



QUARTERLY REPORT

QIII 2015

Wrocław, 12.11.2015

THE MANAGEMENT BOARD`S LETTER

Dear Shareholders,

Third quarter, summarized by this report, has been a significant milestone in the context of PiLab development in Europe. In previous, second quarter of this year, we have launched our platform in Poland and the most important objective was to begin the sales.

Execution of this objective can be defined by number of important dimensions. The first, natural goal was to build a sales team. As a result of intensive and selective recruitment, our Company was strengthened by two high-end sales specialists. Both present an impressive track record and multiple years of experience in sales of analytical systems to major enterprise clients in Poland and Europe. With four direct sales team members supported by two people in marketing, our Polish go-to-market team is now fully operational.

Another aspect of the sales development in Poland was to repeatedly improve and implement infrastructure to enable scalable and monitored generation of leads and conversion of prospects to clients. Thanks to significant marketing and executive effort following elements of the process have been developed:

- *Target group fingerprints: use-cases identified and verified with first clients, are now a fundament of sales process as significant ROI proof-points;*
- *Marketing campaigns: our team has created and improved through couple of cycles, a communication channels to our target group;*
- *Toolset: range of tools enabling verification of value added for our clients and execution of the purchase and implementation with customer satisfaction as a priority.*

After several sale cycles of using this infrastructure, the effects such as tripling the lead generation results and several customer implementations initiation (such as reported in RB EBI 40/2015 contract) are clearly visible.

Simultaneously with the start of sales in Poland, our progress is driven by system development and our US operations. This is of course a process designed for multiple years ahead, current status of execution is briefly summarized by our VP of Marketing Bob Thomas, operating from the Bay Area:

„PiLab is currently doing market testing in the United States; reviewing our solutions and plans for AML (anti-money laundering) and fraud detection with various large banks and other financial institutions. To date we are encouraged by US customer feedback.”


Due to intensive software development, driven now in 90% by specific integrational, visualization and process requirements from US market, we have furtherly enhanced our development team. Taking into account all of the closed recruitments, we have now exceeded number of 60 team members and covered our HR needs. Further recruitments will focus around laser-precise talent acquisitions in Poland and recruitment in US, the latter scheduled to intensify around II and III quarters of the next year.

As a result of fast organization development, significant area of The Executive Board engagement are administrative tasks in Poland and legal topics (i.e. tax challenges, patenting and other) in US. Implementing a complex technology applicable in use-cases such as fraud detection and anti-money laundering in major financial enterprises requires a certain level of transparency, IP security and organizational excellence.

All of these operations are possible thanks to resources secured in the round conducted in reported quarter. In August our Company has closed a second part of the fund raising – over 21 M PLN (reported in RB EBI 36/2015), following a 6 M PLN tranche secured in April 2015 (reported in EBI 9/2015). Objectives for this, freshly started chapter of Company development, are to 1) execute beta tests with US clients and based on first commercial references launch product in America and 2) start and scale up the sales in Poland.

Summarizing, III quarter 2015 was an important milestone in the Company life. Successful and oversubscribed fund raising, initialization of sales in Poland and positive feedback from US market, all of these are an inspiration and motivation for our whole team. We will continue executing our strategy and presenting the results of our work.

