

**REPORT OF THE SUPERVISORY BOARD  
LIVECHAT SOFTWARE SPÓŁKA AKCYJNA  
ON THE ASSESSMENT OF  
FINANCIAL STATEMENTS OF LIVECHAT SOFTWARE SA  
FOR THE PERIOD FROM 01/04/2017 - 31/03/2018**

**CONSOLIDATED FINANCIAL STATEMENTS  
CAPITAL GROUP LIVECHAT SOFTWARE  
FOR THE FINANCIAL YEAR ENDED 31/03/2018**

**REPORT OF MANAGEMENT BOARD ON THE ACTIVITY OF LIVECHAT SOFTWARE SA  
AND LIVECHAT SOFTWARE CAPITAL GROUP  
FOR A PERIOD OF 12 MONTHS ENDED ON 31/03/2018**

**AND**

**THE PROPOSAL OF THE MANAGEMENT BOARD OF LIVECHAT SOFTWARE SA CONCERNING  
THE METHOD OF DIVIDING NET PROFIT  
FOR THE PERIOD FROM 1/04/2017 - 31/03/2018**

**WROCŁAW, 1 AUGUST 2018**

## I. Introduction

Acting on the basis of Art. 382(3) of the Code of Commercial Companies and (13) para. 14 point 1), 2), 3) of the Articles of Association of LIVECHAT Software SA (hereinafter also referred to as the "Company"), Supervisory Board of the Company (hereinafter: the Supervisory Board) hereby presents to the Ordinary General Meeting of LIVECHAT Software SA Report of the Supervisory Board including the results of the evaluation of the following documents:

- 1) Financial statements of LIVECHAT Software SA for the period from April 1, 2017 to March 31, 2018,
- 2) Consolidated Financial Statements for the financial year ended March 31, 2018 of the LIVECHAT Software Capital Group
- 3) Report of the Management Board on the activities of LIVECHAT Software SA and the LIVECHAT Software Capital Group for the period of 12 months ended March 31, 2018,
- 4) The Management Board's proposal regarding the method of distribution of net profit for the financial year starting on April 1, 2017 and ended on March 31, 2018.

The audit of the aforementioned LIVECHAT Software SA reports was carried out by the auditing company No. 4123 HLB M2 Spółka z ograniczoną odpowiedzialnością AUDIT PIE Sp. k. with its registered office in Warsaw (hereinafter also referred to as: an auditor, an auditing company or a statutory auditor), which was appointed by the Supervisory Board to conduct statutory audit of the Company's financial statements.

As at March 31, 2018, the following persons were members of the Supervisory Board:

- 1) Maciej Jarzębowski - Chairman of the Supervisory Board
- 2) Michał Markowski
- 3) Jakub Sitarz
- 4) Marcin Mańdziak 5) Marta Ciepła.

On November 15, 2017 Mr. Andrzej Różycki, a member of the Supervisory Board, resigned from the Supervisory Board.

On December 19, 2017, the Extraordinary General Meeting of Shareholders supplemented the composition of the Supervisory Board, appointing by resolution no. 04/12/2017 Mr. Michał Markowski as member of the Supervisory Board.

The Supervisory Board presents the results of the assessment in this Report.

## II. Financial statements of LIVECHAT Software SA for the period from April 01, 2017 to March 31, 2018, as compliant with the Accounting Act

The Supervisory Board, guided by the recommendation of the Audit Committee of the Supervisory Board expressed in Resolution No. 01/2018 of 20/03/2018, entrusted the audit of the statutory Financial Statements of the Company for the financial year starting on April 1, 2017 and ended March 31, 2018 to **HLB M2 Spółka z o.o. AUDIT PIE Sp. k.** with a registered office in Warsaw, auditing company No. 4123. On behalf of the authorized entity, the study was conducted by **Damian Uszko** Key Certified Auditor No. 13135.

The decision on the appointment of the auditor was expressed by the resolution of the Supervisory Board No. 01/2018 of March 20, 2018. The audit was conducted on the basis of contract No. **005 / PIE** concluded on April 9, 2018.

