Profit (loss) per ordinary share	1,82	1,63	+11,6%

[PLN]	31 December 2019	31 March 2019	Change
Total assets	73 754 855	61 520 325	+19,9%
Liabilities and provisions	8 945 222	7 175 057	+24,7%
Long-term liabilities	3 808 404	10 243	-
Short-term liabilities	5 136 818	7 164 814	-28,3%
Net equity	64 809 633	54 345 268	+19,3%
Initial equity	515 000	515 000	-
Number of shares	25 750 000	25 750 000	-
BVPS	2,52	1,53	+64,7%

PLN



# Operating summary

## Key events in the three months of the fiscal year

In the 3rd quarter of the financial year, the Company has recorded an increase in the number of customers. In the case of the LiveChat solution, the number of paying customers as of the end of December was 28,620, as compared with 26,010 in the preceding year, and the number of customers for ChatBot was 985 as compared with 319 one year earlier. The fairly weak results in December, when the Company recorded a decline in the overall number of LiveChat customers, was due, in particular, to the length of the trial period (14 days as opposed to the 30-day period in the previous year), resulting in the accumulation of the seasonal decrease of the number of newly acquired customers during a single month. The Company also recorded an increase of churn (departure ratio) and smaller number of new customers from Australia (the third largest market of the Company, after the USA and the UK, in terms of the number of customers and generated revenue), which should most likely be attributed to the impact of fires on that continent on e-commerce and SMEs (small and medium enterprises). In January LiveChat returned to generating increases in the number of clients and recorded a record number of returns (returning clients), during which the number of ChatBot clients exceeded the level of one thousand.

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 and PLN 50,212,500.00 for payment of dividends to the shareholders, which means that the dividend per share was PLN 1.95.

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(2) 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 correct.

# Operating summary

## Key events in the three months of the fiscal year

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 Tax Authority 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 assesses that the preferential tax rate may apply to approx. 95% of its revenues and is conducting 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.

Around the end of December, the Company began internal tests followed by the “closed beta” phase of the “continuous chat” function. The new function uses the back-end capabilities of LiveChat 3, and it may be very important to many of the Company’s customers. During the tests of that function, the Company also plans to include an “open beta” stage, which will be intensively communicated to the customers.

In January, the Company announced the purchase of the livechat.com domain. The value of the transaction was not disclosed in order to protect the interest of the Company, which does not rule out further similar transactions in the future. In the opinion of the Management Board, the acquisition of the domain will significantly increase the marketing potential of LiveChat. This decision is also consistent with the strategy of the Group, which previously purchased chatbot.com and helpdesk.com domains.

At the beginning of January, the Company introduced a new pricing model for the LiveChat product. The Pay per Seat model (where the customer could create an unlimited number of accounts for the subscribers and pay for the maximum number of people that could be logged into LiveChat at the same time) was replaced with the PPA (Pay per Agent or Pay per Account) model. In the new model, the customer pays for every created account. This change, however, does not apply to the existing subscribers. This way, LiveChat pricing will be more intuitive (consistent with market standards) and easier to compare with the offering of the competition. The first observations of customer behaviours suggest that the new model has been accepted by the customers. Thanks to that model the ARPU has also increased for new customers, and it may have a positive impact on processes related to upselling in the future.

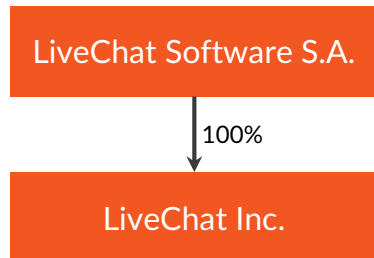
In January, the Company announced that it broke the barrier of 1 thousand paying customers using the ChatBot solution. In the case of that solution, the Company made use of the experiences gained during the development of LiveChat, and it used the same business model, which was characterised by a very low cost required to reach and acquire new customers. New tariff plans have also been implemented for ChatBot in January. At the moment, the pricing model is the same, including 4 subscription plans (Starter, Team, Business and Enterprise). Customers were acquired for the new Team and Business plans already during the first days following the implementation of the model.

# Structure of LiveChat Software Group

## Structure of LiveChat Software Capital Group

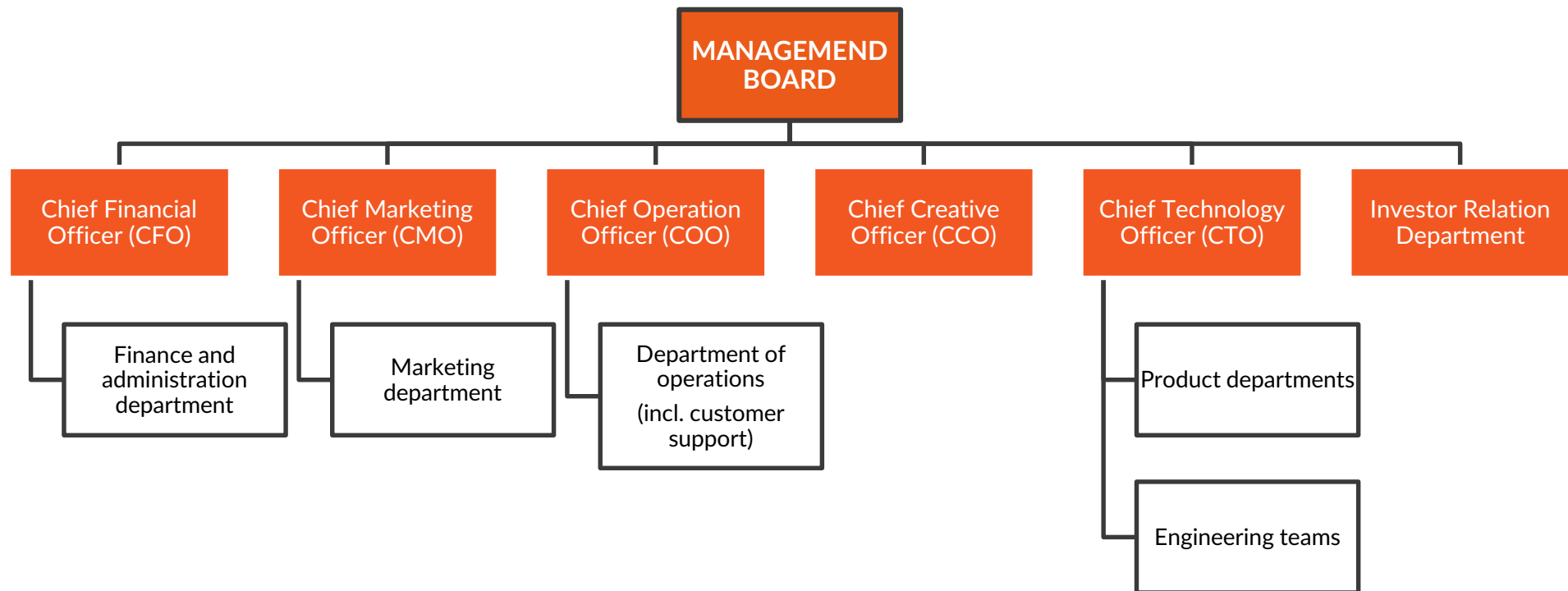
LiveChat Software S.A. is a parent company which consists of itself and its wholly owned US subsidiary LiveChat, Inc. which is subject to full consolidation.

