**Interim condensed financial statement of LIVECHAT Software SA**

for the period from April 1st, 2016 until December 31st,  2016

drawn up in accordance with the Accounting Act

Wrocław, February 2nd, 2017.

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STATEMENT OF THE BOARD

According to the requirements defined in art.52, section 2 in the Act of September 29th, 1994 on accounting (Journal of Law 2013, i. 330 as amended), the Management Board of LIVECHAT Software SA presents the financial statement for the period of nine months ending on December 31st, 2016 consisting of:

1) introduction to the interim condensed financial statement,

2) balance sheet made on December 31st, 2016 which presents the total balance of assets, equity and liabilities in the amount of 34 765 313,07 PLN;

3) profit and loss statement for the period from April 1st, 2016 until December 31st, 2016 presenting the net profit of 30 731 438,74 PLN;

4) a list of changes in the equity for the period from April 1st, 2016 until December 31st, 2016 presenting an increase in equity by the amount of 2 921 438,74 PLN;

5) cash flow statement for the period from period from April 1st, 2016 until December 31st, 2016 presenting a decrease in the net cash amount by 5 796 259,71 PLN

6) further information and explanatory notes.

The present interim financial statement contains financial data of the profit and loss account for the period for 3 and 9months ending on December 31st,2016 and the comparable data for 3 and 9 months ending on December 31st,2015, cash flow statement for IIIQ 2016 and the comparable data for IIIQ 2015. In case of the balance sheet made as at December 31st,2016, the statement contains comparable data as at March 31st,2016 and December 31st, 2015. The statement of changes in equity contains figures for IIIQ 2016 and the comparable data for 9 and 12 months of the previous business year.

The Board declares that to the best of their knowledge the present financial statement was prepared in compliance with the rules of accounting in force, the presented data illustrates in a reliable, clear and true manner the financial standing of the Company and its financial results.

Wrocław, February 2nd , 2017

Mariusz Ciepły, President of the Board

Urszula Jarzębowska, member of the Board

Urszula Jarzębowska, member of the Management Board

INTRODUCTION TO THE INTERIM CONDENSED FINANCIAL STATEMENT AND COMPARABLE FINANCIAL DATA

1. THE SELECTED FINANCIAL FIGURES

|  |  |  |
| --- | --- | --- |
|  | **In PLN** | **In EUR** |
| **SELECTED FINANCIAL FIGURES**  | **December 31st,2016** | **December 31st,2015** | **December 31st,2016** | **December 31st,2015** |
| I. Net revenues from sales of products, goods and materials | 54 573  | 37 426  | 12 508  | 8 954  |
| II. Profit (loss) on operational activity  | 37 656  | 25 229  | 8 631  | 6 036  |
| III. Gross profit (Loss) | 38 330  | 24 848  | 8 785  | 5 945  |
| IV. Net profit (Loss) | 30 731  | 19 963  | 7 044  | 4 776  |
| V. Net cash flow from operating activities | 23 747  | 17 792  | 5 443  | 4 257  |
| VI. Net cash flow from investing activities | (1 733) | (1 202) | (397) | (288) |
| VII. Net cash flow from financial activities | (27 810) | (18 283) | (6 374) | (4 374) |
| VIII. Net cash flow total | (5 796) | (1 692) | (1 328) | (405) |
| IX. Total assets | 34 765  | 24 389  | 7 858  | 5 723  |
| X. Liabilities and provision for liabilities | 2 625  | 3 123  | 593  | 733  |
| XI. Long-term liabilities | - | - | - | - |
| XII. Short-term liabilities | 2 625  | 3 123  | 593  | 733  |
| XIII. Equity | 32 140  | 21 266  | 7 265  | 4 990  |
| XIV. Share capital | 515  | 515  | 116  | 121  |
| XV. Number of shares | 25 750 000  | 25 750 000  | 25 750 000  | 25 750 000  |
| XVI. Profit (loss) per single ordinary share(in PLN/ EUR)  | 1,19 | 0,78 | 0,27 | 0,19 |
| XVII. Diluted earnings per single ordinary share ( in PLN/ EUR)  | 1,19 | 0,78 | 0,27 | 0,19 |
| XVIII. Net book value per single share ( in PLN/ EUR)  | 1,25 | 0,83 | 0,28 | 0,19 |
| XIX. Diluted book value per single share( in PLN/ EUR)  | 1,25 | 0,83 | 0,28 | 0,19 |
| XX. Declared or paid dividend per single share ( in PLN/ EUR)  | 1,08 | 0,71 | 0,25 | 0,17 |

2. EURO TO POLISH ZLOTY EXCHANGE RATE

|  |  |  |
| --- | --- | --- |
| The average rate of the National Bank of Poland as at December 31st 2016/December 31st, 2015 | 0,2260 | 0,2347 |
| The average rate for the period | 0,2292 | 0,2392 |
| The lowest rate for the period  | 0,2319 | 0,2479 |
| The highest rate for the period | 0,2253 | 0,2345 |

3. COMPANY, LEGAL STATUS AND SCOPE OF THE ACTIVITIES RUN

**Name**: LIVECHAT Software SA

**Head office**: Al. Dębowa 3, 53-134 Wrocław

**Basic economic activity**: 62.09.Z – Other services in information and computer technology

**Registering authority**: Regional Court of Wrocław – Fabryczna in Wrocław, VI Economic Division of the National Court Register

**KRS no:** 0000290756

Sector: IT

4. COMPANY DURATION

The Company duration according to its By-laws is unlimited.

5. PERIOD COVERED BY THE FINANCIAL STATEMENT

The Financial statement presents data for the period of from April 1st, 2016 until December 31st, 2016.

6. COMPANY BODIES

The Company's Management Board as of December 31st, 2016 is composed of the following persons and has not changed as of the date of approval of the present statement:

Mariusz Ciepły – President of the Board

Urszula Jarzębowska – member of the Board

The Company's Supervisory Board as of December 31st, 2016 and on the day of signing the financial statement is composed of the following persons:

Maciej Jarzębowski - President of the Board

Andrzej Różycki - Deputy President of the Board

Marcin Mańdziak - member of the Board

Jakub Sitarz - member of the Board

Marta Ciepła - member of the Board

7. INTERNAL ORGANIZATIONAL UNITS IN THE COMPANY'S STRUCTURE THAT PREPARE FINANCIAL STATEMENTS INDEPENDENTLY

In the Company's structure there are no internal organizational units that draw up financial statements.

8. INFORMATION ON COMPANIES FOR WHICH LIVECHAT Software SA IS THE PARENT COMPANY OR A KEY INVESTOR. INFORMATION ABOUT A MERGER DURING THE REPORTING PERIOD.

LIVECHAT Software Joint Stock is a parent company in the Capital Group, which draws up and publishes consolidated financial statements according to the International Standards of Financial Reporting accepted for use in EU.

LIVECHAT Software SA is a parent company of LiveChat Incorporated – it holds 100% of its shares.

During the reporting period the Company did not merge with another company.

9. INFORMATION ON ASSUMPTIONS ACCEPTED WHEN DRAWING UP THE FINANCIAL STATEMENT AND KNOWN CIRCUMSTANCES INDICATING THAT THERE IS A THREAT TO THE COMPANY'S BUSINESS CONTINUATION

The financial statement was drawn up following the assumption that the Company will be able to continue its business activity in the foreseeable future. There are no circumstances known indicating that the continuation of the Company's business activity might be threatened.

10. PRESENTATION AND TRANSFORMATION OF FINANCIAL STATEMENTS

During the business period the Company did not change the principles of accounting nor did it transform its financial statements.

11. ACCOUNTING RULES (POLICY) INCLUDING METHODS OF EVALUATING ASSETS AND LIABILITIES (INCLUDING DEPRECIATION AND AMORTISATION), MEASURING FINANCIAL RESULT AND METHODS OF DRAWING UP A FINANCIAL STATEMENT TO THE EXTENT THE ACCOUNTING ACT LEAVES THE COMPANY FREE TO CHOOSE

Accounting rules accepted for drawing up the financial statement as of December 31st,2016 comply with the Accounting Act of June 29th, 1994 as amended and with the Regulation of the Minister of Finance of May 25th, 2016 concerning current and periodical reporting by issuers of securities and with the conditions under which the legally required information originating in a non-member state can be deemed equivalent thereof ( Journal of Law 2016, i. 860).

Book entries are made according to the rule of historical cost. The Company did not make any corrections that would illustrate the effect of inflation on particular items in the balance sheet and the profit and loss statement.

The Company draws up profit and loss statement with by-function classification.

Cash flow statement is made following an indirect method.

The rules of evaluating assets and liabilities as well as of measuring the financial result are the following:

Intangible assets are the R& D expenses related to computer software. Intangible assets are evaluated according to their purchase price/ acquisition cost. In the balance sheet their presented price is lowered by depreciation by applying a linear method throughout the whole period of their useful economic life. Annual depreciation rates applied by the Company are as follows:

- R&D expenses – 20-30%.

Tangible fixed assets are tangible assets evaluated according to their purchase price/ acquisition cost. Fixed assets depreciation write-offs are made following the linear method. Depreciation rates were fixed by taking into account useful economic life of fixed assets and illustrate the real wear and tear of fixed assets. The annual depreciation rates applied by the Company are as follows:

- computers – 30%.

As of the balance sheet day the Company makes a review of the fixed assets net value in order to find out whether there are any signs that the fixed assets might lose their value. If such signs are found, a recovery value of a particular asset is assessed in order to determine a possible write-off thereof.

Assets and liabilities are entered into the Company's balance sheet at the moment the Company enters into a binding contract.

The PLN value of receivables is determined when they become due. According to the provision in the accounting policy the Company on the balance day does not calculate interest for a delay in payment of overdue receivables. The Company makes write-offs to receivables from contracting parties that delay in payment of their dues on the balance day, provided their economic and financial standing shows that payment of the money due is not possible in the nearest future. The write-offs are charged to the other operating expenses. In the balance sheet receivables are entered at their net value, that is lowered by write-offs to receivables. Receivables in foreign currencies are calculated into PLN at the moment they become due according to the average rate of the National Bank of Poland on the day preceding the day on which the receivables become due. On the balance sheet day receivables in foreign currencies are evaluated according to the average rate for a particular currency fixed by the National Bank of Poland on that day.

Cash/funds cover money in cash and on bank accounts. They are shown in their nominal value. Cash in foreign currencies is evaluated on the balance sheet day according to the average rate for a particular currency fixed by the National Bank of Poland on that day. Bank account cash inflows throughout a year are evaluated according to the rates of NBP, whereas the outflows by FIFO.

Accruals cover costs of undergoing and uncompleted R&D expenses as well as the assets due to deferred income tax. Accrued expenses form strictly marked allowances accepted by the Company that are still not payables . Deferred income is composed of received or due funds from contracting parties for future liabilities/ payments.

The Company creates reserves or assets due to deferred income tax as a result of the occurrence of temporary differences between the value of assets and liabilities shown in the accounting books and their tax value.

The Company's equity is composed of the capital created in accordance with the regulations in force and the Company's By-laws. Initial capital/ share capital is shown at its nominal value in accordance with the Company's By-laws and the entry into the National Court Register.

Liabilities are recognized at their nominal value. Liabilities in foreign currencies are recalculated into PLN at the moment they become due according to to the rate of the National Bank of Poland on the day preceding the day on which the liabilities become due. On the balance sheet day liabilities in foreign currencies are evaluated according to the average rate for a particular currency fixed by the National Bank of Poland on that day.

Revenues from sales of goods and services form an amount due thereof from a receiver lowered by a respective VAT due.

Costs of products and services sold are recognized proportionally to revenues from sales and cover the value of the products (services) sold and other items evaluated at the production cost or a purchase price.

Other operating revenues and expenses are not directly related to the Company's activities. They comprise revenues from sales of fixed assets, reserve release, inventory surplus, etc. The other operating expenses include the value of tangible assets sold and liquidated, costs of created reserves, donations granted, write-offs to receivables and other.

Financial revenues cover interest on cash on bank accounts falling due in the reporting period as well as exchange rate gains. Financial expenses cover interest on loans granted, paid commission and exchange rate losses on foreign currency transactions. In the profit and loss account exchange rate differences are presented per account balance.

The obligatory charge on the financial result is corporate tax in the amount of 19% of gross profit adjusted for non-taxable revenues as well as for costs that are not costs of earning income adjusted for the change in reserve inventory and deferred income tax assets.

When drawing up its financial statement the Company follows the accounting rules and methods defined in the Accounting Act. The Company identified areas with differences between the present financial statement drawn up in accordance with the Polish rules of accounting and the financial statement which would be drawn up in accordance with the International Standards of Financial Reporting adopted by the European Union ( hereinafter referred to as IFRS) and the effect those differences might have on the assets net value and the financial result.

For this purpose the Management Board of Livechat Software Joint Stock Company used the best knowledge of expected standards and interpreting as well as of rules of accounting, that would be used when drawing up the statement in accordance with IFRS. The analysis made leads to the conclusion that there are no differences that might affect the net assets value and the financial result of the Company.

As compared with preparing statements for earlier periods, there have been no changes in the procedures of making the present financial statement.

Wrocław, February 2nd, 2017.