The audit of the Company's Financial Statements was conducted with the active participation of the members of the Supervisory Board Audit Committee. The Audit Committee on July 27-30, 2018, conducted a vote using means of direct remote communication, that is by e-mail, and adopted Resolution No. 03/2018 regarding *information on the review of the Financial Statement of LIVECHAT Software SA audited by the auditor for the period from 1/04/2017 to 31/03/2018, of the Consolidated Financial Report*

*of LIVECHAT Software Financial Capital Group for the period from 1/04/2017 to 31/03/2018, Report of the Management Board on the activities of LIVECHAT Software SA and the LIVECHAT Software Capital Group for the period of 12 months ended March 31, 2018.*

The Audit Committee provided the Supervisory Board with the following information:

- 1) The Audit Committee reviewed the audited accounts audited, that is: *Financial Statements of LIVECHAT Software SA for the period from 1/04/2017 to 31/03/2018, the Consolidated Financial Statements of LIVECHAT Software Financial Capital Group for the period from 1/04/2017 to 31/03/2018, Report of the Management Board on the activities of LIVECHAT Software SA and the LIVECHAT Software Capital Group for the period of 12 months ended March 31, 2018 - and does not bring any comments or objections to the content of the above-mentioned documents*
- 2) The Audit Committee familiarized itself with the results of the statutory audit of the reports described in item 1) above, and in particular read the auditor's statement: *"Additional report for the Audit Committee on the audit of the annual financial statements of LIVECHAT Software SA and the consolidated financial statements of the LIVECHAT Software SA Capital Group for the period from 01/04/2017 - 31/03/2018"* and does not make any comments on the results of the audit described in point 1 ) above, positively assessing the manner and course of the statutory audit of reports, made by the auditing company, including the demonstration of issues related to the functioning of the internal control system in the Company
- 3) The Audit Committee read the audit firm's statement of independence and did not find any facts that could undermine the veracity of the statement
- 4) The Audit Committee confirms that the auditing firm did not provide any other permitted services to LIVECHAT Software SA, other than auditing the LIVECHAT Software SA reports.

The Audit Committee formulated the following recommendation addressed to the Supervisory Board:

*"The Audit Committee recommends to the Supervisory Board of LIVECHAT Software SA issuing a recommendation regarding the need to improve the internal control system in the Company, to the extent indicated by the auditing company and issuing a positive opinion and assessment in relation to the audited company:*

- *Financial Statement of LIVECHAT Software SA for the period from 1/04/2017 to 31/03/2018,*
- *Consolidated Financial Statement of LIVECHAT Software Capital Group for the period from 1/04/2017 to 31/03/2018,*
- *Report of the Management Board on the activities of LIVECHAT Software SA and the LIVECHAT Software Capital Group for the period of 12 months ended March 31, 2018.*

Having read the information and recommendations of the Audit Committee and the *"Independent Auditor's Report on the Audit of the annual separate financial statements for the period 01/04/2017 - 31/03/2018 of LIVECHAT Software SA"* and based on own analyses of the financial report in question, the Supervisory Board states that it has been drawn up in all material respects, in accordance with the Accounting Act and the accounting principles (policy) adopted by the Company.

**The Company's Financial Statements for the period from 1/04/2017 - 31/03/2018 include:**

- 1) introduction to the financial statements;
- 2) balance sheet as at March 31, 2018, assets and liabilities amounting to PLN 47,933,940.15;
- 3) profit and loss account for the period from April 1, 2018, to March 31, 2018, showing a net profit of PLN 48,073,333.49;
- 4) statement of changes in equity for the period from April 1, 2017, to March 31, 2018, showing an increase in equity amounting to PLN 435,833.49;
- 5) cash flow statement for the period from April 1, 2017, to March 31, 2018, showing a decrease in net cash by the amount of PLN 4,937,698.30; additional information and explanations.

