



LiveChat Software

Management Board report from the activities
of the LiveChat Software S.A. and its Group
in H1 of the 2022/23 financial year





Vision

Customer communication without barriers



Mission

**Help people and
business communicate
better and fully
express themselves**

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1. Summary

1.1. Selected consolidated financial data

[thous. PLN]	H1 2022/23	H1 2021/22	Change
Net sales of products, goods and materials	141 292	104 568	+35.1%
EBITDA	88 065	69 531	+26.7%
Operating profit (loss)	81 257	63 845	+27.3%
Gross profit (loss)	81 174	63 829	+27.2%
Net profit (loss)	75 566	59 296	+27.4%
Net cash flow	(14 621)	(3 680)	-
Cash flow from operating activities	80 145	76 928	-
cash flow from investing activities	(10 476)	(8 105)	-
cash flow from financial activities	(84 290)	(72 503)	-
Number of shares	25 750 000	25 750 000	-
Profit (loss) per ordinary share	2.93	2.30	+27.4%

[thous. PLN]	30 September 2022	31 March 2022	Change
Total assets	134 004	137 752	-2.7%
Liabilities and provisions	17 839	13 242	+34.7%
Long-term liabilities	463	796	-41.8%
Short-term liabilities	17 376	12 446	+39.6%
Net equity	116 165	124 510	-6.7%
Initial equity	515	515	-
Number of shares	25 750 000	25 750 000	-
Book Value Per Share	4.51	4.84	-6.7%

1.2. Selected standalone financial data

[PLN thous.]	H1 2022/23	H1 2021/22	Change
Net sales of products, goods and materials	141 292	104 568	+35.1%
EBITDA	84 585	67 970	+24.4%
Operating profit (loss)	78 123	62 687	+24.6%
Gross profit (loss)	80 870	63 606	+27.1%
Net profit (loss)	75 262	59 073	+27.4%
Net cash flow	(16 922)	(6 301)	-
cash flow from operating activities	77 499	73 904	+4.9%
cash flow from investing activities	(10 476)	(8 105)	-
cash flow from financial activities	(83 945)	(72 100)	-
Number of shares	25 750 000	25 750 000	-
Profit (loss) per ordinary share	2.92	2.29	+27.5%

[thous. PLN]	30 September 2022	31 March 2022	Change
Total assets	129 378	133 356	-3.0%
Liabilities and provisions	15 020	10 316	+45.6%
Long-term liabilities	-	-	-
Short-term liabilities	8 033	5 844	+37.5%
Net equity	114 357	123 040	-7.1%
Initial equity	515	515	-
Number of shares	25 750 000	25 750 000	-
Book Value Per Share	4.44	4.78	-7.1%

2. About LiveChat Software

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

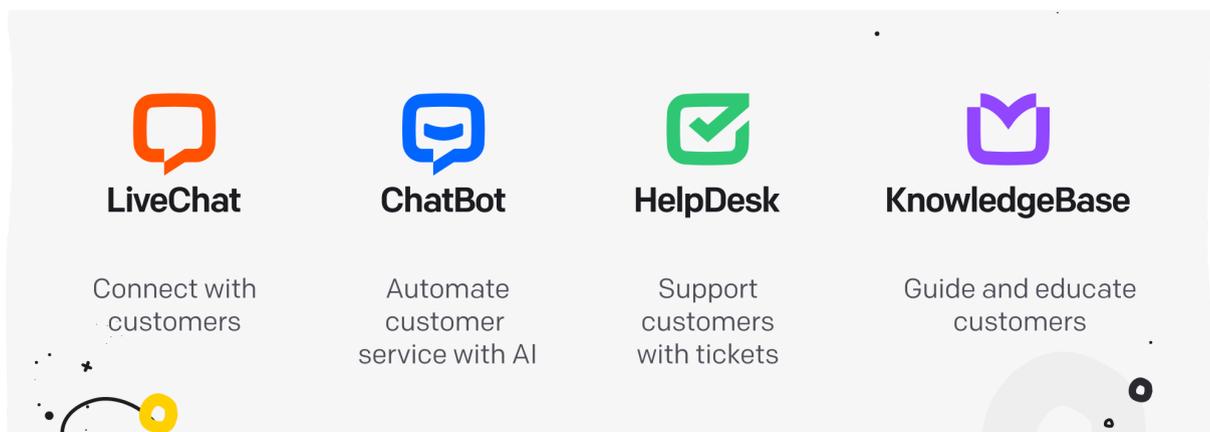
The Company is a developer and a distributor of products sold in a Software-as-a-Service model), used in business-to-consumer (B2C) and business-to-business (B2B) text-based communications. Products offered by the Company are aimed at all businesses, which common need is to communicate with clients online.

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

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

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

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



 LiveChat	 ChatBot	 HelpDesk	 KnowledgeBase
Connect with customers	Automate customer service with AI	Support customers with tickets	Guide and educate customers

2.1. The structure of the LiveChat Software Group

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



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

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

3. Operational summary



3.1. Commentary of the Management Board

In the first half of 2022/23 financial year, which ended September 30, 2022, our consolidated revenues increased by 35% to PLN 141.3 million. Our Group generates almost all revenues in the US dollar (USD), therefore the PLN/USD exchange rate has a significant impact on the reported results. We believe that a better picture of the development of our business is provided by the results (both revenues and MRR - monthly recurring revenues) expressed in dollars. For this reason, we publish preliminary data from this perspective immediately after the end of the quarter.

The indicator that best reflects the development of our business is MRR (Monthly Recurring Revenue). For its calculation purposes, annual or other payments are spread evenly over the months. However, in the case of reported revenues, all such payments are recognized in the quarter in which we received them. At the end of H1 2022/23 (September 2022), the Group's MRR amounted to USD 4.91 million, which is up by 11.8% year on year.



Consolidated net profit in H1 of the financial year amounted to PLN 75.6 m and was 27.4% higher than a year ago.

The effect of the pandemic and the war in Ukraine

We estimate that in the first half of the 2022/23 financial year, the pandemic as well as the war in Ukraine had a minor impact on our business. Although we have blocked the possibility of setting up test accounts and buying our products from Russia and Belarus, these markets accounted for a very limited part of our revenues. The share of the Ukrainian market in our revenues also remains symbolic.

During the pandemic, we switched the way we work to “work from anywhere” and consistently with earlier communication we want to continue this way in the future.

Margins, financial flows, and dividend policy

Our business model enables us to achieve very high operating profitability. In H1 of the 2022/23 financial year, the gross profit margin on sales was 86.2%, the operating profit margin was 57.5%, and the net profit margin was 53.5%. We are still at the stage of growth, we are investing in product development, and we are also increasing the number of people cooperating with the Company in all areas (developers, customer support, marketing, and sales department). The related cost increase may exert pressure on profitability in the coming period, although we expect a decrease in the pace of growth of the team. Additional pressure on margins comes from rapidly rising salaries in the tech industry and increased competition for talent. Keeping the growth path and fulfilling our Mission requires further expansion of the team and retaining the key people within the Company, therefore we are determined to do so. Despite the above-mentioned challenges, we intend to maintain our business model and the associated high profitability levels.

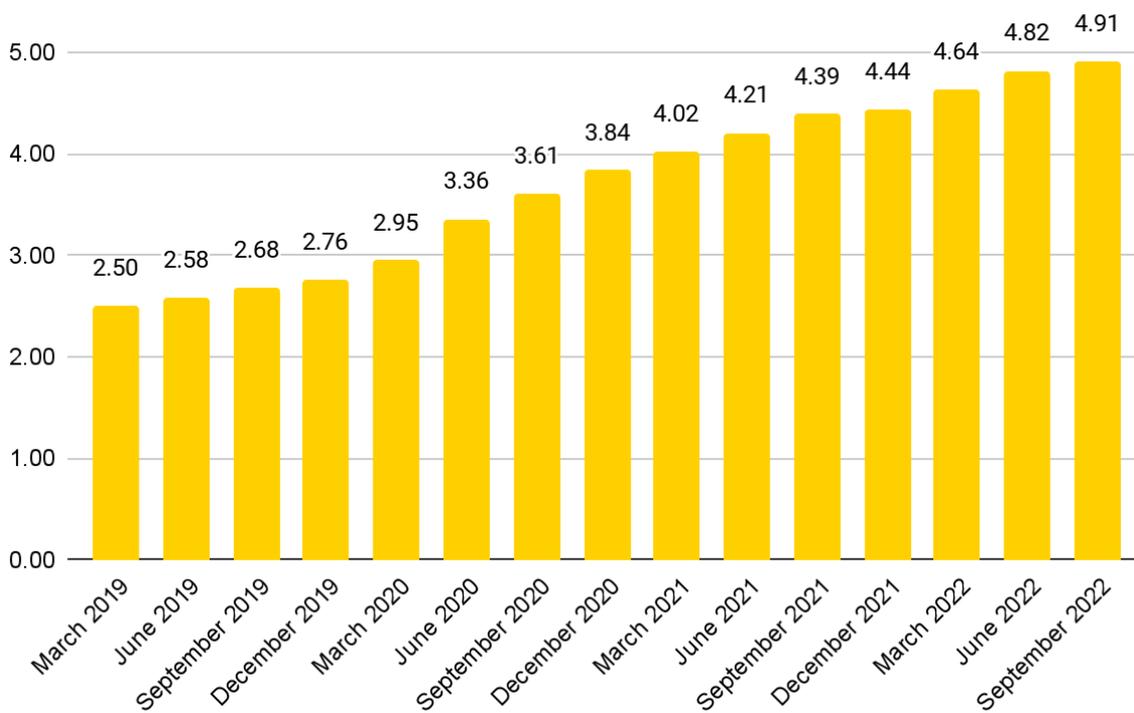
The above-presented profitability makes us generate cash effectively. Cash flows from the operating activities in the reported period amounted to PLN 80.15 million and we had PLN 40.1 million cash at our disposal at the end of this period. We continue our dividend policy, which assumes allocating the highest possible part of the profit to shareholders from the point of view of legal regulation unless no investments appear that would provide a higher return rate to shareholders.