Mariusz Ciepły, President of the Board

Urszula Jarzębowska, member of the Board

**FINANCIAL STATEMENT**

BALANCE SHEET (in PLN)

|  |  |  |  |
| --- | --- | --- | --- |
| **I.** | **Balance sheet - ASSETS** | **Note** | ***As of:*** |
| **31.12.2016** | **31.03.2016** | **31.12.2015** |
| 1 |  |   | 4 |  |  |
|   | **Assets** |  |  |  |
| **A.** | **Fixed assets** |  | **7 511 260,28**  | **5 541 474,67**  | **4 895 061,92**  |
| **I** | **Intangible assets** | **1** | **4 410 689,98**  | **3 778 325,69**  | **3 441 364,92**  |
| 1 | R & D expenses |   | 4 410 689,98  | 3 778 325,69  | 3 441 364,92  |
| 2 | Goodwill |   | 0,00  | 0,00  | 0,00  |
| 3 | Other intangible assets |   | 0,00  | 0,00  | 0,00  |
| 4 | Advances for intangible assets |   | 0,00  | 0,00  | 0,00  |
| **II** | **Tangible assets, including:** | **2** | **579 761,68**  | **568 150,84**  | **524 002,63**  |
| 1 | Fixed assets in use |   | 579 761,68  | 568 150,84  | 524 002,63  |
| a) | Land (including right to perpetual usufruct) |   | 0,00  | 0,00  | 0,00  |
| b) | Buildings, premises, civil and water engineering structures |   | 0,00  | 0,00  | 0,00  |
| c) | Technical equipment and machines |   | 579 761,68  | 568 150,84  | 524 002,63  |
| d) | Vehicles |   | 0,00  | 0,00  | 0,00  |
| e) | Other tangible fixed assets |   | 0,00  | 0,00  | 0,00  |
| 2 | Tangible fixed assets under construction |   | 0,00  | 0,00  | 0,00  |
| 3 | Advances for tangible fixed assets under construction |   | 0,00  | 0,00  | 0,00  |
| **III** | **Long-term receivables** | **3** | **40 090,00**  | **40 090,00**  | **0,00**  |
| 1 | From related parties |   | 0,00  | 0,00  | 0,00  |
| 2 | From other parties where the company has a share in the capital |  | 0,00  | 0,00  | 0,00  |
| 3 | From other entities |   | 40 090,00  | 40 090,00  | 0,00  |
| **IV** | **Long-term investments** | **4** | **1 656,46**  | **1 656,46**  | **1 656,46**  |
| 1 | Real property |   | 0,00  | 0,00  | 0,00  |
| 2 | Intangible assets |   | 0,00  | 0,00  | 0,00  |
| 3 | Long-term financial assets |   | 1 656,46  | 1 656,46  | 1 656,46  |
| a) | In related parties: |   | 1 656,46  | 1 656,46  | 1 656,46  |
|   | Shares |   | 1 656,46  | 1 656,46  | 1 656,46  |
|   | Other securities |   | 0,00  | 0,00  | 0,00  |
|   | Loans granted |   | 0,00  | 0,00  | 0,00  |
|   | Other long-term financial assets |   | 0,00  | 0,00  | 0,00  |
| b) | In other entities where the company has a share in the capital: |   | 0,00  | 0,00  | 0,00  |
|  | Shares |  | 0,00  | 0,00  | 0,00  |
|  | Other securities |  | 0,00  | 0,00  | 0,00  |
|  | Loans granted |  | 0,00  | 0,00  | 0,00  |
|  | Other long-term financial assets |  | 0,00  | 0,00  | 0,00  |
| c) | In other parties: |  | 0,00  | 0,00  | 0,00  |
|  | Shares |  | 0,00  | 0,00  | 0,00  |
|  | Other securities |  | 0,00  | 0,00  | 0,00  |
|  | Loans granted |  | 0,00  | 0,00  | 0,00  |
|  | Other long-term financial assets |  | 0,00  | 0,00  | 0,00  |
| 4 | Other long-term investments |   | 0,00  | 0,00  | 0,00  |
| **V** | **Long-term prepayments** | **5** | **2 479 062,16**  | **1 153 251,68**  | **928 037,91**  |
| 1 | Deferred tax assets |   | 257 287,57  | 176 415,55  | 168 146,73  |
| 2 | Other prepayments |   | 2 221 774,59  | 976 836,13  | 759 891,18  |
| **B.** | **Current assets** |  | **27 254 052,79**  | **26 138 847,94**  | **19 494 057,41**  |
| **I** | **Inventory** | **6** | **58 326,49**  | **19 124,29**  | **0,00**  |
| 1 | Materials |   | 0,00  | 0,00  | 0,00  |
| 2 | Semi-finished products and work in progress |   | 0,00  | 0,00  | 0,00  |
| 3 | Finished products |   | 0,00  | 0,00  | 0,00  |
| 4 | Goods |   | 0,00  | 0,00  | 0,00  |
| 5 | Advances for deliveries |   | 58 326,49  | 19 124,29  | 0,00  |
| **II** | **Short-term receivables** | **7** | **10 142 840,57**  | **3 269 142,11**  | **7 141 283,98**  |
| 1 | Receivables from related parties |   | 6 363 812,38  | 628 246,21  | 4 652 403,83  |
| a) | Trade receivables, maturing: |   | 6 363 812,38  | 628 246,21  | 4 652 403,83  |
|   | Up to 12 months |   | 6 363 812,38  | 628 246,21  | 4 652 403,83  |
|   | Above 12 months |   | 0,00  | 0,00  | 0,00  |
| b) | Other |   | 0,00  | 0,00  | 0,00  |
| 2 | Receivables from other entities with which the company is related in terms of capital |   | 0,00  | 0,00  | 0,00  |
| a) | Trade receivables, maturing: |   | 0,00  | 0,00  | 0,00  |
|   | Up to 12 months |   | 0,00  | 0,00  | 0,00  |
|  | Above 12 months |   | 0,00  | 0,00  | 0,00  |
| b)  | Other |  | 0,00  | 0,00  | 0,00  |
| 3 | Receivables from other entities |   | 3 779 028,19  | 2 640 895,90  | 2 488 880,15  |
| a) | Trade receivables, maturing: |   | 122 640,32  | 104 492,09  | 122 320,36  |
|  | Up to 12 months |  | 122 640,32  | 104 492,09  | 122 320,36  |
|  | Above 12 months |  | 0,00  | 0,00  | 0,00  |
| b) | Receivables from taxes, subsidies, customs social insurance and other benefits |  | 3 474 822,14  | 2 377 130,14  | 2 062 241,32  |
| c) | Other  |  | 181 565,73  | 159 273,67  | 304 318,47  |
| d) | Claimed at court |   | 0,00  | 0,00  | 0,00  |
| **III** | **Short-term investments, including:** | **8** | **17 015 617,10**  | **22 811 876,81**  | **12 259 404,83**  |
| 1 | Short-term financial assets |   | 17 015 617,10  | 22 811 876,81  | 12 259 404,83  |
| a) | In related parties: |   | 0,00  | 0,00  | 0,00  |
|  | Shares |  | 0,00  | 0,00  | 0,00  |
|  | Other securities |  | 0,00  | 0,00  | 0,00  |
|  | Loans granted |  | 0,00  | 0,00  | 0,00  |
|  | Other short-term financial assets |  | 0,00  | 0,00  | 0,00  |
| b) | In other entities: |   | 0,00  | 0,00  | 0,00  |
|   | Shares |   | 0,00  | 0,00  | 0,00  |
|  | Other securities |  | 0,00  | 0,00  | 0,00  |
|   | Loans granted |   | 0,00  | 0,00  | 0,00  |
|   | Other short-term financial assets |   | 0,00  | 0,00  | 0,00  |
| c) | Cash and other pecuniary assets |   | 17 015 617,10  | 22 811 876,81  | 12 259 404,83  |
|   | Cash in hand and at bank |   | 17 015 617,10  | 22 811 876,81  | 12 259 404,83  |
|   | Other pecuniary assets |   | 0,00  | 0,00  | 0,00  |
|  | Other financial assets |  | 0,00  | 0,00  | 0,00  |
| 2 | Other short-term investments |   | 0,00  | 0,00  | 0,00  |
| **IV** | **Short-term prepayments** | **9** | **37 268,63**  | **38 704,73**  | **93 368,60**  |
| **C** | **Called-up share capital** |  | **0,00**  | **0,00**  | **0,00**  |
| **D** | **Own shares and stocks** |  | **0,00**  | **0,00**  | **0,00**  |
|   | **Total assets (A+B)** |  | **34 765 313,07**  | **31 680 322,61**  | **24 389 119,33**  |

|  |  |  |  |
| --- | --- | --- | --- |
| **I.** | **Balance sheet - LIABILITIES** | **Note** | ***As of:*** |
| **31.12.2016** | **31.03.2016** | **31.12.2015** |
| **A.** | **Equity** |  | **32 140 371,35**  | **29 218 932,61**  | **21 265 813,58**  |
| **I** | **Share capital**  | **11** | **515 000,00**  | **515 000,00**  | **515 000,00**  |
| **II** | **Supplementary capital, including:** | **12** | **893 932,61**  | **787 907,26**  | **787 907,26**  |
|  | A share premium |  | 0,00  | 0,00  | 0,00  |
| **III** | **Revaluation capital**  | **13** | **0,00**  | **0,00**  | **0,00**  |
|  | due to fair value revaluation |  | 0,00  | 0,00  | 0,00  |
| **IV** | **Other reserve capital** | **14** | **0,00**  | **0,00**  | **0,00**  |
|  | -created according to the Company's by-laws |  | 0,00  | 0,00  | 0,00  |
|  | -own shares and stocks |  | 0,00  | 0,00  | 0,00  |
| **V** | **Previous years profit (loss)** |  | **0,00**  | **0,00**  | **0,00**  |
| **VI** | **Net profit (loss)** |  | **30 731 438,74**  | **27 916 025,35**  | **19 962 906,32**  |
| **VII** | **Write-off on net profit during the financial year (-)** | **15** | **0,00**  | **0,00**  | **0,00**  |
| **B.** | **Liabilities and provisions for liabilities** |  | **2 624 941,72**  | **2 461 390,00**  | **3 123 305,75**  |
| **I** | **Provisions for liabilities** |  | **493,08**  | **575,15**  | **0,00**  |
| 1 | Provisions for deferred income tax  | 16 | 493,08  | 575,15  | 0,00  |
| 2 | Provisions for pension funds and similar benefits |  | 0,00  | 0,00  | 0,00  |
|  | Long-term | 17 | 0,00  | 0,00  | 0,00  |
|  | Short-term |  | 0,00  | 0,00  | 0,00  |
| 3 | Other provisions |   | 0,00  | 0,00  | 0,00  |
|  | Long-term | 18 | 0,00  | 0,00  | 0,00  |
|  | Short-term | 19 | 0,00  | 0,00  | 0,00  |
| **II** | **Long-term liabilities** | **20** | **0,00**  | **0,00**  | **0,00**  |
| 1 | To related parties |  | 0,00  | 0,00  | 0,00  |
| 2 | To related parties where the Company has a share in capital |  | 0,00  | 0,00  | 0,00  |
|  3 | To other entities |  | 0,00  | 0,00  | 0,00  |
| a) | Credits and loans |  | 0,00  | 0,00  | 0,00  |
|  b) | Arising from issuance of debt securities |  | 0,00  | 0,00  | 0,00  |
| c) | Other financial liabilities |  | 0,00  | 0,00  | 0,00  |
| d) | Bill of exchange liabilities |  | 0,00  | 0,00  | 0,00  |
|  e) | Other |  | 0,00  | 0,00  | 0,00  |
| **III** | **Short-term liabilities** | **21** | **1 273 330,65**  | **1 552 311,98**  | **2 287 088,55**  |
| 1 | To related parties |   | 0,00  | 0,00  | 0,00  |
| a) | Trade liabilities, maturing: |   | 0,00  | 0,00  | 0,00  |
|  | Up to 12 months |  | 0,00  | 0,00  | 0,00  |
|  | Above 12 months |  | 0,00  | 0,00  | 0,00  |
| b)  | Other |  | 0,00  | 0,00  | 0,00  |
| 2.  | To related parties where the Company has a share in capital |  | 0,00  | 0,00  | 0,00  |
| a) | Trade liabilities, maturing: |  | 0,00  | 0,00  | 0,00  |
|  | Up to 12 months |  | 0,00  | 0,00  | 0,00  |
|  | Above 12 months |  | 0,00  | 0,00  | 0,00  |
| b) | Other |   | 0,00  | 0,00  | 0,00  |
| 3 | To other entities |   | 1 273 330,65  | 1 552 311,98  | 2 287 088,55  |
| a) | Credits and loans |   | 0,00  | 0,00  | 0,00  |
| b) | Arising from issuance of debt securities |   | 0,00  | 0,00  | 0,00  |
| c) | Other financial liabilities |   | 0,00  | 0,00  | 0,00  |
| d) | Trade liabilities, maturing: |   | 622 316,70  | 581 708,13  | 465 714,40  |
|   | Up to 12 months |   | 622 316,70  | 581 708,13  | 465 714,40  |
|   | Above 12 months |   | 0,00  | 0,00  | 0,00  |
| e) | Received advances for deliveries |   | 0,00  | 0,00  | 0,00  |
| f) | Bill-of-exchange liabilities |   | 0,00  | 0,00  | 0,00  |
| g) | Tax, insurance, customs and other liabilities |   | 651 013,95  | 970 603,85  | 1 821 374,15  |
| h) | Payroll liabilities |   | 0,00  | 0,00  | 0,00  |
| i) | Other |   | 0,00  | 0,00  | 0,00  |
| 3 | Special funds |   | 0,00  | 0,00  | 0,00  |
| **IV** | **Accruals, including:** | **22** | **1 351 117,99**  | **908 502,87**  | **836 217,20**  |
| 1 | Negative goodwill |   | 0,00  | 0,00  | 0,00  |
| 2 | Other accruals |   | 1 351 117,99  | 908 502,87  | 836 217,20  |
|   | Long-term  |   | 0,00  | 0,00  | 0,00  |
|   | Short-term |   | 1 351 117,99  | 908 502,87  | 836 217,20  |
|   | **Total liabilities (A+B)** |  | **34 765 313,07**  | **31 680 322,61**  | **24 389 119,33**  |