**The Auditor prepared and submitted to the Company:**

- 1) Report of the independent certified auditor on the audit of the annual separate financial statements for the period from 1/04/2017 - 31/03/2018
- 2) Additional report to the Audit Committee on the audit of the annual financial statements of LIVECHAT SOFTWARE SA for the period 01/04/2017 - 31/03/2018. **In the presented audit report, the auditor stated:**

*"In our opinion, the attached annual financial statements:*

- *provide a reliable and clear picture of the assets and financial position of the entity as at March 31, 2018, and its financial result for the financial year from April 1, 2017 to March 31, 2018, in accordance with the applicable provisions of the Act about accounting and adopted accounting principles (policy),*
- *have been prepared in accordance with the provisions of Chapter 2 of the Accounting Act on the basis of correctly kept accounting books,*
- *are in accordance with the form and content of the entity's legal regulations and the entity's statute, including the Regulation of the Minister of Finance of February 19, 2009, on current and periodic information provided by issuers of securities and conditions for recognizing information required by law as equivalent non-member state (unified text Journal of Laws of 2014, item 133, as amended)."* **In connection with the above, the Supervisory Board:**
- **recommends that the Management Board of the Company undertake actions aimed at improving the functioning of the internal control system in the Company, to the extent indicated by the auditing company**
- **recommends to the Ordinary General Meeting to approve the Company's Financial Statements for the financial year starting on April 1, 2017 and ended on March 31, 2018 as being consistent with the provisions of the Accounting Act.**

### **III. Assessment of the Consolidated Financial Statements of the LIVECHAT Software Capital Group for the financial year ended March 31, 2018, as consistent with the International Financial Reporting Standards**

The Supervisory Board, guided by the recommendation of the Audit Committee of the Supervisory Board expressed in Resolution No. 01/2018 of 20/03/2018, entrusted the audit of the statutory Consolidated Financial Statements of the LiveChat Software Capital Group for the financial year ended March 31, 2018 to **HLB M2 Spółka z o.o. AUDIT PIE Sp. k.** with a registered office in Warsaw, auditing company No. 4123. On behalf of the authorized entity, the study was conducted by **Damian Uszko** Key Certified Auditor No. 13135. The decision on the appointment of the auditor was expressed by the resolution of the Supervisory Board No. 01/2018 of March 20, 2018.

The audit was conducted on the basis of contract No. **005 / PIE** concluded on April 9, 2018.

The audit of the Consolidated Financial Statements was carried out with the active participation of members of the Supervisory Board Audit Committee. *The Audit Committee on 27-30.07.2018 adopted Resolution No. 03/2018 regarding audit by the auditor of Financial Statements of LIVECHAT Software SA for the period from 1/04/2017 to 31/03/2018, the Consolidated Financial Statements of LIVECHAT Software Financial Capital Group for the period from 1/04/2017 to 31/03/2018, Report of the Management Board on the activities of LIVECHAT Software SA and the LIVECHAT Software Capital Group for the period of 12 months ended March 31, 2018.* Information and recommendations of the Audit Committee are presented on page 3 of this Report.

Having read the information and recommendations of the Audit Committee and the *"Independent Auditor's Report on the Audit of the annual separate financial statements for the period 01/04/2017 - 31/03/2018 of LIVECHAT Software SA"* and based on our own analyses of the LIVECHAT Software Capital Group's consolidated financial statements, the Supervisory Board states that it has been prepared in all material respects, in accordance with International Accounting Standards, International Financial Reporting

Standards and related interpretations announced in the form of European Commission regulations the accepted accounting principles (policy).

**The consolidated financial statements of the LIVECHAT Software Capital Group include:**

- 1) introduction to the consolidated financial statements;
- 2) the consolidated statement of financial position as at March 31, 2018, the assets and liabilities amounting to PLN 48,643,508;
- 3) the consolidated statement of financial result and comprehensive income for the period from April 1, 2017 to March 31, 2018 showing a net profit of PLN 48,305,126 and total income in the amount of PLN 48,222,908;
- 4) consolidated statement of changes in equity for the year from April 1, 2017, to March 31, 2018, showing an increase in equity by the amount of PLN 585,408;
- 5) consolidated statement of cash flows for the year from April 1, 2017, to March 31, 2018, showing an increase in net cash by the amount of PLN 4,615,757;
- 6) complementary information.