The Company has no branch offices.



## Structure of the organization LiveChat Software

The diagram below presents the organizational structure of the LiveChat Software Group:



# 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).

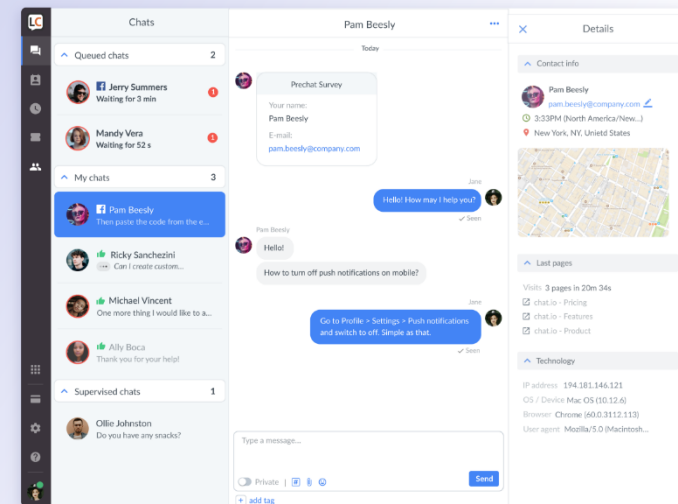
The Company is a developer and a distributor of products sold in a Software-as-a-Service model), used in business-to-consumer (B2C) and business-to-business (B2B) text-based communications. At present, LiveChat Software focuses on the development of new products and on perfecting the ones already on 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.

The Company focuses on organic acquisition of new users for its products and this applies both to LiveChat solution and to ChatBot, KnowledgeBase or HelpDesk. Its clients originate from various sources, including Google search engine (SEO and content marketing), LiveChat Partners Program or the collaboration with other tech companies and mutual listing on Marketplace.



# Description of the activities of LiveChat Software Group

## LiveChat

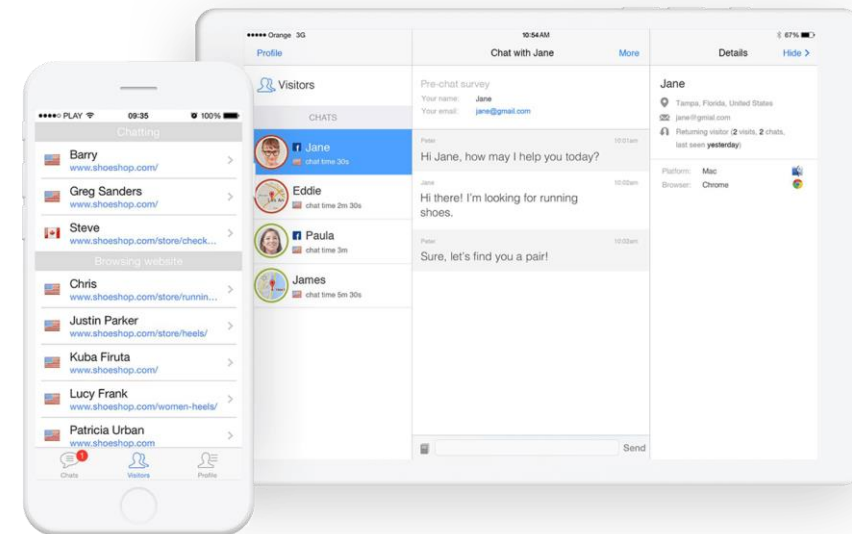
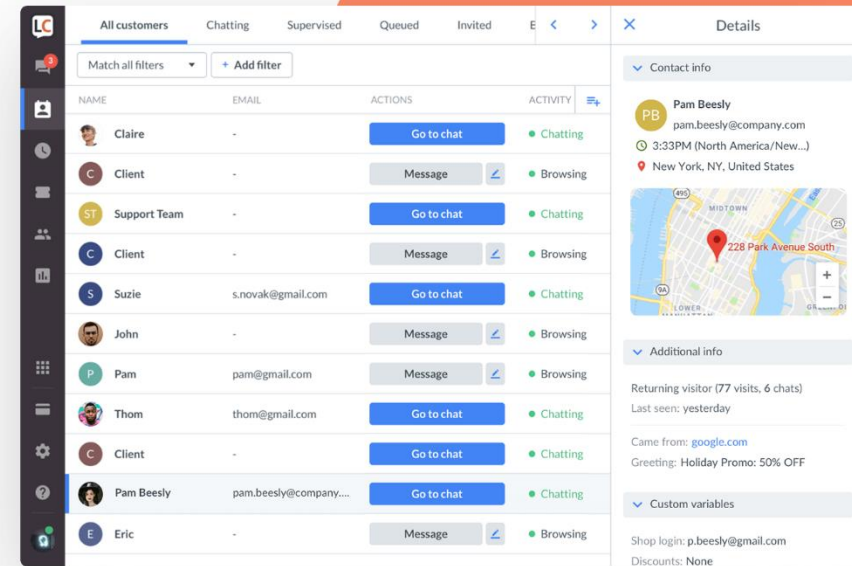
LiveChat product is a tool for quick contact between clients and the Company using a chat application embedded on the company's website. The solution is used mainly for customer service and online sales.

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.





