



/ QUARTERLY REPORT

QII 2014

Wrocław, 12.08.2014

P/LAB

THE MANAGEMENT BOARD'S LETTER

Dear Sirs,

On behalf of the Executive Board Members I hereby present the quarterly report.

II quarter of 2014 should be recognized for its increased implementation efforts, we have finished one of the key projects and all other are being processed as per their schedule. Simultaneously we continued intensive recruitment in order to increase our capacity in implementing and selling of the systems. Over a hundred selected candidates were reviewed for positions of System Engineers, VP of Engineering and Product Manager. The best candidates have been chosen for further and thorough selection. PILAB plans to become a global and highly disruptive force in the Business Intelligence and Data Warehousing markets, therefore the company needs a team of specialists best in their class. Our strategy assumes development of a Polish team of less than one hundred people with the right skills, working as meritocratic, , creative and elastic team.

We have undertaken cooperation with IDG, taking part as patron in the Computerworld – IT Leader 2014 competition, where PILAB is assigned to be a technological partner in the Data & Information Master category¹. Further information regarding that very interesting project will be provided shortly.

The company is focused on tailoring our core technology into a Business Intelligence solution based on customer use cases. Each implementation brings us closer to understanding the key aspects of our system's usage. User feedback shows that PILAB systems are highly advanced and present unique functionality. A key area where we need to make more progress is the graphical user interface (GUI). Many of the advanced functions, such as the hybrid of graph and aggregating data traversing, are complex and would require the customer to be a specialist, we need to make this easier. That feedback from the market achieved through customer interaction is a natural and expected step forward for the productization efforts².

The Silicon Valley approach to building a new product category is proving to be applicable in Poland. PILAB technology works in practice, parameters of current system implementations confirm the competitiveness and underline significant advantages of our system capabilities.

Currently there are over ten system implementations in progress (simultaneously), most of them being proof-of-concept (POC) type projects, where PILAB proves that what clients thought was impossible or a very hard challenges can be addressed quickly by implementing our technology.

It is worth mentioning that these POCs are a key element of our solution tailoring process, whereby we uncover the customer potential of the technology, with commercial rollout being a next step. We have a solid pipeline of POC projects, where enterprises identify huge issues in analyzing and processing the data, especially when data sources are changing and data model requires constant adaptation, thereby confirming the great potential for our company. PILAB System Engineers are the busiest part of the company, proving that challenges that are not yet addressed by solutions available on the market both in Poland and outside, can be solved with only a few months of implementation. As the data and business environment become more familiar to PILAB System Engineers, our cycle time is becoming shorter.. One of the sectors where we are seeing great opportunity is the financial sector;, installations being processed today with similar use-cases are done in different types of the enterprise class customers: banks, investment firms (also operating globally) and

¹ <http://www.computerworld.pl/konferencja/KongresLider2014>

² The cycle of technology development in the UX context: <http://www.nngroup.com/articles-life-cycle-of-a-technology/>

institutions from Polish capital market.

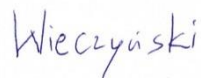
As to PILAB financing, we're currently planning to continue with fund raising in 2014 in order to cover the extended POC projects costs and increase the system engineering and sales capacities of the company both for the operations in Poland as well as for first US projects.

Initializing the equity processes at the turn of III and IV quarter of this year, we will undertake the road-show with Venture Capital investors from North and Western Europe, verifying the potential of financing the US market entry planned for year 2015.

Commenting on the financial results of PILAB during II quarter of 2014, one should notice the realization of investment policy, with significant expenses and effort going into the POC projects. We are also being benchmarked outside of Poland as part of pursuing several strategic partnerships. We will follow up with more details about these potential partnerships during the next quarters.

We kindly thank the investors visiting our premises for their time and engagement and encourage you to come see us..

With best regards,



Paweł Wieczyński

PILAB SA CEO

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
Fax:	+48 71 707 22 73
E-mail:	biuro@pilab.pl
www:	www.pilab.pl

Source: Company

2. FINANCIAL DATA

Balance Sheet for the period 1 April 2014 to 30 June 2014 with comparative results