**The Auditor prepared and submitted to the Company:**

- Report of the independent certified auditor on the audit of the annual consolidated financial statements for the period from 1/04/2017 - 31/03/2018 of LiveChat Software Capital Group. **In the presented audit report, the auditor stated:**

*"In our opinion, the attached annual financial statements:*

- *provides a reliable and clear picture of the Capital Group's property and financial situation as of March 31, 2018, and its financial result for the financial year from April 1, 2017 to March 31, 2018, in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission and accepted accounting principles (policy),*
- *agrees on the form and content with the applicable Capital Group legal regulations and the Articles of Association of the Parent Company, including the Regulation of the Minister of Finance of February 19, 2009 on current and periodic information provided by issuers of securities and conditions for recognizing as required the information required provisions of the law of a non-member state (unified text Journal of Laws of 2014, item 133, as amended)."*

**In connection with the above, the Supervisory Board recommends to the Ordinary General Meeting to approve the consolidated annual financial report of the LIVECHAT Software Capital Group for the financial year starting on April 1, 2017 and ended on March 31, 2018.**

**IV. Assessment of Report of the Management Board on the activities of LIVECHAT Software SA and the LIVECHAT Software Capital Group for the period of 12 months ended March 31, 2018**

The Supervisory Board, having read the information and recommendations of the Audit Committee (see page 3 of this Report) and considered and analysed the Management Board's Report of LIVECHAT Software SA and the LIVECHAT Software Capital Group for the 12 months ended 31 March 2018, positively evaluates the content of the report in terms of its compliance with the books and documents as well as with the actual state.

Positive evaluation of the Supervisory Board is confirmed by the following auditor's opinions contained in its audit reports on the Company's financial statements:

**Opinion on the Report of the Management Board on the Company's operations:**

*"In our opinion, the report on operations has been prepared in accordance with the applicable regulations and is consistent with the information contained in the attached financial statements. In addition, we declare that in*

*the light of the knowledge about the entity and its environment obtained during the audit of the financial statements, we have not identified significant distortions in the statement of activities.”*

**Opinion on the Report of the Management Board on the operations of the Capital Group:**

*"In our opinion, the report on operations has been prepared in accordance with the applicable regulations and is consistent with the information contained in the attached annual consolidated financial statements. In addition, we declare that in the light of knowledge about the Capital Group and its environment obtained during the audit of the consolidated financial statements, we have not identified material misstatements in the Report on the Group's operations."*

In the opinion of the Supervisory Board, the Report of the Management Board meets the requirements specified in Art. 49 of the Accounting Act, as well as the requirements of Art. 91 of the Regulation of the Minister of Finance of February 19, 2009, on current and periodic information provided by issuers of securities and conditions for recognizing information required under the law of a non-member state as equivalent. Compliance of preparation of the Report on operations with the regulations and information presented in the financial statements has been confirmed by a certified auditor:

**In connection with the above, the Supervisory Board recommends to the Ordinary General Meeting to approve the Management Board's Report on the activities of LIVECHAT Software SA and the LIVECHAT Software Capital Group for the financial year starting on April 1, 2017 and ending on March 31, 2018.**

**V. Assessment of the Management Board's motion to the General Meeting regarding the method of distribution of net profit for the financial year beginning on April 1, 2017, and ended on March 31, 2018.**

The Supervisory Board read the application and recommendation of the Company's Management Board regarding the distribution of net profit for the financial year starting on April 1, 2017 and ended on March 31, 2018 in the amount of PLN 48,073,733.49, according to which the net profit would be allocated to:

- 1) the provision of the Company's supplementary capital in the amount of PLN 2,495,833.49
- 2) the payment of a dividend to shareholders PLN 45,577,500; which means that the value of the dividend per share will amount to PLN 1.77;
- 3) taking into account advances for the dividend for the financial year 2017/2018, an advance payment of PLN 11,330,000 paid by the Company based on the Resolution No. 1/12/2017 of December 20, 2017, and advance payment in the amount of PLN 11,330,000 paid out on July 23, 2018, on the basis of the Resolution of the Management Board No. 02/06/2018 of June 22, 2018, the dividend remaining to be paid for the financial year 2017/2018 will be paid to shareholders in the amount of PLN 22,917,500, ie. in the amount of PLN 0.89 per share.
- 4) the dividend would cover 25,750,000 shares of the Company,
- 5) the planned date of determination of shareholders entitled to the dividend would be: August 14, 2018, 6) the planned dividend payment date would be: August 21, 2018.

