

QUARTERLY REPORT Q2 2018



Wroclaw, 08/03/2018

THE MANAGEMENT BOARD'S LETTER

Dear Shareholders,

On 28th of June 2018 General Assembly approved a resolution changing our Company name to DataWalk S.A., thus marking a marketing synchronization of the Company name with the core product and US subsidiary names.

In the second quarter of 2018 execution of earlier reported implementations in insurance and government sectors has proceeded according to the plans. Also in US we have observed intensification of work in the areas of technical consultations and integration plans as part of the sales processes we are executing.

Due to the fact that we're approaching end of Chapter 2 of our Company strategy, we're beginning the commercialization stage. Entering Chapter 3, planned on first half of next year, will be connected with building and launching a sales & implementation machine in US.

On 10th of July 2018 (EBI 14/2018) we've communicated another General Assembly meeting to be held on 6th of August 2018. The assembly's plans include resolutions approving another round of financing to cover Chapter 3 investments, as well as change of the listing market from NewConnect to main market of Warsaw Stock Exchange.

The movement to the main market will open different new opportunities for DataWalk. We expect increased interest of investors in our shares, especially considering the big group of funds that cannot invest on NewConnect due to regulations. We also expect to achieve analytical coverage of our Group – considering our business and product maturity, the effects of DataWalk implementations are now quantifiable and have verifiable business impact - we finally have a chance to present to the wider audience the upside of our Company growth and valuation potential. Our hope is that these examples will allow the capital market to learn the metrics and predictive factors for value growth of enterprise software vendor of products.

In the context of financing, we have achieved important milestones in acquisition of EU funding, as part of co-financing of our Company development. We have acquired approval and signed the agreements for patenting costs refunding (four contracts, of total refund of up to 1.444.600,00 zł, as per reports ESPI 3/2018 and 7/2018) as well as we have received approval to sign an agreement for our system development (total refund of up to 4.169.516,28 zł, report ESPI 10/2018). This co-financing will increase the proceeds pool we use to grow our Capital Group, by enabling leverage on equity capital raised from investors.

Thank you for putting your trust in us. We invite you to visit our headquarters in Wrocław and to monitor our growth by tracking our websites and social media profiles.

Yours faithfully,

Sergiusz Borysławski
Member of the Executive Board

1. BASIC INFORMATION.

PiLab S.A.