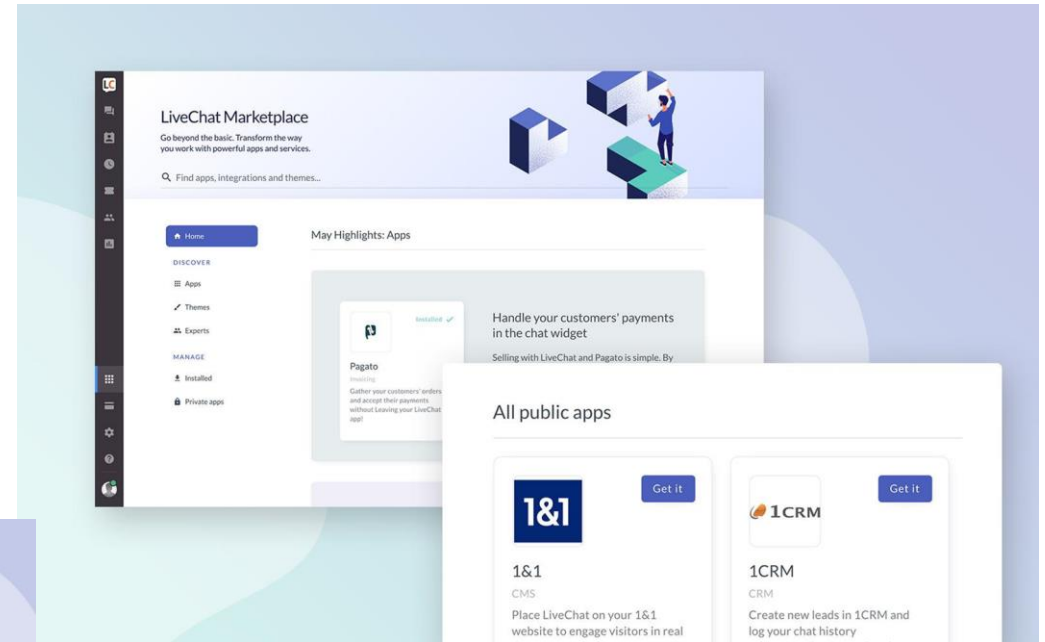
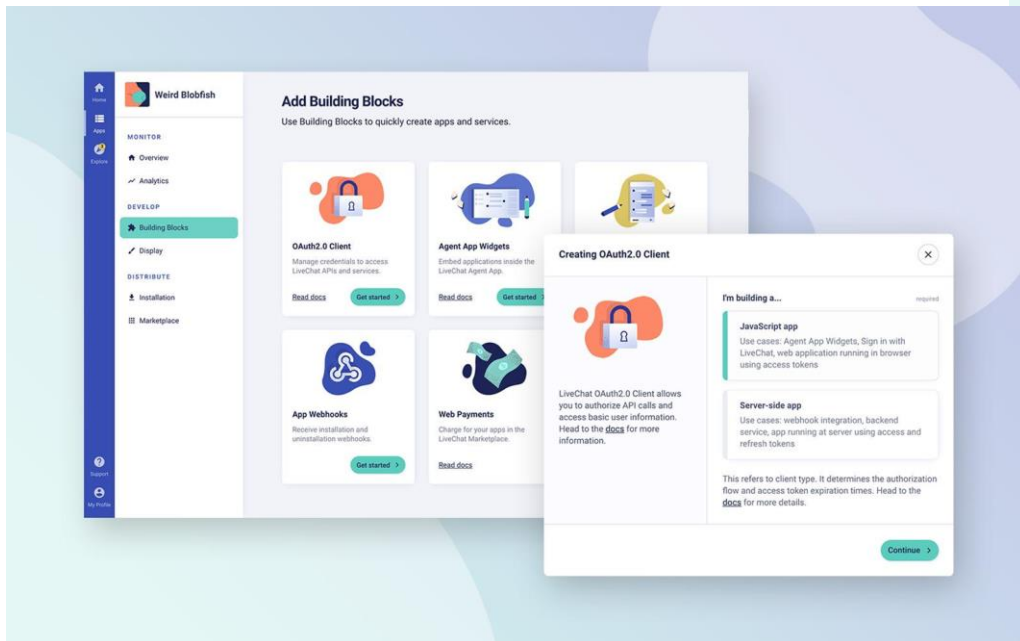
# Description of the activities of LiveChat Software Group

## LiveChat 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.

# 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.

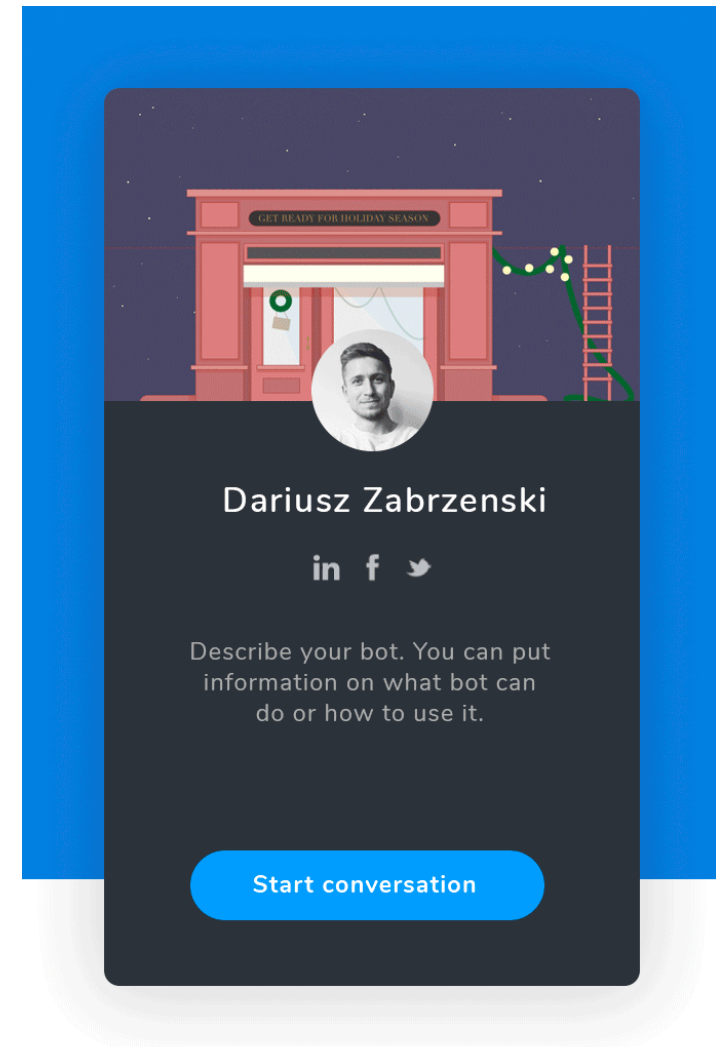
Bots are created by preparing a detailed tree-schemed script of the conversation. The script is based on drag&drop method, it is simple and intuitive and thus is also accessible to people who lack specialist programming knowhow.

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, Kayak, Calgary or Velux. At present, the Company is not reporting the number of active users of this solution

For more information about the product, please visit <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 première 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>

The screenshot displays the HelpDesk interface. On the left is a sidebar with navigation options: Chats, Customers, Archives, Tickets (99+), Agents, Reports, Marketplace, and Subscribe. The main area is titled 'Tickets' and shows 'Tickets to handle (245)' with filters for Open, Pending, Solved, and Spam. To the right, a table lists 'Open tickets (10)' with columns for Requester, Subject, Assignee, and Unreplied Since. Below the table, a detailed view of a ticket (ID: 0218V) is shown, featuring a chat conversation between a client (Tom) and an agent (John) regarding a return request. A supervisor (Peter) also provides input. The chat interface includes a text input field for internal comments, a 'Submit' button, and a 'CLOSE' button.