**The Supervisory Board raises no objections to the aforementioned proposal. In connection with issuing a positive assessment of the Company's financial statements, the Supervisory Board recommends to the Ordinary General Meeting to distribute the net profit for the financial year beginning on April 1, 2017 and ending March 31, 2018 in a manner specifically specified in the proposal of the Company's Management Board.**

**VI. Conclusion**

Considering the results of the evaluation included in this Report and the positive opinions of the certified auditor included in the above-mentioned Statements of the independent auditor, the Supervisory Board recommends to the Ordinary General Meeting to approve:

- **the Company's Financial Statements for the financial year starting on April 01, 2017 and ended on March 31, 2018,**
- **the consolidated annual financial report of the LIVECHAT Software Capital Group for the financial year starting on April 01, 2017 and ended on March 31, 2018,**
- **the Management Board's Report on the activities of LIVECHAT Software SA and the LIVECHAT Software Capital Group for the financial year starting on April 01, 2017 and ending on March 31, 2018.**

The Company's financial statements are prepared in accordance with the provisions of the Polish Accounting Act, the International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission and the adopted accounting principles (policy).

**At the same time, due to issuing a positive assessment, the Supervisory Board recommends to the Ordinary General Meeting to distribute net profit for the financial year starting on April 1, 2017 and ended March 31, 2018 in a manner specified in the application of the Management Board and described in point V of this Report.**

## ANNUAL REPORTS

**on the activities of the Supervisory Board of LIVECHAT Software SA (hereinafter the "Company")  
for the financial year starting**

**on April 01, 2017 and ended on March 31, 2017,**

**including the elements indicated in principle II.Z.10. from the set  
of Best Practices of WSE Listed Companies (DPSN 2016)**

### I. General information

**Name and legal form:** LIVECHAT SOFTWARE SPÓŁKA AKCYJNA

**Registered office and address:** ULICA ZWYCIĘSKA 47; 53-033 WROCŁAW

**Website:** WWW.LIVECHATSOFTWARE.PL

**E-mail:** INVOICES@LIVECHATINC.COM

**KRS (NATIONAL COURT REGISTER):** 0000290756

**REGON (BUSINESS IDENTIFICATION NUMBER):** 932803200

**NIP (TAX IDENTIFICATION NUMBER):** 8992447196

62.01.Z – ACTIVITIES RELATED TO THE SOFTWARE

**The prevailing subject of activity:**

LIVECHAT Software SA (hereinafter also referred to as the "Company") was established on September 10, 2007 and registered under the name LIVECHAT Software SA in the Register of Entrepreneurs kept by the District Court

for Wrocław in Wrocław, 6th Commercial Division of the National Court Register under number KRS 0000290756 in on October 16, 2017. LIVECHAT Software SA was created for an indefinite period.

## **II. Composition of the Supervisory Board in the period from 01/04/2017 to 31/03/2018**

As at March 31, 2018, the following persons were members of the Supervisory Board:

- 1) Maciej Jarzębowski - Chairman of the Supervisory Board
- 2) Michał Markowski
- 3) Jakub Sitarz
- 4) Marcin Mańdziak 5) Marta Ciepła.

On November 15, Andrzej Różycki, a member of the Supervisory Board, resigned from the Supervisory Board.

On December 19, 2017, the Extraordinary General Meeting of Shareholders supplemented the composition of the Supervisory Board, appointing by resolution no. 04/12/2017 Mr. Michał Markowski as member of the Supervisory Board.

In the period from 01/04/2017 - 31/03/2018, Maciej Jarzębowski was the chairman of the Supervisory Board. According to the definition of independence referred to in Art. 129 para. 3 of the Act on statutory auditors, auditing companies and public supervision of May 11, 2017, members of the Supervisory Board who meet the requirements of independence are: Mr. Michał Markowski and Mr. Marcin Mańdziak. Other members of the Supervisory Board do not meet the independence criteria due to the relationship with the Company as shareholders of the Company (Mr. Maciej Jarzębowski and Jakub Sitarz) and to be married to a member of the Management Board (Mrs Marta Ciepła).

The principles of functioning of the Supervisory Board are defined in the Code of Commercial Companies, the Company's Articles of Association and the Regulations of the Supervisory Board of LIVECHAT Software SA. The content of the Regulations of the Supervisory Board is available on the Company's website at <https://www.livechatsoftware.pl/spolka/dokumenty-korporacyjne/>.

