



/ QUARTERLY REPORT

QIII 2014

Wrocław, 12.11.2014

P/LAB

THE MANAGEMENT BOARD'S LETTER

Dear Sirs,

On behalf of the Executive Board Members, I hereby present the Quarterly Report.

Third quarter ends with very positive results in PILAB's development. The goal, after pivoting the strategy at the end of 2013, was to deliver 12-15 beta type projects in order to test and position our technology and further define our application for customer environments.

This objective, communicated in previous reports, is a necessary step in the development of product oriented high-tech companies with global ambitions and was strongly recommended by the company's advisory team. We budgeted 12 to 18 months for achieving these objectives, partly because our small company had to focus on projects in the biggest and most IT advanced enterprises. Clients of that magnitude are of course the most difficult to penetrate, especially for a young vendor expecting access to customer's key data stores.

We performed well both in terms of identifying a large and under-addressed market, as well as successfully implementing the beta type projects. We started with one beta project (pilot and pre-production implementation) in January 2014. In May we had five beta projects ongoing and in July we reached the total number of eleven projects. Taking into account the small size of the new implementation team (five people), this was quite of challenge. Summer of this year was very busy as some projects waited in line and some had to be postponed to next year. Although an average project delivery time is around 2 months, as of today, the company has thirteen projects ongoing and 3 of the betas executed this year have been already converted into sales and production implementations. The completion of this stage will be the official product release in Poland during IQ 2015, with numerous client references, use case studies and a growing number of conversions of pilot projects into sales.

One example of the PILAB team effort in the first three quarters of this year is related to the 'Polish IT Oscars'.

Together with IDG Poland, the publisher of Computerworld and CIO magazines, this summer we executed the IT Leader 2014 competition for the special category Data & Information Master. The PILAB team evaluated tens of the competing applications and projects across the whole country, identifying the most challenging use cases relative to self-service analytics for business users.

The results of the contest were presented on the 25th of September at the congress and gala for IT Leader by IDG. In previous editions, laureates were awarded for past projects - historical achievements. This year, the special category driven by PILAB was a significant innovation, based on the objective of identifying hard to execute projects with the objective of relieving the IT departments from the chore of custom analysis and reporting, by enabling self-service analytics by the business departments.

Finalists of the special category were: ING Bank, OSTC and Marshal Voivodeship of Lower Silesia. The results of this partnership with IDG in organizing the competition will be visible in our marketing materials.

As to the technology and product, we're continuing the thin client (web application) development, which is a new access interface expected by clients. A key part of future development efforts is in the User Experience area, as per our previous reports.

As to HR, we have strengthened our team with new specialists and are continuing to recruit experienced and ambitious people, who are joining us in the quest to build PILAB into a global vendor of data analytics solutions. The Executive Board is also finalizing the hiring for the key position of VP of Marketing Worldwide, who will also be the first US based employee.

In September we benefited from another working visit from Kirk Bradley, technical advisor and investor in PILAB (from Silicon Valley). Please see the interview with this Oracle Veteran in CIO magazine¹.

As to reports published during the third quarter of this year, we have following comments:

- PILAB has initialized fund raising (RB EBI 28/2014) and the company is in advanced discussions with individual and institutional investors for this small round, assessing the potential investor's ability to add value beyond the capital commitment.
- The Company is executing projects both for clients and for strategic partners, one example of which is a project in the HP laboratory in France (RB EBI 24/2018).

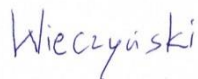
The financials of the company reflect the increased investments as well as the new focus and the new business model. PILAB is no longer pursuing projects disconnected from our target market and we focus only on the sale of our own solutions, without executing low margin services and hardware sales as part of our deployments. On the other hand, rising costs are balanced by a pipeline of high margin projects and the costs are covered with fund raising. Most of the current round was taken and paid for by a single US investor within the first few days of the fund raising effort. This allows us the luxury to carefully pick other investors based on their ability to provide additional value added. In addition, the Company has been offered investment by several institutional investors to cover the costs of US market entry. The PILAB Executive Board plans another round with higher valuation in the spring of 2015, after the results of our busy 2014 year will be visible.