REQUESTER	SUBJECT	ASSIGNEE	UNREPLIED SINCE
Bettina Webb bettinawebb@mail.com	{AA-2909} Chat follow-up - iOS app issue	unassigned	Thu 13, Jan 2018
WEBET24/7 user@gmail.com	{KG} Logs for license 7521541 - agent info@we...	unassigned	Mon 13, Feb 2018
christie@livechatinc.com user@gmail.com	{Trello - KNOWN ISSUES} Issue with prechat...	Jason Statham	Web 13, Mar 2018
Emma user@gmail.com	{KK}Bug report - Chat bubble on mobile not...	Bruce	Sat 13, Apr 2018
Customer customer@gmail.com	{MK - Trello}Greings setup overlay	Pam Beesley	Sun 13, May 2018
Derrick Mitchell derrickmitchell@gmail...	Love your content (and a proposal)	unassigned	Mon 13, Jun 2018
Viola Greer user@gmail.com	Infinity Telecoms - HelpDesk Case Study	unassigned	Tue 13, Jul 2018
Derrick Shelton derrickkkk@gmail.com	ESO Support Customer Satisfaction Survery	Bruce	yesterday 16:43
WEBET24 user@gmail.com	{KG} Logs for license 4626548 - agent info@we...	Jason Statham	10 minutes ago

**CLIENT** Tom  
Return question  
Ticket ID: 0218V  
Can I make a return if the product is unpacked?

**SUPERVISOR** Peter  
We can accept the return but we can't cover the shipping costs.

**AGENT** John  
Hi Tom, you can make a return but you need to cover the shipping costs.

Type internal comment... CLOSE  
This comment will be visible to agents only. Submit

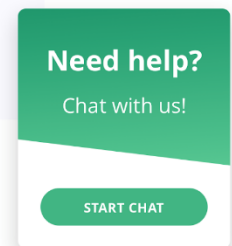
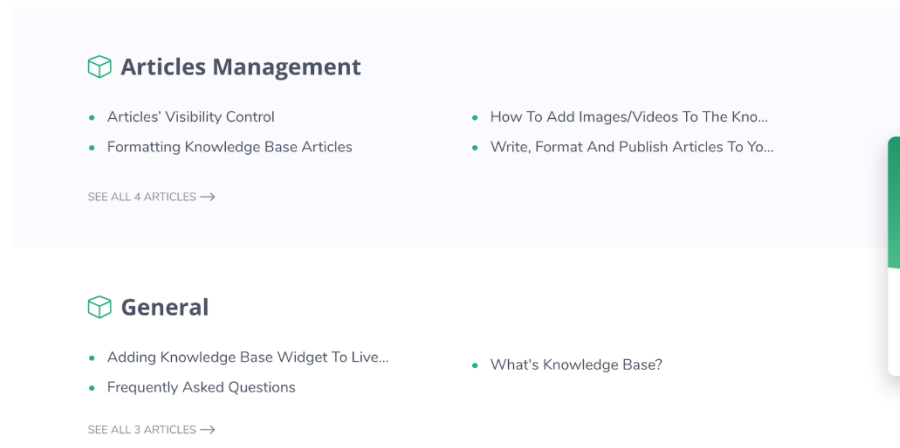
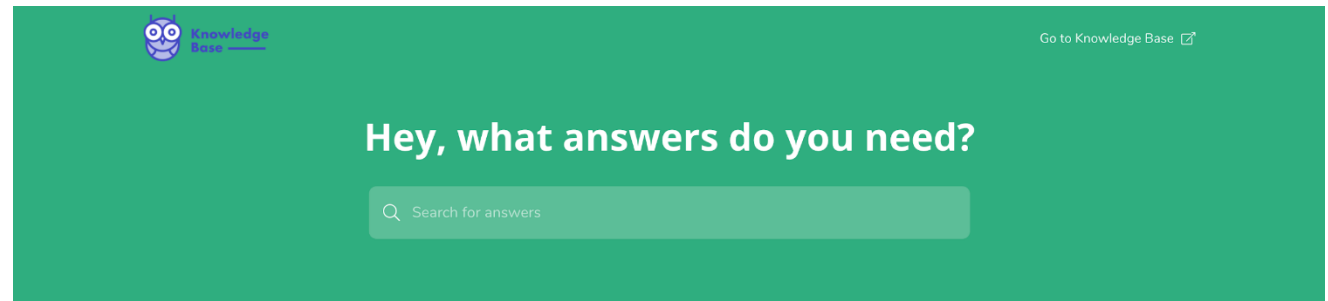
# Description of the activities of LiveChat Software Group

## 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 product please see <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

LiveChat Blog monthly reaches 100,000 UU,

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

According to the available market data and the Company's own estimates, the current value of the market for live chat type solutions may exceed USD 700m. However, these are only very approximate estimates since only some market players are publishing their financial results.

A vast majority of software vendors offer their solutions in the freemium model. In the opinion of the Management Board of LiveChat Software, attempts to monetize clients who started using free services is a very difficult and inefficient process. The LiveChat solution is characterized by the number of available functionalities, options and integration possibilities. Quality of customer service is also key, since it is on a higher level than the majority of other providers are able to offer. For these reasons, free solutions are not seen as a direct competition, since LiveChat is addressed primarily to the more demanding clients with larger and more advanced needs both in terms of available features and the speed and effectiveness of customer support.

The list of top global suppliers of live chat type solutions is relatively stable. Aside from LiveChat Software, it also includes among others LivePerson or Zendesk Chat. Other more important live chat solutions available on the market are Olark, JivoChat, Tidio or Tawk.to.



# 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.

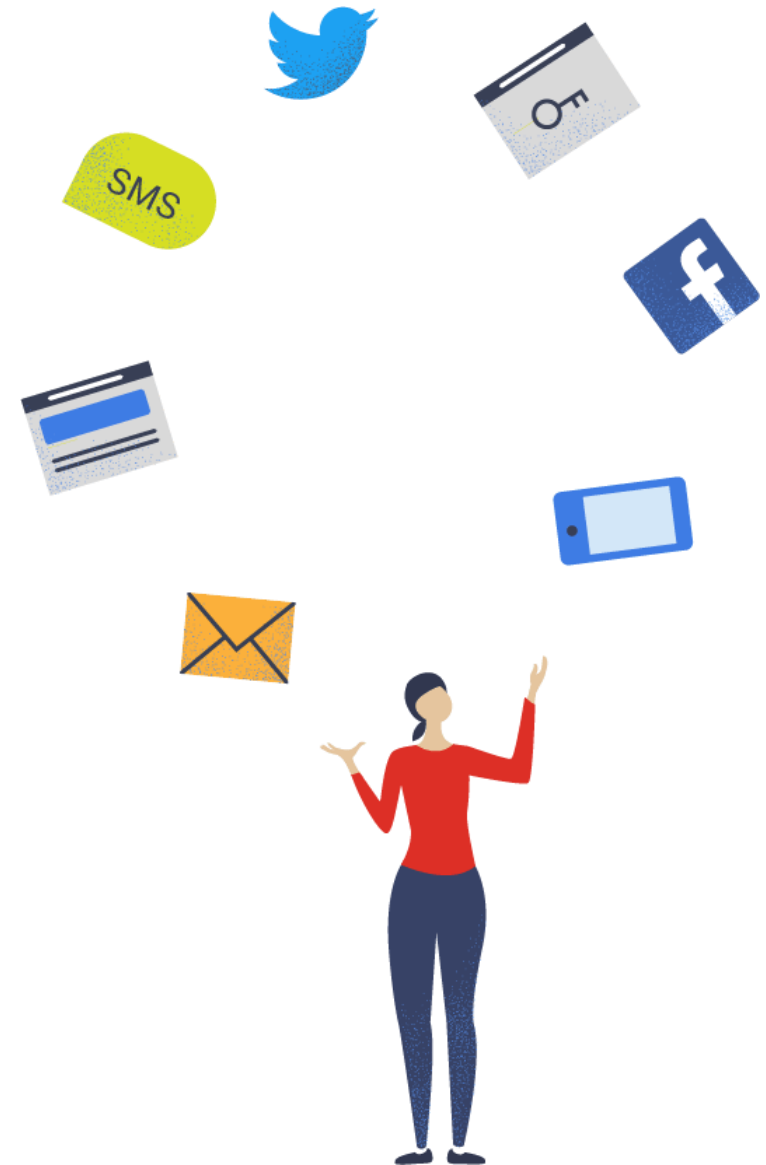
Furthermore, positioning LiveChat in the premium category and developing its market position based on features such as the variety of features and integrations available, the quality of customer service, as well as reliability and data safety instead of price-based competition, makes the company resistant 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

