Management Board report from the activities of the LiveChat Software S.A. and its Group in 2022/23 financial year
Vision

Text intelligence
for better customer service
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1. **CEO’s letter**

Dear All,

Over the past quarters, we have witnessed a breakthrough in the availability of AI-driven tools and the dynamic development of this technology. Artificial intelligence is already transforming our products as well as the way our organization operates.

We have always believed in automation. LiveChat has long been helping agents to become more efficient, enabling them to handle more chats simultaneously, better and faster. Five years ago, we introduced our product, ChatBot, and a year later, HelpDesk, which development also focuses on automation.

Currently, we are convinced that in the future, we will be able to fully automate our customers’ communication. It is an exciting perspective but also a tremendous challenge. We operate in a highly competitive environment. Many great companies will try to do the same as us, only better.

Of course, we believe in ourselves. However, in order to assist others in automation, it must become part of our DNA. That is why we are already utilizing new possibilities to change the way we work. I believe we can automate practically all repetitive processes in our company. This will allow our teams to focus on the most interesting and creative challenges. In recent years, we have grown significantly as an organization, and AI will help us streamline it and operate more efficiently.

The development of AI will usher in a period of enormous changes. These changes will affect not only our company and industry but the entire economy and our daily lives. However, in the case of LiveChat Software, we also mark this change symbolically.

At the upcoming Annual General Meeting, we will ask the Shareholders for approval to change the Company’s name to Text Spółka Akcyjna. LiveChat is a strong and recognizable brand in the market, and we benefit from the advantage of having a very strong domain, livechat.com. The same applies to ChatBot, HelpDesk, and KnowledgeBase (not forgetting our youngest child - OpenWidget). We will keep these brands and domains, as they are extremely valuable assets to us. However, we want to emphasize that we are no longer a company focused on a single product. At the same time, we remain experts in the field of text communication. Why? Firstly, because it is the best and most effective way of online communication. Even when it comes to analyzing voice or video communication, we still need to go back to text. Secondly, in order to maintain our advantages in such a competitive market, we need to remain the world’s best experts, and that requires focusing on our chosen area.

Personally, I am very happy that we were able to seize the opportunity and acquire the domain text.com. We have long known that we wanted to create an umbrella brand for our offerings in the future, while also differentiating our corporate brand from our product brands. Text fits perfectly for us, and text.com is already a place where we showcase not only our vision and team but also the full portfolio of our products.

Of course, the annual report primarily refers to our financial results. In the 2022/23 financial year the consolidated results of our Group increased by 41.7%, operating profit by 44.8% and net profit by 44.7%. The number of LiveChat clients increased by more that fifteen hundred and in the case of ChatBot by more than 300. We have achieved these results in a very demanding economic circumstance. Many of our clients or potential clients were struggling with economic slowdown, problems with the funding or inflation. We believe that our solutions have helped them to develop their businesses, decrease the costs, or have improved the quality of communication with their customers.
During the year, for the first time in a long time, the prices of our products have increased. We have also discontinued the "Pay per Seat" model, which has resulted in price hikes for many customers. We were able to take this step only because we provide real value to our customers and support their businesses. In the future, we may actively manage prices, but our main focus is to ensure that each of our products effectively solves the problems of companies and institutions. The most important thing is to deliver continued value to them.

Traditionally, I would like to thank all members of our team. I express my gratitude to our customers, who are our top priority. To our shareholders, I thank you for your trust - we will strive to maintain it.

Yours sincerely,
## 2. Summary

### 2.1. Selected consolidated financial data

<table>
<thead>
<tr>
<th></th>
<th>2022/23</th>
<th>2021/22</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales of products, goods and materials</td>
<td>315 722</td>
<td>222 515</td>
<td>+41.9%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>199 966</td>
<td>139 987</td>
<td>+42.8%</td>
</tr>
<tr>
<td>Operating profit (loss)</td>
<td>185 488</td>
<td>128 066</td>
<td>+44.8%</td>
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<td>Gross profit (loss)</td>
<td>185 075</td>
<td>127 942</td>
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<tr>
<td>Net profit (loss)</td>
<td>172 357</td>
<td>119 023</td>
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<tr>
<td>Net cash flow</td>
<td>40 154</td>
<td>(3 567)</td>
<td>-</td>
</tr>
<tr>
<td>cash flow from operating activities</td>
<td>194 778</td>
<td>115 455</td>
<td>+68.7%</td>
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<tr>
<td>cash flow from investing activities</td>
<td>(32 457)</td>
<td>(16 845)</td>
<td>-</td>
</tr>
<tr>
<td>cash flow from financial activities</td>
<td>(122 167)</td>
<td>(102 177)</td>
<td>-</td>
</tr>
<tr>
<td>Number of shares</td>
<td>25 750 000</td>
<td>25 750 000</td>
<td>-</td>
</tr>
<tr>
<td>Profit (loss) per ordinary share</td>
<td>6.69</td>
<td>4.62</td>
<td>+44.8%</td>
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<tr>
<td>[thous. PLN]</td>
<td>31 March 2023</td>
<td>31 March 2022</td>
<td>Change</td>
</tr>
<tr>
<td>------------------------</td>
<td>---------------</td>
<td>---------------</td>
<td>----------</td>
</tr>
<tr>
<td>Total assets</td>
<td>197 331</td>
<td>137 752</td>
<td>+43.3%</td>
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<tr>
<td>Liabilities and provisions</td>
<td>22 216</td>
<td>13 242</td>
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<tr>
<td>Long-term liabilities</td>
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<td>796</td>
<td>-90.6%</td>
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<tr>
<td>Short-term liabilities</td>
<td>22 141</td>
<td>12 446</td>
<td>+77.9%</td>
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<tr>
<td>Net equity</td>
<td>175 115</td>
<td>124 510</td>
<td>+40.6%</td>
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<tr>
<td>Initial equity</td>
<td>515</td>
<td>515</td>
<td>-</td>
</tr>
<tr>
<td>Number of shares</td>
<td>25 750 000</td>
<td>25 750 000</td>
<td>-</td>
</tr>
<tr>
<td>Book Value Per Share</td>
<td>6.80</td>
<td>4.84</td>
<td>+40.6%</td>
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### 2.2. Selected standalone financial data

<table>
<thead>
<tr>
<th>[PLN thous.]</th>
<th>2022/23</th>
<th>2021/22</th>
<th>Change</th>
</tr>
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<tbody>
<tr>
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</tr>
<tr>
<td>EBITDA</td>
<td>197 712</td>
<td>139 987</td>
<td>+42.3%</td>
</tr>
<tr>
<td>Operating profit (loss)</td>
<td>183 946</td>
<td>126 741</td>
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<tr>
<td>Gross profit (loss)</td>
<td>184 442</td>
<td>127 493</td>
<td>+44.7%</td>
</tr>
<tr>
<td>Net profit (loss)</td>
<td>171 724</td>
<td>118 574</td>
<td>+44.8%</td>
</tr>
<tr>
<td>Net cash flow</td>
<td>24 600</td>
<td>(7 619)</td>
<td>-</td>
</tr>
<tr>
<td>cash flow from operating activities</td>
<td>178 597</td>
<td>110 681</td>
<td>+61.4%</td>
</tr>
<tr>
<td>cash flow from investing activities</td>
<td>(32 457)</td>
<td>(16 845)</td>
<td>-</td>
</tr>
<tr>
<td>cash flow from financial activities</td>
<td>(121 540)</td>
<td>(101 454)</td>
<td>-</td>
</tr>
<tr>
<td>Number of shares</td>
<td>25 750 000</td>
<td>25 750 000</td>
<td>-</td>
</tr>
<tr>
<td>Profit (loss) per ordinary share</td>
<td>6.67</td>
<td>4.60</td>
<td>+44.8%</td>
</tr>
<tr>
<td></td>
<td>31 March 2023</td>
<td>31 March 2022</td>
<td>Change</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>---------------</td>
<td>---------------</td>
<td>---------</td>
</tr>
<tr>
<td>Total assets</td>
<td>192 910</td>
<td>133 356</td>
<td>+44.7%</td>
</tr>
<tr>
<td>Liabilities and provisions</td>
<td>19 686</td>
<td>10 316</td>
<td>+90.8%</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Short-term liabilities</td>
<td>13 474</td>
<td>5 844</td>
<td>+130.6%</td>
</tr>
<tr>
<td>Net equity</td>
<td>173 224</td>
<td>123 040</td>
<td>+40.8%</td>
</tr>
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<td>-</td>
</tr>
<tr>
<td>Book Value Per Share</td>
<td>6.73</td>
<td>4.78</td>
<td>+40.8%</td>
</tr>
</tbody>
</table>
3. About LiveChat Software

LiveChat Software ("Company" or "LiveChat Software") is a developer and a global provider of LiveChat software. Its corporate portfolio also includes solutions such as ChatBot (a chatbot building platform), HelpDesk (ticketing system), KnowledgeBase (application for creation and sharing knowledge base), and OpenWidget (solution allowing for an easy installation of widgets on websites).

The LiveChat product is a tool for quick contact between clients and the Company using a chat application embedded in the company’s website. Thanks to integrations it can also take care of other channels of communication (communicators, social media, messages, etc.) Additionally, the product gathers information on the user’s behavior on the website, which can be an attractive source of knowledge for the sales process and support of the client.

At present, the LiveChat Software Capital Group ("Group" or "LiveChat Group") focuses on the development of new products and on perfecting the ones already on the market, offering top-quality customer service (users of LiveChat product can contact the Company on a 24/7/365 basis) and the development of new customer acquisition channels. The Company has a proven business model with a marginal, close to zero customer acquisition cost. The relatively low level of recurring expenses and the marginal ultimate variable cost of new clients coupled with the absence of the need for additional CAPEX, gives LiveChat Software a high degree of scalability of its business while retaining strong profit margins.