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

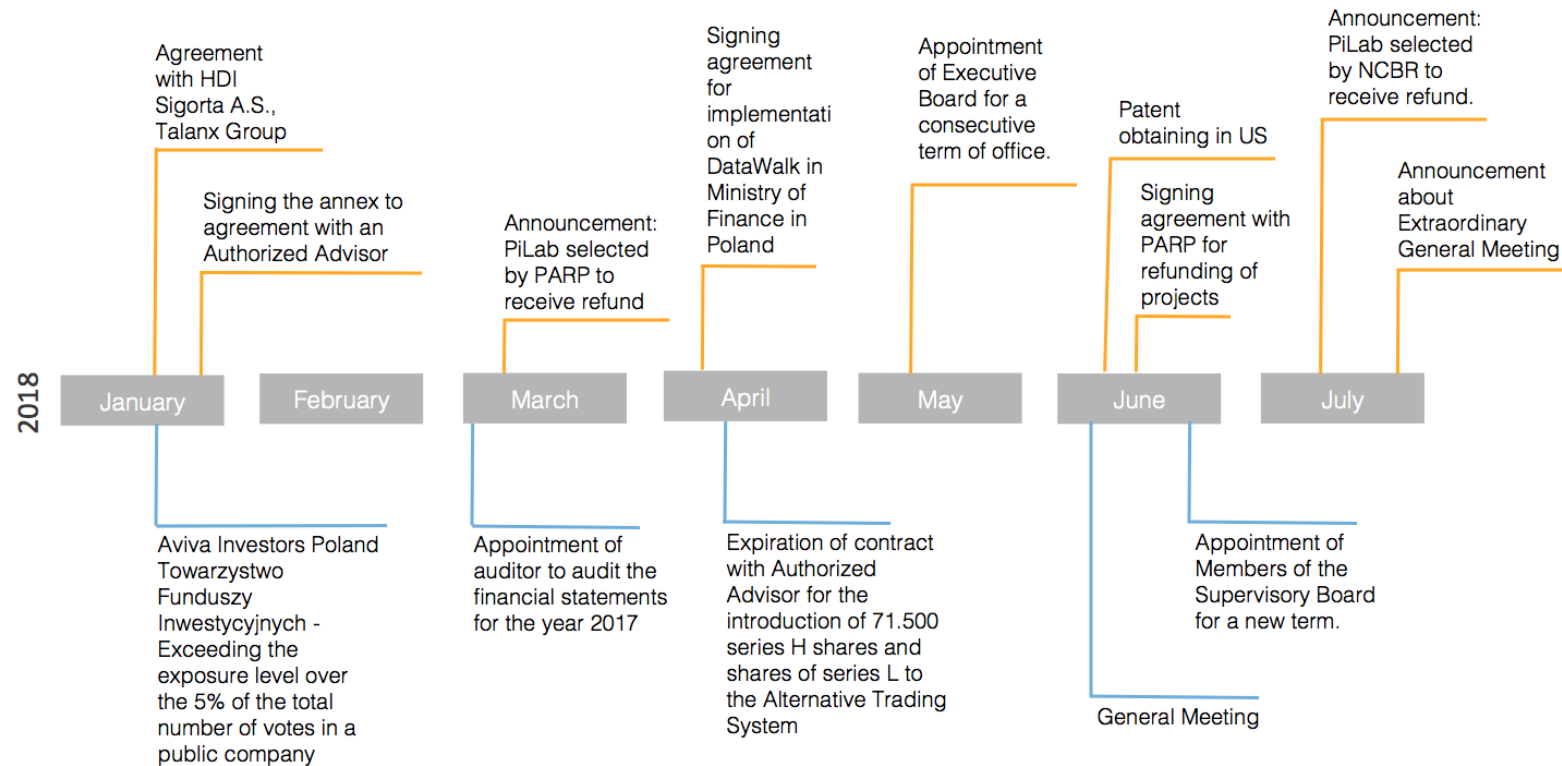
Source: Company.

DataWalk Inc. (US Subsidiary).

Company Name:	DataWalk Inc.
Company Address:	1209 Orange Street, Wilmington, Delaware 19801
Company Address:	2479 East Bayshore Road, Suite 205 Palo Alto, CA 94303
E-mail:	info@datawalk.com
www:	www.datawalk.com

Source: Company.

2. TIMELINE.



Source: Company.

3. FINANCIAL DATA - CONSOLIDATED.

Balance Sheet with comparative results – consolidated.

ASSETS		IIQ 2018 PLN	IIQ 2018 EUR	IIQ 2017 PLN	IIQ 2017 EUR
A	Fixed Assets	3 261 440,66	747 762,44	2 238 427,56	529 617,31
I	Intangible assets	2 827 920,72	648 367,74	1 943 565,26	459 852,19
II	Tangible fixed assets	155 540,73	35 661,39	224 862,30	53 202,96
III	Long-term receivables	274 708,92	62 983,52	70 000,00	16 562,17
IV	Long-term investments	-	-	-	-
V	Long-term prepayments	3 270,29	749,79	-	-
B	Current Assets	11 951 842,74	2 740 242,74	10 639 893,84	2 517 424,31
I	Inventory	-	-	-	-
II	Short-term receivables	3 510 244,07	804 806,51	1 684 616,69	398 584,33
III	Short-term investments	8 347 366,16	1 913 831,20	8 818 878,27	2 086 567,67
IV	Short-term prepayments	94 232,51	21 605,03	136 398,88	32 272,30
C	Called up share capital (negative value)	-	-	-	-
D	Own shares (negative value)	-	-	-	-
TOTAL ASSETS		15 213 283,40	3 488 005,18	12 878 321,40	3 047 041,62