### Agreements which are material for the Group's activities

#### Agreement with a provider of payment gate services

LiveChat, Inc., a subsidiary, is using the services of [www.authorize.net](http://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](http://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

### Agreements which are material for the Group's activities

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

## 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 11,385,903.92;
- Obligations to LiveChat, Inc. in the amount of 0.00 PLN;
- Sales revenues to LiveChat, Inc. in the amount of PLN 93,286,157.25;
- Costs of services purchased from LiveChat, Inc. in the amount of 17,255,953.18 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 BotEngine, KnowledgeBase and chat.io

#### Acquisitions

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

#### Building a business ecosystem around products launched on the market

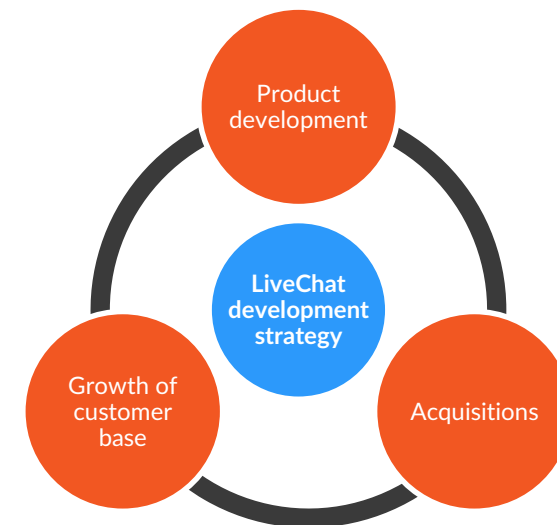
Building a larger communication platform, which brings together the Company's products and other tools in the field of customer service, e-commerce, CRM and marketing automation.

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, dynamic 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.



### 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 both 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 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.

# Description of the activities of LiveChat Software Group

## Growth prospects

### 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 sales 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

[PLN]	Q1-Q3 2019/20	Q1-Q3 2018/19	Change	Q3 2019/20	Q3 2018/19	Change
<b>Sales</b>	<b>94 853 380</b>	<b>79 875 386</b>	<b>+18,8%</b>	<b>32 356 805</b>	<b>27 779 615</b>	<b>+16,5%</b>
Costs of goods sold	13 968 605	13 375 728		5 015 074	4 949 366	
<b>Gross profit (loss)</b>	<b>80 884 775</b>	<b>66 499 658</b>		<b>27 341 732</b>	<b>22 830 249</b>	
Cost of sales	4 524 205	2 505 377		13 001 032	6 855 884	
General management and administration	9 607 32	7 628 265		3 109 119	3 349 996	
<b>Profit (loss) on sales</b>	<b>58 276 422</b>	<b>52 015 509</b>		<b>19 708 409</b>	<b>16 974 876</b>	
Other operating income	4 390	10 391		3 000	9 975	
Other operating expenses	19 237	17 201		13 201	12 623	
<b>Operating profit (loss)</b>	<b>58 267 159</b>	<b>52 008 698</b>	<b>+12,0%</b>	<b>19 698 207</b>	<b>16 966 643</b>	<b>+16,1%</b>
Financial income	59 440	124 719		<b>18 835</b>	<b>40 088</b>	
Financial expenses	8 894	91		5 568	12	
<b>Profit (loss) before tax</b>	<b>58 317 705</b>	<b>52 133 327</b>		<b>19 711 474</b>	<b>17 006 719</b>	
Income tax	11 420 501	10 064 874		<b>3 896 612</b>	<b>3 266 657</b>	
<b>Net profit (loss)</b>	<b>46 897 204</b>	<b>42 068 452</b>	<b>+11,5%</b>	<b>15 814 861</b>	<b>13 740 063</b>	<b>+15,1%</b>

### 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. The company converted the balance sheet items expressed in USD at USD 1 exchange rate = PLN 3,7977 as at December 31, 2019, and the items of the statement of financial result and total income using exchange rate 1USD=3,8573 PLN.

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.

# Financial situation of LiveChat Software Group

## Presentation of consolidated results

### Balance sheet - assets

[PLN]	December 31, 2019	March 31, 2019	Change
<b>Fixed assets</b>	<b>26 823 186</b>	<b>18 568 656</b>	<b>+44,5%</b>
Fixed real assets	5 259 009	1 529 599	
Intangible and legal assets	17 713 548	13 809 233	
Long-term receivables	147 600	147 600	
Deferred income tax assets	509 733	472 951	
Long-term prepayments	3 193 297	2 609 274	
<b>Working capital</b>	<b>46 931 668</b>	<b>42 951 669</b>	<b>+9,3%</b>
Inventories	-	-	
Receivables for goods and services sold	232 347	1 179 923	
Other receivables	7 179 538	9 092 688	
Cash and cash equivalents	39 430 381	32 624 369	
Short-term prepayments	89 402	54 688	
<b>Total assets</b>	<b>73 754 855</b>	<b>61 520 325</b>	<b>+19,9%</b>