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

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

The Company widens its product portfolio and has plans to build an umbrella brand for all its products and therefore it bought the internet domain text.com. In the near future the Company plans to change its name to mirror its focus on the written communication.
3.1. The structure of the LiveChat Software Group

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

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

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

3.2. Our relationships

LiveChat Software's business activities focus especially on the ways of communication between people (end users) and companies or institutions. Our actions have an impact on our customers, shareholders, business partners, the Company’s team and society, and each of these groups has different needs and expectations, and therefore the way we dialogue with or communicate with these groups differs.
Customers

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

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

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

End-users

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

Investors, analysts, and representatives of the capital market

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

An important challenge for us is to ensure the principle of equal access to information for various stakeholder groups. We want an individual investor to receive answers to their questions as quickly as a representative of a financial institution, and that they should be equally comprehensive. We also strive to ensure that the foreign investor receives the same amount of information about us as their Polish counterpart. From July 2022 onwards, we organize quarterly webinars (in Polish and English) where we discuss results, operational data and key developments - these are open to all interested parties whether or not they represent financial institutions or editors. We make recordings of these meetings available on our website.

Business partners

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

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

Media

We use cooperation with the media to distribute information relevant to the business strategy. We answer questions on an ongoing basis, and distribute press releases on financial results and developments important to us. We also conduct active communication on social media. As a rule, however, we do not engage in discussions on internet forums.

Team

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

Once a year, LiveChat conducts a team satisfaction survey, on the basis of which activities are planned in subsequent periods.

Government and administrative institutions

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

Non-government organizations

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

3.3. Our values

In connection with the redefinition of the Company's vision and with the rebranding of LiveChat Software to text, the values we create on a daily basis and the way we work have been redefined. These values in English have been posted on our new corporate website text.com.

Learn from mistakes.
Call out bullshit.
Take ownership.
Are creative.

Target US market.
Automate work.
Build premium products.
Fight for every inch.
Keep it simple.
Act at scale.
Default to teamwork.
Since May 2021, we also have the Business Code Practices in the LiveChat Group which defines the standards of business conduct with LiveChat, Inc. that encompasses business transactions in good faith with honesty, transparency, and integrity. The values drafted in the above-mentioned Business Code Practices are consistent with our Company’s mission set out in the LiveChat Constitution emphasizing transparency and communication without barriers and prejudices, and business transactions with equal access for all of our customers and users, including those with disabilities like visual, hearing, cognitive and motor impairments. We believe our business partners share the same values as we do.

As a Company, we are apolitical.

3.4. LiveChat Software Group history

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

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

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

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

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

What is even more important, a year earlier we started providing services in the SaaS model. This enabled us to build an effective customer acquisition model and expand abroad. Currently, Poland is responsible for c.a. 1.5% of our business. In the nearest future we plan to change the name to Text, which will better reflect our focus on the text communication and the fact that we are no longer an organization concentrated on one product.

3.5. Investor Relations

The Company has an internal, two-person Investor Relations department, which reports directly to the CEO. Contact with investors is provided through several communication channels, including “LiveChat” on investors.livechatinc.com, mail (ir@livechat.com), telephone and LiveChat IR on Twitter. In the near future, the Company plans to roll back telephones as an outdated and least effective communication channel which exposed the team members to unwanted interactions (such as spam).

One of the team’s priorities is to ensure equal access to information for all investor groups.
During the financial year, the IR department participated in such investor conferences as: Wood's Winter EME Conference, Erste Innovation & Technology Conference, Pekao Technology Conference, Prague Spring EME Conference, Trigon Investor Week 2022, Emerging and Frontier Markets Investor Conference (Auerbach Grayson), Erste Conviction Equity, and investor conference organized by Dom Maklerski BOŚ. The IR team participated also in the roundtable meeting with investors from Germany, organized by Alster Research.

In June 2022, LiveChat Software was the first company from Poland to start a cooperation with Tegus under the "Corporate Access" program. As part of this collaboration, the IR team provides content for the platform and Tegus conducts interviews with the Company's customers, among others.
4. Operational summary

4.1. Commentary of the Management Board

In the financial year 2023/23, which ended March 31, 2023, our consolidated revenues increased by 41.9% to PLN 315.7 million. Our Group generates almost all revenues in the US dollar (USD); therefore the PLN/USD exchange rate has a significant impact on the reported results. We believe that a better picture of the development of our business is provided by the results (both revenues and MRR - monthly recurring revenues) expressed in dollars. For this reason, we publish preliminary data from this perspective immediately after the end of the quarter.

The indicator that best reflects the development of our business is MRR (Monthly Recurring Revenue). For its calculation purposes, annual or other payments are spread evenly over the months. However, in the case of reported revenues, all such payments are recognized in the quarter in which we received it. At the end of the financial year (March 31, 2023), the group’s MRR amounted to USD 6.40 million, which translates into ARR in the amount of USD 76.8 million (Annual Recurring Revenue).

Margins, financial flows and dividend policy

Our business model enables us to achieve very high operating profitability. In the 2022/2023 financial year, the gross profit margin on sales was 85.3%, the operating profit margin was 58.8%, and the net profit margin was 54.6%. We are still at the stage of growth, we are investing in product development, and we are also increasing the number of people cooperating with the Company in all areas (developers, customer support, marketing, sales department). The related cost increase may exert pressure on profitability in the coming periods. Additional pressure on margins comes from rapidly rising salaries in the tech industry and increased competition for talents. Keeping the growth path and fulfilling our Mission requires further expansion of the team and retaining the key people within the Company, therefore we are determined to do so.

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

The above-presented profitability makes us generate cash effectively. Cash flows from the operating activities in the financial year amounted to PLN 194.8 million and we had PLN 95.8 million cash at our disposal at the end of this period. We continue our dividend policy, which assumes allocating the highest possible part of the profit to shareholders from the point of view of legal regulation, unless no investments appear that would provide a higher return rate to shareholders.
Key performance indicators of the Company

During the financial year, the use of LiveChat and ChatBot by end-users of our products increased significantly. The number of chats, which increased by 67% year-on-year and exceeded 1.5B chats shows how many cases were handled by companies using LiveChat and ChatBot products. Simultaneously, there were over 5.5M "tickets" handled using our HelpDesk solution.

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

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

MRR (monthly recurring revenue) constitutes most of our sales and determines the stability of our business based on the subscription model. Additionally, we generate revenues from the sale of services related to our products, e.g., training. At the end of March 2023, the MRR at the Group level reached USD 6.40 million - that is, by 0.8% more compared to December 2022 and by 37.9% compared to the same period last year. The year-on-year increase in recurring revenue (MRR - Monthly Recurring Revenue) is primarily due to the change in pricing for all of the Company’s products, which was carried out in the second half of the year and revenue increases can now be expected in future quarters, both on an annual basis and quarter-on-quarter. On the graph, we present the MRR for the last month of each of the quarters.
ARPU (Average Revenue Per User) is the average revenue per one customer - in our case, a company or institution. The ARPU given in our report and presentations is calculated based on the MRR (not total revenue). The ARPU value of individual customers depends on the selected subscription plan and the number of agents (in the case of ChatBot, on the selected plan and possibly the number of interactions exceeding the limit available in a particular subscription).

At the end of March 2023, the ARPU of the LiveChat product amounted to USD 159.7 as compared with USD 120.9 at the end of December 2022 and USD 120.9 a year ago. The ARPU of ChatBot amounted to USD 121.3 at the end of March 2023 as compared with USD 115.1 last quarter and USD 102.3 a year ago. The increase in ARPU over the past year is mainly the result of a change in the pricing of LiveChat and ChatBot products.

Average sale price

The average sale price, or initial ARPU is practically the average value of the first payment from new customers each month. The significant increase in this indicator is related to the same factors as the increase in the ARPU; in addition, some organizations may have been forced by the lockdown to implement new solutions faster than the standard ones. However, especially in the case of larger clients, we observe a strong trend, according to which the ARPU grows over time, and many clients significantly increase the value of the contract during the first month of cooperation. Additionally, bargains often concern the very first payment.
Among our clients are companies operating in virtually all sectors of the economy, universities, and institutions from around 150 countries around the world. This diversity translates into our resistance to possible economic crises affecting selected sectors of the economy or the countries. The most important geographical markets, both in terms of the number of customers and generated revenues, are the English-speaking countries: USA, Great Britain, Australia, and Canada. The share of Poland in revenues was 1.4% in the reported period.

At the end of the financial year, the number of paying LiveChat customers was 37,061 and ChatBot 2,708.

"Customer churn", the customer churn rate was around 3 per cent (on a monthly basis) for the LiveChat product for most of the year. Customer churn increased after the LiveChat product price increase for the existing customer base and reached around 4 per cent in November 2022. In the following months, customer churn fell below the 4 per cent level and as of the publication date of this report is at a slightly higher level than 3 per cent. The value at the level of 3% or even significantly higher is normal in the SaaS model and depends, inter alia, on industry and customer base (churn is usually significantly higher in the small business segment). Churn at the level of 3% is the level around which our churn rate has historically fluctuated.

From a business point of view, more important is the "net MRR churn", which is a similar indicator for recurring revenues which also takes upselling into consideration. It is significantly lower than the customer churn.
Number of LiveChat clients

Number of ChatBot clients
The largest geographic market of the Company is North America (especially the USA and Canada) as well as other English-speaking countries (Great Britain and Australia). The chart above shows the breakdown of the MRR (monthly recurring revenues) as of the end of May 2023 without taking into account revenues that are not allocated to specific countries. In this perspective, Poland accounts for approx. 1.5% of the MRR, which makes it 8th place in terms of participation in our MRR.

The share of LiveChat products in revenues of the Group in the financial year 2022/23 was 92.6%. ChatBot products have generated 5.7% of revenues, while HelpDesk 1.7% of the revenues. We assume that the new products will be constantly increasing their share in total revenues in the following quarters and months.
4.2. Corporate events

At the end of the financial year, the number of paying LiveChat customers was 37,061 and ChatBot 2,708.

On June 30, 2022, the Management Board of the Company adopted a resolution on the distribution of the net profit for the financial year from April 1, 2021 to March 31, 2022, according to which it was proposed that the standalone net profit of LiveChat Software S.A. in the amount of PLN 118,574,091.81 to be allocated to:

- PLN 5,274,091.81 for the supplementary capital of the Company;
- PLN 113,000,000 for the dividend paid to the shareholders, which means that the amount of dividend per share was PLN 4.40 (including two advance dividend payments made in January 2022 and August 2022 – each PLN 1.14 per share).