It is worth mentioning that the Polish Ministry of Foreign Affairs, recognizing PILAB's potential and successes to date, has once again invited our company to share its experiences and present our Polish high-tech success story during the Polish-American Innovation Week in Silicon Valley².

In addition, during the third quarter of 2014, we've been engaged in multiple events as technology keynote speakers. Examples include conferences by the Polish Patent Office, TechMine, TechSaturdays, Ministry of Economy and World Bank.

Thank you very much for your continued support and we welcome your visits to our headquarters in Wroclaw.

With best regards,



Paweł Wieczyński

PILAB SA CEO

¹ Interview with Kirk Bradley:

<http://www.klubcio.pl/artykuly/399201/Nowe.podejscie.do.informacji.kto.jest.od.zadawania.pytan.html>

² Agenda of PILAB and Kirk Bradley speaking schedules at Berkley in San Francisco:

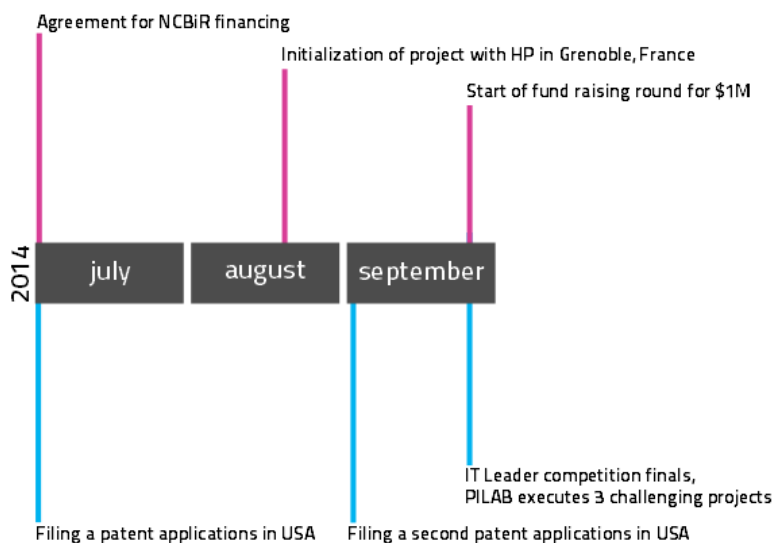
<http://www.paiw.pl/en/zakres-tematyczny#berkeley-san-francisco>

1. BASIC INFORMATION ABOUT PILAB SA

Company Name:	PILAB SA
Company Address:	ul. Rzeźnicza 32-33, 50-130 Wrocław
Phone:	+48 71 707 21 74
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www:	www.pilab.pl

Source: Company

2. TIMELINE



Source: Company

3. FINANCIAL DATA

Balance Sheet for the period 1 July 2014 to 30 September 2014 with comparative results