ASSETS		30.06.2014 PLN	30.06.2014 USD	30.06.2014 EURO	30.06.2013 PLN	30.06.2013 USD	30.06.2013 Euro
A	Fixed Assets	776 189,33	249 626,72	186 404,74	533 261,25	160 741,90	123 177,78
I.	Intangible assets	669 819,77	215 417,69	160 859,70	477 853,05	144 040,11	110 379,07
II.	Tangible fixed assets	106 369,56	34 209,03	25 545,04	55 408,20	16 701,79	12 798,72
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	1 888 118,23	607 229,12	453 438,58	2 044 117,90	616 162,14	472 169,89
I.	Inventory	0,00	0,00	0,00	2 432,93	733,36	561,98
II.	Short-term receivables	995 098,15	320 028,99	238 976,50	1 057 318,77	318 709,50	244 229,60
III.	Short-term investments	884 658,63	284 511,04	212 454,04	984 366,20	296 719,28	227 378,31
IV.	Short-term prepayments	8 361,45	2 689,09	2 008,03	0,00	0,00	0,00
	TOTAL ASSETS	2 664 307,56	856 855,84	639 843,31	2 577 379,15	776 904,04	595 347,67
LIABILITIES		30.06.2014 PLN	30.06.2014 USD	30.06.2014 Euro	30.06.2013 PLN	30.06.2013 USD	30.06.2013 Euro
A	Equity	2 386 098,42	767 382,27	573 030,36	2 369 747,28	714 317,19	547 386,88
I.	Share capital	178 700,00	57 470,89	42 915,47	162 000,00	48 831,95	37 420,31
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	1 434 038,13	1 070 844,90	2 474 798,17	745 982,87	571 652,54
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	-402 042,58	-300 218,83	0,00	0,00	0,00
VIII.	Net profit (loss)	-1 001 488,56	-322 084,18	-240 511,18	-267 050,89	-80 497,63	-61 685,97
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	278 209,14	89 473,58	66 812,95	207 631,87	62 586,85	47 960,79
I.	Provisions for liabilities	0,00	0,00	0,00	0,00	0,00	0,00
II.	Long-term liabilities	64 894,18	20 870,32	15 584,58	33 566,70	10 118,07	7 753,56
III.	Short-term liabilities	213 314,96	68 603,25	51 228,38	174 065,17	52 468,78	40 207,24
IV.	Accruals & Deferred Income	0,00	0,00	0,00	0,00	0,00	0,00
	TOTAL EQUITY & LIABILITIES	2 664 307,56	856 855,84	639 843,31	2 577 379,15	776 904,04	595 347,67

Source: Company

Profit and loss account for the period 1 April 2014 to 30 June 2014 with comparative results

PROFIT AND LOSS ACCOUNT		01.04-30.06.2014 PLN	01.04-30.06.2014 USD	01.04-30.06.2014 Euro	01.04-30.06.2013 PLN	01.04-30.06.2013 USD	01.04-30.06.2013 Euro
A	Revenues from sales	318 083,30	104 708,44	76 337,55	378 320,38	117 629,62	90 059,13
I.	Sales of products and services	318 083,30	104 708,44	76 337,55	378 320,38	117 629,62	90 059,13
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	0,00	0,00	0,00
B	Operating costs	802 602,92	264 205,32	192 618,54	652 385,99	202 843,73	155 300,42
I.	Depreciation	66 183,57	21 786,68	15 883,55	11 584,98	3 602,07	2 757,80
II.	Materials & energy	43 697,73	14 384,66	10 487,12	41 206,06	12 812,03	9 809,10
III.	Cost of services	297 676,98	97 990,97	71 440,19	396 177,00	123 181,71	94 309,89
IV.	Taxes and fees	0,00			2 075,00	645,17	493,95
V.	Salaries	274 342,89	90 309,73	65 840,19	95 132,05	29 579,02	22 646,17
VI.	Benefits	19 863,03	6 538,62	4 766,97	1 440,16	447,78	342,83
VII.	Other costs	100 838,72	33 194,65	24 200,52	104 770,74	32 575,94	24 940,66
VIII.	Cost of goods and materials sold	0,00		0,00	0,00	0,00	0,00
C	Profit/Loss on sales (A-B)	-484 519,62	-159 496,88	-116 280,99	-274 065,61	-85 214,11	-65 241,29
D	Other operating incomes	1 500,43	493,92	360,09	1,23	0,38	0,09
I.	Profit on sale of fixed assets	1 500,00	493,78	359,99	0,00	0,00	0,00
II.	Subsides	0,00	0,00	0,00	0,00	0,00	0,00
III.	Other operating incomes	0,43	0,14	0,10	1,23	0,38	0,29
E	Other operating costs	6 797,17	2 237,53	1 631,27	6 148,31	1 911,67	1 463,60
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	6 797,17	2 237,53	1 631,27	6 148,31	1 911,67	1 463,60
F	Profit/Loss on activity (C + D - E)	-489 816,36	-161 240,49	-117 552,16	-280 212,69	-87 125,39	-66 704,60
G	Financial incomes	2 303,23	758,19	552,76	3 517,58	1 093,71	837,36
I.	Dividends	0,00	0,00	0,00	0,00	0,00	0,00
II.	Interest incomes	2 303,23	758,19	552,76	3 517,58	1 093,71	837,36
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	5 818,31	1 915,30	1 396,35	1 829,99	568,99	435,63
I.	Interest expenses	3 538,46	1 164,81	849,20	1 706,88	530,71	406,32
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	2 279,85	750,49	547,15	123,11	38,28	29,31
I.	Profit/Loss on total activity (F + G - H)	-493 331,44	-162 397,60	-118 395,76	-278 525,10	-86 600,68	-66 302,87
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)	-493 331,44	-162 397,60	-118 395,76	-278 525,10	-86 600,68	-66 302,87
L	Income tax	12 076,00	3 975,25	2 898,15	1 045,00	324,92	248,76
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)	-505 407,44	-166 372,85	-121 293,90	-279 570,10	-86 925,60	-66 551,63