The proposed distribution of the Company’s net profit was positively recommended by the Supervisory Board of the Company, as well as the Ordinary General Meeting of the Company on August 18, 2022 approved the above division of the Company’s standalone profit. Pursuant to the resolution of the Management Board of the Company, on August 5, 2022, the Company’s shareholders as of the dividend date, i.e. July 29, 2022, were paid a second dividend advance in the amount of PLN 1.14 and the remaining dividend amount to be paid in the amount of PLN 2.12 per share was paid on September 1, 2022.

After the publication of the semi-annual financial report, after the consent of the Supervisory Board, the Management Board decided on the payment of an advance on the expected dividend for the financial year 2022/23 according to the parameters:

- Amount of advance payment towards the planned dividend: PLN 37,595,000, which represents no more than half of the Company’s net profit shown in the financial statement prepared as of September 30, 2022 and examined by an auditor,
- The advance payment applied to 25,750,000 shares of the Company,
- The amount of advance dividend payment per each share of the Company: PLN 1.46.

The advance dividend was paid out on January 5, 2023.

In May 2022, the Company launched the project “LiveChar Incubator”. The Company will offer mentoring, new distribution channels (access to its customers, marketplace and the partner’s network), and logistic and organizational support to the teams creating projects that can limit or remove communication barriers.
In addition, the Incubator will also launch the Text Accelerator in June 2023 - an eight-week course to help refine ideas or commercialize projects in the area of text communication. Participants will benefit from a range of product workshops, and there will also be opportunities for mentors from both LiveChat Software and our industry.

In June 2022, the Subsidiary entered into a contract and completed the purchase transaction of the knowledgebase.com domain. The purchase of the domain is related to the implementation of the Company’s marketing strategy. In the opinion of the Management Board, it will translate into an increase in the marketing potential of the KnowledgeBase product. The Management Board does not disclose the value of the transaction due to the protection of the interest of the Company, which may negotiate similar contracts in the future.

The Company consistently and continuously engaged in activities aimed at acquiring or creating new customer acquisition channels and optimizing the existing ones. The effect of such engagement is an integration of LiveChat with the Squarespace and Square platforms. It allows for featuring LiveChat on the Square Online marketplace since November as the first live chat product on the platform. On Squarespace platform LiveChat was also the first solution of its kind.

In November, the Company launched OpenWidget. This free and easy-to-install tool allows e-commerce businesses to improve their online communication. The current version of the widget offers a contact form, FAQ template, and product cards (an effective tool to support monetization). The product was created by the internal team, who so far was concentrated on LiveChat widget and other products. In the future, OpenWidget may become a premium product or become a distribution platform for LiveChat and other products. The solution acquired the first hundred clients.

During the current financial year, the Company has made changes to the price lists of its products. In the case of the LiveChat product, this is the first price list change in more than eight years, and it is primarily due to the increase in the value of the product and the many new functionalities and integrations that have been added in recent years. As an effect between May and September 2022, the price lists of all four products were verified, which currently is reflected in the increase of ARPU for all solutions. LiveChat price increases will have the biggest impact on the Group’s financial performance. Price changes started with new clients being affected in August and in September we started introducing the changes to the existing client base. At the same time, at the end of 2022, the last customers who have so far paid in the pay-per-seat model have been transferred to the pay-per-agent model.

On 20 December 2022, the Company entered into an agreement and completed the acquisition of the domain text.com. The new domain is intended to play an important role in the information and marketing strategy of the Group, which plans, among other things, to rebrand the names of companies forming the capital group. At the same time, no changes are planned for the names of the products, which will continue to use their specific internet domains. Ultimately, Text may also become an ‘umbrella’ brand for the Company’s full product offering.

In February 2023, the Company signed a DPA (Data Processing Agreement) and accepted OpenAI’s terms of service, which enables the commercial use of this company’s AI technology in the products offered by LiveChat Software Group. In February, functionalities using the technology provided by OpenAI were introduced in the following products: HelpDesk, KnowledgeBase, OpenWidget, and ChatBot. Functionalities using artificial intelligence have been made available to enterprise and business plan customers as a first step. Further functionalities will be introduced in the future, and the list of functionalities and our plans are being communicated to customers via the individual product websites.

In June, the Company has started the public beta tests of the new version of ChatBot (ChatBot 2.0).
CUSTOMER ACQUISITION

Sales team

In the process of acquiring customers, the Company uses many channels, including partner channels (affiliate and reseller), content marketing, which translates, among others, into a high position in search engine rankings, a presence in websites such as Shopify and BigCommerce, or integrations with other solutions. In 2019, a sales department was created to support the implementation of the strategy assuming, inter alia, acquiring more clients of the "enterprise" class and attracting bigger clients in terms of the customer value until now.

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

In the first quarter of the financial year, the team was acquiring clients from many different sectors out of which "internet software services" and "consumer services and retail" were the most represented. Among the most important clients were:

- an automotive company with annual revenues of USD 14 billion,
- software producer serving over 170 thousand corporate clients,
- moving a big client from the financial services sector to a two-year agreement on an enterprise plan,
- prolonging and upselling ChatBot product for a client from pharmaceutical sector operating in one of the US states,
- UK-based technology company.

The period July - September has been the best quarter for the sales team since the team's creation (in terms of the value of the new contracts and the upgrade of the existing partnerships). The most important deals of the second quarter were, among others:

- acquiring one of the global leaders of the life science sector,
- initiating the cooperation with a telecommunication company from the US,
- extension of the cooperation and an increase of the scope of the deal with one of the California state agencies,
- increasing the scope of the cooperation with one of the leaders of home appliances sector,
- extension of the contract with one of the technology leaders in the iGaming sector.

In the third quarter of the financial year, the sales team finalized, among other things:

- A two-year agreement with a French technology company,
- An agreement with a US supplier of specialized equipment and furniture for schools and offices.
The extent of the agreements has increased or has been extended with, among others:
- US news television broadcaster,
- One of the leaders in the forex market,
- An international telecommunications company from the Middle East.
The team also focused on tasks resulting from the end of support for the pay-per-seat model.

New contracts were signed in the fourth quarter of the financial year, among others:
- With a leading French group providing professional services and technology solutions for various industries,
- With a technology company providing solutions for the gaming industry (two products)
And expanded cooperation with, among others:
- An online investment platform,
- Australian technology company operating on the global market,
- An e-commerce company specializing in kitchen and bathroom equipment.
The sales department is currently working to further automate sales and pre-sales processes.

CORPORATE EVENTS

In January 2023, the Company has received a patent from the US patent office for the functionality of the LiveChat system that allows graphical content to be shared in the chat window. This is the fourth patent for solutions used by the Company in its LiveChat product. The patent, named ‘Method and system for interactive usage of product or service cards implemented in a real-time communication system’, is the fourth LiveChat Software project to receive patent protection in the US.

IMPACT OF THE PANDEMIC AND THE WAR IN UKRAINE ON THE COMPANY’S SITUATION

The pandemic has had a significant, though difficult to accurately estimate, impact on the Group’s performance in previous financial years. In the 2020/21 financial year in particular, we have seen a sharp acceleration of the trend towards the increased importance of online communication for many businesses. This translated into a leap in the scale of our business. In the periods that followed, it primarily affected the organization of work. Due to the change in the operating model to one based on remote working, more and more people from outside Wrocław - both from other Polish cities and from abroad - are working with the parent company.

In connection with the armed conflict in Ukraine, the Group has taken a number of measures, the most important of which include excluding the possibility of buying products and setting up test accounts from Russia and Belarus,
as well as financially supporting an entity organizing aid for the victims of the conflict (the largest donation was PLN 1 million given to Polish Humanitarian Action in the fourth quarter of the previous financial year). According to the Board's estimates, customers from the Ukraine, Russia and Belarus markets accounted for significantly less than 0.5% of MRR (monthly recurring revenue) in March 2022. While this estimate may be subject to error (some customers may not have provided data or are doing business in a conflict area from another country), the crisis in Ukraine does not have a material impact on LiveChat Software Group.

4.3. Other events

LiveChat Academy

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

LiveChat Incubator

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

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

As part of the Incubator project, the Company launched the ‘Text Accelerated’ project in June 2023. This is an intensive workshop programme for interested start-ups or teams. LiveChat will provide them with support in building, developing and preparing the monetisation of text-based products.
Hackatons

The Company organizes so-called hackathons in which both its colleagues and interested individuals or teams from outside the organization take part. The purpose of such events is to support innovation, create new solutions or support the recruitment programme. Hackathons can be organized in the form of online, or workshops at the company’s headquarters. Historically, one of the outcomes of a hackathon was the creation of the BotEngine project (now ChatBot). The largest such event in the reported financial year was a Hackathon organized by the HelpDesk team in March 2023 at the Company’s Wroclaw office.
5. Description of the organization of the LiveChat Software Capital Group

5.1. Strategy

LiveChat Software’s planned name change to Text reflects our focus on the area of written communication. We believe that this is the area of communication that offers the most opportunity and value to our potential customers - all companies and institutions that communicate, or wish to communicate, with their stakeholders via the Internet.

Our vision is available on our website text.com. According to it, we support organizations in achieving better customer service at scale by analyzing, enriching, and automating text communication.

We assume that customer service will evolve towards more and more automation, and we want to provide tools that enable this while improving its quality. We are developing our current products and can create further products that will combine the use of text communication, the use of artificial intelligence potential for automation and the ability to scale this product freely, as is the case with our flagship product LiveChat.

We believe in the strength of the brands we have created and in supporting them through strong online domains. Therefore, we assume that we will retain brands such as LiveChat, ChatBot, HelpDesk and KnowledgeBase, which will continue to be available on dedicated websites. Text.com becomes the place where we showcase, among other things, our entire portfolio, but also the universe (ecosystem) created by us, which also includes integrations, our marketplace, incubator (Text Incubator), developer programme or partner programme as well as corporate information or investor relations service. We make our ‘API’ available to external developers interested in using it to build text communication solutions, and we can also support them in the incubator project.