Key performance indicators of the Company

MRR

MRR (monthly recurring revenue) constitutes most of our sales and determines the stability of our business based on the subscription model. Additionally, we generate revenues from the sale of services related to our products, e.g., training. At the end of September 2022, the MRR at the Group level reached 4.91 million - that is, by 1.9% more compared to June 2022 and by 11.8% compared to the same period last year. The increase in recurring revenues (MRR) allows for the expectation of revenue increases in the upcoming quarters, both on an annual and quarter-to-quarter basis. On the graph, we present the MRR for the last month of each of the quarters.

MRR (all products)



ARPU

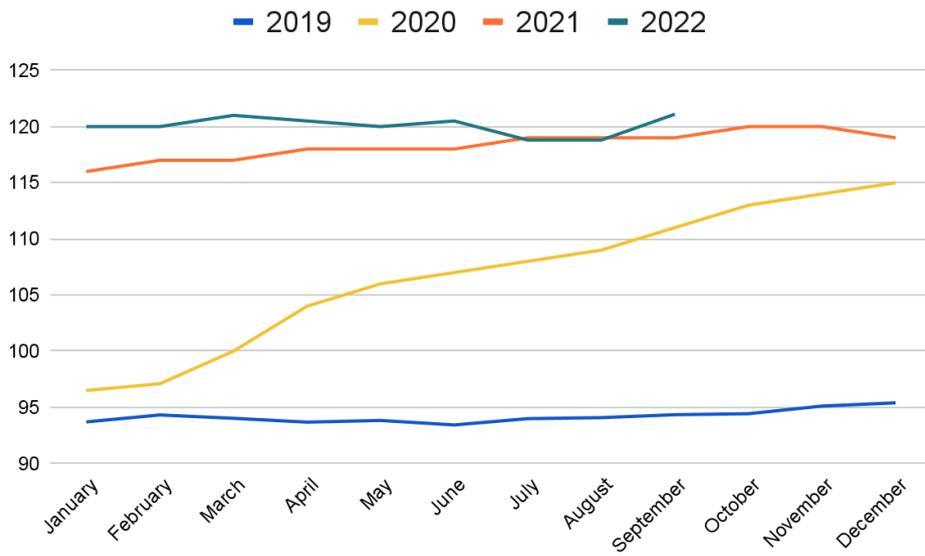
ARPU (Average Revenue Per User) is the average revenue per one customer - in our case, a company or institution. The ARPU given in our report and presentations is calculated based on the MRR (not total revenue). The ARPU value of individual customers depends on the selected subscription plan and the number of agents (in the case of ChatBot, on the selected plan and possibly the number of interactions exceeding the limit available in a particular subscription which is not calculated as recurring revenue).

At the end of September 2022, the ARPU of the LiveChat product amounted to USD 121.2 as compared with USD 120.6 at the end of June 2022 and USD 121 a year ago. The ARPU of ChatBot amounted to USD 110.4 at the end of September 2022 as compared with USD 102.5 last quarter and USD 97.1 a year ago.

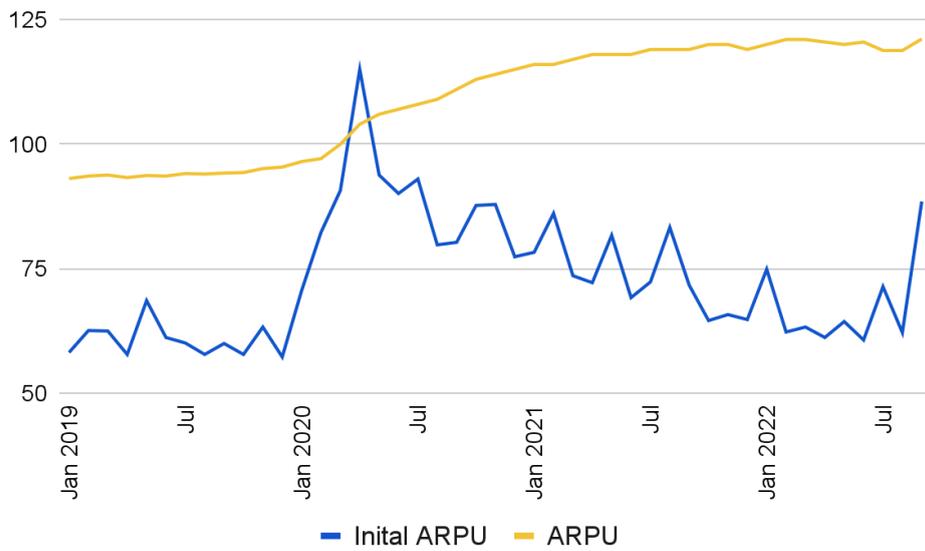
Average sales price

The average sale price, or initial ARPU is practically the average value of the first payment from new customers each month. The significant increase in this indicator is related to the same factors as the increase in the ARPU; in addition, some organizations may have been forced by the lockdown to implement new solutions faster than the standard ones. However, especially in the case of larger clients, we observe a strong trend, according to which the ARPU grows over time, and many clients significantly increase the value of the contract during the first month of cooperation.

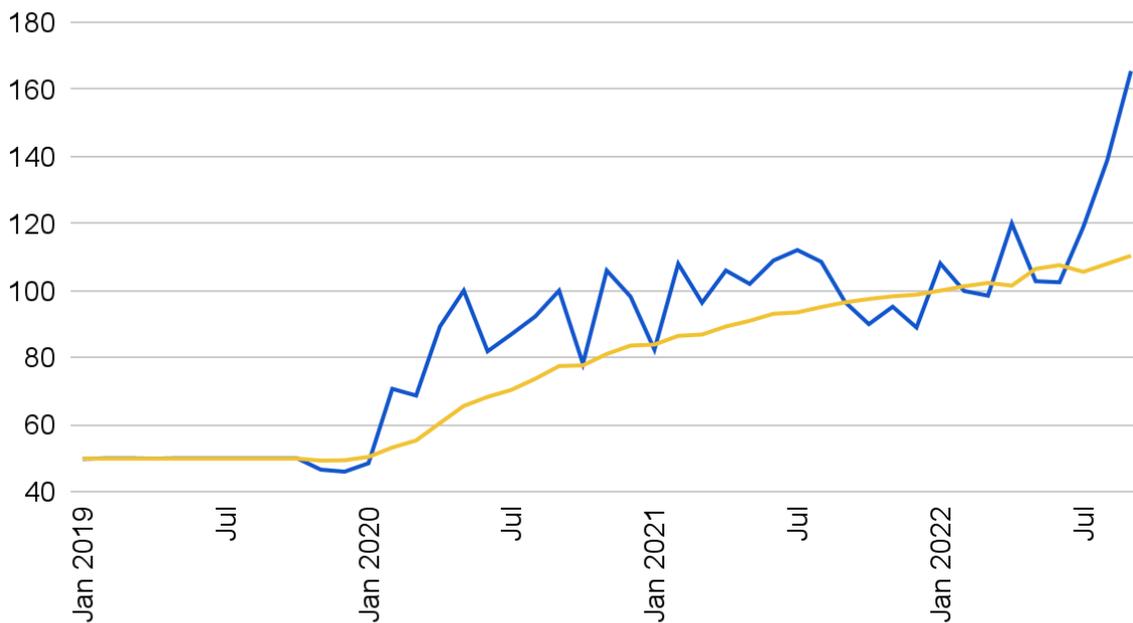
LiveChat ARPU (USD)



LiveChat ARPU and initial ARPU (USD)



ChatBot ARPU and initial ARPU (USD)



Number of clients and churn

Among our clients there are companies operating in virtually all sectors of the economy, universities, and institutions from around 150 countries around the world. This diversity translates into our resistance to possible economic crises affecting selected sectors of the economy or the countries. The most important geographical markets, both in terms of the number of customers and generated revenues, are the English-speaking countries: the USA, Great Britain, Australia, and Canada. The share of Poland in revenues was 1.3% in the reported period.

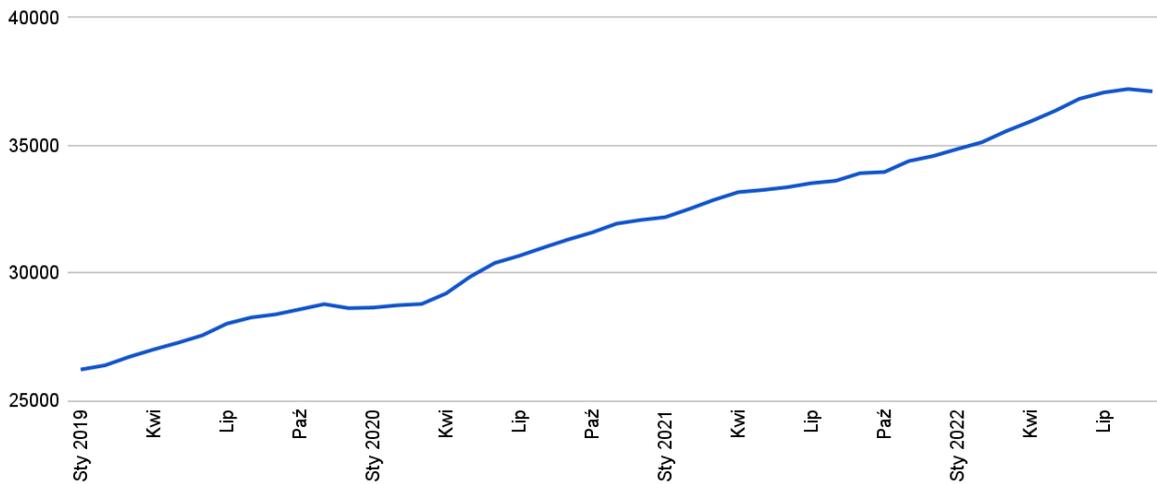
At the end of the first half of the financial year, the number of paying LiveChat customers was 37.114 and ChatBot 2.637.