LIABILITIES		IIQ 2018 PLN	IIQ 2018 EUR	IIQ 2017 PLN	IIQ 2017 EUR
A	Equity	13 361 982,78	3 063 550,71	11 881 423,72	2 811 173,24
I	Share capital	368 050,00	84 384,17	300 550,00	71 110,85
II	Supplementary capital	44 818 403,98	10 275 679,56	32 988 203,98	7 805 087,89
III	Currency translation profit (loss)	(29 279,89)	(6 713,11)	(5 824,52)	(1 378,10)
IV	Other reserve capitals	-	-	-	-
V	Previous years' profit (loss)	(26 204 091,82)	(6 007 908,07)	(17 100 245,97)	(4 045 959,06)
VI	Net profit (loss)	(5 591 099,49)	(1 281 891,85)	(4 301 259,77)	(1 017 688,34)
VII	Write-off on net profit during the financial year (negative value)	-	-	-	-
B	Liabilities and Provisions For Liabilities	1 851 300,62	424 454,47	996 897,68	235 868,37
I	Provisions for liabilities	97 030,25	22 246,48	87 746,16	20 760,95
II	Long-term liabilities	33 228,81	7 618,49	57 552,41	13 617,04
III	Short-term liabilities	1 506 316,58	345 358,72	813 873,61	192 564,44
IV	Accruals & Deferred Income	214 724,98	49 230,78	37 725,50	8 925,94
TOTAL EQUITY & LIABILITIES		15 213 283,40	3 488 005,18	12 878 321,40	3 047 041,62

Source: Company.

Profit and loss account with comparative results – consolidated.

PROFIT AND LOSS ACCOUNT		IIQ 2018	IIQ 2018	IIQ 2017	IIQ 2017
		PLN	EUR	PLN	EUR
A	Revenues from sales	693 436,89	162 751,87	530 128,30	125 718,15
I	Sales of products and services	693 436,89	162 751,87	530 128,30	125 718,15
II	Change in work in progress	-	-	-	-
III	Intercompany sales	-	-	-	-
IV	Sales of goods and materials	-	-	-	-
B	Operating costs	3 263 233,52	765 891,41	2 620 499,94	621 442,79
I	Depreciation	48 548,98	11 394,60	50 934,81	12 079,02
II	Materials & energy	68 724,80	16 129,93	23 510,49	5 575,43
III	Cost of services	1 715 031,77	402 523,48	1 435 175,43	340 347,05
IV	Taxes and fees	11 670,88	2 739,19	37 178,22	8 816,69
V	Salaries	964 974,87	226 482,71	721 326,82	171 060,24
VI	Benefits	254 603,39	59 756,23	200 452,83	47 536,72
VII	Other costs	199 678,83	46 865,26	151 921,34	36 027,64
VIII	Cost of goods and materials sold	-	-	-	-
C	Profit/Loss on sales (A-B)	(2 569 796,63)	(603 139,54)	(2 090 371,64)	(495 724,63)
D	Other operating incomes	81 639,34	19 161,02	22 886,77	5 427,52
I	Profit on sale of fixed assets	-	-	-	-
II	Subsides	-	-	-	-
III	Actualization of fixed assets	-	-	-	-
IV	Other operating incomes	81 639,34	19 161,02	22 886,77	5 427,52
E	Other operating costs	22 397,12	5 256,68	39 021,01	9 253,70
I	Loss on sale of fixed assets	-	-	-	-
II	Actualization of fixed assets	-	-	-	-
III	Other operating costs	22 397,12	5 256,68	39 021,01	9 253,70
F	Profit/Loss on activity (C+D-E)	(2 510 554,41)	(589 235,20)	(2 106 505,88)	(499 550,82)
G	Financial incomes	41 112,85	9 649,32	50 610,07	12 002,01
I	Dividends	-	-	-	-
II	Interest incomes	7 046,03	1 653,73	22 540,30	5 345,36
III	Profit on sold investments	34 066,82	7 995,59	-	-
IV	Actualization of investments	-	-	28 069,77	6 656,65
V	Other	-	-	-	-
H	Financial costs	20 286,49	4 761,30	97 331,02	23 081,73
I	Interest expenses	7 221,93	1 695,01	1 770,78	419,93
II	Loss on sold investments	-	-	-	-
III	Actualization of investments	-	-	15 012,50	3 560,16
IV	Other	13 064,56	3 066,29	80 547,74	19 101,63
I	Profit/Loss on total activity (F + G - H)	(2 489 728,05)	(584 347,18)	(2 153 226,83)	(510 630,53)
I	Gross Profit/Loss (F+G-H)	(2 489 728,05)	(584 347,18)	(2 153 226,83)	(510 630,53)
J	Income tax	-	-	(8 264,00)	(1 959,78)
K	Other statutory appropriations of the profit	-	-	-	-
L	Net Profit/Loss (I-J-K)	(2 489 728,05)	(584 347,18)	(2 144 962,83)	(508 670,75)