Wrocław, February 2nd, 2017

Mariusz Ciepły, President of the Board

Urszula Jarzębowska, member of the Board

PROFIT AND LOSS STATEMENT ( in PLN)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Specifications** | **for the period of 3 months ending on December 31st, 2016**  | **for the period of 9 months ending on December 31st, 2016**  | **for the period of 3 months ending on December 31st, 2015**  | **for the period of 9 months ending on December 31st, 2015**  |
| **A. NET REVENUES FROM SALES OF PRODUCTS, GOODS** | 20 113 583,20  | 54 572 713,33  | 13 748 002,42  | 37 425 682,57  |
| - from related parties | 19 969 436,72  | 54 110 678,86  | 13 569 553,05  | 36 788 457,53  |
| I. Net revenues from sales of products | 20 113 583,20  | 54 572 713,33  | 13 748 002,42  | 37 425 682,57  |
| II. Net revenues from sales of goods and materials | 0,00  | 0,00  | 0,00  | 0,00  |
| **B.COST OF PRODUCTS, GOODS AND MATERIALS SOLD:** | 2 936 288,33  | 8 803 598,24  | 2 313 517,30  | 5 732 977,53  |
| I. manufacturing cost of products sold | 2 936 288,33 | 8 803 598,24 | 2 313 517,30 | 5 732 977,53 |
| II. value of goods and materials sold | 0,00  | 0,00  | 0,00  | 0,00  |
| **C. GROSS PROFIT (LOSS) ON SALES** | 17 177 294,87  | 45 769 115,09  | 11 434 485,12  | 31 692 705,04  |
| **D. SELLING COSTS** | 1 752 831,92 | 5 037 437,94 | 1 392 135,22 | 3 747 511,91 |
| **E. GENERAL AND ADMINISTRATIVE COSTS** | 1 029 860,83 | 3 084 945,95 | 893 038,42 | 2 718 157,75 |
| **F. PROFIT/LOSS ON SALES (C-D-E)** | 14 394 602,12  | 37 646 731,20  | 9 149 311,48  | 25 227 035,38  |
| **G. OTHER OPERATING REVENUES** | 3 224,66  | 9 232,46  | -2 009,45  | 2 255,74  |
| I. Gain on disposal of non-financial fixed assets | 0,00  | 0,00  | 0,00  | 0,00  |
| II. subsidies | 0,00  | 0,00  | 0,00  | 0,00  |
| III. Revaluation of financial assets | 0,00  | 0,00  | 0,00  | 0,00  |
| IV. Other operating revenues | 3 224,66  | 9 232,46  | -2 009,45  | 2 255,74  |
| **H. OTHER OPERATING EXPENSES** | 0,00  | 0,01  | -2 000,06  | 0,00  |
| I. Loss on disposal of non-financial fixed assets | 0,00  | 0,00  | 0,00  | 0,00  |
| II. Revaluation of non-financial fixed assets | 0,00  | 0,00  | 0,00  | 0,00  |
| III. Other operating expenses | 0,00  | 0,01  | -2 000,06  | 0,00  |
| **I. PROFIT (LOSS) ON OPERATING ACTIVITIES (F+G-H)** | 14 397 826,78  | 37 655 963,65  | 9 149 302,09  | 25 229 291,12  |
| **J. FINANCIAL REVENUES** | 852 405,57  | 1 013 492,63  | 134 976,03  | 226 741,29  |
| I. Dividend and profit sharing, including: | 0,00  | 0,00  | 0,00  | 60,00  |
| a) from related parties, including  | 0,00  | 0,00  | 0,00  | 0,00  |
| - where the Company has a share in capital | 0,00  | 0,00  | 0,00  | 0,00  |
| b) from other entities | 0,00  | 0,00  | 0,00  | 0,00  |
| II. Interest, including: | 8 690,03  | 110 121,17  | 30 913,71  | 122 618,97  |
| - from related parties | 0,00  | 0,00  | 0,00  | 0,00  |
| III. Gain on disposal of investments, including: | 0,00  | 0,00  | 0,00  | 0,00  |
| - in related parties | 0,00  | 0,00  | 0,00  | 0,00  |
| IV. Revaluation of investments | 0,00  | 0,00  | 0,00  | 0,00  |
| V. Other | 843 715,54  | 903 371,46  | 104 062,32  | 104 062,32  |
| **K. FINANCIAL EXPENSES** | 336 766,17  | 339 109,33  | 191 517,77  | 608 108,59  |
| I. Interest, including: | 4 338,00  | 6 669,52  | 25,75  | 54,09  |
| - to related parties | 0,00  | 0,00  | 0,00  | 0,00  |
| II. Loss on disposal of investments | 0,00  | 0,00  | 0,00  | 0,00  |
| - in related entities |   |   |   |   |
| III. Revaluation of investments | 0,00  | 0,00  | 0,00  | 0,00  |
| IV. Other  | 332 428,17  | 332 439,81  | 191 492,02  | 608 054,50  |
| **L. PROFIT (LOSS) ON BUSINESS ACTIVITIES (I+J-K)** | 14 913 466,18  | 38 330 346,95  | 9 092 760,35  | 24 847 923,82  |
| **M. RESULT ON EXTRAORDINARY EVENTS (M.I.-M.II.)** | 0,00  | 0,00  | 0,00  | 0,00  |
| I. Extraordinary gains | 0,00  | 0,00  | 0,00  | 0,00  |
| II. Extraordinary loss | 0,00  | 0,00  | 0,00  | 0,00  |
| **N. GROSS PROFIT (LOSS) (L±M)** | 14 913 466,18  | 38 330 346,95  | 9 092 760,35  | 24 847 923,82  |
| **O. INCOME TAX** | 2 924 392,50 | 7 598 908,21 | 1 747 638,46 | 4 885 017,50 |
| a) current tax | 4 747 502,44  | 7 679 862,30  | 1 766 296,90  | 4 927 309,48  |
| b) deferred tax | -72 986,73  | -80 954,09  | -18 658,44  | -42 291,98  |
| **P. OTHER STATUTORY REDUCTIONS IN PROFIT** | 0,00  | 0,00  | 0,00  | 0,00  |
| **N. NET PROFIT (LOSS) (N-O-P)** | 11 989 073,68 | 30 731 438,74 | 7 345 121,89 | 19 962 906,32 |

Wrocław, February 2nd, 2017.

Mariusz Ciepły, President of the Board

Urszula Jarzębowska, member of the Board

## List of changes in equity ( in PLN)

|  |  |  |  |
| --- | --- | --- | --- |
| **Changes in equity**  | **for the period of 9 months ending on December 31st, 2016**  | **01.04.2015 - 31.03.2016** | **for the period of 9 months ending on December 31st, 2015**  |
| **I. Opening balance of equity (BO** | **29 218 932,61** | **19 585 407,26** | **19 585 407,26** |
| **I.a. Opening balance of equity after adjustments** | **29 218 932,61** | **19 585 407,26** | **19 585 407,26** |
| 1. Opening balance of share capital | 515 000,00 | 515 000,00 | 515 000,00 |
| 1.2. Closing balance of share capital | 515 000,00 | 515 000,00 | 515 000,00 |
| 2. Opening balance of supplementary capital  | 787 907,26 | 621 016,31 | 621 016,31 |
| 2.1. Changes in supplementary capital | 106 025,35 | 166 890,95 | 166 890,95 |
| a) increase (due to) | 106 025,35 | 166 890,95 | 166 890,95 |
| - profit distribution (above the statutory minimum value) | 106 025,35 | 166 890,95 | 166 890,95 |
| b) decrease (due to) | 0,00 | 0,00 | 0,00 |
| 2.2. Closing balance of supplementary capital | 893 932,61 | 787 907,26 | 787 907,26 |
| 3. Opening balance of revaluation reserve | 0,00 | 0,00 | 0,00 |
| 3.2. Closing balance of revaluation reserve | 0,00 | 0,00 | 0,00 |
| 4. Opening balance of other reserve capitals | 0,00 | 0,00 | 0,00 |
| 4.1. Changes in other reserve capitals | 0,00 | 0,00 | 0,00 |
| 4.2. Closing balance of other reserve capitals | 0,00 | 0,00 | 0,00 |
| 5. Opening balance of previous years' profit | 27 916 025,35 | 18 449 390,95 | 18 449 390,95 |
| 5.1. Opening balance of previous years' profit | 27 916 025,35 | 18 449 390,95 | 18 449 390,95 |
| 5.2. Opening balance of previous years' profit after adjustments | 27 916 025,35 | 18 449 390,95 | 18 449 390,95 |
| 5.3. Changes in previous years' profit | -27 916 025,35 | -18 449 390,95 | -18 449 390,95 |
| a) increase (due to) | 0,00 | 0,00 | 0,00 |
| b) decrease (due to) | 27 916 025,35 | 18 449 390,95 | 18 449 390,95 |
| - payment to shareholders | 27 810 000,00 | 18 282 500,00 | 18 282 500,00 |
| - allocation to reserve capital | 106 025,35 | 166 890,95 | 166 890,95 |
| 5.4. Closing balance of previous years' profit | 0,00 | 0,00 | 0,00 |
| 5.5. Opening balance of previous years' loss | 0,00 | 0,00 | 0,00 |
| 5.6. Opening balance of previous years' loss, after adjustments | 0,00 | 0,00 | 0,00 |
| 5.7. Changes in previous years' loss | 0,00 | 0,00 | 0,00 |
| 5.8. Closing balance of previous years' loss | 0,00 | 0,00 |  0,00 |
| 5.9. Closing balance of previous years' profit (loss) | 0,00 | 0,00 | 0,00 |
| 6. Net result | 30 731 438,74 | 27 916 025,35 | 19 962 906,32 |
| a) net profit | 30 731 438,74 | 27 916 025,35 | 19 962 906,32 |
| **II. Closing balance of equity**  | **32 140 371,35** | **29 218 932,61** | **21 265 813,58** |
| **III.Equity including proposed profit distribution (loss coverage)**  | **32 140 371,35** | **29 218 932,61** | **21 265 813,58** |

Wrocław, February 2nd, 2017.

Mariusz Ciepły, President of the Board

Urszula Jarzębowska, member of the Board

## CASH FLOW STATEMENT ( in PLN)

|  |  |  |
| --- | --- | --- |
| **Cash flow statement(indirect method)** | **for the period of 9 months ending on December 31st****, 2016** | **for the period of 9 months ending on December 31st,, 2015** |
|
|
| **A. CASH FLOWS FROM OPERATING ACTIVITIES** |
| I. Net profit (loss) | 30 731 438,74 | 19 962 906,32 |
| II. Total adjustments | -6 984 532,07 | -2 170 993,20 |
| 1. Amortization and depreciation | 1 192 872,90 | 880 226,32 |
| 2. Exchange gains (losses) | 0,00 | -503 992,18 |
| 3. Interest and profit sharing (dividend) | -103 451,65 | -122 618,97 |
| 4. Profit (loss) on investment activities | 0,00 | 0,00 |
| 5. Change in provisions | -82,07 | 0,00 |
| 6. Change in inventory | -39 202,20 | 71 398,27 |
| 7. Change in receivables | -6 873 698,46 | -4 101 547,81 |
| 8. Change in short-term liabilities excluding credits and loans | -278 981,33 | 1 403 721,60 |
| 9. Change in prepayments and accruals | -800 887,24 | 227 194,46 |
|  10. Other adjustments  | -81 102,02 | -25 374,89 |
| **III. Net cash flows from operating activities (I±II)** | **23 746 906,67** | **17 791 913,12** |
| **B. CASH FLOWS FROM INVESTMENT ACTIVITIES** |
| I. INFLOWS | 103 451,65 | 162 618,97 |
| 1. Disposal of tangible and intangible fixed assets | 0,00 | 0,00 |
| 2. Disposal of investments in real property and in intangible assets | 0,00 | 0,00 |
| 3. From financial assets, including: | 103 451,65 | 162 618,97 |
| a) in related parties | 0,00 | 0,00 |
| b) in other entities | 103 451,65 | 162 618,97 |
| - disposal of financial assets | 0,00 | 0,00 |
| - dividend and profit share | 0,00 | 0,00 |
| - repayment of loans granted | 0,00 | 40 000,00 |
|  - interest | 103 451,65 | 122 618,97 |
|  - other inflows from financial assets | 0,00 | 0,00 |
| 4.Other inflows from investment activities | 0,00 | 0,00 |
| II. Outflows | 1 836 618,03 | 1 847 762,10 |
| 1. Purchase of intangible fixed assets and tangible fixed assets  | 1 836 618,03 | 1 847 762,10 |
| 2. Investments in real property and intangible assets | 0,00 | 0,00 |
| 3. for financial assets, including: | 0,00 | 0,00 |
| a) in related parties | 0,00 | 0,00 |
| b) in other entities | 0,00 | 0,00 |
| - purchase of financial assets | 0,00 | 0,00 |
| - granted long-term loans | 0,00 | 0,00 |
| 4.Other outflows from investment activities | 0,00 | 0,00 |
| **III. Net cash flows from investment activities (I-II)** | **-1 733 166,38** | **-1 201 821,56** |
| **C. CASH FLOWS FROM FINANCIAL ACTIVITIES** |
| I. Inflows | 0,00 | 0,00 |
| 1. Net inflows from issuance of shares and other capital instruments and from capital contributions | 0,00 | 0,00 |
|   |
| 2. Credits and loans | 0,00 | 0,00 |
| 3. Issuance of debt securities | 0,00 | 0,00 |
| 4. Other inflows from financial activities | 0,00 | 0,00 |
| II. Outflows | 27 810 000,00 | 18 282 500,00 |
| 1. Purchase of own shares | 0,00 | 0,00 |
| 2.Dividend and other payments to shareholders | 27 810 000,00 | 18 282 500,00 |
| 3. Profit distribution liabilities other than profit distribution payments to shareholders | 0,00 | 0,00 |
| 4. Repayment of credits and loans | 0,00 | 0,00 |
| 5. Redemption of debt securities | 0,00 | 0,00 |
| 6. Payment of other financial liabilities | 0,00 | 0,00 |
| 7. Payment of liabilities arising from financial leases | 0,00 | 0,00 |
| 8. Interest | 0,00 | 0,00 |
| 9. Other outflows from financial activities | 0,00 | 0,00 |
| **III. NET CASH FLOWS FROM FINANCIAL ACTIVITIES (I-II)** | **-27 810 000,00** | **-18 282 500,00** |
| **D. TOTAL NET CASH FLOWS (A.III±B.III±C.III)** | **-5 796 259,71** | **-1 692 408,44** |
| **E. BALANCE SHEET CHANGE IN CASH, INCLUDING:** | -5 796 259,71 | -1 692 408,44 |
| - change in cash due to exchange differences | 0,00 | 0,00 |
| **F. CASH OPENING BALANCE** | 22 811 876,81 | 13 951 813,27 |
| **G. CASH CLOSING BALANCE (F±D), INCLUDING** | **17 015 617,10** | **12 259 404,83** |
| - of limited disposability | 0,00 | 0,00 |

Wrocław, February 2nd, 2017.