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

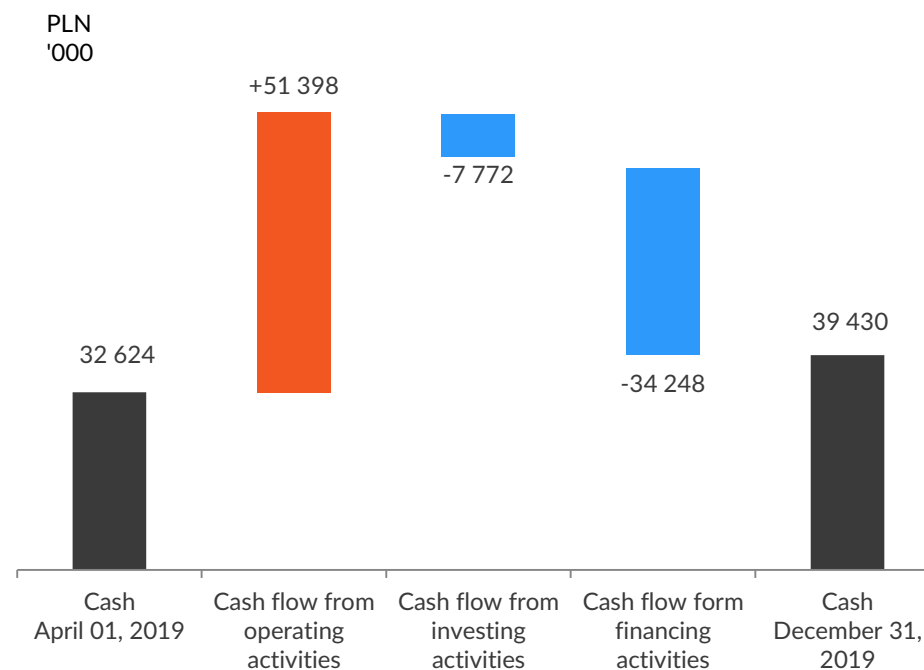
[PLN]	December 31, 2019	March 31, 2019	Change
<b>Own equity</b>	<b>64 809 633</b>	<b>54 345 268</b>	<b>+19,3%</b>
Initial equity	515 000	515 000	
Supplementary capital	16 578 404	9 806 990	
FX differences	81 386	-55 360	
Advance payment for a dividend	-	13 905 000	
Unallocated equity from the previous years	737 638	737 638	
Net profit (loss) for the fiscal year	46 897 204	57 245 999	
<b>Liabilities and provisions</b>	<b>8 945 222</b>	<b>7 175 057</b>	<b>+24,7%</b>
<b>Long-term liabilities</b>	<b>3 808 404</b>	<b>10 243</b>	
<b>Short-term liabilities</b>	<b>5 136 818</b>	<b>7 164 814</b>	
Trade payables	4 652 048	4 323 670	
Current income tax	110 232	2 642 621	
Other payables	196 562	198 523	
<b>Total liabilities</b>	<b>73 754 855</b>	<b>61 520 325</b>	<b>+19,9%</b>

# Financial situation of LiveChat Software Group

## Presentation of consolidated results

### Cash position

[PLN]	Q1-Q3 2019/20	Q1-Q3 2018/19	Change
<b>Gross profit (loss)</b>	<b>58 317 705</b>	<b>52 133 327</b>	
<b>Total adjustments, including:</b>			
<i>Depreciation and amortization</i>	4 092 518	2 597 477	
<i>Interest and share in profits (dividends)</i>	- 56 093	- 124 628	
<i>Change in working capital</i>	3 002 644	487 391	
<i>Income tax paid</i>	- 13 952 889	- 8 737 422	
<b>Cash flow from operating activities</b>	<b>51 398 337</b>	<b>46 356 145</b>	
Interest received	56 093	124 628	
Investments in intangibles and in real fixed assets	- 8 346 812	- 7 901 990	
<b>Cash flow from investing activities</b>	<b>- 8 284 824</b>	<b>- 7 772 485</b>	
Dividends paid	- 36 307 500	- 34 247 500	
<b>Net cash flow from financing activities</b>	<b>- 36 307 500</b>	<b>- 34 247 500</b>	
<b>Total net cash flow</b>	<b>6 806 012</b>	<b>4 336 160</b>	<b>+57,0%</b>
Cash at the beginning of the period	32 624 369	30 133 807	
<b>Cash at the end of the period</b>	<b>39 430 381</b>	<b>32 624 369</b>	<b>+20,9%</b>



# Financial situation of LiveChat Software Group

## Presentation of consolidated results

### 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.

### Group's financial projection

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 cyclicity 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 first half of the financial year.

In the opinion of the Management Board, the achieved yields are very high and will remain at a similar, high level in subsequent periods.

	Q1-Q3 2019/20	Q1-Q3 2018/19
Gross profit margin	85,3%	83,3%
EBITDA	65,7%	68,4%
EBIT	61,4%	65,1%
Net margin	49,4%	52,7%
ROE	88,3%	110,5%
ROA	77,6%	98,2%
Current ratio	9,1	6,5
Quick ratio	9,1	6,5
Cash ratio	7,7	5,2

\* Definitions of these ratios are found on end of this document

# Financial situation of LiveChat Software Group

## Presentation of separated results

### Income statement

[PLN]	Q1-Q3 2019/20	Q1-Q3 2018/19	Change
<b>Sales</b>	<b>94 853 380</b>	<b>79 875 385</b>	<b>+18,8%</b>
Costs of goods sold	13 638 821	13 852 535	
<b>Gross profit (loss)</b>	<b>81 214 558</b>	<b>66 022 849</b>	
Cost of sales	13 178 723	7 011 876	
General management and administration	9 642 660	7 660 963	
<b>Profit (loss) on sales</b>	<b>58 393 174</b>	<b>51 350 010</b>	
Other operating income	9 974	10 390	
Other operating expenses	19 237	17 201	
<b>Operating profit (loss)</b>	<b>58 383 911</b>	<b>51 343 199</b>	<b>+13,7%</b>
Financial income	59 440	601 526	
Financial expenses	338 677	90	
<b>Profit (loss) before tax</b>	<b>58 104 674</b>	<b>51 944 635</b>	
Income tax	11 420 501	10 054 597	
<b>Net profit (loss)</b>	<b>46 684 173</b>	<b>41 890 038</b>	<b>+11,4%</b>

# Financial situation of LiveChat Software Group

## Presentation of separated results

### Balance sheet - assets

[PLN]	December 31, 2019	March 31, 2019	Change
<b>Fixed assets</b>	<b>22 861 388,07</b>	<b>18 570 312,40</b>	<b>+23,1%</b>
Intangible and legal assets	17 713 547,84	13 809 232,73	
Fixed real assets	1 295 554,40	1 529 598,52	
Long-term receivables	147 600,00	147 600,00	
Deferred income tax assets	509 732,61	472 951,04	
Long-term prepayments	3 703 029,37	3 082 224,69	
<b>Working capital</b>	<b>45 732 992,54</b>	<b>41 702 692,43</b>	<b>+9,7%</b>
Inventories	24 516,45	43 928,87	
Receivables	18 540 925,06	9 564 228,80	
Short-term investments	27 078 148,98	32 039 846,54	
Cash and cash equivalents	27 078 148,98	32 039 846,54	
Short-term prepayments	89 402,05	54 688,22	
<b>Total assets</b>	<b>68 594 380,61</b>	<b>60 273 004,83</b>	<b>+13,8%</b>



