

# **QUARTERLY REPORT**

## **Q1 2016**

### **Wroclaw, 05/12/2016**

## THE MANAGEMENT BOARD'S LETTER

*Dear Shareholders,*

*We present this report to summarize the first three months of the current year. In Q1 2016, we focused on strategic objectives for this stage of the Company's development: beginning and scaling sales in Poland and, at the same time, reviewing the technology fit for the U.S. market, in order to create a scale-ready solution and acquire first, reference implementations.*

*Relative to the sales in Poland, there are two key parameters to measure our progress: bookings and the figures presented in the sales funnel. In the case of activities which have yet to transform into income, an indicator is the number of qualified projects. In Q1 2016, the number of customers who confirmed their desire to purchase our system and have an available budget increased from 13 to 20. The length of the sales cycle in the enterprise sector (banking, insurance companies and other corporations) ranges between 6 and 18 months from the point of being approved on the vendor list. This indicates that apart from efforts in building the sales funnel, it is also very important for Pilab's team to shorten the sales process or identify possibilities for implementing a so-called fast-track sale. We introduced a special offer for trendsetters in particular sectors, who are willing to implement a project quickly and, thus, stand out among their competitors. Such fast-track implementation is also connected with commitment to publicly announce the results .*

*Last year's sales of DataWalk (new name of Pilab's system) in customer environments generated quantifiable benefits and an attractive return on investment. We saw an increase in volumes of supported data, for example, one of our customers processes 1,5 billion objects and over ten billion connections and significant data growth despite deploying modest server. Soon, we hope to show the details of this implementation in a specially prepared case study to be presented in the media.*

*In the U.S., we had discussions with over 35 prospects in our target markets. The feedback enabled us to develop key functionality for the front-end of the system. The speed and the quality of the demonstrated features were received with enthusiasm by prospects during the next rounds of meetings. Same as in Poland, the process of obtaining authorization for a pilot implementation takes many quarters. What is important, during interactions with customers, we learned about strengths and weaknesses of a relatively small number of competitors in the market for link analysis; this data is positive for us<sup>1</sup>. It is also worth noting that we currently use only 25% of our engine's capabilities - the remaining potential is yet to be utilized by new front-end functionality.*

*An additional factor that affects obtaining the status of certified supplier and access to the data of US prospects, is perception of our commitment to the American market. In response to customer input, we started the process of creating a fully owned subsidiary. These actions are meant to aimed at indicating stability and permanent involvement in the American market, especially with reference to building an image as a professional supplier of systems used in sensitive areas (fraud detection, anti-money laundering). Pilab's system in the US will be the name of the subsidiary: [DataWalk Inc](#). The formalization of the US company is coordinated with advisors on both sides of the Ocean relative to legal, tax and organizational aspects.*

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<sup>1</sup> Read more about [costs and challenges reported to be connected with Palantir implementations](#).

*In terms of financials, despite execution of intensive investments, Pilab SA holds 19 million PLN in financial means, which is projected to give us about 2 years of runway for the present stage of the Company's development.*

*We invite you to visit Pilab's headquarters in Wrocław.*

*With best regards,*



*Paweł Wieczyński*

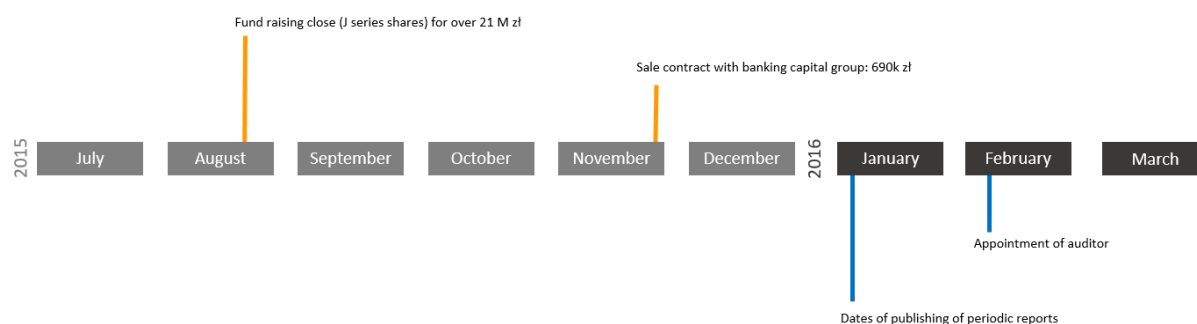
*CEO*

## 1. BASIC INFORMATION ABOUT PiLab SA

<b>Company Name:</b>	<b>PiLab SA</b>
<b>Company Address:</b>	<b>ul. Rzeźnicza 32-33, 50-130 Wrocław</b>
<b>Phone:</b>	<b>+48 71 707 21 74</b>
<b>Fax:</b>	<b>+48 71 707 22 73</b>
<b>E-mail:</b>	<b>biuro@pilab.pl</b>
<b>www:</b>	<b>www.pilab.pl</b>