ASSETS		30.09.2014 PLN	30.09.2014 USD	30.09.2014 Euro	30.09.2013	30.09.2013 USD	30.09.2013 Euro
A	Fixed Assets	703 839,33	213 459,29	168 564,08	721 151,28	230 938,38	171 038,89
I.	Intangible assets	609 931,75	184 979,15	146 073,94	672 765,04	215 443,38	159 562,90
II.	Tangible fixed assets	93 907,58	28 480,14	22 490,14	48 386,24	15 495,00	11 476,00
III.	Long-term receivables	0,00	0,00	0,00	0,00	0,00	0,00
IV.	Long-term investments	0,00	0,00	0,00	0,00	0,00	0,00
V.	Long-term prepayments	0,00	0,00	0,00	0,00	0,00	0,00
B	Current Assets	1 349 284,26	409 208,83	323 143,16	1 620 521,01	518 948,67	384 346,70
I.	Inventory	280,50	85,07	67,18	0,00	0,00	0,00
II.	Short-term receivables	927 764,92	281 371,10	222 192,53	720 727,58	230 802,70	170 938,40
III.	Short-term investments	397 226,80	120 470,32	95 132,75	876 119,35	280 564,69	207 793,41
IV.	Short-term prepayments	24 012,04	7 282,33	5 750,70	23 674,08	7 581,29	5 614,89
TOTAL ASSETS		2 053 123,59	622 668,12	491 707,24	2 341 672,29	749 887,05	555 385,60
LIABILITIES		30.09.2014 PLN	30.09.2014 USD	30.09.2014 Euro	30.09.2013 PLN	30.09.2013 USD	30.09.2013 Euro
A	Equity	1 506 675,24	456 942,12	360 837,08	2 073 035,41	663 859,93	491 671,71
I.	Share capital	178 700,00	54 195,86	42 797,27	162 000,00	51 878,18	38 422,31
II.	Called up share capital (negative value)	0,00	0,00	0,00	0,00	0,00	0,00
III.	Own shares (negative value)	0,00	0,00	0,00	0,00	0,00	0,00

IV.	Supplementary capital	4 458 998,17	1 352 318,01	1 067 895,62	2 472 298,17	791 718,12	586 366,76
V.	Revaluation reserve	0,00	0,00	0,00	0,00	0,00	0,00
VI.	Other reserve capitals	0,00	0,00	0,00	0,00	0,00	0,00
VII.	Previous years' profit (loss)	-1 250 111,19	-379 131,77	-299 391,97	0,00	0,00	0,00
VIII.	Net profit (loss)	-1 880 911,74	-570 439,98	-450 463,83	-561 262,76	-179 736,37	-133 117,37
IX.	Write-off on net profit during the financial year (negative value)	0,00	0,00	0,00	0,00	0,00	0,00
B	Liabilities and Provisions For Liabilities	546 448,35	165 726,00	130 870,16	268 636,88	86 027,12	63 713,89
I.	Provisions for liabilities	0,00	0,00	0,00	0,00	0,00	0,00
II.	Long-term liabilities	64 894,18	19 681,01	15 541,65	33 566,70	10 749,26	7 961,17
III.	Short-term liabilities	481 554,17	146 045,00	115 328,50	235 070,18	75 277,86	55 752,72
IV.	Accruals & Deferred Income	0,00	0,00	0,00	0,00	0,00	0,00
	TOTAL EQUITY & LIABILITIES	2 053 123,59	622 668,12	491 707,24	2 341 672,29	749 887,05	555 385,60

Source: Company

Profit and loss account for the period 1 July 2014 to 30 September 2014 with comparative results