## **III. Activities of the Supervisory Board in the period from 01/04/2017 to 31/03/2018**

The Supervisory Board of the Company acted on the basis of the provisions of the Code of Commercial Companies, the Company's Articles of Association and the Regulations of the Supervisory Board.

In accordance with the Company's Articles of Association, the Supervisory Board consists of five to nine members appointed and dismissed by the General Meeting. The members are appointed for a three-year term.

In the reporting period, the Supervisory Board performed constant supervision over the activities of the Company in all its areas of activity and provided advice to the Management Board in making decisions relevant to the Company.

In the period from 01/04/2017 to 31/03/2018, the Supervisory Board considered matters arising from the provisions of the Commercial Companies Code as well as the needs of the current operations of the Company.

In the period from 01/04/2017 to 31/03/2018, the Supervisory Board held one plenary session and adopted twice resolutions in the mode of voting of members of the Supervisory Board of the Company, using means of direct remote communication, that is by e-mail.

In the period from 01/04/2017 to 31/03/2018, the Supervisory Board adopted a total of 11 resolutions:

1. on 27/06/2017 - a resolution regarding the assessment of the Company's separate financial statements for 2016-17.
2. on 27/06/2017 - a resolution regarding the assessment of the Company's consolidated financial statements for 2016-17.

3. on 27/06/2017 - a resolution regarding the assessment of the Management Board's report on the activities of LiveChat Software SA and the LIVECHAT Software SA Capital Group for 2016-17.
4. on 27/06/2017 - a resolution regarding the assessment of the Management Board's motion regarding distribution of net profit for 2016-17.
5. on 27/06/2017 - a resolution regarding the motion to the General Meeting regarding the granting of a vote of acceptance to individual members of the Management Board.
6. on 27/06/2017 - a resolution on the adoption of the Supervisory Board's report on operations in 2016-17.
7. on 27/06/2017 - a resolution on considering and giving opinions on matters submitted to the Ordinary General Meeting of the Company.
8. on 19/12/2017 - a resolution regarding the appointment of the Audit Committee of the Supervisory Board.
9. on 19/12/2017 - a resolution on establishing the Regulations of the Audit Committee.
10. on 19/12/2017 - a resolution regarding the consent to the payment of an advance on the dividend from the Company's net profit for the financial year 2017/2018.
11. on 20/03/2018 - a resolution on the selection of an audit firm for statutory audit and review of interim financial statements of Livechat Software SA and a statutory audit and review of the interim consolidated financial statements of the Livechat Software Capital Group.

The Supervisory Board positively assesses the achievements of the Company in the period from 01/04/2017 to 31/03/2018 because:

- The LIVECHAT Software Capital Group recorded an increase in revenues by over 17%, generating revenues of PLN 89.4 million:
- The company generated a net profit of PLN 48.3 million, which is 13% higher than the net profit in the previous financial year
- the number of the Company's clients is growing steadily, and at the end of the accounting period, the number of the Company's clients has reached 24.6 thousand; the Company's clients come from 150 countries throughout the entire world
- The Company developed and consolidated its business model, which allows the recording of very high margins, which results from low costs of customer acquisition and maintenance combined with the scalability of its business, which allowed achieving EBITDA profitability at 71.4% and net profitability at 54 0%
- The company paid shareholders dividend from net profit for the period from 01/04/2016 to 31/03/2017 in the amount of PLN 36.3 million, and additionally in January 2018 paid an advance payment of the dividend of the current financial year in the amount of PLN 11.3 million
- at the end of the financial year, the Company had financial resources in the amount of PLN 30 million, ensuring liquidity of the Company
- new IT solutions have been introduced to the market, which should strengthen the Company's position as a supplier of modern tools for management and communication between companies and consumers.

The Supervisory Board expresses a positive opinion on the activities of the Management Board and cooperation with the Management Board of the Company. The Supervisory Board received from the Management Board information on financial results as well as necessary explanations and comments.