# Financial situation of LiveChat Software Group

## Presentation of separated results

### Balance sheet - liabilities

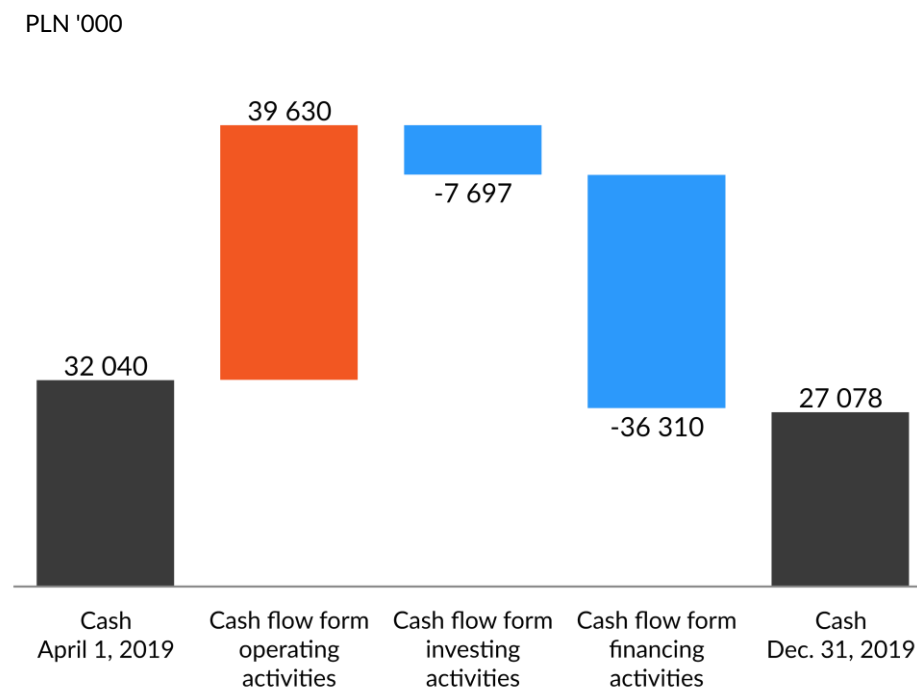
[PLN]	December 31, 2019	March 31, 2019	Change
<b>Own equity</b>	<b>63 777 577,57</b>	<b>53 400 903,64</b>	<b>+19,4%</b>
Initial equity	515 000,00	515 000,00	
Supplementary capital	16 578 403,64	9 806 989,96	
Unallocated equity from the previous years	0	0	
Net profit (loss) for the fiscal year	46 684 173	56 983 913,68	
Write-offs from net profit during the financial year	0	-13 905 000,00	
<b>Liabilities and provisions</b>	<b>4 816 803,04</b>	<b>6 872 101,19</b>	<b>+42,7%</b>
<b>Long-term liabilities</b>	<b>0</b>	<b>0</b>	
<b>Short-term liabilities</b>	<b>2 634 682,06</b>	<b>4 733 016,54</b>	
Trade payables	2 327 887,97	1 891 872,63	
Liabilities due to taxes, duties, insurance and other benefits	110 232,27	2 642 620,90	
remunarations	192 371,02	194 826,64	
Rozliczenia Międzyokresowe	3 703 029,37	2 128 841,31	
<b>Total liabilities</b>	<b>68 594 380,61</b>	<b>60 273 004,83</b>	<b>+13,8%</b>

# Financial situation of LiveChat Software Group

## Presentation of separated results

### Cash position

[PLN]	Q1-Q3 2019/20	Q1-Q3 2018/19	Change
<b>Net profit (loss)</b>	46 684 173	41 890 038	
Total adjustments, including:	-7 053 546	4 511 581	
<i>Depreciation and amortization</i>	4 092 518	2 597 477	
<i>Interest and share in profits (dividends)</i>	-56 093	-124 628	
<i>Change in inventories</i>	19 412	-13 183	
<i>Change in receivables</i>	-8 976 696	-1 017 519	
<i>Change in short-term liabilities, except for loans and credits</i>	-2 020 350	2 263 170	
<i>Change in prepayments</i>	-4 359	806 265	
<b>Cash flow from operating activities</b>	<b>39 630 627</b>	<b>46 401 619</b>	
Interest received	3 346	0	
Investments in intangibles and in real fixed assets	7 762 789	7 901 990	
<b>Cash flow from investing activities</b>	<b>-7 697 454</b>	<b>-7 772 484</b>	
Dividends paid	36 307 500	34 247 500	
<b>Net cash flow from financing activities</b>	<b>-36 310 846</b>	<b>-34 247 500</b>	
<b>Total net cash flow</b>	<b>-4 961 697</b>	<b>4 381 634</b>	-
Cash at the beginning of the period	32 039 846	28 626 051	
<b>Cash at the end of the period</b>	<b>27 078 148</b>	<b>33 007 685</b>	



# 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).

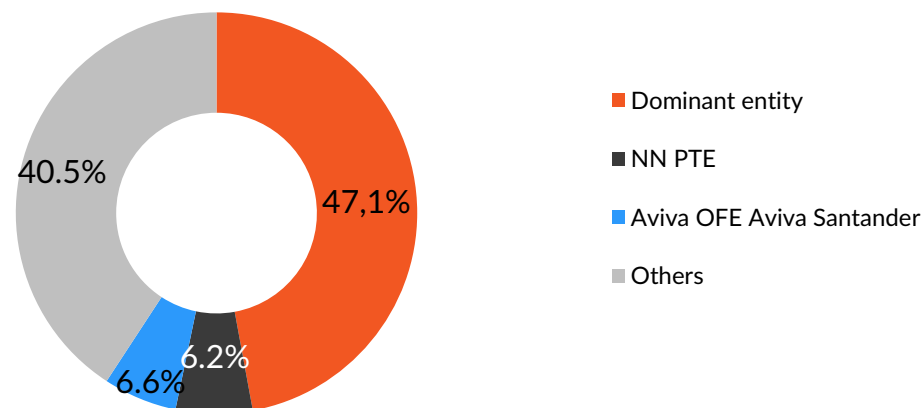
## Shareholder structure

Shareholder	Number of Votes	Voting stake
Nationale-Nederlanden PTE	1 591 000	<b>6,18%</b>
Aviva OFE Aviva Santander	1 687 000	6,55%
<b>The shareholder consortium (co-founders and key managers) including:</b>	<b>12 129 282</b>	<b>47,10%</b>
Mariusz Ciepły	4 010 000	15,57%
Maciej Jarzębowski	3 010 000	11,69%
Jakub Sitarz	3 010 000	11,69%
<b>Pozostali</b>	<b>10 342 718</b>	<b>40,17%</b>
<b>RAZEM</b>	<b>25 750 000</b>	<b>100,00%</b>

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.