With best regards,



Paweł Wieczyński

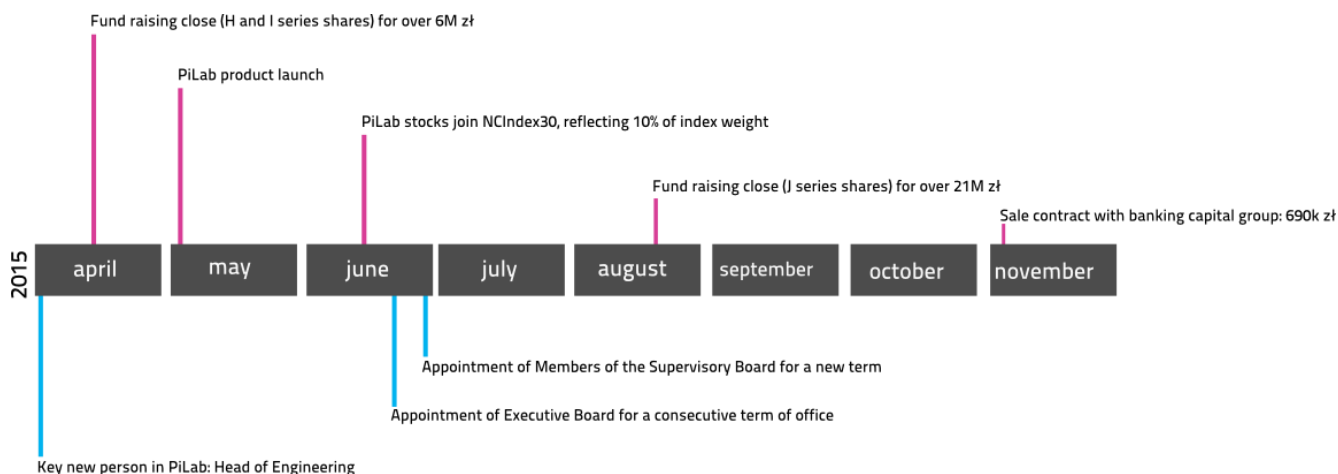
PiLab CEO

1. BASIC INFORMATION ABOUT PiLab SA

Company Name:	PiLab SA
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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 2015 to 30 September 2015 with comparative results

	ASSETS	III Q 2015 PLN	III Q 2015 USD	III Q 2015 Euro	III Q 2014 PLN	III Q 2014 USD	III Q 2014 Euro
A	Fixed Assets	598 620,81	158 558,25	141 230,79	703 839,33	213 459,29	168 564,1
I.	Intangible assets	416 214,58	110 243,84	98 196,24	609 931,75	184 979,15	146 073,9
II.	Tangible fixed assets	182 406,23	48 314,41	43 034,55	93 907,58	28 480,14	22 490,14
III.	Long-term receivables	0,00	0,00	0,00	0,00	0,00	0
IV.	Long-term investments	0,00	0,00	0,00	0,00	0,00	0
V.	Long-term prepayments	0,00	0,00	0,00	0,00	0,00	0
B	Current Assets	25 877 125,18	6 854 141,33	6 105 111,40	1 349 284,26	409 208,83	323 143,2
I.	Inventory	0,00	0,00	0,00	280,50	85,07	67,17
II.	Short-term receivables	1 457 044,78	385 931,23	343 756,14	927 764,92	281 371,10	222 192,5
III.	Short-term investments	24 389 580,19	6 460 131,43	5 754 159,44	397 226,80	120 470,32	95 132,75
IV.	Short-term prepayments	30 500,21	8 078,67	7 195,82	24 012,04	7 282,33	5 750,698
	TOTAL ASSETS	26 475 745,99	7 012 699,58	6 246 342,19	2 053 123,59	622 668,12	491 707,2
	LIABILITIES	III Q 2015 PLN	III Q 2015USD	III Q 2015 Euro	III Q 2014 PLN	III Q 2014 USD	III Q 2014 Euro
A	Equity	25 747 019,28	6 819 679,84	6 074 415,91	1 506 675,24	456 942,12	360 837,08
I.	Share capital	300 550,00	79 607,46	70 907,85	178 700,00	54 195,86	42 797,27
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	33 000 203,98	8 740 849,71	7 785 637,71	4 458 998,17	1 352 318,01	1 067 895,62
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)	-2 957 147,71	-783 267,39	-697 670,86	-1 250 111,19	-379 131,77	-299 391,97
VII I.	Net profit (loss)	-4 596 586,99	-1 217 509,93	-1 084 458,78	-1 880 911,74	-570 439,98	-450 463,83
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	728 726,71	193 019,74	171 926,28	546 448,35	165 726,00	130 870,16
I.	Provisions for liabilities	0,00	0,00	0,00	0,00	0,00	0,00
II.	Long-term liabilities	65 359,81	17 312,02	15 420,14	64 894,18	19 681,01	15 541,65
III.	Short-term liabilities	663 366,90	175 707,71	156 506,13	481 554,17	146 045,00	115 328,50

IV.	Accruals & Deferred Income	0,00	0,00	0,00	0,00	0,00	0,00
	TOTAL EQUITY & LIABILITIES	26 475 745,99	7 012 699,58	6 246 342,19	2 053 123,59	622 668,12	491 707,24

Source: Company

Profit and loss account for the period 1 July 2015 to 30 September 2015 with comparative results