Source: Company.

Cash flow with comparative results – consolidated.

		IIQ 2018	IIQ 2018	IIQ 2017	IIQ 2017
		PLN	EUR	PLN	EUR
A. Cash flows from operating activities					
I	Net profit (loss)	(2 489 728,05)	(584 347,18)	(2 144 962,83)	(508 670,75)
II	Total adjustments	(996 780,40)	(233 947,57)	69 272,05	16 427,63
III	Net cash flows from operating activities (I +/- II)	(3 486 508,45)	(818 294,75)	(2 075 690,78)	(492 243,12)
B. Cash flows from investment activities					
I	Inflows	8 644 262,72	2 028 836,28	60 104,04	14 253,47
II	Outflows	133 579,46	31 351,53	8 390,00	1 989,66
III	Net cash flows from investment activities (I-II)	8 510 683,26	1 997 484,75	51 714,04	12 263,81
C. Cash flows from financial activities					
I	Inflows	-	-	-	-
II	Outflows	(27 187,95)	(6 381,10)	29 453,25	6 984,74
III	Net cash flows from financial activities (I-II)	27 187,95	6 381,10	(29 453,25)	(6 984,74)
D	Total net cash flows (A.III. +/- B.III +/- C.III)	5 051 362,75	1 185 571,09	(2 053 429,99)	(486 964,05)
E	Balance sheet change in cash, including:	5 053 512,36	1 186 075,61	(2 053 429,99)	(486 964,05)
F	Cash opening balance	3 293 853,80	773 078,09	8 219 367,99	1 949 195,60
G	Closing balance of cash (F+/-D), including:	8 347 366,16	1 959 153,70	6 165 938,00	1 462 231,55

Source: Company.

Statement of changes in share equity (funds) with comparative results – consolidated.

Statement of changes in share equity (funds)		IIQ 2018	IIQ 2018	IIQ 2017	IIQ 2017
		PLN	EUR	PLN	EUR
I	Opening balance of equity	15 787 934,10	3 776 024,04	14 071 290,31	3 336 959,38
I.a	Opening balance of equity after adjustments	15 787 934,10	3 776 024,04	14 071 290,31	3 336 959,38
II	Closing balance of equity	13 361 982,78	3 136 100,36	11 881 423,72	2 817 639,85
III	Equity including proposed profit distribution (loss coverage)	13 361 982,78	3 136 100,36	11 881 423,72	2 817 639,85

Source: Company.

4. FINANCIAL DATA – SEPARATE.

Balance Sheet with comparative results.