As for December 31



# 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:

First and last name	Role
<b>Mariusz Ciepty</b>	<b>CEO</b>
Urszula Jarzębowska	Board Member

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

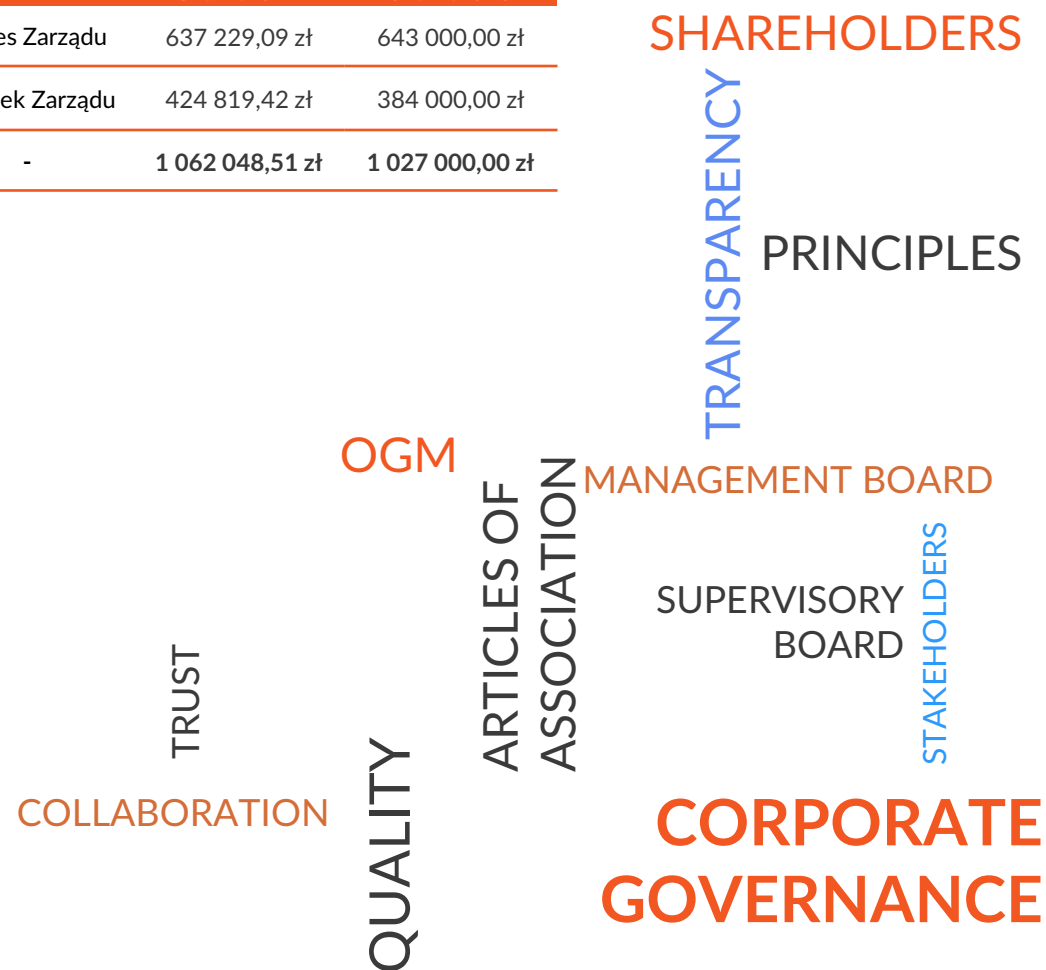
**Mariusz Ciepty** is one of the founders and core shareholders of LiveChat Software. He has been serving as the Company's CEO since 2010. Mr. Ciepty has a degree in IT engineering, specialization in the engineering of IT systems, having graduated from the Faculty of Electronics at the Technical University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

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

## Remuneration

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

Name	Role	01.04.2019 – 31.12.2019	01.04.2018 – 31.12.2018
Mariusz Ciepty	Prezes Zarządu	637 229,09 zł	643 000,00 zł
Urszula Jarzębowska	Członek Zarządu	424 819,42 zł	384 000,00 zł
<b>RAZEM</b>	-	<b>1 062 048,51 zł</b>	<b>1 027 000,00 zł</b>



# Governing bodies

## Membership of the Supervisory Board

During the Q1-Q3 of 2019/20 financial year, there were no changes in the composition of the Supervisory Board. As at September 30, 2019 the composition of the Supervisory Board of LiveChat Software S.A. consisted of the following persons:

First and last name	Function
Maciej Jarzębowski	Chairman of the Supervisory Board
Marcin Mańdziak	Member of the Supervisory Board
Jakub Sitarz	Member of the Supervisory Board
Marta Ciepla	Member of the Supervisory Board
Michał Markowski	Member of the Supervisory Board

**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 Ciepla** 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.

On 16 October 2018, the Extraordinary General Meeting of the Company appointed members of the Supervisory Board for the new term. The first meeting at which members of the Supervisory Board elected the Chairman and Deputy Chairman of the Supervisory Board was held on 26 October 2018. The composition of the Supervisory Board as at the date of the report is as follows:

First and last name	Function
Maciej Jarzębowski	Chairman of the Supervisory Board
Jakub Sitarz	Vice-Chairman of the Supervisory Board
Marcin Mańdziak	Member of the Supervisory Board
Marta Ciepla	Member of the Supervisory Board
Michał Markowski	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.

First and last name	Function	Number of shares held
Mariusz Cieply	CEO	4 010 000
Urszula Jarzębowska	Board Member	1 210 250
Maciej Jarzębowski	Chairman of the Supervisory Board	3 010 000
Jakub Sitarz	Member of the Supervisory Board	3 010 000

# Statements made by the Management Board

Wroclaw, 26 February 2020

The Report of the Management Board of LiveChat Software Capital Group for the 9-month period ended December 31, 2019 was approved for publication on February 26, 2020.

Management Board of LiveChat Software S.A. declares that, to the best of his knowledge, this report and the data presented reflect in a true, reliable and clear manner the property and financial position of the Group and its financial result. The Management Board also declares that the report on the Company's operations provides a true picture of the Company's development, achievements and situation.



Chief Executive Officer Mariusz Ciepły



Board Member Urszula Jarzębowska



CFO, Joanna Alwin

# Glossary

## Financial ratios

Ratio	Description
EBITDA	= Operating profit (loss) + depreciation and amortization
Gross sales margin	= $\frac{\text{Gross profit on sales}}{\text{Net sales}}$
Operating margin	= $\frac{\text{Operating profit (loss)}}{\text{Net sales}}$
EBITDA margin	= $\frac{\text{EBITDA}}{\text{Net sales}}$
Net margin	= $\frac{\text{Net profit (loss) for the reporting period}}{\text{Net sales}}$
Return On Equity	= $\frac{\text{Net profit (loss) for the past 12 months}}{\text{Own equity}}$
Return On Assets)	= $\frac{\text{Net profit (loss) for the past 12 months}}{\text{Total assets}}$
Current ratio	= $\frac{\text{Working capital}}{\text{Short-term liabilities}}$
Quick ratio	= $\frac{\text{Working capital - inventories}}{\text{Short-term liabilities}}$
Cash ratio	= $\frac{\text{Cash and cash equivalents}}{\text{Short-term liabilities}}$



**LiveChat**