**The Company's financial results prove that the Company is being managed properly, and therefore the Supervisory Board issues a positive opinion regarding the acknowledgment of the fulfilment of duties in the period from 1 April 2017 to 31 March 2018 to the Management Board members:**

**- Mr. Mariusz Cieply - President of the Management Board**

**- Mrs. Urszula Jarzębowska - Member of the Management Board**

The Supervisory Board positively assesses the activity of the Supervisory Board in the period from 01/04/2017 to 31/03/2018.

#### **IV. Activities of the Supervisory Board Committees**

Only one committee operates in the Supervisory Board of the Company, ie the Audit Committee.

The Audit Committee was established on December 19, 2017, on the basis of a resolution of the Company's Supervisory Board.

On the same day, the Supervisory Board adopted a resolution to determine the Regulations of the Audit Committee.

The Audit Committee was composed of three members of the Supervisory Board:

- Mr. Marcin Mańdziak - Chairman of the Audit Committee
- Mr. Michał Markowski - Member of the Audit Committee
- Mr. Jakub Sitarz - Member of the Audit Committee

In accordance with the applicable provisions of the Act of May 11, 2017 on auditors, audit firms and public supervision, the majority of Audit Committee members, including its Chairman, are independent of the Company as a public interest entity (Mr. Marcin Mańdziak and Mr. Michał Markowski). At least one member of the Audit Committee has knowledge and skills in the field of accounting or auditing of financial statements (Mr. Michał Markowski). At least one member of the Audit Committee has knowledge and skills in the field in which the Company operates (Mr. Jakub Sitarz).

In the period from December 19, 2017 to March 31, 2018, the Audit Committee of the Supervisory Board held two recorded meetings:

- at the meeting on 19/12/2017, the Audit Committee adopted a resolution regarding the policy and procedure for the selection of an audit firm and provision of additional services by an auditing company, an entity related to the auditing company or a member of its network in the company Livechat Software Spółka Akcyjna.
- at the meeting on 20/03/2018, the Audit Committee adopted a resolution regarding the recommendation of the Audit Committee to select an audit firm to audit the statutory audit and review of the interim financial statements in Livechat Software SA and statutory audit and review of the consolidated interim consolidated financial statements of the Capital Group.

The Audit Committee met with the auditor on May 28, 2018, when they discussed the schedule of the statutory audit of the Company's financial statements for the period from 01/04/2017 to 31/03/2018. The responsibilities of the Audit Committee and the auditor arising from the new Act on auditors were also discussed. Key risks and issues related to the internal control system were discussed. During the entire audit of the Company's financial statements, communication between the auditor and members of the Committee was maintained, in particular the Chairman of the Audit Committee, using electronic communication devices.

*The Audit Committee held a vote on 27-30.07.2018 using remote means of direct communication, e-mail, and adopted Resolution No. 03/2018 regarding audit by the auditor of Financial Statements of LIVECHAT Software SA for the period from 1/04/2017 to 31/03/2018, the Consolidated Financial Statements of LIVECHAT Software Financial Capital Group for the period from 1/04/2017 to 31/03/2018, Report of the Management Board on the activities of LIVECHAT Software SA and the LIVECHAT Software Capital Group for the period of 12 months ended March 31, 2018. A detailed description of the resolution of the Audit Committee can be found on page 2-3 of this Report.*

#### **V. Assessment of the Company's situation for the period from 01/04/2017 to 31/03/2018, including the assessment of internal control systems, risk management, compliance and internal audit function.**

In the opinion of the Supervisory Board, the financial position of the Company should be considered stable and not threatened due to the persistently high level of net profit. The company has no significant obligations, it regulates all payments on an ongoing basis. LIVECHAT Software SA at the end of the financial period, that is on 31/03/2018, has significant financial resources (PLN 30 million) ensuring financial stability of the Company.

The Supervisory Board, after discussion with the Management Board of the Company and after analyzing relevant Company documents, and taking into account the Company's business profile and its market environment, did not find any irregularities in risk management by the Management Board and believes that the risk areas relevant to the Company are properly identified.

The Supervisory Board intends to oblige the Audit Committee to perform an annual analysis of the Company's situation and to consider the necessity of establishing an internal audit in the Company.

The control functions were exercised by the Supervisory Board and the Management Board of the Company, which constantly monitors the situation and takes preventive actions, indicating possible risks. Despite the formal absence of an internal control system and risk management, the Supervisory Board states that in the period from 01/04/2017 to 31/03/2018, the Company carried out activities that can and should be included in the scope of the internal control system and risk management.