PROFIT AND LOSS ACCOUNT		01.07-30.09.2014 PLN	01.07-30.09.2014 USD	01.07-30.09.2014 Euro	01.07-30.09.2013 PLN	01.07-30.09.2013 USD	01.07-30.09.2013 Euro
A	Revenues from sales	223 467,48	70 924,04	53 514,89	481 313,94	150 072,94	113 311,66
I.	Sales of products and services	223 467,48	70 924,04	53 514,89	214 473,94	66 872,64	50 491,78
II.	Change in work in progress	0,00	0,00	0,00	0,00	0,00	0,00
III.	Intercompany sales	0,00	0,00	0,00	0,00	0,00	0,00
IV.	Sales of goods and materials	0,00	0,00	0,00	266 840,00	83 200,30	62 819,88
B	Operating costs	1 137 295,49	360 954,52	272 353,92	768 527,61	239 625,72	180 927,94
I.	Depreciation	66 262,49	21 030,37	15 868,21	30 272,47	9 438,91	7 126,79
II.	Materials & energy	47 873,51	15 194,08	11 464,51	48 893,32	15 244,86	11 510,54
III.	Cost of services	569 922,95	180 881,98	136 482,34	164 882,05	51 409,97	38 816,78
IV.	Taxes and fees	370,80	117,68	88,80	2 376,80	741,08	559,55
V.	Salaries	313 779,58	99 587,27	75 142,39	205 930,92	64 208,94	48 480,57
VI.	Benefits	23 348,85	7 410,45	5 591,47	3 835,97	1 196,05	903,07
VII.	Other costs	115 737,31	36 732,67	27 716,20	80 186,88	25 002,15	18 877,72
VIII.	Cost of goods and materials sold	0,00	0,00	0,00	232 149,20	72 383,76	54 652,92
C	Profit/Loss on sales (A-B)	-913 828,01	-290 030,47	-218 839,03	-287 213,67	-89 552,78	-67 616,28
D	Other operating incomes	109 497,59	34 752,31	26 221,94	0,77	0,24	0,18
I.	Profit on sale of fixed assets	552,85	175,46	132,39	0,00	0,00	0,00
II.	Subsides	108 936,50	34 574,24	26 087,58	0,00	0,00	0,00
III.	Other operating incomes	8,24	2,62	1,97	0,77	0,24	0,18
E	Other operating costs	58 371,00	18 525,77	13 978,40	6 437,90	2 007,33	1 515,62
I.	Loss on sale of fixed assets	0,00	0,00	0,00	0,00	0,00	0,00
II.	Actualization of fixed assets	0,00	0,00	0,00	0,00	0,00	0,00
III.	Other operating costs	58 371,00	18 525,77	13 978,40	6 437,90	2 007,33	1 515,62
F	Profit/Loss on activity (C + D - E)	-862 701,42	-273 803,93	-206 595,48	-293 650,80	-91 559,87	-69 131,72
G	Financial incomes	1 222,18	387,90	292,68	1 548,73	482,89	364,60
I.	Dividends	0,00	0,00	0,00	0,00	0,00	0,00
II.	Interest incomes	1 222,18	387,90	292,68	1 548,73	482,89	364,60
III.	Profit on sold investments	0,00	0,00	0,00	0,00	0,00	0,00
IV.	Actualization of investments	0,00	0,00	0,00	0,00	0,00	0,00
V.	Other	0,00	0,00	0,00	0,00	0,00	0,00
H	Financial costs	17 943,94	5 695,04	4 297,13	2 108,59	657,46	496,41
I.	Interest expenses	3 056,54	970,08	731,97	2 108,59	657,46	496,41
II.	Loss on sold investments	0,00	0,00	0,00	0,00	0,00	0,00
III.	Actualization of investments	0,00	0,00	0,00	0,00	0,00	0,00

IV.	Other	14 887,40	4 724,96	3 565,16	0,00	0,00	0,00
I.	Profit/Loss on total activity (F + G - H)	-879 423,18	-279 111,08	-210 599,93	-294 210,66	-91 734,43	-69 263,52
J	Result on extraordinary incidents (J.I. - J.II.)	0,00	0,00	0,00	0,00	0,00	0,00
I.	Extraordinary gains	0,00	0,00	0,00	0,00	0,00	0,00
II.	Extraordinary losses	0,00	0,00	0,00	0,00	0,00	0,00
K	Gross Profit/Loss (I +/- J)	-879 423,18	-279 111,08	-210 599,93	-294 210,66	-91 734,43	-69 263,52
L	Income tax	0,00	0,00	0,00	0,00	0,00	0,00
M	Other statutory appropriations of the profit	0,00	0,00	0,00	0,00	0,00	0,00
N	Net Profit/Loss (K - L - M)	-879 423,18	-279 111,08	-210 599,93	-294 210,66	-91 734,43	-69 263,52

Source: Company

Cash flow for the period 1 July 2014 to 30 September 2014 with comparative results