“Customer churn”, the customer churn rate, was over 3% throughout the financial year (monthly). The value at the level of 3% or even significantly higher is normal in the SaaS model and depends, inter alia, on the industry and customer base (churn is usually significantly higher in the small business segment). Churn at the level of 3% is the level around which our churn rate has historically fluctuated.

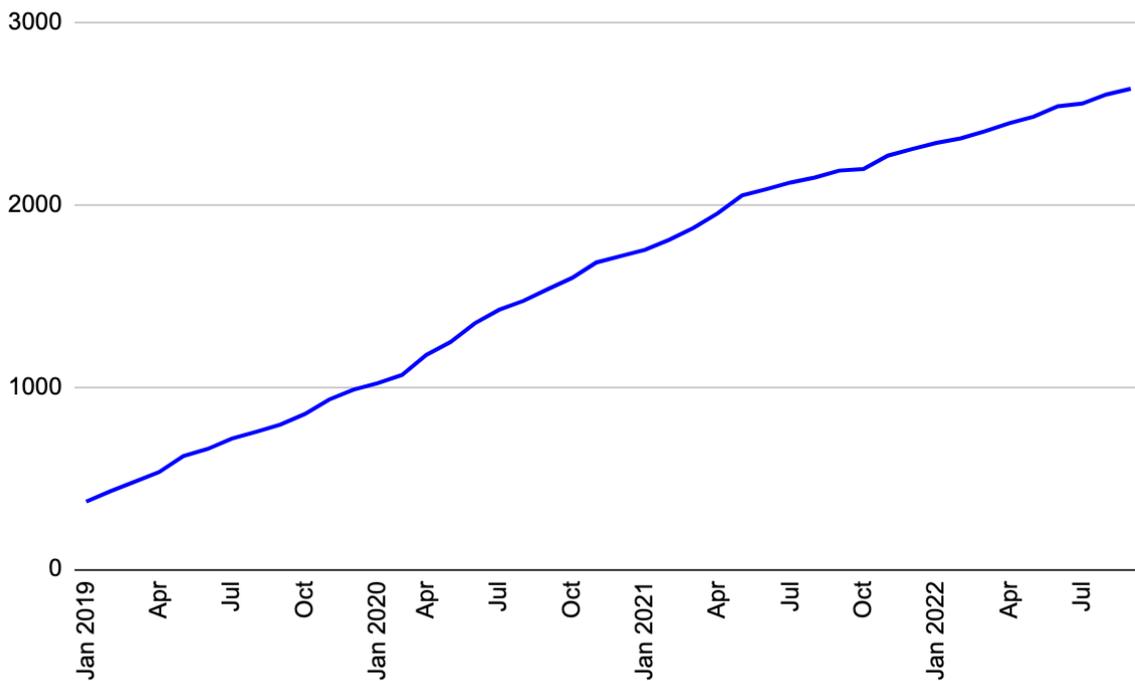
From a business point of view, more important is the “net MRR churn”, which is a similar indicator for recurring revenues that also takes upselling into consideration. For our products, it is significantly lower.

The sheer number of customers is becoming a less and less important KPI for the Company. For many months, a trend has been observed according to which revenues (net of the impact of changes in exchange rates) are growing faster (in terms of year-to-year dynamics) than the number of customers alone. This is related to, inter alia, the fact that the Company's offer is addressed to business customers - companies that have their own websites. Currently, LiveChat Software customers choose from four subscription plans (in the case of LiveChat, which generates more than 90% of revenues). The final revenue per customer depends on the chosen plan, as well as the number of licenses purchased by them. The difference in the revenues generated by individual clients can be very large. The Company is also carrying out activities aimed at increasing ARPU, among others, price increases for new customers since August 2022. We also work on extending our product portfolio.

Number of LiveChat clients



Number of ChatBot clients



The share of LiveChat products in revenues of the Group in the first half of 2022/23 was 92.0%. ChatBot product has generated 6.2% of revenues, while HelpDesk has 1.8% of the revenues. We assume that the new products will be constantly increasing their share in total revenues in the following quarters and months.

3.2. Corporate events

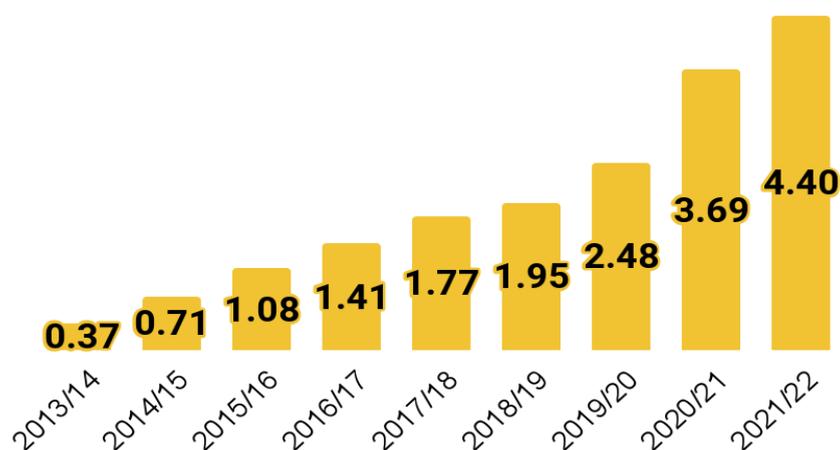
At the end of September 2022, the number of paying LiveChat customers was 37.114 and ChatBot 2.647.

On June 30, 2022, the Management Board of the Company adopted a resolution on the distribution of the net profit for the financial year from April 1, 2021, to March 31, 2022, according to which it was proposed that the standalone net profit of LiveChat Software S.A. in the amount of PLN 18,574,091.81 to be allocated to

- PLN 5,274,091.81 for the supplementary capital of the Company;
- PLN 113.300.000 for the dividend paid to the shareholders, which means that the amount of dividend per share was PLN 4.40 (including two advance dividend payments made in January 2022 and August 2022 – each PLN 1.14 per share).

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

Dividend (per share, PLN)



In May 2022, the Company launched the project “LiveChar Incubator”. The Company will offer mentoring, new distribution channels (access to its customers, marketplace, and the partner’s network), and logistic and organizational support to the teams creating projects that can limit or remove communication barriers.

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

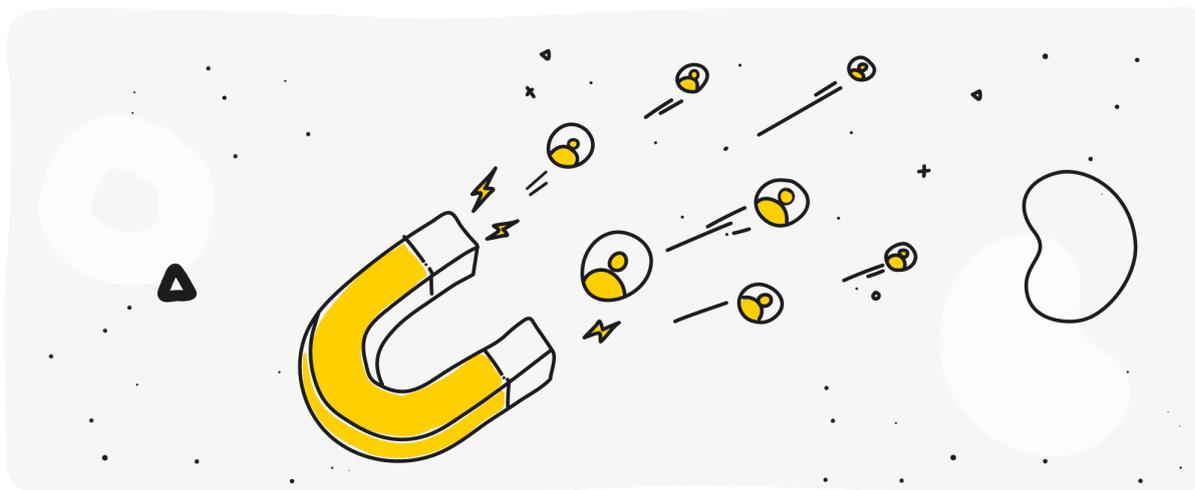
The Company consistently and continuously engaged in activities aimed at acquiring or creating new customer acquisition channels and optimizing the existing ones. The effect of such engagement is an integration of LiveChat with the Squarespace platform. It allows for featuring LiveChat on the Square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

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

product or become a distribution platform for LiveChat and other products. The current soft launch of the solution is aimed at acquiring the first group of clients.

Since May 2022 the Company is undergoing a process of price updates. As an effect between May and September 2022, the price lists of all four products were verified, which currently is reflected in the increase of ARPU for all solutions. LiveChat price increases will have the biggest impact on the Group's financial performance. Price changes started with new clients being affected in August and in September we started introducing the changes to the existing client base.

CUSTOMER ACQUISITION



Sales team

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

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

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

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

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

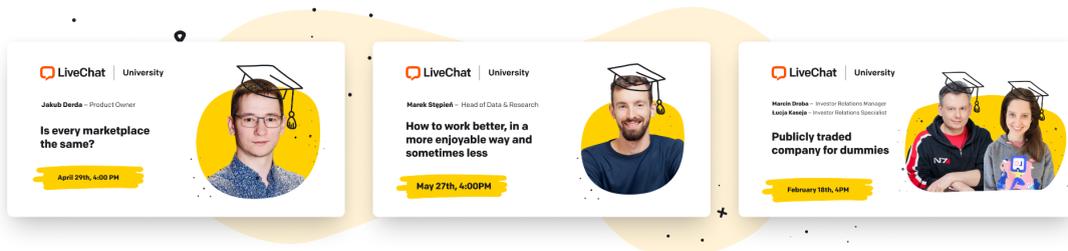
- acquiring one of the global leaders of the life science sector,
- initiating the cooperation with a telecommunication company from the US,

- extension of the cooperation and an increase of the scope of the deal with one of the California state agencies,
- increasing the scope of the cooperation with one of the leaders of home appliances sector,
- extension of the contract with one of the technology leaders in the iGaming sector.