Mariusz Ciepły, President of the Board

Urszula Jarzębowska, member of the Board

# FURTHER INFORMATION AND EXPLANATION

## Notes to the balance sheet

**Note 1.1. Intangible assets**

|  |  |  |
| --- | --- | --- |
| **INTANGIBLE ASSETS in PLN** | **31.12.2016** | **31.12.2015** |
| a) R & D expenses | 4 410 689,98  | 3 441 364,92  |
| b) goodwill | 0,00  | 0,00  |
| c) purchased , patents, licences, land similar values, including: | 0,00  | 0,00  |
|  -software | 0,00  | 0,00  |
| d) other intangible assets | 0,00  | 0,00  |
| e) advances for intangible assets | 0,00  | 0,00  |
| **Total intangible assets** | **4 410 689,98**  | **3 441 364,92**  |

On the balance sheet day the intangible assets were free from liens and encumbrances There were no write-offs made nor were the intangible assets revaluated.

**Note 1.1. Changes in intangible assets**

|  |
| --- |
| CHANGES IN INTANGIBLE ASSETS ( by nature) 01.04-31.12.2016 |
| **Specification** | **A** | **b** | **c** | **d** | **E** | **Total intangible assets** |
| **R&D expenses** | **Goodwill** | purchased , patents, licences, land similar values, including: | **other intangible assets** | **advances for intangible assets** |
|  | **software** |
| a) Opening gross value of intangible assets |  5 928 752,33  |  -  |  -  |  -  |  -  |  -  |  **5 928 752,33**  |
| b) decrease (due to |  424 236,88  |  -  |  -  |  -  |  -  |  -  |  **424 236,88**  |
|  - internal movements |  424 236,88  |  -  |  -  |  -  |  -  |  -  |  **424 236,88**  |
| c) increase (due to) |  1 613 753,69  |  -  |  -  |  -  |  -  |  -  |  **1 613 753,69**  |
|  - internal movements |  1 613 753,69  |  -  |  -  |  -  |  -  |  -  |  **1 613 753,69**  |
| d) Closing gross value of intangible assets |  7 118 269,14  |  -  |  -  |  -  |  -  |  -  |  **7 118 269,14**  |
| e) Opening accumulated amortization (redemption)  |  2 150 196,64  |  -  |  -  |  -  |  -  |  -  |  **2 150 196,64**  |
| f) Amortization for the period (due to)  |  981 619,40  |  -  |  -  |  -  |  -  |  -  |  **981 619,40**  |
|  - increase |  981 619,40  |  -  |  -  |  -  |  -  |  -  |  **981 619,40**  |
|  - decrease |  424 236,88  |  -  |  -  |  -  |  -  |  -  |  **-**  |
|  - liquidation |  -  |  -  |  -  |  -  |  -  |  -  |  **-**  |
| g) Closing accumulated amortization (redemption)  |  2 707 579,16  |  -  |  -  |  -  |  -  |  -  |  **2 707 579,16**  |
| h) Opening impairment write-offs |  -  |  -  |  -  |  -  |  -  |  -  |  **-**  |
| i) Closing impairment write-offs |  -  |  -  |  -  |  -  |  -  |  -  |  **-**  |
| **j) Closing net value of intangible assets**  |  **4 410 689,98**  |  **-**  |  **-**  |  **-**  |  **-**  |  **-**  |  **4 410 689,98**  |

**Note 1.3 Intangible assets ( ownership structure)**

|  |  |  |
| --- | --- | --- |
| **INTANGIBLE ASSETS (OWNERSHIP STRUCTURE in PLN**  | **31.12.2016** | **31.12.2015** |
| a) own  | 4 410 689,98 | 3 441 364,92 |
| b) used by virtue of a lease contract, hire or another agreement, including leasing  | 0,00 | 0,00 |
| **Total intangible assets** | **4 410 689,98** | **3 441 364,92** |

**2.1 Tangible assets**

|  |  |  |
| --- | --- | --- |
| **TANGIBLE FIXED ASSETS in PLN** | **31.12.2016** | **31.12.2015** |
| a)tangible assets, including: | 579 761,68 | 524 002,63 |
|  - land (including right to perpetual usufruct) | 0,00 | 0,00 |
|  - buildings, premises, civil and water engineering structures | 0,00 | 0,00 |
|  -technical equipment and machines | 579 761,68 | 524 002,63 |
|  - vehicles |  0,00 | 0,00 |
|  - other fixed assets | 0,00 | 0,00 |
| b)fixed assets under construction | 0,00 | 0,00 |
| c) advances for fixed assets under construction | 0,00 | 0,00 |
| **Total tangible fixed assets** | **579 761,68** | **524 002,63** |

On the balance sheet day the tangible assets were free from liens and encumbrances. There were no write-offs made nor were the tangible assets revaluated.

**Note 2.2. Changes in fixed assets**

|  |
| --- |
| **CHANGES IN FIXED ASSETS (by type groups) in PLN** |
| **Specification** | **land (including right to perpetual usufruct)**  | **buildings premises, civil and water engineering structures** | **technical equipment and machines** |  **vehicles** |  **other fixed assets** | **started investments** | **total fixed assets** |
|
|
| a) Opening gross value of fixed assets |  -  |  -  |  929 153,15  |  -  |   |  -  |  **929 153,15**  |
| b) increase (due to |  -  |  -  |  222 864,34  |  -  |  -  |  -  |  **222 864,34**  |
|  - purchase |  -  |  -  |  222 864,34  |  -  |  -  |  -  |  **222 864,34**  |
| c) decrease (due to) |  -  |  -  |  -  |  -  |  -  |  -  |  **-**  |
|  - liquidation |  -  |  -  |  -  |  -  |  -  |  -  |  **-**  |
| d) Closing gross value of fixed assets |  -  |  -  |  1 152 017,49  |  -  |  -  |  -  |  **1 152 017,49**  |
| e) Opening accumulated amortization (redemption)  |  -  |  -  |  361 002,31  |  -  |   |  -  |  **361 002,31**  |
| f) Amortization for the period (due to)  |  -  |  -  |  211 253,50  |  -  |  -  |  -  |  **211 253,50**  |
|  - increase |  -  |  -  |  211 253,50  |  -  |   |  -  |  **211 253,50**  |
|  - decrease |  -  |  -  |   |  -  |  -  |  -  |  **-**  |
|  - sales |  -  |  -  |  -  |  -  |  -  |  -  |  **-**  |
| g) Closing accumulated amortization (redemption)  |  -  |  -  |  572 255,81  |  -  |  -  |  -  |  **572 255,81**  |
| h) Opening impairment write-offs |  -  |  -  |  -  |  -  |  -  |  -  |  **-**  |
| i) Closing impairment write-offs |  -  |  -  |  -  |  -  |  -  |  -  |  **-**  |
| **j) Closing net value of fixed assets**  |  **-**  |  **-**  |  **579 761,68**  |  **-**  |  **-**  |  **-**  |  **579 761,68**  |

**Note 2.3 Fixed assets ( ownership structure)**

|  |  |  |
| --- | --- | --- |
| **FIXED ASSETS (OWNERSHIP STRUCTURE in PLN**  | **31.12.2016** | **31.12.2015** |
| a) own  | 579 761,68 | 524 002,63 |
| b) used by virtue of a lease contract, hire or another agreement, including leasing  | 0,00 | 0,00 |
| **Total fixed assets** | **579 761,68** | **524 002,63** |

The Company does not possess land in perpetual usufruct, nor any other liabilities towards the state budget due to rights of tile to buildings or structures.

The Company runs its economic activity on premises it has leased out. The Company does not have any knowledge about the value of the building on lease.

**Note 3.1 Long-term receivables**

On December 31st, 2016 the only item of long-term receivables was a deposit paid to the landlord.

**Note 4. Long-term investments**

**Note 4.1 Real property**

On December 31st, 2016 as well as on December 31st, 2015 the Company had no real properties classified as long-term investments.

**Note 4.2 Intangible assets**

On December 31st, 2016 as well as on December 31st, 2015 the Company had no intangible assets classified as long-term investments.

**Note 4.3 Long-term financial assets**

|  |  |  |
| --- | --- | --- |
| **LONG-TERM FINANCIAL ASSETS (BY TYPE GROUPS)** | **31.12.2016** | **31.12.2015** |
| **a) opening balance** | **1 656,46** | **1 656,46** |
|  - shares in subsidiaries | 1 656,46 | 1 656,46 |
|  - shares and stocks in other entities | 0,00 | 0,00 |
|  - loans granted to other entities | 0,00 | 0,00 |
|  **b) increase (due to)** | **0,00** | **0,00** |
|  - loans granted to non-related parties | 0,00 | 0,00 |
| **c) decrease (due to)** | **0,00** | **0,00** |
|  - sales of shares to subsidiaries | 0,00 | 0,00 |
|  - write-offs of shares in other entities  | 0,00 | 0,00 |
| **d) closing balance** | **1 656,46** | **1 656,46** |
|  - shares in subsidiaries | 1 656,46 | 1 656,46 |
|  - shares and stocks in other entities | 0,00 | 0,00 |
|  - loans granted to other entities | 0,00 | 0,00 |

The only shares classified as long-term financial assets were shown the shares in the Company's subsidiary, LiveChat Inc. The Company does not hold any shares nor stocks in other entities.

On the balance sheet day the shares were free from liens and encumbrances. There were no write-offs made nor were the shares revaluated.

**Note 4.4 Shares and stocks in subsidiaries**

a) name of the entity, indicating its legal form – LiveChat Inc. - a legal company of Delaware, USA

b) head office

 -registered head office: One International Place, Suite 1400, Boston, MA 02110-2619, USA

c) business:

Hosting, e-payment gateway services

d) relationship – a subsidiary

e) a method of consolidation applied – a method of complete consolidation

f) date of establishing control/joint control/getting a fundamental influence

LiveChat was established on September 30th, 2011. The Issuer took up 5000 shares, 0,10 USD each of the total value of 500 USD. The shares taken up by the Issuer make 100% of the Issuer's share capital.

g) the value of shares at their purchase price/ acquisition cost – 1.654,46 PLN

h) value adjustments (total)

no

i) share (stock) balance value - 1.654,46 PLN

j) percentage of the share capital held – 100%

k) share in the total number of votes at the general meeting – 100%

l) indication of another than referred to in j) or k) basis of control/joint control/fundamental influence – not applicable

m) Company's equity, including:

- share capital – 500.00 USD corresponding to 1654,46 PLN

- called up share capital (negative value) – no

- supplementary capital – no

- other equity including:

 - previous years' profit ( loss) – 363 701,33 PLN

- net profit (loss) – 148 170,77 PLN

n) liabilities and provisions for liabilities, including:

- long-term liabilities – no

- short-term liabilities – 6 845 290,42 PLN

o) receivables:

- long-term receivables : no

- short-term receivables : 488 355,32 PLN

p) total assets: 7 360 785,96 PLN

r) revenues from sales: 57 564 489,55 PLN

s) unpaid share (stock) capital by the Issuer – no

t) received or due dividend for the last business year – no

**Note 4.5 Securities, shares and other long-term financial assets**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **SECURITIES, SHARES AND OTHER LONG-TERM FINANCIAL ASSETS (CURRENCY STRUCTURE)** | **unit** | **currency** | **31.12.2016** | **31.12.2015** |
| a) in Polish zloty | PLN | PLN | 1 656,46 | 1 656,46 |
| b) in foreign currencies (per currencies and recalculated into PLN) |   | USD | 500 | 500 |
| **Total bonds, shares and other long-term financial assets** |   | **1 656,46** | **1 656,46** |

**Note 4.6 Securities, shares and other long-term financial assets**

|  |  |  |
| --- | --- | --- |
| **SECURITIES, SHARES AND OTHER LONG-TERM FINANCIAL ASSETS (BY NEGOTIABILITY)** | **31.12.2016** | **31.12.2015** |
| A. With unlimited negotiability, listed (balance sheet value) | 0,00 | 0,00 |
| B. With unlimited negotiability, in the OTC market (balance sheet value) | 0,00 | 0,00 |
| C. With unlimited negotiability, not in the OTC market (balance sheet value) | 1 656,46 | 1 656,46 |
|  a) shares (balance sheet value): | 1 656,46 | 1 656,46 |
|  b) bonds (balance sheet value): | 0,00 | 0,00 |
|  c) other – by nature (balance sheet value): | 0,00 | 0,00 |
|  c1) loans granted | 0,00 | 0,00 |
| D. With limited negotiability (balance sheet value) | 0,00 | 0,00 |
| Total balance, at purchase price/ acquisition cost | 1 656,46 | 1 656,46 |
| Total opening balance | 1 656,46 | 1 656,46 |
| Total adjustments | 0,00 | 0,00 |
| **Total balance sheet value** | **1 656,46** | **1 656,46** |

**Note 4.7 Granted long-term loans**

As of December 31st, 2016 as well as December 31st, 2015 the Company had no long-term loans.