Source: Company

## 2. TIMELINE



Source: Company

### 3. FINANCIAL DATA

#### Balance Sheet for the period 01/01/2016 to 31/03/2016 with comparative results

ASSETS	31.03.2016 PLN	31.03.2016 USD	31.03.2016 EUR	31.03.2015 PLN	31.03.2015 USD	31.03.2015 EUR
<b>A Fixed Assets</b>	<b>1 412 800.38</b>	<b>375 844.74</b>	<b>330 990.62</b>	<b>660 859.39</b>	<b>173 340.17</b>	<b>161 618.83</b>
I. Intangible assets	1 260 374.94	335 295.28	295 280.42	505 343.75	132 549.18	123 586.15
II. Tangible fixed assets	152 425.44	40 549.47	35 710.21	155 515.64	40 790.99	38 032.68
III. Long-term receivables	-	-	-	-	-	-
IV. Long-term investments	-	-	-	-	-	-
V. Long-term prepayments	-	-	-	-	-	-
<b>B Current Assets</b>	<b>21 890 197.20</b>	<b>5 823 409.74</b>	<b>5 128 431.54</b>	<b>2 040 802.48</b>	<b>535 292.45</b>	<b>499 095.74</b>
I. Inventory	-	-	-	-	-	-
II. Short-term receivables	1 977 282.66	526 012.94	463 237.43	923 898.68	242 334.08	225 947.34
III. Short-term investments	19 890 316.62	5 291 385.11	4 659 899.87	1 099 279.54	288 335.62	268 838.23
IV. Short-term prepayments	22 597.92	6 011.68	5 294.24	17 624.26	4 622.76	4 310.16
<b>TOTAL ASSETS</b>	<b>23 302 997.58</b>	<b>6 199 254.48</b>	<b>5 459 422.17</b>	<b>2 701 661.87</b>	<b>708 632.62</b>	<b>660 714.57</b>

LIABILITIES	31.03.2016 PLN	31.03.2016 USD	31.03.2016 EUR	31.03.2015 PLN	31.03.2015 USD	31.03.2015 EUR
<b>A Equity</b>	<b>22 509 986.22</b>	<b>5 988 291.09</b>	<b>5 273 635.61</b>	<b>2 097 489.89</b>	<b>550 161.28</b>	<b>512 959.13</b>
I. Share capital	300 550.00	79 954.78	70 412.80	200 700.00	52 642.62	49 082.91
II. Called up share capital (negative value)	-	-	-	-	-	-
III. Own shares (negative value)	-	-	-	-	-	-
IV. Supplementary capital	32 988 203.98	8 775 792.49	7 728 470.62	7 516 464.17	1 971 531.59	1 838 215.74
V. Revaluation reserve	-	-	-	-	-	-
VI. Other reserve capitals	-	-	-	-	-	-
VII. Previous years' profit (loss)	- 9 594 997.38	- 2 552 539.87	- 2 247 914.30	- 4 231 470.31	- 1 109 893.85	- 1 034 842.34
VIII. Net profit (loss)	- 1 183 770.38	- 314 916.30	- 277 333.52	- 1 388 203.97	- 364 119.07	- 339 497.18
IX. Write-off on net profit during the financial year (negative value)	-	-	-	-	-	-
<b>B Liabilities and Provisions For Liabilities</b>	<b>793 011.36</b>	<b>210 963.38</b>	<b>185 786.56</b>	<b>604 171.98</b>	<b>158 471.34</b>	<b>147 755.44</b>
I. Provisions for liabilities	-	-	-	-	-	-
II. Long-term liabilities	20 479.78	5 448.20	4 798.00	57 286.68	15 026.01	14 009.95
III. Short-term liabilities	772 531.58	205 515.18	180 988.56	546 885.30	143 445.32	133 745.49
IV. Accruals & Deferred Income	-	-	-	-	-	-
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>23 302 997.58</b>	<b>6 199 254.48</b>	<b>5 459 422.17</b>	<b>2 701 661.87</b>	<b>708 632.62</b>	<b>660 714.57</b>