Source: Company

Cash flow for the period 1 April 2014 to 30 June 2014 with comparative results

CASH FLOW	01.04-30.06.2014 PLN	01.04-30.06.2014 USD	01.04-30.06.2014 Euro	01.04-30.06.2013 PLN	01.04-30.06.2013 USD	01.04-30.06.2013 Euro
A. Cash flows from operating activities						
I. Net profit (loss)	-505 407,44	-166 372,85	-121 293,90	-279 570,10	-86 925,60	-66 551,63
II. Total adjustments	-268 386,91	-88 349,10	-64 410,80	-155 589,27	-48 376,74	-37 038,01
III. Net cash flows from operating activities (I +/- II)	-773 794,35	-254 721,95	-185 704,70	-435 159,37	-135 302,34	-103 589,64
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	0,00	0,00	0,00
III. Net cash flows from investment activities (I-II)	0,00	0,00	0,00	0,00	0,00	0,00
C. Cash flows from financial activities						
I. Inflows	49 804,00	16 394,76	11 952,58	1 185 331,00	368 550,15	282 167,92
II. Outflows	15 006,71	4 939,99	3 601,50	7 918,08	2 461,94	1 884,90
III. Net cash flows from financial activities (I-II)	34 797,29	11 454,77	8 351,08	1 177 412,92	366 088,22	280 283,02
D. Total net cash flows (A.III. +/- B.III +/- C.III)	-738 997,06	-243 267,19	-177 353,62	742 253,55	230 785,88	176 693,38
E. Balance sheet change in cash, including:	0,00	0,00	0,00	0,00	0,00	0,00
F. Cash opening balance	1 623 655,69	534 484,06	389 664,90	242 112,65	75 279,10	57 634,89
G. Closing balance of cash (F+/-D), including:	884 658,63	291 216,88	212 311,28	984 366,20	306 064,98	234 328,27

Source: Company

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

Statement of changes in share equity (funds)	01.04-30.06.2014 PLN	01.04-30.06.2014 USD	01.04-30.06.2014 Euro	01.04-30.06.2013 PLN	01.04-30.06.2013 USD	01.04-30.06.2013 Euro
I. Opening balance of equity	2 854 121,86	939 535,80	684 967,33	1 463 986,38	455 191,34	348 501,80
I.a Opening balance of equity after adjustments	2 854 121,86	939 535,80	684 967,33	1 463 986,38	455 191,34	348 501,80
II. Closing balance of equity	2 386 098,42	785 469,23	572 645,30	2 369 747,28	736 815,89	564 118,09
III. Equity including proposed profit distribution (loss coverage)	2 386 098,42	785 469,23	572 645,30	2 369 747,28	736 815,89	564 118,09

Source: Company

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

The loss in company P&L is a direct result of the strategy and new business model, where for the current stage of development the major objectives are productization efforts and identification of optimal use-cases for the technology, through maximizing the customer and market intimacy and number of system installations. Currently there are over ten implementation projects processed (most of them proof-of-concept like), where PILAB system is tested in production environments or was already purchased. Inseparable elements of that processes are investments in: customer feedback driven interface and UX development, increasing the implementation capabilities of the company and other significant financing aspects of these beta type projects.

During the II quarter of 2014 company was executing 4 POC projects for new use-cases of PILAB system and 3 commercial projects.

Company is continuing the process of securing the intellectual property for own technology, with 4 patents pending in EU and USA. Simultaneously PILAB has begun recruitment in Silicon Valley and intensifies the preparations for US market entry.

4. 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
01.04.2013	30.06.2013	4,3292	4,2008	4,2008
01.04.2014	30.06.2014	4,1640	4,1668	4,1668

Source: NBP

USD:

from	to	for Balance Sheet statement calculations	for profit and loss account	for cash flow
01.04.2013	30.06.2013	3,3175	3,2162	3,2162
01.04.2014	30.06.2014	3,1094	3,0378	3,0378

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.