3.3. Other events

LiveChat Academy

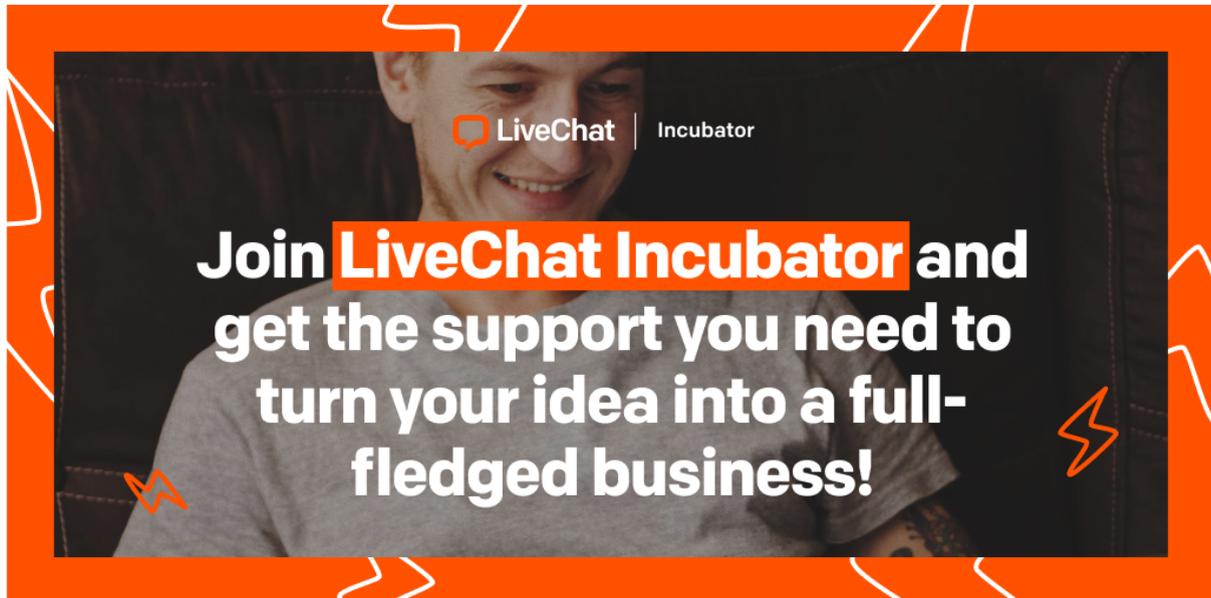
A series of lectures during which Partners share their experiences and know-how and teach other team members valuable skills.



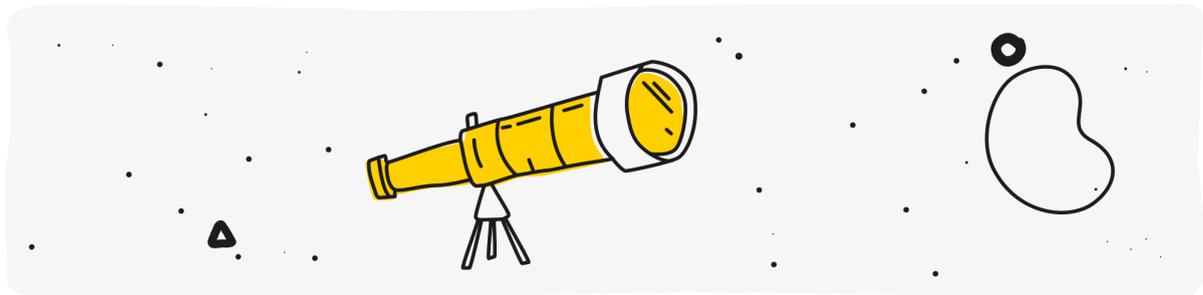
LiveChat Incubator

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

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



4. Description of the organization of the LiveChat Software Capital Group



4.1. Strategy

We are distinguished by the fact that we feel responsible for the quality of communication on both sides of this process. We support companies in more effective communication, but our goal is to also provide the best experience and improve the quality of services for millions of people who use our solutions every day.

Products and services

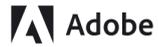
The products and services we provide are to meet all of our client's communication needs. In the current environment, it is not the brand but the customer that dictates the rules of communication. Our products enable contact with the company at a time and place they choose through any communication channel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

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

Target markets

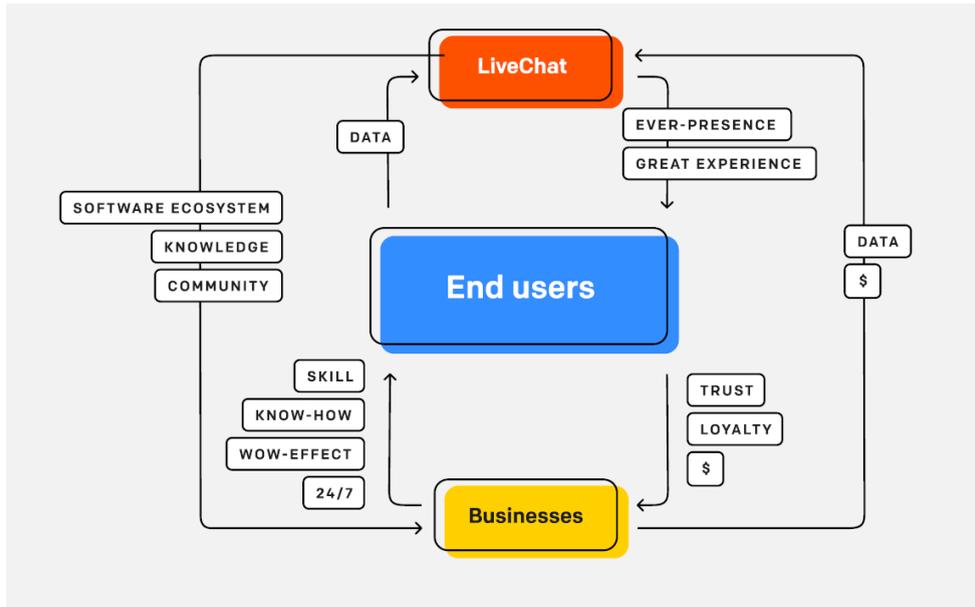
Our clients are companies of all sizes representing all industries. One of our significant competitive advantages is a very effective, automated sales process for small and medium-sized companies.

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



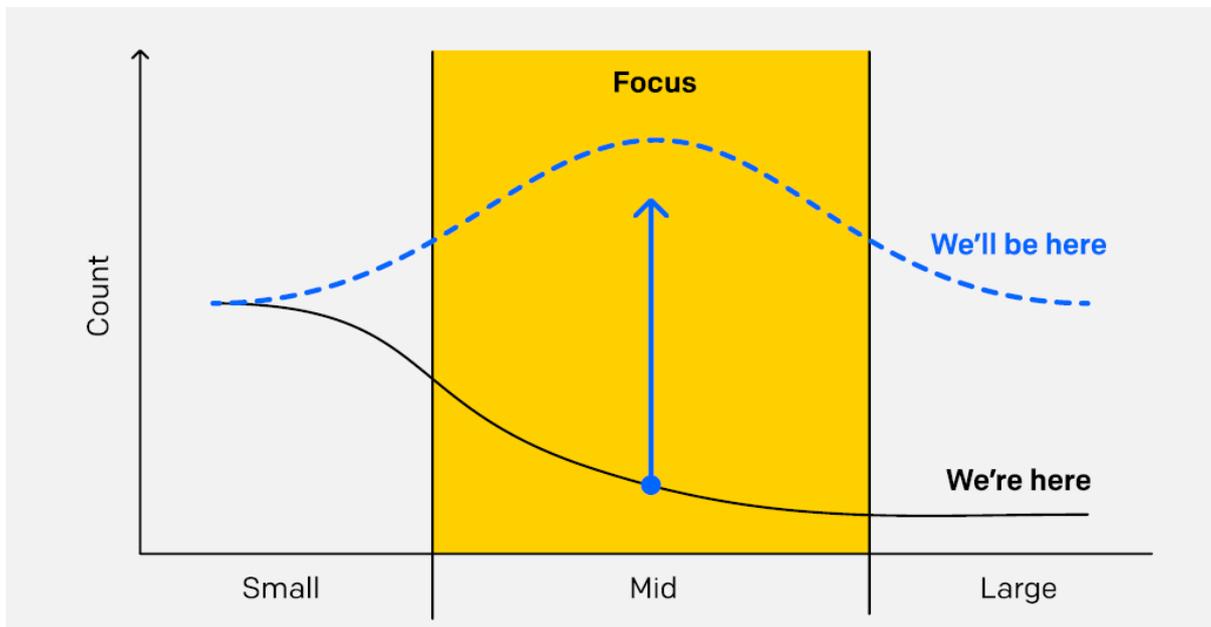
We offer our clients not only technological solutions but also our expert knowledge accumulated thanks to 20 years of supporting online communication.

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



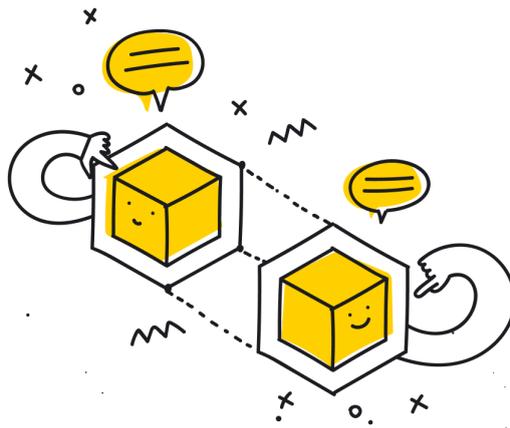
Economies of scale

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



Focus on data

Looking for opportunities for further growth, we will rely on available data and invest in their analysis.