**Note 4.8 Other long-term investments**

As of December 31st, 2016 as well as on December 31st, 2015 the Company had no other long-term investments.

**Note 5.1 Change in the assets balance due to deferred income tax**

As of December 31st, 2016 as well as on December 31st, 2015 the assets due to deferred income tax only comprised temporary differences in the tax value of assets and liabilities.

The main title to create provisions for deferred income tax was the provision for IT infrastructure maintenance the Company holds in order to ensure proportionality between the revenues from the sale of access licences and the cost of providing access to services within the period under subscription.

It was found unnecessary to create liability for deferred tax.

**Note 5.2**

|  |  |  |
| --- | --- | --- |
| **OTHER PREPAYMENTS**  | **31.12.2016** | **31.12.2015** |
| a) Prepayments/ prepaid expenses including: | 2 221 774,59 | 759 891,18 |
|  - activated R & D expenses | 2 221 774,59 | 759 891,18 |
| b) other prepayments | **0,00** | **0,00** |
| **Total prepayments:** | **2 221 774,59** | **759 891,18** |

**Note 6. Inventory**

On December 31st, 2016 the Company's inventory only evidenced advance payment for deliveries. The Company does not have any other inventory and there are no write-offs made.

**Note 7.1 Short-term receivables**

|  |  |  |
| --- | --- | --- |
| **SHORT-TERM RECEIVABLES in PLN** | **31.12.2016** | **31.12.2015** |
| a) receivables from related parties | 6 363 812,38 | 4 652 403,83 |
|  - trade receivables, maturing: | 6 363 812,38 | 4 652 403,83 |
|  - up to 12 months | 6 363 812,38 | 4 652 403,83 |
|  -above 12 months | 0,00 | 0,00 |
|  -other | 0,00 | 0,00 |
|  - claimed at court | 0,00 | 0,00 |
| b) receivables from other entities where the Company has a share in capital | 0,00 | 0,00 |
|  - trade receivables, maturing: | 0,00 | 0,00 |
|  - up to 12 months | 0,00 | 0,00 |
|  - above 12 months | 0,00 | 0,00 |
|  - Rother | 0,00 | 0,00 |
| c) receivables from other entities | 3 779 028,19 | 2 488 880,15 |
|  - trade receivables, maturing: | 122 640,32 | 122 320,36 |
|  - up to 12 months | 122 640,32 | 122 320,36 |
|  - above 12 months | 0,00 | 0,00 |
|  - receivables from taxes, subsidies, customs, social insurance and other benefits | 3 474 822,14 | 2 062 241,32 |
|  - other | 181 565,73 | 304 318,47 |
| Claimed at court | 0,00 | 0,00 |
| **Total net short-term receivables** | **10 142 840,57** | **7 141 283,98** |
| c) write-offs to receivables | 3 027,13 | 43 677,44 |
| **Total gross short-term receivables**  | **10 145 867,70** | **7 184 961,42** |

**Note 7.2 Short-term receivables from related parties**

|  |  |  |
| --- | --- | --- |
| **SHORT-TERM RECEIVABLES FROM RELATED PARTIES** | **31.12.2016** | **31.12.2015** |
| a) trade receivables, including: | 6 363 812,38 | 4 652 403,83 |
|  - from subsidiaries | 6 363 812,38 | 4 652 403,83 |
|  - from co-subsidiaries | 0,00 | 0,00 |
|  - from associated companies | 0,00 | 0,00 |
|  - from key investor | 0,00 | 0,00 |
|  - from parent company | 0,00 | 0,00 |
| b) other, including: | 0,00 | 0,00 |
|  - from subsidiaries | 0,00 | 0,00 |
|  - from co-subsidiaries | 0,00 | 0,00 |
|  - from associated companies | 0,00 | 0,00 |
|  - from key investor | 0,00 | 0,00 |
|  - from parent company | 0,00 | 0,00 |
| c) claimed at court, including: | 0,00 | 0,00 |
|  - from subsidiaries | 0,00 | 0,00 |
|  - from co-subsidiaries | 0,00 | 0,00 |
|  - from associated companies | 0,00 | 0,00 |
|  - from key investor | 0,00 | 0,00 |
|  - from parent company | 0,00 | 0,00 |
| **Total net short-term receivables from related parties:** | **6 363 812,38** | **4 652 403,83** |
| d) write-offs to receivables from related parties | 0,00 | 0,00 |
| **Total gross short-term receivables from related parties:** | **6 363 812,38** | **4 652 403,83** |

**Note 7.3 Changes in the balance of write-offs to short-term receivables**

|  |  |  |
| --- | --- | --- |
| **Changes in the balance of write-offs to short-term receivables in PLN** | **31.12.2016** | **31.12.2015** |
| Opening balance | 3 027,13 | 56 865,12 |
| a) increase (due to) | 0,00 | 0,00 |
|  - interest | 0,00 | 0,00 |
|  - suits, composition, insolvency | 0,00 | 0,00 |
|  - doubtful debts | 0,00 | 0,00 |
| b) decrease (due to)) | 0,00 | 13 187,68 |
|  - interest | 0,00 | 0,00 |
|  - suits, composition, insolvency | 0,00 | 0,00 |
|  - write-offs to receivables | 0,00 | 13 187,68 |
| **Closing balance of write-offs to short-term receivables in PLN** | **3 027,13** | **43 677,44** |

**Note 7.4 Gross short-term receivables**

|  |  |  |
| --- | --- | --- |
| **GROSS SHORT-TERM RECEIVABLES (CURRENCY STRUCTURE) in PLN** | **31.12.2016** | **31.12.2015** |
| a) in Polish zloty | 3 735 498,97 | 2 479 579,59 |
| b) in foreign currencies (by currencies after recalculating into PLN) | 6 410 368,73 | 4 705 381,83 |
|  - in USD | 6 410 368,73 | 4 705 381,83 |
|  - in EUR | 0,00 | 0,00 |
| **Total gross short-term receivables** | **10 145 867,70** | **7 184 961,42** |

**Note 7.5 Gross trade receivables with remaining maturities from the balance sheet date**

|  |  |  |
| --- | --- | --- |
| **GROSS TRADE RECEIVABLES WITH REMAINING MATURITIES FROM THE BALANCE SHEET DATE** | **31.12.2016** | **31.12.2015** |
| a) up to 1 month | 122 640,32 | 122 320,36 |
| b) above 1 month to 3 months | 0,00 | 0,00 |
| c) above 3 months to 6 months | 0,00 | 0,00 |
| d) above 6 months to 1 year | 0,00 | 0,00 |
| e) above a year | 0,00 | 0,00 |
| f) overdue receivables | 3 027,13 | 43 677,44 |
| Total trade receivables (gross)  | 125 667,45 | 165 997,80 |
| g) write-offs to trade receivables  | 3 027,13 | 43 677,44 |
| **Total trade receivables ( net)** | **122 640,32** | **122 320,36** |

**Note 7.6 Overdue trade receivables (gross)**

|  |  |  |
| --- | --- | --- |
| **OVERDUE TRADE RECEIVABLES (GROSS) – DIVIDED INTO UNPAID RECEIVABLES MATURING:** | **31.12.2016** | **31.12.2015** |
| a) up to 1 month | 0,00 | 0,00 |
| b) above 1 month to 3 months | 0,00 | 0,00 |
| c) above 3 months to 6 months | 0,00 | 0,00 |
| d) above 6 months to 1 year | 0,00 | 0,00 |
| e) above a year | 3 027,13 | 43 677,44 |
| Total overdue trade receivables (gross)  | 3 027,13 | 43 677,44 |
| f) write-offs to overdue trade receivables | 3 027,13 | 43 677,44 |
| **Total overdue trade receivables (net)**  | **0,00** | **0,00** |

**Note 7.7 Overdue long-term and short-term receivables (gross)**

|  |  |  |
| --- | --- | --- |
| **GROSS OVERDUE LONG-TERM AND SHORT-TERM RECEIVABLES**  | **31.12.2016** | **31.12.2015** |
| 1. Contentious receivables | 0,00 | 0,00 |
| 2. Total overdue receivables: | 3 027,13 | 43 677,44 |
|  - trade receivables | 3 027,13 | 43 677,44 |
|  - other  | 0,00 | 0,00 |
| 3. Receivables with no write-offs made: | 0,00 | 0,00 |
|  - trade receivables | 0,00 | 0,00 |
|  - other | 0,00 | 0,00 |

**Note 8.1 Short-term financial assets**

|  |  |  |
| --- | --- | --- |
| **SHORT-TERM FINANCIAL ASSETS in PLN** | **31.12.2016** | **31.12.2015** |
| a) in subsidiaries | 0,00 | 0,00 |
|  - stocks or shares | 0,00 | 0,00 |
|  - dividend and profit sharing | 0,00 | 0,00 |
|  - debt securities | 0,00 | 0,00 |
|  - loans granted | 0,00 | 0,00 |
|  - other short-term financial assets (by nature) | 0,00 | 0,00 |
| b) in joint subsidiaries | 0,00 | 0,00 |
|  - stocks or shares | 0,00 | 0,00 |
|  - dividend and profit sharing | 0,00 | 0,00 |
|  - debt securities | 0,00 | 0,00 |
|  - loans granted | 0,00 | 0,00 |
|  - other short-term financial assets (by nature) | 0,00 | 0,00 |
| c) in associated companies and other related parties | 0,00 | 0,00 |
|  - stocks or shares | 0,00 | 0,00 |
|  - dividend and profit sharing | 0,00 | 0,00 |
|  - debt securities | 0,00 | 0,00 |
|  - loans granted | 0,00 | 0,00 |
|  - other short-term financial assets (by nature) | 0,00 | 0,00 |
| d) in key investor | 0,00 | 0,00 |
|  - stocks or shares | 0,00 | 0,00 |
|  - dividend and profit sharing | 0,00 | 0,00 |
|  - debt securities | 0,00 | 0,00 |
|  - loans granted | 0,00 | 0,00 |
|  - other short-term financial assets (by nature) | 0,00 | 0,00 |
| e) in parent company | 0,00 | 0,00 |
|  - stocks or shares | 0,00 | 0,00 |
|  - dividend and profit sharing | 0,00 | 0,00 |
|  - debt securities | 0,00 | 0,00 |
|  - loans granted | 0,00 | 0,00 |
|  - other short-term financial assets (by nature) | 0,00 | 0,00 |
| f) in other entities | 0,00 | 0,00 |
|  - stocks or shares | 0,00 | 0,00 |
|  - dividend and profit sharing | 0,00 | 0,00 |
|  - debt securities | 0,00 | 0,00 |
|  - loans granted | 0,00 | 0,00 |
|  - other short-term financial assets (by nature) | 0,00 | 0,00 |
| g) cash and other cash equivalents | 17 015 617,10 | 12 259 404,83 |
|  - cash in hand and on bank accounts | 17 015 617,10 | 12 259 404,83 |
|  - other cash equivalents  | 0,00 | 0,00 |
|  - other cash assets | 0,00 | 0,00 |
| **Total short-term financial assets** | **17 015 617,10** | **12 259 404,83** |

**Note 8.2 Cash and cash equivalents ( currency structure)**

|  |  |  |
| --- | --- | --- |
| **Cash and cash equivalents in PLN** | **31.12.2016** | **31.12.2015** |
| a) in Polish zloty | 16 987 363,42 | 12 259 404,83 |
| b) in foreign currencies (by currencies after recalculating into PLN) | 28 253,68 | 0,00 |
|  - in USD | 28 253,68 | 0,00 |
|  - in EUR | 0,00 | 0,00 |
| **Total cash and cash equivalents** | **17 015 617,10** | **12 259 404,83** |

**Note 8.3 Securities, shares and other short-term financial assets**

not present

**Note 8.4. Granted short-term loans**

not present

**Note 8.5 Other short-term investments**

As of December 31st, 2016 as well as on December 31st, 2015 the Company had no other short-term investments.