We will work to increasingly automate our own organization. We want to maintain a business model that enables us to achieve high profitability, but these are not an end in themselves. We maintain a dividend policy of paying out as much of the profit as possible to shareholders, but the priority remains the financial security of the company and sustaining the growth of our business.

Products and services

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

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

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

We intend to maintain this advantage while focusing on medium-sized companies. Maintaining a strong position in the small business segment will help us generate new leads. Increasing the number of corporate clients will translate into increased predictability of our business and its even greater stability. We believe that we have the technological and organizational capabilities needed to provide services for this market segment. Despite this, further work is required in order to adapt products, marketing, and build a sales department to achieve this goal.

We offer our clients not only technological solutions but also our expert knowledge accumulated thanks to over 20 years of supporting online communication.

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

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

Focus on data

Looking for opportunities for further growth, we will rely on available data and invest in their analysis. We are expanding our competences by, among other things, investing in the expansion of the analytics department (Data Team).
Open infrastructure and products

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

5.2. Company’s products

5.2.1. LiveChat

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

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

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

LiveChat offers numerous functionalities, not just facilitating conversation with clients, but also making communications management easier. Users are offered features that engage their clients (e.g. automatic invitations to start a conversation), a ticketing system (which makes it possible for clients to leave a message after hours), tracking the behavior of website visitors, and an analytical panel. All the data collected using the LiveChat application are an attractive source of knowledge, to be used in the sales, service, and customer support process.
The structure of the product allows users to integrate it with other tools, greatly expanding its use cases. The following integrations are available to customers: the so-called “one-click” (they allow you to enable integration with a given tool almost with one click) or more advanced, requiring the use of documentation provided by the Company, eg API (Application Programming Interface) and programming knowledge. One of the most interesting integrations is the ability to run chatbots in the product. This gives companies the ability to communicate with customers both through real agents and mechanisms based on artificial intelligence.

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

LiveChat as a communication platform

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

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

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

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

The main benefits of product development in the platform model are that the solutions become more flexible, which makes it possible to almost adjust their functionality freely to the users’ requirements. This makes the user’s relationship with the product stronger, making it more difficult for them to give up using it. The platform also allows you to discover previously unknown use cases of a given solution and share these experiences.
In the financial year 2022/2023, the value of revenues from the sale of applications made available in the Company’s marketplace (both our own and developed by external partners) exceeded the level of USD 1.3 million.

5.2.2. ChatBot

ChatBot is a product that allows the creation of conversational chatbots to handle various business scenarios. Their main goal is to automate corporate communications and to improve the effectiveness of customer service teams by addressing repeatable customer inquiries. The solution, introduced to the market, fits into the Company’s strategy to develop the offering of products for text-based customer communications. At the same time, it responds to the now popular trend towards automation of communications using AI-based mechanisms.
Bots are created by preparing a detailed conversation scenario in the form of a "tree". It is based on the drag & drop method, it is intuitive and simple, and therefore also available to people who do not have specialized programming knowledge.

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

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

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

In June, the Company has started the public beta tests of new version of ChatBot (ChatBot 2.0).

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

### 5.2.3. 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 functions offered by HelpDesk include support for teamwork, grouping and tagging of tickets, and the assessment of consumer satisfaction. Work on more HelpDesk integrations with other products is currently underway. The product is systematically expanded, and its vision ultimately assumes as much automation of such processes as possible to shorten the time of customer service support. HelpDesk is a competitive solution for such products as Zendesk, FreshDesk, ZOHO Desk, HappyFox, or HelpScout and will constitute a valuable complement to the Company's offer.
5.2.4. KnowledgeBase

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

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

5.3. Other activities

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

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

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

**Activities undertaken in the project:**

- expansion of the website and blog (strengthening the organic traffic and the number of entries interested in cooperation),
expansion of the partnership panel (dashboard) giving partners access to advertising materials, analytics and tools for creating and managing LC licenses created in this model,

Partner program API - enabling tracking and optimization of project activity and the automation of many activities within the project.

Content marketing activities

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

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

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

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

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

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

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

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

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

- simplified distribution process,
- global reach of the offered services,
- universal nature of the software,
- control over the quality of implementation for every client,
- reduced cost of maintenance and warranty,
- elimination of the issue of software piracy,
- developer retains all the copyrights.

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

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

According to publicly available estimates from the studies by Allied Market Research, IMARC, andVerified Market Research, the live chat solutions market could be worth close to USD 1 billion in 2022 and grow at a compound annual growth rate (CAGR) of 8-9% between 2020 and 2030.

Analysts forecast faster growth for the chatbot solutions market. Its value (including voice solutions) could reach USD 5.4 billion in 2023 and the assumed CAGR for the period 2023-2028 is over 23% (according to Research and Markets).

In contrast, the help desk solutions market (according to Future Market Insights) reached in 2021 value close to USD 10 billion and the assumed CAGR for the next 10 years is 9.4%.

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

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

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

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.

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

The Company believes that the development of artificial intelligence (AI) technology will have a key impact on the market for its business. The leap in its availability and popularity at the end of 2022 has enabled the rapid development of many new functionalities by both the Company and its competitors. The huge popularity of ChatGPT has translated into the popularization of AI technology and potentially the willingness of companies to adopt solutions based on it. The Company assumes that AI will enable, among other things, the complete automation of companies’ communication with their customers. The technological changes taking place represent a huge opportunity for the Company and the industry as a whole to accelerate the growth of the value of the entire market - which may result from the creation of solutions that give real great value to potential customers. At the same time, there are associated risks (the Company may, for example, fail to create or monetize new AI-based solutions effectively). The speed of the changes taking place and the uncertainty as to how quickly companies and institutions (the Company’s potential customers) will adapt to these changes, as well as the as yet unresolved discussions on potential AI regulations, make it impossible at present to reliably and accurately forecast growth in the value of the market in which the Company operates. However, its huge assumed impact on the entire global economy, particularly the area in which the Company operates, may be evidenced, for example, by a report by McKinsey, which assumes that solutions related to generative AI may ultimately increase global GDP by USD 4.4 trillion annually. This is expected to come from, among other things, increased productivity. Analysts see the biggest application of artificial intelligence in areas such as customer service, marketing and sales, software engineering, and research and development. Each of these areas touches the Company’s business in some way.
5.5. Significant agreements for the Capital Group

Agreement with the payment gateway service provider

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

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

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

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

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

Agreement with the provider of payment clearing services

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5.6. Information about material transactions with related parties

Agreement with LiveChat, Inc.

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

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

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

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

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

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

- Sales revenues to LiveChat, Inc. in the amount of: PLN 315,092 thous.
- Costs of services purchased from LiveChat, Inc. in the amount of: PLN 55,017 thous.
- Receivables from LiveChat, Inc. in the amount of: PLN 20,031 thous.
- Obligations to LiveChat, Inc. in the amount of: PLN 0.0

The above transactions were excluded in the consolidated financial statements.

5.7. Information on other agreements and transactions

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

There were no such transactions.

Loans made or terminated

The Company had no loan agreements in this period.

Loans granted

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

Bonds subscription agreements

In the period from April 1, 2022 to March 31, 2023, the Company did not have any bond subscription agreements.
Cooperation or cooperation agreements
During the reported period, LiveChat Software S.A. nor the Group have concluded any cooperation or cooperation agreements.

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

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

5.8. Market growth prospects

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

5.9. Group’s growth strategy

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

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

c) tools for larger companies, the so-called “Data driven”;
d) emphasis on automation and the use of AI solutions.

Growth of the customer base
The Company assumes further dynamic growth in the number of customers based on:
• Automation of marketing activities and inbound marketing;
• Continuous strengthening of LiveChat’s position in the area of customer service;
• Further development of the affiliate program;
• Development of new channels for acquiring new users, including the sales team;
• Upselling and cross-selling.

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

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

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

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

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

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

Risk of the volatility of exchange rates
The Company is exposed to the risk of volatility of foreign exchange rates, in particular the Polish currency in relation to the US dollar (USD). The currency risk results directly from incurring most of the operating costs in PLN and from sales on foreign markets, which are realized in USD.
The volatility of exchange rates affects primarily the changes in the value of the Company’s revenues and receivables converted into PLN. Therefore, there is a risk of the appreciation of the Polish currency, which will cause the reduction of the Company’s price competitiveness and a faster increase in the volume of sales than in revenues from export sales expressed in PLN, thus reducing the profitability of sales.

The reduction of the Company’s exposure to the risk of exchange rate fluctuations is affected by bearing a part of the costs in USD.

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

Risk related to competition

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

Risk related to product distribution channels and reaching new customers

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

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

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

Risk related to technical failures

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

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

Risk related to the occurrence of a breakdown or hacker attack
The Company provides its services based on computer software and internet connection. In addition, it uses infrastructure belonging to third parties, for example, to store data (hosting).

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

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

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

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

Risk related to product concentration

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

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

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

Risk of customer loss

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

Risk related to contracts concluded with Customers

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

Reputational risk

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

The risk related to the public law burdens on the Company's operations

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

Trademark risk

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

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

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

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

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

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

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

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

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

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

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

Risk associated with the creation of intellectual property

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

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

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

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

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

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

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

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

Tax risk related to transfer prices, especially under US law

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

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

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

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

The Company does not apply hedge accounting.

Risk related to the macroeconomic situation

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

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

Risk related to the development of the industry and the technology

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

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

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

At the moment, a particular attention should be paid to the very rapid growth in artificial intelligence (AI)-based technologies and solutions. The Company is increasing its competence in this area and developing its offering. However, there is a risk that it will not adapt quickly and efficiently enough to changes in the environment related to technological developments.