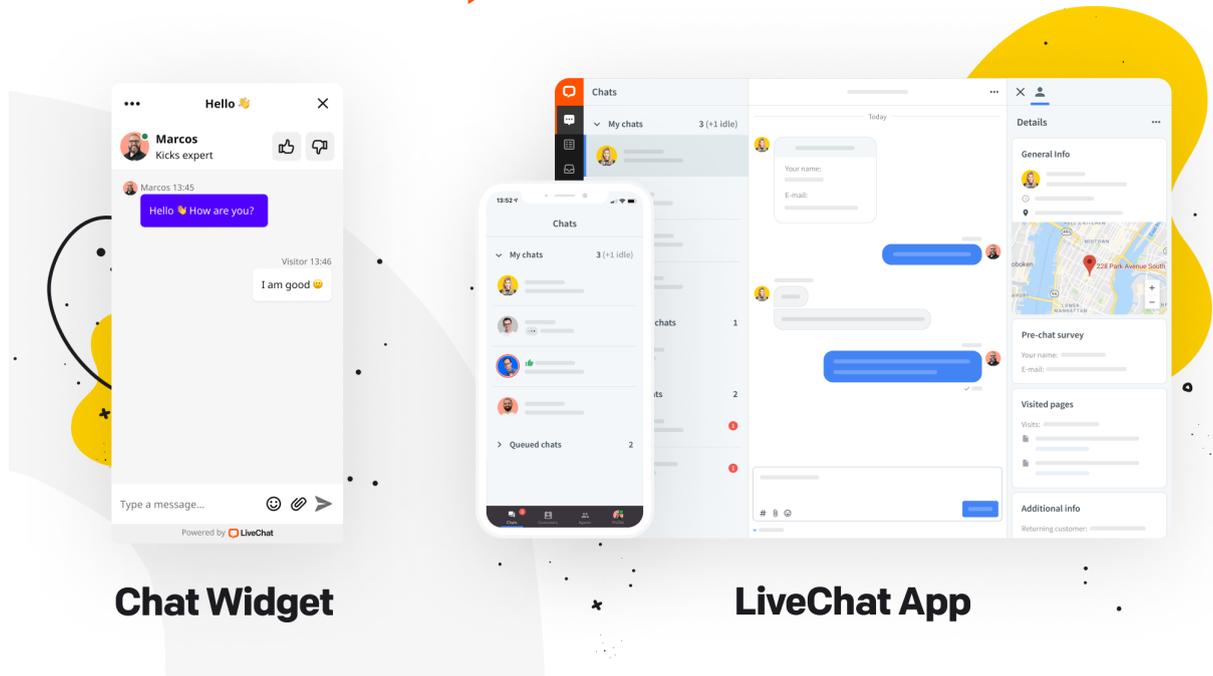
Open infrastructure and products

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

4.2. Company's products

 LiveChat	 ChatBot	 HelpDesk	 KnowledgeBase
Connect with customers	Automate customer service with AI	Support customers with tickets	Guide and educate customers

4.2.1. LiveChat



Chat Widget

LiveChat App

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

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

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

LiveChat offers numerous functionalities, not just facilitating conversation with clients, but also making communications management easier. Users are offered features that engage their clients (e.g. automatic invitations to start a conversation), a ticketing system (which makes it possible for clients to leave a message after hours), tracking the behavior of website visitors, and an analytical panel. All the data collected using the LiveChat application are an attractive source of knowledge, to be used in the sales, service, and customer support process.

The structure of the product allows users to integrate it with other tools, greatly expanding its use cases. The following integrations are available to customers: the so-called "one-click" (they allow you to enable integration with a given tool almost with one click) or more advanced, requiring the use of documentation provided by the Company, eg API (Application Programming Interface) and programming knowledge. One of the most interesting integrations is the ability to run chatbots in the product. This gives companies the ability to communicate with customers both through real agents and mechanisms based on artificial intelligence.

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

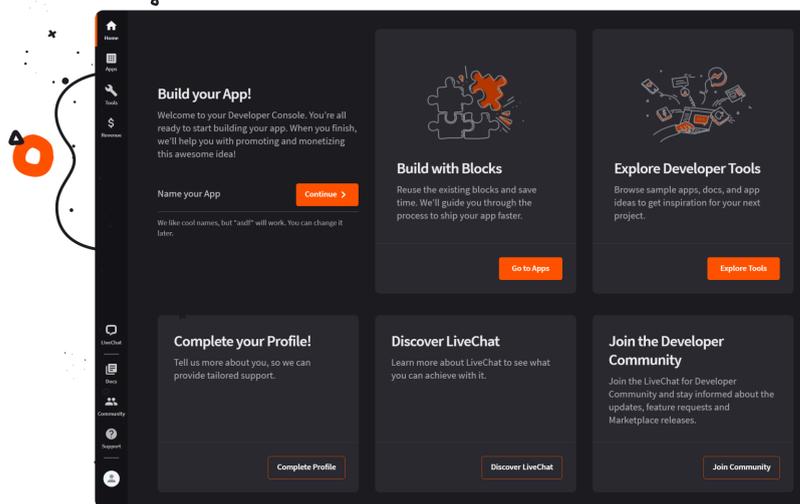
LiveChat as a communication platform

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

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

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

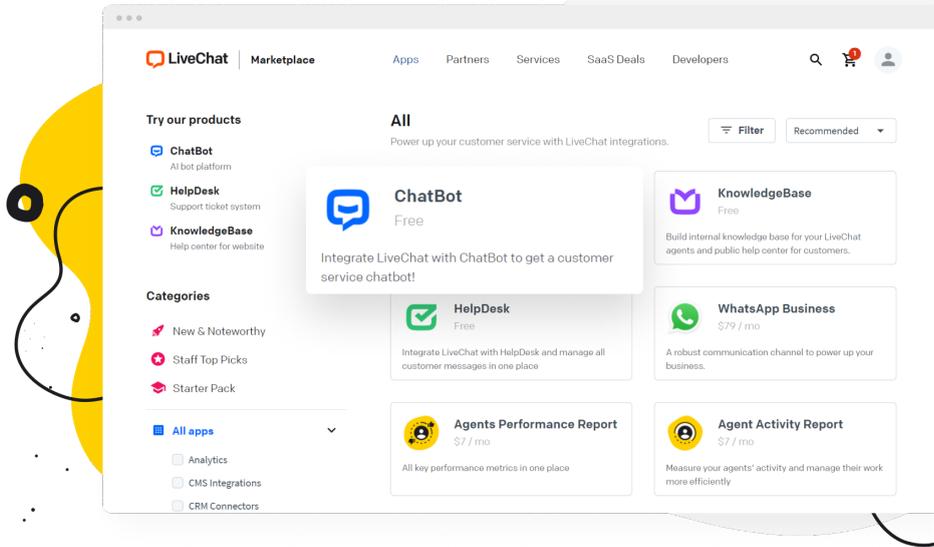
Developer console



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

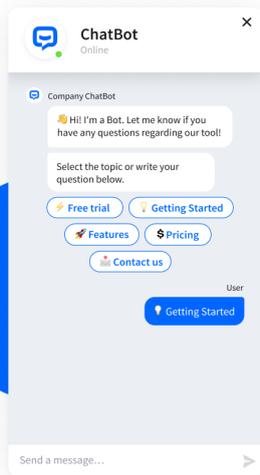
The main benefits of product development in the platform model are that the solutions become more flexible, which makes it possible to almost freely adjust their functionality to the users' requirements. This makes the user's relationship with the product stronger, making it more difficult for them to give up using it. The platform also allows you to discover previously unknown use cases of a given solution and share these experiences.

LiveChat Marketplace



In the first half of 2022/2023, the value of revenues from the sale of applications made available in the Company's marketplace (both our own and developed by external partners) reached USD 642 thousand as compared with USD 487 thousand in the same period of the previous year.

4.2.2. ChatBot



ChatBot widget



ChatBot Visual Builder

ChatBot is a product that allows the creation of conversational chatbots to handle various business scenarios. Their main goal is to automate corporate communications and to improve the effectiveness of customer service teams by addressing repeatable customer inquiries. The solution, introduced to the market, fits into the Company's strategy

to develop the offering of products for text-based customer communications. At the same time, it responds to the now popular trend towards automation of communications using AI-based mechanisms.

Bots are created by preparing a detailed conversation scenario in the form of a "tree". It is based on the drag & drop method, it is intuitive and simple, and therefore also available to people who do not have specialized programming knowledge.