**Note 9. Short-term prepayments**

|  |  |  |
| --- | --- | --- |
| **SHORT-TERM PREPAYMENTS in PLN** | **31.12.2016** | **31.12.2015** |
| a) prepayments, including: | 37 268,63 | 93 368,60 |
|  - insurance | 0,00 | 93 368,60 |
|  - magazine subscription | 0,00 | 0,00 |
|  - yearly payments (domains. licences) | 0,00 | 0,00 |
|  - other | 37 268,63 | 0,00 |
| b) other prepayments | 0,00 | 0,00 |
|  - VAT carry forward | 0,00 | 0,00 |
| **Total short-term prepayments** | **37 268,63** | **93 368,60** |

**Note 10 Assets impairment write-offs**

not present

**Note 11.1 Share capital**

|  |
| --- |
| **SHARE CAPITAL (STRUCTURE) – 31.12.2016** |
|  | **Share type** | **Type of share preference** | **Type of share right limits** | **Number of shares (in thousand items)** | **Series/issuance value by nominal value** | **Method of capital payment** | **Registration date** | **Dividend entitlement** |
| Series A | Ordinary bearer's  | no | no | 25 000,00 | 500 000 | Contribution in cash | 18.12.2013 | According to KSH |
| Series B | Ordinary bearer's  | no | no | 750 | 15 000 | Contribution in cash | 18.12.2013  | According to KSH |
| **Total shares** | **25 750,00** |   |   |   |   |
| **Total share capital** | **515 000** |   |   |   |
| **Nominal value of a single share= 0,02 PLN** |
|  |  |  |  |  |  |  |  |  |  |
| **SHARE CAPITAL (STRUCTURE) – 31.12.2015** |
|  **Series/issuance** | **Share type** | **Type of share preference** | **Type of share right limits** | **Number of shares (in thousand items)** | **Series/issuance value by nominal value** | **Method of capital payment** | **Registration date** | **Dividend entitlement** |
| Series A | Ordinary bearer's  | no | no | 25 000,00 | 500 000 | Contribution in cash | 18.12.2013 | According to KSH |
| Series B | Ordinary bearer's  | no | no | 750 | 15 000 | Contribution in cash | 18.12.2013  | According to KSH |
| **Total Soares** | **25 750,00** |   |   |   |   |
| **Total share capital** | **515 000** |   |   |   |
| **Nominal value of a single share= 0,02 PLN** |

Series A shares:

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

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

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

Series B shares

On April 26th, 2010 the Issuer's Shareholders' Meeting passed a resolution to increase the Issuer's share capital by the amount of 15.000 PLN through series B bearer's shares waiving the pre-emptive right of the Company's current shareholders as well as to amend the Company's By-laws. By virtue of the said resolution the Shareholders' Meeting decided to increase the share capital by 15.000 PLN by issuing 150.000 series B ordinary bearer's shares with the nominal value of 0,10 PLN. The series B shares were in full subscribed for by Mariusz Ciepły and paid with cash of 15.000 PLN. The issue price of a series B share was 0,10 PLN per single share.

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

**Note 11.2 Changes in the ownership structure from April 1st,2016 until the day on which the financial statement was drawn up**

|  |  |
| --- | --- |
|  | **Share in equity and votes at the General Meeting of Shareholders** |
|  | **As at September 30th, 2016**  | **As at December 31st, 2016**  | **As at February 2nd, 2017**  |
| Tar Heel Capital OS LLC | 7,31% | 7,31% | - |
| Copernicus Capital TFI | 9,47% | 9,47% | 9,47% |
| Nationale-Nederlanden PTE | 5,53% | 5,53% | 5,53% |
| **Shareholders' Agreement including above 5 % of the Company's equity** | 51,00% | 51,00% | 51,00% |
| *Mariusz Ciepły* | *17,39%* | *17,39%* | *17,39%* |
| *Maciej Jarzębowski* | *12,70%* | *12,70%* | *12,70%* |
| *Jakub Sitarz* | *12,75%* | *12,75%* | *12,75%* |
| Others | 26,69% | 26,69% | 34,00% |
| **Shares in public trading** | 100,00% | 100,00% | 100,00% |
| **TOTAL** | **100,00%** | **100,00%** | **100,00%** |

The first listing of the Company's shares at the Warsaw Stock Exchange was on April 11th, 2014.

**Note 11.3 Issuer's shares owned by subsidiaries – no**

**Note 12 Supplementary capital**

|  |  |  |
| --- | --- | --- |
| **SUPPLEMENTARY CAPITAL in PLN** | **31.12.2016** | **31.12.2015** |
| a) from sales of shares above their nominal value | 0,00 | 0,00 |
| b) statutory | 171 666,67 | 171 666,67 |
| c) created according to the by-laws/contract above the minimum statutory value | 722 265,94 | 616 240,59 |
| d) from shareholders' additional payments | 0,00 | 0,00 |
| e) other (by nature) | 0,00 | 0,00 |
| **Total supplementary capital** | **893 932,61** | **787 907,26** |

**Note 13 Revaluation reserve**

As of December 31st, 2016 as well as of December 31st, 2015 the Company had no revaluation reserves.

**Note 14 Other reserve capitals ( by purpose)**

As of December 31st, 2016 as well as of December 31st, 2015 the Company had no other reserves.

**Note 15 Write-off on net profit during the financial year**

As of December 31st,2016 as well as of December 31st, 2015 the Company had no write-offs on net profit during the financial year.

**Note 16 Deferred income tax liability/ reserve**

Deferred tax liability / reserve refers to the difference between the value of particular assets and liabilities for tax and balance sheet purposes.

**Note 17. Change in the balance of short-term and long-term provisions for pension funds and similar**

Not applicable – The Company does not employ people on contracts basis.

**Note 18 Change in the balance of other long-term provisions**

no

**Note 19 Change in the balance of other short-term provisions**

no

**Note 20 Long-term liabilities**

As of December 31st,2016 as well as of December 31st, 2015 the Company had no long-term liabilities.

Note 21.1 Short-term liabilities

|  |  |  |
| --- | --- | --- |
| **SHORT-TERM LIABILITIES in PLN** | **31.12.2016** | **31.12.2015** |
| a) to related parties | 0,00 | 0,00 |
|  - credits and loans, including: | 0,00 | 0,00 |
|  - long-term falling due | 0,00 | 0,00 |
|  - arising from issuance of debt securities | 0,00 | 0,00 |
|  - dividend | 0,00 | 0,00 |
|  - other financial liabilities, including: | 0,00 | 0,00 |
|  - trade liabilities maturing: | 0,00 | 0,00 |
|  - up to 12 months | 0,00 | 0,00 |
|  - above 12 months | 0,00 | 0,00 |
|  - advance payments for deliveries | 0,00 | 0,00 |
|  - bill-of-exchange liabilities | 0,00 | 0,00 |
|  - other ( by nature) | 0,00 | 0,00 |
| b) to joint-subsidiaries  | 0,00 | 0,00 |
|  - credits and loans, including: | 0,00 | 0,00 |
|  - long-term falling due | 0,00 | 0,00 |
|  - arising from issuance of debt securities | 0,00 | 0,00 |
|  - dividend | 0,00 | 0,00 |
|  - other financial liabilities, including: | 0,00 | 0,00 |
|  - trade liabilities maturing: | 0,00 | 0,00 |
|  - up to 12 months | 0,00 | 0,00 |
|  - above 12 months | 0,00 | 0,00 |
|  - advance payments for deliveries | 0,00 | 0,00 |
|  - bill-of-exchange liabilities | 0,00 | 0,00 |
|  - other ( by nature) | 0,00 | 0,00 |
| c) to associated companies and other related entities  | 0,00 | 0,00 |
|  - credits and loans, including: | 0,00 | 0,00 |
|  - long-term falling due | 0,00 | 0,00 |
|  - arising from issuance of debt securities | 0,00 | 0,00 |
|  - dividend | 0,00 | 0,00 |
|  - other financial liabilities, including: | 0,00 | 0,00 |
|  - trade liabilities maturing: | 0,00 | 0,00 |
|  - up to 12 months | 0,00 | 0,00 |
|  - above 12 months | 0,00 | 0,00 |
|  - advance payments for deliveries | 0,00 | 0,00 |
|  - bill-of-exchange liabilities | 0,00 | 0,00 |
|  - other ( by nature) | 0,00 | 0,00 |
| d) to key investor | 0,00 | 0,00 |
|  - credits and loans, including: | 0,00 | 0,00 |
|  - long-term falling due | 0,00 | 0,00 |
|  - arising from issuance of debt securities | 0,00 | 0,00 |
|  - dividend | 0,00 | 0,00 |
|  - other financial liabilities, including: | 0,00 | 0,00 |
|  - trade liabilities maturing: | 0,00 | 0,00 |
|  - up to 12 months | 0,00 | 0,00 |
|  - above 12 months | 0,00 | 0,00 |
|  - advance payments for deliveries | 0,00 | 0,00 |
|  - bill-of-exchange liabilities | 0,00 | 0,00 |
|  - other ( by nature) | 0,00 | 0,00 |
| e) to parent company | 0,00 | 0,00 |
|  - credits and loans, including: | 0,00 | 0,00 |
|  - long-term falling due | 0,00 | 0,00 |
|  - arising from issuance of debt securities | 0,00 | 0,00 |
|  - dividend | 0,00 | 0,00 |
|  - other financial liabilities, including: | 0,00 | 0,00 |
|  - trade liabilities maturing: | 0,00 | 0,00 |
|  - up to 12 months | 0,00 | 0,00 |
|  - above 12 months | 0,00 | 0,00 |
|  - advance payments for deliveries | 0,00 | 0,00 |
|  - bill-of-exchange liabilities | 0,00 | 0,00 |
|  - other ( by nature) | 0,00 | 0,00 |
| f) to other entities | 1 273 330,65 | 2 287 088,55 |
|  - credits and loans, including: | 0,00 | 0,00 |
|  - long-term falling due | 0,00 | 0,00 |
|  - arising from issuance of debt securities | 0,00 | 0,00 |
|  - dividend | 0,00 | 0,00 |
|  - other financial liabilities, including: | 0,00 | 0,00 |
|  - trade liabilities maturing: | 622 316,70 | 465 714,40 |
|  - up to 12 months | 622 316,70 | 465 714,40 |
|  - above 12 months | 0,00 | 0,00 |
|  - advance payments for deliveries | 0,00 | 0,00 |
|  - bill-of-exchange liabilities | 0,00 | 0,00 |
|  - tax,customs, insurance and other payments | 651 013,95 | 1 821 374,15 |
|  - payroll liabilities | 0,00 | 0,00 |
|  - other | 0,00 | 0,00 |
| g) special funds (by titles) | 0,00 | 0,00 |
|  - employee benefit fund | 0,00 | 0,00 |
| **Total short-term liabilities**  | **1 273 330,65** | **2 287 088,55** |

**Note 21.2 Short-term liabilities ( currency structure)**

|  |  |  |
| --- | --- | --- |
| **SHORT-TERM LIABILITIES (CURRENCY STRUCTURE)** | **31.12.2016** | **31.12.2015** |
| a) in Polish zloty | 1 273 330,65 | 2 287 088,55 |
| b) in foreign currencies (after recalculating into PLN)) | 0,00 | 0,00 |
| **Total short-term liabilities** | **1 273 330,65** | **2 287 088,55** |

**Note 21.3 Short-term liabilities arising from loans and credits**

The company is not a party to any credit or loan agreements shown in statements.

**Note 21.4 Short-term liabilities arising from issuance of debt financial instruments**

The Company did not issue any debt financial instruments.

**Note 22. Other prepayments and accruals**

|  |  |  |
| --- | --- | --- |
| **OTHER PREPAYMENTS AND ACCRUALS in PLN** | **31.12.2016** | **31.12.2015** |
| a) prepaid costs | **1 351 117,99** | **836 217,20** |
|  - long-term | 0,00 | 0,00 |
|  - short-term (provision for the costs of maintaining IT infrastructure) | 1 351 117,99 | 836 217,20 |
| b) deferred income | 0,00 | 0,00 |
|  - long-term | 0,00 | 0,00 |
|  - short-term | 0,00 | 0,00 |
| **Other total prepayments and accruals** | **1 351 117,99** | **836 217,20** |

**Note 23 Additional information explaining the method of calculating the book value per single share and the diluted book value per single share:**

|  |  |  |
| --- | --- | --- |
|  | **31.12.2016** | **31.12.2015** |
| Book value | 32 140 371,35 | 21 265 813,58 |
| Number of shares | 25 750 000,00 | 25 750 000,00 |
| Book value per single share (in PLN) | 1,25 | 0,83 |
| Diluted number of shares | 25 750 000,00 | 25 750 000,00 |
| Diluted book value per single share (in PLN) | 1,25 | 0,83 |

**Explanatory notes to off -balance sheet items**

**Note 24 Contingent receivables from related parties**

no

**Note 25 Contingent liabilities to related parties**

no

**Notes to profit and loss statement**

**Note 26.1 Net revenues from sales of products (by type)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **NET REVENUES FROM SALES OF PRODUCTS (BY TYPE – TYPES OF ACTIVITIES) in PLN** | for the period of 3 months ending on December 31st , 2016 | for the period of 9 months ending on December 31st , 2016 |  | for the period of 3 months ending on December 31st , 2015 | for the period of 9 months ending on December 31st , 2015 |
|  - sales of products | 0,00 | 0,00 |  | 0,00 | 0,00 |
|  - including: from related parties | 0,00 | 0,00 |  | 0,00 | 0,00 |
|  - sales of services | 20 113 583,20 | 54 572 713,33 |   | 13 748 002,42 | 37 425 682,57 |
|  - including: from related parties | 19 969 436,72 | 54 572 713,33 |   | 13 569 553,05 | 36 788 457,53 |
| **Total net sales of products** | **20 113 583,20** | **54 572 713,33** |  | **13 748 002,42** | **37 425 682,57** |
|  - including: from related parties | 19 969 436,72 | 54 572 713,33 |   | 13 569 553,05 | 36 788 457,53 |

**Note 26.2 Net revenues from sales of products ( by territory)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **NET REVENUES FROM SALES OF PRODUCTS (BY TERRITORY) IN PLN** | for the period of 3 months ending on December 31st , 2016 | for the period of 9 months ending on December 31st , 2016 |  | for the period of 3 months ending on December 31st , 2015 | for the period of 9 months ending on December 31st , 2015 |
| a) country | 187 270,00 | 462 034,47 |   | 178 449,37 | 465 118,44 |
|  - including: from related parties | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - sales of products | 0,00 | 0,00 |  | 0,00 | 0,00 |
|  - including: from related parties | 0,00 | 0,00 |  | 0,00 | 0,00 |
|  - sales of services | 187 270,00 | 462 034,47 |   | 178 449,37 | 465 118,44 |
|  - including: from related parties | 0,00 | 0,00 |   | 0,00 | 0,00 |
| b) export | 19 926 313,20 | 54 110 678,86 |   | 13 569 553,05 | 36 960 564,13 |
|  - sales of products | 0,00 | 0,00 |  | 0,00 | 0,00 |
|  - including: from related parties | 0,00 | 0,00 |  | 0,00 | 0,00 |
|  - sales of services | 19 926 313,20 | 54 110 678,86 |   | 13 569 553,05 | 36 788 457,53 |
|  - including: from related parties | 19 969 436,72 | 54 110 678,86 |   | 13 569 553,05 | 36 788 457,53 |
| **Total net revenues from sales of products** | **20 113 583,20** | **54 572 713,33** |  | **13 748 002,42** | **37 425 682,57** |
|  - including: from related parties | 19 969 436,72 | 54 110 678,86 |   | 13 569 553,05 | 36 788 457,53 |

**Note 27 Net revenues from sales of goods and materials**

The Company does not sell goods and materials.