ASSETS		IIQ2018 PLN	IIQ2018 EUR	IIQ2017 PLN	IIQ2017 EUR
A	Fixed Assets	3 842 135,06	880 900,37	2 628 345,88	621 872,92
I	Intangible assets	2 827 920,72	648 367,74	1 943 565,26	459 852,19
II	Tangible fixed assets	155 540,73	35 661,39	224 862,30	53 202,96
III	Long-term receivables	274 708,92	62 983,52	70 000,00	16 562,17
IV	Long-term investments	580 694,40	133 137,93	389 918,32	92 255,61
V	Long-term prepayments	3 270,29	749,79	-	-
B	Current Assets	11 792 358,56	2 703 677,22	10 278 059,87	2 431 813,53
I	Inventory	-	-	-	-
II	Short-term receivables	3 454 492,84	792 024,22	1 684 616,69	398 584,33
III	Short-term investments	8 254 746,38	1 892 595,92	8 457 044,30	2 000 956,89
IV	Short-term prepayments	83 119,34	19 057,08	136 398,88	32 272,30
C	Called up share capital (negative value)	-	-	-	-
D	Own shares (negative value)	-	-	-	-
TOTAL ASSETS		15 634 493,62	3 584 577,59	12 906 405,75	3 053 686,44

LIABILITIES		IIQ2018 PLN	IIQ2018 EUR	IIQ2017 PLN	IIQ2017 EUR
A	Equity	13 209 990,68	3 028 702,93	11 806 967,42	2 793 556,71
I	Share capital	368 050,00	84 384,17	300 550,00	71 110,85
II	Supplementary capital	44 818 403,98	10 275 679,56	32 988 203,98	7 805 087,89
III	Revaluation reserve	-	-	-	-
IV	Other reserve capitals	-	-	-	-
V	Previous years' profit (loss)	(26 395 601,27)	(6 051 816,14)	(17 131 464,34)	(4 053 345,40)
VI	Net profit (loss)	(5 580 862,03)	(1 279 544,67)	(4 350 322,22)	(1 029 296,63)
VII	Write-off on net profit during the financial year (negative value)	-	-	-	-
B	Liabilities and Provisions For Liabilities	2 424 502,94	555 874,67	1 099 438,33	260 129,74
I	Provisions for liabilities	97 030,25	22 246,48	87 746,16	20 760,95
II	Long-term liabilities	33 228,81	7 618,49	57 552,41	13 617,04
III	Short-term liabilities	2 079 518,90	476 778,91	916 414,26	216 825,80
IV	Accruals & Deferred Income	214 724,98	49 230,78	37 725,50	8 925,94
TOTAL EQUITY & LIABILITIES		15 634 493,62	3 584 577,59	12 906 405,75	3 053 686,44

Source: Company.

Profit and loss account with comparative results.

PROFIT AND LOSS ACCOUNT		I IQ2018	I IQ2018	IIQ2017	IIQ2017
		PLN	EUR	PLN	EUR
A	Revenues from sales	693 436,89	162 751,87	530 128,30	125 718,15
I	Sales of products and services	693 436,89	162 751,87	530 128,30	125 718,15
II	Change in work in progress	-	-	-	-
III	Intercompany sales	-	-	-	-
IV	Sales of goods and materials	-	-	-	-
B	Operating costs	3 281 498,51	770 178,26	2 641 693,07	626 468,67
I	Depreciation	48 548,98	11 394,60	50 934,81	12 079,02
II	Materials & energy	68 343,07	16 040,34	23 476,41	5 567,35
III	Cost of services	2 385 191,54	559 812,13	1 813 799,18	430 136,40
IV	Taxes and fees	303,20	71,16	23 750,81	5 632,43
V	Salaries	538 531,09	126 394,98	489 797,63	116 153,87
VI	Benefits	104 427,91	24 509,57	133 496,01	31 658,13
VII	Other costs	136 152,72	31 955,48	106 438,22	25 241,47
VIII	Cost of goods and materials sold	-	-	-	-
C	Profit/Loss on sales (A-B)	(2 588 061,62)	(607 426,39)	(2 111 564,77)	(500 750,51)
D	Other operating incomes	81 639,34	19 161,02	22 886,77	5 427,52
I	Profit on sale of fixed assets	-	-	-	-
II	Subsides	-	-	-	-
III	Actualization of fixed assets	-	-	-	-
IV	Other operating incomes	81 639,34	19 161,02	22 886,77	5 427,52
E	Other operating costs	22 397,12	5 256,68	39 021,01	9 253,70
I	Loss on sale of fixed assets	-	-	-	-
II	Actualization of fixed assets	-	-	-	-
III	Other operating costs	22 397,12	5 256,68	39 021,01	9 253,70
F	Profit/Loss on activity (C+D-E)	(2 528 819,40)	(593 522,05)	(2 127 699,01)	(504 576,70)
G	Financial incomes	84 567,24	19 848,20	50 610,07	12 002,01
I	Dividends	-	-	-	-
II	Interest incomes	7 046,03	1 653,73	22 540,30	5 345,36
III	Profit on sold investments	34 066,82	7 995,59	-	-
IV	Actualization of investments	43 454,39	10 198,89	28 069,77	6 656,65
V	Other	-	-	-	-
H	Financial costs	13 309,49	3 123,78	97 331,02	23 081,73
I	Interest expenses	7 221,93	1 695,01	1 770,78	419,93
II	Loss on sold investments	-	-	-	-
III	Actualization of investments	(6 977,00)	(1 637,52)	15 012,50	3 560,16
IV	Other	13 064,56	3 066,29	80 547,74	19 101,63
I	Profit/Loss on total activity (F + G - H)	(2 457 561,65)	(576 797,63)	(2 174 419,96)	(515 656,41)
I	Gross Profit/Loss (F+G-H)	(2 457 561,65)	(576 797,63)	(2 174 419,96)	(515 656,41)
J	Income tax	-	-	(8 264,00)	(1 959,78)
K	Other statutory appropriations of the profit	-	-	-	-
L	Net Profit/Loss (I-J-K)	(2 457 561,65)	(576 797,63)	(2 166 155,96)	(513 696,63)