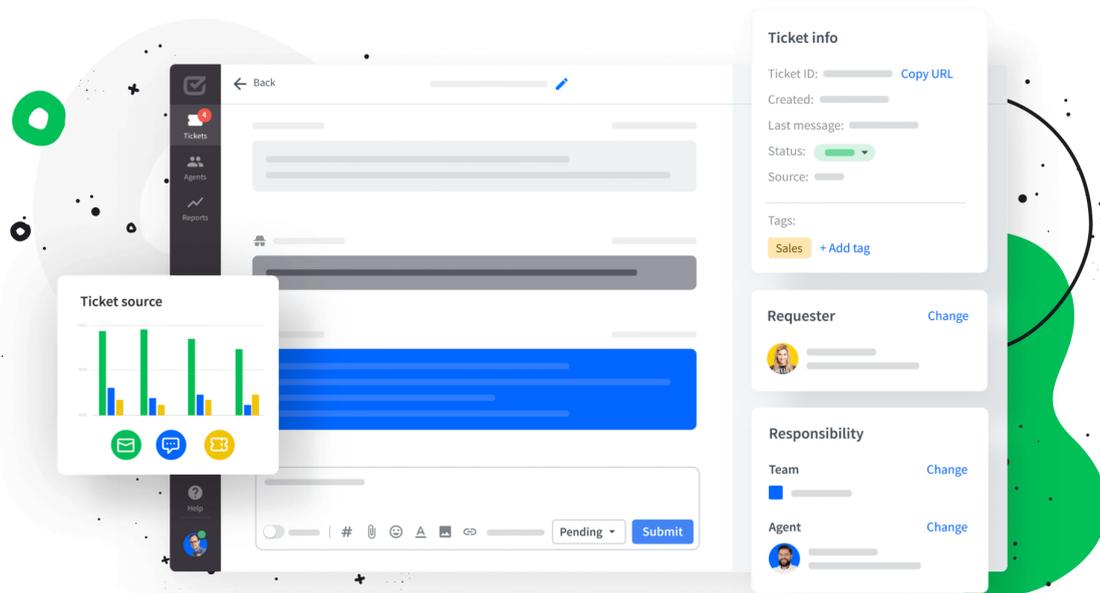
Chatbots, created by ChatBot, are based on two systems of matching phrases during a conversation with the user. The main one - machine learning, which analyzes the entire phrase entered, and the second one, is based on keywords. They can be used alternately or even combined within one scenario.

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

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

For more information about the product, please see <https://www.chatbot.com>

4.2.3. HelpDesk

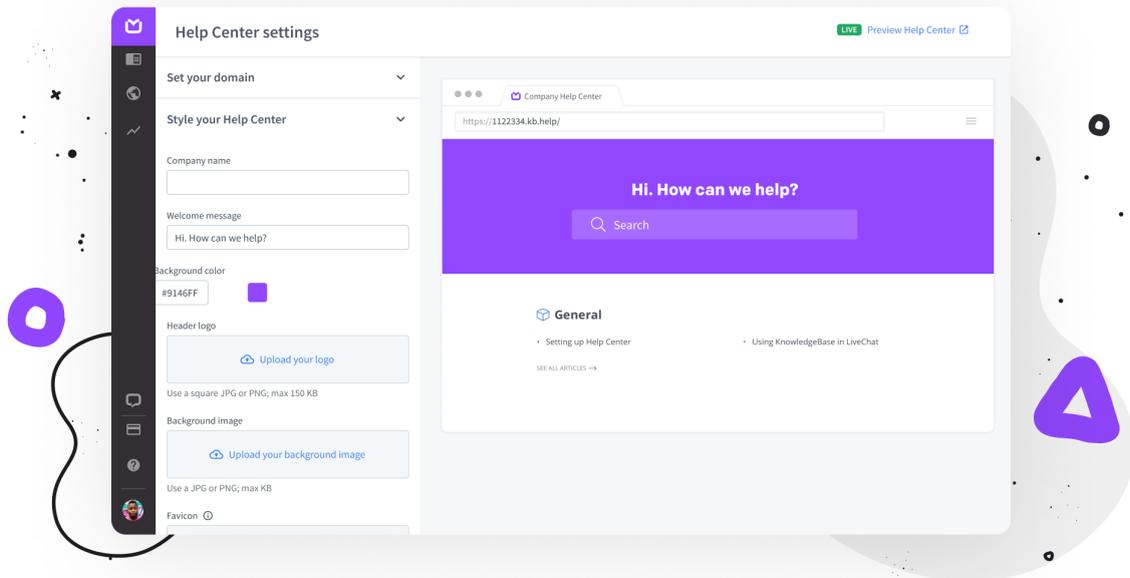


HelpDesk is a solution that is supposed to support business communication with the client through various channels. In particular, HelpDesk helps to manage the so-called "Tickets", i.e. matters reported by clients via various text communication channels (e.g. mail, live chat). The functions offered by HelpDesk include support for teamwork, grouping, and tagging of tickets, and the assessment of consumer satisfaction. Work on more HelpDesk integrations with other products is currently underway. The product is systematically expanded, and its vision ultimately assumes as much automation of such processes as possible to shorten the time of customer service support.

HelpDesk is a competitive solution for such products as Zendesk, FreshDesk, ZOHO Desk, HappyFox, or HelpScout and will constitute a valuable complement to the Company's offer.

For more information about the product, please see <https://www.helpdesk.com>

4.2.4. KnowledgeBase

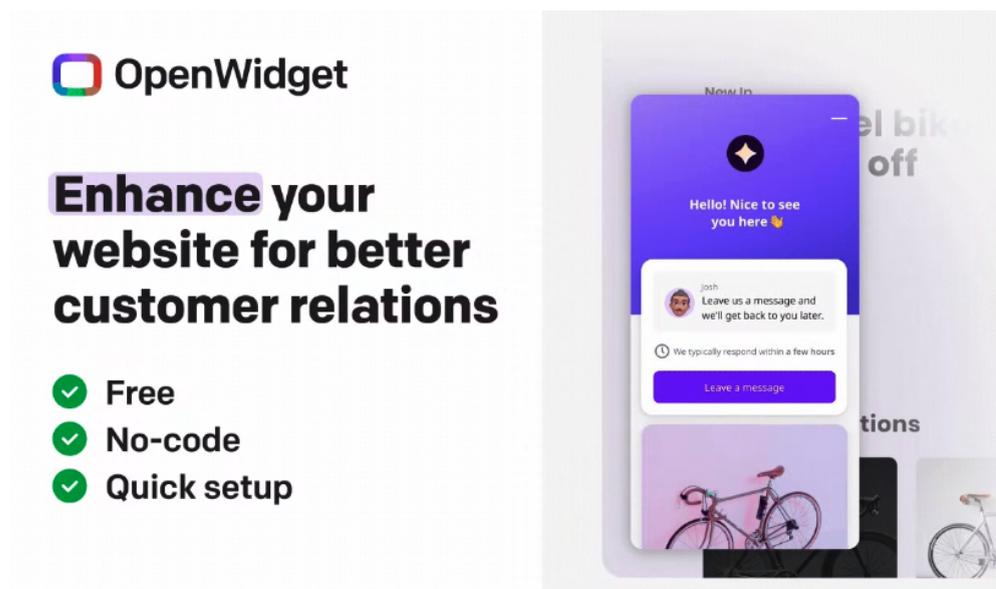


The Company released this application in October 2017, initially as an open beta version and then, in March 2018 as a fully-fledged, paid product. The KnowledgeBase platform allows companies to create their own knowledge bases, which can be accessed by both their employees and clients. Thanks to KnowledgeBase,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

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

4.2.5. OpenWidget

Free and easy-to-install OpenWidget allows e-commerce businesses to improve their customer satisfaction. The current version of the widget offers a contact form collecting key information and/or “product cards” (a tool effectively increasing monetization). OpenWidget was developed by the internal team, which so far was concentrated on the development of LiveChat widget and other products. Launched in November 2022, OpenWidget may gain a premium version or become a distribution platform for LiveChat Software's other products.

The image is a promotional graphic for OpenWidget. On the left, it features the OpenWidget logo (a square with four colored segments: red, green, blue, yellow) followed by the text "OpenWidget". Below this, the headline reads "Enhance your website for better customer relations". Underneath the headline are three bullet points, each with a green checkmark icon: "Free", "No-code", and "Quick setup". On the right side of the graphic is a screenshot of the OpenWidget interface on a mobile device. The interface shows a purple header with a white star icon and the text "Hello! Nice to see you here 🍌". Below this is a white message bubble from a user named "josh" that says "Leave us a message and we'll get back to you later." and a response from the company: "We typically respond within a few hours". At the bottom of the interface is a purple button labeled "Leave a message". The background of the graphic shows a blurred image of a bicycle.

For more information about the product, please see <https://www.openwidget.com>

4.3. Other activities

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

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

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

Activities undertaken in the project:

- expansion of the website and blog (strengthening the organic traffic and the number of entries interested in cooperation),
- expansion of the partnership panel ([dashboard](#)) giving partners access to advertising materials, analytics and tools for creating and managing LC licenses created in this model,
- Partner program API - enabling tracking and optimization of project activity and the automation of many activities within the project.

Content marketing activities

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

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

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

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

According to forecasts, the value of the public cloud market in 2022 will grow by 20.4% annually to USD 494.7 billion and will reach almost USD 600 billion in 2024. Solutions offered in the SaaS model dynamically replace traditional software, allowing customers to optimize the resources used, and increase the reliability, scalability, and flexibility of the solutions used. The following markets are also distinguished within the Cloud Computing market:

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

SaaS services are the largest part of the public cloud and by the end of 2022 their value should exceed USD 176 billion. Gartner predicts that there will be constant growth in this market, as enterprises choose various ways to reach customers with SaaS services, including through the cloud marketplace as they break down large applications into smaller more effective parts to improve efficiency.

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

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

- a very simplified application implementation process (short period of implementation combined with marginal costs) - this also applies to the latest software updates, which are usually performed automatically by the provider and require no further actions from the client,
- significant savings in the cost of support and maintenance,
- predictable, regular and relatively low subscription payments instead of a substantial, one-time, cost of purchasing the software and essential infrastructure, as well as any subsequent additional costs,
- a flexible payment scheme that enables resignation from the service at any time,
- a high degree of product scalability along with the increase of demand on the client's side,

- the opportunity to use the application from any place using desktop computers and mobile devices

From the software vendor point of view, the sale of the software in the SaaS model is characterized by the following:

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

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

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

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

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

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

LiveChat Software estimates that the market potential of live chat type of software remains very high, an expectation arising from the changes brought by the pandemic and the development of the e-commerce segment. According to eMarketer forecasts, online retail sales grew globally by 26.4% in 2020 and by 19.0% in 2021. The share of e-commerce purchases in total retail purchases alone at the beginning of 2022 was 16.1%. According to the forecasts of the research company eMarketer, in 2022 the value of retail sales on the Internet will reach USD 1 trillion in the USA alone.