**Note 28 Cost by nature**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **COST BY NATURE in PLN** | for the period of 3 months ending on December 31st , 2016 | for the period of 9 months ending on December 31st , 2016 |  | for the period of 3 months ending on December 31st , 2015 | for the period of 9 months ending on December 31st , 2015 |
| Energy and materials used | 49 714,76 | 148 025,35 |   | 95 041,44 | 405 316,56 |
| External services | 4 301 754,49 | 12 716 713,04 |   | 3 398 867,72 | 8 772 697,96 |
| Taxes and charges | 60,00 | 410,00 |   | 600,00 | 1 534,60 |
| Salaries | 358 689,72 | 1 017 514,73 |   | 338 691,20 | 915 710,60 |
| Amortisation | 440 660,83 | 1 192 872,90 |   | 320 373,64 | 880 226,32 |
| Other cost | 568 101,28 | 1 850 446,11 |   | 445 116,94 | 1 223 161,15 |
| **Total cost by nature** | **5 718 981,08** | **16 925 982,13** |  | **4 598 690,94** | **12 198 647,19** |

**Note 29 Other operating revenues**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **OTHER OPERATING REVENUES in PLN** | for the period of 3 months ending on December 31st ,2016 | for the period of 9 months ending on December 31st , 2016 |  | for the period of 3 months ending on December 31st , 2015 | for the period of 9 months ending on December 31st , 2015 |
| a) gain on disposal of non-financial fixed assets | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - revenues from disposal of non-financial fixed assets | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  -net value of non-financial fixed assets | 0,00 | 0,00 |   | 0,00 | 0,00 |
| b) subsidies | 0,00 | 0,00 |   | 0,00 | 0,00 |
| c) other operating revenues | 3 224,66 | 9 232,46 |   | -2 009,45 | 2 255,74 |
|  - annual adjustment | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - other operating revenues | 3 224,66 | 9 232,46 |   | -2 009,45 | 2 255,74 |
| **Total other operating revenues** | **3 224,66** | **9 232,46** |  | **-2 009,45** | **2 255,74** |

**Note 30 Other operating expenses**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **OTHER OPERATING EXPENSES in PLN** | for the period of 3 months ending on December 31st , 2016 | for the period of 9 months ending on December 31st , 2016 |  | for the period of 3 months ending on December 31st , 2015 | for the period of 9 months ending on December 31st , 2015 |
| a) loss on disposal of non-financial fixed assets | 0,00 | 0,00 |   | 0,00 | 0,00 |
| b) revaluation of non-financial assets | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - revaluation write-offs | 0,00 | 0,00 |   | 0,00 | 0,00 |
| c) other operating expenses  | 0,00 | 0,01 |   | -2 000,06 | 0,00 |
|  - donations | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - provision for expenses | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - annual adjustment of VAT | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - penalty for earlier termination of a contract  | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - other operating expenses  | 0,00 | 0,01 |   | -2 000,06 | 0,00 |
| **Total operating expenses** | **0,00** | **0,01** |  | **-2 000,06** | **0,00** |

**Note 31.1 Financial revenues arising from dividend and profit sharing**

As of December 31st, 2016 the item is not present

**Note 31.2 Financial revenues arising from interest**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **FINANCIAL REVENUES FROM INTEREST in PLN** | for the period of 3 months ending on December 31st , 2016 | for the period of 9 months ending on December 31st , 2016 |  | for the period of 3 months ending on December 31st , 2015 | for the period of 9 months ending on December 31st , 2015 |
| a) loans granted | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - from related parties, including: | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - from related parties | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - from joint subsidiaries | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - from associated and other companies | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - from key investor | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - from parent company | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - from other entities | 0,00 | 0,00 |   | 0,00 | 0,00 |
| b) other interest  | 8 690,03 | 110 121,17 |   | 30 913,71 | 122 618,97 |
|  - from related parties, including: | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - from related parties | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - from joint subsidiaries | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - from associated and other companies | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - from key investor | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - from parent company | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - from other entities | 8 690,03 | 110 121,17 |   | 30 913,71 | 122 618,97 |
| **Total financial revenues arising from interest** | **8 690,03** | **110 121,17** |  | **30 913,71** | **122 618,97** |

**Note 31.3 Other financial revenues**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **OTHER FINANCIAL REVENUES in PLN** | for the period of 3 months ending on December 31st , 2016 | for the period of 9 months ending on December 31st , 2016 |  | for the period of 3 months ending on December 31st , 2015 | for the period of 9 months ending on December 31st , 2015 |
| a) revaluation exchange rate gains | 843 715,54 | 903 371,46 |   | 104 062,32 | 104 062,32 |
| b) reserve release | 0,00 | 0,00 |   | 0,00 | 0,00 |
| c) other | 0,00 | 0,00 |   | 0,00 | 0,00 |
| **Total other financial revenues** | **843 715,54** | **903 371,46** |  | **104 062,32** | **104 062,32** |

**Note 32.1 Financial expenses arising from interest**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **FINANCIAL EXPENSES FROM INTEREST in PLN** | for the period of 3 months ending on December 31st , 2016 | for the period of 9 months ending on December 31st , 2016 |  | for the period of 3 months ending on December 31st , 2015 | for the period of 9 months ending on December 31st , 2015 |
| a) loans granted | 0,00 | 0,00 |   |   | 0,00 |
|  - to related parties, including: | 0,00 | 0,00 |   |   | 0,00 |
|  - to related parties | 0,00 | 0,00 |   |   | 0,00 |
|  - to joint subsidiaries | 0,00 | 0,00 |   |   | 0,00 |
|  - to associated and other companies | 0,00 | 0,00 |   |   | 0,00 |
|  - to key investor | 0,00 | 0,00 |   |   | 0,00 |
|  - to parent company | 0,00 | 0,00 |   |   | 0,00 |
|  - to other entities | 0,00 | 0,00 |   |   | 0,00 |
| b) other interest  | 4 338,00 | 6 669,52 |   | 25,75 | 54,09 |
|  - to related parties, including: | 0,00 | 0,00 |   |   | 0,00 |
|  - to related parties | 0,00 | 0,00 |   |   | 0,00 |
|  - to joint subsidiaries | 0,00 | 0,00 |   |   | 0,00 |
|  - to associated and other companies | 0,00 | 0,00 |   |   | 0,00 |
|  - to key investor | 0,00 | 0,00 |   |   | 0,00 |
|  - to parent company | 0,00 | 0,00 |   |   | 0,00 |
|  - to other entities | 4 338,00 | 6 669,52 |   | 25,75 | 54,09 |
| **Total financial expenses arising from interest** | **4 338,00** | **6 669,52** |  | **25,75** | **54,09** |

**Note 32.2 Other financial expenses**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **OTHER FINANCIAL EXPENSES in PLN** | for the period of 3 months ending on December 31st 2016 | for the period of 9 months ending on December 31st 2016 |  | for the period of 3 months ending on December 31st , 2015 | for the period of 9 months ending on December 31st , 2015 |
| a) loss on exchange rates | 332 428,17 | 332 439,81 |   | 191 492,02 | 608 054,50 |
| b) created reserves (due to) | 0,00 | 0,00 |   | 0,00 | 0,00 |
|  - revaluation write-offs to receivables | 0,00 | 0,00 |   | 0,00 | 0,00 |
| c) other | 0,00 | 0,00 |   | 0,00 | 0,00 |
| **Total other financial expenses**  | **332 428,17** | **332 439,81** |  | **191 492,02** | **608 054,50** |

**Note 33.1 Extraordinary gains**

no

**Note 33.2 Extraordinary losses**

no

**Note 34 Current income tax**

|  |  |  |
| --- | --- | --- |
| **CURRENT INCOME TAX in PLN** | for the period of 9 months ending on December 31st 2016 | for the period of 9 months ending on December 31st 2015 |
| 1. Gross profit (loss) | 38 330 346,95 | 24 847 923,82 |
| 2. Difference between gross profit (loss) and an income tax base ( by nature)  | 2 089 981,05 | 1 085 283,96 |
| a) increasing the taxable base | 2 089 981,05 | 1 085 283,96 |
|  -taxable income | 0,00 | 0,00 |
|  - costs that are not tax-deductible expenses | 2 089 981,05 | 1 085 283,96 |
| b) decreasing the taxable base | 0,00 | 0,00 |
|  - revenues that are not fixed tax-deductible revenues | 0,00 | 0,00 |
|  - costs that for tax calculation purposes are tax year costs  | 0,00 | 0,00 |
| 3. Income tax base | 40 420 328,00 | 25 933 207,78 |
| 4. Income tax according to the rate of 19% | 7 679 862,32 | 4 927 309,48 |
| 5. Tax increases, waivers, exemptions, deductions  | 0,00 | 0,00 |
| **6. Current income tax shown in a tax return for the period, including:** | **7 679 862,30** | 4 927 309,48 |
|  - shown in the profit and loss statement | 7 598 908,21 | 4 885 017,50 |
|  - change in the balance of deferred income | -80 954,09 | -42 291,98 |

**Note 35 Deferred tax, shown in the profit and loss statement**

The deferred income tax balance shown in the profit and loss statement results from changes in the assets and provisions for deferred tax. The basic reasons for generating the deferred tax temporary differences result from changes in the estimate values related to the IT infrastructure maintenance expenses.

**Note 36 Other statutory reductions in profit (increases in loss)**

no

**Note 37 Profit per single share**

|  |  |  |
| --- | --- | --- |
|  | for the period of 9 months ending on December 31st 2016 | for the period of 9 months ending on December 31st 2015 |
|  Net profit | 30 731 438,74 | 19 962 906,32 |
|  Number of shares | 25 750 000,00 | 25 750 000,00 |
|  Book value per single share ( in PLN) | 1,19 | 0,78 |
|  Diluted number of shares | 25 750 000,00 | 25 750 000,00 |
|  Diluted book value per single share  | 1,19 | 0,78 |

Profit per single share was calculated as a product of the net profit as shown in the financial statement and the average weighted number of shares.

**Explanatory notes to cash flow statement**

|  |  |  |
| --- | --- | --- |
| **CASH OPENING AND CLOSING BALANCE/STRUCTURE**  | for the period of 9 months ending on December 31st 2016 | for the period of 9 months ending on December 31st 2015 |
| a) total cash (opening balance) | 22 811 876,81 | 13 951 813,27 |
|  - cash in hand and at bank | 22 811 876,81 | 13 951 813,27 |
|  - other cash | 0,00 | 0,00 |
| b) total cash (closing balance) | 17 015 617,10 | 12 259 404,83 |
|  - cash in hand and at bank | 17 015 617,10 | 12 259 404,83 |
|  - other cash | 0,00 | 0,00 |
| Change in the balance of cash | -5 796 259,71 | -1 692 408,44 |
| Cash from operating activity | 23 746 906,67 | 17 791 913,12 |
| Cash from investment activity | -1 733 166,38 | -1 201 821,56 |
| Cash from financial activity | -27 810 000,00 | -18 282 500,00 |

**FURTHER EXPLANATORY NOTES**

**Note 1 Information on financial instruments**

**Note 1.1** As of the balance sheet date the Company's financial assets are formed of shares/stocks in the related company LiveChat Inc., and cash.

The company does not have any other financial instruments, especially contracts referred to in the regulation of the Cabinet of December 12th, 2001 concerning detailed principles of recognition, valuation methods and scope of disclosure and the way of presenting financial documents.

**Note 1.2** For financial assets available for sale or intended for trading, evaluated at the adjusted acquisition cost, if it is not possible to reliably measure the fair value of the assets, their balance sheet value should be indicated along with stating the reasons for which their fair value cannot be fixed reliably, as well as, if possible – defining the range within which the fair value of those instruments can be contained.

Not applicable

**Note 1.3** For financial assets and financial liabilities, the fair value of which is not determined, it is recommended to provide:

a) information on their fair value; if, for some reasons, the fair value of such assets or liabilities has not been fixed, this should be indicated along with a basic characteristics of financial instruments, that in other circumstances would have been evaluated at the price determined on the regulated active market where public trading in financial instruments takes place and the information on this price is available.

b) in case the fair value of assets and financial liabilities is lower than their balance sheet value – the balance sheet as well as the fair vale of a particular item or a group of items, the reasons for failing to make revaluation write-offs to the balance sheet value of such items as well as the prospects of recovering the indicated value in full amount.

Not present

**Note 1.4** In case of an agreement resulting in transformation of financial assets into securities or in case of repurchase agreements, it is necessary to provide for each transaction individually:

a) character and size of the transactions made, including description of accepted or granted guarantees and securities, data accepted for calculation of the fair value of interest inflows related to agreements made in a particular period as well as transactions made in previous periods, both completed as well as continuing in a particular period.

b) information on financial assets excluded from accounting books during the reporting period.