Source: Company

**Profit and loss account for the period 01/01/2016 to 31/03/2016 with comparative results**

PROFIT AND LOSS ACCOUNT	31.03.2016	31.03.2016	31.03.2016	31.03.2015	31.03.2015	31.03.2015
	PLN	USD	EUR	PLN	USD	EUR
A Revenues from sales	304 185.42	76 940.79	69 764.10	76 412.15	20 524.90	18 212.45
I. Sales of products and services	304 185.42	76 940.79	69 764.10	76 412.15	20 524.90	18 212.45
II. Change in work in progress	-	-	-	-	-	-
III. Intercompany sales	-	-	-	-	-	-
IV. Sales of goods and materials	-	-	-	-	-	-
B Operating costs	1 542 253.78	390 098.34	353 711.71	1 463 919.75	393 220.27	348 917.85
I. Depreciation	45 714.55	11 563.06	10 484.51	69 197.01	18 586.86	16 492.76
II. Materials & energy	41 538.69	10 506.81	9 526.79	74 802.12	20 092.43	17 828.71
III. Cost of services	753 575.30	190 609.66	172 830.44	717 644.03	192 764.79	171 046.82
IV. Taxes and fees	6 038.01	1 527.26	1 384.80	10 701.28	2 874.45	2 550.60
V. Salaries	597 775.32	151 201.55	137 098.14	348 570.49	93 628.75	83 080.01
VI. Benefits	61 843.55	15 642.73	14 183.65	48 001.99	12 893.71	11 441.03
VII. Other costs	35 768.36	9 047.26	8 203.38	195 002.83	52 379.28	46 477.94
VIII. Cost of goods and materials sold	-	-	-	-	-	-
C Profit/Loss on sales (A-B)	- 1 238 068.36	- 313 157.55	- 283 947.61	- 1 387 507.60	- 372 695.37	- 330 705.41
D Other operating incomes	22 822.76	5 772.80	5 234.34	6 292.84	1 690.31	1 499.87
I. Profit on sale of fixed assets	-	-	-	-	-	-
II. Subsidies	22 400.00	5 665.87	5 137.38	6 289.76	1 689.48	1 499.13
III. Other operating incomes	422.76	106.93	96.96	3.08	0.83	0.73
E Other operating costs	28 499.44	7 208.66	6 536.27	12 564.39	3 374.89	2 994.66
I. Loss on sale of fixed assets	-	-	-	-	-	-
II. Actualization of fixed assets	-	-	-	-	-	-
III. Other operating costs	28 499.44	7 208.66	6 536.27	12 564.39	3 374.89	2 994.66
F Profit/Loss on activity (C + D - E)	- 1 243 745.04	- 314 593.41	- 285 249.54	- 1 393 779.15	- 374 379.96	- 332 200.20
G Financial incomes	75 086.97	18 992.53	17 220.99	10 234.18	2 748.98	2 439.26
I. Dividends	-	-	-	-	-	-
II. Interest incomes	61 338.41	15 514.96	14 067.80	1 739.99	467.37	414.72
III. Profit on sold investments	605.48	153.15	138.87	-	-	-
IV. Actualization of investments	13 143.08	3 324.42	3 014.33	-	-	-
V. Other	-	-	-	8 494.19	2 281.61	2 024.55

PiLab Spółka Akcyjna

ul. Rzeźnicza 32-33, 50-130 Wrocław | KRS: 0000405409, NIP: 894-303-43-18, REGON: 021737247 | Sąd rejestrowy: Sąd Rejonowy dla Wrocławia-Fabrycznej we Wrocławiu | VI Wydział Gospodarczy KRS | Kapitał zakładowy: 300.550,00 zł w całości wpłacony

H	Financial costs	15 112.31	3 822.51	3 465.97	4 659.00	1 251.44	1 110.45
I.	Interest expenses	3 343.19	845.63	766.75	4 659.00	1 251.44	1 110.45
II.	Loss on sold investments	-	-	-	-	-	-
III.	Actualization of investments	-	-	-	-	-	-
IV.	Other	11 769.12	2 976.89	2 699.22	-	-	-
I.	Profit/Loss on total activity (F + G - H)	- 1 183 770.38	- 299 423.39	- 271 494.51	- 1 388 203.97	- 372 882.42	- 330 871.38
J	Result on extraordinary incidents (J.I. - J.II.)	-	-	-	-	-	-
I.	Extraordinary gains	-	-	-	-	-	-
II.	Extraordinary losses	-	-	-	-	-	-
K	Gross Profit/Loss (I +/- J)	- 1 183 770.38	- 299 423.39	- 271 494.51	- 1 388 203.97	- 372 882.42	- 330 871.38
L	Income tax	-	-	-	-	-	-
M	Other statutory appropriations of the profit	-	-	-	-	-	-
N	Net Profit/Loss (K - L - M)	- 1 183 770.38	- 299 423.39	- 271 494.51	- 1 388 203.97	- 372 882.42	- 330 871.38