	PROFIT AND LOSS ACCOUNT	III Q 2015 PLN	III Q 2015 USD	III Q 2015 Euro	III Q 2014 PLN	III Q 2014 USD	III Q 2014 Euro
A	Revenues from sales	529 657,50	140 694,23	126 473,29	223 467,48	70 924,04	53 514,89
I.	Sales of products and services	529 657,50	140 694,23	126 473,29	223 467,48	70 924,04	53 514,89
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	2 218 475,88	589 299,23	529 734,68	1 137 295,49	360 954,52	272 353,92
I.	Depreciation	54 787,91	14 553,45	13 082,43	66 262,49	21 030,37	15 868,21
II.	Materials & energy	79 431,83	21 099,67	18 966,98	47 873,51	15 194,08	11 464,51
III.	Cost of services	1 397 569,35	371 239,80	333 716,03	569 922,95	180 881,98	136 482,34
IV.	Taxes and fees	-444,67	-118,12	-106,18	370,80	117,68	88,80
V.	Salaries	504 696,47	134 063,77	120 513,02	313 779,58	99 587,27	75 142,39
VI.	Benefits	64 237,94	17 063,68	15 338,94	23 348,85	7 410,45	5 591,47
VII	Other costs	118 197,05	31 396,97	28 223,47	115 737,31	36 732,67	27 716,20
VII I.	Cost of goods and materials sold	0,00	0,00	0,00	0,00	0,00	0,00
C	Profit/Loss on sales (A-B)	-1 688 818,38	-448 605,00	-403 261,39	-913 828,01	-290 030,47	-218 839,03
D	Other operating incomes	32 109,49	8 529,32	7 667,21	109 497,59	34 752,31	26 221,94
I.	Profit on sale of fixed assets	406,50	107,98	97,07	552,85	175,46	132,39
II.	Subsides	30 772,06	8 174,06	7 347,85	108 936,50	34 574,24	26 087,58
III.	Other operating incomes	930,93	247,29	222,29	8,24	2,62	1,97
E	Other operating costs	38 179,12	10 141,61	9 116,53	58 371,00	18 525,77	13 978,40
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	38 179,12	10 141,61	9 116,53	58 371,00	18 525,77	13 978,40
F	Profit/Loss on activity (C + D - E)	-1 694 888,01	-450 217,29	-404 710,72	-862 701,42	-273 803,93	-206 595,48
G	Financial incomes	2 400,86	637,75	573,28	1 222,18	387,90	292,68

I.	Dividends	0,00	0,00	0,00	0,00	0,00	0,00
II.	Interest incomes	3 467,15	920,99	827,90	1 222,18	387,90	292,68
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	-1 066,29	-283,24	-254,61	0,00	0,00	0,00
H	Financial costs	4 039,79	1 073,10	964,63	17 943,94	5 695,04	4 297,13
I.	Interest expenses	4 039,79	1 073,10	964,63	3 056,54	970,08	731,97
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	14 887,40	4 724,96	3 565,16
IV.	Other	0,00	0,00	0,00	0,00	0,00	0,00
I.	Profit/Loss on total activity (F + G - H)	-1 696 526,94	-450 652,64	-405 102,07	-879 423,18	-279 111,08	-210 599,93
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)	-1 696 526,94	-450 652,64	-405 102,07	-879 423,18	-279 111,08	-210 599,93
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)	-1 696 526,94	-450 652,64	-405 102,07	-879 423,18	-279 111,08	-210 599,93