Risk related to the availability and acquisition of specialists

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

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

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

Risk of no or slow alignment with sustainable investment

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

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

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

6.1. Presentation of the consolidated results

Income statement

<table>
<thead>
<tr>
<th>[thous. PLN]</th>
<th>2022/23</th>
<th>2021/22</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>315 722</td>
<td>222 515</td>
<td>41,9%</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>46 347</td>
<td>32 128</td>
<td></td>
</tr>
<tr>
<td>Gross profit (loss)</td>
<td>269 375</td>
<td>190 387</td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>60 475</td>
<td>44 156</td>
<td></td>
</tr>
<tr>
<td>General management and administration</td>
<td>23 496</td>
<td>17 175</td>
<td></td>
</tr>
<tr>
<td>Other operating profit</td>
<td>177</td>
<td>121</td>
<td></td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>93</td>
<td>1 111</td>
<td></td>
</tr>
<tr>
<td>Operating profit (loss)</td>
<td>185 488</td>
<td>128 066</td>
<td>44,8%</td>
</tr>
<tr>
<td>Financial income</td>
<td>18</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Financial expenses</td>
<td>431</td>
<td>125</td>
<td></td>
</tr>
<tr>
<td>Profit (loss) before tax</td>
<td>185 075</td>
<td>127 942</td>
<td></td>
</tr>
<tr>
<td>Income tax</td>
<td>12 718</td>
<td>8 919</td>
<td></td>
</tr>
<tr>
<td>Net profit (loss)</td>
<td>172 357</td>
<td>119 023</td>
<td>44,8%</td>
</tr>
</tbody>
</table>

Commentary on factors influencing financial results:

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

The cost of goods sold, this position in P&L relates mainly to the costs of programmers and admins working on our products. The cost of sales includes the costs of support and marketing but also the commission of payment service providers and commissions of our partner program.
### Balance sheet – assets

<table>
<thead>
<tr>
<th>[thous. PLN]</th>
<th>March 31, 2023</th>
<th>March 31, 2022</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible and legal assets</td>
<td>56 992</td>
<td>38 456</td>
<td>43.0%</td>
</tr>
<tr>
<td>Fixed real assets</td>
<td>2 673</td>
<td>3 232</td>
<td></td>
</tr>
<tr>
<td>Long-term receivables</td>
<td>201</td>
<td>194</td>
<td></td>
</tr>
<tr>
<td>Long-term prepayments</td>
<td>509</td>
<td>349</td>
<td></td>
</tr>
<tr>
<td><strong>Working capital</strong></td>
<td>136 956</td>
<td>95 521</td>
<td>43.4%</td>
</tr>
<tr>
<td>Inventories</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Receivables for goods and services sold</td>
<td>2 341</td>
<td>1 590</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>95 820</td>
<td>55 666</td>
<td></td>
</tr>
<tr>
<td>Accruals and prepayments</td>
<td>867</td>
<td>411</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>197 331</td>
<td>137 752</td>
<td>43.3%</td>
</tr>
</tbody>
</table>

### Balance sheet – liabilities

<table>
<thead>
<tr>
<th>[thous. PLN]</th>
<th>March 31, 2023</th>
<th>March 31, 2022</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Own equity, including among others:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial equity</td>
<td>515</td>
<td>515</td>
<td></td>
</tr>
<tr>
<td>Supplementary capital</td>
<td>38 580</td>
<td>33 306</td>
<td></td>
</tr>
<tr>
<td>Net profit (loss) for the fiscal year</td>
<td>(604)</td>
<td>(391)</td>
<td></td>
</tr>
<tr>
<td>Advance payment for a dividend</td>
<td>136 624</td>
<td>91 080</td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities and provisions</strong></td>
<td>22 216</td>
<td>13 242</td>
<td>43.4%</td>
</tr>
<tr>
<td>Long-term liabilities, including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Deferred income tax</td>
<td>0</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>- Other financial liabilities</td>
<td>75</td>
<td>795</td>
<td></td>
</tr>
<tr>
<td>Short-term liabilities, including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Trade payables</td>
<td>15 081</td>
<td>11 153</td>
<td></td>
</tr>
<tr>
<td>- Current income tax</td>
<td>5 089</td>
<td>150</td>
<td></td>
</tr>
<tr>
<td>- other liabilities</td>
<td>912</td>
<td>820</td>
<td></td>
</tr>
<tr>
<td>Other payables</td>
<td>1 059</td>
<td>323</td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>197 331</td>
<td>137 752</td>
<td>43.3%</td>
</tr>
<tr>
<td>Cash position</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[thous. PLN]</td>
<td>2022/23</td>
<td>2021/22</td>
<td>Change</td>
</tr>
<tr>
<td>Profit/loss</td>
<td>185 075</td>
<td>127 942</td>
<td></td>
</tr>
<tr>
<td>Total adjustments, including among others:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Depreciation and amortization</td>
<td>14 478</td>
<td>11 921</td>
<td></td>
</tr>
<tr>
<td>- Change in receivables</td>
<td>(832)</td>
<td>(13 648)</td>
<td></td>
</tr>
<tr>
<td>- Change in liabilities excluding financial liabilities</td>
<td>4 663</td>
<td>4 351</td>
<td></td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(7 779)</td>
<td>(14 252)</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td>194 778</td>
<td>115 455</td>
<td>68,7%</td>
</tr>
<tr>
<td>Sale of intangible assets and tangible fixed assets</td>
<td>0</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Investments in intangibles and in real fixed assets</td>
<td>(32 457)</td>
<td>(16 869)</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flow from investing activities</strong></td>
<td>(32 457)</td>
<td>(16 845)</td>
<td>92,7%</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(121 539)</td>
<td>(101 454)</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash flow from financing activities</strong></td>
<td>(122 167)</td>
<td>(102 177)</td>
<td>19,6%</td>
</tr>
<tr>
<td>Total net cash flow</td>
<td>40 154</td>
<td>(3 567)</td>
<td></td>
</tr>
<tr>
<td>Cash at the beginning of the period</td>
<td>55 666</td>
<td>59 233</td>
<td></td>
</tr>
<tr>
<td><strong>Cash at the end of the period</strong></td>
<td>95 820</td>
<td>55 666</td>
<td>72,1%</td>
</tr>
</tbody>
</table>
Dividend policy

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

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

Description of the significant off-balance sheet items

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

Financial forecast

The Management Board of the Company has not published financial projections for the financial year 2022/23.

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

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

#### Income Statement

<table>
<thead>
<tr>
<th>[thous. PLN]</th>
<th>2022/23</th>
<th>2021/22</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>315 722</td>
<td>222 515</td>
<td>41.9%</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>47 255</td>
<td>33 004</td>
<td></td>
</tr>
<tr>
<td>Gross profit (loss)</td>
<td>268 467</td>
<td>189 511</td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>61 005</td>
<td>44 530</td>
<td></td>
</tr>
<tr>
<td>General management and</td>
<td>23 600</td>
<td>17 251</td>
<td></td>
</tr>
<tr>
<td>administration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Profit (loss) on sales</strong></td>
<td>183 862</td>
<td>127 730</td>
<td></td>
</tr>
<tr>
<td>Other operating profit</td>
<td>177</td>
<td>121</td>
<td></td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>93</td>
<td>1 111</td>
<td></td>
</tr>
<tr>
<td><strong>Operating profit (loss)</strong></td>
<td>183 946</td>
<td>126 741</td>
<td>45.1%</td>
</tr>
<tr>
<td>Financial income</td>
<td>600</td>
<td>752</td>
<td></td>
</tr>
<tr>
<td>Financial expenses</td>
<td>105</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Profit (loss) before tax</td>
<td>184 442</td>
<td>127 493</td>
<td></td>
</tr>
<tr>
<td>Income tax</td>
<td>12 718</td>
<td>8 919</td>
<td></td>
</tr>
<tr>
<td><strong>Net profit (loss)</strong></td>
<td>171 724</td>
<td>118 574</td>
<td>44.8%</td>
</tr>
</tbody>
</table>
Balance sheet – assets

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2023</th>
<th>March 31, 2022</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible and legal assets</td>
<td>56 992</td>
<td>38 456</td>
<td></td>
</tr>
<tr>
<td>Fixed real assets</td>
<td>1 686</td>
<td>1 617</td>
<td></td>
</tr>
<tr>
<td>Long-term receivables</td>
<td>201</td>
<td>194</td>
<td></td>
</tr>
<tr>
<td>Long-term prepayments</td>
<td>509</td>
<td>349</td>
<td></td>
</tr>
<tr>
<td><strong>Working capital</strong></td>
<td>133 520</td>
<td>92 738</td>
<td>44.0%</td>
</tr>
<tr>
<td>Inventories</td>
<td>0</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Receivables for goods and services sold from related parties</td>
<td>20 031</td>
<td>4 915</td>
<td></td>
</tr>
<tr>
<td>Receivables from other entities</td>
<td>39 131</td>
<td>38 509</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>73 490</td>
<td>48 890</td>
<td></td>
</tr>
<tr>
<td>Accruals and prepayments</td>
<td>867</td>
<td>411</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>192 910</td>
<td>133 356</td>
<td>44.7%</td>
</tr>
</tbody>
</table>
## Balance sheet – liabilities

<table>
<thead>
<tr>
<th>[thous. PLN]</th>
<th>March 31, 2023</th>
<th>March 31, 2022</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Own equity, including among others:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Initial equity</td>
<td>515</td>
<td>515</td>
<td>0%</td>
</tr>
<tr>
<td>- Supplementary capital</td>
<td>38 580</td>
<td>33 306</td>
<td>16%</td>
</tr>
<tr>
<td>- Net profit (loss) for the fiscal year</td>
<td>171 724</td>
<td>118 574</td>
<td>45%</td>
</tr>
<tr>
<td>- Advance payment for a dividend</td>
<td>(37 595)</td>
<td>(29 355)</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Liabilities and provisions</strong></td>
<td>19 686</td>
<td>10 316</td>
<td>90%</td>
</tr>
<tr>
<td>- Provisions for liabilities</td>
<td>0</td>
<td>1</td>
<td>100%</td>
</tr>
<tr>
<td>- Long-term liabilities</td>
<td>0</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>- Short-term liabilities</td>
<td>13 474</td>
<td>5 844</td>
<td>130%</td>
</tr>
<tr>
<td>- Accruals and deferred income</td>
<td>6 212</td>
<td>4 472</td>
<td>37%</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>192 910</td>
<td>133 356</td>
<td>44.7%</td>
</tr>
</tbody>
</table>
## Cash position