Source: Company.

Cash flow with comparative results.

		IIQ2018	IIQ2018	IIQ2017	IIQ2017
		PLN	EUR	PLN	EUR
A. Cash flows from operating activities					
I	Net profit (loss)	(2 457 561,65)	(576 797,63)	(2 166 155,96)	(513 696,63)
II	Total adjustments	(552 427,36)	(129 656,48)	46 475,99	11 021,63
III	Net cash flows from operating activities (I +/- II)	(3 009 989,01)	(706 454,11)	(2 119 679,97)	(502 675,01)
B. Cash flows from investment activities					
I	Inflows	8 644 262,72	2 028 836,28	60 104,04	14 253,47
II	Outflows	177 033,84	41 550,41	8 390,00	1 989,66
III	Net cash flows from investment activities (I-II)	8 467 228,88	1 987 285,86	51 714,04	12 263,81
C. Cash flows from financial activities					
I	Inflows	-	-	-	-
II	Outflows	7 115,11	1 669,94	29 453,25	6 984,74
III	Net cash flows from financial activities (I-II)	(7 115,11)	(1 669,94)	(29 453,25)	(6 984,74)
D	Total net cash flows (A.III. +/- B.III +/- C.III)	5 450 124,76	1 279 161,82	(2 097 419,18)	(497 395,94)
E	Balance sheet change in cash, including:	5 450 124,76	1 279 161,82	(2 097 419,18)	(497 395,94)
F	Cash opening balance	2 804 621,62	658 253,72	7 901 523,21	1 873 819,77
G	Closing balance of cash (F+/-D), including:	8 254 746,38	1 937 415,54	5 804 104,03	1 376 423,84

Source: Company.

Statement of changes in share equity (funds) with comparative results.

Statement of changes in share equity (funds)		IIQ2018	IIQ2018	IIQ2017	IIQ2017
		PLN	EUR	PLN	EUR
I	Opening balance of equity	15 667 552,33	3 747 232,15	14 003 652,58	3 320 919,32
I.a	Opening balance of equity after adjustments	15 667 552,33	3 747 232,15	14 003 652,58	3 320 919,32
II	Closing balance of equity	13 209 990,68	3 100 427,32	11 806 967,42	2 799 982,79
III	Equity including proposed profit distribution (loss coverage)	13 209 990,68	3 100 427,32	11 806 967,42	2 799 982,79

Source: Company.