Source: Company

Cash flow for the period 1 April 2015 to 30 July 2015 with comparative results

	CASH FLOW	III Q 2015 PLN	III Q 2015 USD	III Q 2015 Euro	III Q 2014 PLN	III Q 2014 USD	III Q 2014 Euro
A.	Cash flows from operating activities						
I.	Net profit (loss)	-1 696 526,94	- 450 652,64	- 405 102,07	- 879 423,18	- 279 111,08	- 210 599,93
II.	Total adjustments	-22 811,78	- 6 059,55	- 5 447,07	386 334,75	122 614,81	92 517,54
III.	Net cash flows from operating activities (I +/- II)	- 1 719 338,72	- 456 712,19	- 410 549,13	- 493 088,43	- 156 496,26	- 118 082,39
B.	Cash flows from investment activities						
I.	Inflows	0,00	0,00	0,00	0,00	0,00	0,00
II.	Outflows	69 779,08	18 535,59	16 662,07	0,00	0,00	0,00
III.	Net cash flows from investment activities (I-II)	- 69 779,08	-18 535,59	-16 662,07	0,00	0,00	0,00
C.	Cash flows from financial activities						
I.	Inflows	20 811 315,00	5 528 161,03	4 969 391,58	20 369,38	6 464,83	4 877,96
II.	Outflows	26 947,57	7 158,15	6 434,63	14 712,78	4 669,54	3 523,34
III.	Net cash flows from financial activities (I-II)	20 784 367,43	5 521 002,88	4 962 956,95	5 656,60	1 795,29	1 354,61
D.	Total net cash flows (A.III. +/- B.III +/- C.III)	18 995 249,63	5 045 755,09	4 535 745,75	- 487 431,83	- 154 700,97	- 116 727,77
E.	Balance sheet change in cash, including:	18 995 249,63	5 045 755,09	4 535 745,75	- 487 431,83	- 154 700,97	- 116 727,77
F.	Cash opening balance	5 394 330,56	1 432 909,36	1 288 075,30	884 658,63	280 772,70	211 853,69
G.	Closing balance of cash (F+/-D), including:	24 389 580,19	6 478 664,45	5 823 821,05	397 226,80	126 071,73	95 125,92

Source: Company

Statement of changes in share equity (funds) for the period 1 April 2015 to 30 July 2015 with comparative results

	Statement of changes in share equity (funds)	III Q 2015 PLN	III Q 2015 USD	III Q 2015 Euro	III Q 2014 PLN	III Q 2014 USD	III Q 2014 Euro
I.	Opening balance of equity	6 632 231,22	1 761 735,97	1 583 665,14	2 386 098,42	757 299,23	571 411,09
I.a.	Opening balance of equity after adjustments	6 632 231,22	1 761 735,97	1 583 665,14	2 386 098,42	757 299,23	571 411,09
II.	Closing balance of equity	25 747 019,28	6 839 244,35	6 147 954,65	1 506 675,24	478 188,16	360 811,16
III.	Equity including proposed profit distribution (loss coverage)	25 747 019,28	6 839 244,35	6 147 954,65	1 506 675,24	478 188,16	360 811,16

Source: Company

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

In third quarter of 2015 year PiLab generated the sales revenue of 529 657,50 PLN, comparing to Polish beta-testing period of 2014, where revenues in third quarter were 223 467,48 PLN. The growth of revenues thus is at level of 137%. In III quarter 2015 Company has reported a loss of -1 696 526,94 PLN, with Q3 2014 loss being at a level of -879 423,18 PLN.

Company is consequently executing its strategy and invests funds acquired from investors to achieve two main goals for this chapter of PiLab development. Initialization of sales in Poland and completing the beta testing in US in order to close first sales in America and launch product there, drive three main cost generating areas:

- Technology development, based on roadmap targeted to fit into US customers' requirements. However salaries are the most important position in this case (roughly half of the team works in Development Department), we are noting increasing costs of external licenses, example being a development library bought in September for \$70 000.
- Sales development in Poland is also based mainly on HR costs. Other significant positions are consultants' fees, conferences, marketing campaigns and travels.
- US operations, are mostly driven by legal and marketing costs such as consultants' fees, travels and conferences. Thanks to Polish team support and Executive Team engagement based on non-market financial conditions, salaries are not a major factor in this case.

In the III quarter 2015 Company executed fund raising through an issue of up to 470.000 J series stocks. On 20th of August all of the 470.000 offered stocks were distributed and paid by cash at a price of 45,00 PLN, thus setting up the round value at a level of 21,15 millions PLN. As a result of round Investors Towarzystwo Funduszy Inwestycyjnych S.A fund has become visible in the cap table, owning 13,31% in Company equity capital.

5. NOTES TO FINANCIAL DATA

from	to	for Balance Sheet statement calculations	for profit and loss account	for cash flow
01.07.2014	30.09.2014	4,1755	4,1758	4,1758
01.07.2015	30.09.2015	4,2386	4,1879	4,1879

Source: NBP

from	to	for Balance Sheet statement calculations	for profit and loss account	for cash flow
01.07.2014	30.09.2014	3,2973	3,1508	3,1508
01.07.2015	30.09.2015	3,7754	3,7646	3,7646

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.