<table>
<thead>
<tr>
<th>[thous. PLN]</th>
<th>2022/23</th>
<th>2021/22</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit/loss</strong></td>
<td>171 724</td>
<td>118 574</td>
<td></td>
</tr>
<tr>
<td><strong>Total adjustments. including among others:</strong></td>
<td>6 872</td>
<td>-7 893</td>
<td></td>
</tr>
<tr>
<td>- Depreciation and amortization</td>
<td>13 849</td>
<td>11 197</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td>178 597</td>
<td>110 681</td>
<td>61.4%</td>
</tr>
<tr>
<td>Sale of intangible assets and tangible fixed assets</td>
<td>0</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Investments in intangibles and in real fixed assets</td>
<td>32 457</td>
<td>16 869</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flow from investing activities</strong></td>
<td>(32 457)</td>
<td>(16 845)</td>
<td>92.7%</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>121 540</td>
<td>101 455</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash flow from financing activities</strong></td>
<td>(121 540)</td>
<td>(101 455)</td>
<td>19.8%</td>
</tr>
<tr>
<td>Total net cash flow</td>
<td>24 600</td>
<td>(7 619)</td>
<td></td>
</tr>
<tr>
<td>Cash at the beginning of the period</td>
<td>48 890</td>
<td>56 509</td>
<td></td>
</tr>
<tr>
<td><strong>Cash at the end of the period</strong></td>
<td>73 490</td>
<td>48 890</td>
<td>50.3%</td>
</tr>
</tbody>
</table>
Social responsibility

7.1. Team

The values we follow

In connection with the redefinition of the Company’s vision and with the rebranding of LiveChat Software to Text, the values we create daily, the areas of our focus and the way we work have been redefined. These values in English have been posted on our new corporate website text.com.

Learn from mistakes.
Call out bullshit.
Take ownership.
Are creative.

Target US market.
Automate work.
Build premium products.
Fight for every inch.
Keep it simple.
Act at scale.
Default to teamwork.
Members of the team

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

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

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

As of March 31, 2023, the Company’s team consisted of 282 people, which means an increase of 5.2% as compared to the previous year. The annual growth rate of the team at a lower level than in previous years is due to the building of a fully competent team, as well as a greater focus on automating the Company’s processes.

Team structure on March 31, 2023.
As of the end of the financial year:
- 35% of the Company’s team were people engaged in work on the product (LiveChat, ChatBot, HelpDesk, KnowledgeBase, and OpenWidget);
- 19% of the team was responsible for the technology (administration of the infrastructure and security) and also Marketplace, Developers Program and API;
- 13% of the team was engaged in the marketing of our products, SEO, content and their graphical design and the Partner Program;
- 25% of the team are the sales team and Support Heroes who work directly with the clients;
- 8% of the team, named together as the Back Office, consists of People Team, Legal and Finance.

Already after the end of the financial year, the shape of the team changed, with people previously working in the marketing department being integrated into the product teams.

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

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

**Team structure**

In the financial year, there had been no major changes in the structure of the Company. All members of CXO’s team have been involved with LiveChat Software for many years. The team structure as at the date of approval of this report is shown below, where there is no longer a dedicated marketing team. This change occurred after the end of the financial year.

**Changes on the team**

In the 2022/23 financial year, we have increased the team to achieve an optimal structure and provide all the competencies needed. The increase in the team is due to the challenges faced by the Company, including the continuous development of its existing products, working on new products, providing the highest quality of service and supporting the growing number of customers. The organization’s growth in technology and product-related
departments, as well as in marketing and sales. In the following quarters, the size of the team may remain stable or
record a slight decrease, due to opportunities arising from automation.

The rate of new Partners in the 2022/23 financial year was 25%, while the turnover rate was 17%.

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

Internal referral system

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

Diversity

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

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

For the Company, diversity is not only a matter of cooperation with Partners of different experiences, gender, or
age, but also a matter of different locations and any place from which Partners can provide services in different time
zones.
We also point out that organizations that advocate, support, or practice discrimination based on age, ethnicity, gender, national origin, disability, race, size, religion, sexual orientation, or socioeconomic status are not eligible to participate in this program "LiveChat for Nonprofit". Organizations must be willing and able to attest that they do not discriminate on any of these grounds to receive products in this program.

Diversity at the governing bodies

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>Management Board</th>
<th>Supervisory Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>Men</td>
<td>50%</td>
<td>60%</td>
</tr>
<tr>
<td>&lt;30 years old</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>30-50</td>
<td>100%</td>
<td>80%</td>
</tr>
<tr>
<td>&gt;50 years old</td>
<td>0%</td>
<td>20%</td>
</tr>
<tr>
<td>Polish citizens</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Citizens of other countries</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Diversity in the team

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

The Company's team is a young team, 36% of which are people under the age of 30. Most of the team works from Poland - from Wroclaw, but also from other Polish cities, currently in the remote work model. At the same time, in recent years the number of Partners who are in Europe or in the United States has been increasing.

The number of Partners of the Company by sex, age, region and origin as of March 31, 2023

<table>
<thead>
<tr>
<th></th>
<th>Whole team</th>
<th>CXOs Group</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>34%</td>
<td>29%</td>
<td>34%</td>
</tr>
<tr>
<td>Men</td>
<td>64%</td>
<td>71%</td>
<td>64%</td>
</tr>
<tr>
<td>Nonbinary</td>
<td>1%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>No declaration</td>
<td>1%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>&lt;30 years old</td>
<td>36%</td>
<td>29%</td>
<td>36%</td>
</tr>
<tr>
<td>30-50</td>
<td>64%</td>
<td>71%</td>
<td>64%</td>
</tr>
<tr>
<td>&gt;50 years old</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Polish citizens</td>
<td>95%</td>
<td>100%</td>
<td>95%</td>
</tr>
<tr>
<td>Other nationals</td>
<td>5%</td>
<td>-</td>
<td>5%</td>
</tr>
</tbody>
</table>
7.2. Cooperation with other organizations

Sponsor and charity activities

In the financial year 2022/23, LiveChat Group made 8 charity donations of a financial nature for a total amount of PLN 70,289. Donations were made by the Company to public-benefit foundations in the following areas:

- supporting people fighting cancer in the amount of PLN 54,064 for the Cancer Fighters Foundation. This amount was obtained from an auction of used computer equipment, the proceeds of which supported the Cancer Fighters Foundation;
- humanitarian activities in connection with the outbreak of the war in Ukraine - donations of PLN 1,000,000 were made to the Polish Humanitarian Action and PLN 20,000 to the Polish Red Cross;

The remaining donations in the amount of PLN 9,485 were made by the Company to five organizations, as selected by our team.

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

“LiveChat for Nonprofits”

As part of the "LiveChat for Nonprofits" program, we support non-government organizations from around the world by making our products available to them free of charge. At the date of the publication of this report, 261 organizations from around the world were registered in the “Care to Chat” program. They used 2,482 agents who (from the beginning of the program’s existence) conducted 1,751,206 chats.

Among the institutions participating in this program are organizations that, among others: support victims of violence, or provide water supplies for refugee camps. In the last financial year, the organizations supported in this way by LiveChat were joined by, among others: PETA Foundation, Alcoholics Anonymous Australia or Foundation for Access to Rights.
Tech to the Rescue

LiveChat Software is one of the founding members of the “Tech to the Rescue” initiative, which aims to connect tech companies with non-profits.

CodersCamp

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

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

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

In the financial year 2022/23, no proceedings were pending against the LiveChat Group for violations in the field of environmental protection and no sanctions were imposed.

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

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

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

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

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

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

Water consumption by the Company in the 2022/23 financial year and the previous year

<table>
<thead>
<tr>
<th>Resources</th>
<th>unit</th>
<th>2021/22</th>
<th>2022/23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water usage</td>
<td>m3</td>
<td>130.3</td>
<td>266.6</td>
</tr>
</tbody>
</table>

Electricity consumption

Photovoltaic panels installed on the rooftop of the Company’s office in the financial year 2021/22 generated a total of 47.4 MWh (171 GJ), effectively preventing the emission of 36 tons of carbon dioxide equivalents into the atmosphere.

Electricity consumption by the Company in the 2022/23 financial year and the previous year

<table>
<thead>
<tr>
<th>Type of energy</th>
<th>Unit</th>
<th>2021/22</th>
<th>2022/23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total energy consumption</td>
<td>MWh</td>
<td>150.7</td>
<td>143.3</td>
</tr>
<tr>
<td>Energy produced by the photovoltaic panels</td>
<td>MWh</td>
<td>43.2</td>
<td>47.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of energy</th>
<th>Unit</th>
<th>2021/22</th>
<th>2022/23</th>
</tr>
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<tr>
<td>Energy produced by the photovoltaic panels</td>
<td>MWh</td>
<td>43.2</td>
<td>47.4</td>
</tr>
</tbody>
</table>

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

9.1. Information about the shares and shareholders

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

Shareholder structure
As of March 31, 2023, the largest shareholder of LiveChat Software S.A. was a Shareholders' consortium - a dominant shareholder, consisting of people in the Management Board of the Company, the Supervisory Board of the Company and the Company's managers. In total, they held 10,721,752 shares, constituting of 41.64% of the total number of votes at the general meeting.

The other shareholders, whose involvement exceeded 5% of the share capital, were two Polish open pension funds, Allianz Polska Otwarty Fundusz Emerytalny and Nationale Nederlanden Polskie Towarzystwo Emerytalne. As of December 31, 2022, they held respectively 1,829,265 and 1,595,900 shares, according to publicly available data, representing 7.10% and 6.20% of the total number of votes at the general meeting.