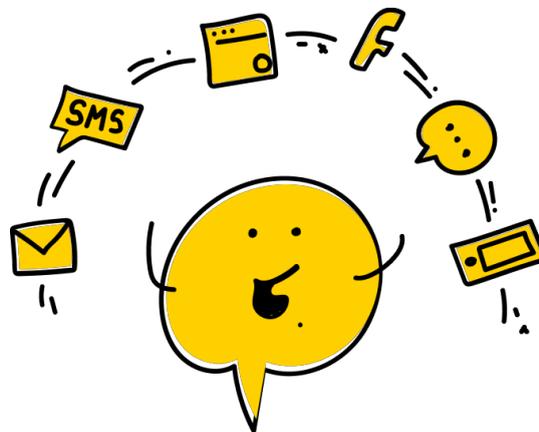
A strong influx of new clients means that existing players are focusing more on client acquisition rather than fighting for clients who already use competing solutions.

Furthermore, positioning LiveChat in the premium category and developing its market position based on features such as the variety of features and integrations available, the quality of customer service, as well as reliability and

data safety instead of price-based competition, makes the company resistant to pressure from popular solutions available free of charge.

The Company is monitoring very closely the new announcements of solutions for business in the text-based communications space by corporations such as Apple or Facebook and is aware of such developments from the early, software development stage, or months before they are officially announced. This was the case with Apple, as well as Facebook earlier on.

LiveChat Software believes these upgrades are positive news for the entire industry, thanks to the promotion of this type of software. Companies that offer their tools in the freemium model go to new groups of customers who have not used such solutions in the past or used their free versions. In this regard, these solutions do not constitute direct competition for LiveChat, but they introduce new opportunities for integration and for the acquisition of new clients who want to use this type of communication. Thanks to these developments, Facebook Messenger, WhatsApp, and now Apple are turning towards new development channels for the LiveChat product. The Company is developing a business ecosystem around its products in order to be able to better address users' needs. Thanks to these developments, they will be able to communicate with their clients via multiple platforms, not just using their website, but also via text message, Apple products, mobile devices, Facebook Messenger, social media communicators, and platforms.



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

4.5. Significant agreements for the Capital Group



Agreement with the payment gateway service provider

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

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

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

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

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

Agreement with the provider of payment clearing services

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

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

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



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

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

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

Agreement with Comerica Merchant Services (Worldpay from FIS)

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

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

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

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

LiveChat, Inc. agreement with American Express Company

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

Fees charged to LiveChat, Inc. in connection with the use of this service are set as a percentage of its turnover, at 2.89-3.20%, according to the current fee schedule. The terms of use include a number of waivers that exclude American Express Company from liability to its users. In particular, these terms exclude the liability of American Express Company for any indirect damages and for the loss of profits in connection with the use of the service.



According to the terms, American Express Company will not be held responsible for services offered by service providers via the service in question, or for information and products offered through the service or through websites connected to the service via a hyperlink.

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

4.6. Information about material transactions with related parties

Agreement with LiveChat, Inc.

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

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

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

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

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

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

Sales revenues to LiveChat, Inc. in the amount of	PLN 140,990 thous.
Costs of services purchased from LiveChat, Inc. in the amount of	PLN 26,171 thous.
Receivables from LiveChat, Inc. in the amount of	PLN 7,608 thous.
Obligations to LiveChat, Inc. in the amount of	PLN 0

The above transactions were excluded from the consolidated financial statements.

4.7. Information on other agreements and transactions

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

There were no such transactions.

Loans made or terminated

The Company had no loan agreements in this period.

Loans granted

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

Bonds subscription agreements

In the period from April 1, 2022 to September 30, 2022, the Company did not have any bond subscription agreements.

Cooperation or cooperation agreements

During the reported period, LiveChat Software S.A. nor the Group have concluded any cooperation or cooperation agreements.

Insurance contracts

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

Description of conducted court and administrative proceedings

In the reported period, the Company and the Group were not a party to any court or administrative proceedings.

4.8. Market growth prospects

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

4.9. Group's growth strategy



Product development

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

- a) the functional development of the application;
- b) new communication channels:
 - development of the "ticket" system consisting in collecting information from various communication channels with the customer to one customer service management system;
 - the functionality of the system will allow customers to further improve the customer-seller relationship, and ultimately, increase sales;
 - mobile systems;
 - social media;
 - integrated communicator.
- c) tools for larger companies, the so-called "Data driven".



Growth of the customer base

The Company assumes further growth in the number of customers based on:

- Automation of marketing activities and inbound marketing;
- Continuous strengthening of LiveChat's position in the area of customer service;
- Further development of the affiliate program;

- Development of new channels for acquiring new users.



Mergers and Acquisitions

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



Factors affecting the Company's and the Group's earnings

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

5. Risks and key factors affecting the Group's growth prospect

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

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

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

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

Risk of the volatility of exchange rates

The Company is exposed to the risk of volatility of foreign exchange rates, in particular the Polish currency in relation to the US dollar (USD). The sale of the Company's products is executed in USD only, which in case of significant volatility of the USD to local currencies may influence the client's perception of the price of the products.

Additionally, the currency risk results directly from incurring roughly half of the operating costs in PLN and from sales on foreign markets, which are realized fully in USD.

The volatility of exchange rates affects primarily the changes in the value of the Company's revenues and receivables converted into PLN. Therefore, there is a risk of the appreciation of the Polish currency, which will cause the reduction of the Company's price competitiveness and a faster increase in the volume of sales than in revenues from export sales expressed in PLN, thus reducing the profitability of sales.

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

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

Risk related to competition

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

Risk related to product distribution channels and reaching new customers and risk of client churn

The Company in its business activity concentrates on providing services of the highest standards. However, one cannot exclude the risk of a significant outflow of clients in case of a possible increase in the competition in the market. The situation described above can have a significant negative impact on the financial situation of the Company.

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

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

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

In the process of clients' acquisition the Company uses many channels of distribution of the products, but losing some of them or less effective activity of some of the important channels, for example as a result of the change in policy by one of the partners (like Google, Shopify, BigCommerce, or others) can significantly lead to a decline in the growth of the customer base for some time. An important source of clients is also an affiliate program. Its effectiveness can vary and can be dependent on the activity of the biggest partners.

Some of the clients can also be price sensitive. Changes in the pricing of the Company's products can have an effect on the churn rate and lead to acquiring fewer new customers.

Risk related to technical failures

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

Risk related to the occurrence of a breakdown or hacker attack

The Company provides its services based on computer software and internet connection. In addition, it uses infrastructure belonging to third parties, for example, to store data (hosting).

Such a business model is associated with the risk of failure not only on the part of the Company but also on individual entities performing at least technical roles in the provision of services by the Company. Moreover, the activity consisting in the exchange of data in the ICT system may become the subject of a hacking attack, which may lead to difficulties or prevent the proper provision of the service by the Company.

Risk related to breach of customer privacy or data loss or data leakage

The Group processes customer data to the extent and in the manner set out in the privacy policy. However, there is a risk of leakage, loss of data or unauthorized access to customer data. In the event of such an incident, the Company and the Group may be exposed to financial losses or loss of reputation.



Risk related to product concentration

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

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

Risk related to contracts concluded with customers

LiveChat Software, operating in the software segment, sells its product mainly through its website. The customer starts using the services of the Company after accepting the "general conditions" and payment for the subscription, but they are not bound by any fixed-term contract and are not subject to notice periods. This risk does not apply to some of the clients, which are bound by the longer-term contracts concluded by the sales team.

Reputational risk

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

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

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

Trademark risk

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

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

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

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

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



actions to protect the intellectual property of the Company, including securing the created solutions through patents.

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

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

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

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

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

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

Risk associated with the creation of intellectual property

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

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

The Company earns revenue from sales performed by a subsidiary company LiveChat, Inc. in the USA. The US law to a large extent does not have the nature of statutory laws, especially in the scope of pursuing claims arising from



contracts and torts. In connection with the above, lodging against the Company, in particular LiveChat, Inc., claims, for example, related to the malfunctioning of the LiveChat system, cannot be completely ruled out.

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

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

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

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

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

Tax risk related to transfer prices, especially under US law

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

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

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

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

The Company does not apply hedge accounting.

Risk related to the macroeconomic situation

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

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



Risk related to the development of the industry

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

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

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

Risk related to the availability and acquisition of specialists

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

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

Risk related to key team members

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

Risk of no or slow alignment with sustainable investment

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

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

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

6. Financial situation of LiveChat Software Group



6.1. Presentation of the consolidated results

Income statement

[thous. PLN]	H1 2022/23	H1 2021/22	Change
Sales	141 292	104 568	+35.1%
Cost of goods sold	19 452	13 093	
Gross profit (loss)	121 840	91 475	
Cost of sales	29 906	19 478	
General management and administration	10 697	8 199	
Other operating profit	41	53	
Other operating expenses	21	6	
Operating profit (loss)	81 257	63 845	+27.3%
Financial income	13	-	
Financial expenses	96	16	
Profit (loss) before tax	81 174	63 829	
Income tax	5 608	4 533	
Net profit (loss)	75 566	59 296	+27.4%

Commentary on factors influencing financial results:

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

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

Balance sheet – assets

[thous. PLN]	September 30, 2022	March 31, 2022	Change
Fixed assets	46 124	42 231	+9.2%
Intangible and legal assets	42 330	38 456	
Fixed real assets	3 024	3 232	
Long-term receivables	205	194	
Deferred income tax assets	564	348	
Long-term prepayments	1	1	
Current assets	87 880	95 521	-8.0%
Inventories	-	-	
Receivables for goods and services sold	2 805	1 590	
Other receivables	43 030	37 854	
Cash and cash equivalents	41 045	55 666	
Short-term prepayments	1 000	411	
Total assets	134 004	137 752	-2.7%

Balance sheet – liabilities

[thous. PLN]	September 30, 2022	March 31, 2022	Change
Own equity	116 165	124 510	-6.7%
Initial equity	515	515	
Supplementary capital	38 580	33 306	
Net profit (loss) for the fiscal year	(357)	(391)	
Advance payment for a dividend	77 427	91 080	
Liabilities and provisions	17 839	13 242	+34.7%
Long-term liabilities	463	796	
Deferred income tax	-	1	
Short-term liabilities	17 376	12 446	
Trade payables	15 203	11 153	
Current income tax	510	150	
Other payables	856	323	
Total liabilities	134 004	137 752	-2.7%

Cash position

[thous. PLN]	H1 2022/23	H1 2021/22	Change
Profit/loss	81 174	63 829	
Total adjustments, including among others:	4 182	8 437	
Depreciation and amortization	6 808	5 686	
Cash flow from operating activities	80 145	76 928	
Sale of intangible assets and tangible fixed assets	-	-	
Investments in intangibles and in real fixed assets	(10 476)	(8 105)	
Cash flow from investing activities	(10 476)	(8 105)	
Dividends paid	(83 945)	(72 100)	
Net cash flow from financing activities	(84 290)	(72 503)	
Total net cash flow	(14 621)	(3 680)	-
Cash at the beginning of the period	55 666	59 233	
Cash at the end of the period	41 045	55 552	-26.1%



Dividend policy

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

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

Description of the significant off-balance sheet items

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

Financial forecast

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

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

In the reported period the Company did not issue any shares.