No

**Note 1.5** In case of reclassification of financial assets evaluated at their fair value into assets evaluated at the adjusted acquisition cost, the reasons for changing valuation method should be given.

no

**Note 1.6** In case of impairment loss on financial assets is recognised or due to the fact that the reason for which such loss is recognized ceases , or the value of the asset is increased, it is necessary to indicate the amounts of write-offs decreasing or increasing the value of financial assets.

Such write-offs were not made.

**Note 1.7** For debt financial instruments, loans granted or own receivables it is necessary to indicate interest revenue calculated by means of interest rates resulting from contracts made, divided into assets categories the interest refers to, however, the interest calculated and realized in a particular period and the interest calculated but unrealized should be indicated separately. Unrealized interest should be indicated divided by payment dates:

- up to 3 months 0,00 PLN

- above 3 months to 12 months 0,00 PLN

- above 12 months 0,00 PLN

not applicable

**Note 1.8** For write-offs to loans granted or own receivables arising from impairment loss on such loans, it is necessary to indicate the unrealized interest calculated on such receivables.

 No applicable

**Note 1.9** For financial liabilities, it is necessary to indicate cost of interest on the liabilities calculated with interest rates resulting from concluded contracts, divided into interest cost related to liabilities recognised as intended for trading, other short-term financial liabilities and long-term financial liabilities; the cost of interest calculated and realized in a particular period should be indicated separately from the cost of interest calculated but unrealized. Unrealized interest should be indicated divided by payment dates:

- up to 3 months 0,00 PLN

- above 3 months to 12 months 0,00 PLN

- above 12 months 0,00 PLN

Not present

**Note 1.10** It is necessary to provide information on financial risk management objectives and methods, including division into fair value hedges, cash flow hedges and hedges of net investments in foreign operations, as well as information on, at least:

a) description of hedge type,

b) description of hedging instruments

c) characteristics of a risk type hedged.

**Such instruments do not occur, however risk the Company is exposed to, including financial risk , is presented in items 12 and 13 of the attached report of the Board on the Company's performance in the period under analysis. The Company does not use financial risk hedges.**

**Note 1.11** In case of hedging a planned transaction or highly probable future liabilities, it is necessary to provide information on financial risk management objectives and methods, divided into hedges of basic types of planned transactions and highly probable future liabilities, and furthermore information on, at least:

a) description of a hedged item, including the expected time of the planned transaction occurrence or future liability falling due,

b) description of hedging instruments used,

c) amount of all deferred or not calculated profit or loss as well as the expected date of recognising them as financial revenues or expenses.

Not applicable

**Note 1.12** If profit or loss on evaluation of hedging documents, both being financial derivatives, or other assets or liabilities, in case of hedging cash flows was reflected in revaluation capital, it is necessary to indicate:

a) amounts of write-offs increasing or decreasing revaluation capital,

b) amounts of write-offs on revaluation capital booked as financial revenues or expenses,

c) amounts of write-offs on revaluation capital added to acquisition cost/ purchase price or an opening balance determined in another way on the day an asset or liability was entered into the books, which until this day was covered by a transaction or was a highly probable future liability hedged item

no

**1.a** Information on possessed financial instruments including embedded derivatives

no

**Note 2.** Note on off-balance sheet items, especially in contingent liabilities, including guarantees made by the Company ( also in bonds)

no

**Note 3** Liabilities towards the state budget of self-governments due to the rights of title to buildings and structures granted

As of December 31st, 2016 the Company had no liabilities towards the state budget or self-governments due to the rights of title to buildings

**Note 4** Revenues, expenses and results of discontinued activity during the reporting period or prospected to be discontinued in the next period

During the reporting period the Company did not discontinue any of the activities it had run , it does not expect that those activities will be discontinued in next periods

**Note 5** Cost of manufacture of fixed assets under construction, fixed assets for the Company's own needs

During the reporting period there were no costs of manufacture of fixed assets under construction or fixed assets for the Company's own needs.

**Note 6** Investments made

In the reporting period the Company made investments on purchase of fixed assets amounting to 222 864,34 PLN.

The Company does not have to make nor makes any investments related to environmental protection.

**Note 7** Information on transactions made with related parties upon other than market conditions, including amounts and character of those transactions

The Company did not make transactions with related parties under other than market conditions.

Figures concerning related parties:

a) mutual receivables and payables,

b) costs and revenues of mutual transactions,

c) other data necessary for drawing up a consolidated financial statement

Revenues from sales to LiveChatInc 54 110 678,86 PLN

Cost of services purchased from LiveChatInc 9 869 202, 05 PLN

Receivables due from LiveChatInc 6 363 812, 38 PLN

Liabilities to LiveChatInc 0,00 PLN

**Note 7a.** Information on the character and economic objective of the agreements concluded by the Issuer not reflected in the balance sheet to the extent needed for evaluating their effect on the financial standing and the financial result.

**Lock up agreement**

On December 11th, 2013 the Company's shareholders, namely Mariusz Ciepły, Urszula Jarzębowska, Maciej Jarzębowski, Szymon Klimczak, Krzysztof Górski and Jakub Sitarz made an agreement not to dispose of the Issuer's shares for a period of 36 months commencing on the day of the Allocation of Shares intended for sale without a prior consent of the representative, the appointed Mariusz Ciepły. In case of the intention to sell shares to shareholders subject to the agreement, the right of pre-emption shall govern.

**Note 8 Information on joint undertakings not subject to consolidation**

not presented

**Note 9 Information on average employment divided into professional groups.**

The Company does not employ employees on contract basis. It regularly cooperates with 69 persons.

**Note 10** Total amount of salaries and prizes ( in cash and in kind) paid or due, separately to the management and supervisory staff, in the Company's enterprise and due to exercising functions in the authorities of subsidiaries, joint subsidiaries and associated companies.

|  |  |  |
| --- | --- | --- |
| **Name** | **01.04.2016 – 31.12.2016** | **01.04.2015 – 31.12.2015** |
| Mariusz Ciepły | 162 000,00 | 162 000,00 |
| Urszula Jarzębowska | 108 000,00 | 108 000,00 |
| Total |  270 000,00 | 270 000,00 |

Members of the Supervisory Board did not receive salaries.

**Note 11** Information on the amount of unpaid advances, credits, loans, guarantees or other agreed commitments to payments for the Company, given by the Company to managing and supervisory staff.

As of December 31th, 2016 the Company had payables due to advances amounting to:

 - Mariusz Ciepły - 115 653,21 PLN

 - Urszula Jarzębowska - 61 770,50 PLN

**Note 11a.**

a) Date of entering into an audit agreement with an auditor on auditing or reviewing the financial statement/ *consolidated financial statement* and of the period for which the agreement was concluded.

Date of entering into the audit contract: April 20th, 2016. The audit covers the period of time from April 1st, 2015 until March 31st, 2016. The agreement also comprises reviewing the financial statement for the period from April 1st, 2016 until September 30th, 2016.

b) remuneration of the auditor or an entity authorized to control financial statements, paid to or due to for the business year separately for:

a) auditing the financial statement/*consolidated financial statement*

*2015/16 2014/15*

Auditing the separate financial statement 16.000 PLN 16.000 PLN

Auditing the consolidated financial statement 4.000 PLN 4.000 PLN

Total 20.000 PLN 20.000 PLN

b) other certification services, including

review of the financial statement/ 12.000 PLN 12.000 PLN
*consolidated financial statement*

c) tax consulting

d) other 0,00 PLN 50.000,00 PLN

e) information in b) should also indicate the figure for the previous business year

**Note 12 Information on significant events in previous years comprised by the financial statement for the present period.**

No events of such type

**Note 13 Information on significant events after the balance sheet day not comprised by the financial statement.**

After the balance sheet day there were no significant events that were not recognised in the financial statement.

**Note 14 Information on the relations of the legal predecessor with the Issuer and on the method of taking over assets and liabilities.**

By virtue of a decision of the Regional Court of Wrocław-Fabryczna VI Economic Division – National Court Register of June 28th, 2002 into the Register of Entrepreneurs of the National Court Register there were entered the particulars of LIVECHAT Ltd. Based in Wrocław – the legal predecessor of the Issuer.

On September 10th, 2007 the Shareholders' Meeting of LIVECHAT Ltd. passed a resolution on transformation of the Company into a joint stock. The resolution was recorded by the Notary Public Marek Leśniak of the Notarial Office Leśniak i Kawecka-Pysz partnership based in Wrocław under repertory A no 1324/2007.

By virtue of a decision of the Regional Court of Wrocław-Fabryczna VI Economic Division – National Court Register of October 16th, 2007 the transformation was entered into the National Court Register as well as the name of the Issuer LIVECHAT Software Joint Stock was entered into the said register under the number KRS 0000290756.

**Note 15** Financial statement and comparable data, at least with reference to the basic items in the balance sheet and profit and loss statement/ consolidated financial statement and consolidated profit and loss statement, adjusted by the relevant inflation index, indicating the source of the index and the application method, recognising the period of the last financial statement as the reference period – if the accumulated average annual inflation rate for the past three years of the Issuer's business activities reached or exceeded 100%

not applicable

**Note 16** Listing and explaining differences between the data reflected in the financial statement and the comparable data and previously drawn up and published statements

not applicable

**Note 17**  Changes in the accounting principles (policy) applied and the method of drawing the financial statement up made in relation to the previous business year (or business years), the reasons, titles and the effect of the resulting financial outcomes onto the financial standing, liquidity, financial result and profitability.

not applicable

**Note 18** Adjustments made, their reasons, titles and the effect of the resulting financial outcomes onto the financial standing, liquidity, financial result and profitability.

In the business year ending on December 31st, 2016, there were no adjustments made in the books.

**Note 19** In case of uncertainty concerning the possibilities of continuing activities, description of such uncertainties as well as stating that such an uncertainty occurs and indicating whether the financial statement contains adjustments thereof. It is also necessary to describe the actions taken or planned to be taken by the Company in order to eliminate uncertainty.

The financial statement was made with the belief that the Company will continue its activities in foreseeable future.

There are no circumstances known that might threaten continuation of the activities run by the Company.

**Note 20** Merger

During the reporting period there was no Company's merger with other business entity.

**Note 21** In case of evaluating shares and stocks for the purpose of the financial statement property rights were not applied it is necessary to indicate what effects would have been brought with their application and how this would have affected the financial result.

The Company does not have subsidiaries the shares/stocks of which are evaluated by equity method.

**Note 22** Drawing up the consolidated statements

The presented financial statement is a separate statement of LIVECHAT Software SA. As the parent Company in the Capital group of LIVECHAT Software SA, the Company has also drawn up a consolidated statement.

**Note 23** Description of significant actions or failures of the Issuer during the reporting period including the list of the most important circumstances or events that concern the Issuer.

The most important activities during the period the financial statement refers to are connected with systematic development of customer base.

**Note 24.** Description of factors and events, especially of non-typical character, having an impact on the financial results generated.

Owing to the fact that major transactions are made in USD, the fluctuations in this currency rate have an effect of financial figures. During the period subject to the interim statement the relation of USD to PLN strengthened.

**Note 25.** Explanations of cyclicality and seasonality of the Issuer's activities in the period reported.

Not applicable

**Note 27.** Information on impairment write-offs to financial assets, tangible fixed assets, intangible assets or other assets and such write-offs reversal.

Did not happen

**Note 28.** Information on creation, increase, use or release of the reserve.

The only item of the reserve as of December 31st, 2016 was the provision for deferred income tax in the amount of 493,08 PLN. On December 31st, , 2015 this item was not present.

**Note 30.** Information on major purchases or sale of tangible fixed assets

The purchases made in the first quarter of the business year 2016/2017 amounting to 222 864,34 PLN merely concerned computer equipment. During the analysed period the Company did not sell significant tangible fixed assets.

**Note 31.** Information on significant liability due to a purchase of tangible fixed assets

Did not occur

**Note 32.** Information on significant settlements owing to litigation.

During the period subject to the financial statement the Company was not a party in any lawsuit.

**Note 33.** Indication of adjustments in the previous periods.

Did not occur

**Note 34.** Information on any changes in the economic standing and business conditions which might have a material effect on the fair value of the Company's financial assets and liabilities.

As referred to in note 24, owing to invoicing in USD, the value of financial assets such as receivables and cash as well as trade liabilities depends on fluctuations of USD.

**Note 35.** Information on failure to repay any loans or credits or on violation of material provisions of any credit or loan agreements which were not repaired until the end of the reporting period.

Not applicable

**Note 37.** Changes in the method of fixing the fair value of financial instruments

Did not occur

**Note 38.** Changes in the method of financial asset classification as a result of changing the purpose or use of such assets

Did not occur

**Note 39.** Information on issuance, buyout and payment of capital and non-share securities

Not applicable.

**Note 40.** Information on paid ( or declared) dividend, in total and per single share, divided into ordinary and preference shares.

The Company's shares are not preference shares . The total amount of the dividend paid from the profit generated in the business year ending on March 31st 2016 was 27 810 000,00 PLN. The value of the dividend per single share was 1,08 PLN.

**Note 41.** Events that happened after the day on which the financial statement was made not comprised by the report, which might have a material effect on future financial results of the Issuer.

There were no such events

**Note 42.** Information on changes in contingent liabilities or assets which have happened since the end of the previous business year.

Not present

**Note 43.** Other information that might have a material effect on assessment of the Issuer's assets, its financial standing and results.

Not present

Wrocław, February 2nd, 2017

Mariusz Ciepły, President of the Board

Urszula Jarzębowska, member of the Management Board