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of shares and votes</th>
<th>% of shares and votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>PTE Allianz Polska</td>
<td>1,829,265</td>
<td>7.10%</td>
</tr>
<tr>
<td>Nationale-Nederlanden PTE</td>
<td>1,595,900</td>
<td>6.20%</td>
</tr>
<tr>
<td>The shareholder consortium - dominant shareholder*, including shareholders with 5%+ shares and votes:</td>
<td>10,721,752</td>
<td>41.64%</td>
</tr>
<tr>
<td>Mariusz Ciepły</td>
<td>3,366,250</td>
<td>13.07%</td>
</tr>
<tr>
<td>Maciej Jarzębowski</td>
<td>2,366,250</td>
<td>9.19%</td>
</tr>
<tr>
<td>Jakub Sitarz</td>
<td>3,010,000</td>
<td>11.69%</td>
</tr>
<tr>
<td>Others</td>
<td>11,603,883</td>
<td>45.06%</td>
</tr>
<tr>
<td>TOGETHER</td>
<td>25,750,000</td>
<td>100/00%</td>
</tr>
</tbody>
</table>

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

During the financial year, the Company received the notifications on the following changes in the shareholder structure:
On January 5, 2023, it received a notification from Polskie Towarzystwo Emerytalne Allianz Polska S.A., submitted pursuant to Art. 69 in connection with art. 87 sec. 1 point 2b of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies, informing about exceeding 5% share in the share capital and the total number of votes.

According to the received notification, the change is the result of the merger of Powszechne Towarzystwo Emerytalne Allianz Polska S.A. managing funds: Allianz Polska Otwarty Fundusz Emerytalny ("Allianz OFE") and Allianz Polska Dobrowolny Fundusz Emerytalny ("Allianz DFE") with Aviva Powszechne Towarzystwo Emerytalne Aviva Santander Spółka Akcyjna managing Drugi Allianz Polska Otwarty Fundusz Emerytalny ("Drugi Allianz OFE").

Before the merger:

- on the accounts of Allianz OFE and Allianz DFE jointly, there were 0 shares registered constituting 0.00% of the Company’s share capital, which entitled to 0 votes constituting 0.00% of the voting rights at the Company’s General Meeting of Shareholders
- on account of Drugi Allianz OFE there were 1.829.265 shares registered, constituting 7.10% of the Company’s share capital, which entitled to 1.829.265 votes constituting 7.10% of the voting rights at the Company’s General Meeting of Shareholders

After the merger:

- on the accounts of Allianz OFE, Allianz DFE, and Drugi Allianz OFE jointly, there were 1.829.265 shares registered, constituting 7.10% of the Company’s share capital, which entitled to 1.829.265 votes constituting 7.10% of the voting rights at the Company’s General Meeting of Shareholders

The Company was notified about the following changes to the shareholder structure, which took place after the end of the financial year:

On May 16, 2023, the Company received a notification from Polskie Towarzystwo Emerytalne Allianz Polska S.A., submitted pursuant to Art. 69 in connection with art. 87 sec. 1 point 2b of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies, informing about over 5% share capital share and the total number of votes.

According to the received notification, the change is the result of the liquidation of Drugi Allianz OFE and the transfer of its assets to the fund Allianz OFE managed by Polskie Towarzystwo Emerytalne Allianz Polska S.A.

Before the liquidation of Drugi Allianz OFE:

- on the accounts of Allianz OFE and Drugi Allianz OFE there were 1.829.265 shares registered, constituting 7.10% of the Company’s share capital, which entitled to 1.829.265 votes constituting 7.10% of the voting rights at the Company’s General Meeting of Shareholders

After the liquidation and transfer of the assets:

- on the accounts of Allianz OFE there were 1.829.265 shares registered, constituting 7.10% of the Company’s share capital, which entitled to 1.829.265 votes constituting 7.10% of the voting rights at the Company’s General Meeting of Shareholders.

Controlling rights and restriction of rights from shares

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

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

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

9.2.1. Management Board

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

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

<table>
<thead>
<tr>
<th>First name and surname</th>
<th>Function</th>
<th>The number of years as the Company’s Management Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mariusz Ciepły</td>
<td>CEO</td>
<td>13</td>
</tr>
<tr>
<td>Urszula Jarzębowska</td>
<td>Board member</td>
<td>13</td>
</tr>
</tbody>
</table>

During the 2022/23 financial year, the Management Board worked in the above composition.

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

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

Remuneration of the Company's Management Board

Remuneration of members of the Management Board of LiveChat Software S.A. in the period between April 1, 2022 and March 31, 2023 and the previous year
Remuneration of the Company’s Management Board in the 2022/23 financial year

<table>
<thead>
<tr>
<th>First name and surname</th>
<th>Function</th>
<th>Remuneration (PLN thous.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Fixed</td>
</tr>
<tr>
<td>Mariusz Ciepły</td>
<td>CEO</td>
<td>1,742</td>
</tr>
<tr>
<td>Urszula Jarzębowska</td>
<td>Member of the Management Board</td>
<td>1,160</td>
</tr>
<tr>
<td>SUM</td>
<td></td>
<td>2,901</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>First name and surname</th>
<th>Function</th>
<th>Remuneration (PLN thous.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Fixed</td>
</tr>
<tr>
<td>Mariusz Ciepły</td>
<td>CEO</td>
<td>865</td>
</tr>
<tr>
<td>Urszula Jarzębowska</td>
<td>Member of the Management Board</td>
<td>570</td>
</tr>
<tr>
<td>SUM</td>
<td></td>
<td>1,435</td>
</tr>
</tbody>
</table>

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

The Company has no obligations of this kind.

Principles of election and operation of the Management Board

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

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

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

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

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

The Management Board takes up resolutions if the meeting is attended by at least half the members of the Management Board, including the Chief Executive Officer. Management Board meetings will be held at least once a month. The meetings are called by the Chief Executive Officer, or, in his or her absence, by the Deputy Chief Executive Officer or another Board member replacing the Chief Executive Officer. Meetings of the Management Board may also take place without being formally called up, if all members of the Management Board are present at such meetings.
Management Board meetings are called at the request of each Board member, with an agenda indicated by the applicant. Other matters may also be considered at such Board meetings, as long as these matters are listed on the agenda.

Board meetings are chaired by the Chief Executive Officer or by another member designated by the Chief Executive Officer, or, in their absence, by another Board member. Board members may participate in the meeting using remote communications devices.

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

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

9.2.2. Supervisory Board

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

<table>
<thead>
<tr>
<th>First name and surname</th>
<th>Function</th>
<th>The number of years as the Company’s Supervisory Board member</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maciej Jarzębowski</td>
<td>Chairman of the Supervisory Board</td>
<td>12</td>
</tr>
<tr>
<td>Jakub Sitarz</td>
<td>Deputy chairman of the Supervisory Board</td>
<td>9</td>
</tr>
<tr>
<td>Marcin Mańdziak</td>
<td>Member of the Supervisory Board</td>
<td>7</td>
</tr>
<tr>
<td>Marta Ciepła</td>
<td>Member of the Supervisory Board</td>
<td>7</td>
</tr>
<tr>
<td>Marzena Czapaluk</td>
<td>Member of the Supervisory Board</td>
<td>2</td>
</tr>
</tbody>
</table>

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

Marcin Mańdziak has a master’s degree. He graduated from the Department of Law at the Faculty of Law, Administration and the Economy of the University of Wrocław, and has been working in the stock market branch for the past ten years. He co-founded and served for several years as the deputy CEO of M.W. Trade S.A., which became the first company to transfer from the 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 ASI S.A.

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

Jakub Sitarz has a master’s degree, having graduated from IT studies at the Faculty of Electronics at the Technical University in Wrocław. He serves as key technology adviser.
Marta Ciepła is a graduate of the University of Natural Science in Wroclaw and post-graduate studies in human resources management. She has been involved in the IT industry for over a decade, in recruitment, and the selection of the IT staff. She is an HR manager responsible for team development of the various departments in the companies.

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

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

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

In the financial year ended on March 31, 2023 there was one meeting held by the Supervisory Board. Together in the meetings and in remote voting, there were 18 resolutions adopted.

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

Remuneration of the Supervisory Board members

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

<table>
<thead>
<tr>
<th>Remuneration of the Company’s Supervisory Board in the financial year 2022/23 (PLN thous.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First name and surname</td>
</tr>
<tr>
<td>Maciej Jarzębowski</td>
</tr>
<tr>
<td>Jakub Sitarz</td>
</tr>
<tr>
<td>Marcin Mańdziak</td>
</tr>
</tbody>
</table>
### Remuneration of the Company’s Supervisory Board in the financial year 2021/22 (PLN thous.)

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

### Principles of the election and operation of the Supervisory Board

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

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

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

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

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

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

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

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

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

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

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

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

Minutes of the Supervisory Board meetings shall be signed by all Board members present by the time of the following
Board meeting at the latest. Resolutions shall be valid once taken up, i.e. once the vote results have been announced
and the resolution is resolved to be accepted, regardless of the time of the signing of such minutes of the Board
meetings. Board members may state their objections to the minutes by the next Board meeting at the latest, before
signing the minutes. Objections to the content shall be made in writing.

The duration of the meeting, the number and length of breaks, amount of time allocated to speak during the
discussion and other procedural matters shall be set by the Board’s Chairperson or Deputy Chairperson chairing the
meeting in Chairperson’s absence.

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

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

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

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

Since September 20, 2021 and on the day of the publication of this report, the Audit Committee is composed of:

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

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

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

The statutory criterion of independence is met by Marcin Mańdziak and Marzena Czapaluk.

Marzena Czapaluk has knowledge and skills in accounting and auditing financial statements. Michał Markowski has a degree in finance and banking from Wrocław University of Science and Technology and is the holder of an FCCA qualification.

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

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

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

There was one meeting of the Audit Committee in the financial year ending on March 31, 2023, where two resolutions were adopted.

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

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of meetings of the Audit Committee in a financial year</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

### 9.3. Number of shares held by members of Management and Supervisory bodies

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

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

### 9.4. Other information

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

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

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

Special control rights do not exist.
Indication of any restrictions on the exercise of voting rights, such as the limitation of the exercise of voting rights by the holders of a certain part or number of votes, time restrictions on the exercise of voting rights or subscriptions, in which, with the company's cooperation, capital rights related to securities are separated from ownership securities.

Not applicable.

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

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

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

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

9.5. General meeting

Main powers and the procedures of the General Meeting

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

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

It is possible to participate in the General Meeting by means of electronic communications.