CASH FLOW	01.07-30.09.2014 PLN	01.07-30.09.2014 USD	01.07-30.09.2014 Euro	01.07-30.09.2013 PLN	01.07-30.09.2013 USD	01.07-30.09.2013 Euro
A. Cash flows from operating activities						
I. Net profit (loss)	-879 423,18	-279 111,08	-210 599,93	-294 210,66	-91 734,43	-69 263,52
II. Total adjustments	386 334,75	122 614,81	92 517,54	419 684,35	130 856,93	98 802,73
III. Net cash flows from operating activities (I +/- II)	-493 088,43	-156 496,26	-118 082,39	125 473,69	39 122,50	29 539,21
B. Cash flows from investment activities						
I. Inflows	0,00	0,00	0,00	0,00	0,00	0,00
II. Outflows	0,00	0,00	0,00	224 250,00	69 920,80	52 793,28
III. Net cash flows from investment activities (I-II)	0,00	0,00	0,00	-224 250,00	-69 920,80	-52 793,28
C. Cash flows from financial activities						
I. Inflows	20 369,38	6 464,83	4 877,96	0,00	0,00	0,00
II. Outflows	14 712,78	4 669,54	3 523,34	-9 474,00	-2 953,98	-2 230,38
III. Net cash flows from financial activities (I-II)	5 656,60	1 795,29	1 354,61	-9 474,00	-2 953,98	-2 230,38
D. Total net cash flows (A.III. +/- B.III +/- C.III)	-487 431,83	-154 700,97	-116 727,77	-108 250,31	-33 752,28	-25 484,45
E. Balance sheet change in cash, including:	0,00	0,00	0,00	0,00	0,00	0,00
F. Cash opening balance	884 658,63	280 772,70	211 853,69	984 369,66	306 924,94	231 741,80
G. Closing balance of cash (F+/-D), including:	397 226,80	126 071,73	95 125,92	876 119,35	273 172,66	206 257,35

Source: Company

Statement of changes in share equity (funds) for the period 1 July 2014 to 30 September 2014 with comparative results

Statement of changes in share equity (funds)	01.07-30.09.2014 PLN	01.07-30.09.2014 USD	01.07-30.09.2014 Euro	01.07-30.09.2013 PLN	01.07-30.09.2013 USD	01.07-30.09.2013 Euro
I. Opening balance of equity	2 386 098,42	757 299,23	571 411,09	2 369 746,07	738 883,16	557 889,23
I.a Opening balance of equity after adjustments	2 386 098,42	757 299,23	571 411,09	2 369 746,07	738 883,16	557 889,23
II. Closing balance of equity	1 506 675,24	478 188,16	360 811,16	2 073 035,41	646 369,23	488 037,15
III. Equity including proposed profit distribution (loss coverage)	1 506 675,24	478 188,16	360 811,16	2 073 035,41	646 369,23	488 037,15

Source: Company

4. THE MANAGEMENT BOARD'S COMMENTS ON FACTORS AND EVENTS THAT AFFECT THE ACHIEVED FINANCIAL RESULTS

5. NOTES TO FINANCIAL DATA

The following exchange rates were applied:

Euro:

from	to	for Balance Sheet statement calculations	for profit and loss account	for cash flow
01.07.2013	30.09.2013	4,2163	4,2477	4,2477
01.07.2014	30.09.2014	4,1755	4,1758	4,1758

Source: NBP

USD:

from	to	for Balance Sheet statement calculations	for profit and loss account	for cash flow
01.07.2013	30.09.2013	3,1227	3,2072	3,2072
01.07.2014	30.09.2014	3,2973	3,1508	3,1508

Source: NBP

Balance Sheet applicable exchange rate represents the exchange rate as of the last day of the month ending the relevant period.

Profit and loss account and Cash flow exchange rate represents the average of exchange rates effective on the last day of each month within the relevant period.