The Supervisory Board also intends to monitor on an ongoing basis the removal by the Management Board of risks and problems regarding the internal control system and reported by the auditor in its statutory audit reports on the Company's financial statements.

## **VI. Assessment of how the Company complies with its disclosure obligations regarding the application of corporate governance principles set out in the Exchange Rules and regulations regarding current and periodic information provided by issuers of securities.**

In the period from 01/04/2017 to 31/03/2018, LIVECHAT Software SA provided periodic reports that were prepared in accordance with applicable regulations. The company, in a correct manner, also provided current reports, which informed about significant corporate and business events. In the opinion of the Supervisory Board, the Company correctly provided information, in the form of current reports, meeting the criteria of confidential information within the meaning of art. 7 of the MAR Regulation.

The company applied the principles of corporate governance, constituting an Annex to the Resolution of the Stock Exchange Council No. 26/1413/2015 of October 13, 2016, "*Good Practices of WSE Listed Companies 2016*", which have been published on the website devoted to good practices of companies listed on the Warsaw Stock Exchange S.A. kept by the Warsaw Stock Exchange SA at the internet address [www.gpw.pl/dobre-praktyki](http://www.gpw.pl/dobre-praktyki).

LIVECHAT Software SA strives to ensure the highest possible transparency of its activities, due quality of communication with investors and protection of shareholders' rights, also in matters not regulated by law. Therefore, the Company has taken the necessary actions to fully comply with the principles contained in the Code of Best Practice for WSE Listed Companies 2016. Information on the application of Best Practices by LIVECHAT Software SA is available on the Company's website: <https://www.livechatsoftware.pl/spolka/lad-korporacyjny/>

The Supervisory Board assesses that LIVECHAT Software SA correctly fulfils the information obligations related to the application of corporate governance principles set out in the legal provisions indicated above.

In the Board's report on the Company's activities, LIVECHAT Software SA indicated the principles of the Good Practices of Companies Listed on the Warsaw Stock Exchange 2016, which the Company withdrew with the explanation of deviations from these rules. There are the following:

- Rule IZ.1.8 - a list of selected company's financial data for the last 5 years of operation, in a format enabling the data to be processed by their recipients
- Rule IZ.1.20 - record of the course of the general meeting, in the form of audio or video.
- Rule I.Z.2 - A company whose shares are listed in the WIG20 or mWIG40 stock indices ensures availability of its website also in English, at least in the scope indicated in principle I.Z.1. This principle should also be applied by companies from outside the above indices, if the structure of their shareholding or the nature and scope of their operations proves so.
- Rule II.Z.2 - Members of the company's Management Board or Supervisory Board from outside the capital group of the company require the consent of the supervisory board.
- Rule II.Z.7 - The provisions of Annex I to the Recommendation of the European Commission referred to in principle II.Z.4 apply to the tasks and functioning of committees operating on the supervisory board. In the event that the function of the audit committee is performed by the supervisory board, the above rules shall apply accordingly.
- Rule III.R.1. - The company distinguishes within its structure units responsible for the implementation of tasks in individual systems or functions, unless the separation of organizational units is not justified due to the size or type of activity conducted by the company.
- Rule IV.R.2. - If it is justified due to the shareholder structure or the company's expectations of shareholders, provided that the company is able to provide the technical infrastructure necessary for the smooth conduct of the general meeting by means of electronic communication, it should enable shareholders to participate in the general meeting using such funds.
- Rule IV.Z.2 - If it is justified due to the company's shareholder structure, the company provides a universally available broadcast of the general meeting in real time.

In addition to the above-mentioned principles, the Supervisory Board does not identify any other violations of the "Best Practices of Companies Listed on the Warsaw Stock Exchange 2016".

## **VII. Assessment of the rationality of the Company's policy in the area of sponsorship and charity**

According to the knowledge possessed by the Supervisory Board, the Company does not have a sponsorship and charity policy and in the period from 01/04/2017 to 31/03/2018 it did not conduct such activities, therefore, assessing the rationality of the policy is pointless.

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(Chairman of the Supervisory Board)