6.2. Presentation of the standalone results

Income Statement

[PLN thous.]	H1 2022/23	H1 2021/22	Change
Sales	141 292	104 568	+35.1%
Costs of goods sold	22 283	14 029	
Gross profit (loss)	119 009	90 539	
Cost of sales	30 162	19 662	
General management and administration	10 744	8 237	
Profit (loss) on sales	78 103	62 640	
Other operating income	41	53	
Other operating expenses	21	6	
Operating profit (loss)	78 123	62 687	+24.6%
Financial income	2 747	919	
Financial expenses	0	0	
Profit (loss) before tax	80 870	63 606	
Income tax	5 608	4 533	
Net profit (loss)	75 262	59 073	+27.4%

Balance sheet – assets

[thous. PLN]	September 30, 2022	March 31, 2022	Change
Fixed assets	44 857	40 618	+10.4%
Intangible and legal assets	42 330	38 456	
Fixed real assets	1 754	1 617	
Long-term receivables	205	194	
Deferred income tax assets	564	348	
Long-term prepayments	566	349	
Working capital	84 521	92 738	-8.9%
Inventories	-	12	
Receivables for goods and services sold	7 608	4 915	
Cash and cash equivalents	43 945	38 509	
Short-term prepayments	31 968	48 890	
Short-term payments	1 000	411	
Total assets	129 378	133 356	-3.0%

Balance sheet – liabilities

[thous. PLN]	September 30, 2022	March 31, 2022	Change
Own equity	114 357	123 040	-7.1%
Initial equity	515	515	
Supplementary capital	38 580	33 306	
Net profit (loss) for the fiscal year	75 262	118 574	
Advance payment for a dividend	-	(29 355)	
abilities and provisions	15 020	10 316	+45.6%
Long-term liabilities	-	-	
Deferred income tax	-	910	
Short-term liabilities	8 033	5 844	
Trade payables	6 667	5 370	
Current income tax	855	324	
Other payables	6 987	4 472	
Total liabilities	129 378	133 356	-3.0%

Cash position

[thous. PLN]	H1 2022/23	H1 2021/22	Change
Profit/loss	75 262	59 073	
Total adjustments, among others including	2 237	14 831	
Depreciation and amortization	6 463	5 283	
Cash flow from operating activities	77 499	73 904	
Sale of intangible assets and tangible fixed assets	-	-	
Investments in intangibles and in real fixed assets	10 476	8 105	
Cash flow from investing activities	(10 476)	(8 105)	
Dividends paid	(83 945)	(72 100)	
Net cash flow from financing activities	(83 945)	(72 100)	
Total net cash flow	(16 922)	(6 301)	-
Cash at the beginning of the period	48 890	56 509	
Cash at the end of the period	31 968	50 208	-36.3%

7. Corporate governance

7.1. Information about the shares and shareholders

Structure of the initial equity

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

Shareholder structure

As of September 30, 2022, the largest shareholder of LiveChat Software S.A. was a Shareholders' consortium - a dominant shareholder, consisting of people on the Management Board of the Company, the Supervisory Board of the Company, and the Company's managers. In total, they held 10,792,022 shares, constituting 41.90% of the total number of votes at the general meeting.

The other shareholders, whose involvement exceeded 5% of the share capital, were two Polish open pension funds, Aviva OFE and Nationale Nederlanden Polskie Towarzystwo Emerytalne. As of December 31, 2021, they held 1,721,793 and 1,590,680 shares, respectively, representing 6.69% and 6.18% of the total number of votes at the general meeting.

Shareholder	Number of shares and votes	% of shares and votes
Aviva OFE Aviva Santander	1 721 793	6.69%
Nationale-Nederlanden PTE	1 590 680	6.18%
The shareholder consortium - dominant shareholder, incl. shareholders with 5%+ shares and votes:	10 790 022	41.90%
Mariusz Ciepty	3 366 250	13.07%
Maciej Jarzębowski	2 366 250	9.19%
Jakub Sitarz	3 010 000	11.69%
Others	11 647 505	45.23%
Together	25 750 000	100.00%

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

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

7.2. Governing bodies of the Company

7.2.1. Management Board

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

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

First name and surname	Function
Mariusz Ciepły	CEO
Urszula Jarzębowska	Board member

In the course of the first half of 2022/23 financial year, the Management Board worked in the above composition.

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

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

Remuneration of the Company's Management Board

Remuneration of members of the Management Board of LiveChat Software S.A. in the period between April 1, 2022 and September 30, 2022 and the previous year (including bonuses).

Remuneration of the Company's Management Board				
First name and surname	Stanowisko	Remuneration (PLN thous.)		
		H1 2022/23	H1 2021/22	
Mariusz Ciepły	CEO	1 388	781	
Urszula Jarzębowska	Member of the Management Board	923	517	
SUM	-	2 311	1 298	

7.2.2. Supervisory Board

On September 30, 2022 and on the date of the publication of this report, the composition of the Supervisory Board is as follows:

First name and surname	Function
Maciej Jarzębowski	Chairman of the Supervisory Board
Jakub Sitarz	Deputy Chairman of the Supervisory Board
Marcin Mańdziak	Member of the Supervisory Board
Marta Ciepła	Member of the Supervisory Board
Marzena Czapaluk	Member of the Supervisory Board

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

Marcin Mańdziak has a master's degree. He graduated from the Department of Law at the Faculty of Law, Administration and the Economy of the University of Wrocław, and has been working in the stock market branch for the past ten years. He co-founded and served for several years as the deputy CEO of M.W. Trade S.A., which became the first company to transfer from the microcap NewConnect market to the main board of the Warsaw Stock Exchange. Since 2013, he has been CEO and the main shareholder of EFM S.A. At the same time, Mańdziak manages a consulting firm Arandela Marcin Mandziak. He is a Member of the Supervisory Board at Venture Incubator ASI S.A.

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

Jakub Sitarz has a master's degree, having graduated from IT studies at the Faculty of Electronics at the Technical University in Wrocław. He serves as key technology adviser.

Marta Ciepła is a graduate of the University of Natural Science in Wrocław and post-graduate studies in human resources management. She has been involved in the IT industry for over a decade, in recruitment, and the selection of IT staff. She is an HR manager responsible for team development of the various departments in the companies.

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

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

Remuneration of the Supervisory Board members

During the reported period, members of the Supervisory Board received PLN 59,7 thousand and in the same period of the last year, they received PLN 91 thousand as remuneration.

7.3. Number of shares held by members of Management and Supervisory bodies

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

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

7.4. Other information

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

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

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

Current investments are mainly carried out in the field of product development and are financed from their own resources. The Management Board currently does not plan any other investments and changes in the financing structure.

Assessment of factors and unusual events affecting the result of operations for the financial year, with the determination of the degree of influence of these factors or unusual events on the result achieved.

The results of the H1 of the financial year 2022/23 were not affected by atypical factors and events.

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

There were no such changes.

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

The Company does not have such agreements.

Information about the system of controlling employee share programs.

Not applicable.

Auditing company

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

On October 20, 2021, the Company signed a contract with the auditing company Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością Sp.k. for the statutory audit of the financial statements of LIVECHAT Software S.A. in the period from 04/01/2021 to 03/31/2023 and the statutory audit of the consolidated financial statements of the LIVECHAT Software Capital Group in the period from 04/01/2021 to 03/31/2023, as well as the voluntary audit of interim financial statements of LIVECHAT Software S.A. in the period from 04/01/2021 to 03/31/2023 and a review of the interim consolidated financial statements of the LIVECHAT Software Capital Group in the period from 04/01/2021 to 03/31/2023.

Description of legal and administrative proceedings

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

Environmental issues

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

Information about employment

At the end of June 2022 the Company collaborated with 283 persons as opposed to 221 people a year ago. The most numerous groups are the product team consisting mainly of programmers and the customer service department, working in a 24/7 model. The marketing team is another large team, as well as administrators managing the infrastructure. There are also the following teams in the structure of the company: sales, finance, and administration or legal, as well as investor relations. The two-person Management Board consists of people who have been working on the LiveChat project for many years. So-called Chief Officers (CXOs) report directly to the Management Board. There are eight CXOs, who have been working with the Company for many years.

8. Dictionary

Financial indicators

Indicator	Description
EBITDA	= Operating profit + depreciation and amortization
Gross profit margin	= Gross profit/Net sales
Operating profit margin	= Operating profit/Net sales
Net profit margin	= Net profit/Net sales

Glossary

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

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