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

Our Company is continuing execution of a strategy aimed to develop a world-class product in the link analytics market. In the US, DataWalk Inc. is working on selling our core product – the DataWalk system - and closing the first customer deals that will mark historical milestones for our Company.

The Capital Group revenue reached PLN 693.436,89 in the second quarter representing an increase of approx. 30,81% Q2'18/Q2'17. Quarterly revenue growth was mainly due to the sale a licence as part of the ongoing implementation of a perpetual license of DataWalk software at the Ministry of Finance, Poland, and sale of part of DataWalk license to HDI Sigorta A.S.

Consistent implementation of our business strategy required the Group to incur expenses which significantly affected the financial results. PiLab Capital Group S.A. recorded a net loss of PLN 2.489.728,05 in the period in question, while in the second quarter of 2017, net loss reached PLN 2.144.962,83. During the reported period, spending has been controlled within the projected budgets.

The sum of net cash flows from investment activities as at the end of the second quarter of 2018 was affected by the redemption of units held in the open-end corporate-type debt investment fund (PLN).

Furthermore, in the period in question the Company obtained hardcopies of all four agreements for financing of Issuer's patenting projects with The Polish Agency for Enterprise Development based in Warsaw („PARP”). As a results, Company will receive partial refund of costs connected with patenting its intellectual property internationally. Each of the projects assumes our Company's expense to be up to PLN 860.400,00 with a potential refund of up to PLN 361.150,00, resulting in a total refund of up to PLN 1.444.600,00. The resulting refund ratio is therefore expected to be 42% of Company costs.

In the second quarter of 2018 the PiLab S.A. received information about obtaining a patent in the United States Patent and Trademark Office. The title of the Patent is „Computer implemented method for storing unlimited amount of data as a mind map in relational database systems”. Obtaining next patent in the US confirms recognition of the uniqueness of the Issuer's technology. Patenting IT solutions, apart from securing Intellectual Property rights for the Company, has very practical value. Obtaining the patent confirms that the technology owned by the Issuer does not interfere with the patent rights of other technologies. This constitutes a tangible measure of progress for the Company's Capital Group in United States.

On 28th June 2018 The Shareholders' Meeting of PiLab SA appointed four new Members of The Supervisory Board for a new, consecutive term. Additionally to that, FGP Venture sp. z o.o., acting upon its rights resulting from § 16 point 3 of Articles of Association of the Company, appointed Mr Wojciech Dyszy as a Member of The Supervisory Board for a new, consecutive term.

The Supervisory Board of PiLab S.A. thus comprises of the following members:

- Paweł Sobkiewicz – Member of the Supervisory Board,
- Grzegorz Dymek – Member of the Supervisory Board,
- Roman Pudelko – Member of the Supervisory Board,
- Rafał Wasilewski – Member of the Supervisory Board,
- Wojciech Dyszy – Member of the Supervisory Board.

On 28th May 2018 The Supervisory Board of PiLab SA appointed The Executive Board of the PiLab for a third, consecutive term of office for 3 years, electing:

- Paweł Wiczyński – appointed as the President of the Executive Board,
- Krystian Piećko – appointed as the Member of the Executive Board.

Additionally, based on right of appointing one of the Board Members as per § 22 point 3 of Articles of Association, major shareholder of the Company – FGP Venture sp. z o.o. based in Wrocław, has filed the request to appoint Sergiusz Borysławski as the Member of the Executive Board for a term of office for 3 years.

The Executive Board of PiLab SA thus remains the same and comprises of the following members:

- Paweł Wiczyński – The President of the Executive Board,
- Krystian Piećko – Member of the Executive Board,
- Siergiusz Borysławski – Member of the Executive Board.

6. NOTES TO FINANCIAL DATA.

The following exchange rates were applied:

EUR:

from	to	for Balance Sheet	for profit and loss	for cash flow
01.04.2018	30.06.2018	4,3616	4,2607	4,2607
01.04.2017	30.06.2017	4,2265	4,2168	4,2168

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.