The rights and obligations of the shareholders

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

- the Company's shareholders have the right to dispose of the shares;
- the Company's shareholders have the right to participate in the profit indicated in the annual, audited separate financial report, which will be allocated by resolution of the General Meeting to payment to the Issuer's shareholders (right to dividend);
- the Company's shareholders have the right to subscribe for the Issuer's new issue shares in relation to the number of Shares held (pre-emptive right);
- in the event of liquidation of the Issuer, each Action entitles to a proportionate share in the distribution of assets remaining after satisfying or securing the Issuer's creditors;
- the shareholder exercises the right to vote at General Meetings. Each share gives the right to one vote at the General Meeting;
- the right to convene an extraordinary General Meeting shall also be vested in the Issuer's shareholders representing at least half of the Issuer's share capital or at least half of all votes in the Issuer;
- the Company's shareholder or shareholders representing at least one-twentieth of the Issuer's share capital may request that an extraordinary General Meeting be convened and that certain matters be placed on the agenda of such General Meeting;
- a shareholder or shareholders of the Issuer representing at least one twentieth of the Issuer's share capital may request the placement of specific matters on the agenda of the next General Meeting;
the Company’s shareholder or shareholders representing at least one twentieth of the share capital may submit to the Issuer, in writing or via electronic communication means, draft resolutions regarding matters included in the agenda of the General Meeting or matters to be included in the agenda;

- each shareholder of the Issuer has the right to demand copies of motions on issues included in the agenda of the next General Meeting; The Management Board is obliged to provide the Issuer’s shareholder, during the General Meeting, at his request with information regarding the Issuer, if it is justified for the assessment of a matter covered by the agenda of the General Meeting;

- the Company’s shareholders, representing at least one fifth of the share capital, have the right to request the election of the Supervisory Board by voting in separate groups;

- the Company’s shareholders have the right to appeal against the resolutions of the General Meeting;

- in accordance with Art. 84 of the Act on Public Offering, at the request of a shareholder or shareholders of the Issuer, holding at least 5% of the total number of votes, the General Meeting may adopt a resolution on the expert’s examination, at the expense of the Issuer, of a specific issue related to the creation of the Issuer or the conduct of its affairs.

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

On August 11, 2020, the Supervisory Board approved the document "The Remuneration Policy for the Members of the Management Board and Supervisory Board of LiveChat Software", which was then changed by the resolution no 16/2022 of the General Meeting on August 18, 2022. The Supervisory Board performs the function of the remuneration committee in the Company.

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

As agreed by the above-mentioned policy, the remuneration of the Company’s Management Board members consists of both fixed and variable amounts and is determined by the Supervisory Board, which adopts resolutions on this matter.

When appointing a Management Board member, the Supervisory Board defines the basic components of their remuneration, including the basic salary amount and the bonus remuneration amount as well as the rules of making variable remuneration dependent on the Company’s financial results or any other criteria.

The amount of the basic remuneration of a Member of the Management Board is determined by the Supervisory Board, taking into account the knowledge, experience and skills of the Member of the Management Board, as well as the market levels of remuneration for relevant positions and the working and pay conditions of the Company’s employees. In determining the basic remuneration of the Management Board Member, the Supervisory Board also takes into account the financial and non-financial results achieved by the Company and/or the Group or by the Company’s department managed by the Management Board Member, i.e. in particular it takes into account: the level of net profit, the value of sales revenue, the level of costs, the achievement of research and development goals. The basic remuneration of a Member of the Management Board, as determined by the Supervisory Board, should, by linking it to the Company’s financial objectives, contribute to the implementation of the Company’s business strategy, stability and the realization of the Company’s long-term interests.

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

The purpose of the bonus remuneration is to reward the Management Board members for achieving quantitative or qualitative tasks, conducive to the increase in the value of the Company, the achievement by the Company of results per financial year as well as to the support of the achievement of long-term goals by the Company.
In the case of the Supervisory Board members, the sole legal basis for their remuneration are the General Meeting resolutions. The fixed remuneration of the Supervisory Board member should vary depending on the function performed (e.g., chairmanship and deputy chairmanship of the Supervisory Board and its committees, participating in the Supervisory Board’s committees). The remuneration of the Supervisory Board members meeting the independence criterion should be conducive to maintaining the status of independence from the majority shareholder and the Company’s decision-makers.

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

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

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

On 31 August 2022, the Supervisory Board adopted a resolution, which set the salary of the President of the Management Board at PLN 169,500 gross per month and that of the Member of the Management Board at PLN 113,000 gross, effective from 1 July 2022. The Supervisory Board determined the variable remuneration (bonus) for the members of the Management Board in the amount of 2% of the Company’s gross profit earned in the financial year, effective from the financial year 2022/23. The bonus is due to each member of the Management Board in different proportions.

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

In the case of the CXOs group, a gratification system dependent on the Company’s net profit for the financial year has also been developed. There is no share-based incentive system in the Company.

**9.7. Other information**

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

The Management Board directly manages the risk in this area. In its opinion, the high liquidity of the Company and the lack of significant liabilities significantly minimize the risk of losing liquidity and other risks related to the management of financial resources.

Assessment of the feasibility of investment plans, including capital investments, compared to the amount of funds held, including possible changes in the financing structure of this activity.

Current investments are mainly carried out in the field of product development and are financed from their own resources. The Management Board currently does not plan any other investments and changes in the financing structure.
Assessment of factors and unusual events affecting the result of operations for the financial year, with the determination of the degree of influence of these factors or unusual events on the result achieved.

The results of the financial year 2022/23 were not affected by atypical factors and events.

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

There were no such changes.

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

The Company does not have such agreements.

Information about the system of controlling employee share programs.

Not applicable.

Auditing company

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

The date on which the company entered into an agreement with an auditing company to audit or review the financial statements or consolidated financial statements and the period for which the agreement was concluded.

Audit firm’s fees paid or due for the financial year and the previous financial year.

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

- audit of the interim financial statements for the period from April 1, 2022 to September 30, 2022, ended with the audit report - the value of the audit firm’s remuneration: PLN 17,000 net;
- review of the (consolidated) interim financial statements for the period from April 1, 2022 to September 30, 2022 and preparation of the review report – the value of remuneration for the auditing firm: PLN 10,000 net;
- audit of the separate financial statements for the period from April 1, 2022 to March 31, 2023 ended with issuing the audit report – the value of remuneration for the auditing firm: PLN 27,000 net;
- the audit of the consolidated financial statements of the group of companies for the period from April 1, 2022 to March 31, 2023 ended with the issuing of the audit report – the value of remuneration for the auditing firm: PLN 20,000 net.

Grant Thornton Polska provided the Company with another permitted non-audit service in the reporting period. At the request of the Company, Grant Thornton Polska prepared an independent statutory auditor’s report on the performance of a service providing reasonable assurance as to the assessment of the remuneration report in the financial year 2021/2022.
In the reported period, the Parent Company paid the remuneration to Grant Thornton Polska in the amount of PLN 109.1 thous. In the previous financial year the Company paid PLN 103.3 thous. to Grant Thornton Polska.

**Description of legal and administrative proceedings**

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

**Environmental issues**

There are no issues and requirements relating to the protection of the environment that could have a material impact on the Group’s activities.

## 10. Compliance with international regulations and fair competition

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

To the best of the Company's knowledge, in the financial year 2022/2023:

- no non-compliance with the law and socio-economic regulations was found;
- no financial or other non-financial penalties for breach of law have been imposed on the Company or the Subsidiary;
- neither the Company nor the Subsidiary has paid any financial penalties for infringements for the previous periods.

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

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

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

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

**Intellectual Property Protection**

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


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

From April 1, 2022 to March 31, 2023, the Company applied the principles contained in the set of "Best Practices of WSE Listed Companies 2021" with the exception of principles 1.3.1., 1.4.1., 1.4.2., 1.6., 3.3., 3.5. and 6.2.

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

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

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

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

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

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

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

Comment of the Company: The Company has a very active information policy implemented by an internal investor relations team. It includes, among others, immediate answers to questions from all investor groups and participation in domestic and foreign investor conferences. Currently, the Company does not see the need to organize quarterly meetings with the participation of the Management Board. Investor relations activities are described in the annual reports.
3.3. Companies participating in the WIG20, mWIG40 or sWIG80 index appoint an internal auditor to head the internal audit function in compliance with generally accepted international standards for the professional practice of internal auditing. In other companies which do not appoint an internal auditor who meets such requirements, the audit committee (or the supervisory board if it performs the functions of the audit committee) assesses on an annual basis whether such a person should be appointed.

Comment of the Company: The very simple and “flat” structure of the Company and its capital group does not justify such a need, nevertheless the Supervisory Board and the Audit Committee will analyze the situation on an ongoing basis in terms of the need to appoint an internal auditor.

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

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

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

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

### Financial indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>Operating profit + depreciation and amortization</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>Gross profit/Net sales</td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>Operating profit/Net sales</td>
</tr>
<tr>
<td>Net profit margin</td>
<td>Net profit/Net sales</td>
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</tbody>
</table>

### Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARPU</td>
<td>Average revenue per user in a month, calculated on the basis of MRR</td>
</tr>
<tr>
<td></td>
<td>$\text{ARPU} = \frac{\text{MRR}}{\text{number of users}}$</td>
</tr>
<tr>
<td>Initial ARPU</td>
<td>Initial ARPU, in other words, average sale price, it is the average value</td>
</tr>
<tr>
<td></td>
<td>of monthly revenues at the moment when the user converts to a paid account</td>
</tr>
<tr>
<td>MRR</td>
<td>Monthly Recurring Revenues, it is a measure of predictable total revenue</td>
</tr>
<tr>
<td></td>
<td>generated from all active and paying subscriptions in a particular month.</td>
</tr>
<tr>
<td></td>
<td>It includes all recurring charges but excludes one-time fees.</td>
</tr>
<tr>
<td>SaaS</td>
<td>Software as a Service is a business model where software is licensed on</td>
</tr>
<tr>
<td></td>
<td>a subscription basis and is stored in the cloud.</td>
</tr>
</tbody>
</table>

**IMPORTANT REMARKS AND DISCLAIMERS REGARDING THIS DOCUMENT.**

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

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