Source: Company

#### Cash flow for the period 01/01/2016 to 31/03/2016 with comparative results

CASH FLOW	2016-03-31			2015-03-31		
	PLN	USD	Euro	PLN	USD	Euro
<b>A. Cash flows from operating activities</b>						
I. Net profit (loss)	- 1 183 770.38	- 299 423.39	- 271 494.51	- 1 388 203.97	- 372 882.42	- 330 871.38
II. Total adjustments	- 408 076.03	- 103 218.93	- 93 591.13	26 552.87	7 132.31	6 328.74
III. Net cash flows from operating activities (I +/- II)	- 1 591 846.41	- 402 642.32	- 365 085.64	- 1 361 651.10	- 365 750.11	- 324 542.64
<b>B. Cash flows from investment activities</b>						
I. Inflows	150 000.00	37 941.06	34 402.09	-	-	-
II. Outflows	3 127 812.15	791 150.16	717 355.20	24 128.67	6 481.15	5 750.95
III. Net cash flows from investment activities (I-II)	- 2 977 812.15	- 753 209.09	- 682 953.11	- 24 128.67	- 6 481.15	- 5 750.95
<b>C. Cash flows from financial activities</b>						
I. Inflows	-	-	-	173 395.23	46 575.31	41 327.87
II. Outflows	13 790.88	3 488.27	3 162.90	19 886.81	5 341.75	4 739.92
III. Net cash flows from financial activities (I-II)	- 13 790.88	- 3 488.27	- 3 162.90	153 508.42	41 233.56	36 587.95
<b>D. Total net cash flows (A.III. +/- B.III +/- C.III)</b>	<b>- 4 583 449.44</b>	<b>-1 159 339.68</b>	<b>-1 051 201.65</b>	<b>- 1 232 271.35</b>	<b>- 330 997.70</b>	<b>- 293 705.63</b>
<b>E. Balance sheet change in cash, including:</b>	<b>- 4 583 449.44</b>	<b>-1 159 339.68</b>	<b>-1 051 201.65</b>	<b>- 1 232 271.35</b>	<b>- 330 997.70</b>	<b>- 293 705.63</b>
<b>F. Cash opening balance</b>	<b>21 909 497.77</b>	<b>5 541 797.84</b>	<b>5 024 883.67</b>	<b>2 331 550.89</b>	<b>626 272.77</b>	<b>555 713.34</b>

G.	Closing balance of cash (F+/-D), including:	17 326 048.33	4 382 458.16	3 973 682.02	1 099 279.54	295 275.07	262 007.71
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Source: Company

#### Statement of changes in share equity (funds) for the period 01/01/2016 to 31/03/2016 with comparative results

Statement of changes in share equity (funds)	31.03.2016	31.03.2016	31.03.2016	31.03.2015	31.03.2015	31.03.2015
	PLN	USD	Euro	PLN	USD	Euro
I. Opening balance of equity	23 914 349.63	6 048 905.94	5 484 690.98	3 343 033.27	897 964.83	796 795.04
I.a. Opening balance of equity after adjustments	23 914 349.63	6 048 905.94	5 484 690.98	3 343 033.27	897 964.83	796 795.04
II. Closing balance of equity	22 509 986.22	5 693 685.65	5 162 604.06	2 097 489.89	563 402.16	499 926.09
III. Equity including proposed profit distribution (loss coverage)	22 509 986.22	5 693 685.65	5 162 604.06	2 097 489.89	563 402.16	499 926.09

Source: Company

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

Company is continuing the efforts to build up sales in Poland and execute market testing process in U.S. Costs will remain at similar levels to current values during next months, with slight increase after inception of U.S. subsidiary. Growth of revenues will result from European sales and revenues in US can be expected at soonest close to the end of the market testing process.



## 5. NOTES TO FINANCIAL DATA

The following exchange rates were applied:

### EUR:

from	to	for Balance Sheet statement calculations	for profit and loss account	for cash flow
01.01.2015	31.03.2015	4.0890	4.1956	4.1956
01.01.2015	31.03.2016	4.2684	4.3602	4.3602

Source: NBP

### USD:

from	to	for Balance Sheet statement calculations	for profit and loss account	for cash flow
01.01.2015	31.03.2015	3.8125	3.7229	3.7229
01.01.2015	31.03.2016	3.7590	3.9535	3.9535

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.